

Professional, Scientific and Technical Services • M6931

Legal Services in Australia

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IExpert

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Published: January 2025

At a Glance

Revenue \$33.6bn '20-'25 ↑0.3% '25-'30 ↑2.6%	Employees 139k '20-'25 ↑5.5% '25-'30 ↑1.7%	Businesses 23,699 '20-'25 ↑1.2% '25-'30 ↓0.4%
Profit \$5.2bn '20-'25 ↓1.9%	Profit Margin 15.4% '20-'25 ↓1.8 pp	Wages \$10.3bn '20-'25 ↓0.2% '25-'30 ↑2.2%

Five-year growth rates display historic and forecast CAGRs

→ Major Players

Company	Revenue	Market Share
Herbert Smith Freehills	\$1.3bn	3.8%
MinterEllison	\$847.0m	2.5%
King & Wood Mallesons	\$780.4m	2.3%
Ashurst	\$701.7m	2.1%
Other Companies	\$30.0bn	89.3%

🗄️ Key External Drivers

Key External Drivers	Impact
Number of housing transfers	Positive
Demand from finance	Positive
Business confidence index	Positive
Number of divorces	Positive
Level of criminal activity	Positive

⊕ Products and Services

Item	Revenue	Market Share
Commercial law services	\$10.8bn	32.3%
Personal legal and industrial relations services	\$6.7bn	19.9%
Community legal services	\$5.1bn	15.2%
Property law services	\$2.1bn	6.3%
Intellectual property law services	\$1.4bn	4.1%
Criminal law services	\$1.2bn	3.7%
Administrative, constitutional and other law services	\$6.2bn	18.5%

Key Takeaways

Performance

- Practice areas like criminal, community and administrative law remain stable despite economic volatility, providing steady but lower revenue streams. To avoid risk, this consistency makes some legal professionals prioritise reliable demand over potentially higher earnings in corporate sectors.
- Emerging technologies like AI and the rise of alternative legal service providers are transforming the legal industry, compelling firms to innovate and diversify. Traditional law firms must adopt new technologies and expand services to remain competitive in this evolving market.
- Larger law firms are adding non-legal services to their suite of offerings. In this fashion, firms can keep up with competition from multi-disciplinary professional firms, like large accounting firms.

External Environment

- Easing restrictions have seen crime rates return to near pre-pandemic levels. Higher rates of criminal activity open up stable revenue streams for law practitioners.
- When law firms consider incorporation, they weigh up the costs against the benefits. For example, incorporation grants limited liability but has the potential for considerable capital gains tax implications.

SWOT

Strengths	Low Imports
	High Profit vs. Sector Average
	Low Customer Class Concentration
	Low Product/Service Concentration
	Low Capital Requirements
Weaknesses	Low & Steady Level of Assistance
	High Competition
	Low Revenue per Employee
Opportunities	High Revenue Growth (2020-2025)
	High Revenue Growth (2025-2030)
	Number of housing transfers
Threats	Low Performance Drivers
	Demand from finance

Industry Structure

Characteristic	Level	Trend
Concentration	Low	
Barriers To Entry	Moderate	Steady
Regulation and Policy	High	Steady
Life Cycle	Mature	
Revenue Volatility	Moderate	
Assistance	Low	Steady
Competition	High	Increasing
Innovation	Low	

Executive Summary

Law and disorder: Difficult economic conditions are reducing the number of Australian businesses, weakening demand for legal services

Legal service providers have grappled with unpredictable conditions as shifting business confidence has led to uneven demand across key markets. Economic uncertainties, exacerbated by global events like the pandemic and the cash rate, have reduced the need for high-value services like those related to corporate expansion and IPOs. Conversely, there has been a surge in demand for legal expertise in restructuring and insolvency as companies navigate financial hardships. Meanwhile, practice areas like criminal, community and administrative law remain relatively insulated from economic volatility, providing steady but often lower revenue streams. This stability influences some legal professionals to prioritise consistent demand over higher earnings in corporate sectors, shaping the industry's expertise distribution. Overall, industry revenue is anticipated to rise at an annualised 0.3% over the five years through 2024-25 to \$33.6 billion. This trend includes an expected 1.4% decline in 2024-25.

