



1966

Economic Survey

North Dakota State Bar Association

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ECONOMIC SURVEY

By Legal Economics Committee

State Bar Association of North Dakota

A Report On the Economic Status of North Dakota Lawyers
Compiled From Data Collected by Questionnaire
In April, 1965

PREFACE

1965 STATE BAR ASSOCIATION OF NORTH DAKOTA ECONOMIC SURVEY

This is an interpretive report on the economic status of North Dakota lawyers. The survey which obtained facts and figures for this report, was conducted by the Sub-Committee of the Legal Economics Committee of the State Bar Association. Results of the survey were tabulated through the co-operation of the American Bar Association Standing Committee on Economics of Law Practice, using the ABA's data processing department.

In March of 1965, the Sub-Committee mailed 570 questionnaires to practicing attorneys in the State; 302 attorneys, or approximately 54 per cent, completed and returned the questionnaires.

The Legal Economics Committee and the Survey Sub-Committee thank all the lawyers in North Dakota who responded to the survey questionnaire, thus making this report possible; we trust that every member of the Bar can improve his economic status by study and implementation of this report.

The Legal Economics Committee and the Survey Sub-Committee wish to acknowledge the magnificent co-operation throughout this project extended by the American Bar Association, and especially by Mr. N. S. Clifton of the ABA Economics of Law Practice Department in Chicago, who prepared the interpretive report which follows.

**K. G. Pringle, Chairman
Legal Economics Committee
David Kessler, Chairman
Sub-Committee on Economic Survey**

DEFINITIONS

These definitions explain terms used in the interpretive report:

1. A "sole practitioner" is one who practices law with no partners, although he may employ one or more "associates."
2. A "sole practitioner who engages in group practice" is a sole practitioner who shares facilities with others but does not share income.
3. A "partner" (or member of a partnership) is one who practices with one or more lawyers in a partnership.
4. An "associate" is a lawyer employed by a partnership or by a sole practitioner.
5. "Private practice" or "private practitioners" includes all the above classifications.
6. "Lawyers not in private practice" includes only those who do not spend any part of their regular working time under one or more of the classifications designated above as private practice. They are mostly salaried employees of government, business enterprises, or non-profit organizations.
7. "Income." Averages, medians and estimates of income all refer to 1964 income before taxes of lawyers in North Dakota as revealed by the survey in 1965.

Interpretive Report of North Dakota Bar Survey Completed In 1965

INTRODUCTION

The purpose of this report is to present an interpretation of the most important results of the 1965 survey of the economics of law practice in North Dakota. Because most lawyers in North Dakota will, undoubtedly, be interested in the improvement in lawyers' income since the last survey was made in 1961, Table A is presented to show comparative income data derived from the 1961 and 1965 surveys.

TABLE A
COMPARISON OF 1964 INCOME DATA WITH 1960 INCOME DATA

Status in Practice	1960 Average Income	1964 Average Income	Income Increase	Per Cent Increase
Corporation Employed	\$8,077	\$10,470	\$2,393	29.6
Associate	6,369	7,930	1,561	24.5
Government Employed	7,859	9,880	2,021	25.7
Non-Salaried	11,653	14,660	3,007	25.8

Lawyers in each practice classification have made substantial gains in income with non-salaried lawyers getting the largest dollar increase. It would appear that practicing lawyers have become more mindful of the economics in bringing about this substantial improvement in income.

North Dakota lawyers will also very likely be interested in how they compare in income with practicing lawyers in other states. For this reason Table B is presented to show a comparison of the income of sole practitioners and partners in North Dakota with the income of similar practitioners in other states. The states shown in Table B have completed recent economic surveys with assistance from the ABA Committee on Economics of Law Practice and many also received interpretive reports similar to this one.

TABLE B

AVERAGE INCOME OF PRACTITIONER LAWYERS IN
NORTH DAKOTA COMPARED WITH VARIOUS OTHER STATES

State	Year Survey Completed	Sole Practitioners	Partners
North Dakota	1965	\$12,037	\$17,209
Idaho	1962	11,193	14,732
Indiana	1962	15,460	21,831
Maine	1962	12,866	19,126
Michigan	1963	15,108	22,317
Montana	1963	12,807	17,923
New Mexico	1962	13,961	17,779
Utah	1962	11,152	16,477
Vermont	1963	13,039	17,176
Virginia	1963	13,933	19,579
West Virginia	1963	12,635	17,417
Wyoming	1964	13,527	16,608

Principle Conclusions

Stated briefly, the following are the ten most significant conclusions derived from analysis of the survey results:

1. *Typical Incomes.* The average North Dakota attorney (salaried and non-salaried) earns about \$13,900 a year, while almost 17 per cent of them earn \$20,000 or more. A very few of the lawyer population, a little over 3 per cent, report more than \$30,000 a year of earnings. Figure 1 shows the proportion of lawyers in each income class.

2. *Income and Type of Professional Employment.* Lawyers not in private practice in North Dakota tend to earn slightly less than full time private practitioners. The range of variation, however, is greater in the case of lawyers in private practice. Of the lawyers in salaried employment, few earn less than \$5,000 a year, and \$19,000 is the practical top. By contrast about 9 per cent of the lawyers in private practice make \$5,000 or less and almost 5 per cent earn more more than \$30,000.

