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Indiana Attorneys are Doing Well, Survey Indicates

Director of Study of Economics of Indiana Law Practice points to income statistics, factors influencing lawyer economy; examines "low" earners, business efficiency, specialization, clients' ability to pay, and touches on possibilities in legal insurance.

By Dan Hopson, LL.B., LL.M.*

Indiana attorneys are doing well! Data to support this bald assertion now exists in a booklet recently published by the Indiana State Bar Association and available, free of charge, from Jack Lyle, Executive Secretary, 330 Bankers Trust Building, Indianapolis, Indiana. The booklet, entitled "The 1971 Economics of Indiana Law Practice" was written by James H. Grund, Grund and Grund, Peru, Indiana, and Professor Dan Hopson, Indiana University School of Law, Bloomington, Indiana.

The report is based on a 1970 survey undertaken by the Indiana State Bar Association's Legal Economics Committee under the chairmanship of Larry J. Burke of Kennerk, Dumas, Burke, and Backs, Fort Wayne. The 1969 income and other data was processed by the Research Computer Center, Indiana University, Bloomington, under the direction of the authors.

This survey was in part a replication of a similar, but more limited, study undertaken by the Bar in 1961 and written and published in 1963 by the Daniel J. Kantor and Company, Philadelphia. The survey covers a wide range of data concerning lawyers income and net worth, charging practices, and office procedures. A careful review of the full report will allow the Indiana attorney to compare himself with his fellow attorneys and, perhaps, to improve his income by noting what factors seem productive.

In this short review of the findings of the survey, no attempt will be made to reproduce the numerous tables and graphs presented in the report. It is hoped that this brief article will encourage the bar to carefully review the full study.

Income Statistics

Clearly, the key finding of the study is that, in 1969, full time Indiana private practitioners made an average $29,549.26 and had a median income1 of $25,000.00. Those working for a salary did not do as well. Corporate counsel averaged $22,549.00 and had a median income of $18,600.00. Government lawyers (and judges) do even worse, showing an income average of $17,284.79 and a median income of $17,000.00.

As could be expected, partners were on top, making an average of $35,697.00 with a median income of $31,000.00. Sole practitioners show $28,183.00 and $24,000.00 respectively, while sole practitioners in group practice show only $27,972.00 and $25,000.00. Associates, as all would guess, are on the bottom with $18,006.00 and $12,000.00.

These figures should be compared with those reported eight years ago in the earlier study. In 1961 all lawyers in private practice had a median income of $15,000.00. Partners made $20,000.00; sole practitioners in group practice had $14,000.00; sole attorneys earned $13,500.00, and associates, $7,800.00. Thus, all groups are up substantially, although sole practitioners earned approximately 80% while partners and associates went up only 55%.

The survey also reports data comparing income to length of practice, community size, and office size. Median income does not continuously increase throughout an attorney's career. Sole practitioners top out between 15 and 20 years with partners doing best in the 20-29 year period. Income subsequently stabilizes or even decreases. County population also has a direct bearing. Generally, median income increases from $16,000.00 in the smaller counties to $26,000.00 in the largest. However, sole practitioners do best in counties between 5 and 20 thousand population with the largest counties on rather the low end.

As frequently reported elsewhere, the size of firm also determines income. Sole practitioners average $27,298.00 while firms with seven partners show a median income per partner of $47,929.00. Five partner firms have, however, "growing pains." They do not do as well as three or four partner firms. (This also showed up in the 1961 survey.)

Not only do partners make more money, but they also are worth more. The report shows that 86% of the partners report a net worth of $100,000.00, while only 61% of sole practitioners have accumulated that much.

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1. Median income is that income that stands in the middle of an array of increasing numbers.

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ATTORNEYS DOING WELL, SURVEY INDICATES

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Low Earners

The bar, for many reasons, has been concerned with the "low" earners. Who are they in Indiana? If low earners are classified as those making less than $10,000.00, only 15.3% of our bar is included. Most of these attorneys are those who have a long career less than five or more than 40 years. Those in the middle years of their practice show only 6% low earners. Sole practitioners show considerably more low earners (21.7%) than do partners (9.4%).

