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Legal Budget, Staffing and Spending Trends for General Counsel in 2025



Amid growing regulatory and economic uncertainty, legal departments are facing increased demand for legal services and optimizing costs. Insights from our Legal Budget & Efficiency Benchmark will help GCs make informed, strategic spending and staffing decisions in 2025 to scale legal services.

Overview

Key Findings

- Legal budgets have been stagnant since 2020 and will likely remain so due to recessionary headwinds projected for 3Q25. Thinly stretched legal departments/employees will experience added cost and workload pressures as they help organizations navigate growing economic and regulatory volatility.
- In 2025, almost 50% of legal departments expect to increase their spending on external experts and services, in part to manage regulatory complexity under the new U.S. administration, heightening the need for stronger legal service provider management to prevent cost overruns.
- Sixty-four percent of legal departments plan to increase legal technology spend in 2025, possibly to help improve productivity. However, achieving efficiency gains will depend on investments in critical areas like legal intake and triage, as well as preparing underlying data, workflows and processes.
- Nearly 50% of legal departments plan to increase legal staffing in 2025. But without significant investment in legal operations staffing and responsibilities to support legal productivity and innovations, departments will miss the opportunity to effectively scale legal work.

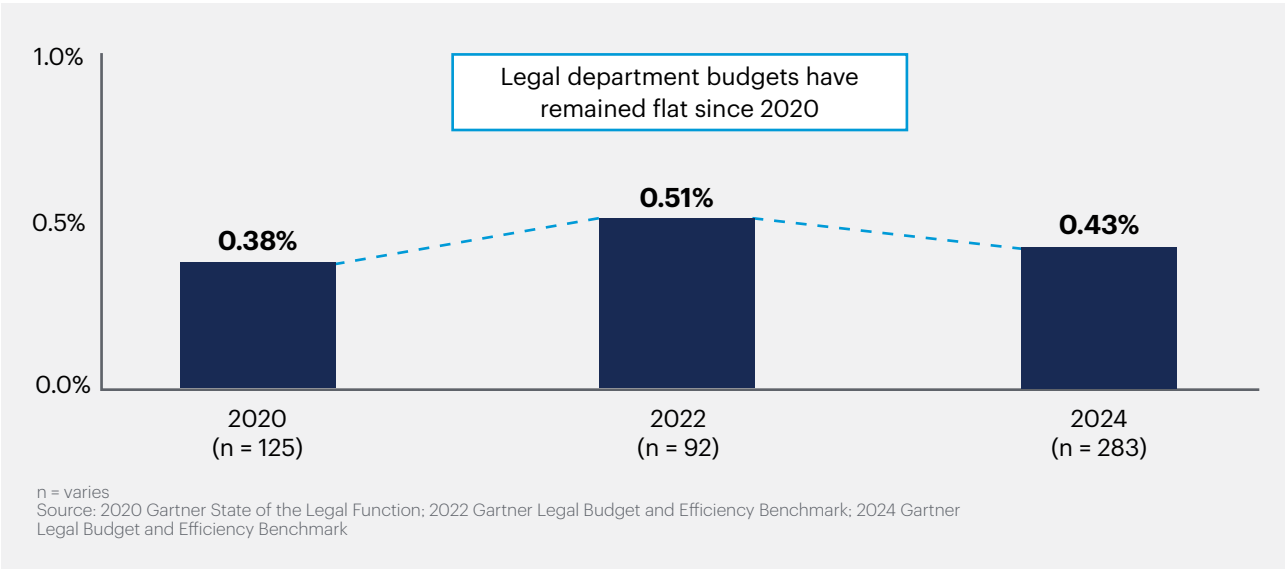
Data Insights

Legal department budgets and staffing levels have remained flat since 2020 even as workloads have surged (see Figure 1), with 80% of general counsel (GC) noting an increase in legal work in 2023, and 23% experiencing a significant rise in 2024. As a result, in 2024, 40% of lawyers reported feeling exhausted and overwhelmed, reflecting broader departmental stress.

Workload pressures will likely go up in 2025 as legal departments navigate record regulatory complexity and uncertainty under the new U.S. administration in areas such as trade compliance, supplier contracts, and labor and employment. At the same time, GC will continue to face tight budgets as businesses contend with economic headwinds. In a March 2025 poll, 71% of CFOs indicated they view the current economic conditions as somewhat or highly unfavorable for their organization’s performance in the next 12 months, while 37% have begun implementing cost contingency plans in targeted areas of the enterprise.

To effectively meet the increased demands for business support through this volatile and expanded risk landscape — without exacerbating lawyer burnout and cost overruns — legal leaders must prioritize strategic cost optimization. This strategy involves making structured, programmatic investments in internal capabilities, improving service provider management and implementing technology solutions to scale legal services, thereby enhancing overall productivity and efficiency. Strategic cost optimization and productivity scaling offers a pathway to sustained departmental growth, enabling legal teams to better adapt to evolving demands.

Figure 1: Legal Department Spend (2020-2024)
Median legal spend as a percentage of revenue



Legal Is Confident at Fulfilling Basic Mandate, but Struggles to Scale the Delivery of Legal Services

