

By William Weinfeld ☆

# Income of Lawyers, 1929-48

This is the first article on professional incomes published by the Office of Business Economics since its series on lawyers, physicians, nurses, veterinarians, and dentists appeared in the SURVEY OF CURRENT BUSINESS during 1943 and 1944. It brings up to date the information on lawyers' incomes published in the August 1943 SURVEY. A report on dentists' income is expected to be ready for publication in the SURVEY early next year. Thereafter, new information on the incomes of lawyers, physicians, and dentists, as well as of other independent professional groups, will be published in this magazine as rapidly as funds and personnel permit.

IN 1948 the mean net income of all lawyers in the United States reached \$8,315, and the median net income \$6,336.<sup>1</sup> These are among the findings of two recent surveys conducted by the National Income Division of the Office of Business Economics.

In the spring of 1948 the Division conducted its fifth large-scale mail survey of economic conditions in the legal profession, covering the period 1943-47, inclusive. This was the first professional survey made since 1942.<sup>2</sup> A small, interim survey in the spring of 1949 provided estimates of the trend in legal incomes from 1947 to 1948.<sup>3</sup> These two surveys were part of the program for obtaining data, not otherwise available, required for the Office of Business Economics official estimates of national income. As in the past, the large-scale survey also provided much additional information concerning the economic characteristics of the legal profession which is presented in this article.

Compared with physicians and dentists (the other two large independent professional groups), lawyers, generally speaking, now occupy an intermediate position as to average income—below physicians but above dentists. More specific comparisons among the three major professional groups will be possible when studies now planned or in process are completed.

<sup>1</sup> The (arithmetic) mean income is equal to the sum of all the incomes divided by the number of income recipients. The median income is that income below which (and above which) half of all the income recipients fall. The exclusive use of the more common average, that is, the mean, is not adequate, and, indeed, may be misleading. For example, in comparing the incomes of two groups of lawyers, the presence of a relatively small number of high incomes (or very large losses) in one group could cause the mean of that group to be strikingly higher (or lower), even though the overwhelming majority of incomes in the two groups are quite similar. The median, on the other hand, would be but little affected by the few high income cases.

<sup>2</sup> The 1948 inquiry was conducted with the cooperation of the Survey of the Legal Profession, an independent organization sponsored jointly by the Carnegie Corporation and the American Bar Association.

<sup>3</sup> From 1947 to 1948 the mean net income of nonsalaried lawyers increased 9.2 percent and the median net income 10.0 percent. A similar interim survey of physicians indicated a 1947-48 increase of 4.5 percent in the mean net income, and a 6.0 percent increase in median net income, of nonsalaried physicians.

NOTE.—Mr. Weinfeld is a member of the National Income Division, Office of Business Economics.

## Average Net Income, 1929-48

The successive studies of the legal profession by the National Income Division permit the trend in the average net income of *nonsalaried* lawyers to be ascertained for the entire period since 1929. Nonsalaried lawyers (who constitute roughly two-thirds of all lawyers) are those who practice law as entrepreneurs, either with or without partners, and receive no additional salaried income from law practice.

As table 1 shows, by 1948 the mean net income of nonsalaried lawyers had reached \$8,121, or 47 percent above 1929 (\$5,534), and 69 percent above 1941 (\$4,794). However, the increase of 93 percent in the *median* income of nonsalaried lawyers from 1941 to 1948 is perhaps even more significant, because the median provides a better indication of what happened to the income of the typical lawyer.

The figures now available covering the recent 20-year span from 1929 to 1948, with its alternate periods of prosperity and depression, make it abundantly clear that, over time, the average net income of nonsalaried lawyers corresponds very closely with the fluctuations of general business conditions (see table 1 and chart 1). The marked decline in the rate of increase from 1945 to 1946, which can be observed quite clearly in chart 1, is attributable to the fact that during 1946 thousands of lawyers were discharged from the armed forces and began or resumed the practice of law.

Table 1.—Average Net Income and Relative Dispersion of Income of Nonsalaried Lawyers, 1929-48<sup>1</sup>

| Year | Average net income |                                     |                   |                                       | Relative dispersion <sup>2</sup>     |                          |                     |
|------|--------------------|-------------------------------------|-------------------|---------------------------------------|--------------------------------------|--------------------------|---------------------|
|      | Mean net income    | Index of mean net income (1941=100) | Median net income | Index of median net income (1941=100) | Percent by which mean exceeds median | Coefficient of variation | Index of inequality |
| 1929 | \$5,534            | 115                                 | ( <sup>3</sup> )  | ( <sup>3</sup> )                      | ( <sup>3</sup> )                     | ( <sup>3</sup> )         | ( <sup>3</sup> )    |
| 1930 | 5,194              | 108                                 | ( <sup>3</sup> )  | ( <sup>3</sup> )                      | ( <sup>3</sup> )                     | ( <sup>3</sup> )         | ( <sup>3</sup> )    |
| 1931 | 5,090              | 106                                 | ( <sup>3</sup> )  | ( <sup>3</sup> )                      | ( <sup>3</sup> )                     | ( <sup>3</sup> )         | ( <sup>3</sup> )    |
| 1932 | 4,156              | 87                                  | ( <sup>3</sup> )  | ( <sup>3</sup> )                      | ( <sup>3</sup> )                     | ( <sup>3</sup> )         | ( <sup>3</sup> )    |
| 1933 | 3,868              | 81                                  | ( <sup>3</sup> )  | ( <sup>3</sup> )                      | ( <sup>3</sup> )                     | ( <sup>3</sup> )         | ( <sup>3</sup> )    |
| 1934 | 4,218              | 88                                  | ( <sup>3</sup> )  | ( <sup>3</sup> )                      | ( <sup>3</sup> )                     | ( <sup>3</sup> )         | ( <sup>3</sup> )    |
| 1935 | 4,272              | 89                                  | ( <sup>3</sup> )  | ( <sup>3</sup> )                      | ( <sup>3</sup> )                     | ( <sup>3</sup> )         | ( <sup>3</sup> )    |
| 1936 | 4,394              | 92                                  | \$2,665           | 90                                    | 64.9                                 | 160.4                    | ( <sup>3</sup> )    |
| 1937 | 4,483              | 94                                  | 2,757             | 93                                    | 62.6                                 | 146.0                    | ( <sup>3</sup> )    |
| 1938 | 4,273              | 89                                  | ( <sup>3</sup> )  | ( <sup>3</sup> )                      | ( <sup>3</sup> )                     | ( <sup>3</sup> )         | ( <sup>3</sup> )    |
| 1939 | 4,391              | 92                                  | 2,704             | 91                                    | 62.4                                 | 158.4                    | ( <sup>3</sup> )    |
| 1940 | 4,507              | 94                                  | ( <sup>3</sup> )  | ( <sup>3</sup> )                      | ( <sup>3</sup> )                     | ( <sup>3</sup> )         | ( <sup>3</sup> )    |
| 1941 | 4,794              | 100                                 | 2,960             | 100                                   | 62.0                                 | 152.8                    | .507                |
| 1942 | 5,527              | 115                                 | ( <sup>3</sup> )  | ( <sup>3</sup> )                      | ( <sup>3</sup> )                     | ( <sup>3</sup> )         | ( <sup>3</sup> )    |
| 1943 | 5,945              | 124                                 | 3,892             | 131                                   | 52.7                                 | 123.2                    | .482                |
| 1944 | 6,504              | 136                                 | 4,273             | 144                                   | 52.2                                 | 118.4                    | .478                |
| 1945 | 6,861              | 143                                 | 4,660             | 157                                   | 47.2                                 | 115.5                    | .490                |
| 1946 | 6,951              | 145                                 | 4,696             | 159                                   | 48.0                                 | 113.8                    | .489                |
| 1947 | 7,437              | 155                                 | 5,199             | 176                                   | 43.0                                 | 109.4                    | .476                |
| 1948 | 8,121              | 169                                 | 5,719             | 193                                   | 42.0                                 | ( <sup>3</sup> )         | ( <sup>3</sup> )    |

