Law Firm Survey 2025

Resilience and recalibration

Navigating the legal sector's inflection point

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Foreword

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Global Legal and Professional Services Sector Leader

We are delighted to present our 34th Annual Law Firm Survey. This year's survey paints a picture of a global legal market navigating a complex landscape marked by regional disparities, in an unprecedented period of cyber-attacks and macroeconomic uncertainty. Against this backdrop, the UK, USA and Australia have delivered robust growth, while China and the Rest of Asia continue to present challenges. The largest UK firms remain financially strong but are increasingly focused on managing geopolitical risk, competition with the US market and the rapid evolution of AI. The performance of the smaller to mid-market firms is also encouraging. It's clear that those firms who best execute growth strategies, adopt innovative pricing, invest in partner development and accelerate technology adoption will be best positioned to deliver sustainable performance. Please get in touch to discuss any of our findings.

Lucy Robson

Tax Leader, Law Firm Advisory Group

The UK legal market continues to demonstrate resilience, with the majority of Top 100 firms achieving fee income growth and many also seeing positive movement on net profit margin. However, growth rates have slowed, and all firms face increasing pressure from pricing constraints. Smaller firms are challenged by talent shortages and new entrants. To address these issues, UK law firms should refine pricing strategies and upskill fee earners at all grades, embrace AI and technology to drive efficiency, and focus on talent development and retention.

The rapidly evolving landscape and sustained focus on the sector, combined with overdue technology investments, means that strengthening working capital management and operational discipline will be critical. With the right focus, UK firms can build resilience, sustain growth, and remain competitive in a changing market.

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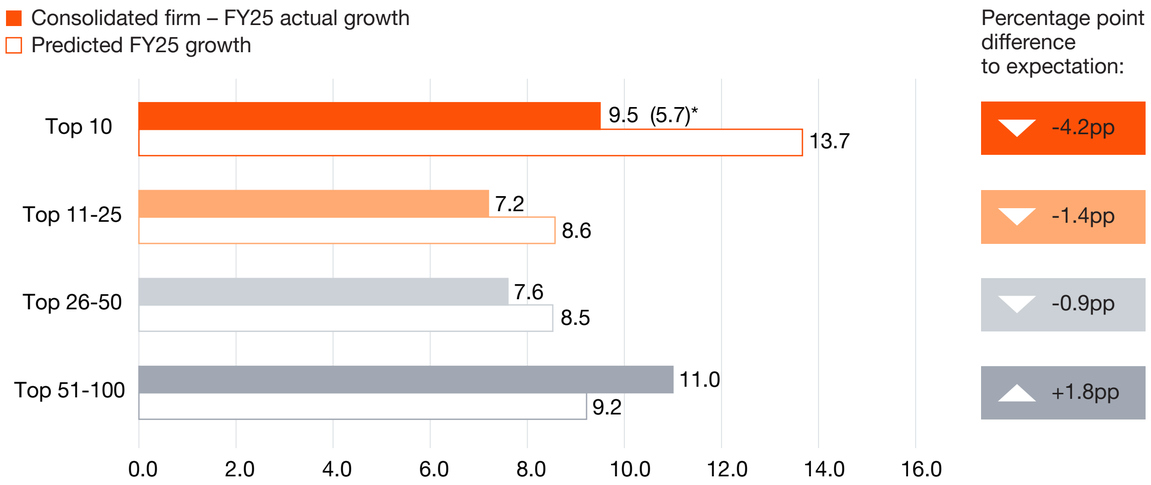
Overview

Resilience and divergence in the Legal Sector

The 2025 results highlight a sector that is challenged but resilient, with performance diverging between global and UK markets

Overall, growth is moderating and uneven. The majority of firms have struggled to keep pace with fee income aspirations, especially across the Top 50 bandings where there were shortfalls of between c.1 and 4 percentage points. Conversely, Top 51–100 firms pushed fee income up on average by 11.0% against budgeted growth of 9.2%.

FY25 fee income movements (%): expected vs actual



* The Top 10 is skewed by a single outlier resulting from an international business combination. If this was excluded, the average fee income growth would be 5.7%.

While global firms delivered strong fee income growth, UK performance continues to outpace international markets, reflecting its central role in sustaining growth. Regional disparities persist, with the USA, Central and Eastern Europe, and Australia performing strongly, but China, and Rest of Asia remaining weak. Profitability broadly tracked revenue growth, yet margins contracted as staff costs rose, particularly in mid-market firms, underscoring the need for more disciplined cost management.

In the UK, market bifurcation is deepening. Whilst firms remain financially strong there is divergence in terms of focus. Large firms are increasingly aware of geopolitical exposure, competition from US entrants, and the disruptive potential of AI. Mid-market firms face intensified pressures from pricing constraints, persistent inflationary drag, and limited success in executing strategic initiatives, while smaller firms are contending with talent shortages and disruptive new entrants.

Organic growth strategies are broadening, but execution remains a critical differentiator, with many firms dissatisfied with results despite increased focus on pricing, partner incentives, and structural change. AI adoption is accelerating, with over half of Top 50 firms realising productivity or financial benefits from AI tools deployed. However, client expectations for efficiency gains are fuelling downward fee pressure, making the adoption of new pricing models, such as fixed fee, and partner training on negotiation essential to safeguarding profitability.

Finally, workforce strategies are shifting. Top 10 firms reduced headcount by 2% through fee-earner and trainee reductions, along with de-equitisation, while mid-market firms selectively expanded, especially among the Top 26–50. Partner structures are evolving, with greater reliance on fixed-share and non-equity models to manage costs and protect returns. At the same time, falling chargeable hours and rising spare capacity, particularly among senior fee earners, point to an urgent need to recalibrate targets and incentives in an increasingly technology-enabled environment.

02

Key themes

Global financial performance

5.7%*
average global fee income growth across Top 10 firms

6.7%
average global fee income growth across Top 11–25 firms

0.6
percentage points increase in net profit margin for Top 10 firms to 37.4%

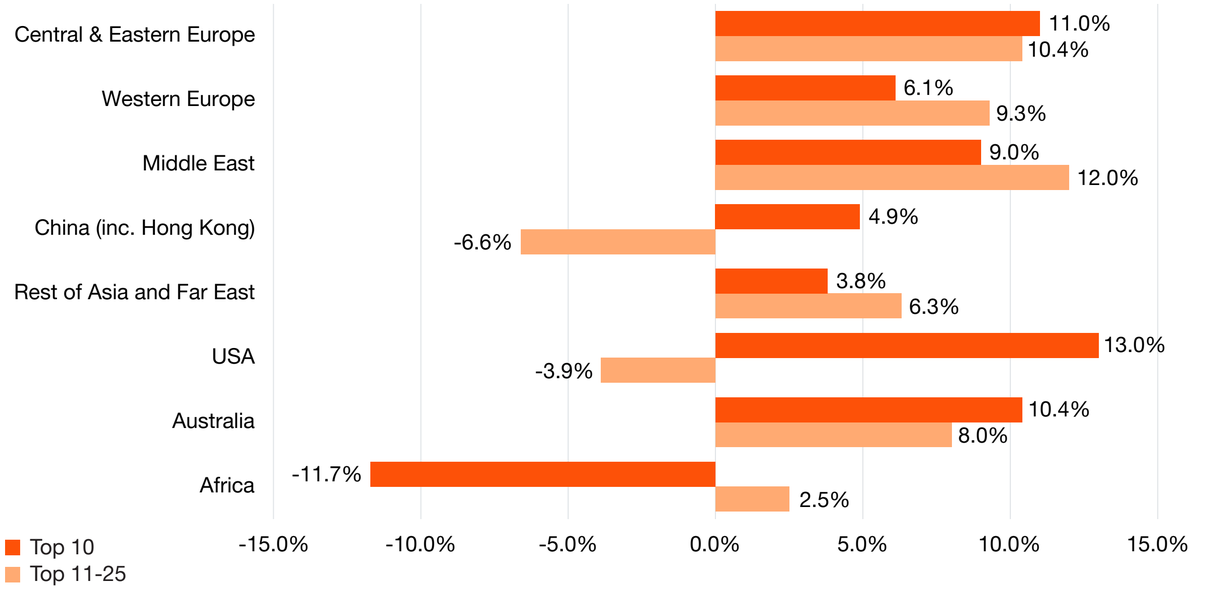
0.3
percentage points fall in net profit margin for Top 11–25 firms to 25.0%

The Top 10 and Top 11–25 global law firms record fee income growth of 5.7%* and 6.7% respectively

International fee income growth has lagged behind that of the UK. Top 10 firms have reported UK fee income growth of 8.1%, compared to just 5.2% across all international regions.

Although some regions have delivered robust results, Western Europe, traditionally a strong performer, has been unexpectedly subdued this year. The regions leading fee income growth among the Top 10 are the USA (13.0%), Central and Eastern Europe (11.0%, albeit from a smaller base), and Australia (10.4%). In contrast, Western Europe (6.1%), China (4.9%), and the Rest of Asia (3.8%) have experienced more modest growth.

Fee income growth by international region



Top 10 firms have found it challenging to generate substantial returns from China and the Rest of Asia, despite having long-established offices in these markets. Africa has also proved difficult, with all Top 10 firms in the region reporting declines in fee income (average fall of 11.7%).

Similar regional trends are evident among Top 11–25 firms, though with some notable differences; both China and the USA have seen average fee income declines of 6.6% and 3.9% respectively, while Africa has experienced modest growth of 2.5%.

* The Top 10 is skewed by a single outlier resulting from an international business combination and if this was included, the average fee income growth would be 9.5%.

International law firms have found it challenging to maintain a consistent baseline of performance across all regions. Certain markets have demonstrated reliable strength over recent years, while other regions continue to present persistent difficulties in delivering sustained returns. China is one example where, over the past 12 to 24 months, several major US law firms have closed offices or severed ties with the region.

Whether UK law firms follow a similar path remains to be seen. For those contemplating such a move, considerations will extend beyond immediate financial returns, including the strategic importance of the region to global clients, the potential to attract new clients, and the broader implications for global revenue streams.

Examining the drivers of fee income growth reveals a marked divergence between the Top 10 and Top 11–25 ranked firms. The Top 10 have largely achieved growth through rate increases, supported by stable chargeable hours. In contrast, approximately two-thirds of fee income growth among Top 11–25 firms has been generated by increased hours, reflecting their ongoing investment in expanding their international presence.

Profitability trends further underscore the differences between these groups. Top 10 firms have successfully converted fee income gains into profit growth, with net profit margin improving by 0.6 percentage points to 37.4%. Conversely, Top 11–25 firms have struggled to keep pace, with their average net profit margin declining by 0.3 percentage points to 25.0%. The financial pressures of competing with larger firms and the costs associated with international expansion are clearly weighing on profitability in this segment.