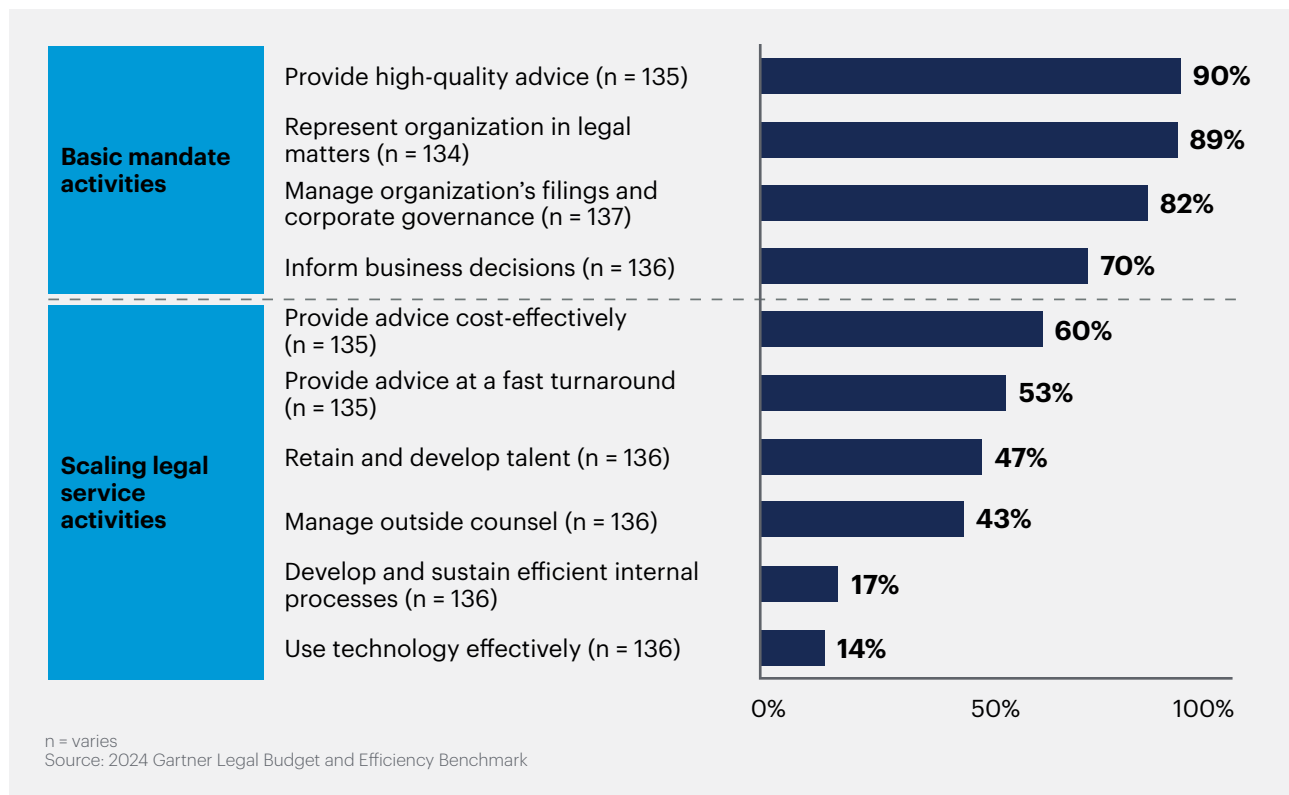
In 2024, legal leaders rated themselves as effective at fulfilling their basic mandate responsibilities, such as providing high-quality advice (90%) and representing the organization in legal matters (89%). However, legal departments were significantly less effective in the activities most critical to ensuring scalable growth: providing legal advice quickly and cost-effectively, managing talent and service providers, and implementing process efficiency and technology (see Figure 2).

Asking legal to do more with the same or fewer resources to meet evolving demands risks driving business drag, reducing the quality of business support, increasing organizational risk, and exacerbating lawyer burnout and disengagement. To effectively navigate these challenges, GC know they must improve the scale of legal service delivery to boost productivity and maximize resource utilization for the business: Nearly 80% of GC rank streamlining workflows/processes among their top three priorities for increasing productivity in 2024.

In the following sections, our planned budget data shows how legal departments are increasing external spend, combined with sustained investments in talent and technology, to align with the goal of scaling legal services.

Figure 2: Legal Department Activity Effectiveness

Percentage of legal leaders who said they were “effective” or “extremely effective”



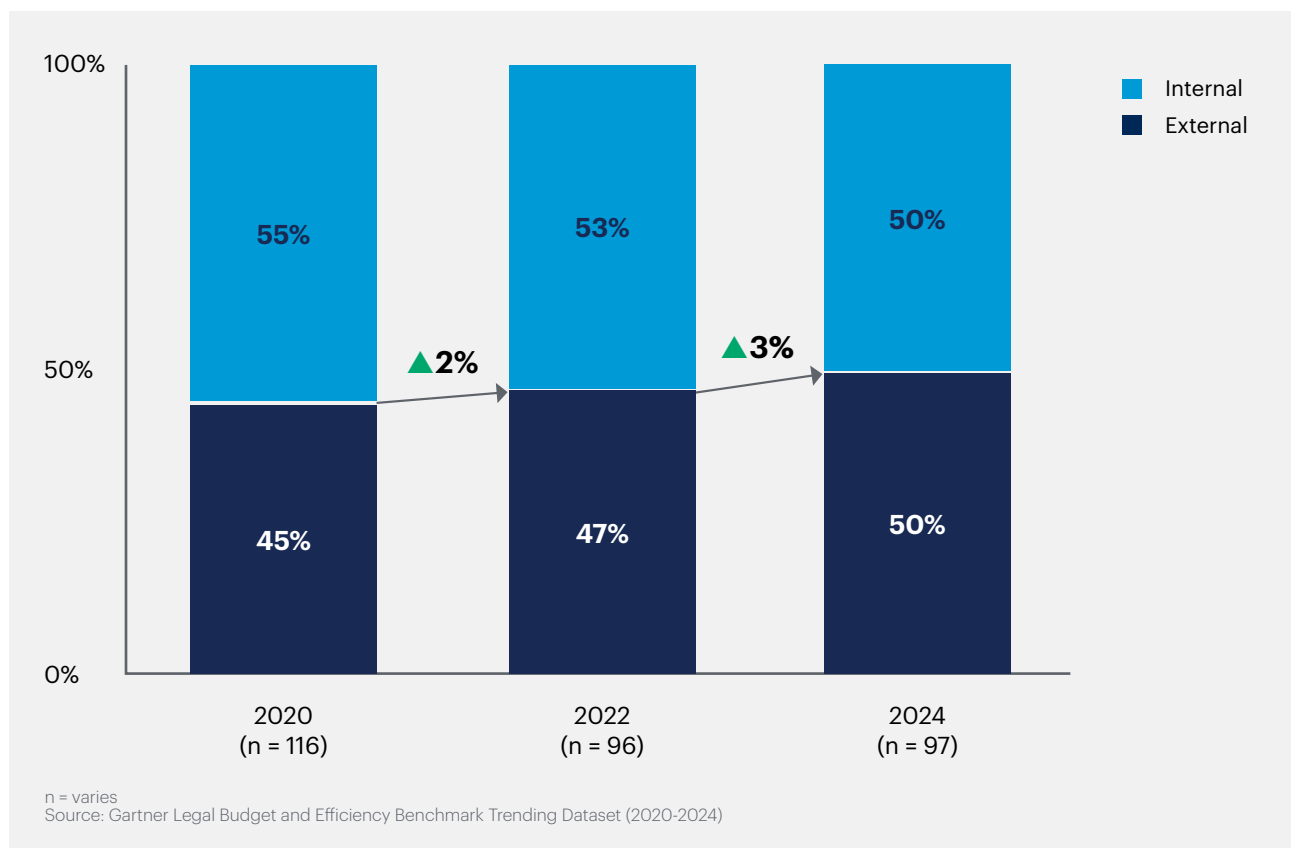
External Legal Spending Is Expected to Rise as Regulatory Volatility Increases

Legal departments, regardless of their size, have been gradually increasing their external spending (see Figure 3). The proportion of the legal budget spent externally in 2024 has increased by 5% in the last five years, possibly driven by factors like record high deal volumes and litigation, unplanned work and disruption, attrition, and rising law firm rates. This trend represents a shift from 2020 when departments brought more work in-house to navigate the COVID-19 pandemic environment and related economic uncertainty.

