

LEGAL LEDGER

Lawyers Report Practice Rebounds—Slowly

BY TIM EIGO

This spring, many Arizona lawyers responded to a State Bar survey that has become an important touchstone in assessing the legal economy's health. Similar studies on the economics of law practice have been conducted in 2010, 2007, 2004 and 2001. The objectives were to report current conditions and to track trends. The survey and analysis are complete, and the results are now available.

The every-three-year survey results provide insights into the current and evolving economic state of affairs. Individual attorneys and firms may be unable to compile their own broad-based economic data. The State Bar expects that the complete report will be of great assistance to its members.

The complete report is available for purchase by members and the public. For more information, go online to www.azbar.org.

Where we stand economically also can be assessed by another survey of Arizona lawyers, done in 2008 by ARIZONA ATTORNEY MAGAZINE. That survey—sited in time directly between the Bar's 2010 and 2007 economic surveys—found that lawyers dreaded the recent past but had varying levels of confidence in the near future—depending on their years in practice and employer type. Read that story here: <http://tinyurl.com/AzAtFeb2009>

What follows is a snapshot of some of the valuable information the Bar learned with the help of its members.

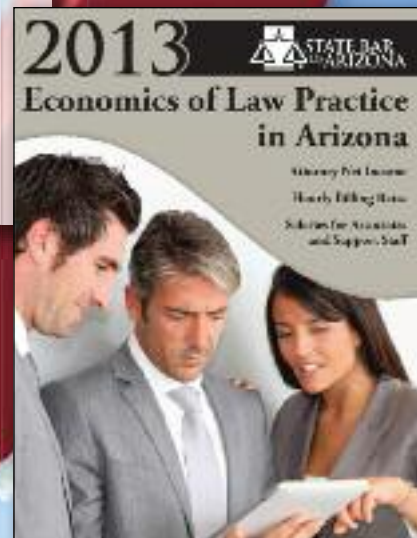


TABLE 1

2012 Full-Time and Part-Time Attorney Net Income by Practice Category

Practice Category	N	Mean	Value by Percentile			
			25th	Median	75th	95th
Solo, office outside home	250	\$120,850	\$55,000	\$100,000	\$150,000	\$275,000
Solo home office	137	106,860	36,000	75,000	120,000	360,000
Solo with 1+ associates	36	232,086	81,552	150,000	275,000	893,000
Space sharer	12	122,317	72,500	95,500	147,500	400,000
Partner in firm with 2-7 partners	161	239,910	100,000	150,000	245,000	500,000
Partner in firm with 8+ partners	181	281,008	176,000	250,000	340,000	545,000
Associate in firm with 1 attorney	56	84,705	50,000	60,000	87,000	175,000
Associate in firm with 2-7 partners	168	94,493	60,000	80,000	102,500	150,000
Associate in firm with 8+ partners	126	120,567	90,500	118,000	140,000	175,000
Judge/Magistrate (full-time)	21	132,067	120,000	130,500	145,000	160,000
Judge/Mag. and private practice	3	223,333	40,000	130,000	500,000	500,000
Arbitrator/Mediator/ALJ	12	74,167	51,500	65,000	101,000	123,000
City/County government	238	88,839	63,000	85,000	110,000	142,000
State government	129	79,725	62,000	75,000	95,000	125,000
Federal government	69	106,249	83,000	103,000	134,000	155,000
In-house counsel (for-profit org.)	141	156,283	92,000	125,000	200,000	350,000
In-house counsel (not-for-profit org.)	31	186,542	75,000	113,000	160,000	221,000
Counsel with Legal Aid/Legal Services	11	47,000	32,000	56,000	60,000	70,000
Law clerk	19	45,671	34,000	49,000	57,000	86,500
Non-legal professional	22	122,136	45,000	72,500	190,000	390,000
Tribal counsel	14	105,501	82,000	92,019	115,000	225,000
Total	1,837	\$139,594	\$68,000	\$100,000	\$150,000	\$360,000

Topics Covered

The Economics of Law Practice contains current demographics of practicing attorneys including: attorney income by practice category, gender, field of law, office location, work status, years in practice and firm size (measured by number of attorneys); prevailing average hourly billing rates for attorneys by a variety of indicators, and legal assistants by years of experience, firm size and office location; law office management practices; and job satisfaction and economic sentiment on current and future circumstances influencing the practice of law, among others.

Some Key Findings

Arizona lawyers reported the following as of 2012:

- Median net income in 2012: \$100,000 (11.1 percent increase over 2009) (see Table 1)
- Full-time attorney median net income: \$104,500 (10.9 percent increase over 2009)
- Full-time attorney average net income: \$143,403
- Highest annual salary: Professional

malpractice law (defense) (\$272,500 median salary per year)

- Lowest annual salary: Consumer law attorneys (\$35,000 median)

The median billing rate per hour is now \$255, a slight increase over the \$250 rate three years ago. Hourly billing rates have risen steadily since the Bar's first economic survey in 2001, which showed a median rate of \$175 per hour. The survey also found that over the past decade attorneys have reduced fixed costs as well as what they pay for office space.

