

# Making Dollar Sense

BY DR. LAWRENCE STIFFMAN

## Economic Survey Reveals Practice Trends

This past spring, the State Bar of Arizona surveyed the Arizona legal community on the economics of law practice. That survey was completed, and the results are now available.

The data provide a wealth of information for attorneys who want information on the current—and evolving—economic state of affairs. The completed report helps law offices assess their progress and their choices against the galaxy of other lawyers in the state.

**The complete report is available to members. For more information, contact Mira Radovich at 602-340-7293, or go online to [www.myazbar.org](http://www.myazbar.org).**

In the meantime, here is a snapshot of some of the valuable information we learned with your help.

### Background

The Bar surveyed its members in a similar study during the summer of 2001. The objectives of both studies were to determine, among other things, the following:

- Current demographics of practicing attorneys
- Attorney net income by practice category, gender, field of law, office location, work status, years in practice and firm size
- Associate, legal assistant and secretary compensation by years of experience and office location
- Prevailing average hourly billing rates for attorneys by a variety of indicators, and legal assistants by years of experience, firm size and office location
- Attorney time allocated to billable and non-billable professional activities
- Overhead expenses associated with maintaining a private practice by office location and firm size
- Other law office management practices

Attorneys can compare themselves and their firms against “norms” established by the aggregation of survey data. Time series information is provided to denote trends. Norms include statistics that are organized by office location, firm size, practice class, area of legal concentration and years of practice. And attention is given to analysis of gender-specific factors regarding attorney income.

This information has been consolidated into the complete reference guide to help attorneys as they plan and manage their professional lives.<sup>1</sup>

### The Typical Arizona Attorney and Firm Membership Demographics

The typical respondent is 46 years of age and has been in practice for 17 years. The average male attorney is 47 years of age and has been in practice 19 years; the average female attorney is 42 and has been in practice for 12 years. Women represent 33

percent of respondents.

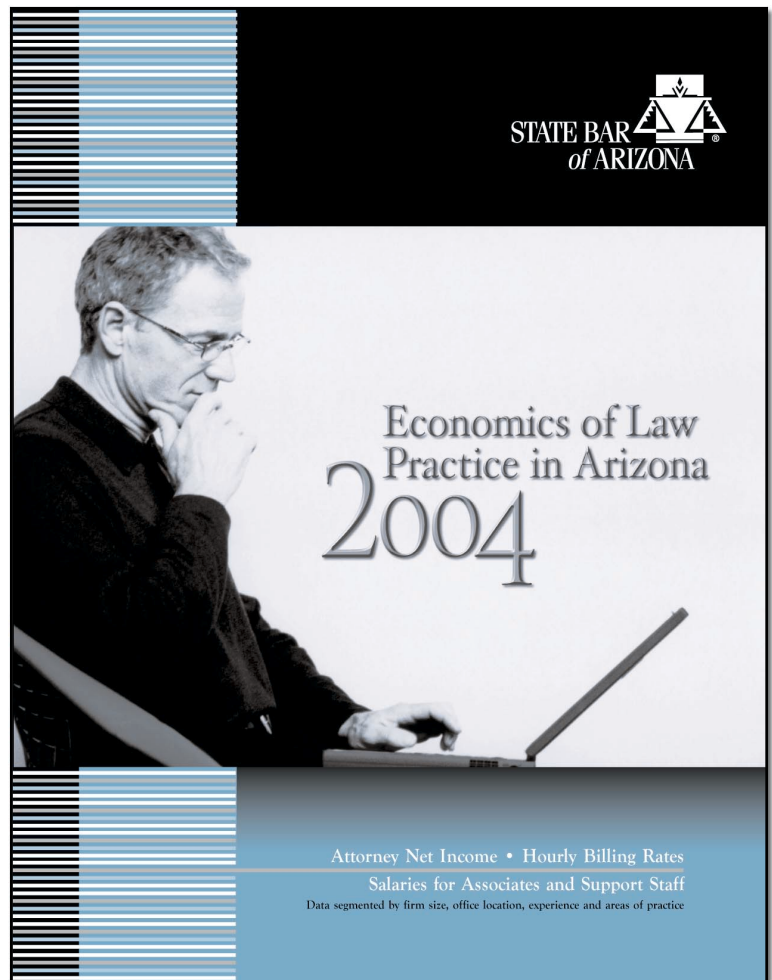
Approximately 66 percent of respondents are private practitioners. Of the remainder, 24 percent work in government agencies including the judiciary, 5 percent are in-house counsel, and the remaining 6 percent work in legal aid, as law clerks, are in a non-legal profession or indicated “other.”