This trend will likely continue, with nearly half (46%) of legal departments anticipating increased spending on external experts and services in 2025 to support growing business demands and manage evolving regulatory complexity. For instance, recent U.S. administration executive orders on areas such as trade; diversity, equity and inclusion; and generative AI; as well as reciprocal nationalist policies pursued by other nations; require organizations to comply with competing and newly changing regulations, based on their specific industries and jurisdictions. Operating in such an uncertain environment where gaining new expertise quickly is crucial, but relying on external counsel can prove more feasible and cost-effective than insourcing.

Figure 3: In-House Versus External Legal Spend (2020-2024)

Average percentage allocation over the last five years



Legal Service Provider Management Is Critical for Cost Optimization

Currently, a vast majority of legal's external spend goes to law firms (90%), while alternative legal service providers (ALSPs), despite having cost-saving benefits, remain severely underused (3%). Given recessionary projections, legal departments must be strategic in navigating the increased dependencies on outside counsel and evaluate effective, lower-cost options to prevent runaway external spend.

Legal departments have relied on near-term cost-cutting measures, especially since the COVID-19 pandemic, which includes negotiating rates and discounts, reducing the volume of work sent to outside counsel, and seeking value-add services. However, legal must implement more sustainable cost management strategies to achieve long-term efficiencies, such as:

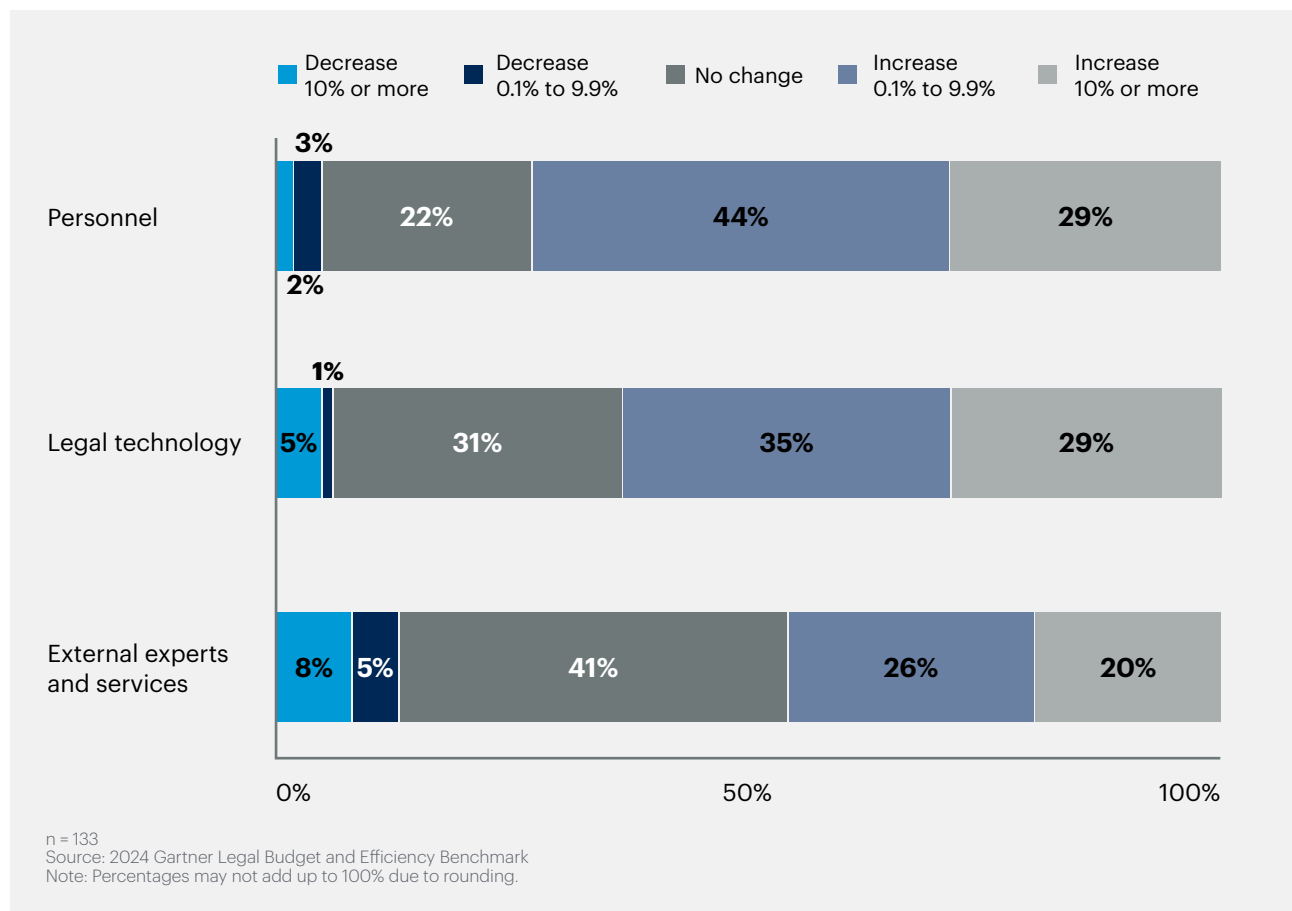
- **Assigning work strategically to the right service providers.** This approach involves selecting the right tier of outside counsel by aligning matter value to the law firm tier, based on factors such as number of jurisdictions and practices, right level and area of expertise, and availability of alternative delivery (such as a captive ALSP).
- **Undertaking active matter management.** Legal departments should instruct firms about matter value, scope and appropriate staffing, as well as actively oversee matters as they progress. This tightened focus can help departments align outside counsel effort with matter value and match the right level of resource to each task.
- **Leveraging technology to create data-driven budgets and analyze key areas of external and internal spend.** In 2024, only half (50%) of legal departments reported using legal spend analytics capabilities to analyze their spending patterns, which can offer cost optimization insights for service provider management.

These strategies are more effective in controlling costs in the longer run than narrowly focused cost-cutting measures (such as discounts) to help ensure scalable legal support.

Legal Prioritizes Talent and Technology Investments to Scale Business Support and Productivity

Legal departments anticipate increased investments on staffing and technology in 2025. Seventy-three percent of legal departments expect increased personnel expenses, and 47% of legal departments plan to hire and retain talent by potentially offering competitive salaries and bonuses. Moreover, 64% of legal departments anticipate an increase in technology expenses as they invest in new technologies and absorb their rising costs. Figure 4 illustrates these anticipated changes in spending in 2025.

Figure 4: Expected Change in Legal Spend in FY25, by Spend Type
Percentage of legal departments



The following sections explore these planned technology and talent investments in detail and how they can help organizations boost internal capacity and scale legal service delivery for the business.