Looking forward:

- 81 percent of Arizona attorneys feel that their practice or law firm is likely or very likely to be profitable.
- 50 percent envision offers to hire new lawyers.
- 37 percent expect to see lawyer layoffs.
- 41 percent expect the economy to improve over the next two years (five percentage

points higher than the number who expected improvement three years ago).

- 37 percent expect the economy to stay the same.

Table 1 shows attorney net income by practice category.

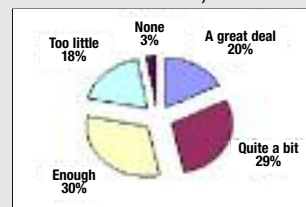
Nearly half (49 percent) of attorneys say they get either a great deal or quite a bit of satisfaction from the practice of law. That is a slight increase from 2010. Eighteen percent say they get too little satisfaction from their legal career; three percent report no satisfaction, a slight increase over 2010.

Attorneys practicing in the areas of health/hospital law and immigration/naturalization were most likely to view their practice area as becoming more satisfying or

at least remaining the same. Workers' compensation attorneys had the greatest percentage who viewed their practice area as likely to be less satisfying.

Figure 1 shows the reported level of attorney job satisfaction with law practice.

FIGURE 1
Level of Attorney Job Satisfaction, 2013





Practice Marker: Student Debt

TABLE 2

Law Student Debt					
Generation	N	Avg. Age	Avg. Years in Practice	Avg. Debt	Median Debt
Generation X (born early '60s to early '80s)	320	39	11.85	\$73,283	\$60,000
Generation Y (born late '80s to early 2000s)	279	30	3.27	\$103,292	\$98,000

Tracking national trends, law student debt remains a significant burden. For a portion of Arizona's lawyers, the debt amount and repayment terms are a substantial impediment on successful practice and a rewarding career in law.

The survey asks about debt amount totals, how many had sought deferrals, and how many identified themselves as "struggling" with their debt burden.

Table 2 shows debt amounts by age and years in practice. As expected, younger lawyers (in Generation X and Y) are the categories most burdened by debt (Baby Boomer numbers are omitted here). For more extensive ad hoc comments in regard to the survey's questions about multiple topics including debt, see page 20.

Hourly Rate Changes and Uncollectibles					
Months Since Hourly Rate Change	2001	2004	2007	2010	2013
0-6	28%	34%	34%	25%	31%
7-11	21	17	17	11	11
12-24	29	32	33	36	27
>24	22	18	16	28	31
	100%	100%	100%	100%	100%
Amount of Increase Since Last Change	2001	2004	2007	2010	2013
5% or less	21%	27%	22%	34%	40%
6-10%	43	40	43	38	37
11-19%	24	22	20	15	12
20% or more	12	11	15	13	11
	100%	100%	100%	100%	100%
Percent of Fees Billed That Are Uncollectible	2001	2004	2007	2010	2013
2% or less	41%	36%	41%	35%	39%
3-8%	27	31	31	29	31
9-12%	19	19	14	17	16
13% or more	13	14	14	19	14
	100%	100%	100%	100%	100%

TABLE 3

Practice Marker: Collectibles, Hourly Rates

The survey reports that uncollectible fees, which showed a spike in 2010, have dropped to their pre-recession levels.

In 2010, 19 percent of lawyers reported that they deemed a substantial portion of their fees (13 percent or more) as uncollectible. This spring, only 14 percent reported that figure (roughly flat with 2001 and 2004 responses).

Of more concern to members, hourly fees have remained flat. As the survey reports:

"While there is an increase in the number of respondents who raised their rates in the previous six months, the number of attorneys who say they have not raised rates for at least 24 months is also at an all time high. An increase of 5% or less appears more frequently than in the past. In 2013, 58% of the respondents had not changed their rates in one year or more."

TABLE 4 2012 Median Attorney Net Income by Gender and Practice Category

Practice Marker: Gender and Income Variations

Survey results show that median income for men continues to exceed that for women in all practice categories.

