

By Lawrence H. Stiffman, Ph.D.

# A Snapshot of the Economic Status of Attorneys in Michigan

Excerpts from The 2003 Economics of Law Practice Survey

MICHIGAN BAR JOURNAL ♦ NOVEMBER 2003 ECONOMIC STATUS OF ATTORNEYS IN MICHIGAN

Over the past 30 years, the State Bar of Michigan and the Law Practice Management Section (LPMS) have monitored and published information on the economics of law practice covering all active attorneys in Michigan. From about 12,000 lawyers practicing in the early 1970s, the population of practitioners has reached 31,000. Meanwhile, the overall residential population in the state has stabilized. Regions within Michigan have experienced concurrent periods of economic expansion and decline over time.

This issue of the *Bar Journal* highlights the current status of Michigan attorneys in terms of their income, office expenses incurred (private practitioners only) as well as various practice management, marketing, and technology-embracing patterns. Emphasis is placed on changes that have occurred during the past three years since the last survey. This period has witnessed a sluggish general economy, economic shocks, and low inflation, with resultant high levels of pessimism expressed by consumers and attorneys alike.

The spring 2003 survey replicated many questions included in prior surveys. Monitoring change aids all attorneys regardless of their practice classification, area of concentration, tenure (years in practice), firm size, or office location. Attorneys can compare themselves and their firms against norms established by the aggregation of survey data. Such comparisons can hopefully lead to the delivery of more effective and efficient services to clients and to the general citizenry.

## Survey Methods

Oversight and guidance on the survey design was provided by Vince Romano of Grosse Pointe Park who chaired the Survey Committee within the LPMS.

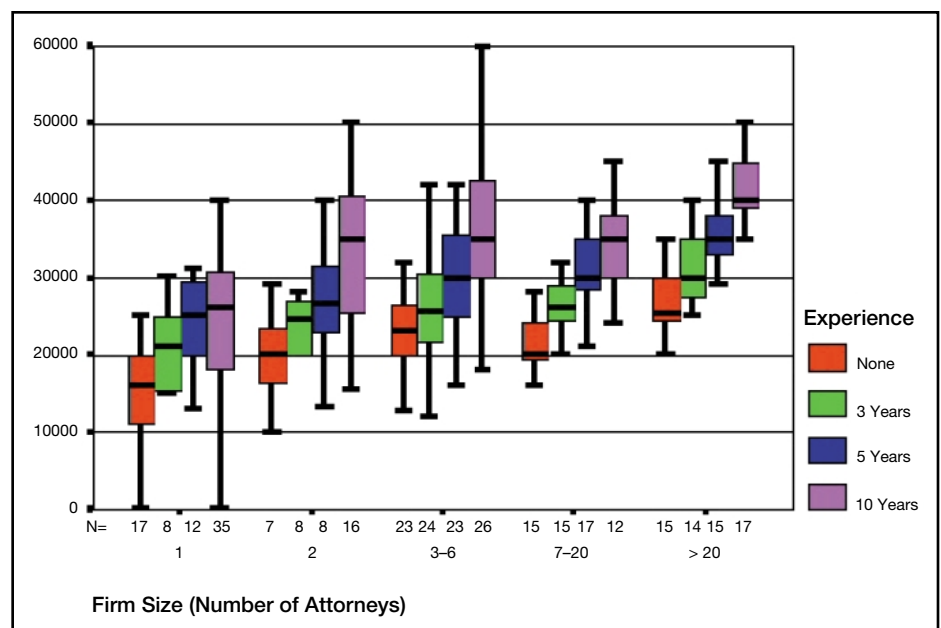
A confidential questionnaire was mailed to a random sample of the membership using a current roster of active, in-state members only. The Applied Statistics Laboratory (ASL) of Ann Arbor tabulated and analyzed the data obtained from 1200 useable returns to prepare this report. These returns represent a response rate of 16 percent of the 7,697 questionnaires originally mailed to a random sample of 25 percent of the overall membership.

Approximately 200 returns were received from African-American attorneys from a separate mailing to 1590 members expressing any non-Caucasian category on their annual dues statement. Because of the small population of non-Caucasians within the membership, this 100 percent *over-sampling* allows comparative analyses of African-American attorneys with all others.

