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Report of the Committee on Bar Economics

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REPORT OF THE COMMITTEE ON BAR ECONOMICS

GEORGE F. GUY, CHAIRMAN*

FOREWORD

(By the Chairman):

The following Report on the Economics of the Practice of Law in Wyoming represents efforts by your Committee extending from its original appointment by George J. Millett of Laramie, then President, from October 1962 through the present date. The Committee with some changes in personnel was continued by Jerry Housel, present President of the State Bar, when he took office at Laramie in September of 1963. The Committee was greatly assisted by Mr. N. S. Clifton, Manager of the Department of Bar Economics of the American Bar Association, Chicago. The individual questionnaires were prepared under Mr. Clifton's supervision and were mailed out from Cheyenne with return addresses back to Mr. Clifton. No one in Wyoming saw the questionnaires after they were accomplished and returned to Chicago. All of the questionnaires, of course, were unsigned. Hence, the data embraced in this report was assembled from completely confidential information. The data thus assembled was sent by Mr. Clifton to Dr. Burke A. Parsons, Director of Research, Hankamer School of Business, Baylor University, Waco, Texas. Mr. Clifton and Dr. Parsons have done similar work for some nine states besides Wyoming. It would have been impossible for the Wyoming Bar to have accomplished this survey and to be benefited by the information which it contains without the assistance of Sam Clifton, the American Bar Association and Dr. Parsons. On behalf of the Committee and on behalf of the lawyers of Wyoming, the Chairman extends grateful appreciation to them.

INTRODUCTION

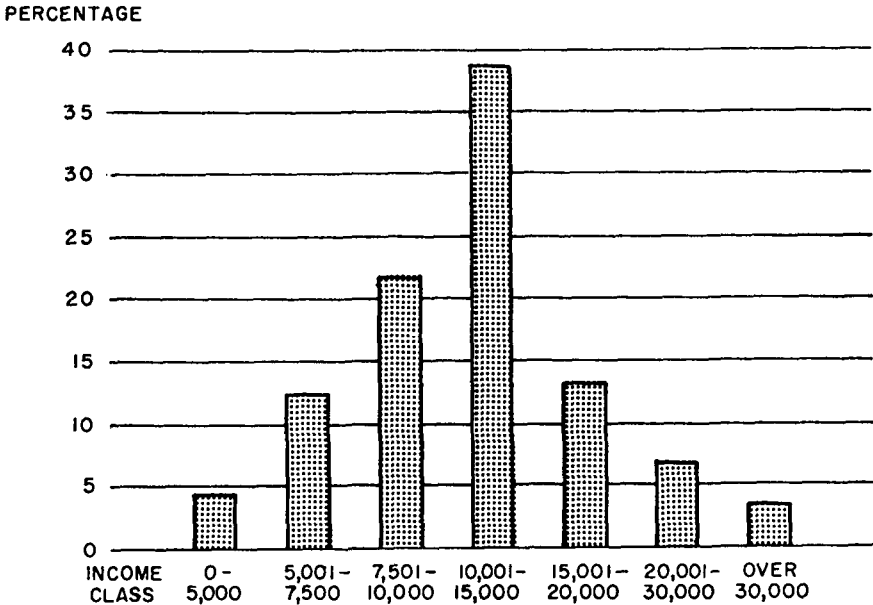
Principle Conclusions

The purpose of this report is to present an interpretation of the most important results of the 1963 survey of the economics of law practice in Wyoming. Stated briefly, the following are the ten most significant conclusions derived from analysis of the survey results:

1. *Typical Incomes.* The average (median) Wyoming lawyer earns around \$12,000 a year. About one lawyer out of six, or 16.9 per cent, earns less than \$7,500 while about one out of four earns over \$15,000 annually. A fraction of the lawyer population (3.3 per cent) earns over \$30,000 or more a year. Figure 1 shows the proportion of lawyers in each income classification.

*The other members of the Committee are William S. Bon, Casper, Ted C. Frome, Afton, E. J. Goppert, Jr., Cody, Harold E. Meier, Lander, C. A. Brimmer, Jr., Rawlins, E. J. Herschler, Kemmerer. Mr. N. S. Clifton, Manager of the Department of Bar Economics, American Bar Association, Chicago, handled the coordination of the questionnaires and Dr. Burke A. Parsons, Baylor University, Waco, Texas, did the final editing.

FIGURE I.
PERCENTAGE OF LAWYERS IN EACH INCOME CLASS



2. *Income and Type of Professional Employment.* The typical or median lawyer not in private practice in Wyoming does about as well as the lawyer in private practice. The income range is much greater, however, for lawyers in full time private practice, that is, there are more very low and more very high incomes among private practitioners. Practically all lawyers with over \$20,000 annual income, about 10 per cent of the lawyer population, are in private practice. Similarly all of those with less than \$5,000 income are private practitioners. Income of lawyers in salaried employment range from \$6,500 to \$16,000 yearly and the large majority are between \$8,000 and \$13,000.

3. *Size of City and Amount of Practice.* Wyoming has no extremely large concentrations of population. The cities according to 1960 census are all under 50,000 population size. The income of lawyers in private practice increases with the size of the city. Income differences related to size of the city are not characteristic, however, of those lawyers who report that they do not have enough practice. Differences in incomes among these lawyers are not related to size of the city. No city size class shows a notably greater concentration of lawyers with insufficient practice than other size classes.