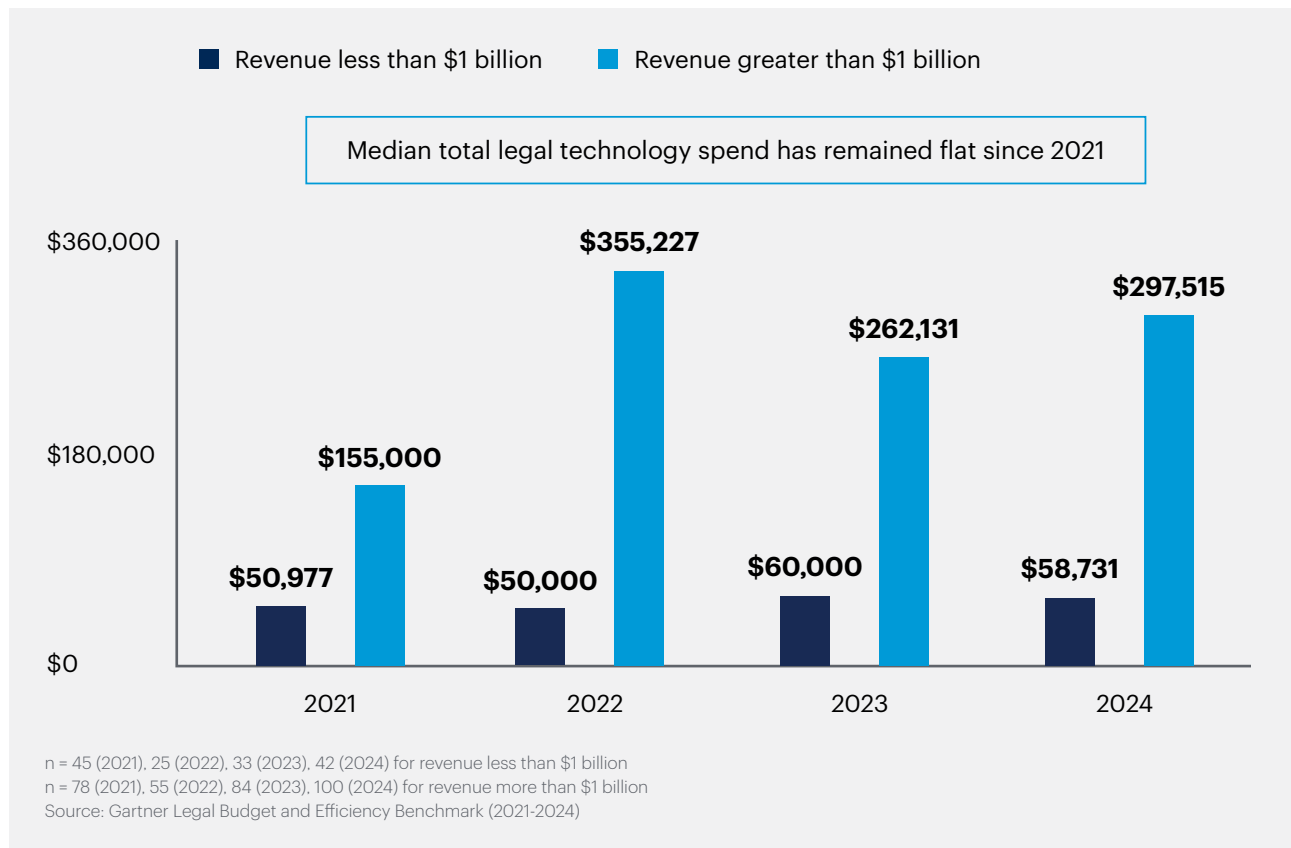
Legal Departments Expect to Boost Technology Spending, yet Opportunities to Realize Efficiency Gains Remain

The legal technology market, driven in part by AI advancements, is fast maturing, making technology a highly desirable tool for legal leaders to increase productivity and efficiency. Although median total legal technology spend has remained flat since 2021 (see Figure 5), most legal leaders (64%) anticipate technology expenses to rise in 2025, reflecting a keen interest in building their legal technology stack.

However, it is important to note that technology investments do not have the same payoff for all legal departments. Legal departments at larger organizations will likely spend more on technology overall — with higher efficiency gains possible — compared to smaller organizations.