Because the survey was conducted during the spring and summer of 2003, income and expense information covers the 2002 calendar year while attorney and legal assistant billing rates and staff compensation levels are valued at 2003 prices. Economic sentiment, time utilization during the average workweek, and practice management measurements also cover the 2003 mid-year period.

A comprehensive set of tabulations will again be organized within a comprehensive *Desktop Reference* and will be published before year-end. Additional tabulations can be generated at no charge by ASL, which maintains the retained data for any Bar member upon request. Inquirers should contact Dr. Lawrence Stiffman at [aslinfo@aol.com](mailto:aslinfo@aol.com) or (734) 424-5300.

**Exhibit 1**  
Range of Secretary Salaries by Years of Experience, June 2003



## Statistical Conventions

Median values are presented as the measure of central tendency. A median value represents the 50th percentile of a distribution of responses. This is the middle value of a rank-ordering of values. Half of the responses are higher than the median and half are lower. Another statistic measuring central tendency is the mean or arithmetic average. Compared with the median, the mean is more influenced by outliers (extremely high or low values), which skew the distribution of results.

Comparisons beyond central tendency are also important to the reader. Exhibit 1, on the previous page, shows a distribution of responses using a *box and whisker* chart. Ranges of legal secretary salaries are displayed by level of experience in firms of various sizes (measured by number of attorneys in the practice or firm). The boxes bound the 25th to 75th percentiles, with the horizontal line within the box representing the median value. For example, the median salary level for *secretaries with no experience in two-person firms* is \$20,000, the 25th percentile is \$17,000, the 75th percentile is \$22,000. The whiskers denote outliers (5th and 95th percentiles) at \$10,000 and \$29,500.

## Summary Profile of the Typical Michigan Attorney and Firm

Exhibit 2 provides distributions of 2003 or 2002 measures compared with changes in net income, hours worked, and billing rates that occurred since the previous survey measuring either 2000 or 1999 results. For comparison, Exhibit 3, on the next page, provides similar statistics for only African-American survey respondents.

Net income is defined on the survey as personal income derived from the practice of law, before taxes as taken from IRS forms W2, K1, or Schedule C. In nominal terms (actual dollars not adjusted for inflation), male attorneys working full time realized a per annum growth in net income of 5 percent since 1999 compared with 1.2 percent growth when all attorneys are considered. For African-American full-time males, there was no growth, while growth in net income increased 2.6 percent per annum when all African-American attorneys are considered.

**Exhibit 2**  
**Summary of Changes in Income, Billing Rates and Time Consumed,**  
**All Michigan Attorneys, 2002/2003 v 1999/2000**

<b>Measure</b>	<b>Median 2002</b>	<b>Median 1999</b>	<b>Percent Change</b>	<b>Annual % Change</b>
<b>Attorney Net Income</b>				
All Attorneys	\$73,500	\$71,000	3.5	1.2
(Full-time only)	\$85,000	\$75,000	13.3	4.4
Private Practitioners only	\$72,000	\$70,000	2.9	1.0
(Full-time only)	\$83,000	\$79,000	5.1	1.7
Full-time Males	\$92,000	\$80,000	15.0	5.0
Full-time Females	\$65,000	\$60,000	8.3	2.8
Part-time Males	\$17,500	\$45,000	61.1	-20.4
Part-time Females	\$14,000	\$34,000	58.8	-19.6
<b>Average Hourly Billing Rate</b>	<b>Median 2003</b>	<b>Median 2000</b>	<b>Percent Change</b>	<b>Annual % Change</b>
All Private Practitioners	\$170	\$150	13.3	4.4
(Full-time only)	\$175	\$150	16.7	5.6
Full-time Males	\$175	\$150	16.7	5.6
Full-time Females	\$150	\$150	0.0	0.0
Part-time Males	\$150	\$145	3.4	1.1
Part-time Females	\$150	\$125	20.0	6.7
<b>Average Hours in Workweek</b>	<b>Median 2003</b>	<b>Median 2000</b>	<b>Percent Change</b>	<b>Annual % Change</b>
<b>Total Hours</b>				
All Attorneys	46	47	-2.1	-0.7
(Full-time only)	48	48	0.0	0.0
Full-time Males	49	50	-2.0	-0.7
Full-time Females	46	46	0.0	0.0
Part-time Males	40	34	17.6	5.9
Part-time Females	27	33	-18.2	-6.1
<b>Compensable Hours</b>				
All Attorneys	40	38	5.3	1.8
(Full-time only)	40	40	0.0	0.0
Full-time Males	40	40	0.0	0.0
Full-time Females	40	40	0.0	0.0
Part-time Males	12	18	-33.3	-11.1
Part-time Females	18	18	0.0	0.0
<b>Gross Revenues/Attorney</b>	\$135,000	\$125,000	8.0	2.7
<b>Overhead/Attorney</b>	\$55,000	\$49,000	12.2	4.1
<b>Ratio of Expenses to Revs</b>	0.41	0.39	5.1	1.7