4. *Years of Experience.* The average income realized both by full time private practitioners and lawyers not in private practice increases with the years of experience. However, those in private law practice

achieve a larger increment of increase with each passing year than those not in private practice. After ten years of experience, the average lawyer in private practice makes more than the lawyer in salaried employment who has comparable period of experience.

5. *Law Office Management.* Certain practices in law offices are associated with higher incomes. The keeping of time records, the use of a full complement of modern office equipment and the maintaining of a record of previous work products are all associated with higher incomes.

6. *Specialization.* Wyoming is not so densely populated with persons and business as to permit a high degree of specialization in law practice. Nevertheless, a few types of specialties return an average income above that reported by lawyers in general practice. The most profitable specializations reported by four or more lawyers were defendant negligence, plaintiff negligence, mineral law and corporations. Wills, estate planning and probate also yielded a somewhat larger income than general practice. Real estate was the only specialty reported by four or more lawyers that was less profitable than general practice.

7. *Size of Firm.* Among partnership law firms in Wyoming, the net income per partner is consistently larger the larger the firm. Wyoming has very few firms, however, with four or more lawyers.

8. *Expenses of Law Practice.* Overhead expense per lawyer increases in *dollar amount* with the size of the firm, but since the larger firms also have larger incomes, the percentage of gross income going to expense does not increase consistently. The lowest expense ratio is that of the middle size firm, the firm of three lawyers; the highest is the 38 per cent expense ratio of sole practitioners.

9. *ABA Membership.* Membership in the American Bar Association is related to income. If lawyers are divided into income classes, the higher the income class, the greater the proportion that are members of the American Bar Association. Among lawyers engaged in private practice the average income for members of the ABA is from \$2000 to \$3000 more than that of non-members. This comparison excludes lawyers, both members and non-members, who report that they do not have enough practice. Among those who do not have enough practice there is no significant difference in income between members and non-members.

10. *Income Required.* Respondents to the survey questionnaire were asked to designate the amount of income that they felt was necessary for an adequate standard of living. While there was a great deal of variation on this point, in general, lawyers with incomes from \$10,000 to \$15,000 tended to indicate an amount required for a satisfactory standard of living closely comparable to the actual incomes they were receiving. Those respondents with less than \$10,000 of income tended to report more income required than the amount they actually received, while those receiving

incomes over \$15,000 tended to report standard of living requirements of income somewhat less than the amount of income they actually received.

Reliability of the Survey

In general the responses collected in the survey appear to provide a representative sample of lawyers in the State of Wyoming. All of the 19 principal communities in the state were represented with an appropriately larger number of replies from the cities with the larger populations. The survey collected 213 usable responses out of approximately 453 lawyers in the state. The distribution of these responses classified by the number of years since admission to the bar was compared with the age distribution of all lawyers in the state according to the 1961 Lawyers Statistical Report. The two distributions, that of the sample and the lawyers in the state, matched very well.

The proportion of lawyers in judicial and government service in the states as reported in the 1961 Lawyers Statistical Report was compared with the proportion reported in the sample. Only 22 lawyers employed in judicial and government service responded to the survey. This is approximately 10 per cent of the survey returns, which compares with about 22 per cent of lawyers in the state who are so employed. Consequently, in evaluating the sample, we must assume that the lawyers employed in judicial and government positions are underrepresented. Possibly this result is to be expected, since lawyers in these salaried positions may be less actively interested in a survey that deals mainly with the economics of private law practice.

The Wyoming survey provided a good sample, then, for the evaluation of lawyers in private practice. The underrepresentation of the government service lawyers is not a serious handicap. A more important limitation on the use of the survey results derives simply from the relatively small size of the lawyer population of the State of Wyoming. The total number of lawyers is relatively small. Consequently, some of the classifications of lawyers in the survey include so few that conclusions that might be drawn from the survey results are sharply limited. It is unavoidable that this report will therefore lack the fullness and detail of conclusions that would be possible in a similar report for a more populous state.

Interpretation of Survey Results

This report analyzes the survey results mainly by relating various circumstances and practices which the lawyers reported to the amount of income which they reported. The factors which are found to be associated with higher incomes are not necessarily to be considered the cause of larger income. In some cases they may be as much a result of income as a cause. For example, the fact that a lawyer has and uses modern office equipment may be as much the result of his having an adequate income to purchase such equipment as it is the reason for the larger income. In

other cases, both the large income and the factor associated with it may be the result of a common set of circumstances affecting both.

Nevertheless, lawyers in Wyoming should be interested in examining the circumstances of law practice which the survey shows are associated with higher incomes. These supply clues which, in some cases, may apply to the lawyer's practice. In other cases, the survey results may suggest additions to or changes in the program of the Wyoming State Bar. Twenty-three per cent, or almost one fourth of the lawyers responding, reported annual incomes of over \$15,000. The characteristics of this group should be of interest to all Wyoming lawyers:

GENERAL CIRCUMSTANCES RELATED TO INCOME

Private Practice Versus Other Professional Employment

If the income of the average (median) lawyer in private practice in Wyoming is compared to that of the average lawyer not engaged in private practice very little difference in income will be noted. However, income received by private practice lawyers varies over a much wider range than that of those not in private practice. Thus over 11 per cent of lawyers in full time private practice had incomes above \$20,000 annually. Among lawyers not in private practice no incomes as large as \$20,000 were reported. Again 5½ per cent of the private practice lawyers made under \$5,000 income, while none of the lawyers not in private practice reported incomes as small.