Figure 5: Median Total Legal Technology Spend Across Revenue Bands

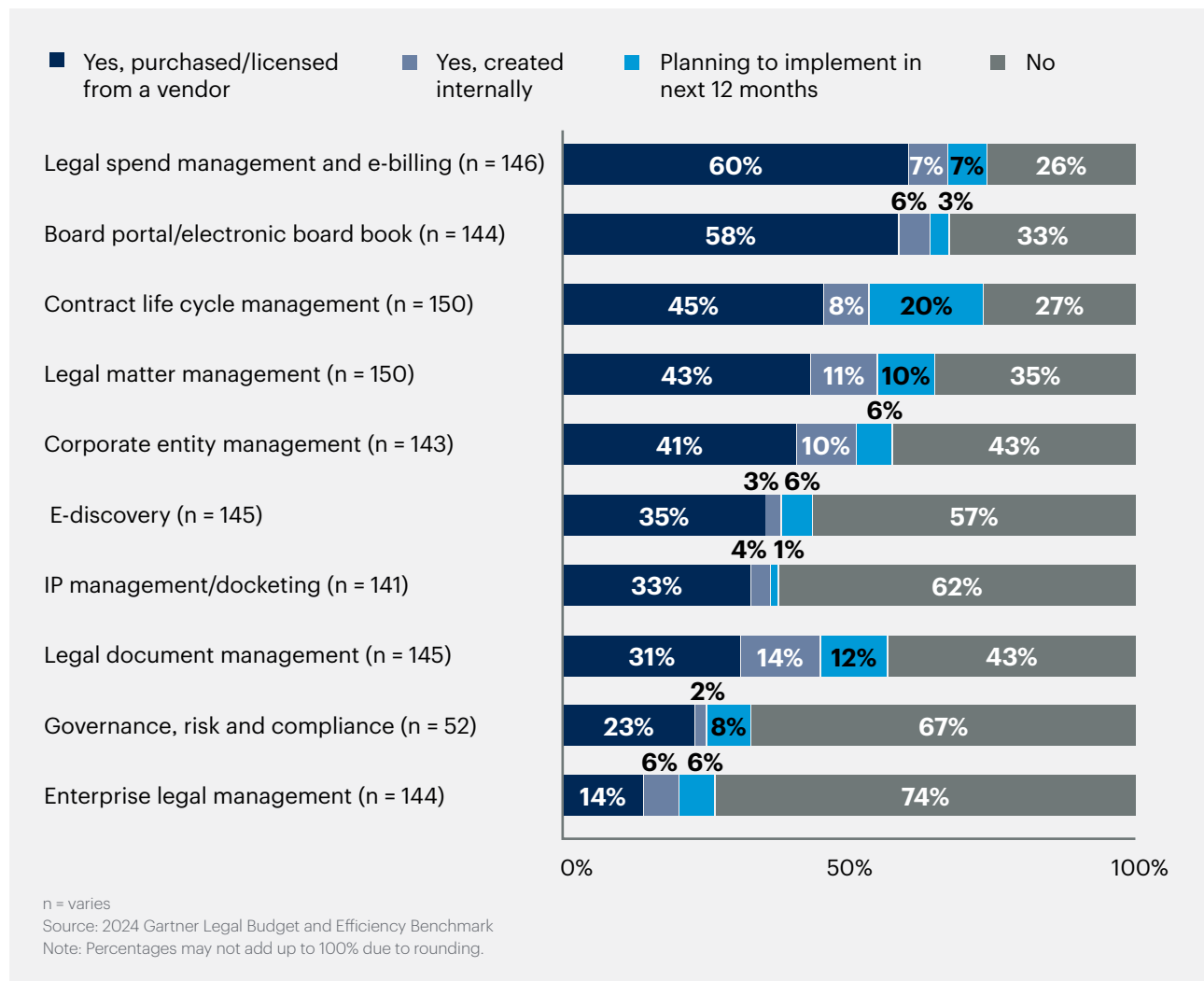
Amount in U.S. dollars



The top 5 **technology** software solutions used in legal departments include legal spend management and e-billing (67%), board portal (64%), legal matter management (54%), contract life cycle management (CLM) (53%), and corporate entity management (51%) (see Figure 6). Additionally, nearly 90% of legal and compliance leaders are prioritizing identifying opportunities to leverage generative AI applications for added value in 2025.

However, investments in practice-specific technologies, such as e-discovery and intellectual property management, have remained generally low, though they are also informed by industry, business model, as well as the legal department's value proposition. Many legal departments may find it hard to justify the cost of specialized technology at the practice level due to a lack of volume of work, as opposed to generalist technology that could support departmentwide workflows.

Figure 6: Use and Planned Use of Legal Technology Systems
Percentage of legal departments



Legal Intake Technology Remains Underused

Legal intake technology, in particular, offers organizations the potential for high efficiency gains. Our data shows that almost 50% of lawyers report receiving 41 or more legal requests from business partners each month. When the intake process is streamlined through technology, organizations find it much easier to create a repeatable process that allocates the right tasks to the right resource, based on the level of urgency and importance. This technology improves the turnaround time for resolving each business request, with 78% of legal employees reporting increased productivity as a result.

Despite the promising benefits, benchmark data shows that the use of legal intake technology has remained low and stagnant at about 33% since 2022, providing an immediate opportunity for departments to redirect their investments.

Improve Digital Readiness to Realize Efficiency Gains From Legal Technology

Despite the expected increase in technology spend, only 14% of legal departments feel they use the adopted technology effectively (see Figure 2). Often, legal departments invest in technology before adequately preparing their underlying processes, data and workflows for technology implementation, which can prevent them from obtaining intended efficiency gains.

Moreover, technology is less likely to increase overall department productivity if the employee adoption is low. Currently, only about two in four lawyers surveyed (46%) frequently use legal technology systems for tasks when legal leadership would expect them to use it. Departments that address gaps in people, process and data are almost twice as likely (1.9 times) to report effective technology use.

In-House Legal Teams Are Growing in 2025 but Not Strategically in Line With Rising Workloads

In-house legal teams face rising external pressures, yet their composition and size have not kept pace with these rising demands. Although workloads have risen considerably, the median total legal staff per billion in revenue and the mix of lawyers and nonlawyer staffing have not changed since 2020. Additionally, the ratio of specialist to generalist lawyers has also remained the same — at 46% and 54%, respectively — despite the increasingly complex regulatory landscape and evolving risk exposure.

However, this trend might be changing — as almost 50% of legal departments are reportedly planning to increase total legal staffing, and 43% plan to increase lawyer staffing in 2025.¹ Historically, legal leaders have indicated a similar expected percentage of increase in staffing, but the median total staffing as a percentage of revenue has remained unchanged (see Figure 7). This finding indicates that while legal staffing has kept pace with organizational growth, it is not increasing proportionally to manage the rising complexity and volume of work that legal departments are encountering today.

Within the expected increase in full-time equivalent (FTE) staffing, 43% of legal departments plan to hire more lawyers to increase internal legal capacity. Notably, 60% of legal departments are not hiring nonlawyer professionals and paralegals, while nearly 80% are not hiring admin/clerical staff (see Figure 8). Deprioritizing nonlawyer staffing may reduce opportunities for useful efficiency gains as these staff members typically own strategic activities like process improvement and technology management, which can help increase department productivity and scale legal services.

Figure 7: Legal Department Staff Size (2020-2024)