3. *Size of City.* The typical North Dakota lawyer in full time private practice earns more income the larger the city in which he practices up to the 50,000 population size class. In cities under 10,000 in population, sole practitioners fare almost as well as partners in income, but in larger cities, especially in the 50,000 and over class, partners earn almost twice as much as sole practitioners.

4. *Years of Experience.* The average income of lawyers, both those in salaried professional jobs and those engaged in full time private practice, increases with years of experience up to a maximum or ceiling. Sole practitioners tend to reach a plateau in their earning power after 10 to 14 years and do not make appreciable

increases in income thereafter. Partners in law firms tend to enjoy further increases in earnings up to forty years after their bar admission date.

5. *Law Office Management.* In law offices certain practices are associated with higher average incomes than are others. Keeping of time records, use of a full complement of office equipment, and maintaining a record file of previous work products are some of the practices generally associated with above average incomes.

6. *Specialization in Law Practice.* In North Dakota some types of specialization in law practice show a somewhat higher average income than does general practice. The most important of the higher income specializations are: negligence (plaintiff), negligence (defendant), motor carriers, administrative law, and corporation. Some specialties, such as collections, vary per incomes. Inability to charge an adequate fee was frequently reported in some of these specializations and in general practice.

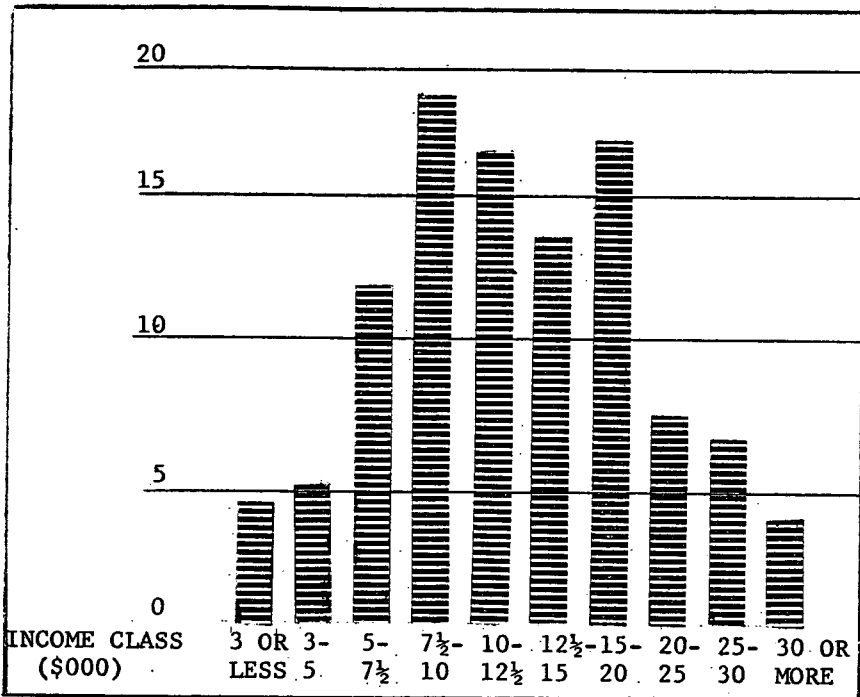
7. *Size of Firm and Income.* Among partnership law firms in North Dakota the average net income per partner is larger the larger the firm. Both partners and associates are included in this measure of the size of the firm. Four-lawyer and five or more lawyer firms show substantially more net income per partner or per lawyer than do smaller firms. There are only a few firms larger than the four-lawyer size in North Dakota. One of the largest law firms in the state reported an average gross per lawyer of more than \$37,000 per year.

8. *Size of Firm and Expense Ratio.* The ratio of expense to gross income increases slightly as the firm increases from 2 to 3 lawyers, then declines. As we look at firms with more than three lawyers, we find that the expense ratio decreases with increases in the size of the firm, but the difference is insignificant as between the five-lawyer size firm and those that are even larger. Some classes of expense are seen to be proportionately more important, some less important, as successively larger firms are examined.

9. *Income and Net Worth.* As lawyers move up into higher income brackets, their net worth tends to increase more than proportionately.

10. *Adequacy of Fees.* About one-fourth of the practicing lawyers in North Dakota report that they are unable to charge an adequate fee. This compares with similar findings in other states. The principal reason given for inability to charge an adequate fee was FEES CHARGED BY OTHER ATTORNEYS. In less than a third of the cases was ability of the client to pay listed as a limiting factor.

FIGURE 1.
PERCENTAGE OF NORTH DAKOTA LAWYERS IN EACH
INCOME CLASS.



Reliability and Interpretation of the Survey

The survey responses appear to yield an adequate sample of licensed attorneys in North Dakota, except for a slight under-representation of lawyers employed by corporations. A higher percentage of partners responded to the survey than sole practitioners. Associates were more than 90 per cent cooperative. The number of responses from lawyers in each category (sole practitioners, partners, associates, etc.) was compared with the number of lawyers known to be in that category according to The 1964 Lawyer Statistical Report. This comparison showed adequate and roughly proportional representation in all classifications except that of salaried lawyers is sufficient for the limited conclusions drawn from it in is believed, however, that the very small sample of corporation lawyers is sufficient for the limited conclusions drawn from it in this report. For other categories of lawyers the report may be taken as approximately descriptive of the legal profession in North Dakota.

