

Special report

Portugal

After the bailout

The world downturn has hit Portugal particularly hard and trainee numbers have been slashed, but there are grounds for cautious optimism

Ruth Green

As times continue to be tough in the Portuguese market, lawyers are trying to make the most of opportunities both at home and abroad to help keep the local economy afloat.

"The crisis has affected the entire country and of course lawyers and the legal market have been affected as well," notes Nuno Galvão Teles, managing partner of *Morais Leitão Galvão Teles Soares da Silva (MLGTS)*.

Although Galvão Teles believes that the crisis has affected the legal market perhaps less than other sectors, he admits the impact cannot be underestimated. "I think the legal market was the last area to be affected and probably the first area to recover, but the reality in Lisbon is that the impact of the crisis has been very heavy and many firms are facing problems."

While things aren't exactly getting better, 2012 has not shown a marked difference from last year, according to Diogo Perestrelo, managing partner of *Cuatrecasas Gonçalves Pereira* in Lisbon.

"I cannot say that the crisis has been good for us, but the reduction

In brief

Portugal has been bailed out by the EU but its unemployment rate continues to rise and the economy is struggling. Lawyers are eyeing up other jurisdictions and new sources of work, as well as cutting back on recruitment, to make the best of life in a difficult climate.

in work hasn't been very significant compared with last year and is at more or less the same level," he remarks.

"I'm quite curious to see what happens in the next few months, but in a crisis, you still need a lawyer, you still need to be very competitive in terms of fees and clients are looking increasingly for fixed fee rates with their law firms," he adds.

Looking forward

Rather than dwelling on the past 24 months, however, most firms are trying to look to the future and seek out other opportunities for work,

according to Manuel Santos Vitor, managing partner and head of corporate and M&A at *PLMJ*.

"The focus is now on hoping things will improve in the next six to 12 months, and the fact that the privatisation programme continues is a very good sign," says Santos Vitor.

Although market activity has stayed fairly static compared with last year, the intervention by the European Commission, European Central Bank and the International Monetary Fund – the Troika – in Portugal's economic affairs last March and the harsh austerity programme that was unleashed on the country have had huge ramifications for the Portuguese banking sector. The country's banks were duly told that they had no choice but to reduce their reliance on outside funding and push down their loan-to-deposits ratio to at least 120 per cent by 2014.

"It's not been easy and the aid programme has meant a very sharp and strong adjustment for the country with a visible impact on our society as well as our economy," stresses Santos Vitor.

Portugal: key figures

GDP (2011)

\$237.5bn

Annual inflation

3.2%

Population

10.64m

Life expectancy

79.2

Unemployment (Q2 2012)

15%

Sources: World Bank, National Statistical Institute of Portugal

"We've definitely felt a change in the type of work we're seeing because of the Troika intervention as banks have needed to adapt their regulations and their documentation," comments Joana Andrade Correia, corporate co-head at *Rapo-*



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Joana Andrade Correia

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so Bernardo. "We have been working to help a number of banks in Portugal with this process. So in the banking and finance area, strangely enough, the work hasn't decreased, it's just changed and there are some interesting developments in the market," she adds.

International operations

Naturally, most lawyers are keen to highlight the significance of their international offices, which are arguably playing an even more crucial role, given Portugal's current economic climate.

"Our Poland office is doing very well as the market is strong in construction, PPPs and banking and finance," notes Andrade Correia.

Raposo Bernardo's association with law firms in Lusophone Africa are also providing a much-appreciated alternative source of work. "It's also true that many companies are now approaching us when they're looking to invest in this part of the world, which is a great opportunity for us," she adds.

However, Santos Vitor is quick to highlight that work stemming from Lusophone Africa is additional rather than making up for a decrease in domestic work back home.

"Although we're very pleased with how things are going in our associated offices in Angola and Mozambique, around 50 per cent of our client base is still Portuguese and we will not turn our back on our traditional roster of clients, but try to provide an adequate balance of international and local work," he stresses.

A new labour code

Back on the home front, although Andrade Correia notes that project

Making the best of it

Times are certainly tough in Portugal right now, so how are firms coping with the crisis?

"The top clients are demanding even more co-operation and being much more careful about controlling their costs, as well as how they work with external law firms," comments Nuno Galvão Teles of MLGTS. "There's a push to keep down internal costs, so this is naturally having a huge impact on the legal market."

Price dumping is a growing trend among some firms as they struggle to maintain workflow.

"I've seen some examples of firms price dumping, but this is collective suicide and not something my firm would consider," Galvão Teles stresses.

However, in spite of the growing pressure on both law firms and in-house teams to cut costs there has been no significant change to pricing structures in the market, according to PLMJ's Manuel Santos Vitor.

"Fixed caps and fixed fees are and always have been the way things work in Portugal, and I don't think this has changed much," he says.

finance work has decreased rather dramatically, other areas, such as labour, are experiencing a boom.

"Our labour work has increased a lot as there are a large number of companies that are dismissing many employees and even if there aren't dismissals involved, there is a lot of company restructuring go-

Otherwise, Santos Vitor points to ways in which PLMJ and other firms are trying to make the best of the situation.

"We've tried to improve our flexibility so lawyers who are working in areas that may be less busy at the moment are able to work in other areas," he says. "Lawyers don't want to sit around and do nothing when they could be helping out and this approach has been working very well so far."