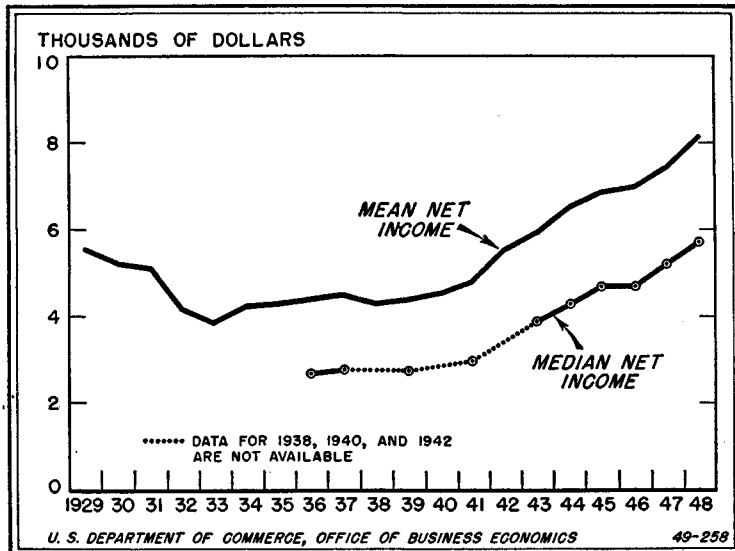
<sup>1</sup> Data for the years 1929 through 1941 are from the SURVEY OF CURRENT BUSINESS, August 1943, p. 23, and May 1944, p. 15, except that the mean income figure for 1940 has been slightly revised. The mean income figure for 1942 is estimated. Data for the years 1943 through 1947 are from the National Income Division's 1948 survey of the legal profession. Data for 1948 are based on the 1947-48 percentage change shown by returns from the National Income Division's 1949 interim survey of the legal profession.

<sup>2</sup> The coefficient of variation is the standard deviation divided by the mean, expressed as a percentage. The index of inequality used here is the ratio of concentration. It is equal to the ratio of the area between the line of equal distribution and the Lorenz curve to the triangular area bounded by the line of equal distribution, the ordinate, and the abscissa.

<sup>3</sup> Data not available.

Source: U. S. Department of Commerce, Office of Business Economics.

Chart 1.—Average Net Income of Nonsalaried Lawyers



Source of data: U. S. Department of Commerce, Office of Business Economics.

### Inequality of Income, 1936-48

Past studies have shown the income of lawyers to be more unequally distributed than that of other professional groups. However, independent lawyers' incomes are probably less unequally distributed than those of independent businessmen.

From the data of table 1, it appears that the spread of incomes relative to the size of the mean income (usually called the "relative dispersion") seems to have been greatest in time of depression and smallest in time of prosperity. In other words, when economic conditions are on the upswing, average income and *absolute* dispersion also rise, but those lawyers who have small or moderate incomes experience greater *relative* (but not absolute) increases than do lawyers who have large incomes. The latter group, of course, tends to increase its income more in absolute size, and this fact by itself is often misleading.

Starting in 1936, changes in the dispersion of lawyers' incomes can be traced from data given in table 1. Although differing in certain particulars, the three measures of relative income dispersion or inequality shown in this table all indicate a general trend in the direction of equality. The two measures for which data are available from 1936 through 1947 show a net decline in the inequality of lawyers' incomes of about 33 percent during the 11-year period.

### Gross and Net Income in the Legal Service Industry

In any analysis of the income of lawyers it is necessary to distinguish between lawyers as an occupational group and the legal service industry, consisting of the offices of law firms engaged in furnishing legal services on a fee or contract basis. A lawyer may conduct a law office alone or as a member of a partnership, may be employed on a salaried basis by a law firm, or may be employed entirely outside the legal service industry as a salaried lawyer for an industrial corporation, labor union, governmental organization, or any other employer. Interest attaches not only to law as an occupation, but also to the legal service industry as one of the Nation's major industries.

Augmented by some 20,000 lawyers released from the armed forces in 1945 and 1946 and the unusually large influx of recent law school graduates, the number of active lawyers

in independent practice recouped wartime setbacks, and increased steadily from 1945 to 1948. With the number of lawyers in independent practice reaching a record peak of about 140,000 in 1948, the total gross income of firms in the legal service industry reached an estimated \$1,825 million in 1948, or 97 percent above 1941 and 120 percent above 1929, while total net income climbed to \$1,174 million, topping the prewar levels by almost as large margins (see table 2). However, the ratio of net to gross income, which had risen steadily from 1938 to 1944, declined in each subsequent year.

