# AI pressures law firms to move beyond the billable hour



Artificial intelligence is testing the long-standing dominance of hourly billing in legal services. In a *Legal Futures* column, Glenn Rhea argued that AI-driven efficiency is exposing the mismatch between time-based charging and the outcomes clients now seek. Technologies that can reduce hours of routine work to minutes make hourly rates harder to justify, prompting firms to trial flat fees, subscriptions and other value-based arrangements.

The economic impact is clear. Industry research shows AI can automate large swathes of traditional hourly tasks — from document review to legal research — that underpin the economics of time billing. The Thomson Reuters Institute sees this as a chance to move toward value-based pricing, provided firms build client trust, maintain quality and embed robust human oversight.

Clio’s *Legal Trends* data shows most routine hourly work could be automated, that firms using AI are more likely to offer flat fees, and that such matters are billed and collected faster — with most clients preferring predictable pricing. Wolters Kluwer’s *Future Ready Lawyer* survey reports that many corporate legal teams and firms expect generative AI to affect the billable hour, but cultural and structural inertia remain.

Transition will require more than technology. Firms must design offers around outcomes, adopt capped fees, subscriptions and success-based arrangements, and retain time-tracking to ensure sustainability. The American Bar Association has long promoted AFAs for their predictability and alignment of incentives, noting they can also improve lawyer wellbeing by easing pressure to log excessive hours.

Responsible deployment is essential. Thomson Reuters stresses explainability, audit trails and mandatory human review, while recent Reuters reporting highlights disciplinary risks where practitioners failed to verify AI-generated content. Wolters Kluwer notes that firms may outsource automation to alternative legal service providers and retrain staff for higher-value, client-facing work.

For UK firms, the opportunity is to lead in combining AI and new pricing models. Practical steps include piloting AFAs on selected matter types, separating automatable from judgement-heavy tasks, and creating disclosure and verification protocols for AI outputs. Regulators and bar bodies can support with clear guidance on responsible AI use and consistent standards for verification.

The case for change is both commercial and ethical. Value-based pricing can make costs more predictable, align incentives between client and counsel, and allow lawyers to focus on strategy, negotiation and complex problem-solving. Challenges include cultural resistance, retraining needs, and integrating pricing with AI-driven workflows.

Done well, this could reset the competitive landscape, combining AI-driven productivity with human judgement and transparent, outcome-based pricing. Firms that move quickly and carefully have the chance to redefine legal value — and make the UK a model for responsible innovation in law.

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## Bibliography

1. <https://www.legalfutures.co.uk/blog/will-ai-finally-kill-the-billable-hour-the-rise-of-value-based-pricing> - Please view link - unable to able to access data
2. <https://www.clio.com/blog/highlights-from-2024-legal-trends-report/> - Clio’s Legal Trends Report explains how technology and changing client expectations are transforming law firm pricing. The report shows that AI can automate a large portion of routine hourly tasks such as document drafting, legal research and data analysis, putting pressure on time-based billing. It documents rising use of flat fees and value-based arrangements and finds clients prefer predictable pricing. Firms that adopt AI are more likely to offer flat fees and to collect payments more quickly. The report advises law practices to reconsider billing models, embrace alternative fee arrangements and use technology to protect revenue and enhance client satisfaction.
3. <https://www.thomsonreuters.com/en-us/posts/legal/rethinking-legal-value/> - Thomson Reuters Institute argues that generative AI is prompting a redefinition of legal value and encouraging outcome-based pricing. The article explains how AI streamlines routine tasks, freeing lawyers to focus on complex, higher-value work that can be billed by results rather than hours. It stresses the importance of client trust in AI, transparency about technology use and quality assurance to maintain professional standards. Thomson Reuters suggests firms must redesign pricing and delivery models, adopt responsible AI practices, and invest in training. The piece views outcome-based arrangements as an opportunity to align fees with client outcomes while safeguarding quality and ethics.
4. <https://www.wolterskluwer.com/en/expert-insights/ai-impact-on-legal-business-models> - Wolters Kluwer’s expert insight discusses how generative AI could challenge the billable hour by automating tasks such as document review, legal research and contract drafting. Based on its Future Ready Lawyer Survey, the piece reports that a majority of respondents expect AI to affect billing models and that many plan to outsource automation tasks to alternative legal service providers. It warns of consequences for junior roles, suggests firms prepare for shifts, and encourages adoption of AI and training. The article frames AI as an enabler of new pricing options, urging firms to adapt systems, redefine services and manage client expectations.
5. <https://www.americanbar.org/groups/law_practice/resources/law-practice-magazine/2023-september-october/alternative-fee-arrangements-put-focus-on-value-not-time/> - The American Bar Association article explains alternative fee arrangements and how they shift focus from hours to outcomes. It outlines common AFA types such as flat fees, capped fees and subscription models, and describes benefits including price predictability, stronger client relationships and incentives for efficiency. The piece notes AFAs can improve lawyer wellbeing by reducing pressure to log excessive hours and encourages firms to retain time-tracking to assess fee adequacy. It offers advice on structuring AFAs, communicating expectations and managing risks. The ABA promotes AFAs as a means to expand access to justice while aligning lawyer incentives with client results.
6. <https://www.ft.com/content/7750aff2-0677-4ba9-b571-4e02cf83950d> - The Financial Times examines why the billable hour remains dominant despite criticism and technological disruption. The piece highlights cultural and economic reasons: firms use hours as internal performance metrics and clients often accept the familiarity of time-based billing. It reports that the model incentivises long hours and can harm junior staff wellbeing, while advanced tools including AI have so far only modestly altered billing practices. The article suggests that although firms experiment with alternative fee arrangements, the billable hour persists because it signals commitment and helps firms retain revenue. FT argues evolution is likely slow, requiring cultural and structural change.
7. <https://www.reuters.com/legal/legalindustry/short-circuit-court-ai-hallucinations-legal-filings-how-avoid-making-headlines-2025-08-04/> - Reuters reports on the risks of generative AI in legal practice, focusing on instances where AI produced fabricated case citations and erroneous legal content in filings. The article recounts disciplinary consequences for lawyers and judges who relied uncritically on AI outputs, emphasising that such tools predict plausible text rather than verify facts. Reporters recommend human oversight, verification of every AI-cited authority and transparent disclosure of AI use in filings. The piece warns that while AI can boost efficiency, unchecked reliance risks professional sanctions and reputational harm. It urges firms to implement verification protocols and train lawyers to use AI responsibly.