Global – Average percentage profit and loss account

	Top 10		Top 11–25	
	2025 %	2024 %	2025 %	2024 %
Fee income	**100.0**	**100.0**	**100.0**	**100.0**
Staff costs – fee earners	27.3	27.7	28.6	27.6
Staff costs – non-fee earners	11.8	11.9	15.4	15.4
Property costs	6.8	6.9	6.4	6.8
IT revenue costs	3.5	3.3	3.3	3.0
Marketing and BD costs	1.0	1.0	1.5	1.5
Finance function costs	0.8	0.8	0.9	0.8
Depreciation	1.6	1.6	1.7	1.3
Insurance costs	1.4	1.3	1.5	1.3
Bad debts and disbursements	0.6	0.9	1.4	1.5
Foreign exchange differences	0.5	0.2	0.1	0.1
All other costs	4.6	4.8	4.6	5.5
Profit before fixed share equity remuneration	**40.1**	**39.6**	**34.6**	**35.2**
Fixed share equity partners' remuneration	2.7	2.8	9.6	9.9
Net profit margin	**37.4**	**36.8**	**25.0**	**25.3**
Staff cost ratio (all staff costs)	39.1	39.6	44.0	43.0
Staff cost ratio (all staff costs, inc. FSEP costs)	41.8	42.4	53.6	52.9

UK financial performance

95%
of Top 100 law firms have achieved UK fee income growth

41.8%
net profit margin reported by Top 10 firms, up 0.6pp on 2024

0.9
percentage points fall in net profit margin for Top 26–50 firms to 24.3% (0.3 pp less than the Top 51–100 average)

4-6%
increase in PEP for Top 10, 11–25 and 51–100 firms

Once again, an overwhelming majority (95%) of UK offices of Top 100 law firms report growth in fee income

While these increases are particularly impressive given the challenging market conditions, it is noteworthy that the average rate of growth within each band has slowed compared to the previous year.

The Top 51–100 firms recorded the highest growth in UK fee income for the second consecutive year, although this growth is measured from a comparatively smaller base.

In the UK, the primary driver of fee income growth continues to be achieved through rate increases, as firms reported relatively stable chargeable hours (generally remaining within 5% across all bandings). The blended average hourly rate has shown a notable upward trajectory, increasing by between 3.2% and 10.5% year-on-year across the various bandings. However, only Top 10 and Top 51–100 firms reported a strong performance when compared against an average inflation rate of 3.4% for the year to April 2025.

UK average fee income growth

Top 10	Top 11–25	Top 26–50	Top 51–100
+8.1%	+7.1%	+7.2%	+11.0%
2024: 11.6%	2024: 9.8%	2024: 11.7%	2024: 12.5%

UK average rate per hour

Top 10	Top 11–25	Top 26–50	Top 51–100
£496	£336	£289	£262
+10.5%	+ 3.4%	+3.2%	+6.1%

Law firms must remain cognisant that, in the current market environment, sustaining rate increases that outpace inflation will likely prove challenging. Prevailing market conditions have prompted clients to scrutinise their cost structures more closely, often seeking greater efficiencies from all service providers, including legal advisors. While this heightened focus on value may not necessarily impact rates or overall fee income, it is probable that securing substantial rate increases will become increasingly difficult. Further, the growing adoption of technology is poised to influence pricing models and may prompt further shifts away from the traditional ‘rate per hour’ approach.

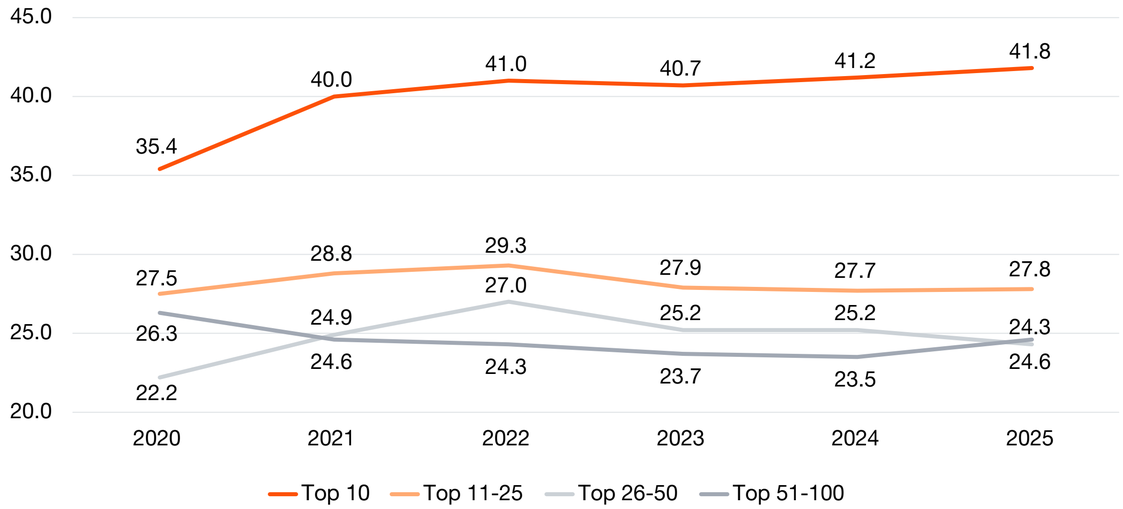
UK – Average percentage profit and loss account

	Top 10		Top 11–25		Top 26–50		Top 51–100	
	2025 %	2024 %	2025 %	2024 %	2025 %	2024 %	2025 %	2024 %
Fee income	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Staff costs – fee earners	26.5	26.4	29.3	29.7	30.6	30.1	32.1	33.1
Staff costs – non-fee earners	9.2	9.5	15.7	14.5	15.7	15.1	14.6	15.0
Property costs	6.4	6.6	5.9	6.2	5.6	6.1	5.6	6.0
IT revenue costs	3.4	3.2	3.7	3.5	4.0	3.5	4.5	4.6
Marketing and BD costs	1.0	1.0	1.3	1.3	1.8	1.6	1.9	2.1
Finance function costs	0.9	0.9	0.5	0.5	0.1	0.1	-0.4	0.0
Depreciation	1.6	1.7	1.5	1.4	1.8	1.8	1.7	1.7
Insurance costs	1.4	1.4	1.6	1.5	1.9	1.9	2.6	2.9
Bad debts and disbursements	0.2	1.3	0.8	1.0	1.0	1.1	1.0	0.8
Foreign exchange differences	0.6	0.1	0.1	0.0	0.1	0.1	0.0	0.0
All other costs	4.8	4.6	4.4	5.8	4.1	3.9	3.8	3.5
Profit before fixed share equity remuneration	**44.0**	**43.3**	**35.2**	**34.6**	**33.3**	**34.7**	**32.6**	**30.3**
Fixed share equity partners' remuneration	2.2	2.1	7.4	6.9	9.0	9.5	8.0	6.8
Net profit margin	**41.8**	**41.2**	**27.8**	**27.7**	**24.3**	**25.2**	**24.6**	**23.5**
Staff cost ratio (all staff costs)	35.7	35.9	45.0	44.2	46.3	45.2	46.7	48.1
Staff cost ratio (all staff costs, inc. FSEP costs)	37.9	38.0	52.4	51.1	55.3	54.7	54.7	54.9

Approximately two thirds of Top 10, Top 11–25 and Top 51–100 firms achieved profit growth that outstripped their fee income growth. In contrast, firms in the Top 26–50 appear to have faced challenges in this area, with only 22% of these firms managing to do so.

This dynamic has resulted in an improvement in net profit margin performance across all bandings except the Top 26–50, and this has enabled the Top 51–100 cohort to surpass the Top 26–50 firms for the first time since 2020.

Movement in UK net profit margin: 2020 to 2025 (%)



Movement in UK net profit margin

Top 10	Top 11–25	Top 26–50	Top 51–100
+0.6	+0.1	-0.9	+1.1
percentage points	percentage points	percentage points	percentage points
▲	▲	▼	▲

UK profit per full equity partner (PEP)

Top 10	Top 11–25	Top 26–50	Top 51–100
£1.8m	£1.04m	£0.64m	£0.60m
▲	▲	▼	▲
+5.4%	+ 4.1%	-1.6%*	+5.5%

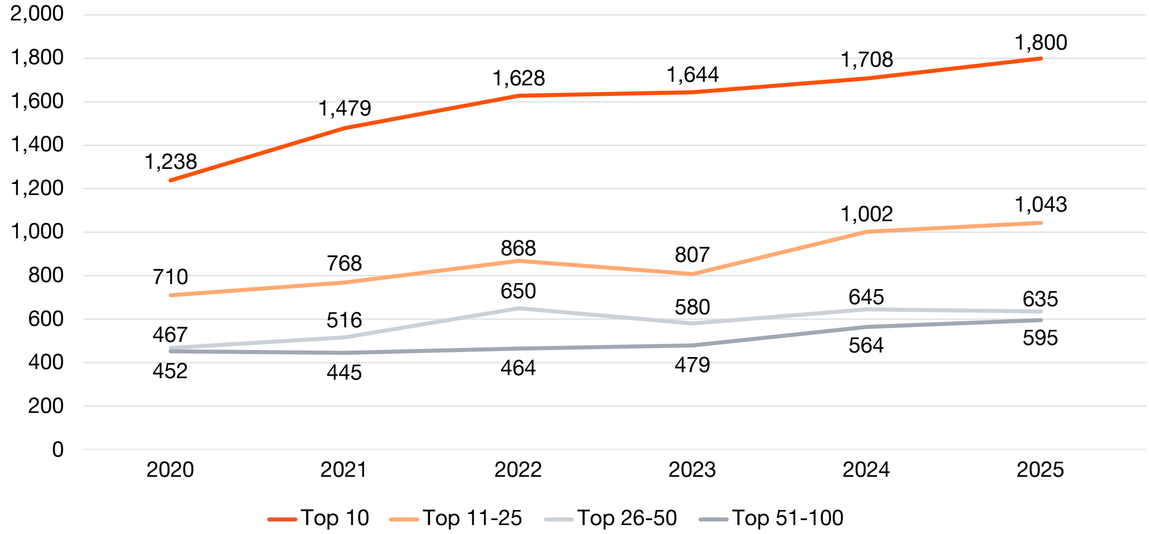
*If the impact of changes in mix were excluded for the Top 26–50 firms, their PEP would have shown a modest increase of 2.1%.

The shifts in net profit margin across the various bandings closely reflect the performance of profit per full equity partner (PEP), with only modest changes observed in the number of UK full equity partners.

The convergence in PEP between the Top 26–50 and Top 51–100 firms is particularly striking, with the gap narrowing from 40% in 2022 to just 7% in 2025. This trend may prompt partners in the larger firms within these segments to be more receptive to opportunities across the broader Top 26–100 cohort, particularly if they perceive that smaller, yet ambitious, firms are capable of delivering comparable returns and aligning with their professional aspirations.

PEP among Top 10 firms continues to outpace that of their peers, as their international reach, the nature of their work, and the upward pressure on rates driven by the presence of US firms, collectively reinforce their competitive advantage over smaller firms.