Median number of legal FTEs per billion in revenue

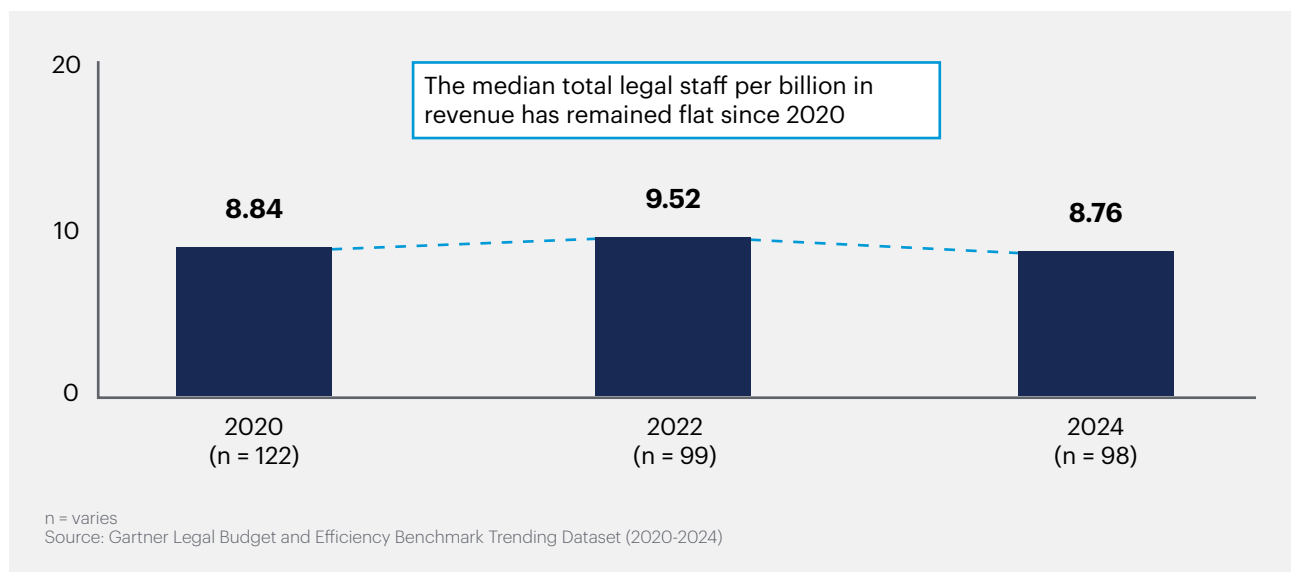
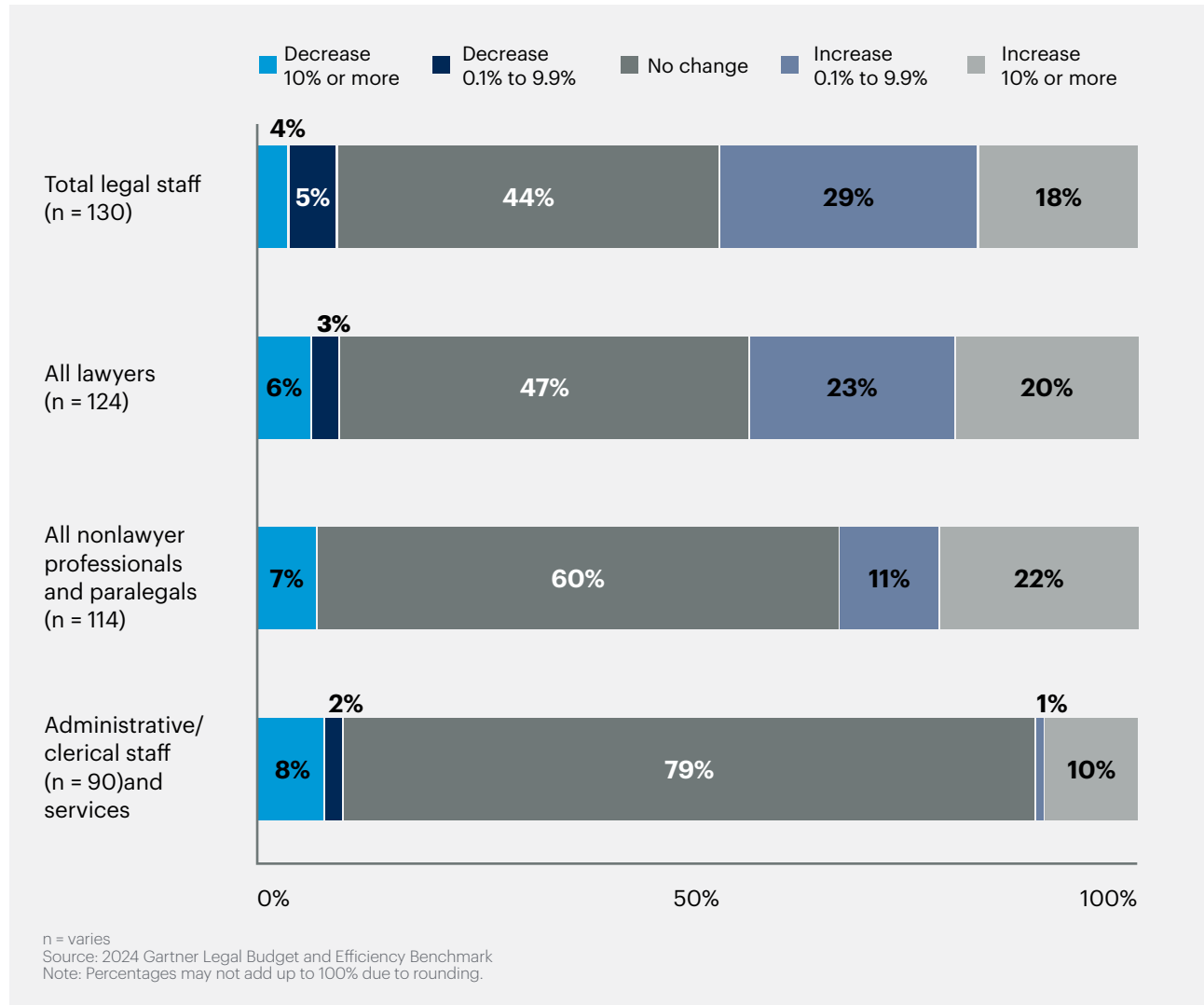


Figure 8: Expected Change in Legal Staff in FY25, by Staff Type
Percentage of legal departments

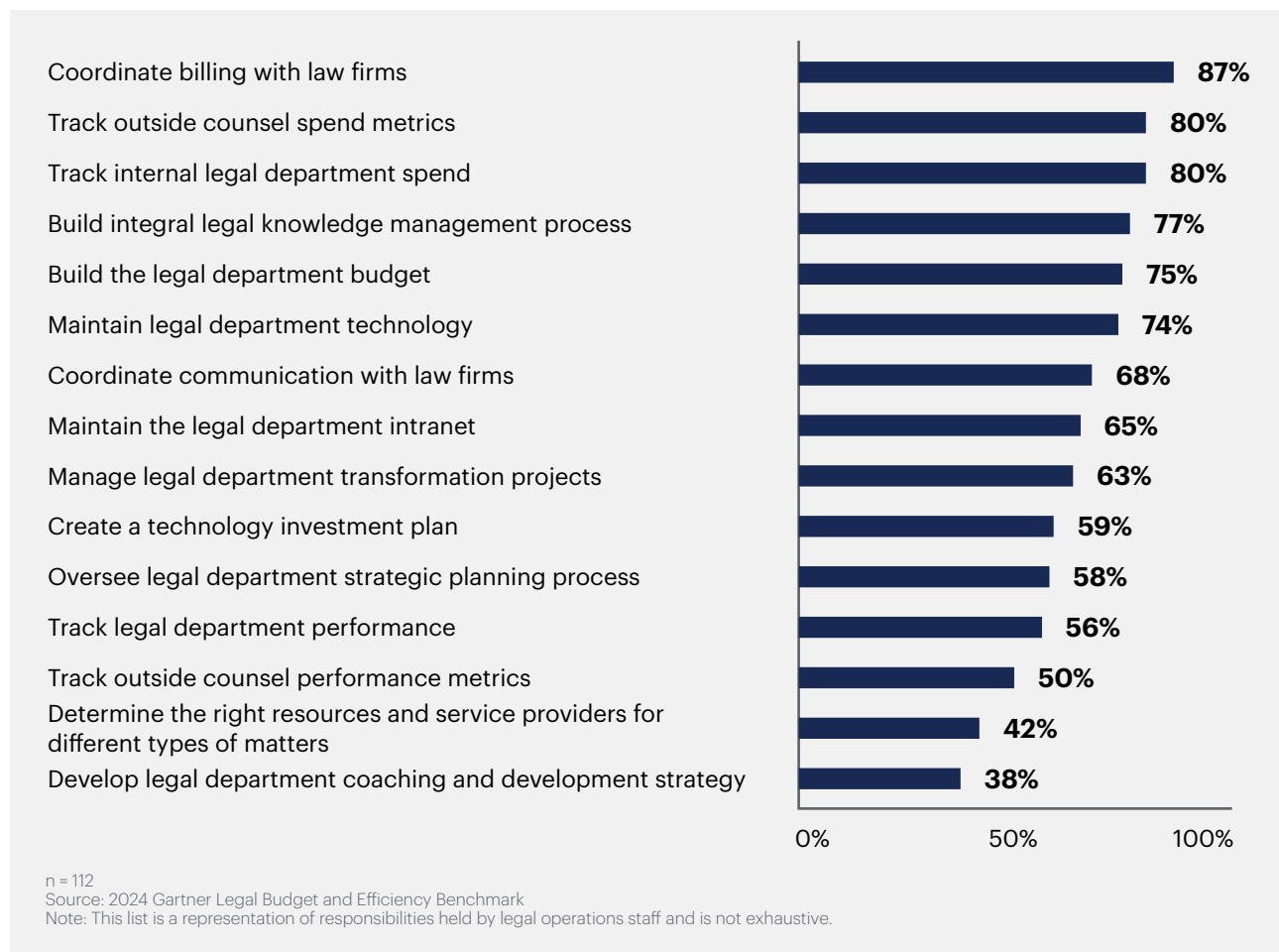


Legal Operations Staff Can Drive In-House Efficiency, but Ensuring Strategic GC Involvement Is Crucial to Improving ROI