In both private practice and other professional employment the lawyer's income tends to increase generally with the number of years since his admission to the bar, that is with years of experience. In practice the increase is more rapid, as time passes, than in employment other than private practice. Consequently, the average lawyer in full time private practice with more than ten years since his admission to the bar earns more income than the lawyer with a comparable period of experience who is not in private practice.

A larger proportion of the lawyers in salaried employment have over fifteen years of experience, 57 per cent as compared with 40 per cent for private practitioners. This fact explains the circumstance of a median income for this group slightly above the median of the lawyers in private law practice. If the averages, rather than median incomes, are compared, the average income of lawyers in full time private practice is above that of the others. The relatively large incomes of some private practice lawyers raise the average above the average income of those not in private practice. Thus the Wyoming lawyer engaged in professional employment other than private practice tends to make an average income, while the private practitioner has a considerable probability of making substantially less or substantially more than the average.

Income Grows With the Years

The years of experience of the Wyoming lawyer, as measured by the number of years since his admission to the bar, add significantly to his income earning capacity. Each additional year is worth more in terms of increased income, however, in private practice than in other professional employment. Table I compares the average income, by years since admission to the bar, of full time sole practitioners, full time partners and lawyers not in private practice.

TABLE I.
AVERAGE INCOME OF FULL TIME SOLE PRACTITIONERS, FULL TIME PARTNERS, AND LAWYERS NOT IN PRIVATE PRACTICE BY YEARS SINCE ADMISSION TO THE BAR.

Years Since Admission to the Bar	Sole Practitioners		Partners		Not in Private Practice	
	No.	Income	No.	Income	No.	Income
Under 5	3	\$10,333	9	\$10,815	5	\$7,720
5-9	9	9,207	9	15,722	6	10,892
10-14	18	12,685	10	14,619	6	12,150
15-19	4	16,311	7	21,964	2	14,250
20-29	8	11,883	10	17,689	6	12,457
30-39	7	14,835	6	23,665	5	13,300
40 or more	2	41,759	3	13,066	2	12,250
All Lawyers	51	\$13,527	54	\$16,608	32	\$11,659

This distribution of income by years of experience should not be interpreted strictly as giving the expected lifetime income pattern of lawyers. Such an interpretation neglects an important element in determining the lawyer's lifetime income expectancy, the time of starting. The appearance of a decline in income after top earning power is reached at fifteen to nineteen years is due to the fact that each experience classification, 15 to 19 years, 20 to 29 years, etc. was necessarily a different group of lawyers. It is probable that most men now in the 20 to 29 year class never reached the average income currently earned by younger men in the 15 to 19 year class. The conclusion, which judgment indicates, is that income will probably level off rather than decline once the lawyer reaches the top of his earning power.

The smallness of the number of lawyers in the 15-19 year experience classification reflects the impact of World War II on the orderly movement of young people from law schools into the profession. The younger lawyers entering the profession after World War II came in with somewhat higher lifetime earnings prospects than was the case for lawyers who began before the War.

Income and Type of Professional Employment

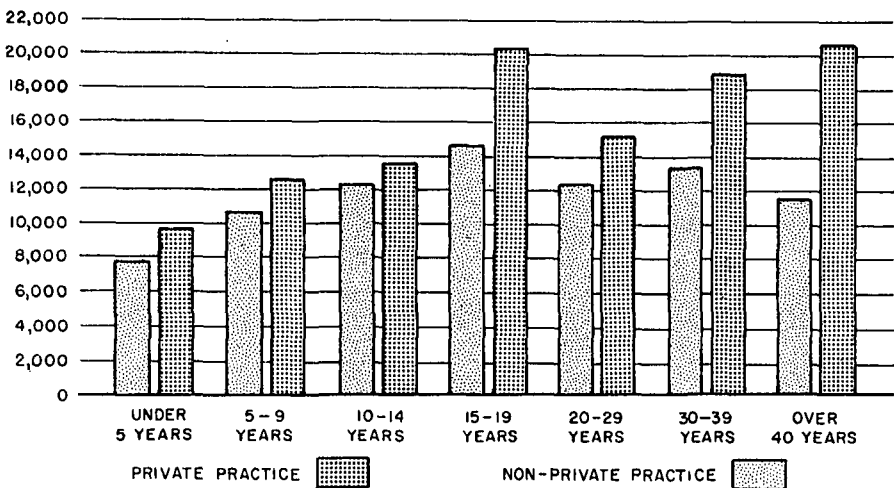
The median or typical income is not markedly different as between

full time private practitioners and lawyers not in private practice, about \$12,000 to \$12,500 in each case. In Wyoming, lawyers not in private practice are mainly those in judicial and government service. Out of a total of twenty-eight lawyers in employment other than private practice who reported in the survey, twenty-two were in government or judicial service. The other categories usually considered are those of corporate counsel and law teacher. These occupations are not sufficiently represented in the Wyoming study to enable the analyst to draw dependable conclusions about them. Apparently there are relatively few lawyers in the state employed as corporate counsel or as law teachers.

Of the seven lawyers who reported that they were employed as corporate counsel, only one reported income comparable to the average income of corporate counsel elsewhere, that is in more highly industrialized and more densely populated states. However, the six with apparently substandard incomes also had fewer years of experience than the average corporate counsel in other states.