Low earners also are, apparently, inefficient. Only 10.7% of those who always keep time records are low earners. A high percentage of low earners (21.7%) than do partners (9.4%).

Amount of Practice and Fees

How happy are Indiana lawyers? 83% think they have enough or too much to do (only 72%, thought so in 1961) and 80% are satisfied with their hourly charges. As would be expected, a higher percentage of lawyers who are doing well and who are charging high fees are satisfied than their less successful brother. Within specialties, labor law lawyers are the happiest and divorce lawyers, the least happy.

For those who are unhappy with fees, the Report suggests that those attorneys attribute the problem to clients inability to pay. More successful attorneys (those making over $35,000.00) find the limitation in minimum fee schedules or what other attorneys charge. If inability to pay is determinant for most lawyers, the ABA's experimentation on legal insurance may prove promising.

The Report notes a dramatic shift in the basis for charging between 1961 and 1969. While in 1961 only 29% said that the predominant consideration was an hourly time charge, by 1969 that percentage had risen to 47%. Minimum fee schedules as a basis decreased from 43% to 32% while the responsibility and results obtained remained stable at 12 to 11%.

It is clear, from the data, that the higher the income the more use is made of time charges. 61% of those making over $50,000.00 use time as the basis for charging, while only 44% of those between $20,001.00 and $25,000.00 and 33% of those between $7,501.00 and $10,000.00 use time. On the other side, low income lawyers rely most heavily on minimum fee schedules (45% of those making between $7,501.00 and $10,000.00).

Business Efficiency

The dramatic effects of other types of modern business efficiencies also are reported. The median income for those always using time records is $27,500.00 while those who say they never use them make only $20,000.00. Or, the other way around, 48% of those who make over $50,000.00 always keep time records, while only 24% of those making $7,501.00 to $10,000.00 do so.

The use of modern office equipment increased substantially during the eight years and they also account, in part, for the increase in earning. For example, the use of dictating machines went up from 58% in 1961 to 80%, in 1969. Use of electric typewriters increased from 75% to 96%; photographic copiers from 61% to 88%. The report also notes that almost universally the higher the income of the lawyers the greater the use of such equipment, e.g., dictating equipment—68% of those making less than $7,500.00; 89% of those making over $50,000.00.

Specialization

Most forms of specialization also pay off. The 89% who list themselves in general practice report a median income of $20,000.00. Labor law lawyers, on top of the field, report $40,000.00. (Antitrust at $50,000.00 and Workman's Compensation at $43,000.00 are higher but only .1% of those responding reported this specialization.) The two largest specialty areas are probate with 15.6% of the bar (making $25,000.00) and corporations, with 7.6% (making $35,000.00). Specialization in domestic relations ($17,000.00) and collections ($16,500.00) is probably ill advised.

Other Subjects Covered

The Report also presents data on filing systems and reference files, use of partnership agreements and percentage of time spent in chargeable work hours, managing firm hours, charity, education, bar activities, etc. Detail reports are given on overhead costs broken down by firm size. Average wages paid employees and associates as compared to income is also reported.

In this short review, only the most significant and interesting data is presented. Every Indiana attorney should examine the complete Report so that he may compare his data and office practices with the attorneys in comparable positions. The data in the report points to several important factors that may increase a lawyer's efficiency and income. Attorneys are invited to obtain their free copy.

WATCH FOR SPRING MEET REPORTS IN JUNE ISSUE

Reports of action of the House of Delegates, and reports of all of the fine programs and activities of the 1972 Spring Meeting of the Indiana State Bar Association, April 20-29, at South Bend, will appear in the June issue of Res Gestae.

Printing and mailing deadlines made it impossible to present these reports in this issue.

Copy must be in the hands of the printer on the 15th day of the month preceding date of publication. All proof must be returned to the printer by the 20th day of the month prior to date of publication.