This report is a summary which attempts to present only the principal conclusions. The questionnaire responses collected con-

tain additional information which can be obtained by making additional tabulations.

The survey results are analyzed in the sections that follow by relating various circumstances and practices reported in the survey to the amount of income of the lawyers affected by those particular circumstances or practices. The factors which are found to be related to 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 the lawyer has and uses modern office equipment may be as much a result of his having 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 North Dakota should be interested in examining circumstances of law practice reported by the survey which are associated with higher incomes. They supply clues which, in some cases, may be applied to the lawyer's practice. In other cases, the survey results may suggest additions to or changes in the program of the State Bar Association of North Dakota.

GENERAL CIRCUMSTANCES RELATED TO DIFFERENCES IN INCOME

Private Practice vs. Other Professional Employment

Among the more important circumstances that have a bearing on the amount of income the lawyer earns are the type of professional employment in which he is engaged, the number of years since his admission to the bar, and for the lawyer engaged in private practice, the size of the city in which he practices. It is convenient to consider the type of professional employment and the number of years since admission to the bar in the same discussion, since improvement in earnings that may be expected with additional years of experience is greater in some lawyer occupations than in others. Lawyers not engaged in private practice are mostly employed as corporate counsel or in government service positions.

Lawyers in private practice receive somewhat larger incomes than those in salaried positions in North Dakota. The average income of all non-salaried lawyers in private practice in North Dakota was approximately \$14,660 in 1964, while the average income of lawyers not in private practice was only \$10,010. Median income figures were not derived for all categories, but very probably the median income of non-salaried lawyers would be less than the average because high income partners tend to push averages upward. The averages for lawyers in salaried positions are similarly

influenced by the larger incomes typically received by attorneys employed as corporate counsel.

Income Increases With Years of Experience

In North Dakota, as in other states, years of experience tend to add substantially to the amount of income which the lawyer is able to earn. This is true for all classifications of lawyers, but the increases in income with more years of experience differ somewhat as among partners, sole practitioners, and lawyers in salaried positions. Table I compares the average income by years since their admission to the bar of lawyers not in private practice, sole practitioners in full time private practice, and full time partners.

TABLE 1
AVERAGE INCOME OF LAWYERS NOT IN PRIVATE PRACTICE
AND OF THOSE IN PRIVATE PRACTICE BY NUMBER OF YEARS
SINCE ADMISSION TO BAR

Years Since Admission to The Bar	Lawyers Not In Private Practice		Lawyers In Full Time Private Practice			
	No.	Income	Sole Practitioners		Partners	
			No.	Income	No.	Income
Under 5	11	\$ 6,500	8	\$ 7,400	21	\$ 8,605
5-9	9	10,700	11	11,340	23	15,760
10-14	5	11,500	24	12,470	29	17,975
15-19	2	12,500	11	11,840	22	19,770
20-29	4	11,600	19	12,315	13	21,345
30-39	3	12,080	18	13,765	8	21,560
40 or over	**	**	8	11,155	8	19,530

**Only One Response

Types of Professional Employment

Sole practitioners in group practice, that is sharing office space with other attorneys, average somewhat more income than the sole practitioners shown in Table I above; however, there are apparently relatively few sole practitioners in group practice in North Dakota. The data for this classification are included with sole practitioners. The typical full time associate lawyer earns about \$8,000 per year. Few lawyers remain in the status of associate after five years.

Lawyers employed as corporate counsel earn incomes slightly less than those of sole practitioners and substantially less, in North Dakota, than the average income of lawyers who are full time partners in private practice law firms. Too small a group of corporation lawyers responded to the survey to allow the drawing of sharp conclusions relative to the extent to which the income of corpora-

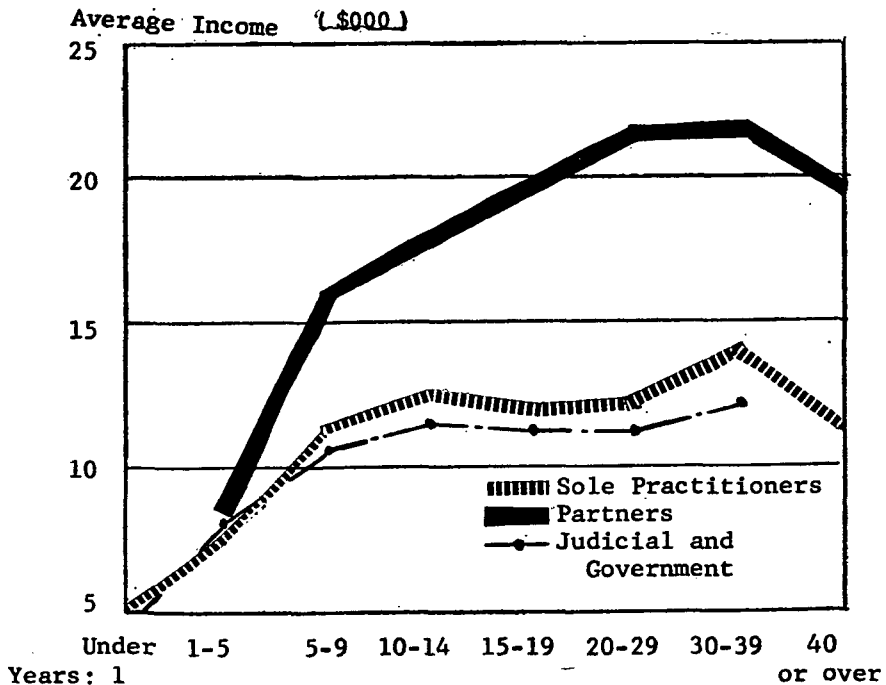
TABLE II
AVERAGE INCOME BY YEARS SINCE ADMISSION TO THE BAR
AND BY TYPES OF EMPLOYMENT OF LAWYERS NOT
IN PRIVATE PRACTICE