Private practice has both more substandard incomes and more very high incomes than occupations other than private practice in Wyoming. That is to say incomes in private practice vary over a much wider range. Thus the average income of all private practitioners is raised by the influence of the few large incomes on the average. On the other hand, the average income of lawyers not in private practice is actually below the median. This fact shows that top incomes of lawyers employed mainly in government and judicial positions tend to range upward to only slightly above the median, whereas private practice incomes range up to more than three times the median income. The lawyer who is in government

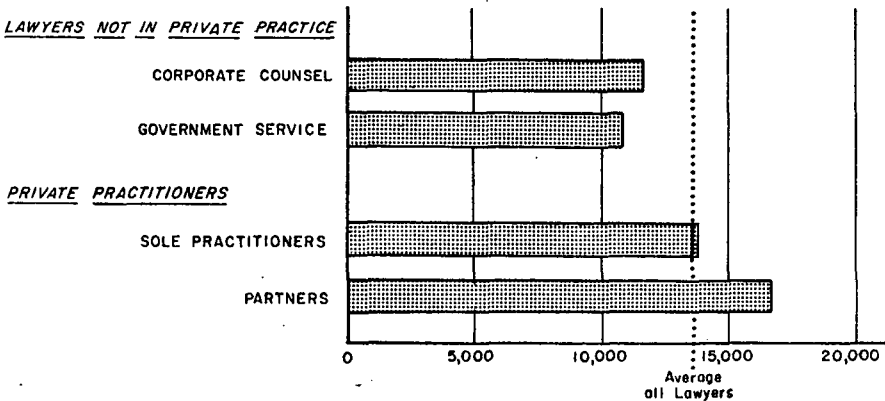
FIGURE 2.
AVERAGE INCOME OF LAWYERS NOT IN PRIVATE PRACTICE AND THOSE IN PRIVATE PRACTICE, BY NUMBER OF YEARS SINCE ADMISSION TO THE BAR.



service and is receiving the median income of \$12,500 is very close to the top. He can expect only relatively small increases. On the other hand, the lawyer near the median of \$12,000 in private practice can reasonably expect to add a considerable increment to his income with the passing years. Figure 2 compares the distribution of income among full time private practitioners with that of lawyers not in private practice.

Partners average making around \$3,000 more than sole practitioners, although the smaller firms, those with only two partners, yield a net income to each partner approximately comparable to that of the sole practitioner. Full time sole practitioners in group practice average about the same income as other sole practitioners. Only thirteen of these space sharing sole practitioners responded to the survey. This is not enough to permit income comparisons by the years of experience that will yield dependable conclusions. The median years of experience in each of the classifications of lawyer occupations is ten to fourteen years. Figure 3 shows the average income in each type of professional employment of lawyers with ten to fourteen years of experience.

FIGURE 3.
AVERAGE INCOME OF LAWYERS WITH TEN TO FIFTEEN YEARS OF EXPERIENCE
IN VARIOUS TYPES OF FULL TIME PROFESSIONAL EMPLOYMENT.



There were no associate lawyers reporting in the ten to fourteen years experience classification. Four associates with under five years of experience reported average incomes of around \$7,500. Data submitted by law firms, however, indicates that the law firms pay full time associates all the way from \$2,700 to \$10,000.

The average salary of corporate counsel depicted in the figure is really an estimate derived from all the incomes reported by lawyers employed as corporate counsel. There were not enough reporting in the ten to fourteen years experience classification to compute a representative average.

Income and Size of City

For the lawyer engaged in private practice in Wyoming, income tends

to be greater by moderate amounts the larger the city in which he practices. Among full time private practitioners this is true, however, only for those lawyers reporting that they have enough or more than enough practice. About 22 per cent of all full time private practitioners reported not enough practice. Among this group differences in income are not associated with city size.

Lawyers reporting insufficient practice are not strongly concentrated in any particular size class of community, though apparently there is a slightly higher proportion of them in the 10,000 to 20,000 population size class. Table II shows the median income of lawyers in full time private practice classified by the amount of practice reported. The table appears to indicate that the larger the practice the more important the city size class in determining the amount of income.

TABLE II.
MEDIAN INCOME OF FULL TIME PRIVATE PRACTITIONERS
BY CITY SIZE AND AMOUNT OF PRACTICE

Size of City	More Than Enough Practice		Enough Practice		Not Enough Practice		Total	
	No.	Income	No.	Income	No.	Income	No.	Income
Under								
5,000	7	\$11,000	17	\$13,853	6	\$ 7,000	31	\$10,660
5,000								
10,000	6	12,000	13	14,000	5	6,700	24	12,000
10,000—								
20,000	12	15,000	6	15,000	6	9,000	24	14,000
20,000—								
50,000	3	16,000	24	15,000	7	9,200	24	12,000