Within the practice category groupings, 41 percent of associates are female. Women comprise 45 percent of state and local government attorneys, 33 percent of federal government attorneys, 33 percent of in-house counsel and 71 percent of legal services attorneys.

### Median Net Income

The median net income reported for respondents working full-time for calendar year 2003, or the last fiscal year reported (hereafter, 2003) is \$93,000. The mean (average) net income for respondents working full time is \$126,731. Part-time respondents report incomes of \$50,000 (median value) and \$52,010 (mean or average value).

—continued on p. 32



### Hourly Billing Rates and Work Volume

Approximately 96 percent of private practitioners have a standard or usual hourly rate that they apply as a guide, starting point or basis for fee computation. The average hourly billing rate reported for 2003 is \$206.

### Office Expenditures and Revenues

Private practitioners reported on their office costs and revenues.

The median value for 2003 total office expenditures on a “per attorney” basis is \$78,000. Labor cost represents the major line-item expenditure (\$35,500 per attorney). Median gross revenue per attorney for 2003 is \$210,000.

### Net Income

Exhibit 1 summarizes 2003 net incomes of attorneys who work full time by 14 practice categories reported by 1,119 respondents (denoted by N).


The exhibit provides percentile information at five data points—the mean or average as well as the 25th, 50th (Median), 75th and 95th percentiles. For example, 25 percent of all sole practitioners earn less than \$60,000, half earn less than \$92,000, half earn more than \$92,000 and 25 percent earn more than \$150,000.

The “range” of net income is large within groups—from \$150,000 for partners in firms with 8+ partners at the 25th percentile to \$555,200 for partners in firms with 8+ partners at the 95th percentile level.

Exhibit 1

## 2003 Net Income by Practice Category (Includes Full-Time Respondents Only)

Practice Category	N	Mean	Value by Percentile			
			25th	Median	75th	95th
Sole Practitioner	223	\$114,314	\$60,000	\$92,000	\$150,000	\$250,000
Sole Practitioner with Associates	30	155,781	68,000	100,000	182,000	715,000
Sole Practitioner Sharing Space	6	126,333	63,750	116,500	175,000	250,000
Partner in Firm with 2-7 partners	170	204,278	100,000	150,000	250,000	522,500
Partner in Firm with 8+ partners	103	252,398	150,000	215,000	314,000	555,200
Associate in Firm with 2-7 partners	93	76,444	60,000	72,000	90,000	129,500
Associate in Firm with 8+ Partners	111	103,653	85,000	98,000	110,000	164,600
Judge	3	41,000	17,000	46,000	60,000	60,000
Arbitrator/Mediator/ALJ	8	77,438	53,000	72,000	76,375	175,000
City/State/County Government	242	70,188	54,750	67,000	80,000	110,000
Federal Government	23	102,804	88,000	99,000	120,000	134,600
In-House Counsel	57	127,014	85,000	120,000	152,000	396,900
Legal Aid/Legal Services	20	52,025	41,000	54,000	64,500	76,650
Law Clerk	5	40,600	37,500	42,000	43,000	44,000
Other	15	84,067	58,000	70,000	94,000	185,000
<b>All Attorneys</b>	<b>1,119</b>	<b>\$126,731</b>	<b>\$65,000</b>	<b>\$93,000</b>	<b>\$145,000</b>	<b>\$343,000</b>

We know that broad-based economic data are hard to compile for individual attorneys and firms. The State Bar hopes that the complete report will be of great assistance as lawyers assess the present and plan for the future of their law practices. 

*Dr. Lawrence Stiffman, Ph.D., MPH, is the owner of the Applied Statistics Laboratory (ASL), a survey and market research organization based in Ann Arbor, Mich. He has conducted economic surveys for 13 state bar associations and numerous market research studies nationwide.*

1. **Interpreting Findings:** Because the survey was conducted in the summer of 2004, net income, gross revenue and overhead expense represent 2003 values. All other data represent 2004 values covering the responses received in June and July 2004. *Net income* represents all personal income from legal work (after expenses) or salaries from the practice of law, before taxes, for 2003. Bonus information was not addressed as a separate question and may or may not have been included by respondents.