	Corporate Counsel		Judicial and Government	
	No.	Income	No.	Income
Under 5	2	\$ 6,250	9	\$ 6,700
5-9	2	10,000	7	10,700
10-14	—	—	5	11,500
15-19	**	**	**	**
20-29	**	**	3	11,250
30-39	—	—	3	12,080
40 or over			**	**

**Only One Response

tion lawyers increases with years of experience. Table II shows average incomes of lawyers employed in the principal types of professional positions other than private practice.

FIGURE 2
AVERAGE EARNINGS OF NORTH DAKOTA LAWYERS BY YEARS
OF EXPERIENCE IN VARIOUS TYPES OF FULL TIME
PROFESSIONAL EMPLOYMENT



The income pattern by years of experience for lawyers in the major classifications of employment is shown in Figure 2.

Income of partners in law firms hold up quite well for up to forty years after the lawyer's bar admission date. The downward slope for partners with forty years or more of experience probably is simply some selective factor with respect to those who did not retire. One other peculiarity of Figure 2 is worthy of comment. The lower average incomes of sole practitioners shown for the 15 to 19 years experience classification of lawyers are derived from reports of a very small number of lawyers. The number is small because this is the group that would have been admitted to the bar during World War II. The normal flow of young people into the law profession was, of course, sharply reduced during World War II. We can only surmise as to the reasons why sole practitioners in this experience classification have a dip in income.

In all types of professional employment the extremely small number in the 15 to 19 year experience classification reflects the interruption, occasioned by World War II, of law school education and of the entry of young graduates into the profession.

Income and Size of City

The size of the city in which the lawyer practices makes a significant difference in the amount of income which he is able to earn. In North Dakota, the income of lawyers engaged in full time private practice tends to be larger, the bigger the city in which he carries on his practice, except for sole practitioners who seem to fare better in smaller towns. Table III shows the average and median income of full time sole practitioners and partners.

It is noteworthy that in cities under 10,000 in population, sole practitioners earn incomes approximately equal to the income of partners. As the city size increases, the sole practitioner does less

TABLE III
INCOME OF SOLE PRACTITIONERS AND PARTNERS
BY CITY SIZE

City Size	No. of Solos	Income	No. of Partners	Income
Under 1,000	**	**	—	—
1,001 to 5,000	12	\$10,100	2	\$ 6,375
5,001 to 10,000	19	13,750	15	14,930
10,001 to 20,000	16	10,000	26	14,760
20,001 to 30,000	9	10,865	16	18,125
30,001 to 40,000	8	14,400	13	15,770
40,001 to 50,000	—	—	14	19,285
50,001 or Over	7	10,000	35	19,080

**Only One Response

well until in the largest cities partners earn almost twice as much as sole practitioners.

The table would seem to suggest that large cities provide the best opportunities for earning substantial incomes—undoubtedly because they provide the concentration of business and financially able clients that are necessary for high incomes. On the other hand, partnership firms appear to have cornered the lucrative business—probably because they are able to provide a wide spectrum of legal services, continuity of operations, and things of that nature. Hence it appears difficult for a sole practitioner to cash in on the economic opportunities available in the larger cities.