Table 2.—Gross Income, Net Income, and Profit Ratios of Lawyers, 1929-48

| Year | Number in independent practice <sup>1</sup> (Thousands) | Total income <sup>2</sup> (Millions of dollars) |       | Mean gross income <sup>3</sup> (Dollars) | Profit ratio <sup>4</sup> |
|------|---|---|-------|--|---------------------------|
|      |   | Gross   | Net   |  |                           |
| 1929 | 104   | 830   | 571   | 7,997                                    | 69.2                      |
| 1930 | 108   | 819   | 557   | 7,594                                    | 68.4                      |
| 1931 | 113   | 846   | 574   | 7,463                                    | 68.2                      |
| 1932 | 114   | 717   | 470   | 6,297                                    | 66.0                      |
| 1933 | 116   | 685   | 447   | 5,923                                    | 65.3                      |
| 1934 | 116   | 740   | 488   | 6,362                                    | 66.3                      |
| 1935 | 119   | 764   | 506   | 6,424                                    | 66.5                      |
| 1936 | 120   | 790   | 525   | 6,581                                    | 66.8                      |
| 1937 | 122   | 828   | 549   | 6,726                                    | 66.7                      |
| 1938 | 124   | 809   | 531   | 6,470                                    | 66.0                      |
| 1939 | 126   | 839   | 553   | 6,615                                    | 66.4                      |
| 1940 | 128   | 871   | 578   | 6,747                                    | 66.8                      |
| 1941 | 128   | 927   | 615   | 7,172                                    | 66.8                      |
| 1942 | 117   | 974   | 654   | 8,197                                    | 67.4                      |
| 1943 | 107   | 996   | 672   | 8,802                                    | 67.5                      |
| 1944 | 107   | 1,097   | 732   | 9,741                                    | 66.8                      |
| 1945 | 110   | 1,214   | 799   | 10,398                                   | 66.0                      |
| 1946 | 130   | 1,444   | 943   | 10,645                                   | 65.3                      |
| 1947 | 135   | 1,583   | 1,022 | 11,498                                   | 64.7                      |
| 1948 | 140   | 1,825   | 1,174 | 12,660                                   | 64.1                      |

<sup>1</sup> Estimated number of lawyers whose major source of income from legal work was from independent practice.

<sup>2</sup> Total income of nonsalaried and part-salaried lawyers from independent practice. (Excludes salaries.)

For the years 1942-46 the total gross and net entrepreneurial income figures include amounts (originating in the legal service industry) flowing to individuals while in the armed forces, that is, while these individuals were not considered as actively practicing law. These amounts were relatively minor, aggregating less than 2 percent of total gross (and the same percent for total net) in 1943 to 1945. These additional amounts are not included in any of the average income figures because although the amounts should logically be included in any total figures applying to the legal service industry, they must be excluded from averages which, of necessity, apply only to individuals in active legal practice.

<sup>3</sup> Nonsalaried lawyers only. The mean net income of nonsalaried lawyers is shown in table 1.

The median gross income of nonsalaried lawyers, available only for the period 1943-47, is as follows: 1943—\$5,717; 1944—\$6,357; 1945—\$7,109; 1946—\$7,013; 1947—\$7,940.

<sup>4</sup> The profit ratio is the ratio of the net to gross income of nonsalaried lawyers, expressed as a percentage.

Source: U. S. Department of Commerce, Office of Business Economics.

Table 3 presents a summary picture of the 1943-47 trend in mean gross income, pay-roll expenses, other costs of practice, and net income for nonsalaried, part-salaried, and all-salaried lawyers.

### Clientele: Individuals versus Business

One of the purposes of the 1948 survey was to determine the proportion of independent lawyers' total gross income which is derived from personal legal services to individuals, as contrasted with legal services to all types of business enterprises. This information is required in order to estimate personal consumption expenditures for legal services. In 1947 nonsalaried and part-salaried lawyers together received 47.9 percent of their total gross income (exclusive of salaries received by part-salaried lawyers) for services to business. The remainder, or 52.1 percent of their total gross, was for legal services rendered to individuals. In 1941 about 48.5 percent of total gross came from services to individuals.

**Table 3.—Average Gross Income, Net Income, and Expenses of Lawyers by Source of Legal Income, 1943-47**

| Item                                      | 1943    | 1944    | 1945     | 1946     | 1947     |
|---|---------|---------|----------|----------|----------|
| <b>Nonsalaried lawyers</b>                |         |         |          |          |          |
| Mean amount:                              |         |         |          |          |          |
| Gross income.....                         | \$8,802 | \$9,741 | \$10,398 | \$10,645 | \$11,498 |
| Pay-roll expenses.....                    | 1,498   | 1,593   | 1,617    | 1,819    | 1,757    |
| Other costs of practice.....              | 1,359   | 1,644   | 1,920    | 1,875    | 2,304    |
| Net income.....                           | 5,945   | 6,504   | 6,861    | 6,951    | 7,437    |
| Median net income.....                    | 3,892   | 4,273   | 4,660    | 4,696    | 5,199    |
| <b>Part-salaried lawyers</b>              |         |         |          |          |          |
| Mean amount:                              |         |         |          |          |          |
| Gross income.....                         | 3,893   | 4,108   | 4,240    | 4,464    | 4,886    |
| Pay-roll expenses.....                    | 998     | 1,158   | 1,163    | 1,194    | 1,495    |
| Other costs of practice.....              | 404     | 242     | 370      | 362      | 330      |
| Net income from independent practice..... | 2,491   | 2,708   | 2,707    | 2,908    | 3,061    |
| Salaried income.....                      | 3,743   | 4,201   | 4,543    | 4,354    | 4,755    |
| Total net income.....                     | 6,234   | 6,909   | 7,250    | 7,262    | 7,816    |
| Median total net income.....              | 4,817   | 5,369   | 5,556    | 5,557    | 6,117    |
| <b>All-salaried lawyers</b>               |         |         |          |          |          |
| Mean net income.....                      | 6,283   | 6,732   | 6,919    | 6,795    | 7,646    |
| Median net income.....                    | 5,047   | 5,341   | 5,677    | 5,376    | 6,225    |

Source: U. S. Department of Commerce, Office of Business Economics.

**Table 4.—Average Net Income of Nonsalaried Lawyers by Specified Percentages of Total Gross Income Received for Rendering Personal Legal Services to Individuals, 1947**

| Percent of total gross income received for personal legal services | Percent of lawyers | Mean net income | Median net income |
|--|--------------------|-----------------|-------------------|
| Less than 10.....  | 6.1                | \$14,316        | \$11,071          |
| 10-19.....   | 7.7                | 13,119          | 9,923             |
| 20-29.....   | 7.2                | 10,264          | 7,875             |
| 30-39.....   | 4.5                | 8,976           | 7,250             |
| 40-49.....   | 3.9                | 10,924          | 7,857             |
| 50-59.....   | 9.6                | 8,161           | 5,461             |
| 60-69.....   | 6.4                | 6,541           | 5,208             |
| 70-79.....   | 11.9               | 6,752           | 5,697             |
| 80-89.....   | 10.1               | 5,235           | 4,223             |
| 90-99.....   | 20.0               | 5,199           | 4,042             |
| 100.....   | 12.5               | 3,264           | 2,298             |
| Total <sup>1</sup> .....   | 100.0              | 7,437           | 5,199             |
| Less than 50.....  | 29.4               | 11,737          | 9,014             |
| 50 and over.....   | 70.6               | 5,650           | 4,226             |
| 90 and over.....   | 32.5               | 4,456           | 3,390             |

<sup>1</sup> Because of rounding, the percentages do not necessarily add up to 100.0.