Movement in UK profit per full equity partner: 2020 to 2025 (£'000)



Strategy

Cyber and macro-economic volatility

are the primary concerns of Top 100 firms

40%-70%

of Top 100 firms, across a number of metrics, are dissatisfied with their organic growth initiatives

16%

saving of hours predicted from adopting AI by Top 100 firms (weighted average hours)

94%

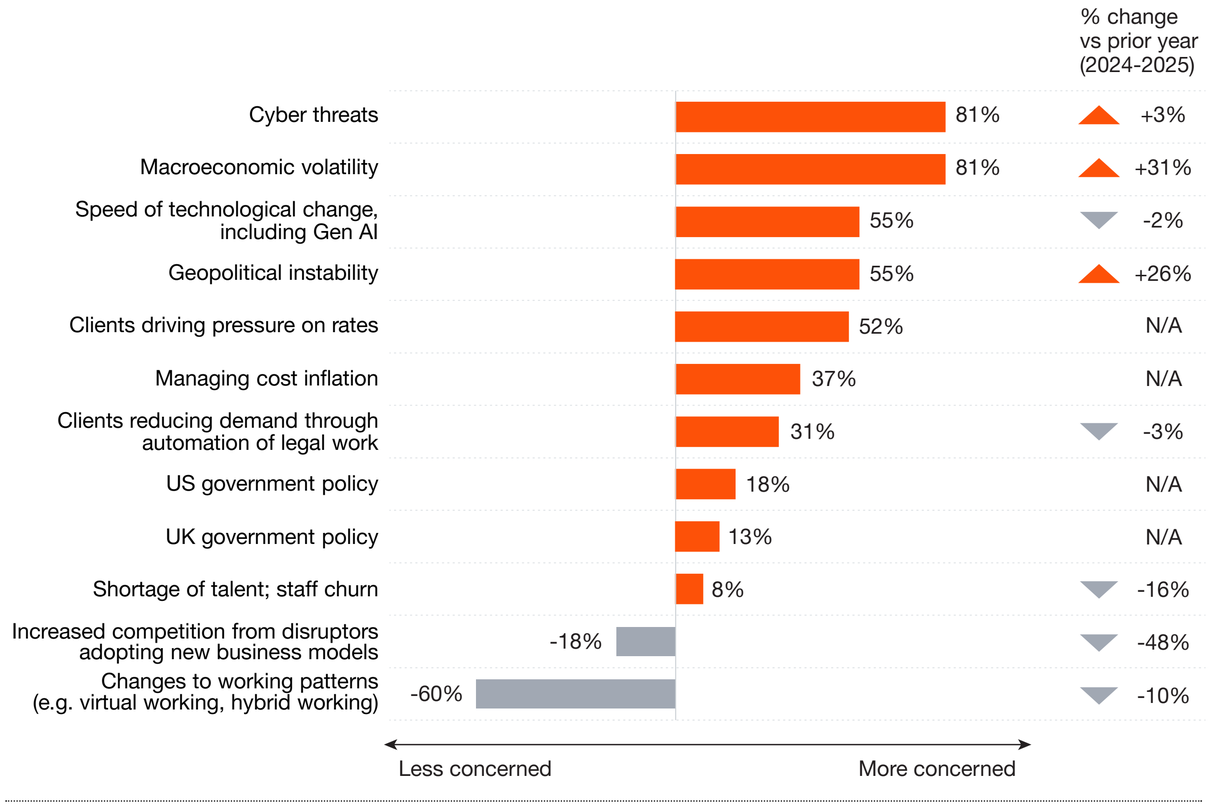
of Top 100 firms have established formal ESG policies

Top 100 firms recalibrate risk priorities amid rising geopolitical tensions and cyber threats

Overall, Top 100 firms are experiencing an intensified sense of risk and uncertainty regarding their prospects for success. Cyber attacks remain the most immediate and pervasive threat, consistently cited across all segments of the Top 100. Unsurprisingly, given the ongoing impact of tariffs, persistent global conflicts, and domestic political challenges, concerns about macroeconomic and geopolitical instability have risen sharply in 2025. These anxieties are particularly pronounced among larger firms and those with significant international exposure.

Conversely, managing cost inflation is no longer viewed as a pressing issue. With high inflation now largely behind us, and wage pressures tempered by a softer labour market, firms are further reassured by expectations of increased automation and the adoption of new and emerging technologies. Additionally, apprehension about disruptive business models has diminished significantly. Initial fears surrounding the rise of AI-driven law firms appear to have subsided, and firms are once again relying on the substantial barriers to entry that characterise the sector.

Key threats to firms meeting or exceeding their ambitions over the next one to two years – net sentiment for level of concern (Top 100)



Growth strategies

Efforts to stimulate organic growth have intensified, with firms embracing a wider array of strategies. Notably, governance around pricing within Top 100 firms has increased by 13% year-on-year, a reflection of both the residual impact of the inflationary period and a proactive response to rising client expectations for cost efficiencies, particularly in the context of AI advancements. Organisational levers, which have traditionally been viewed as more sensitive or challenging, especially among partners, are now receiving greater attention. This year, 15% more Top 100 firms reported they are considering changes to their go-to-market structures, and 16% more are re-evaluating partner incentive models.

Despite these heightened efforts, satisfaction with the outcomes of organic growth initiatives remains subdued. Across most metrics, between 40% and 70% of Top 100 firms report dissatisfaction with the results, highlighting the persistent challenge of embedding sustainable growth practices within the sector.

Firms that have achieved rapid growth tend to distinguish themselves through more effective execution, particularly in areas such as lateral hiring, pricing strategy and controls, and targeted investments in business development and marketing teams.

In contrast, inorganic growth strategies remain relatively restrained, with only modest increases in intent observed over the past year. The most notable shift has occurred among Top 11–25 and Top 26–50 firms, where there has been a slight increase in appetite for international expansion.

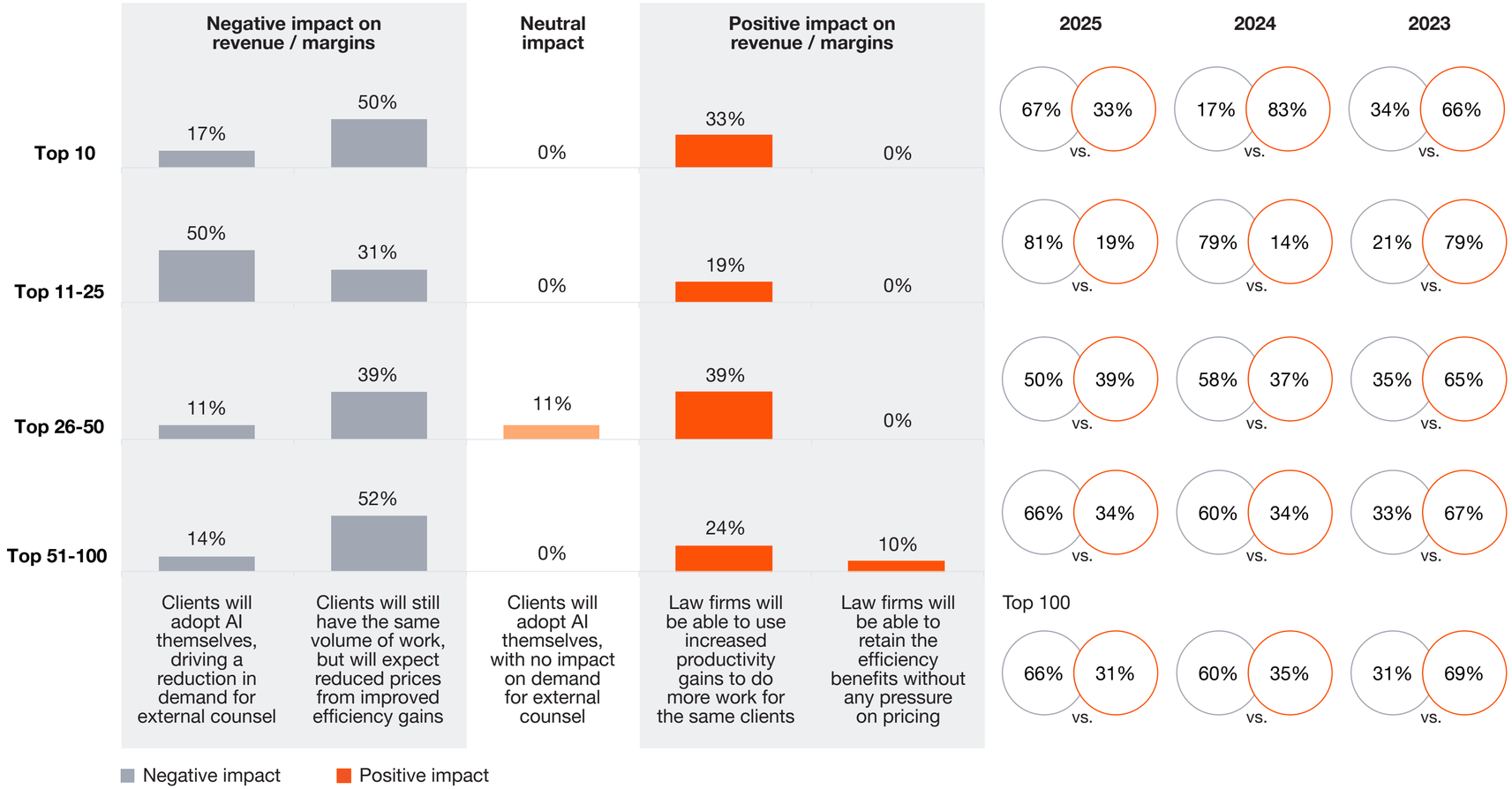
There has recently been a marked rise in media attention surrounding private equity interest in the sector, with deal activity increasing significantly. Despite the recognised need for investment in technology and commercial capabilities, the appetite for external investment among firms remains limited, with only a marginal increase compared to previous years; although, firms are also reviewing their portfolio of activities and may consider mergers or external investment for specific or non-core parts of their business, particularly those that are technology or volume driven.