Overall, compensable (billable, but not realized) hours in the average workweek (40) did not increase since the last survey for attorneys working full time, regardless of gender. However, for African-American attorneys, compensable hours increased for all demographic subsets to also reach the 40-hour level.

Given the lack in growth in billable hours, an increase in average hourly billing rates contributes to the growth in gross income. Considering all attorneys, a 4.4 percent annual growth occurred in the rate

(from \$150 to \$170 per hour over the past three years). Statistics were not collected on African-American-specific hourly billing rates in 2000.

Overhead rates increased 1.7 percent from .39 to .41 over the three-year period. Overhead per attorney grew 4.1 percent per annum during the period, while gross revenues per attorney grew 2.7 percent per annum. Overhead is defined as the ratio of total fixed expense per attorney divided by total receipts/per attorney.

**Exhibit 3**  
**Summary of Changes in Income, Billing Rates and Time Consumed,**  
**African-American Attorneys Only, 2002/2003 v 1999/2000**

<b>Measure</b>	<b>Median</b>	<b>Median</b>	<b>Percent</b>	<b>Annual</b>
<b>Attorney Net Income</b>	<b>2002</b>	<b>1999</b>	<b>Change</b>	<b>% Change</b>
All Attorneys	\$70,000	\$65,000	7.7	2.6
(Full-time only)	\$74,000	\$70,000	5.7	1.9
Private Practitioners only	\$50,000	\$70,000	-28.6	-9.5
(Full-time only)	\$67,500	\$79,000	-14.6	-4.9
Full-time Males	\$75,000	\$75,000	0.0	0.0
Full-time Females	\$61,500	\$60,000	2.5	0.8
Part-time Males	\$27,500	\$27,000	1.9	0.6
Part-time Females	\$8,500	\$8,500	0.0	0.0

<b>Average Hourly Billing Rate</b>	<b>Median</b>	<b>Median</b>	<b>Percent</b>	<b>Annual</b>
	<b>2003</b>	<b>2000</b>	<b>Change</b>	<b>% Change</b>
All Private Practitioners	\$158	NA	NA	NA
(Full-time only)	\$170	NA	NA	NA
Full-time Males	\$150	NA	NA	NA
Full-time Females	\$170	NA	NA	NA
Part-time Males	\$150	NA	NA	NA
Part-time Females	\$165	NA	NA	NA

<b>Average Hours in Workweek</b>	<b>Median</b>	<b>Median</b>	<b>Percent</b>	<b>Annual</b>
<b>Total Hours</b>	<b>2003</b>	<b>2000</b>	<b>Change</b>	<b>% Change</b>
All Attorneys	41	50	-18.0	-6.0
(Full-time only)	43	50	-14.0	-0.7
Full-time Males	45	55	-18.2	-6.1
Full-time Females	40	42	-4.8	-1.6
Part-time Males	30	53	-43.4	-14.5
Part-time Females	41	53	-22.6	-7.5

<b>Compensable Hours</b>				
All Attorneys	40	40	0.0	0.0
(Full-time only)	42	40	5.0	1.7
Full-time Males	50	45	11.1	3.7
Full-time Females	40	38	5.3	1.8
Part-time Males	28	20	40.0	13.3
Part-time Females	20	10	100.0	33.3

