

# Legal Services Industry

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Lawyers, as recognized today, emerged in England during the mid-sixteenth century as two separate but related professions: barristers and solicitors. Soon after, a deluge of legal pundits, armchair attorneys and lawyer jokes also emerged.

By the 20<sup>th</sup> century, nearly every business transaction, purchase or sale required the advice of an attorney. Today, individuals seek the advice of a lawyer to protect their interests during a negotiation proceeding. It's also quite common that the owner of a small business enterprise enters into a contract with a lawyer to ensure compliance with governmental regulations. In our hyper-legalized society, the demand for lawyers and those well versed in the law has never been greater.

The need for legal advice has not made lawyers any more popular in terms of public opinion or popular culture. A recent American Bar Association survey revealed that only 14% of respondents were "extremely or very confident" in lawyers in general.<sup>1</sup> It would seem that with frequent contact comes trust as 69% of small-business owners, on the other hand, expressed confidence in their attorneys. Likely because of their confidence, 65% of business owners reported consulting with a lawyer in the past year with fees averaging between \$4,000 and \$5,000 for the service.<sup>4</sup>

It is, perhaps, the tension between inevitably needing the advice of lawyers (and then paying for it) that is the root of the ubiquitous lawyer joke. Humor aside, the increased "legalization" of our society and business environment means that the services of attorneys and those in related occupations will continue to be in demand for years to come.

## Current Conditions

### *Attorneys*

In 2004, lawyers held approximately 735,000 jobs across the United States. While most attorneys were employed privately either in solo practice or with other lawyers, a significant number held positions in all levels of government as well as in non-legal positions where rigorous analytical acumen and training are considered an asset.<sup>2</sup> The diversity of employment available to lawyers is a direct result of their lengthy and arduous education.

Legal education typically takes three full-time years of study following the completion of a bachelor's degree. Although there is no prescribed "pre-law" coursework required, law schools recommend taking the most challenging and demanding course-load possible with an emphasis on developing reading and critical thinking skills.<sup>2</sup> Some people find that the educational time requirement to become a lawyer is an unavoidable impediment. For those individuals interested in the legal field, but with circumstances that prevent attending a school of law, a career as a paralegal or legal assistant may be explored.

Increasingly, law graduates are taking jobs outside the legal industry, either for personal reasons or because of the growing competitiveness in the legal industry. Whatever career path lawyers choose, they are usually compensated very well.

**Median Starting Salary, 1990 to 2002**

	Firm Size							
	All Sizes	2-10	11-25	26-50	51-100	101-250	251-500	500+
1990	\$50,000	\$30,000	\$40,000	\$45,000	\$53,000	\$60,000	\$70,000	\$70,000
1995	\$50,000	\$32,500	\$40,000	\$48,000	\$55,000	\$62,000	\$72,000	\$72,000
2000	\$80,000	\$40,000	\$50,000	\$60,000	\$76,000	\$99,500	\$125,000	\$125,000
2001	\$90,000	\$43,000	\$52,000	\$62,000	\$80,000	\$100,000	\$125,000	\$125,000
2002	\$90,000	\$45,000	\$52,500	\$65,000	\$80,000	\$100,000	\$125,000	\$125,000
% Change	80%	50%	31%	44%	51%	67%	79%	79%

Source: 2003 Salary Survey, National Association of Legal Professionals<sup>6</sup>

In the past 15 years, lawyers employed at smaller firms have seen their starting salaries more than double, while those at the larger firms (with more than 100 associates and partners) have seen starting salaries grow threefold since the mid-1980s. Inflation accounts for some of the increase, yet much of the gain in pay can be attributed to the fevered competition among firms eager to secure the best, most talented graduates. Bidding wars have erupted in an effort to attract top students from prestigious schools, particularly among the larger, high-profile firms in competitive markets such as New York, Los Angeles, Chicago and Washington, DC.<sup>10</sup> Finally, even though there is a disparity between the salaries of attorneys in larger firms and those employed in government, all salaries are typically well above the median national income. Competition between the public and private sectors for a limited pool of talent will continue to drive up salaries for all legal positions.