Legal operations staff focus on activities and processes that are different from traditional legal work. Over time, their responsibilities have expanded beyond financial management to include tasks that support the department strategy and scaling of legal services (see Figure 9). Moreover, the prevalence of legal operations manager roles has increased from 33% in 2018 to 74% in 2024, reflecting increased GC commitment to enhancing operational efficiency.

GCs now need to maximize the ROI from legal operations to bridge the functional performance gap between today's limited growth in legal capacity and the rate at which the demand for legal services is increasing. To do so, they must set the tone by reviewing legal operations' priorities, communicating the criticality of legal operations work and ensuring department buy-in on, and adherence to, transformation projects.

Figure 9: Type and Frequency of Responsibilities Held by Legal Operations Staff
Percentage of respondents



As for deciding what projects or activities legal operations should prioritize, Table 1 illustrates cost optimization activities in which fewer legal departments self-assess as effective, alongside the type and frequency of related activities performed by the legal operations staff (below 80%). GC can use this information as a starting point to think about how legal operations responsibilities currently align with scaling legal services/cost optimization activities where departments struggle to improve their effectiveness. In areas where legal departments are ineffective, legal operations teams should ensure they are taking responsibility for the right activities to increase efficiency. In areas where, according to the table, legal operations teams are actively engaged in relevant responsibilities but are still ineffective, productivity metrics will be critical to tracking efficiency gains over time and adjusting efforts to correct for investments that are not paying off.

However, it is important to note that strategic involvement for legal operations may look different across legal departments, as their mandate and value proposition varies across organizations. Legal must first identify the highest-priority services it provides and strategically allocate work to legal operations to optimize and scale legal work.

Table 1: Mapping Legal Operations Responsibilities to Adjacent Cost Optimization Activities in Legal Departments

Cost Optimization Activities in Which Fewer Legal Departments Feel They Are Currently Effective	Type and Frequency of Related Responsibilities Performed by Legal Operations
Provide advice at a fast turnaround (53%)	<ul style="list-style-type: none"> • Build integral legal knowledge management process (77%) • Determine the right resources and service providers for different types of matters (42%)
Retain and develop talent (47%)	Develop legal department coaching and development strategy (38%)
Manage outside counsel (43%)	<ul style="list-style-type: none"> • Coordinate communication with law firms (68%) • Track outside counsel performance metrics (50%) • Determine the right resources and service providers for different types of matters (42%)
Develop and sustain efficient internal processes (17%)	<ul style="list-style-type: none"> • Track legal department performance (56%) • Manage legal department transformation projects (63%) • Oversee legal dept strategic planning process (58%)
Use technology effectively (14%)	<ul style="list-style-type: none"> • Maintain legal department technology (74%) • Maintain the legal department intranet (65%) • Create a technology investment plan (59%)

Source: 2024 Gartner Legal Budget and Efficiency Benchmark

Compliance and Privacy Spending and Staffing Lags Amid Rising Regulatory Volatility

Similar to legal, compliance and privacy departments are also witnessing flat budgets and headcounts since 2021. Compliance and privacy make up 0.027% and 0.011% of organization revenue, respectively. The median number of FTEs per 1,000 employees for compliance and privacy have also remained flat since 2022 — at 0.60 and 0.25 FTEs, respectively.

Figures 10 and 11 show that 65% and 57% of compliance and privacy departments, respectively, expect personnel expenses to rise in 2025. However, 58% and 65% of compliance and privacy departments, respectively, report no expected change in staffing levels (see Figure 12). The personnel expense increase suggests a rise in competitive salaries and retention costs, even though most of these departments report static headcounts.

With the rise of new regulatory actors and increasing regulatory fragmentation, compliance- and privacy-related risk is anticipated to rise in 2025. Seventy-seven percent of privacy leaders report that the privacy risk and regulatory landscape has grown more volatile over the past five years.

In this complex environment, almost half of compliance (49%) and privacy (47%) departments expect a rise in their technology expenses to boost internal staff's capability and to scale services to meet evolving business needs. Moreover, 33% and 43% of compliance and privacy departments, respectively, anticipate higher expenses for external experts and services to use external expertise and manage rising workloads (see Figures 10 and 11).

Figure 10: Expected Change in Compliance Spend in FY25, by Spend Type
Percentage of compliance departments