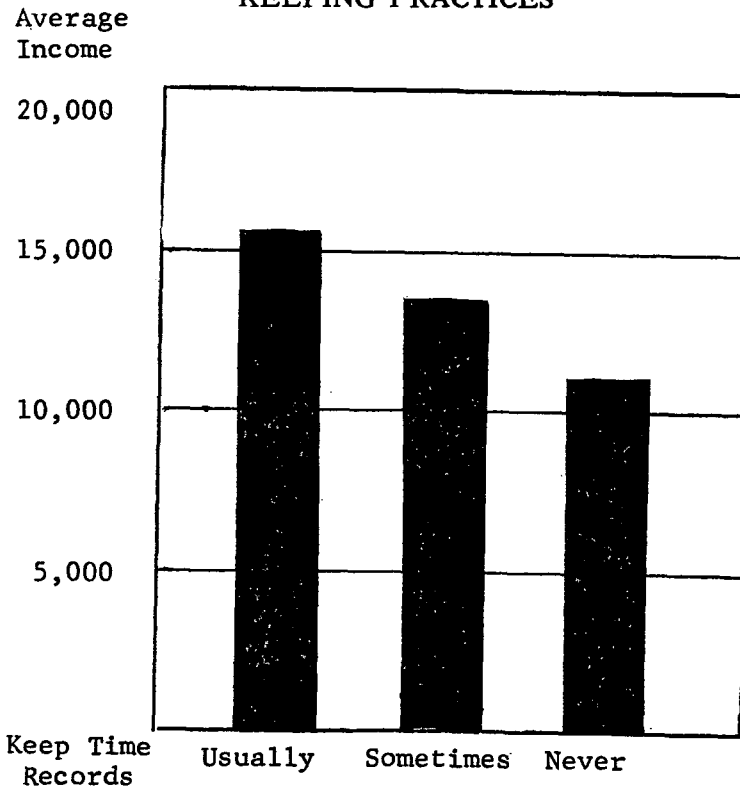
MANAGEMENT OF LAW PRACTICE

Income and Time Records

The typical (average) income of lawyers in North Dakota who report that they regularly keep time records of their own working

FIGURE 3

AVERAGE INCOME OF NORTH DAKOTA LAWYERS BY TIME KEEPING PRACTICES



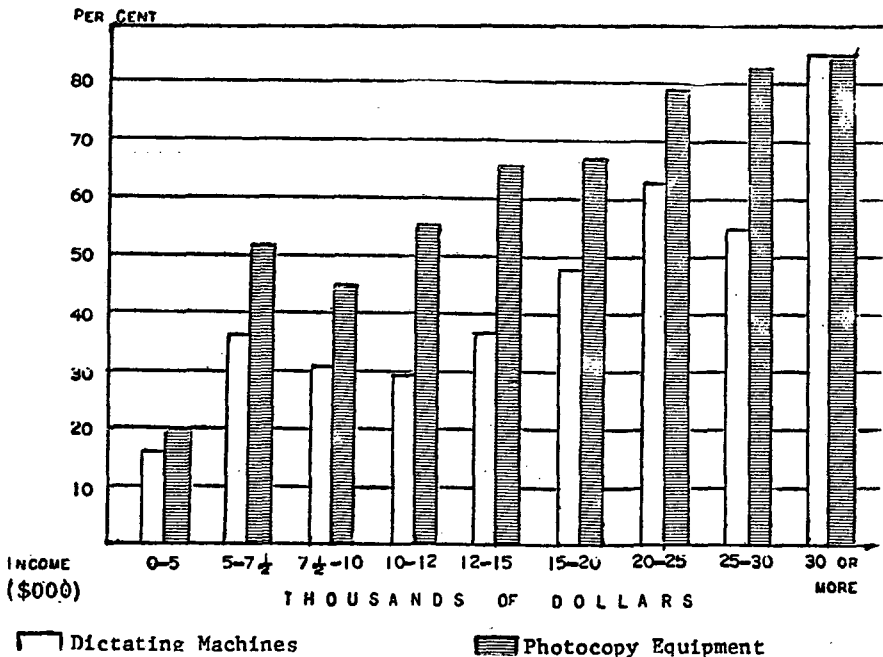
time is \$15,560. This is more than \$4,000 greater than the \$11,220 income of lawyers who report that they do not keep time records. Lawyers reporting themselves as occasional rather than consistent time record keepers had a median income of \$13,400. These striking comparisons are shown in Figure 3.

Partnership law firms more frequently use time records than do sole practitioners, and, therefore, part of the association between income and time record keeping may be due to the fact that partners tend to earn larger incomes than sole practitioners.

Office Equipment and Income

There is a positive correlation between the use of modern office equipment and amount of income from practice. The survey showed this relationship for dictating machines, electric typewriters, photographic copiers, and other duplicating machines. The use of electric adding machines was less consistently related to income and the variation in use of adding machines seems to be due lartely to

FIGURE 4
 PERCENTAGES OF LAWYERS IN EACH INCOME CLASS USING SPECIFIED TYPES OF EQUIPMENT



other causes. Figure 4 illustrates this relationship of office equipment to income by showing the percentage of private practice lawyers in each income class who use photocopy equipment and the percentage who use dictating machines.

The association of larger income with the use of office equipment should not be interpreted as simple cause and effect relationship. Surely the buying of equipment per se is not going to increase income. But a good lawyer can increase his earning potential by capitalizing on the use of a full complement of office equipment.

Filing Practices

A minor question, but one of some interest in the law office, is the type of filing system used and which type the lawyers find most satisfactory. Of the North Dakota lawyers who responded to this question, 74 reported an alphabetical system; 39 a numerical; and 58 a combination. The alphabetical was therefore found to be most widely used. The proportions using each system who reported the system less than completely satisfactory were as follows:

1) Alphabetical	21.6 per cent
2) Combination	17.2 per cent
3) Numerical	6 per cent

Law offices using a straight numerical system seem to be most satisfied with their filing system. The alphabetical system is by far the most unsatisfactory system.

