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Headhunters Have Layoffs Too

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Posted by Zach Lowe
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It was early 2007 when Tony Obst decided to leave an established recruiting firm and launch his own business with a focus on placing associates. He was having lots of success at Stofsky & Schiller Legal Search, and he felt ready to break out on his own, especially if it meant keeping 100 percent of his placement fees.

Two years later, Obst, a lawyer, is spending lots of time at home in New Jersey. He's out of the recruiting business and looking for a job. Over the recent holiday season, he sublet his office space, shut off his office phone line, and took down his firm's Web page.

"The associate market just froze," Obst says. "It was devastating."

The headhunting industry is experiencing its most violent retrenchment in recent history with shops huge and small laying off headhunters or watching as recruiters hard up for commissions simply leave the business. Those that remain are retooling their practice to focus exclusively on partners and firm mergers, leaving thousands of laid-off associates with fewer recruiters to turn to for help.

"I've never seen anything like this before," says Mark Henley, who founded Smythe Masterson & Judd in 1980. Smythe has reduced its headhunting staff from 14 to 5--a process Henley says he began in 2007--and does almost no work with associates. The result, he says, is that the firm had its highest ever profits-per-headhunter in 2008.

Major, Lindsay & Africa recently laid off about 10 percent of its headhunters--15 people--and a larger percentage of its staff, says Jonathan Lindsey, managing partner of the New York office. A majority of those recruiters focused on associates, Lindsey says. Mestel & Company laid off an "insignificant" number of associate headhunters and is retraining the rest to handle partner placements, says Lynn Mestel, the company's president and founder.

Sivin Tobin Associates, founded in 1994, cut its headhunter staff in half—from ten to five, says co-founder Eric Sivin. (The firm did make one recent addition: they hired Leslie Bodner, former head of partner recruiting at Heller Ehrman, to open a Bay Area office).

"We've had some associate recruiters move on," Sivin says. "We have to devote more of our resources to partners."

Reports of layoffs and attrition are coming from everywhere, says Marina Sirras, head of Marina Sirras & Associates in New York and current president of the [National Association of Legal Search Consultants](#) (NALSC).

Sirras say some associate recruiters who've held onto their jobs have decided to walk away after their bosses reduced or eliminated their draw (the stipends they receive between commissions). They typically must return a large chunk of the stipend to their firm once they make a placement and earn a commission, Sirras and others say.

"They were in the red so much because of the draw that I just couldn't keep them," Lianne Stofsky, co-founder of Stofsky & Schiller, says of recruiters who had their draw reduced. "It just wouldn't be good business."

The new focus on partners isn't necessarily a bad thing for associates on the job market, says Joseph Ankus, head of Ankus Consulting in Florida and an executive director of NALSC. The market for associates now is so tight that using a recruiter that carries a hiring fee might cost an associate the slim chance he or she has at landing a good job.

"If they put my fee on their head, they're not even going to get an interview," Ankus says. "That's the first thing I tell associates when they call."

Ankus, who has two other full-time employees in his shop, actually hired someone in recent weeks. So did Sirras, whose Web page lists 13 recruiters, and [Michael Lord](#), who went from two recruiters (himself included) to three in January. Those who are adding realize they are bucking the trend but say they have plucked experienced recruiters who will, they hope, find creative ways to make money in a down economy.

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Recruiters say that those who survive this downturn will find fewer competitors around them when the economy recovers.

"The hackers will be weeded out," Ankus says. "This is Darwinism. It's recruiter Darwinism."

As for Obst, he's not coming back. He's applying for jobs at non-profits, hoping his experience as a volunteer and a lawyer sets him apart from what's sure to be a flood of applicants.

"I am not in the legal search business anymore," he says.

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