Source: U. S. Department of Commerce, Office of Business Economics.

Further analysis of the returns with respect to gross receipts from business and individuals yielded interesting data concerning the characteristics of the industry. Thus, it was found that, although only slightly more than one-half of the gross receipts of lawyers were from individuals, seven out of every ten nonsalaried lawyers depended on individuals, rather than businesses, for the major portion of their gross receipts (table 4).<sup>4</sup> This difference arises from the fact that lawyers who concentrate on personal services earn considerably less than their colleagues who receive most of their income from services to business.

The mean net income of lawyers whose entire receipts were from individuals was \$3,264 in 1947. As the proportion of receipts from personal services declines (reading from bottom to top in table 4), the mean net income increases markedly (with only minor irregularities probably due to reporting vagaries) until lawyers deriving less than 10 percent of their receipts from individuals show a mean of \$14,316, or more than four times (4.4) as large as the income received by lawyers whose entire receipts were from individuals. Lawyers who derived less than one-half of their receipts from

<sup>4</sup> Only a negligible proportion (0.9 percent) of the nonsalaried lawyers performed no personal services in 1947 whereas one out of every eight indicated that his entire work consisted of rendering personal services.

**Table 5.—Percentage Distribution of Lawyers by Source of Legal Income and Net Income Level, 1947**

| Item  | All lawyers | Lawyers with major source of legal income from— |                   | Lawyers with entire source of legal income from— |                        |                       |
|---|-------------|---|-------------------|--|------------------------|-----------------------|
|   |             | Independent practice                            | Salaried practice | Non-salaried practice                            | Part-salaried practice | All-salaried practice |
| Number reporting.....                               | 3,353       | 2,227   | 1,126             | 2,124  | 320                    | 909                   |
| Percent in each group <sup>1</sup> .....            | 100.0       | 65.2  | 34.8              | 62.4   | 9.5                    | 28.1                  |
| Mean net income.....                                | \$7,532     | \$7,517   | \$7,560           | \$7,437  | \$7,816                | \$7,646               |
| Median net income.....                              | \$5,698     | \$5,303   | \$6,134           | \$5,199  | \$6,117                | \$6,225               |
| Relative dispersion:                                |             |   |                   |  |                        |                       |
| Coefficient of variation <sup>2</sup> .....         | 97.1        | 107.5   | 73.8              | 109.4  | 89.3                   | 67.4                  |
| <b>PERCENTAGE DISTRIBUTION BY NET INCOME LEVELS</b> |             |   |                   |  |                        |                       |
| Net income level: <sup>3</sup>                      |             |   |                   |  |                        |                       |
| Loss: \$1-\$3,499.....                              | 0.6         | 0.9   | 1.0               |  |                        |                       |
| \$0-\$999.....                                      | 4.0         | 5.8   | 0.6               | 6.1  | 0.4                    | 0.5                   |
| \$1,000-\$1,999.....                                | 5.6         | 8.1   | 1.0               | 8.3  | 1.3                    | 0.9                   |
| \$2,000-\$2,999.....                                | 8.9         | 11.3  | 4.3               | 11.5   | 9.0                    | 3.1                   |
| \$3,000-\$3,999.....                                | 11.1        | 11.8  | 9.8               | 12.1   | 7.4                    | 10.1                  |
| \$4,000-\$4,999.....                                | 12.1        | 9.3   | 17.5              | 9.2  | 15.3                   | 17.6                  |
| \$5,000-\$5,999.....                                | 10.3        | 8.2   | 14.4              | 8.3  | 14.4                   | 13.4                  |
| \$6,000-\$6,999.....                                | 9.5         | 7.1   | 14.1              | 6.7  | 14.9                   | 13.9                  |
| \$7,000-\$7,999.....                                | 7.3         | 6.4   | 8.9               | 6.6  | 6.5                    | 9.1                   |
| \$8,000-\$8,999.....                                | 5.2         | 4.4   | 6.7               | 4.1  | 6.2                    | 7.2                   |
| \$9,000-\$9,999.....                                | 4.2         | 4.3   | 4.0               | 4.2  | 4.7                    | 4.2                   |
| \$10,000-\$10,999.....                              | 3.4         | 3.5   | 3.3               | 3.4  | 2.6                    | 3.7                   |
| \$11,000-\$11,999.....                              | 2.3         | 2.5   | 1.9               | 2.3  | 4.0                    | 1.7                   |
| \$12,000-\$12,999.....                              | 2.7         | 2.5   | 3.1               | 2.5  | 2.5                    | 3.3                   |
| \$13,000-\$13,999.....                              | 1.6         | 1.5   | 1.7               | 1.5  | 1.5                    | 1.8                   |
| \$14,000-\$14,999.....                              | 1.2         | 1.3   | 1.0               | 1.2  | 1.6                    | 1.0                   |
| \$15,000-\$19,999.....                              | 4.8         | 4.8   | 4.6               | 4.7  | 3.8                    | 5.1                   |
| \$20,000-\$24,999.....                              | 2.3         | 2.8   | 1.4               | 2.9  | 1.3                    | 1.4                   |
| \$25,000-\$29,999.....                              | 1.3         | 1.4   | 1.1               | 1.4  | 1.3                    | 1.1                   |
| \$30,000-\$39,999.....                              | .9          | 1.1   | .4                | 1.1  | .7                     | .3                    |
| \$40,000-\$49,999.....                              | .3          | .4  |                   | .4   | .3                     | ( <sup>4</sup> )      |
| \$50,000-\$74,999.....                              | .2          | .3  | .1                | .3   |                        | .1                    |
| \$75,000 and over.....                              | .1          | .2  | .1                | .2   | .3                     |                       |
| Total <sup>5</sup> .....                            | 100.0       | 100.0   | 100.0             | 100.0  | 100.0                  | 100.0                 |

<sup>1</sup> In all of the tables in this article, the percentage figures for the number of lawyers in various categories always refer to the weighted number of returns, not to the actual number who reported.

<sup>2</sup> The measure of relative dispersion, or spread, used here (the coefficient of variation) is equal to the standard deviation divided by the mean, expressed as a percentage. This gives a standardized measure of the income dispersion about the mean that allows direct comparison of the income size distributions for the various groups of lawyers or for different years.

<sup>3</sup> The term "net income" as used in this article includes net entrepreneurial income and salaries received from legal work. It always excludes income received from nonlegal work.

<sup>4</sup> Less than 0.05 percent.

<sup>5</sup> Because of rounding, the percentages will not necessarily add up to 100.0.

Source: U. S. Department of Commerce, Office of Business Economics.

individuals had a mean income (\$11,737) twice as large as those whose major income was from individuals (mean, \$5,650). The medians tell a very similar story.