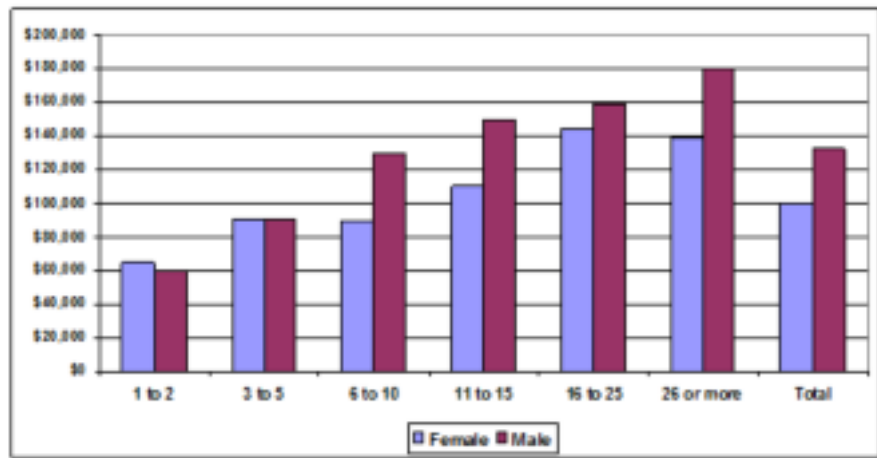
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TABLE 5

2012 Median Net Income of Full-Time Attorneys by Years in Practice & Gender



**Practice Marker:
Gender and Income
Variations (continued)**

However, the data show that younger cohorts of attorneys who are working full-time may be narrowing that disparity.

A Profession in Flux

Here is a sample of comments from attorneys on the State Bar's economic survey.

Volatility

- I can't recall how I envisioned my life as a lawyer when I started law school. Whatever "career" my imagination may have created, I'm certain it wasn't how things turned out. I absolutely would not recommend to any young person that s/he should become a lawyer.
- Laterals with three to five years' experience seem to be finding jobs, but entry-level attorneys are still having difficulty.
- My overhead is eating me alive, and I'm not living lavishly by any means.
- I should have been a doctor.
- It is becoming extremely difficult to make ends meet. I love being an attorney but never thought I would find myself trying to find part-time work or other ways to raise money to meet my obligations.
- I can't believe how bad of a situation I am in.
- Between bar associations, bar dues, professional liability insurance, rent, business insurance, law school debt, etc., there are just way too many expenses for solo practitioners.
- I'm exhausted, just barely covering my expenses and am now working another job to pay the bills. This is not what I had hoped for when I went to law school. However, I derive great

satisfaction from helping those who can't help themselves.

- Unless the cost of attending law school drops significantly, I fear that it will not be economically feasible to become a lawyer in the future.
- If I would have known then what I know now, I never would have gone to law school. This has been an utterly fruitless endeavor that has done little else but damage the long-term fiscal outlook for my family. The practice of law is a train wreck.
- Bar dues are ridiculously high. Post-bar exam fees, I've paid over \$700 to obtain and keep my license, and I've only had it for six months!
- Law school was a good choice for me. But realistically, it would be a struggle without a working spouse and our commitment to several short-term sacrifices.
- If I could do it over, I wouldn't do law.
- Economically speaking, it would have been smarter to become a clerk at 7-11 than go to law school.
- This is a tough time to practice law. Nevertheless, I think law is a noble profession and the rule of law necessary for any just and prosperous society.

- The world is changing. Get ready.

Debt

- The law degree has opened a few doors, but not sufficient to warrant the debt.
- I was supposed to have a 15-year repayment period on my loans. I paid the full amount every month for 14 years. Then I had to defer and now owe 50k on what should have been one-year's worth of payments. Sallie Mae is evil.
- I will end up paying close to \$200,000 for the original \$80,000 I borrowed. That is disgusting and makes me sick. Law school was absolutely not worth it. I would gladly give back my degree any day to erase the loan debt.
- The debt is brutal. If I had known I would only be making approximately \$50,000 per year, I never would have gone to law school.
- My law school debt is what is holding me back from [other law opportunities]. I started law school late in my career and am still suffering the consequences.
- I doubt I will ever pay back my loans in full. I may get a balance forgiven after 30 years of repayment. But by then they will be garnishing my

Social Security.

- My husband, also a lawyer, has an enormous amount of student loan debt. Our combined student loan debt is approximately \$250,000.
- I'm a slave to debt. Law school has ruined my life. And I am unemployable in other areas with my JD.
- It is unlikely that I will retire this debt before my death.
- Had I realized how back-breaking the debt from a private law school would be, I would have gone to a public school, or tried a different profession.
- The cost of a law school degree is ridiculous, especially given the likelihood of obtaining a high-paying job. I am nowhere near digging myself out of this hole.
- I would almost never advise anyone to become a lawyer today. The debt is absurd.
- The cost of attending school is ridiculously overpriced for what we got from it. America cannot afford to burden its citizens with what is, in effect, indentured servitude.
- Pursuing a legal education does not make economic sense unless you come from a wealthy background. This is very troubling to a profession which already suffers from a severe lack of economic and cultural diversity. 