**Attorney Median Salary by Employment Sector**

Management of companies and enterprises	\$126,250
Federal Government	\$108,090
Legal services	\$99,580
Local government	\$73,410
State government	\$70,280

Source: Lawyers, Bureau of Labor Statistics, 2005<sup>2</sup>

**Paralegals**

According to the Bureau of Labor Statistics (BLS), there were 224,000 paralegals and legal assistants employed across the United States in 2004. The majority of paralegals were employed by law firms while the remainder worked in corporate legal departments or for government agencies. Unlike the demand for lawyers, which is expected to grow at the same rate as the overall economy over the next ten years, the demand for paralegals is expected to grow much faster on average, translating into enhanced opportunities for new workforce entrants and career advancement for more experienced individuals.<sup>3</sup>

There are numerous ways to become a paralegal. One of the most popular methods is a two-year associate degree program, frequently available at a community or junior college offering fundamental academic subjects in addition to the mechanics of being a paralegal. Another is a post-bachelor's certification program that focuses primarily on skills specific to a career as a legal assistant. Finally, many firms choose to train their paralegals on the job after they have obtained a bachelor's degree.

**Paralegal Median Salary by Employment Sector**

Federal Government	\$59,370
Local government	\$38,260
Legal services	\$37,870
State government	\$34,910

Source: Paralegals and Legal Assistants, Bureau of Labor Statistics, 2005<sup>3</sup>

## Industry Trends

The rising costs of legal services to both businesses and individuals are driving the two most noticeable trends: a growth in pre-paid legal services and the increased reliance on paralegals.

With an eye on the bottom line at all times, small-business owners are often wary of seeking legal advice on transactions or contracts, knowing that every minute of an attorney's time comes at a price. In metropolitan areas, this billing rate can approach \$300 an hour. In recent years however, the advent of pre-paid legal services has made access to legal advice, and the protection which it provides, readily available and less expensive for small-business owners and individuals.

For a monthly fee averaging between \$10 and \$25, subscribers of pre-paid services have access to attorneys for simple consultation, advice and the drafting of common documents.<sup>7</sup> Other subscriptions offering additional services and coverage are available at a higher monthly rate. What's more, subscribers to pre-paid legal services often have their hourly rates capped. Should complex cases require extensive attorney involvement, this allows some measure of cost-control even in the most dire of times.

The market for pre-paid services is expanding not only for small-business owners but among families as well. In fact, the National Resource Center for Consumers of Legal Services estimates that more than 19 million people are currently covered by pre-paid legal plans.<sup>7</sup> As salaries for attorneys continue to increase, so too will the demand for pre-paid services.

A by-product of rising lawyer salaries is the demand for paralegals and legal assistants. According to the BLS, career opportunities for paralegals will grow "faster than average" over the next ten years as law firms and corporations seek to transfer current lawyer responsibilities and assignments to paralegals.<sup>3</sup>

As competition and market forces drive up the starting salary for first-year associates (in some cases close to \$150,000), the paralegal becomes an attractive option for conducting some initial research, preparing documents and editing drafts. An experienced paralegal, although lacking in the theoretical, legal education, has years of hands-on legal work and becomes an asset to any legal team. What's more, firms benefit by having paralegals prepare the documents necessary for litigation, freeing up young lawyers to focus more on the legal issues presented and by appropriately delegating other functions. In the end, both parties are better served by this division of labor.<sup>5</sup>

### *Other Trends*

As with nearly all other industries, emerging technology is changing the way law is practiced. With the improvement of video conferencing technology, some courts will consider allowing cases to be argued at a distance.<sup>11</sup> Even though this process will not likely eclipse traditional methods, the emergence of secured, high-quality video transmission technology affords greater flexibility and might permit a case to continue despite schedule conflicts. This would contribute greatly toward reducing backlogged dockets.

Courts are also expected to require the electronic filing of briefs and other court documents in the near future.<sup>8</sup> Many firms already electronically archive most documents and operate in a "paperless office" environment. A change in court procedure will only hasten this migration for the remaining lawyers. Technology is also expected to aid in the delivery of legal services to clients via the Internet.<sup>9</sup>

A trend some have termed as the "commoditization" of legal services is expected to continue and expand.<sup>8</sup> Consumers are already familiar with the "will-in-a-box" or "divorce-in-a-box" products which provide a basic template for common legal pleadings that can be completed without an attorney. Similar offerings will be available in the future as people look to limit the costs associated with legal services. For more complex issues, such as complicated estate transfers and contentious divorce proceedings, the advice of a lawyer will still be necessary.