GenAI

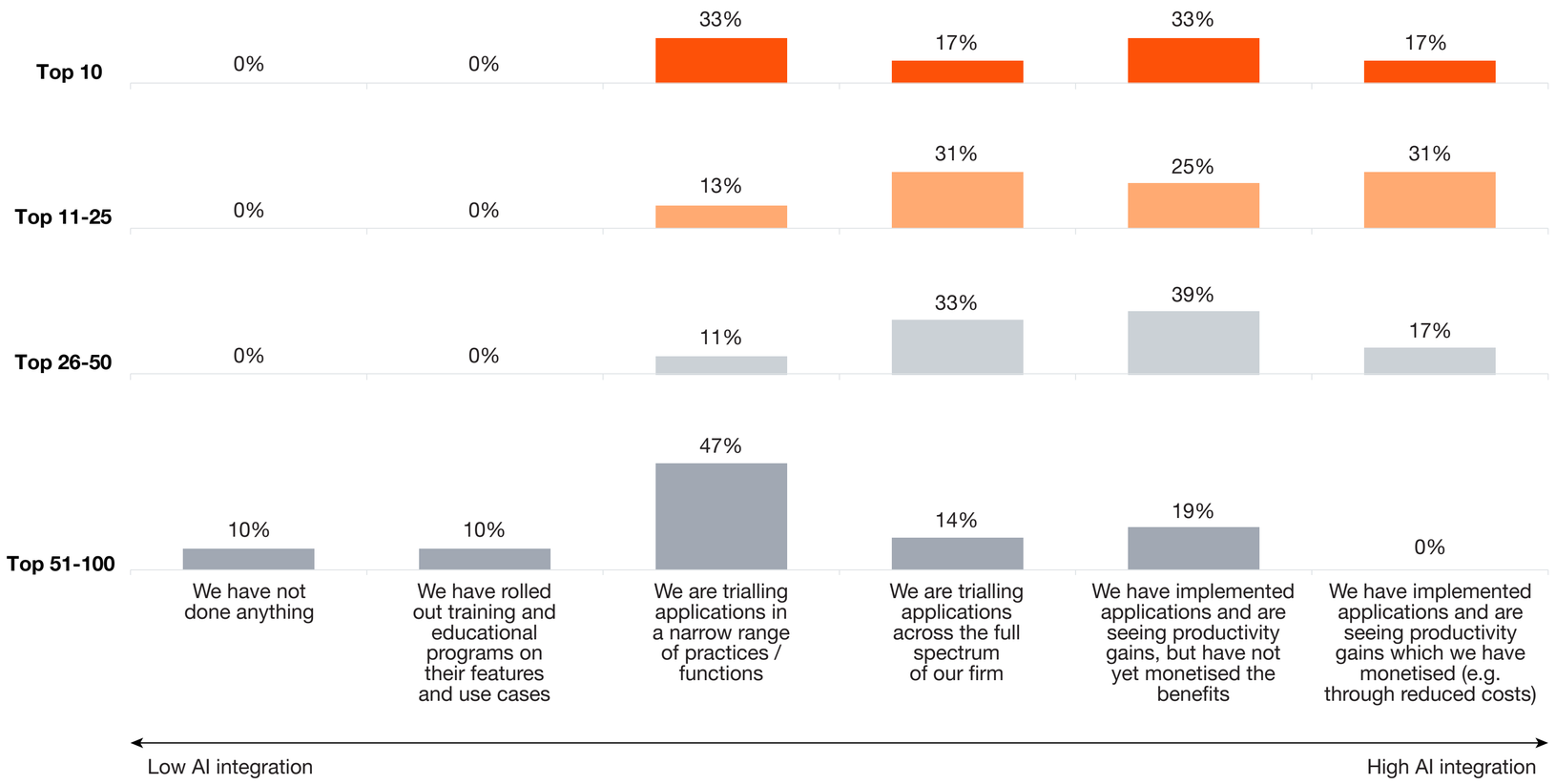
Expectations around AI have become more measured, yet for firms with modest investments to date, the sense of urgency has intensified. Several larger firms are now reaping tangible benefits from their AI initiatives, with some even beginning to commercialise their applications. Interestingly, the more firms have experimented with and piloted these tools, the greater their anticipated gains have become; although, the path to realising commercial value continues to pose a challenge.

Despite previous optimism regarding the transformative potential of AI within the legal sector, there is now a discernible and growing apprehension about price erosion, as clients increasingly expect efficiency gains to translate into reduced costs and exert downward pressure on fees. Further, half of Top 11–25 firms are alert to the risk that clients may embrace comparable technologies, thereby reclaiming work that might otherwise have been outsourced.

Impacts of GenAI on the legal sector if adopted more widely



Extent of usage of AI tools, such as ChatGPT/Harvey



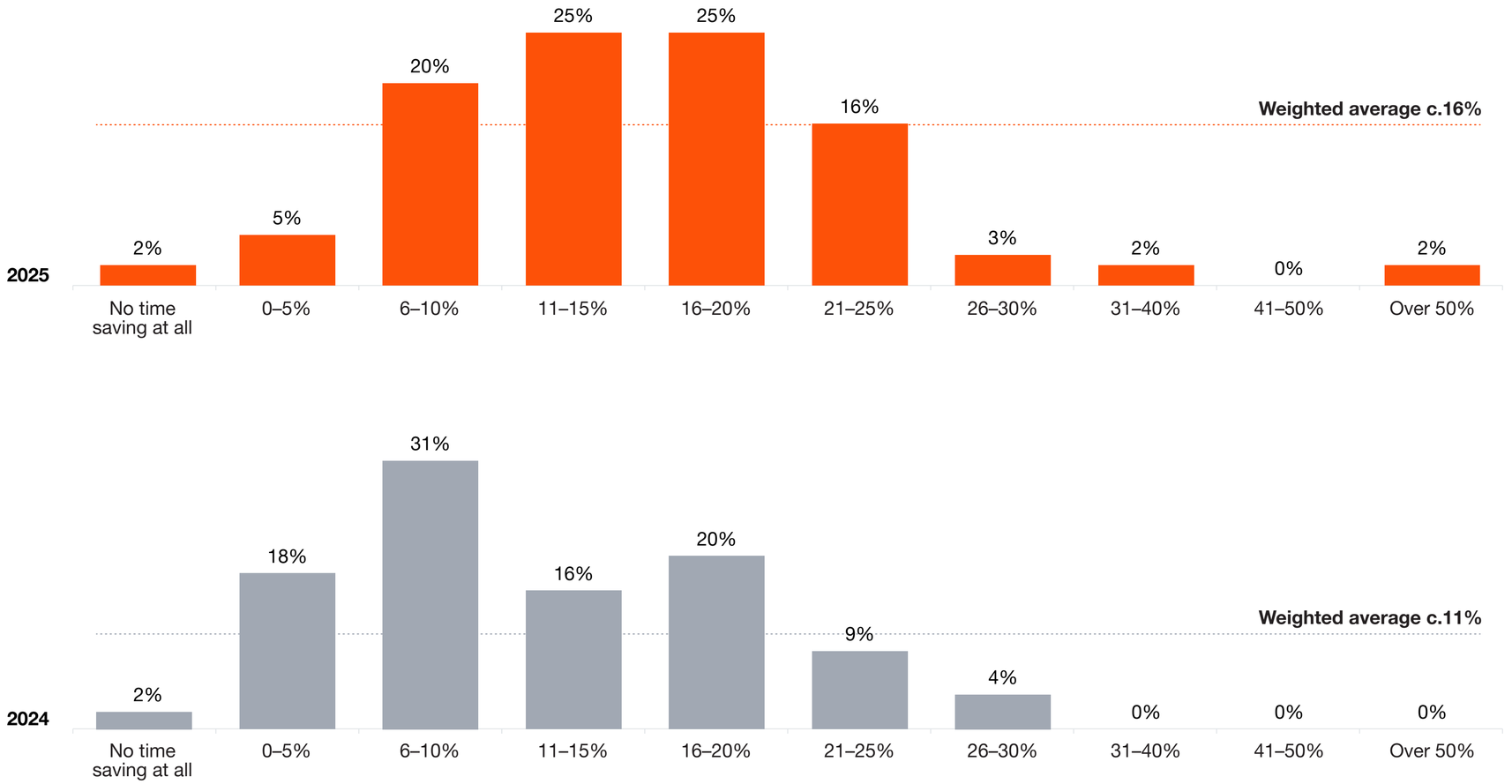
While virtually every Top 100 firm is now engaging with AI in some capacity, the outcomes are far from uniform. Some report clear, measurable improvements in productivity, while others remain in the early stages of adoption, with limited returns to show for their efforts. This has resulted in a fragmented landscape, where scale and investment capacity offer significant advantages, but also heighten the risks if implementation fails to yield commercial value.

Across the Top 50 firms, a notable proportion have achieved either productivity gains or both productivity and monetary benefits from AI adoption: 50% of Top 10 firms, 56% of Top 11–25 firms, and 56% of Top 26–50 firms report such outcomes. In contrast, no firm in the Top 51–100 has yet monetised AI benefits, though 19% are experiencing productivity improvements.

The belief among law firms that AI will yield significant savings in chargeable hours is steadily intensifying. Across the Top 100 firms, the anticipated average reduction in chargeable hours has risen from 11% last year to 16% this year (based on a weighted average calculation). These evolving expectations underscore the urgent need for firms to re-examine and innovate their pricing strategies.

Looking ahead, particularly in those practice areas most affected by technological advancements, there is likely to be a pronounced shift away from traditional hourly billing towards fixed-fee arrangements. In these domains, a substantial portion of legal services will be delivered through technology and AI. Equipping partners with the skills to negotiate fees effectively in this transformed landscape will be critical. Without comprehensive education and engagement of partners, there is a real risk that pricing decisions could undermine both the performance and profitability of law firms.

Proportion of chargeable hours that firms believe could be saved/automated through the use of AI tools (Top 100 firms)



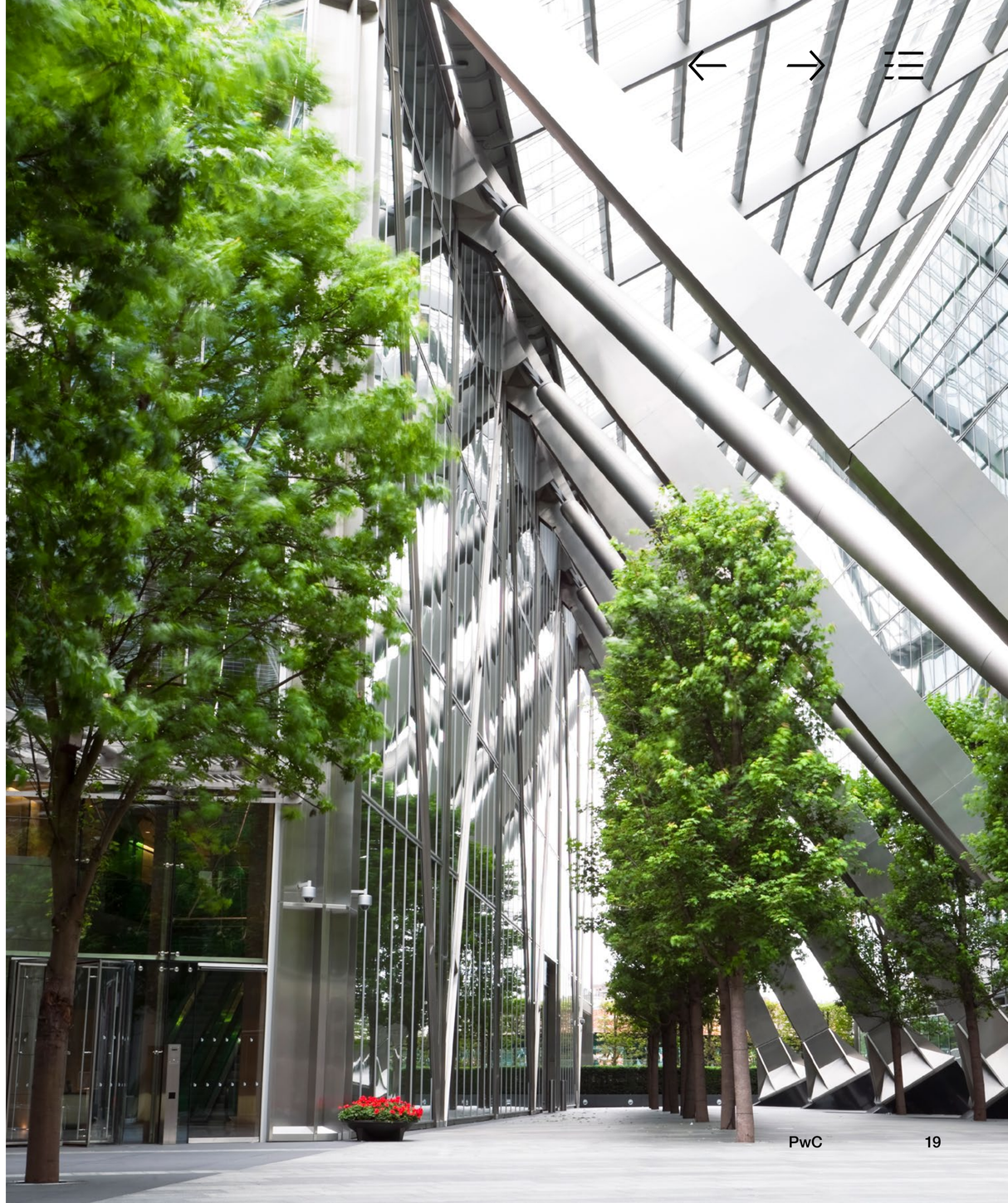
ESG

Environmental, Social, and Governance (ESG) considerations are now deeply embedded within the legal sector, with 94% of Top 100 firms having established formal ESG policies. Notably, more than half of these firms (55%) have fully implemented their policies, representing a significant 13 percentage point increase over the past year.