On the question of maintaining a reference file of previous work products, 88 out of a total of 122 or 72 per cent maintained such a file. The average income of those who maintain a reference file of previous work was \$15,626 or more than \$3,000 greater than the average income of those who do not use such a file. Of the 88, there were 7 who reported that their reference files were not satisfactory. There was a significant difference between the average income of those reporting their reference files unsatisfactory and those satisfied with their files. As might be expected lawyers satisfied with their files earned larger incomes than those who were dissatisfied.

The most frequent use of the reference file was for forms and briefs. Next in frequency were legal memoranda and then legal opinions.

Salaries and Office Policies

The survey data showed that the median starting salary of an associate was \$420.

Median salaries for secretaries were as follows:

Starting		\$200
1 to 2	Years Experience	250
2 to 5	Years Experience	300
5 to 10	Years Experience	333
10 to 15	Years Experience	370
15 or more	Years Experience	400

The range of hours worked by clerical help ranged from 30 to 48 with 37½ hours being the most frequent length of work week.

The range of paid holidays varied from 2 to 14 with 7 being the most common number.

The number of paid sick days ranged from a low of 5 to a high of 30 with 10 the most common number.

Paid vacation period varied as follows:

Employed less than 1 year		One Week
Employed 1 to 2 years	Range:	1 to 3 weeks
	Mode:	2 weeks
Employed 2 to 3 years	Range:	1 to 3 weeks
	Mode:	2 weeks
Employed 3 to 5 years	Range:	1 to 3 weeks
	Mode:	2 weeks
Employed 5 or more years	Range:	1 to 4 weeks
	Mode:	2 weeks

SPECIALIZATION AND THE TYPICAL FEE

Specialization and Law Practice

Most types of specialization in law practice are more profitable in North Dakota than is general practice. The survey did not uncover as many types of specialization as is characteristic of lawyers in some of the larger and more populous states. Table IV ranks the types of specialization according to the average income and shows the average income of those reporting in each classification. The term "all other" in the table includes the several types of specialization for which an insufficient number reported to be shown separately. Some caution is indicated in drawing conclusions from Table IV relative to the profitability of a few of the types of law practice specialization shown, when only a small group, three or four, is reporting. The personal characteristics of the attorneys in the specialization and the general circumstances affecting their

TABLE IV
SPECIALTIES OF LAW PRACTICE

Specialization	Number Reporting	Average Income	Income Rank
Negligence (Plaintiff)	10	\$21,675	1
Negligence (Defendant)	17	19,500	2
Motor Carriers	3	19,420	3
Administrative Law	4	15,940	4
Corporations	6	15,750	5
Negligence (Plaintiff and Defendant)	9	14,555	6
Real Estate	10	14,000	7
Wills, Estate Planning and Probate	83	13,320	8
General Practice	99	12,570	9
Government Contracts	3	8,170	10
Taxation	3	9,580	11
Collections	5	4,900	12
Other	4	14,060	13

earnings are likely to outweigh the specialization as a determinant of income.

A peculiarity of the North Dakota survey is that it shows specialization in real estate to be relatively profitable, whereas in most other states which have been surveyed, real estate specialization was generally less profitable than general practice. The greater profitability of specialization in plaintiff negligence, defendant negligence, administrative law and corporations in North Dakota is characteristic of other states as well.

Adequacy of Fees

One of the important limitations of income for lawyers in private practice is the inability to charge adequate fees. Almost 25 per cent, 59 out of 242 lawyers in full time private practice, reported that the typical fees they were able to charge were inadequate. Their average income was considerably less than the income of lawyers who reported adequate fees. Reasons assigned by the lawyers for inadequacy of fees, in the order of their importance, are:

- | | |
|------------------------------------|------|
| 1) Fees charged by other attorneys | 32.7 |
| 2) Ability of the client to pay | 29.3 |
| 3) Minimum fee schedule | 27.6 |
| 4) Fees charged by non-attorneys | 10.3 |

It is interesting to note that factors in control of the lawyers themselves account for 60.3 per cent of the dissatisfaction with fees (1) and 3) above).

When lawyers are classified by type of specialization in law practice, the complaint of inadequate fees was 26 per cent among

general practitioners and 19 per cent among lawyers specializing in wills, estate planning and probate. Although ability of the client to pay and fees charged by non-attorneys were significant factors by influencing general practitioners in their assessment of inadequate fees, more than 71 per cent of the wills, estates, and probate lawyers felt that the fee schedule and fees of other attorneys were the most significant factors.

It would appear that some of the factors militating against adequate fees might be overcome by reviewing and revising the minimum fee schedule and by an educational program to get lawyers to upgrade fees to an adequate level.

The lawyers were asked to indicate the basis for billing their clients for legal services. The responses give some support to the hypothesis advanced above—that the type of practice accounts, in many cases, for the inability to charge an adequate fee. Those lawyers who considered their fees adequate tended to report more frequently charges on the basis of “responsibility and the results” and also a little more frequently on “contingent basis.” The attorneys who did not consider their fees adequate more often reported “custom of the community” as a basis for their charge. However, excepting for these differences, the percentage distribution among the various bases for determining charges differed little as between lawyers that considered their fees adequate and those who did not.