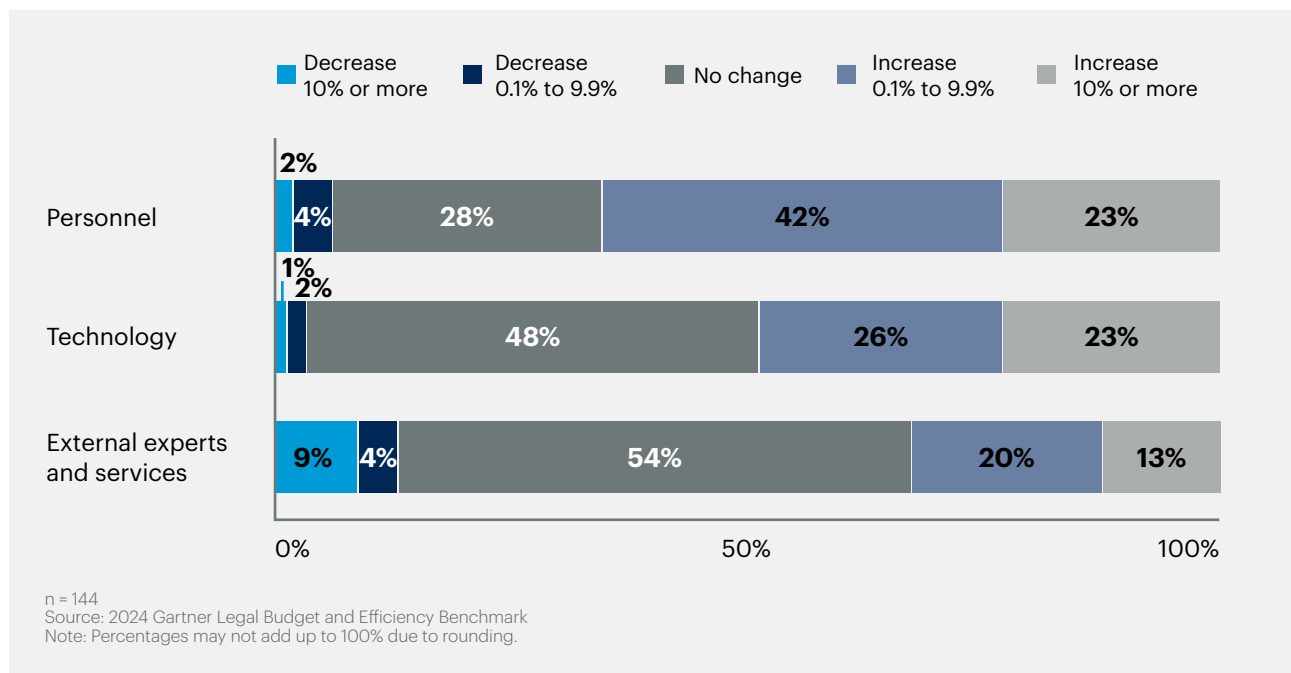


Figure 11: Expected Change in Privacy Spend in FY25, by Spend Type
Percentage of privacy departments

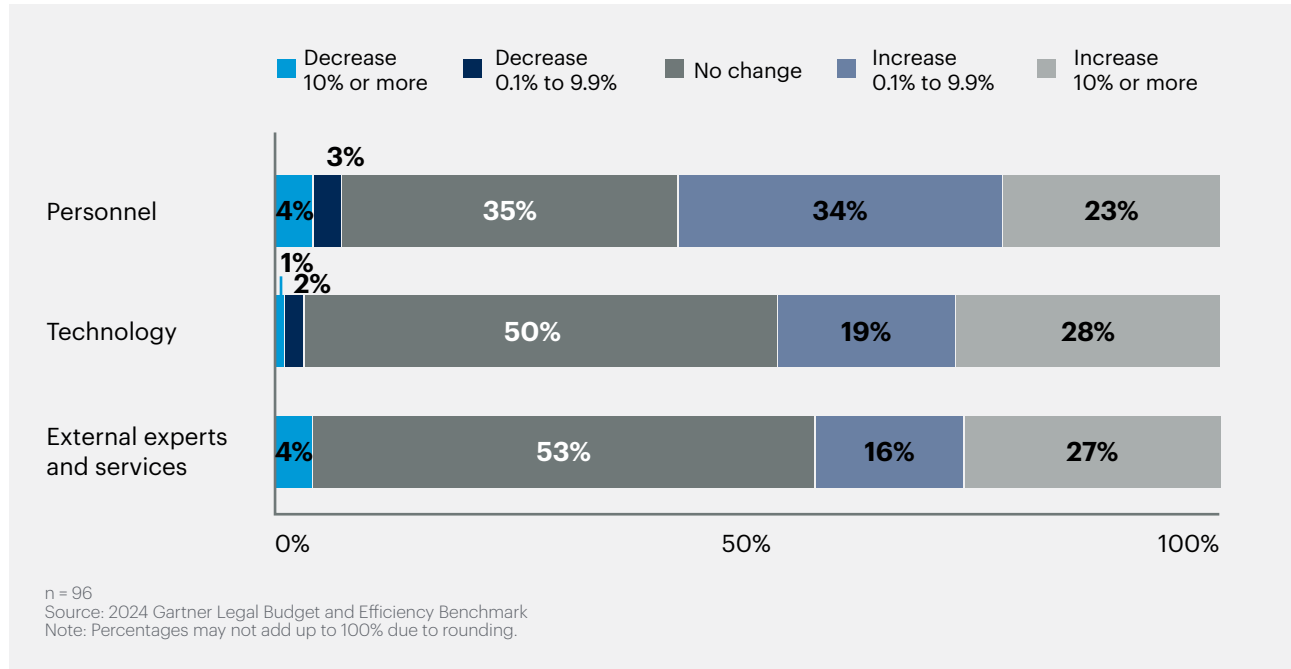
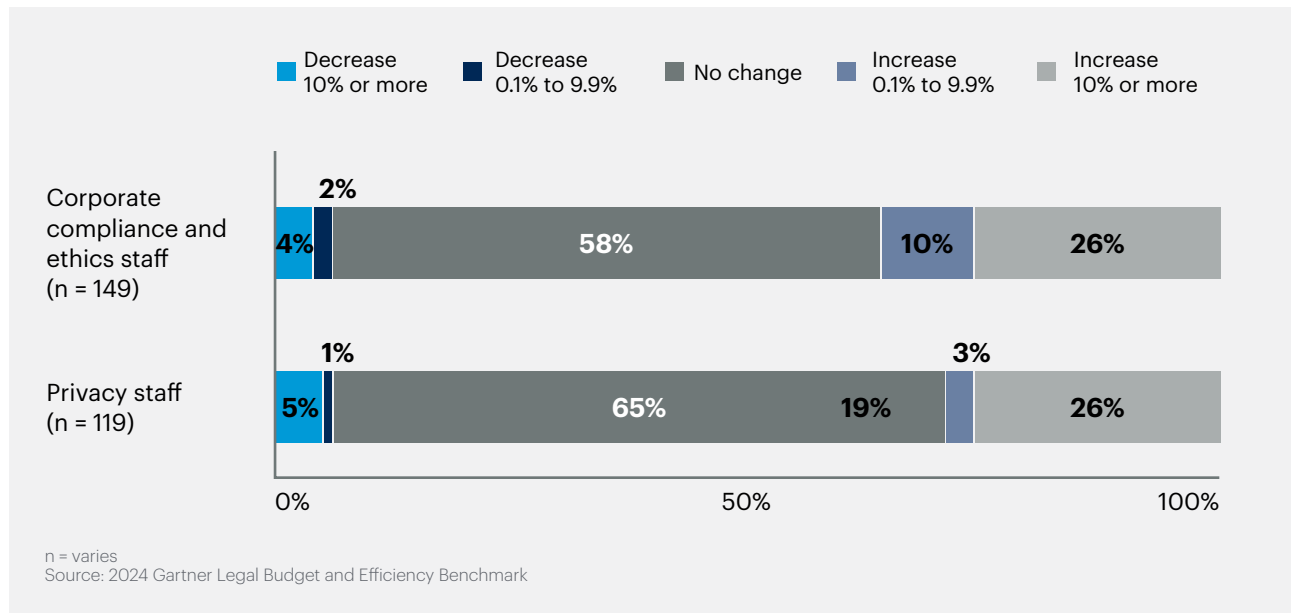


Figure 12: Expected Change in Compliance and Privacy Staff in FY25, by Staff Type
Percentage of departments



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