### Factors Associated with Income, 1947

The remainder of this article is concerned with an analysis, largely for a single year (1947), of the differences to be found among lawyers' incomes with respect to source of income, size of law firm, size of community, age, etc. These are all factors whose relationship with income appears to change but little in the short run.

### Source of income

In terms of source of income, lawyers are most simply classified as (a) those receiving more than one-half of their net legal income from independent practice and (b) those receiving more than one-half of their net income from salaried practice. For brevity these two types are designated as "major independent" and "major salaried," respectively, and when there is no danger of confusion, simply as "independent" and "salaried." In 1947 two-thirds of all the lawyers covered by the survey were independent, and

one-third salaried. For the country as a whole, the mean net incomes of these two groups (\$7,517 and \$7,560) are quite similar. But a careful examination of table 5, as well as of the tables on city size and age, reveals that when certain distorting influences are eliminated, independent and salaried lawyers differ markedly with regard to income.

**Table 6.—Average Net Income of Lawyers in the Legal Service Industry and in Other Industries by Source of Legal Income, 1947**

| Item   | Percent in each group | Mean net income | Median net income |
|--|-----------------------|-----------------|-------------------|
| <b>Major source of income from the legal service industry:</b>   |                       |                 |                   |
| Nonsalaried.....   | 62.4                  | \$7,437         | \$5,199           |
| Major independent, also salary.....                              | 2.9                   | 9,086           | 7,208             |
| Salary from law firm only.....                                   | 7.4                   | 5,911           | 4,986             |
| Major salaried in law firm, also independent.....                | 2.1                   | 5,683           | 5,368             |
| <b>Major source of income from other industries:<sup>1</sup></b> |                       |                 |                   |
| Salary in nonlegal industry only.....                            | 17.5                  | 8,201           | 6,391             |
| Major salaried in nonlegal industry, also independent.....       | 3.9                   | 8,378           | 6,194             |
| Judge, salary only.....  | 3.0                   | 8,594           | 7,219             |
| Judge, major salaried, also independent.....                     | .6                    | (?)             | (?)               |
| Other.....   | .2                    | (?)             | (?)               |
| Total <sup>2</sup> .....   | 100.0                 | 7,532           | 5,698             |
| <b>Any income from the legal service industry:<sup>4</sup></b>   |                       |                 |                   |
| Nonsalaried.....   | 78.5                  | 7,437           | 5,199             |
| Part-salaried.....   | 12.0                  | 7,816           | 6,117             |
| All-salaried.....  | 9.5                   | 5,938           | 5,040             |
| Total.....   | 100.0                 | 7,341           | 5,342             |
| <b>All income from other industries:</b>                         |                       |                 |                   |
| All-salaried.....  | 100.0                 | 8,269           | 6,479             |

<sup>1</sup> Lawyers whose major source of income was from Federal, State, or local government, accounting for 9.0 percent of all lawyers in the sample, are included in this group. Their mean net income was \$5,813; their median, \$5,518.

<sup>2</sup> Too few cases to be reliable.

<sup>3</sup> Because of rounding, the percentages do not necessarily add up to 100.0.

<sup>4</sup> It was assumed that in the 1942 Department of Commerce legal survey (in which attorneys "employed by a nonlegal firm or public institution" were asked not to reply to the questionnaire) those who made returns included persons who received some or all of their income in the legal service industry. Therefore, the above category (which includes all part-salaried lawyers) is considered to provide the best basis for making comparisons with the group in the 1942 survey designated as "all reporting lawyers in the legal service industry". (See SURVEY OF CURRENT BUSINESS, August 1943.)

Source: U. S. Department of Commerce, Office of Business Economics.

Thus, table 5 shows that whereas one-fourth of the independent lawyers reported net incomes under \$3,000, only 6 percent of the salaried showed such low earnings. Moreover, the median for salaried lawyers (\$6,134) was 16 percent larger than that for independent lawyers (\$5,303). It is not surprising, therefore, to find that the independent lawyers show close to 50 percent greater relative dispersion (or spread) in income than their salaried colleagues. Table 5 also classifies lawyers by a more detailed three-way breakdown (into nonsalaried, part-salaried, and all-salaried lawyers) that is useful for a number of purposes, since each category provides an unblurred grouping.

According to survey results, three out of every four lawyers in active practice in 1947 were in the legal service industry—either in independent practice (with or without partners) or working for a lawyer in independent practice. The remaining lawyers worked on a salary basis for industrial firms, banks, labor organizations, government agencies, etc. Since these latter groups were disproportionately concentrated in the larger population centers, they generally had higher mean and median incomes than lawyers in the legal service industry. Average incomes of lawyers, as well as their numerical distribution, for detailed source categories are given in table 6.

### Size of law firm

If, for convenience of description, we define a law "firm" to include all independent practitioners having no partners, as well as all partnerships, we find that in 1947 three-fourths

of all nonsalaried lawyers practiced without partners (table 7). Only 15 percent practiced in firms of two partners, 5 percent in firms of three, and 2 percent in firms of four. Although survey returns were received from lawyers practicing in firms with as many as 23 partners (and although there may even be a few larger firms in existence), the proportion of lawyers practicing in firms of five or more members was less than 5 percent. In 1947 the mean size of firm was 1.64 members.

The returns also indicate that 88 percent of all law firms had only one member, and only 9 percent of the firms had two members. Thus, only 3 percent of all law firms had more than two members.

It is also quite clear from table 7 that the larger the firm, the larger the average income of the lawyers who are members of those firms. The mean net income of lawyers who practiced alone was \$5,759, whereas each lawyer in 2-member firms averaged \$8,030, or 39 percent more. Lawyers in 3-member firms averaged \$12,821, and lawyers in firms of 9 or more members had a mean net income of \$27,246, or almost five times as great as for solo practitioners. These data do not, of course, indicate to what extent lawyers in large firms have higher incomes because they are in large firms.

### Size of community

The size of the community in which a lawyer practices has a very important bearing on the size of his income. Generally speaking, average income tends to increase as size of place increases, although surveys covering years of substantial unemployment have shown some tendency for the largest cities to fall below the cities of intermediate size. In 1947 independent lawyers in cities of a million or more inhabitants reported an average income two to three times as large as those in places having fewer than 1,000 inhabitants. (See table 8.) Salaried lawyers' incomes were similarly influenced by community-size differences, but to a somewhat lesser extent.