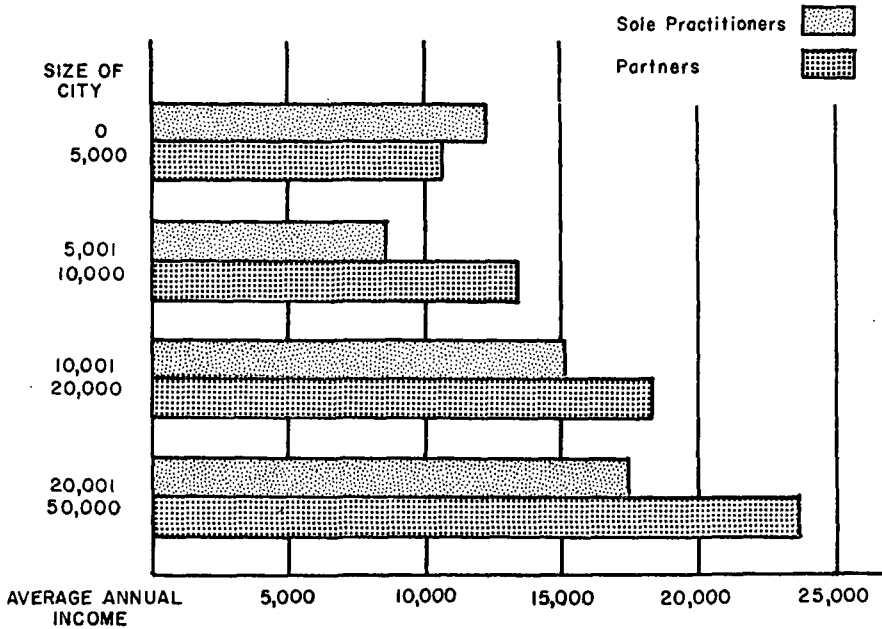
Figure 4 compares the average income by city size class of full time sole practitioners and full time partners. Apparently the size of the city is most important to partners. However, the data may be influenced by the fact that larger partnership law firms tend to be more profitable and these are likely to be in the larger cities. Full time sole practitioners engaged in group practice did not exhibit, among the few that reported, the same consistent pattern with respect to city size as is shown for sole practitioners and full time partners. Consequently, we cannot draw firm conclusions concerning the effect of city size on the income of sole practitioners in group practice.

In any event, it is clear that income possibilities in private practice are greater the larger the community.

Income and American Bar Association Membership

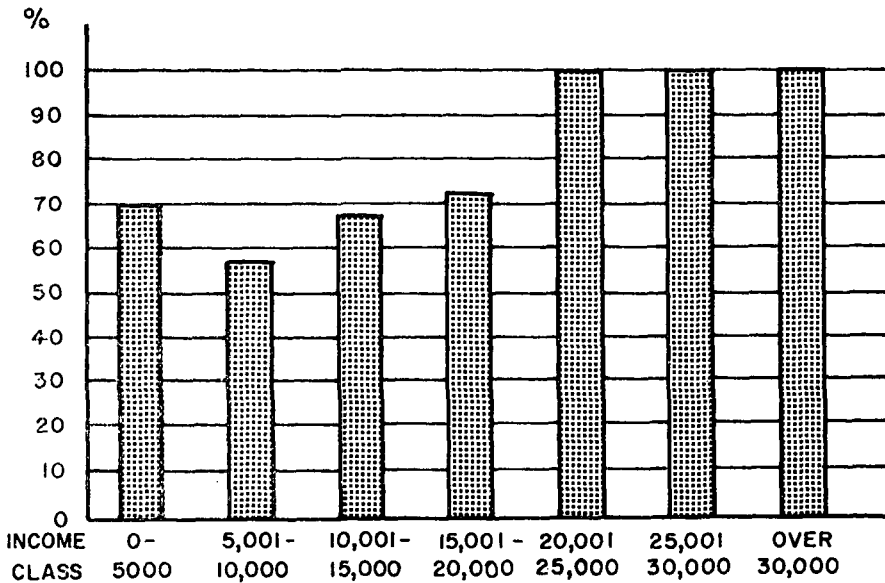
Membership in the American Bar Association is possibly correlated

FIGURE 4.
AVERAGE ANNUAL INCOME OF FULL TIME SOLE PRACTITIONERS AND PARTNERS BY CITY SIZE.



with the income though the correlation is not immediately consistent from beginning to end. Figure 5 shows the percentage of lawyers in each income class that are members of the A.B.A. In general, if lawyers are classified

FIGURE 5.
PERCENTAGE OF LAWYERS IN EACH INCOME CLASS WHO ARE MEMBERS OF A.B.A.



by income bracket, the higher the income bracket the greater the proportion who maintain membership in the American Bar Association. In the State of Wyoming the extremes of the income distribution are somewhat different from the pattern usually seen. Peculiarly enough the lawyers with less than \$5,000 of income show a high proportion of membership. At the other end of the scale, 100 per cent of the lawyers in all income classifications above \$20,000 a year, who responded to the survey, were members of the American Bar Association. This statement of the relationship of A.B.A. membership to income as revealed by the survey should not be interpreted as an assertion that membership is the cause of higher income. It may well be that those with higher incomes find the payment of membership dues less burdensome and consequently are more ready to maintain the expense of membership. The differences in income between members and non-members are not explained by the *amount* of practice. Among all lawyers reporting that they *have enough practice*, the average income is \$2,000 to \$3,000 more than the average for non-members.

MANAGEMENT OF LAW PRACTICE

Amount of Practice and Income

For the individual lawyer in private practice the most important circumstance perhaps determining his income is whether he is able to get enough practice. Lawyers who report more practice than they can handle have opportunities to choose the more profitable types of professional work. At the other extreme about slightly over one-fifth of the lawyers in Wyoming (22 per cent) reported an insufficient amount of practice. Average incomes by the amount of practice were as follows:

Lawyers with more than enough practice	\$16,238
Lawyers reporting enough practice	\$15,022
Lawyers with not enough practice	\$ 9,302

Despite these large differences occasioned by differences in amount of practice, there are visible differences in income that are related to the way the law practice is managed. The keeping of time records, the use of modern office equipment, a satisfactory filing system, and reference file of previous work products are all associated with higher incomes.