Law firms widely acknowledge that ESG will influence their business models. However, the anticipated magnitude of this impact appears to be moderating, with the exception of supplier selection, where ESG remains a prominent factor. For instance, in 2024, 37% of Top 100 firms believed that their product and service offerings would be significantly shaped by ESG considerations; this figure has since declined to 25%. A similar trend is evident in recruitment, where the proportion of firms expecting a significant ESG-driven impact falling from 42% to 33%.

A comparable pattern emerges in the setting of clear and measurable ESG targets. There has been a marked increase in the number of Top 100 firms establishing targets for certain areas, such as greenhouse gas emissions (rising from 77% to 87%), representation of individuals from lower socio-economic backgrounds (from 28% to 31%), and client satisfaction metrics (from 46% to 52%). In contrast, there has been a decline in the proportion of firms setting targets related to gender representation (down from 72% to 62%), race and ethnicity representation (from 61% to 57%), and employee engagement metrics (from 60% to 54%).

While ESG is now a well-established priority across the sector, the nature and extent of its perceived impact are evolving. Firms are increasingly selective in the areas where they set ambitious targets, reflecting a more nuanced and targeted approach to ESG integration.



People

2%

decrease in Top 10
total UK headcount

Falling chargeable hours

across most grades in Top 10,
11-25 and 51-100 firms

10.6-16.3%

spare capacity for 1 – 9+ years pqe
staff across the Top 100 bandings

Positive upward trend

in minority ethnic representation at
partner level across most bandings

Top 10 firms adjust workforce strategy amid market pressures, while mid-tier growth continues

Headcount among the Top 10 law firms experienced a 2% decline, effectively reversing the 2.6% growth recorded in the previous year. There are, perhaps, signs of deliberate headcount action by Top 10 firms beyond expected attrition. Moves include consolidation of business services, targeted management of fee-earners with fewer trainees, and de-equitisation.

Outside of the Top 10, UK headcount continued to grow, albeit at a more subdued pace compared to 2024. Incremental increases were observed across all categories, with Top 11–25 and Top 51–100 firms registering overall headcount growth of just 1.2% and 1.5%, respectively. In contrast, Top 26–50 firms demonstrated a more pronounced commitment to headcount growth, with fee earner and business support staff headcount rising by 6.6% and 7.7%, respectively.

UK headcount

	Top 10			Top 11–25			Top 26–50			Top 51–100		
	Average 2025	Average 2024	% mvmt 2024–2025	Average 2025	Average 2024	% mvmt 2024–2025	Average 2025	Average 2024	% mvmt 2024–2025	Average 2025	Average 2024	% mvmt 2024–2025
Full equity partners	154	159	-3.1%	88	89	-1.1%	64	62	3.2%	32	31	3.2%
Fixed share equity partners	52	41	26.8%	65	76	-14.5%	73	68	7.4%	29	26	11.5%
Non-equity partners	1	1	0.0%	31	15	106.7%	10	8	25.0%	13	13	0.0%
Total partners	**207**	**201**	**3.0%**	**184**	**180**	**2.2%**	**147**	**138**	**6.5%**	**74**	**70**	**5.7%**
9+ years pqe	157	132	18.9%	148	158	-6.3%	113	107	5.6%	54	55	-1.8%
6–8 years pqe	122	160	-23.8%	102	89	14.6%	66	60	10.0%	26	26	0.0%
3–5 years pqe	157	158	-0.6%	113	108	4.6%	71	73	-2.7%	33	31	6.5%
1–2 years pqe	113	139	-18.7%	95	83	14.5%	57	50	14.0%	25	26	-3.8%
Newly qualified	60	49	22.4%	27	42	-35.7%	26	23	13.0%	13	11	18.2%
Legal executives and paralegals	128	121	5.8%	146	145	0.7%	127	116	9.5%	55	60	-8.3%
Trainees	130	146	-11.0%	79	81	-2.5%	54	53	1.9%	27	25	8.0%
Total fee earners (including partners)	**1,074**	**1,106**	**-2.9%**	**894**	**886**	**0.9%**	**661**	**620**	**6.6%**	**307**	**304**	**1.0%**
Business support staff	964	974	-1.0%	598	588	1.7%	404	375	7.7%	177	173	2.3%
Total headcount	**2,038**	**2,080**	**-2.0%**	**1,492**	**1,474**	**1.2%**	**1,065**	**995**	**7.0%**	**484**	**477**	**1.5%**

Across all firm bandings, the total number of partners edged upwards, ranging from a 2.2% increase in Top 11–25 firms to a 6.5% rise in Top 26–50 firms. However, the composition of the partnership is undergoing notable change. In both the Top 10 and Top 51–100 firms, the proportion of fixed share equity partners relative to the total partnership is on the rise. Similarly, Top 11–25 firms are seeing an increase in the share of non-equity partners.

This reflects a continuing strategy of offering non-full equity partner roles as a means of managing costs and safeguarding profit per full equity partner. It is incumbent upon firms to determine whether the fixed share equity partner track is intended as a final destination or as a transitional stage, and to articulate clear and distinct role profiles for full equity, fixed share equity, and non-equity partners. Additionally, firms might leverage the fixed share equity partner role as an opportunity to cultivate the commercial and leadership capabilities of future full equity partners, particularly in areas such as pricing, business development, and transformation.

UK chargeable hours

In Top 10 firms, chargeable hours fell across most grades reversing last year's modest gains. This sits alongside strong revenue and profit growth and points to rate and matter mix driving margin more than utilisation. With the exception of paralegals, it is the most senior grades that recorded the largest falls in chargeable hours; fixed share equity partners by 8.6% and 9+ years pqe by 8.3%.

There was more limited movement in chargeable hours across all grades for the Top 11–25, Top 26–50 and Top 51–100 firms, particularly with regard to partners and post qualified staff.The largest movement for those grades and bandings being full equity partners in the Top 11–25, reducing by 3.5%.

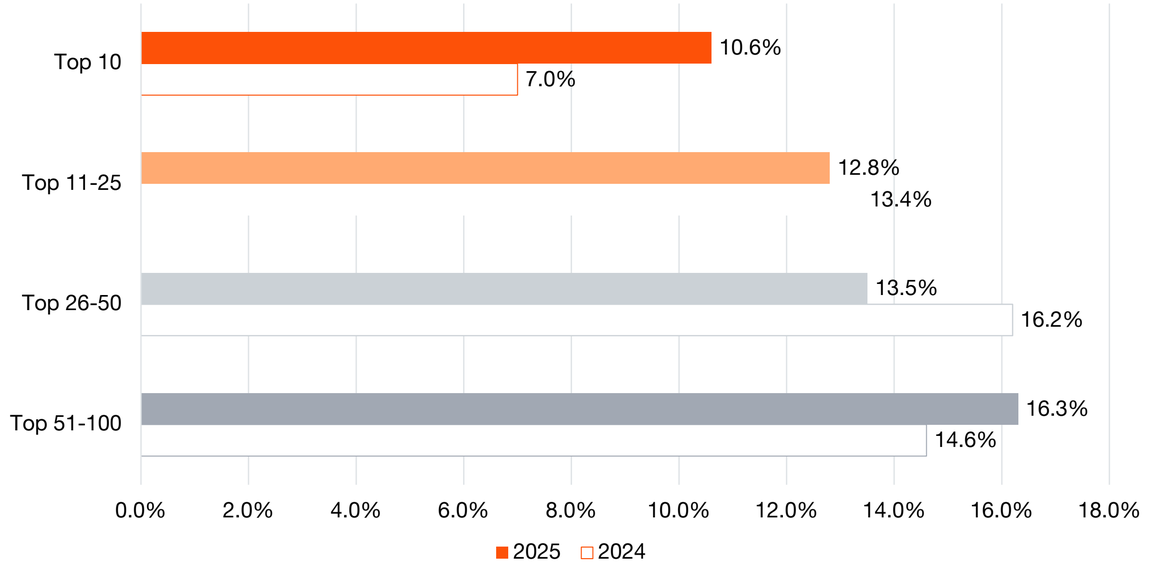
UK chargeable hours

	Top 10			Top 11–25			Top 26–50			Top 51–100		
	Average 2025	Average 2024	% mvmt 2024–2025	Average 2025	Average 2024	% mvmt 2024–2025	Average 2025	Average 2024	% mvmt 2024–2025	Average 2025	Average 2024	% mvmt 2024–2025
Full equity partners	1,125	1,153	**-2.4%**	929	963	**-3.5%**	817	844	**-3.2%**	801	776	**3.2%**
Fixed share equity partners	996	1,090	**-8.6%**	946	932	**1.5%**	924	910	**1.5%**	812	832	**-2.4%**
Non-equity partners				911	931	**-2.1%**	892	910	**-2.0%**	991	968	**2.4%**
9+ years pqe	1,375	1,499	**-8.3%**	1,269	1,239	**2.4%**	1,126	1,125	**0.1%**	1,056	1,080	**-2.2%**
6–8 years pqe	1,435	1,501	**-4.4%**	1,309	1,326	**-1.3%**	1,173	1,172	**0.1%**	1,088	1,126	**-3.4%**
3–5 years pqe	1,515	1,539	**-1.6%**	1,320	1,321	**-0.1%**	1,207	1,193	**1.2%**	1,127	1,154	**-2.3%**
1–2 years pqe	1,521	1,486	**2.4%**	1,305	1,299	**0.5%**	1,196	1,195	**0.1%**	1,118	1,110	**0.7%**
Newly qualified	1,433	1,435	**-0.1%**	1,289	1,199	**7.5%**	1,063	1,065	**-0.2%**	948	1,009	**-6.0%**
Legal executives and paralegals	852	950	**-10.3%**	1,033	1,081	**-4.4%**	960	895	**7.3%**	804	862	**-6.7%**
Trainees	1,105	1,123	**-1.6%**	896	937	**-4.4%**	847	827	**2.4%**	728	774	**-5.9%**

Trends in spare capacity

Spare capacity among fee earners with more than one year post-qualification experience has increased in both the Top 10 and Top 51–100 law firms. In contrast, modest improvements in chargeable hours at Top 11–25 and Top 26–50 firms have contributed to a reduction in spare capacity for post-qualified staff in those bands. Despite these shifts, spare capacity at these experience levels remains elevated, ranging from 10.6% in Top 10 firms to 16.3% in Top 51–100 firms.