**Table 7.—Percentage Distribution of Nonsalaried Lawyers and Law Firms and Average Net Income of Nonsalaried Lawyers, by Size of Firm, 1947**

| Size of law firm (members) | Percent of lawyers in firms of specified size | Percent of law firms of specified size | Nonsalaried lawyers in firms of specified size |                   |
|----------------------------|---|--|--|-------------------|
|                            |   |  | Mean net income                                | Median net income |
| 1.....                     | 73.6  | 87.8                                   | \$5,759  | \$4,275           |
| 2.....                     | 14.8  | 8.8                                    | 8,030  | 6,500             |
| 3.....                     | 4.9   | 1.9                                    | 12,821   | 9,477             |
| 4.....                     | 2.1   | .6                                     | 16,614   | 12,500            |
| 5-8 <sup>1</sup> .....     | 3.4   | .7                                     | 20,467   | 16,833            |
| 9 or more.....             | 1.3   | .1                                     | 27,246   | 21,500            |
| Total <sup>2</sup> .....   | 100.0   | 100.0                                  | 7,437  | 5,199             |

<sup>1</sup> Firms of 5 members had 1.3 percent of the lawyers; firms of 6, 0.9 percent, firms of 7, 1.0 percent; firms of 8, 0.2 percent. Firms of 5 members constituted 0.3 percent of the firms; firms of 6, 0.2 percent; firms of 7, 0.2 percent; firms of 8, less than 0.05 percent.

<sup>2</sup> Because of rounding, the percentages do not necessarily add up to 100.0.

Source: U. S. Department of Commerce, Office of Business Economics.

Two apparent exceptions to the general rule should be noted. In 1947 independent lawyers in places of 25,000-49,999 population showed a smaller average income than the next smaller community size; places of 100,000-249,999 behaved similarly. These exceptions may have been due to sampling fluctuations or to the necessity for using 1940 Census population data for determining size of place. As the variation in the 100,000-249,999 population group also appeared in the study for 1941, however, there may be a more significant explanation, as yet undetermined, for at least this size group.

In all community-size groups under 25,000 population for

which data were available, independent lawyers had a smaller mean (and median) net income than salaried lawyers. On the other hand, in the cities of 25,000 or more inhabitants, independent lawyers had consistently higher means (with the median showing no clear pattern) than salaried lawyers.

Table 8 also shows the concentration of both independent and salaried lawyers in the large population centers. In 1947

one-third of all attorneys practiced in cities of 500,000 inhabitants or more. Equally interesting is the fact that salaried lawyers were relatively far more concentrated in the large cities than were independent lawyers. Whereas only one-ninth of the lawyers in communities of under 1,000 population were salaried, half of those in cities of 1,000,000 or more were salaried.

Table 8.—Average Net Income of Lawyers by Major Source of Legal Income by Size of Community and for 9 Selected Large Cities, 1947

| Item                                    | Percent of lawyers in specified categories who were major independent | All lawyers              |                 |                   | Major independent        |                 |                   | Major salaried           |                 |                   |
|---|---|--------------------------|-----------------|-------------------|--------------------------|-----------------|-------------------|--------------------------|-----------------|-------------------|
|   |   | Percent in each category | Mean net income | Median net income | Percent in each category | Mean net income | Median net income | Percent in each category | Mean net income | Median net income |
| <b>Size of place (1940 population):</b> |   |                          |                 |                   |                          |                 |                   |                          |                 |                   |
| Under 1,000.....                        | 88.9  | 2.3                      | \$3,861         | \$3,222           | 3.1                      | \$3,694         | \$3,111           | 0.7                      | (1)             | (1)               |
| 1,000-2,499.....                        | 86.5  | 5.4                      | 4,715           | 4,229             | 7.2                      | 4,708           | 4,218             | 2.1                      | (1)             | (1)               |
| 2,500-4,999.....                        | 83.0  | 6.0                      | 5,218           | 4,472             | 7.7                      | 5,060           | 4,342             | 2.9                      | \$5,991         | \$4,917           |
| 5,000-9,999.....                        | 82.0  | 6.0                      | 5,600           | 5,060             | 7.5                      | 5,516           | 4,896             | 3.1                      | 5,982           | 5,250             |
| 10,000-24,999.....                      | 78.1  | 10.4                     | 6,516           | 5,145             | 12.5                     | 6,350           | 5,023             | 6.5                      | 7,109           | 5,550             |
| 25,000-49,999.....                      | 82.6  | 6.9                      | 6,164           | 4,793             | 8.7                      | 6,236           | 4,470             | 3.4                      | 5,822           | 5,225             |
| 50,000-99,999.....                      | 66.7  | 7.4                      | 7,940           | 5,883             | 7.6                      | 8,501           | 6,159             | 7.1                      | 6,815           | 5,650             |
| 100,000-249,999.....                    | 62.3  | 9.2                      | 7,149           | 5,841             | 8.8                      | 7,332           | 5,473             | 10.0                     | 6,846           | 6,070             |
| 250,000-499,999.....                    | 58.6  | 11.0                     | 8,072           | 5,976             | 9.9                      | 8,348           | 6,310             | 13.1                     | 7,682           | 5,500             |
| 500,000-999,999.....                    | 50.8  | 14.4                     | 8,663           | 6,333             | 11.2                     | 10,057          | 6,656             | 20.3                     | 7,225           | 6,228             |
| 1,000,000 or more.....                  | 49.3  | 21.1                     | 9,791           | 7,169             | 15.9                     | 10,625          | 6,922             | 30.7                     | 8,980           | 7,356             |
| United States <sup>2</sup> .....        | 65.2  | 100.0                    | 7,532           | 5,698             | 100.0                    | 7,517           | 5,303             | 100.0                    | 7,560           | 6,134             |
| <b>City:</b>                            |   |                          |                 |                   |                          |                 |                   |                          |                 |                   |
| Los Angeles.....                        | 58.5  | 2.5                      | 10,912          | 7,400             | 2.2                      | 12,386          | 9,125             | 2.9                      | 8,832           | 6,813             |
| Washington, D. C.....                   | 36.7  | 3.7                      | 9,910           | 7,000             | 2.1                      | 14,317          | 7,375             | 6.7                      | 7,350           | 6,625             |
| New York.....                           | 46.4  | 9.7                      | 9,866           | 7,509             | 6.9                      | 11,188          | 6,964             | 14.9                     | 8,728           | 7,607             |
| Philadelphia.....                       | 55.0  | 2.4                      | 9,665           | 8,250             | 2.0                      | 9,423           | 8,200             | 3.1                      | 9,961           | 8,375             |
| Chicago.....                            | 47.4  | 4.8                      | 9,375           | 6,417             | 3.5                      | 9,202           | 5,659             | 7.2                      | 9,531           | 6,988             |
| Detroit.....                            | 49.6  | 1.8                      | 9,076           | 7,438             | 1.3                      | 10,310          | 7,667             | 2.5                      | 7,861           | 6,950             |
| Baltimore.....                          | 41.6  | 1.2                      | 8,093           | 6,194             | .8                       | (1)             | (1)               | 2.1                      | (1)             | (1)               |
| Cleveland.....                          | 56.0  | 1.5                      | 7,511           | 4,975             | 1.3                      | 8,086           | 4,250             | 1.9                      | (1)             | (1)               |
| Boston.....                             | 49.3  | 2.9                      | 7,494           | 5,609             | 2.2                      | 8,903           | 5,594             | 4.2                      | 6,125           | 5,625             |

<sup>1</sup> Too few cases to be reliable.