Income and Time Records

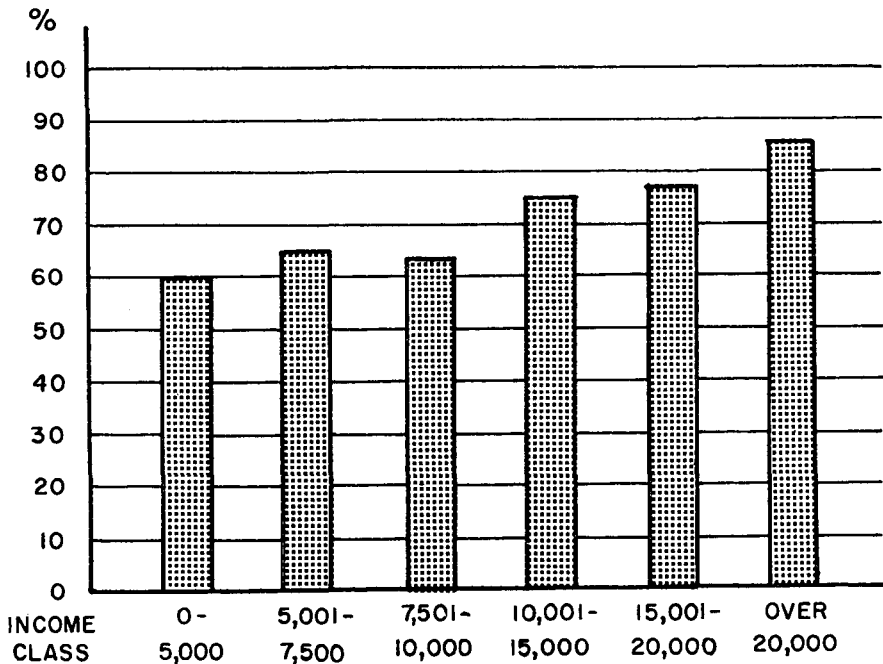
The average income of all private practice lawyers in Wyoming who report that they regularly keep time records of their own working time is \$14,600, while the average of those who report that they occasionally keep time records is \$13,350. Those who report they never keep time records report incomes that average \$12,400. There is clearly here an association of time record keeping with the amount of income which the

lawyer earns. The median incomes of *full time private practitioners* show a similar relationship of time record keeping. The median for consistent time keepers was \$13,400, that of those who occasionally keep time records, \$12,000. The median for lawyers giving full time to private practice who never keep time records was only \$10,000.

Office Equipment and Income

There is a correlation between the use of modern office equipment and the amount of income earned. Figure 6 shows the per cent of private practitioners in each income class who regularly use photocopy equipment. The figure brings out the positive relationship between income and office

FIGURE 6.
PERCENTAGE OF PRIVATE PRACTICE LAWYERS THAT
USE DICTATING MACHINES IN EACH INCOME CLASS.



equipment fairly well. If only those lawyers who are full time private practitioners are considered, there were very few reporting who did not have fairly complete office equipment. Inadequacy of office equipment appears to be no problem among full time private practitioners in Wyoming.

Filing Practices

An efficient filing system is of some importance in the office of the private practice lawyer. Consequently, it may be of some interest to learn the type of filing system which the lawyers of Wyoming tend to use. Of those who reported, 126 use an alphabetical system, 16 a numerical system,

and 31 a combination. A small proportion of those using each type reported their systems as unsatisfactory or only partially satisfactory. The evidence is not conclusive on which type the lawyers most often found inadequate, because the proportion reporting dissatisfaction was about the same among the three types.

Two-thirds of the lawyers in private practice maintain a file of previous work products. The average income of these lawyers was \$14,500 a year, almost \$2,000 more than the average income reported by the other third who do not keep a file of previous work products. This is not to say that a file of previous work products will add \$2,000 to the average lawyer's income; probably the keeping of such a file results from the amount and types of practice which the lawyer has. It may also be an indication of general over-all efficiency in law practice management.

The most frequent use of the previous work file was for forms, 101 out of 115 reporting. 81 of the 115 used the work file for briefs. Slightly over half used the file for legal memoranda and about the same number used it for legal opinions.

SPECIALIZATION AND THE TYPICAL FEE

Specialization in Law Practice

As might be expected, in a less densely populated state, relatively few lawyers in Wyoming report specializing in some particular kind of law practice. Table III shows the average income of all those specializations reported by four or more lawyers and ranks the specialties according to the average income. The term "all other" in the table includes named

TABLE III.
SPECIALTIES OF LAW PRACTICE RANKED ACCORDING TO
INCOME

Specialization	Number Reporting	Average Income	Income Rank
Negligence-Defendant	9	\$19,055	1
Negligence-Plaintiff	8	17,720	2
Mineral Law	12	17,502	3
Corporations	16	17,316	4
Wills, Estate Planning and Probate	25	13,227	5
General Practice	89	11,927	6
Real Estate	9	9,369	7
All Others	9	18,929	

types of specialization for which an insufficient number reported to be shown separately. It includes criminal law, domestic relations, insurance law and taxation. Some caution is indicated in drawing conclusions from Table III relative to the profitability of some of the types of law practice

specialization. When only a small group is reporting, the personal characteristics of those in the specialization and the general circumstances affecting their earnings are likely to outweigh the type of specialization as the determinant of income.

Adequacy of Fees

One of the important limitations on income reported by lawyers in private practice is the inability to charge an adequate fee. About 31 per cent of lawyers in private practice (54 out of 122) reported that the typical fees they were able to charge were inadequate. The reasons given for the inability given to charge an adequate fee, ranked in the order of frequency reported were:

1) Ability of the client to pay	52 per cent
2) Fees charged by other attorneys	29½ per cent
3) Minimum fee schedule	20½ per cent
4) Statute or rule of court	13 per cent

When lawyers are classified by the type of specialization in law practice, the complaint of inadequate fees was prominent in general practice, in real estate, and to a lesser extent, in wills, estate planning and probate. A few specializing in corporations complained of inadequate fees.