**Solo Practice**

Young associates of yesteryear often had a clear track to partnership awaiting them. They knew that after a few years of diligent work, they would be offered a position as partner and a stake in the firm. In recent years, as the required length of service and total billable hours to become partner has increased, more associates are deciding to go it alone and hang out a shingle. Solo practice is not for every attorney; but for some, they wouldn't have it any other way.

**U.S. Legal Services Market by Selected Specialties**

<i>Specialty</i>	<i>Number of Businesses</i>	<i>Total Employees</i>	<i>Total Sales (in millions)</i>	<i>Average Employees</i>	<i>Average Sales (in millions)</i>
Administrative and government law	415	6,957	2,410.5	18	6.6
Bankruptcy law	1,153	5,615	398.2	5	0.4
Divorce and family law	2,044	6,503	451.2	3	0.2
Specialized law offices, attorneys	8,748	52,424	4,371.9	6	0.5
Immigration and naturalization law	1,178	4,275	306.8	4	0.3
Real estate law	2,172	10,470	796.4	5	0.4
General practice attorney, lawyer	106,326	551,957	42,246.1	5	0.4
General practice, law office	33,504	414,697	43,170.1	13	1.4

Source: Zapdata Legal Services Industry Report <sup>12</sup>

The solo or small business startup is faced with the same challenges that many entrepreneurs face. One major consideration is the financing for estimated start-up expenses. One method to figure costs starts by determining how many months it will take the practice to generate income. Typical business planning requires at least six months of income reserve to cover start-up, overhead and operational expenses. One can calculate monthly expenses and then multiply by the number of months needed before receiving a stable attorney fee income. Marketing can also be difficult when opening a business – a legal practice is no exception. Nancy Roberts Linder, in her article for *The Young Lawyer*, mentioned a few niche marketing techniques. Below is a summary of her recommendations:

- Identify an industry or group of individuals or entities with like interests
- Gather intelligence
- Talk to people in the niche about their needs
- Create profiles of issues/litigation
- Get involved with members of the niche
- Write for publications read by the targeted niche
- Look for speaking opportunities
- Develop a website or use law-related portals
- Follow up with contacts

Source: *The Young Lawyer*, February 2002 <sup>13</sup>

There are a number of factors to consider before leaving the salaried-employee life and setting out on one's own. Of primary concern is the balance of risk versus reward. The rewards are obvious: greater independence in practice and case selection, greater job security, more client contact and less likelihood of career burnout. The risks are almost equally as obvious: failure to attract clients, failure to adequately manage the practice, lack of access to resources and overextension. While hiring experienced support staff can help ease some of the concerns associated with opening a practice, the risks are still real and should be weighed openly and honestly. For attorneys interested in testing the waters of solo practice, the American Bar Association publishes a guide book, *How to Start and Build a Law Practice* by Jay Foonberg. This guidebook should be considered "required reading" for anyone interested in opening their own practice.

## Associations and Resources

American Bar Association – <http://www.abanet.org>  
 National Bar Association – <http://www.nationalbar.org/welcome.shtml>  
 National Association of Paralegal Associations – <http://www.paralegals.org/>  
 Association for Legal Professionals - <http://www.nalp.org/>  
 Law.com – Legal News - <http://www.law.com/>  
 Law Practice Today - <http://www.abanet.org/lpm/lpt/home.shtml>

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<sup>6</sup>Employment and Salary Trends for New Law Graduates, 1985-2000. *National Association for Legal Career Professionals*. <<http://www.nalp.org/content/index.php?pid=181>> Accessed August 26, 2006.

<sup>7</sup>Fletcher, Amy. *Prepaid legal is a cheaper way to get lawyer's services*. Denver Business Journal. 13 Sept 2002. <<http://denver.bizjournals.com/denver/stories/2002/09/16/story4.html>> Accessed August 26, 2006.

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<sup>10</sup>Salary Trends — A 13-Year Overview. *National Association for Legal Career Professionals* September 2003. <<http://www.nalp.org/content/index.php?pid=195>> Accessed August 26, 2006.

<sup>11</sup>Toutant, Charles. *Law Firms Realizing What They Don't Know Can Hurt Them*. New Jersey Law Journal. Jan 9, 2005. <<http://www.law.com/jsp/article.jsp?id=1136541911165>> Accessed August 26, 2006.

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