

Legal outsourcing to India no longer a novelty

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AUTHOR: [Shashi K. Raina](#)



In the not-too-distant past, when people in the West thought of India, they thought of a country of sadhus, snake-charmers and saris; a country of tigers and elephants, poverty and congestion.

Those images are still very much a part of popular western perceptions of India. But something has changed.

Discussion today on India is just as likely to be about the four Indian billionaires in the world's top ten list. Or the many Indian companies that have gone global with acquisitions all over the world, including Europe and North America.

Mostly though, when it comes to India, the subject now on most westerners' minds is *outsourcing*. India has emerged as an economic powerhouse in the service industry.

Outsourcing to India started in the early 1990s, with medical transcription being the first known outsourced service. However, it is the IT and call centre outsourcing that really brought the Indian outsourcing industry into limelight. Today Business Process Outsourcing (BPO) Companies in India provide services in a wide spectrum of industries including call centre, data management, engineering, financial, healthcare and legal. The most recent addition appears to be [reproductive outsourcing](#).

While [Legal Outsourcing](#) to India appears to be a relatively new phenomenon, some U.S. law firms have been outsourcing their patent work to India since as early as 1996.

Today outsourcing legal work to India is no longer a novelty. It's a reality that more and more corporations and law firms are exploring as a cost-saving measure.

Legal Process Outsourcing (LPO), as it is called now, got a big boost when corporate legal departments started to outsource their in-house legal work. The big U.S. corporate names that have outsourced legal work to India in one form or another other include General Electric, Microsoft and American Express.

While the typical services provided by Indian LPO firms started with paralegal, secretarial, and litigation support work, however, Indian firms are now reportedly offering more valuable services, including contract review and monitoring, document review for due diligence, patent drafting, simple filings and legal research.

Anthony Lin of New York Law Journal, in his story on [LAW.COM](#), says:

“Legal process outsourcing vendors target the more mundane but nonetheless time-intensive tasks associated with legal practice, reviewing mountains of documents for discovery rather than drafting appellate briefs. Once the province of junior associates, such work is now more commonly handled by domestic staffing agencies fielding large

teams of temporary attorneys.”

While critics say that Indian lawyers can fulfill only the functions of paralegals and very junior associates, AsiaLaw.com reports that some LPO firms are trying to move up the value chain to more complex tasks, and the prospect of higher-value work has fuelled a surge in the number of Indian firms eager to take on corporate outsourcing.

However, the fact remains that top-tier Indian law firms, which have largely shunned off-shoring contracts, say they won't be tempted until high-value services can engage their interest.

India has huge potential in legal outsourcing, with more than 200,000 Indians graduating from law schools each year. These English-speaking modestly paid lawyers familiar with common law principles offer significant value to foreign companies to reduce in-house legal costs. On top of everything else, the time difference of about 12 hours allow for overnight and 24/7 operations.

According to Lin:

“LPO salaries for Indian lawyers are generally well below \$10,000 a year. By comparison, a U.S. contract lawyer usually earns around \$30 an hour while associate base salaries at major firms in New York start at \$160,000 a year.

“But the math is not that simple. Maintaining a group of lawyers in India imposes significant infrastructure costs on the outsourcing companies. Aside from office space and computers, the leading companies also have U.S.-trained lawyers working in both India and the United States to supervise the work of Indian staff. They also maintain client development teams to market services to U.S. companies.

“Such costs explain why outsourcing companies usually charge clients around \$30 an hour, lower than what a U.S. staffing agency would generally charge but not by the magnitude simple labor-cost arbitrage would suggest.”

Where does Canada stand in all this action?

According to National Post, Canadian lawyers are also looking to India to lower costs. In a story [“Service brings India to Canada's lawyers”](#) the newspaper reported on the official launch of [Legalwise](#), believed to be the first homegrown outsourcing firm that uses Indian lawyers to carry out assignments under the guidance of Canadian lawyers.

It is the brainchild of Toronto lawyer Gavin Birer, a former Bay Street corporate lawyer and former vice-president of legal and business affairs at Travelex Americas, a non-bank foreign-exchange firm.

“Clients are becoming more aware of the type of legal services they are getting and the costs associated with that,” he said.

“We are not a law firm, we don't provide legal advice,” explained Mr. Birer, noting his firm works with a team of 430 lawyers based in Mumbai and Pune, who are trained in

common law principles, similar to Canada. Legalwise works with lawyers here to identify projects that can be tasked to India. That includes litigation and corporate commercial services, such things as legal research, document review and drafting, contract management, lease abstracting, and due diligence. "It's the lower end of the legal spectrum," he said.

The Canadian Corporate Counsel Association last year found that keeping costs down was the number two priority – after keeping up with the volume of work – among 32 per cent of in-house lawyers it surveyed.

A 1,500-hour project would cost \$375,000 if carried out here by a \$250-an-hour junior lawyer. In India, the same job would be \$50 an hour for a total project cost of \$75,000 – a savings of \$300,000.

With the potential for cost savings so huge, the gold rush is on. More LPO firms are mushrooming everyday, spinning up the competition for talent. Lin says:

“As a result, many companies have turned away from the big cities like Mumbai, where real estate costs can be as high as in U.S. cities. British firm NewGalaxy Partners opened an office in the smaller Indian city of Pune for that reason.

“Opening in a smaller market was the only way to meet U.S. and European clients' expectation on costs and service. You can't do that in a major Indian city anymore. The labor supply is finite.”

The other threat to the outsourcing industry in India is the possibility of opening of the Indian legal market to foreign competition, which has been on the cards for a few years now. Such a move would affect the ability of LPO firms to recruit top candidates, as foreign firms would likely be able to pay even higher salaries.

It may well be that as in the IT sector, at some point of time in the future companies and law firms may have to look for alternative offshore outsourcing locations.

The financial benefits of outsourcing are not necessarily without risks and challenges.

Worries over issues related to confidential information and lawyer-client privilege are common. People are concerned about someone who's not a part of their company or law firm, particularly a non-lawyer, who is not bound by the same rules of ethics as lawyers in U.S. and Canada, having access to confidential information.

These types of concerns are usually addressed with strict contracts. Some outsourcing contracts are reported to specify that off-shore lawyers' computers can only have limited access to the Internet to prevent the inadvertent disclosure of documents.

Outsourcing is also perceived as a long-term threat to the traditional on-the-job training system for new lawyers. The traditional routine jobs given to lawyers when starting out are essentially the jobs that are being outsourced. Firms could find that while they are saving money outsourcing, their young lawyers are not getting properly trained.

Further, there will obviously be loss of jobs here in North America; however, it is no longer considered to be a serious concern. In the 2004 U.S. Presidential Election Campaign, loss of U.S. jobs to offshore locations such as India was a political hot potato. Not in the present election campaign.

The fact remains that offshore outsourcing has become an ongoing and long-term economic reality.

Today IT professionals from North America and Europe work in cities like Bangalore and Hyderabad in India.

Who knows, some years down the road, lawyers from this continent may be looking for jobs in India...

[Shashi Raina](#) practises law with [Wise Law Office, Toronto](#). He was called to the Bar of India in 1987 and the Ontario Bar in 2004, and is a regular contributor