The fact that 52 per cent reported the ability of the client to pay as the limiting factor indicates that often the inability to charge an adequate fee results from the type of practice. The most frequently reported methods of determining their fees indicate that lawyers who felt their fees were adequate enjoyed a type of practice that allowed them more latitude in determining their charges. Among the lawyers who said that their fees were adequate, a *time basis* was most frequently the dominant method of determining the fee charged. Among those complaining of inadequate fees, *minimum fee* basis was the most frequent method.

Hourly Charges

It is interesting to relate the hourly fees charged to the type of specialization in law practice and average income reported in that specialization. Table IV employs the income ranks previously presented to show the relationship to hourly charges. A considerable proportion of the lawyers in each specialization and in general practice reported an hourly charge. It is noteworthy that all of the specializations in law practice which showed a higher average income than general practice also showed a higher average charge per hour. An inconsistency in the table is the higher average charges reported for real estate as compared with general practice, though real estate specialization resulted in a lower average income. Possibly the lawyers specializing in real estate do a substantial amount of work for which the charges are not determined on the basis of time expended. There is a positive relationship between the charge per hour and the amount of income which the lawyer receives. One may tentatively con-

TABLE IV.
AVERAGE HOURLY CHARGE IN THE SEVERAL SPECIALTIES OF
LAW PRACTICE.

Specialization	Average Income	Income Rank	Average Hourly Charge	Number Reporting Hourly Charge
Negligence-Defendant	\$19,055	1	\$21	7
Negligence-Plaintiff	17,720	2	20	2
Mineral Law	17,502	3	22	11
Corporations	17,316	4	20	13
Wills, Estate Planning and Probate	13,227	5	18	9
General Practice	11,927	6	16	70
Real Estate	9,369	7	19	9

clude that the lawyer must charge not less than \$16 an hour for most types of work in order to earn an average income.

INCOME AND EXPENSE OF THE LAW OFFICE

Expense Ratios

Figure 7 illustrates the typical expense and net income ratios of sole practitioners in Wyoming. The figure shows each class of expense as a percentage of gross income and the typical proportion of gross income retained as net after payment of all expenses.

FIGURE 7.

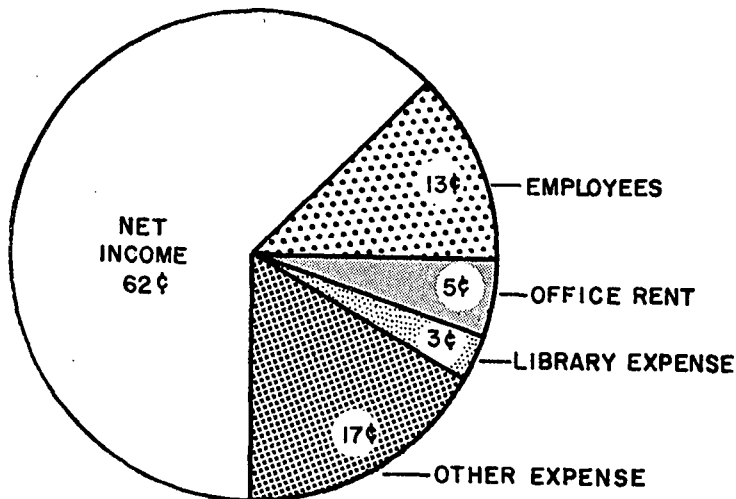


Table V shows that the over-all expense ratio is somewhat less for firms with two or more lawyers than for sole practitioners. Under present condi-

tions in Wyoming, the three-lawyer firm appears to be most efficient as measured by the ratio of expense to gross income. It should be noted, however, that even though the expense ratio becomes slightly greater for larger firms, this is more than offset by the larger gross income which the larger firm brings in. Ratios of firms with more than four lawyers are not shown in Table V, because these are so few in Wyoming that the data of the survey are not adequate for statistical generalizations.

TABLE V.
EXPENSE RATIO AND SIZE OF FIRM: AVERAGE INCOME AND EXPENSE PER LAWYER BY NUMBER OF LAWYERS IN THE FIRM*

Number Lawyers	Number Firms	Gross Income	Net Income	Ratio of Expense to Gross Income (Per Cent)
1	77	\$17,784	\$11,076	38
2	25	17,596	11,898	32
3	11	22,048	15,852	28
4	8	26,096	16,677	36

The advantages of partnership or other association of lawyers in a single firm comes out clearly in the average gross and net income per lawyer by size of firm. The table suggests that the advantage of a two-lawyer combination is mainly in reduction of the expense ratio, that is in more complete utilization of such resources as office space and services of clerical employees. The larger firms, however, those with three or four lawyers show not merely a lower expense ratio but rather a larger gross income per lawyer.

Other Differences Related to Size of Firm

The relative importance of the different kinds of expense varies with

TABLE VI.
CLASSES OF LAW FIRM EXPENSE AS PERCENTAGE OF TOTAL EXPENSE BY NUMBER OF LAWYERS IN THE FIRM

Lawyers in Firm:	One	Two	Three	Four
Class of Expense (Per Cent)				
Compensation to Non-Lawyer Employees	33.4	39.5	33.5	25.3
Compensation to Association Lawyers		2.7	8.0	19.5
Office Rent	13.7	13.2	13.4	10.6
Maintenance of Library	7.3	6.7	4.2	3.3
Other Expenses	45.4	37.8	40.9	41.3
Number of Firms	77	25	11	8

*Number of lawyers in the firm includes associates.

the size of the firm. Table VI shows the classes of expense as per cent of total expense by number of lawyers in the firm. The one-lawyer firm refers, of course, to sole practitioners.