Economic uncertainty and intense competition have somewhat limited profit margins for legal service providers. While larger firms traditionally commanded premium fees for complex corporate transactions, the past five years have seen profitability decline due to fluctuating client demand and rising operational costs. However, smaller firms may overstate profit through imputed wages, obscuring the industry's true financial health. Wages remain the largest expense, driven by the need to attract and retain top legal talent. For instance, after initial salary cuts during the COVID-19 pandemic, many prominent firms reversed course, offering bonuses and reinstating higher pay to key staff.

Driven by evolving regulations and rising risks, the legal industry is set to see heightened demand for expertise in ESG matters, cybersecurity and restructuring amid economic uncertainties. Furthermore, technological advancements and alternative service providers are reshaping the sector, prompting firms to innovate and diversify their services. In addition to this, Australian law firms are projected to continue expanding globally through free trade agreements and access to new markets but also face challenges like competition and cultural differences. With this combination of factors, Legal service provider revenue is set to grow at an annualised 2.6% over the five years through 2029-30 to \$38.2 billion.

Call Preparation Questions

Call Prep Questions

Sales & Marketing

How can your business improve its reputation?

- Reputation is key in the industry, as prestige and evidence of delivered quality allows the top-end firms to charge higher fees and record wider margins.
- Cybersecurity is extremely important, as any breach and release of client data would significantly damage a firm's reputation.

How can your firm cater to increased demand for alternative

dispute resolution services, particularly relating to family law?

- Clients are increasingly demanding alternative dispute resolution services to avoid the costs and loss of time associated with going to court.
- Firms that can offer clients a range of services and fulfil all of their legal needs are more likely to obtain long-term contracts with clients.

How does your company ensure compliance with Australian legal services legislation?

- Industry professionals must abide by a variety of laws relating to registration and admittance to practice, along with professional conduct.
- Each state and territory has several organisations responsible for regulating legal practitioners within their jurisdictions.

Strategy & Operations**How can your company expand into other service areas?**

- Expanding into niche services can help companies differentiate themselves from other law service providers, allowing companies to charge premium prices, which assists with profitability.
- Industry players can also benefit from providing alternative dispute resolution services, along with litigation services.

How does your company ensure that employees maintain current knowledge of legislation?

- As industry services are broad, players must be familiar with legislation relating to their area of law.
- Employees must stay up-to-date with government policies to ensure they have a current understanding of the law and can attain good outcomes for clients.

How can your company engage in acquisitions and mergers?

- In a highly fragmented market, acquisitions and mergers are an effective way to grow operations.

Finance**How has your company changed its pricing structure in recent years?**

- Price comparison sites and an influx of new entrants with alternative business structures have improved client bargaining power.
- Many operators offer clients the estimated cost of legal work prior to committal, and many clients now demand pricing based on results rather than hours of work.

Technology**How does your company invest in new technology and equipment?**

- Having sophisticated customer database systems can enhance communication with clients and increase the possibility of cross-promotion.

How do your company's profit margins compare with those of its competitors?

- Businesses that incorporate high value-added and non-substitutable services can typically charge higher prices, boosting profit margins.
- Industry firms that operate efficiently can reduce costs, supporting profitability.

How can your company reduce wage costs through automation?

- Firms that can identify areas for automation are in a better position to reduce wage costs and operate more efficiently.

Compliance**External Impacts****How much does your business depend on demand from the property market?**

- Activity in the residential property market affects industry revenue.
- As the number of housing transfers increases, so does demand for industry services such as conveyancing work.

Number of housing transfers

Level of criminal activity

How important are cases relating to criminal law to your business?

- A rise in criminal activity generally increases demand for legal advice or representation in courts.

Business confidence index

How do changes in business confidence influence demand for your business's services?

- When business confidence is positive, firms are more likely to engage in activities that require legal services, such as new product development, mergers and acquisitions, and IPOs.

Internal Issues

Provision of development programs for personnel

What professional development programs and opportunities does your business offer to its employees?

- Industry firms with qualified, highly skilled, experienced and knowledgeable staff can more easily obtain the best outcome for clients, and therefore improve their reputation.

Having a good reputation

How is your business building a positive reputation in the market?

- Firms with a strong reputation can usually charge higher fees for their services. Additionally, positive word-of-mouth recommendations provide business opportunities to lawyers in private practices.

Ability to effectively manage risk

What insurance policies does your business have in place?

- Industry firms must hold adequate professional indemnity insurance to cover any issues that may arise with clients.

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