<sup>2</sup> Because of rounding, the percentages do not necessarily add up to 100.0.

Source: U. S. Department of Commerce, Office of Business Economics.

In addition to data by city-size classes, table 8 presents, for the first time, separate statistics for nine of the largest American cities, in which almost one-third (30.5 percent) of the country's lawyers are concentrated.

### Regions and States

Classification of lawyers by geographic regions, as in table 9, reveals important income differentials among the several sections of the country.

Incomes of lawyers in the Middle East and Far West are uniformly and markedly higher than in any other region, whether all lawyers, independent lawyers, or salaried lawyers are considered, and whether the mean or median is used. All averages for these two regions (except, by a small margin, those for salaried lawyers in the Far West) are above the corresponding national averages, and no average for any other region is as high as the national average.

New England and the Central States stand in an intermediate position, with incomes below the Middle East and Far West, but (with the single exception that the median income of salaried lawyers in New England is shown to be below that in the Southeast) uniformly above those in the remaining three regions.

Southeast, Southwest, and Northwest lawyers show income averages generally well below those in the other regions.

It must be kept in mind that a regional average often masks important differences among the constituent States. Data for the individual States (insofar as the sample was adequate to furnish them) are shown in table 9. Among the larger States,

lawyers in California, New York, and Pennsylvania reported the highest average incomes.

### Age and years in practice

In any given occupational group, age is clearly one of the most significant factors affecting the size of income. Moreover, in practically all occupational pursuits, the age-income pattern is basically the same; namely, at the low ages income is at its lowest point, and, as age rises, income also rises until a peak is reached; thereafter, income gradually declines with increasing age.<sup>5</sup> That this pattern is also applicable to lawyers can be readily ascertained from an examination of table 10.

In 1947 independent lawyers reached their highest mean net income (\$9,872) between 50 and 54 years of age. The highest median (\$6,962) also fell in this age bracket. Salaried lawyers, on the other hand, seemed to reach their peak income (mean, \$10,606; median, \$8,000) between the ages of 60 and 64, or about 10 years later.

Salaried lawyers tended to have higher mean and median net incomes than independent lawyers at each age level (with only a few minor exceptions). At most levels these differences were rather small, ranging roughly between 5 and 15 percent, but in the age groups over 60 the income differentials in favor of salaried lawyers were pronounced.

<sup>5</sup> To the extent that about one-third of the lawyers who were practicing in 1947 had been in the armed forces for a period ranging from 1 to 6 years, the postwar relationship between age and income has probably become somewhat blurred, particularly for lawyers under 45 years of age (see table 13).

**Table 9.—Average Net Income of Lawyers, by Major Source of Legal Income, by Regions and for Selected States, 1947**

| Region and State <sup>1</sup> | All lawyers            |                 |                   | Major independent |                   | Major salaried  |                   |
|-------------------------------|------------------------|-----------------|-------------------|-------------------|-------------------|-----------------|-------------------|
|                               | Percent in each region | Mean net income | Median net income | Mean net income   | Median net income | Mean net income | Median net income |
| <b>New England</b> .....      | 6.5                    | \$6,981         | \$5,240           | \$7,064           | \$5,150           | \$6,830         | \$5,594           |
| Connecticut.....              |                        | 8,532           | 6,250             | (1)               | (1)               | (1)             | (1)               |
| Massachusetts.....            |                        | 6,942           | 4,933             | 7,159             | 3,812             | 6,641           | 5,438             |
| <b>Middle East</b> .....      | 30.0                   | 8,779           | 6,566             | 8,948             | 6,246             | 8,546           | 6,910             |
| District of Columbia.....     |                        | 9,910           | 7,000             | 14,317            | 7,375             | 7,350           | 6,625             |
| Maryland.....                 |                        | 7,074           | 5,909             | 6,871             | 5,389             | (1)             | (1)               |
| New Jersey.....               |                        | 6,930           | 5,667             | 6,246             | 6,021             | (1)             | (1)               |
| New York.....                 |                        | 9,024           | 6,632             | 9,357             | 6,224             | 8,608           | 7,068             |
| Pennsylvania.....             |                        | 8,731           | 7,017             | 7,995             | 6,156             | 10,443          | 8,688             |
| <b>Southeast</b> .....        | 13.5                   | 6,566           | 5,201             | 6,617             | 4,647             | 6,375           | 5,906             |
| Alabama.....                  |                        | 5,532           | 5,208             | (1)               | (1)               | (1)             | (1)               |
| Arkansas.....                 |                        | 5,756           | 4,313             | 5,772             | 3,250             | (1)             | (1)               |
| Florida.....                  |                        | 6,755           | 4,857             | 6,824             | 4,079             | (1)             | (1)               |
| Georgia.....                  |                        | 8,619           | 6,313             | 9,102             | 6,450             | (1)             | (1)               |
| Kentucky.....                 |                        | 5,190           | 4,375             | 4,705             | 3,607             | (1)             | (1)               |
| Louisiana.....                |                        | 7,976           | 6,063             | (1)               | (1)               | (1)             | (1)               |
| North Carolina.....           |                        | 8,093           | 5,700             | 7,625             | 4,500             | (1)             | (1)               |
| Tennessee.....                |                        | 7,230           | 6,083             | 7,816             | 6,833             | (1)             | (1)               |
| Virginia.....                 |                        | 5,359           | 4,214             | 5,059             | 3,979             | (1)             | (1)               |
| <b>Southwest</b> .....        | 7.2                    | 6,177           | 4,660             | 6,137             | 3,976             | 6,254           | 5,224             |
| Oklahoma.....                 |                        | 5,314           | 3,896             | 4,801             | 3,125             | 6,095           | 5,281             |
| Texas.....                    |                        | 6,289           | 4,690             | 6,241             | 3,925             | 6,374           | 5,156             |
| <b>Central</b> .....          | 28.7                   | 7,040           | 5,391             | 6,854             | 5,033             | 7,380           | 6,022             |
| Illinois.....                 |                        | 8,326           | 6,134             | 7,842             | 5,462             | 8,915           | 6,450             |
| Indiana.....                  |                        | 6,100           | 5,400             | 6,062             | 5,556             | (1)             | (1)               |
| Iowa.....                     |                        | 4,824           | 4,120             | 4,767             | 3,977             | (1)             | (1)               |
| Michigan.....                 |                        | 8,306           | 6,594             | 8,914             | 6,500             | 7,514           | 6,650             |
| Minnesota.....                |                        | 5,369           | 4,500             | 5,297             | 4,442             | (1)             | (1)               |
| Missouri.....                 |                        | 6,856           | 5,219             | 7,208             | 5,500             | 6,440           | 5,125             |
| Ohio.....                     |                        | 7,442           | 5,342             | 7,359             | 5,309             | 7,632           | 5,385             |
| Wisconsin.....                |                        | 6,033           | 5,092             | 5,899             | 4,625             | 6,362           | 5,453             |
| <b>Northwest</b> .....        | 4.8                    | 5,933           | 4,790             | 6,032             | 4,656             | 5,638           | 5,021             |
| Colorado.....                 |                        | 5,785           | 4,643             | 5,776             | 4,125             | (1)             | (1)               |
| Kansas.....                   |                        | 6,369           | 4,850             | (1)               | (1)               | (1)             | (1)               |
| Nebraska.....                 |                        | 5,757           | 4,667             | (1)               | (1)               | (1)             | (1)               |
| <b>Far West</b> .....         | 9.3                    | 8,679           | 6,608             | 9,259             | 7,039             | 7,549           | 6,089             |
| California.....               |                        | 9,752           | 7,313             | 10,487            | 7,562             | 8,446           | 6,812             |
| Oregon.....                   |                        | 6,427           | 5,167             | (1)               | (1)               | (1)             | (1)               |
| Washington.....               |                        | 6,294           | 5,450             | 6,869             | 6,000             | (1)             | (1)               |
| <b>United States</b> .....    | 100.0                  | 7,532           | 5,698             | 7,517             | 5,303             | 7,560           | 6,134             |