Hourly Charges

The response to the question about hourly charges was limited and spotty. It would be therefore statistically hazardous to attempt to draw conclusions from the data. Responses ranged from \$15 per hour to \$23 per hour.

Both general practitioners and lawyers specializing in wills, estates and probate charged an average of \$15 per hour when an hourly charge was applicable—this derived average is statistically reliable because of the number of lawyers responding in these two categories.

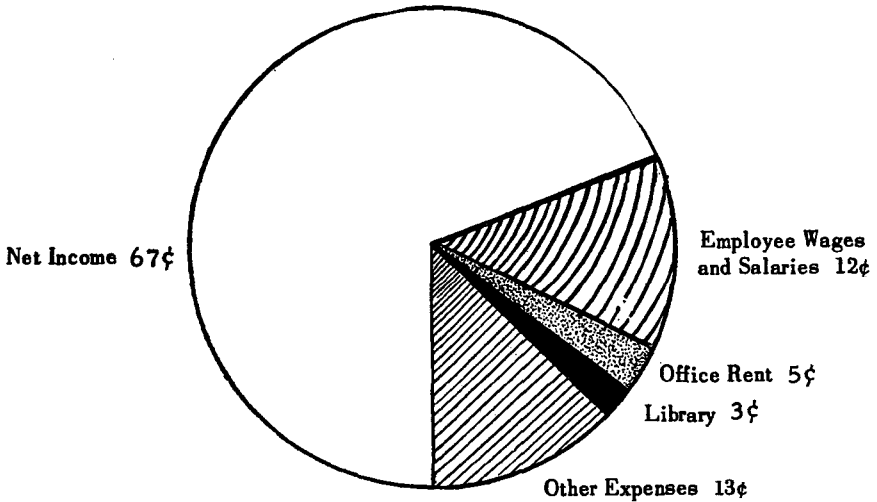
INCOME AND EXPENSE OF THE LAW OFFICE

Expense Ratios

Figure 5 illustrates the typical expense and net income ratios of sole practitioners. The figure shows each class of expenditures as a percentage of gross income and the typical proportion of gross income retained as net after payment of all expenses. Additional office expense data are shown in table number VI.

The overall expense ratio increases somewhat as shown in table

FIGURE 5
THE GROSS INCOME DOLLAR, SOLE PRACTITIONERS



V for the three lawyer partnership firms as compared with the expense ratio of sole practitioners and two lawyer partnerships. For firms with more than three lawyers the expense ratio is consistently less the larger the firm. The pattern exhibited by the expense ratio in relation to the size of the firm in table V is somewhat peculiar to the state of North Dakota and Maine. In some other states the maximum expense ratio tends to occur in the four or five lawyer size firm. In general, beginning with some size classification, economies of scale appear and result in lower expense ratios for larger firms.

TABLE V
AVERAGES OF GROSS INCOME, OVERHEAD AND NET INCOME
OF NORTH DAKOTA LAW FIRMS CLASSIFIED BY NUMBER
LAWYERS IN THE FIRM

No. of Partners and Associates	Average Gross Income Per Lawyer	Average Overhead Per Lawyer	Percent of Overhead to Gross Income	Average Net Income Per Lawyer	No. of Units
1	\$18,959	\$ 6,260	33	\$12,699	72
2	21,346	6,786	32	14,560	34
3	27,888	10,180	38	17,708	10
4	31,376	9,976	32	21,400	4
5 or more	38,376	11,116	30	27,260	6

Differences Related to Size of Firm

A trend or pattern may be observed in the relative importance

TABLE VI
AVERAGE EXPENSES OF LAW OFFICE BY SIZE OF FIRM

No. of Partners and Associates	Compensation Paid to Non-Lawyer Employees	Library and Subscription	Dues and Membership
1	\$ 2,243	\$ 525	\$ 143
2	4,841	928	304
3	13,125	1,756	437
4	12,349	2,986	506
5 or more	34,539	3,504	1,374

No. of Partners and Associates	Entertainment	Supplies and Postage	Rent	Travel, Meetings and Conventions	All Other Expenses
1	\$ 295	\$ 564	\$1,028	\$ 536	\$1,553
2	181	905	1,939	525	2,666
3	993	2,697	3,181	1,715	5,563
4	459	5,975	5,788	*	5,446
5 or more	*	5,417	8,204	1,573	20,636

*Insufficient Response

of the different kinds of expense as the size of the firm increases. Table VI shows each broad classification of expense with the averages shown for all firms reporting in each size law firm. Ratios of expenses to total overhead or to gross income have not been derived because it was felt that the average dollar amounts might provide more meaningful yardsticks by which lawyers can appraise their own expenses.

Payments to associates are excluded from table VI because of wide difference in the tendency to make use of associate lawyers. Thus, average payment to associates would not be a meaningful figure.

Again the three lawyer firm seems to be the turning point. Nearly all expenses of office operation increase dramatically for the three man firm. Apparently the three man firms do not maintain the gross income which would give them a favorable overhead to gross ratio. However, many of the firms may be young and growing and have not achieved their expected gross.