### Variations in Attorney Net Income

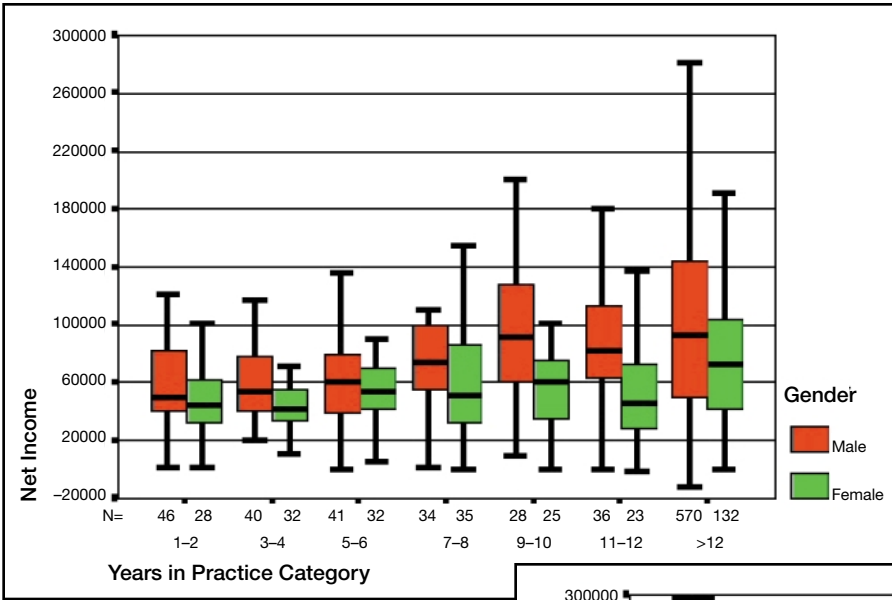
Income varies by the interaction of several factors including work status (working full or part time), gender, years in practice, practice classification (i.e., partner, local government employee), area of concentration (“specialization” or primary source of income), and firm size. This section highlights both the range and variation of attorney net income through the use of *box and whisker charts*. Again, the box represents the 25th to 75th percentile of the measure, with the horizontal line in the box representing the me-

dian. The whiskers represent (the 5th and 95th percentiles).

Exhibit 4 distributes attorney net income by years in practice, gender, and work status. In the aggregate, female attorneys earn 70 cents on the dollar compared to male attorneys.

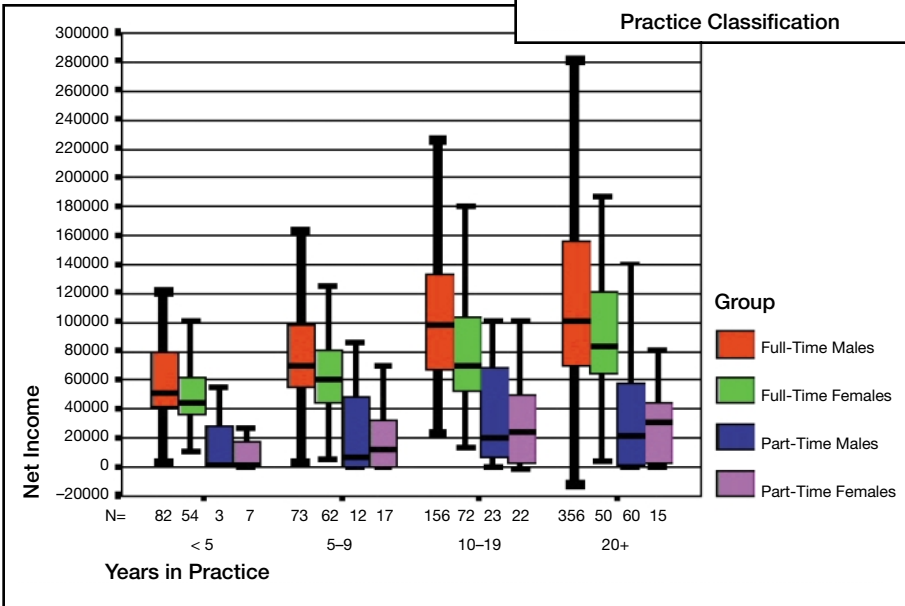
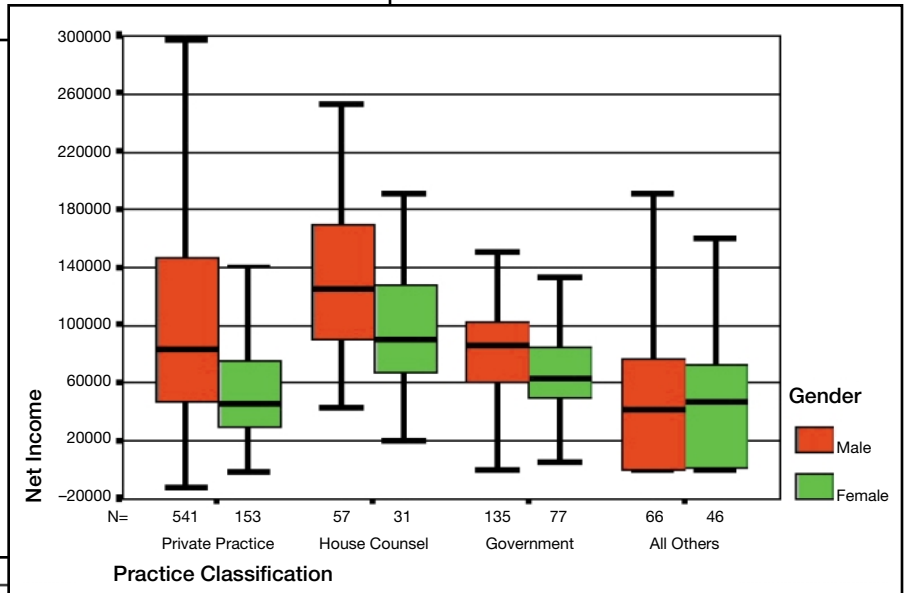
Private practitioners, regardless of gender, earn less than house counsel and government attorneys. The gender gap is less pronounced in the government sector (Exhibit 5).