Certainly, although movement in the market has been rather slow in recent months due to the prevailing uncertainty, firms are still hiring in areas they feel warrant greater expertise. For example, Cuatrecasas recently hired competition specialist Marta Flores da Silva from Freshfields Bruckhaus Deringer along with employment consultant Joana Vasconcelos to boost its expertise in these fields.

"We've hired in some areas such as labour, IP and competition, as we've identified that we need to have more people with experience in these sectors because that's where the market's changing," highlights Diogo Perestrelo.

ing on, which also requires a lot of legal advice," she says.

Moreover, there have been a number of recent changes to the country's labour legislation, which include allowing employees to work an extra two hours per day, 50 per cent cuts in overtime payments, the removal of four public

holidays and a clause that effectively makes it easier for employers to dismiss workers when their post disappears or when they are deemed incapable of adapting to new working conditions.

Unsurprisingly, the new Labour Code, which came into force on 1 August, has sparked protests across the country, but usefully for the legal market it has also led to an uptick in demand for labour and employment advice as employers and employees grapple to get their heads around the new legislation.

"The recent reforms to our labour laws have effectively given companies more rights to dismiss employees, among other things, and so have given us more work in this sector," notes Perestrelo.

Record unemployment

With unemployment in Portugal reaching a record high of 15 per cent in June this year, changes to labour law in the country are a serious business, he adds. "A lot of companies are using different instruments to readjust their costs and this is a difficult thing in a market where unemployment is already very high."

In the legal market itself, the onset of the eurozone crisis has caused firms to develop a much more cautious approach to their hiring strategies, while still trying to encourage the younger generation to pursue a career as a lawyer.

"We've had to be very rigorous and try to be prepared over the past three years for what's coming, making us much more disciplined in terms of our financials and our operations, and when recruiting, we've had to be much more accurate



"There's a push within companies to keep costs down and this is having a huge impact on the legal market"

Nuno Galvão Teles

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“The recent labour law reforms have given us more work in this sector” Diogo Perestrelo

in our selection,” acknowledges Galvão Teles.

Four years ago MLGTS reduced the number of trainees it was hiring and now takes on between 12 and 17 trainees a year.

Recruitment cuts

It has been a similar story for many other Portuguese firms. Cutrecasas typically recruited 12 to 15 trainees a year before the crisis but now the firm has taken the difficult decision to reduce its trainee intake to between five and eight a year as it strives to train only as many lawyers as it thinks it can re-

alistically give jobs to at the end of their training.

“It’s been difficult to accommodate so many new lawyers in the current climate and in Portugal trainees are with firms for three years before they qualify, so we don’t want to be in a position where we have more trainees than we want to keep on at the end,” comments Perestrelo. In September 2012, Cutrecasas took on six trainees in its Lisbon office.

“I believe law firms have a responsibility to trainees to provide the best possible training and experience,” stresses Santos Vitor, whose firm PLMJ has typically taken on around 10 trainees in recent years, a marked reduction on the pre-2008 intake.

“Some firms have struggled to keep trainees on and have even had to let go of trainees during their training period – something that is unheard of in Portugal,” he adds.

Not wishing to resort to this method, he notes that PLMJ have become increasingly stringent in its selective procedures. “We’ve had to be very selective when it comes to hiring trainee lawyers and have put a huge effort into this to make sure they’re happy and that we pick people that we ultimately want to keep after their training has finished,” he adds.

While Raposo Bernardo is still in the process of hiring this year’s intake of trainees, Andrade Correia admits that the market is very tough at the moment for younger lawyers trying to get into the profession.

“It’s very difficult and we’re living through a very difficult time, but of course young lawyers must have hope. They must be persis-

Junk shock: the road to austerity

March 2011: Prime minister José Sócrates resigns after the Portuguese parliament rejects a proposed austerity package

April 2011: Portugal becomes the third country in the EU to seek financial assistance to help it cope with its budget deficit

May 2011: Portugal’s three-year €78bn (£63bn) bailout package is approved by European finance ministers

June 2011: The ruling Socialist Party is ousted during parliamentary elections and the Social Democratic Party forms a coalition government with the Popular Party

July 2011: Moody’s downgrades Portugal’s credit status to ‘junk’

August 2011: Portugal proposes its programme to impose spending cuts in an effort to raise capital gains taxes and increases levies on corporate profit and high earners

November 2011: Protests bring

the country to a standstill a week before parliament is due to vote on the programme

January 2012: The country’s largest trade unions, the CGTP and the UGT, dispute whether to sign up to new labour law reforms proposed by the government under the terms of the bailout package. UGT eventually reaches an agreement with the government

March 2012: More strikes paralyse the country in protest against labour law reform and austerity measures

May 2012: Portugal announces plans to cut four of its public holidays for a five-year-period in an effort to boost the productivity of the country’s workforce

June 2012: Portugal’s unemployment rate reaches 15 per cent

August 2012: The new Labour Code comes into force

“I’ve seen some examples of firms price dumping but this is collective suicide” Manuel Santos Vitor (below)

tent and hardworking and not hope to have an easy life. At this moment in time trainee lawyers have to really show their availability and their willingness to work and learn,” she says.

“Even though the situation is very difficult in Portugal at the moment, I still think there is a place for everyone. Although it may be more difficult now to get that chance, once you have it, you must be prepared to work very hard and prove your worth.”



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