UK spare capacity (1 – 9+ years pqe)



Impact of technology on chargeable hours

The movements seen in average chargeable hours are undoubtedly influenced by the growing integration of technology within the legal sector. As firms continue to adopt new technologies, most notably AI, it is anticipated that chargeable hours will either stabilise or decline, particularly under existing headcount models. This trend underscores the need for firms to continually reassess their resourcing strategies as technology advances and client expectations evolve.

Although technological advancements have the potential to significantly enhance the productivity of both fee earners and support staff, law firms have yet to fully reflect these gains in their performance targets and incentive structures. In an increasingly technology-enabled landscape, it may become necessary to recalibrate hourly targets and bonus thresholds to better align with the efficiencies achieved through digital tools. Firms should consider adjusting their pricing strategies and matter scoping to capture the value of these realised efficiencies. Redeploying surplus capacity to areas of highest demand will also ensure optimal resource utilisation and sustained competitiveness.

Diversity

Female representation at the full equity partner level saw progress among all bandings outside the Top 10, with increases of between 1 and 3 percentage points.

Minority ethnic representation at the full equity partner level demonstrated a more pronounced upward trajectory in all bandings, except Top 11–25 firms. The benchmark remained static in this banding, and at 6% it lags significantly behind the other groups.

Female representation at partner level

Top 10	Top 11–25	Top 26–50	Top 51–100
30%	24%	27%	30%
2024: 30%	2024: 23%	2024: 25%	2024: 27%

Ethnic minority representation at partner level

Top 10	Top 11–25	Top 26–50	Top 51–100
12%	6%	10%	11%
2024: 9%	2024: 6%	2024: 6%	2024: 7%

As in previous years, the diversity of talent pipelines within law firms continues to outpace that seen at the partner level. In the Top 10 firms, women account for 61% of trainees and 59% of newly qualified lawyers, while minority ethnic individuals represent 30% and 27% at these respective stages. By the time lawyers reach nine or more years post-qualification experience, female representation stands at 52% and minority ethnic representation at 15%, with both figures declining further at the partner level, as outlined opposite. This pattern is broadly mirrored outside the Top 10 bandings, highlighting the persistent challenge of translating early career diversity into senior leadership roles.

Working capital and financing

63%

of Top 100 firms reported an improvement in UK average lock-up

34%

of Top 100 firms have made a capital call from partners to date to fund the impact of Basis Period Reform, rising to two-thirds for the Top 10

70%

of the Top 100 indicate that improving working capital is their number one priority for funding BPR going forward, including 100% of Top 10 firms

36%

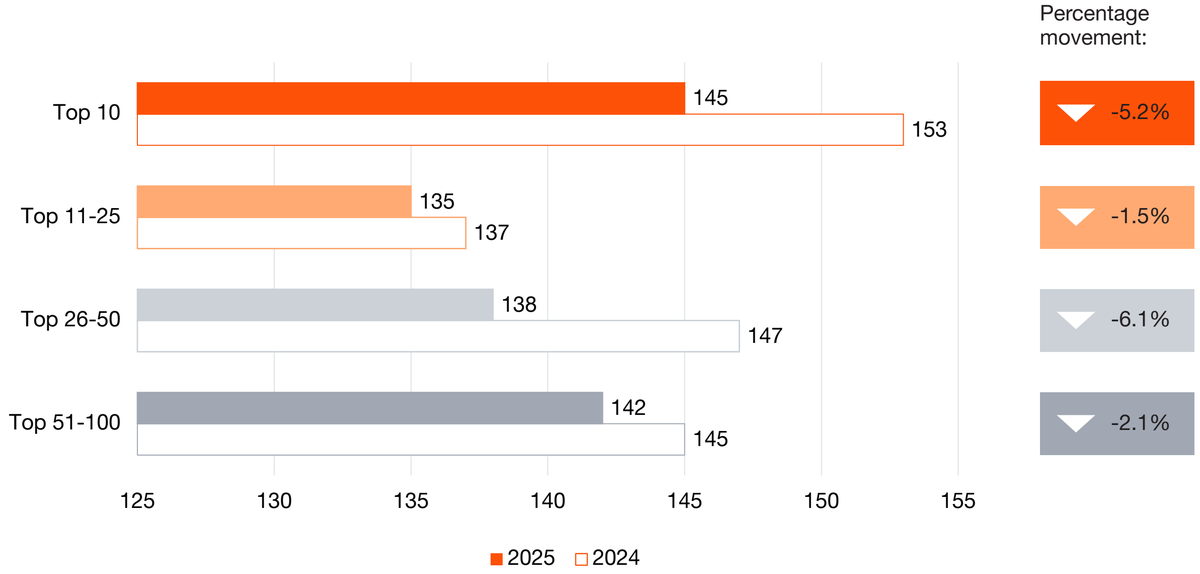
of Top 100 firms report unplanned fee income write offs of 15% or more

Firms have strengthened working capital discipline leading to lock-up days improving across the UK

Last year, firms were found wanting in their efforts to improve working capital and this shortfall appeared particularly concerning given the impending impact of Basis Period Reform (BPR). There were clear indications that firms intended to maintain a sustained focus on this critical area. Although lock-up days remain elevated relative to other sectors, the increased attention has yielded tangible results. Average UK lock-up days have improved across all bandings.

This year's findings reflect a positive shift and a reversal of the previously deteriorating trend in working capital management. Average total lock-up days have decreased across the bandings by between 2 and 9 days.

UK average lock-up days: 2025 vs 2024

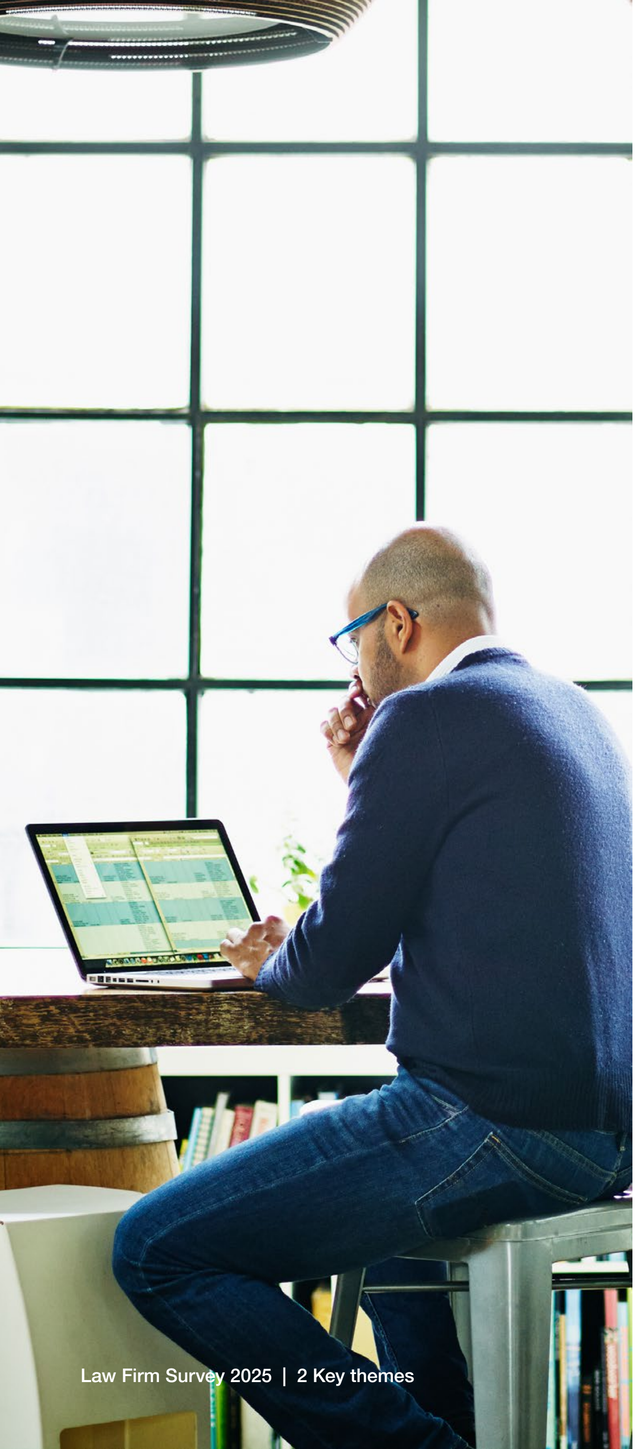


A combination of cash flow pressures, most notably those arising from BPR, have prompted firms to translate intention into action. Among the Top 100 firms, 63% have succeeded in improving their working capital, resulting in a much-needed boost to cash reserves.

Improvements in both average Work in Progress (WIP) and debtor days suggest that firms are beginning to adopt a more holistic approach to working capital management. Furthermore, the narrowing gap between year-end and average lock-up levels indicates that robust working capital practices are being embedded throughout the year, rather than being implemented in a last-minute push as the financial year closes.

For those firms still seeking further improvement, particularly the 37% of Top 100 firms that did not achieve a reduction in lock-up this year, the progress made by their peers should serve as a compelling example. There remains a significant opportunity, with £5.5 billion still tied up in WIP and debt across all respondents.

Working capital is not the only lever firms have employed in response to BPR-related funding needs. An increasing number have also turned to capital calls from partners (34% of Top 100 firms, up 8 percentage points from prior year) and external financing (36%, up 6 percentage points).



Advancing revenue cycle management: Embedding discipline and accountability

The core principles of effective revenue cycle management remain unchanged; however, it is evident that many firms have, this year, taken meaningful steps that are beginning to yield measurable improvements. Rather than relying on wholesale reinvention, progress has been driven by instilling greater discipline, transparency, and accountability throughout the contract-to-cash process. The firms making the most significant strides are those that have concentrated on four practical levers, as presented opposite.

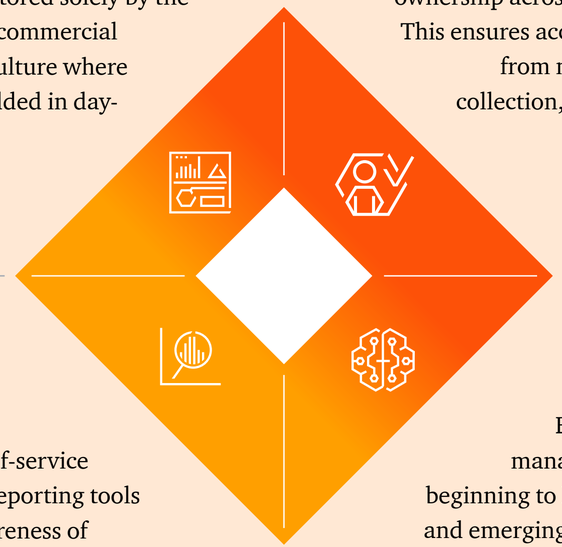
While robust financial performance this year has alleviated some cash pressures and supported partner distributions, it is important not to lose sight of the operational weaknesses that persist within working capital processes. Despite the improvements achieved, sustaining progress over the long term will require firms to solidify these gains through concrete action plans and a continued focus on disciplined execution.