There is wide variation in net income depending on the combination of gender and work status by years in practice (Exhibit 6).



**Exhibit 4**  
Distribution of 2002 Net Income  
by Years in Practice and Gender

**Exhibit 5**  
Distribution of 2002 Net Income  
by Practice Class and Gender



**Exhibit 6**  
Distribution of 2002 Net Income by Years  
in Practice, Gender, and Work Status

*Continued on next page*

Respondents indicated their field of concentration that generates the most income. Exhibit 7 rank orders the top ten “specialties” based on the growth in reported net income between 1987 and 2002.

**Distribution of Average Hourly Billing Rates**

Hourly billing rates differ by the respondent’s practice classification and if they are

applied for transaction work versus litigation work (when reported on an hourly versus per diem basis) (Exhibit 8). ♦

*Lawrence Stiffman directs the Applied Statistics Laboratory, a survey and market research firm in Ann Arbor. He assists law firms and organized bar associations throughout the nation with economic survey research, client service and employee satisfaction monitoring, and assigned counsel policy analysis.*

**Exhibit 7**  
Changes in Income Among Top Legal Specialties, 1987–2002

Primary Source of Income	1987	1990	1993	1996	1999	2002	% Chng ('99-'02)
Domestic Relations	\$31,000	\$40,000	\$44,000	\$50,000	\$50,000	\$61,000	22.0
Workers’ Compensation	50,000	67,000	73,000	75,000	76,000	91,700	20.7
Personal Injury (Defense)	52,000	64,000	75,000	80,000	85,000	100,000	17.6
Real Property	40,000	67,000	72,000	75,000	70,000	80,000	14.3
General Practice	45,000	40,000	47,500	50,000	55,000	60,000	9.1
Wills, Estates, and Probate	45,000	56,000	70,000	57,000	51,000	54,000	5.9
Personal Injury (Plaintiff)	63,000	70,000	74,200	76,000	95,000	97,500	2.6
Trial Practice	50,000	65,000	80,000	85,000	92,655	92,400	(0.3)
Corporate Law	70,000	80,000	85,000	75,000	96,000	90,000	(6.3)
<b>All Attorneys</b>	<b>\$50,000</b>	<b>\$60,000</b>	<b>\$68,000</b>	<b>\$70,000</b>	<b>\$71,000</b>	<b>\$73,500</b>	<b>3.5</b>
<b>Percent Change</b>	<b>Base</b>	<b>16.7</b>	<b>13.3</b>	<b>2.9</b>	<b>1.4</b>	<b>3.5</b>	

**Exhibit 8**  
Range of Hourly Billing Rates by Practice Classification, June 2003

