

US Sub-prime crisis: Boom time for law BPOs in India

Seeing a silver lining in the ongoing global economic crisis, Indian legal process outsourcing (LPO) firms expect to get more litigation jobs-related projects due to the turmoil in US banking and financial markets. In the light of the US economic recession and breakdown of established firms like Lehman Brothers, Washington Mutual and Merrill Lynch, LPO firms in the country are gearing up their risk-assessment teams in anticipation of a surge in jobs related to scrutinizing of their clients' financial transactions and corporate governance.

Mumbai-based LPO major Pangea3 co-CEO Sanjay Kamlani said that LPOs are expecting a large quantum of work for services such as corporate governance, corporate complaints and contract drafting. "With respect to the subprime crisis itself, we are seeing a surge in electronic litigation work," Kamlani said. Traditionally, the nature of jobs in the LPO sector are more focused on litigation and contracts management-related jobs. Litigation involves document reviews and assisting in investigations, whereas in the field of contracts management, firms are mainly supposed to do supporting contract procurement and drafting related works.

These two continue to be the main focus areas but I think there will be an increased need for assistance in internal and regulatory investigations, as regulators and companies try to probe further into the reasons for the crisis and determine strategies for avoiding them in the future," another LPO major QuisLex's COO Sirisha Gummaregula said. "Assistance in document reviews are arising as a result of crisis-related litigations. Assistance in internal and regulatory investigations are arising during and after the crisis," she added. In the ongoing crisis, financial institutions are hurrying up for due diligence exercises for their outstanding liability, which involves professional services of attorneys.

Typically, like most professional services in the US, attorneys charge their clients on an hourly basis. According to Pangea3, the difference is that the hourly rates for lawyers in the US are probably the highest, ranging from \$250 per hour for an associate to more than \$500 for senior lawyers and partners. "During this rather severe slowdown, there is tremendous pressure on in-house counsel departments and in turn on their law firms to reduce the costs of legal services by outsourcing to LPOs in India where the rates can be as low as 10 per cent of the top US law firm bill rates," Kamlani adds. When asked about the reason behind speedy growth of LPOs in India, Gummaregula said, LPOs provide higher value-added services at reduced costs without any compromise on quality.

According to a prediction by Forrester Research, about 35,000 lawyer jobs would shift offshore by 2010 and it will increase to about 79,000 by 2015. Stating roughly about the capital size of this growing industry in India Kamlani says, "If you take the low end of the LPO bill rate, say \$30 per hour and assume an average LPO lawyer bills 1,800 hours per year, then 35,000 LPO lawyers would generate approximately \$1.75 billion." "We have seen an increase of over 100 per cent in our volumes in the last six months and presently witnessing an extraordinary influx of work both directly and indirectly related to the sub-prime crisis and more generally to the US recession," he added.