Commercial awareness and accountability

By integrating cash performance into balanced scorecards and directly linking it to individual accountability, firms have elevated expectations for fee earners. This approach has transformed lock-up from a metric monitored solely by the finance team into a shared commercial responsibility, fostering a culture where cash management is embedded in day-to-day decision-making.

Clarity of roles and responsibilities

Instead of relying exclusively on client-facing teams to assume personal responsibility, where such tasks can easily be deprioritised, firms are establishing clearer structures and defined ownership across the service-to-cash cycle. This ensures accountability at every stage, from matter set-up to billing and collection, and promotes consistency in execution.



Visibility through data and reporting

The expanded use of key performance indicators, self-service dashboards, and intuitive reporting tools is enhancing real-time awareness of performance. By making data more accessible, firms are empowering both partners and teams with the insights needed to respond swiftly and effectively.

Technology and AI in practice

Beyond traditional practice management systems, firms are beginning to leverage best-in-class tools and emerging AI solutions to streamline billing and collections, further enhancing efficiency and accuracy.

Addressing revenue leakage from unplanned write-offs

A significant source of value erosion remains with unplanned fee income write-offs, with 36% of Top 100 firms reporting write-offs of 15% or more. This highlights the extent to which profitability is undermined by revenue leakage. Even modest reductions in write-offs could yield substantial gains in profitability.

While write-offs are sometimes used as discretionary discounts, they are also frequently driven by challenges such as eBilling platform issues, inconsistent budgeting and scoping, and inadequate time entry narratives (for example, block booking) that do not meet outside counsel guidelines.

To address these issues, firms can harness practice management system data and AI to proactively identify and resolve billing issues before invoices are sent to clients. Additionally, extending balanced scorecards to hold fee earners accountable not only for revenue, but also for cash collection and unplanned write-offs, can sharpen focus and help convert avoidable leakage into retained profit.

Business support

Improve the use of technology

is the most important priority for Top 100 firms

48%

of Top 100 firms are expected to engage in a finance support function transformation project in the next 1–2 years

Standardising and centralising processes

has risen to second priority for Top 100 firms

£7.75m

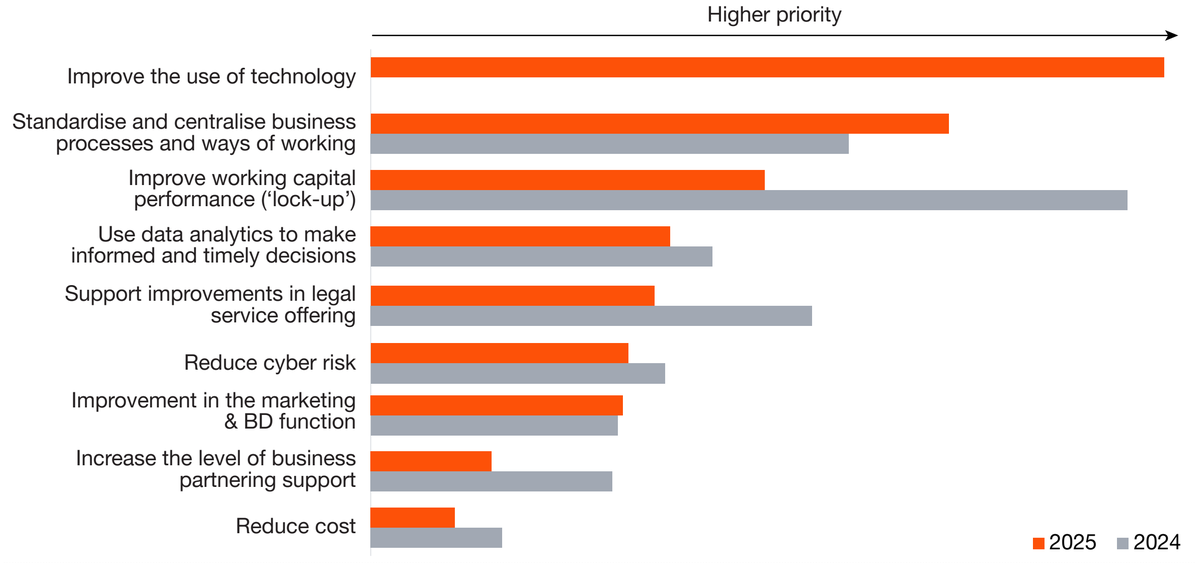
average Cyber Security spend by Top 10 firms

Law firms are recalibrating their business support strategies to sustain profitable growth amid increasingly stringent operational constraints

Looking ahead to 2026, the strategic emphasis is evolving. Where last year's priorities centered predominantly on optimsing working capital, the coming year will see a pronounced shift toward enhancing IT capabilities, alongside greater standardisation and centralisation of processes. This transition reflects a broader recognition that robust technology infrastructure and streamlined, unified operations are essential to maintaining efficiency and competitiveness in a more challenging business environment.

Working capital, which last year stood as the foremost priority, has now dropped to third place, with approximately one third of Top 100 firms identifying lock-up improvement as a key focus going forward. While firms have reported encouraging progress in this area, it will be essential to maintain these gains, particularly through more sophisticated use of technology.

Top priorities for business support over the next twelve months (Top 100 firms)



Another key enabler to sustained working capital performance, back office efficiency and improved service levels is the 'standardisation and centralisation of business processes and ways of working' which has increased as a priority this year.

This year marks the first time we offered 'improving the use of technology' as a priority option for business support. The response has been unequivocal: this is the top priority for Top 100 firms and a trend that holds true across all bandings.

In an environment where market uncertainty persists and cost pressures remain unrelenting, firms that have not yet done so must urgently pursue efficiency gains across every function to counteract subdued revenue growth and broader economic headwinds. The most significant productivity improvements will arise from reimagining business services and by delivering greater value while operating within tighter budgets.

AI now occupies a central role in a firm's strategy, poised to fundamentally reshape organisational design and operations. Realising this potential will require coordinated, cross-functional efforts to experiment, learn, and adopt new approaches, equipping lawyers with practical tools and innovative working methods.

There remains considerable ground to cover in the near-term and firms should focus on establishing strong foundations in: robust data and governance frameworks, clearly defined use cases, responsible AI policies, disciplined vendor management, effective change management and training, and targeted pilot projects that can quickly demonstrate value.

While still clearly important, cyber risk has receded slightly as a stated priority. Firms are relying on previous investments in this area, while the focus on cost reduction remains relatively low. This indicates a strategic pivot towards structural efficiency gains, such as harmonised processes, shared services, and data-driven decision-making. This evolution aligns with broader market trends: clients continue to demand greater value and predictability, rewarding firms that modernise their service delivery and pricing models.

It is surprising that cost reduction is not more prominent, given that many firms are undertaking initiatives that will ultimately support margin improvement. It is likely that the nature of these projects, such as IT upgrades and support function transformation, obscures the underlying cost-saving efforts. For instance, 88% of Top 50 firms are planning transformation projects in at least one support function, though this figure drops to 52% amongst Top 51–100 firms.

Looking ahead, the support functions most likely to undergo significant transformation in the next one to two years are Finance (48% of Top 100 firms), IT (39%), and Marketing and Business Development (38%).

Cyber risk

The prominence of cyber risk remains undiminished, and it continues to be identified as the foremost threat by Top 100 firms. This year, 92% of these firms (2024: 90%) report being either somewhat or extremely concerned that cyber risk could impede their ability to achieve their strategic objectives over the next one to three years.

A closer examination reveals a nuanced landscape: while the majority of Top 10 firms regard cyber risk as somewhat concerning, none express extreme concern. In contrast, 37% of Top 100 firms ranked outside the Top 10 are extremely concerned about the potential impact of cyber threats.

This divergence points to a two-tier perception of cyber risk within the sector. Larger firms appear to acknowledge the threat but demonstrate greater confidence in their resilience, likely underpinned by more substantial resources and historic investment. Meanwhile, their smaller counterparts are more apprehensive about the existential consequences of a major cyber incident, yet often lack the budgetary capacity to implement robust mitigation measures.

Cyber spend in the last financial year

Top 10	Top 11–25	Top 26–50	Top 51–100
£7.75m	£1.85m	£1.17m	£0.40m
▲ +5%	▲ +20%	▲ +5%	▲ +8%

Top 10 firms continue to allocate significantly more to cyber security, with an average spend of £7.75m and this is an increase of 5% on prior year. Firms outside the Top 10 are also boosting their investment in cyber security, with a notable 20% increase in Top 11–25 firms to £1.85m.

Against the backdrop of an ever-evolving and intensifying cyber threat landscape, these findings suggest that a fundamental reassessment of cyber security investment strategies may be warranted in the majority of Top 100 firms. The current alignment of risk perception and expenditure reveals a structural vulnerability within the legal sector: those firms most concerned about the potentially devastating impact of a cyber incident are often the least equipped to withstand one. This risk gap underscores the urgent need for a more strategic and proportionate approach to cyber security investment across the sector.

03

Appendix: Key performance indicators

Key performance indicators

Key performance indicators (UK)

Top 10

	2020	2021	2022	2023	2024	2025
UK fees per chargeable hour (£)	337	354	382	429	449	496
UK fees per full equity partner (£000)	3,318	3,498	3,799	3,818	4,174	4,252
UK fees per fee earner (£000)	437	467	503	532	580	609
UK profit per full equity partner (£000)	1,238	1,479	1,628	1,644	1,708	1,800
UK profit per fee earner (£000)	173	209	229	240	246	258
Profit margin (%) – before full equity partner remuneration	35.4	40.0	41.0	40.7	41.2	41.8
Staff cost ratio (%)	38.0	36.2	35.2	37.2	35.9	35.7
1–9+ years pqe fee earner utilisation (hours)	1,362	1,409	1,401	1,442	1,506	1,462
Lock up days (year end)	118	113	129	128	123	123
Average number of full equity partners – UK	143	147	147	154	159	154
Average number of fee earners (incl. partners) – UK	1,090	1,061	1,070	1,094	1,106	1,074

Top 11–25

	2020	2021	2022	2023	2024	2025
UK fees per chargeable hour (£)	300	293	312	312	325	336
UK fees per full equity partner (£000)	2,473	2,450	2,791	2,872	3,418	3,636
UK fees per fee earner (£000)	321	332	344	343	355	361
UK profit per full equity partner (£000)	710	768	868	807	1,002	1,043
UK profit per fee earner (£000)	95	106	106	104	107	110
Profit margin (%) – before full equity partner remuneration	27.5	28.8	29.3	27.9	27.7	27.8
Staff cost ratio (%)	41.4	42.7	42.6	43.9	44.2	45.0
1–9+ years pqe fee earner utilisation (hours)	1,289	1,339	1,272	1,281	1,296	1,301
Lock up days (year end)	115	109	121	127	117	113
Average number of full equity partners – UK	72	77	78	87	89	88
Average number of fee earners (incl. partners) – UK	715	714	699	742	886	894