The pattern of change in the expense ratios shows consistency only if we begin with the two-lawyer firm. As the size of the firm increases the relative importance of compensation to non-lawyer employees decreases, indicating more effective use of non-lawyer employee time in the larger firms. It would be an error, however, to assume that this decrease would continue as the firm sizes increased beyond the five-and-six-lawyer size firm. Other surveys tend to show that, apparently due to the greater specialization, the very large firms tend to have a larger ratio of non-lawyer employee expense. In fact one of the advantages of the firm with five or six or more lawyers seems to be that of making efficient use of *more non-lawyer employee time*, so as to maximize the work output per lawyer.

Table VI shows the compensation to associate lawyers increases on the average with the size of the firm. This results from the greater use made of associates by larger firms. In the case of office rent there is no clear pattern, but apparently there is some expense savings per lawyer in the four-lawyer size firm.

The maintenance of library shows the savings of sharing library among a larger number of lawyers. Though the dollar amount increases moderately with the size of the firm, the cost per lawyer is less. The advantages of firm size in the employee compensation, maintenance of library, and, in the case of the four-lawyer firm, in office rent are partly offset by an increase in the catch-all expense category, "all other." This reflects the greater variety in the practice of larger firms.

Sole practitioners, or one-lawyer firms, show a higher expense as per cent of the total for each classification excepting that of non-lawyer employees. The relatively smaller expense for non-lawyer employees results from the fact that the data include some sole practitioners who use no full-time employees.

INCOME, STANDARD OF LIVING AND NET WORTH

Two other questions which the survey dealt with were 1) the annual income the lawyer felt was necessary to maintain the standard of living of himself and his family and 2) the dollar amount of his net worth. It is of interest to compare the amount of income the lawyers felt was necessary for a satisfactory standard of living with the actual incomes reported by the respondents to the survey. Practically all of the lawyers specified \$7,500 or more of income as essential for a satisfactory standard of living. The central tendency of the responses was between \$10,000 and \$15,000 annual income. Approximately three-fourths indicated an income of \$10,000 or more as the essential minimum. About one-sixth of the lawyers in Wyoming received less than \$7,500 of income in 1962. Nearly all of

these were engaged in private practice. About 39 per cent of lawyers received less than \$10,000 of income.

The pattern of individual responses was that both the amount of income believed necessary and the amount of net worth were correlated with the amount of income the lawyer actually received, though there was a rather wide dispersion among lawyers on both these points. The following conclusions, therefore, refer to the central tendency rather than to any specific percentage of Wyoming attorneys. The amount of income which the lawyer felt necessary to maintain a standard of living for his family was usually larger the greater the lawyer's actual income. For lawyers with substantially above average incomes the amount they reported as necessary was less than actual income. The lawyers with below average income tended to report, as necessary to maintain a satisfactory standard of living, an amount somewhat greater than actual income.

In the case of net worth, the net worth amount can be considered as a multiple of annual income. The tendency was for lawyers with below average income to show a net worth of less than the amount of annual income. The higher the income rose above the average the larger the net worth expressed as a multiple of annual income, so that lawyers with very high incomes tended to have a net worth of four, five, or even six times annual income.

Net worth is the result of both income and time to accumulate. The median or typical net worth of lawyers by years of admission to the bar may be of interest as a rough measure of what the lawyer may reasonably expect to accumulate over the years. The median net worth, by years since admission to the bar, is as follows:

Under 5 years	\$10,000 to \$20,000
5 - 9 years	\$20,000 to \$30,000
10 - 14 years	\$40,000 to \$50,000
15 - 19 years	\$50,000 to \$100,000
20 - 29 years	\$40,000 to \$50,000
30 years and above	\$100,000 to \$200,000

This tabulation indicates that net worth tends to increase by around \$2,000 a year for the first fifteen years.

There seems to be some advantage to the lawyer who began practice in the period since World War II and an especially great advantage to the few who were admitted to the bar during the war years. These circumstances agree with observations previously made about income in relation to years since admission to the bar.

There was, as indicated above, great variation in the net worth of lawyers, and when lawyers are classified by number of years since admission to the bar, each class shows a wide variation in net worth.

SUMMARY AND CONCLUSIONS

The typical or median income of Wyoming lawyers is about \$12,000 though for lawyers in private practice with fifteen years or more since admission to the bar, it is between \$13,000 and \$14,000. For lawyers in salaried employment the median income is about \$12,500 but the highest income in salaried employment is only moderately above the median. Sixteen thousand dollars is the top and \$6,500 the lowest in salaried employment. The normally high-pay salaried employment of corporate counsel is not heavily represented in Wyoming.

Lawyers in private practice show a much greater variation and range in incomes reported. These range from a low of \$2,000 to a high of above \$40,000. The income of lawyers in private practice is moderately greater the larger the city where he practices. Those in partnerships tend to receive more income than do sole practitioners, and the larger the partnership firm the higher the income of the partner members. Most types of law practice specialization earn a bit more than does general practice, but the concentration of the human and business population in Wyoming is not great enough to permit very much specialization.

Keeping of time records and charging according to time expended, using modern office equipment, maintaining a file of previous work products and other earmarks of systematic and efficient law practice management are associated with higher incomes.