The pattern changes sharply with firms larger than three lawyers. Economies of scale reduce the percentage expense of non-lawyer employees; all other expense remains percentagewise relatively unchanged, while expenditures for library and office rent appear to vary according to local circumstances. These observations hold through the five lawyer size firms. The pattern is markedly different for the largest firms, those of 6 or more lawyers. For these large firms a very large proportion of all their expenditures is compensation for non-lawyer employees, while the other types

of expense generally become less important as a proportion of the total.

This pattern for the very large firms is not a matter of chance. It reflects an essential difference between the way the small and medium size firms use employees and the way large firms make use of them. The degree of specialization in the large law firm apparently makes it possible to use profitably more non-lawyer help. As previously indicated law firms in North Dakota, at least those responding to the survey, vary widely in the extent to which they make use of associate lawyers. In general, the partnership firms in North Dakota appear to make somewhat less use of associates than is the case of law firms elsewhere in the United States. In fact, according to the 1964 Statistical Lawyers there are only 15 associate lawyers in the entire state.

In North Dakota both gross and net income per lawyer tend to be larger the larger the size of the law firm. This is true, whether the size of the firm is measured by total number of lawyers, including the associates, or simply by the number of partners. While both income and expense per lawyer increase with the size of firm, the expense is proportionately less the larger the firm. Table V shows the average gross income, expense ratio, and net income by number of lawyers in the firm. Income per lawyer is greater the larger the firm through all size classifications of firms, and the average expense ratio decreases consistently with the size of the firm for all sizes of firms, of three-lawyer size or greater.

INCOME AND NET WORTH

Net Worth

The net worth of lawyers is the function of income and time required to accumulate. The relationship of net worth to income may be described by considering net worth as a multiple of annual income. For lawyers with incomes of \$7,500 or less, this multiple is one to two. For those reporting incomes of \$7,500 to \$20,000, net worth is two to three times annual incomes. *The higher the income above average, the larger the net worth as a multiple of annual income*, so that lawyers in the very high income class tended to have a net worth of three to six times annual income. Table VII arrays net worth classification responses by number of years since admission to the bar.

In observing table VII it becomes apparent that the practice of law in North Dakota—and other states as well, it has been observed—is not a way to accumulate wealth. Two out of three lawyers estimate their net worth to be less than \$50,000 and only

two lawyers in the state indicated that their net worth was in excess of \$600,000.

Additional Conclusions

In conclusion, it may be useful to make some observations about the top of the income range in different types of professional lawyer employment and about some of the characteristics of the high income group, that is lawyers who report annual incomes of \$20,000 or more.

TABLE VII
NET WORTH OF ALL LAWYERS BY YEARS SINCE ADMISSION TO THE BAR

Years Since Admission to the Bar	Number of Lawyers in Each Net Worth Classification										
	\$10,000 or less	\$10,001 to \$20,000	\$20,001 to \$30,000	\$30,001 to \$40,000	\$40,001 to \$50,000	\$50,001 to \$100,000	\$100,001 to \$200,000	\$200,001 to \$300,000	\$300,001 to \$600,000	\$600,001 and over	Over
Under 1 year	8	1	0	1	0	1	0	0	0	0	0
1 to 5 years	25	9	3	3	2	2	1	0	0	0	
5 to 9 years	6	13	10	3	4	5	1	0	0	0	
10 to 14 years	5	10	4	11	8	15	4	0	1	0	
15 to 19 years	1	3	4	7	2	13	6	0	0	0	
20 to 29 years	0	5	2	7	6	8	6	3	0	0	
30 to 39 years	1	1	4	0	4	6	10	1	2	1	
40 years or more	1	1	1	1	1	5	4	3	1	1	
Totals	47	43	28	33	27	55	32	7	4	2	

Among the lawyers not in private practice, but in some other professional employment, none were in the high income group. It seems that the practical top income that can be earned, in North Dakota, by lawyers not engaged in private practice is \$15,000 to \$20,000. The top of the range for lawyers employed in government service seems to be around \$15,000, though there may be an occasional exception to this ceiling. For full time corporate counsel the average income in North Dakota is about \$10,400, and the top of the range around \$15,000. Practically all of the high income lawyers are in private practice, either as partners or sole practitioners and primarily as partners. Lawyers employed in private practice as full time associates reported average incomes of around \$8,000 with some incomes ranging up to \$10,000. Lawyer occupations that were omitted from this report include law teachers and attorneys employed as counsel for non-profit organizations. These occupations were not represented among the responses to the survey.

About 16 per cent of all lawyers reporting were in the over-\$20,000 income class. The top of the range for these high income

lawyers is well in excess of \$30,000 and a great proportion of them have had from 10 to 39 years elapse since their admission to the bar. The majority of them are full time partners in communities of over 20,000 population. Almost half of them are partners in the cities of over 40,000 population. There are a few sole practitioners in the high income class. Among the sole practitioners, high income is not so closely associated with size of the city as is the case with partners. The major portion of the high income lawyers were partners in law firms having three to six partners.

In summary, the typical high income lawyer is a partner in a law firm located in one of the larger cities. He has more than a decade of experience in the legal profession and has accumulated a substantial total of assets.

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