Top 26–50

	2020	2021	2022	2023	2024	2025
UK fees per chargeable hour (£)	223	225	259	270	280	289
UK fees per full equity partner (£000)	2,228	2,149	2,494	2,432	2,728	2,763
UK fees per fee earner (£000)	223	224	261	265	275	278
UK profit per full equity partner (£000)	467	516	650	580	645	635
UK profit per fee earner (£000)	55	61	76	73	76	73
Profit margin (%) – before full equity partner remuneration	22.2	24.9	27.0	25.2	25.2	24.3
Staff cost ratio (%)	45.1	42.7	43.6	45.6	45.2	46.3
1–9+ years pqe fee earner utilisation (hours)	1,216	1,210	1,167	1,148	1,171	1,175
Lock up days (year end)	126	116	118	119	126	115
Average number of full equity partners – UK	57	54	56	57	62	64
Average number of fee earners (incl. partners) – UK	539	528	553	556	620	661

Top 51–100

	2020	2021	2022	2023	2024	2025
UK fees per chargeable hour (£)	213	206	217	231	247	262
UK fees per full equity partner (£000)	1,792	1,855	1,947	2,139	2,419	2,539
UK fees per fee earner (£000)	207	191	196	204	214	235
UK profit per full equity partner (£000)	452	445	464	479	564	595
UK profit per fee earner (£000)	58	52	52	52	55	62
Profit margin (%) – before full equity partner remuneration	26.3	24.6	24.3	23.7	23.5	24.6
Staff cost ratio (%)	44.7	45.5	44.8	46.4	48.1	46.7
1–9+ years pqe fee earner utilisation (hours)	1,139	1,086	1,050	1,024	1,117	1,097
Lock up days (year end)	119	120	134	132	148	122
Average number of full equity partners – UK	28	29	30	29	31	32
Average number of fee earners (incl. partners) – UK	244	256	262	269	304	307

Key performance indicators (Global)

Top 10

	2020	2021	2022	2023	2024	2025
Fees per all partners (£000)	2,405	2,456	2,575	2,814	2,872	2,900
Fees per fee earner (£000)	410	439	457	502	500	526
Profits per all partners (£000)	929	1,071	1,128	1,153	1,184	1,213
Profits per fee earner (£000)	156	188	197	204	202	215
Profit margin (%) – before full and fixed equity partner remuneration	36.4	41.3	41.8	39.5	39.6	40.1
Staff cost ratio (%)	39.5	37.6	37.0	39.7	39.6	39.1
Average number of all partners – global	476	486	497	487	517	534
Average number of fee earners (incl. partners) – global	2,682	2,608	2,687	2,650	2,859	2,845

Top 11–25

	2020	2021	2022	2023	2024	2025
Fees per all partners (£000)	1,162	1,221	1,220	1,304	1,405	1,443
Fees per fee earner (£000)	285	310	321	336	355	372
Profits per all partners (£000)	375	431	454	448	490	482
Profits per fee earner (£000)	92	109	119	115	125	120
Profit margin (%) – before full and fixed equity partner remuneration	31.7	34.1	34.1	35.4	35.2	34.6
Staff cost ratio (%)	44.1	43.7	43.0	42.1	43.0	44.0
Average number of all partners – global	253	280	315	338	334	335
Average number of fee earners (incl. partners) – global	1,069	1,128	1,291	1,385	1,394	1,439

04

Contacts

This is the 34th PwC Law Firm Survey. Lead members of PwC's Law Firm Advisory Group consists of:

Mark Anderson

Mark is our Global Legal and Professional Services Sector Leader. He works across all of our international law firm client base, leading our service propositions and relationship development activities. Mark is also a Cyber & Forensics Partner and leads our Global Law Firm Advisory Group.

Leon Hutchinson

Leon is an Audit Director who works with a number of national and international law firm clients, advising them on accounting and strategy issues, and SRA Accounts Rules compliance.

Alexa Highfield

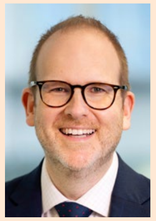
Alexa Highfield is a Partner in our People and Organisation practice. She has spent 20 years advising law firms on managing and communicating change and ensuring they are fit for the future.

Joanna Ahlstrom

Joanna is the Chief Markets Officer for PwC UK Consulting and a member of the Consulting Executive team. She leads our teams to bring together the best of our legal sector expertise with her team's deep experience in end-to-end business transformation.

Lucy Robson

Lucy leads our Tax practice for UK headquartered law firms, providing international structuring and partnership tax advisory services and tax risk and governance support, as well as partnership and partner tax compliance.

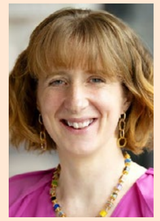


Chris Neill

Chris is a Partner and is our Legal and Professional Services sector leader for UK Audit. Chris leads a number of international law firm audit engagements and also across the wider professional services sector, including experience of SRA Accounts Rules compliance. Chris also sits on the UK's LLP SORP Steering Group.

Sandeep Agrawal

Sandeep is global legal technology and AI leader for PwC. He has over 20 years of experience in legal technology and AI. He supports both the office of General Counsel, as well as law firms on legal technology and GenAI transformation. He has been recognised by Financial Times as one of the top 6 Generative AI champions.



Amy Edwards

Amy is a Director in our Corporate Finance team. She advises Law firms on strategic decisions, including structural changes and M&A.

Gareth Hughes

Gareth is a Senior Director with over 15 years experience of commercial strategy and leadership roles in law firms. Gareth now helps lead the practice, advising on commercial impact strategy and complex partnership issues, blending front-line firm experience with data-driven insight to shape growth strategies, operating models and partner performance.

Liz Connolly

Liz leads our US law firm tax practice and is the main advisor in the UK to the AMLaw100. Liz also focuses on UK headquartered law firms and other professional practice firms leading advice on M&A, IPO listing and international structuring.

Dan Wicks

Dan is a Director in our Deals practice. He advises firms on lock-up management through process improvement, technology and managed services.

Malcolm Wren

Malcolm is a Managing Director in our Corporate Finance Practice where he leads our focus on Professional Services, advising Law Firms and their leaders on Capital Structure, Finance raisings, Mergers, Acquisitions and other key strategic initiatives.

Nina Feighoney-Smith

Nina is a Cloud and Data Transformation Director who works specifically in the legal sector to deliver business transformations that are underpinned by technology, from strategy and case for change development through to vendor selection and implementation.

Charles Michalowski-Cummings

Charles is a Director in our Strategy Consulting practice. He has spent over 11 years advising law firms and investors on strategy, operations and M&A within the legal sector.

David Baxendale

David is a Partner in our Deals business who advises law firms and other financial stakeholders on sources of funding and appropriate funding structures.

We would like to thank all other members of the LFAG who helped with this year's survey, particularly Tiarnan Branson, Rachel Kelly, Panna Chauhan, Bimal Karaji, Anunay Gupta, George Ioannou, Isabel Pryor, Tarique Ruiters, James Ryan, Emma Robertson, Tom Gratton, Eleni Thorn, James Rashleigh, Tom Hall, Adam Kuo, William Brown, Angus Graham, Alex Fitzsimmons, Elaine McGrinty, Michael Stewart, and Karen Philips. who contributed significantly to the production of this report.

Our Law Firm Advisory Group harnesses the expertise of specialists nationally and internationally to provide assistance with:

- Audit
- Direct and indirect taxation
- Strategic consultancy
- IT strategy, selection and implementation (Finance / PMS, HR and CRM)
- Cost reduction and outsourcing
- Mergers and acquisitions
- Capital Markets advisory
- Compliance with SRA Accounts Rules and associated regulatory requirements
- Working capital management and financing
- International structuring, LLP conversions and merger structuring
- Partner reward
- Employee and employer issues (reward structures and taxation)
- Internal audit and other risk management services
- Cyber security services

Key definitions

Global Top 10: Top 10 (by global revenue) UK headquartered firms where international revenue exceeds 20% of total revenue.

Global Top 11–25: Top 11–25 (by global revenue) UK headquartered firms where international revenue exceeds 20% of total revenue.

UK: Operations of all UK offices only.

International: Operations of all international offices only.

Key information

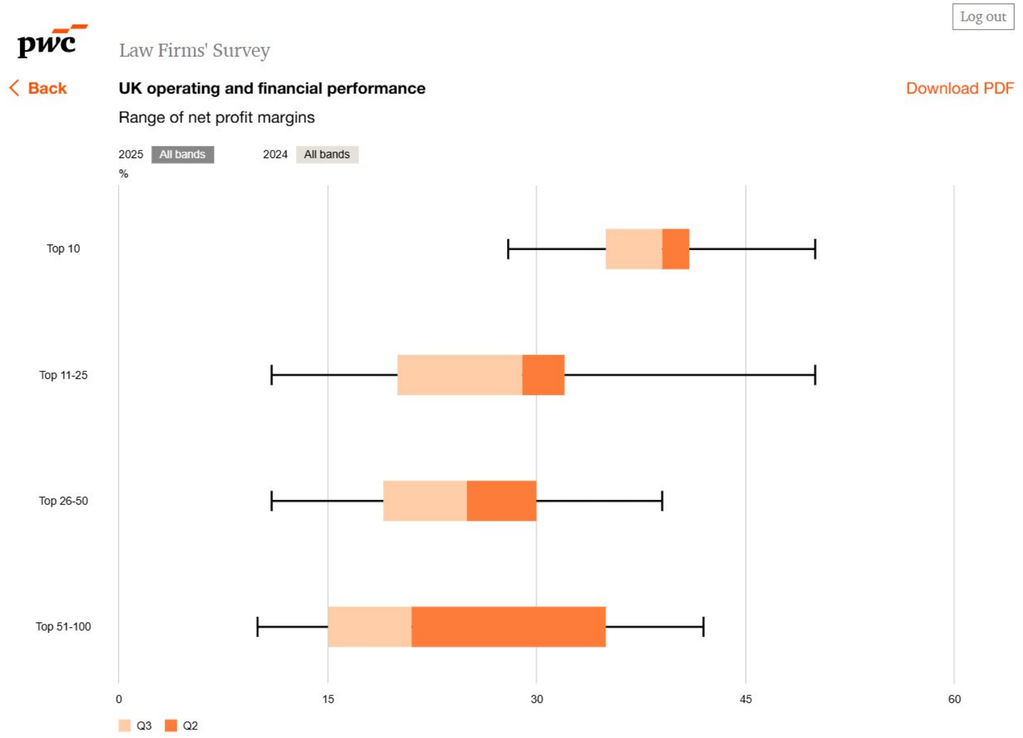
The survey results are presented by size of firm using the bandings Top 10, Top 11–25, Top 26–50 and Top 51–100, except where otherwise stated (analysis for these bandings of firms has been adjusted to exclude high volume firms where their impact is considered significant). The classification is by annual global fee income.

Our report is based on survey responses from firms at consistent response rates to prior years. This summary document focuses on the key findings from our survey.

Our thanks are due, as always, to the firms which participated in this survey. We appreciate that the questionnaire takes considerable time to complete. All of the responses are processed in full and we have a significant amount of data that isn't fully reproduced here. If you'd like further information on the responses to any of the questions, please contact one of our editorial team.

In addition to the information presented in this report, all participating firms have access to an interactive online benchmarking tool that holds a vast amount of data from our survey. This tool also benchmarks the individual firms' results against their associated peer group banding.

Please contact a member of our Law Firm Advisory Group for a demonstration of our online benchmarking tool and to see how you can compare the results of your firm to that of your peers.



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