<sup>1</sup> States with too few cases to yield reliable results are included in regional data, but not shown separately. The regional groupings used in this table are those shown in the article on State income payments elsewhere in this issue. In addition to the States listed above, the regions include the following States: *New England*—Maine, New Hampshire, Rhode Island, Vermont; *Middle East*—Delaware, West Virginia; *Southeast*—Mississippi, South Carolina; *Southwest*—Arizona, New Mexico; *Central*—None; *Northwest*—Idaho, Montana, North Dakota, South Dakota, Utah, Wyoming; *Far West*—Nevada.

Source: U. S. Department of Commerce, Office of Business Economics.

**Table 10.—Average Net Income of Lawyers by Major Source of Legal Income and Age Level, 1947**

| Age (years)                           | All lawyers           |                 |                   | Major independent     |                 |                   | Major salaried        |                 |                   |
|---------------------------------------|-----------------------|-----------------|-------------------|-----------------------|-----------------|-------------------|-----------------------|-----------------|-------------------|
|                                       | Percent in each group | Mean net income | Median net income | Percent in each group | Mean net income | Median net income | Percent in each group | Mean net income | Median net income |
| Under 25.....                         | 0.1                   | (1)             | (1)               | 0.1                   | (1)             | (1)               |                       |                 |                   |
| 25-29.....                            | 2.8                   | \$3,527         | \$3,398           | 2.0                   | \$3,176         | \$3,083           | 4.2                   | \$3,841         | \$3,550           |
| 30-34.....                            | 14.9                  | 5,139           | 4,490             | 12.0                  | 5,170           | 4,213             | 20.3                  | 5,105           | 4,633             |
| 35-39.....                            | 18.9                  | 6,874           | 5,761             | 18.1                  | 6,786           | 5,382             | 20.2                  | 7,023           | 6,094             |
| 40-44.....                            | 18.7                  | 7,854           | 6,322             | 18.7                  | 7,684           | 5,924             | 18.6                  | 8,176           | 6,853             |
| 45-49.....                            | 11.9                  | 8,818           | 6,835             | 12.2                  | 8,904           | 6,914             | 11.2                  | 8,641           | 6,702             |
| 50-54.....                            | 9.3                   | 10,034          | 7,304             | 9.7                   | 9,872           | 6,962             | 8.5                   | 10,382          | 7,750             |
| 55-59.....                            | 7.6                   | 8,951           | 6,807             | 7.5                   | 8,765           | 6,321             | 7.9                   | 9,282           | 7,292             |
| 60-64.....                            | 5.7                   | 8,835           | 5,833             | 6.7                   | 8,295           | 5,357             | 3.8                   | 10,606          | 8,000             |
| 65 and over.....                      | 10.3                  | 7,231           | 3,750             | 13.0                  | 7,070           | 3,362             | 5.2                   | 7,992           | 6,523             |
| Unknown.....                          | (2)                   | 7,423           | 5,357             | (2)                   | (1)             | (1)               | (2)                   | (1)             | (1)               |
| <b>All lawyers</b> <sup>3</sup> ..... | 100.0                 | 7,532           | 5,698             | 100.0                 | 7,517           | 5,303             | 100.0                 | 7,560           | 6,134             |

<sup>1</sup> Too few cases to yield reliable results.

<sup>2</sup> The unknown cases were excluded in calculating the percentages.

<sup>3</sup> Because of rounding, the percentages do not necessarily add up to 100.0.

Source: U. S. Department of Commerce, Office of Business Economics.

As may be inferred from table 10, independent lawyers tend, on the average, to be somewhat older than salaried lawyers. In 1947 the differential was about 4 years, with independent lawyers having a median of 45 years, and salaried lawyers 41 years. The median for all lawyers was 44 years.

Only 14 percent of the independent lawyers were under 35 years of age, but 24 percent of the salaried fell into this age group. On the other hand, 20 percent of the independents were 60 years of age or older, but only 9 percent of the salaried lawyers were that old.

**Table 11.—Median Net Income of All Lawyers by Number of Years in Practice, 1947**

| Years in practice                     | Percent in each group | Median net income |
|---------------------------------------|-----------------------|-------------------|
| Fewer than 5.....                     | 10.1                  | \$3,354           |
| 5-9.....                              | 12.8                  | 4,754             |
| 10-14.....                            | 17.9                  | 5,784             |
| 15-19.....                            | 17.7                  | 6,476             |
| 20-24.....                            | 12.9                  | 7,394             |
| 25-29.....                            | 8.5                   | 7,813             |
| 30-34.....                            | 6.5                   | 6,750             |
| 35-39.....                            | 5.0                   | 6,313             |
| 40-44.....                            | 3.9                   | 5,273             |
| 45 or more.....                       | 4.6                   | 3,988             |
| Unknown.....                          | (1)                   | 4,188             |
| <b>All lawyers</b> <sup>2</sup> ..... | 100.0                 | 5,698             |

<sup>1</sup> The unknown cases were excluded in calculating the percentages.

<sup>2</sup> Because of rounding, the percentages do not necessarily add up to 100.0.

Source: U. S. Department of Commerce, Office of Business Economics.

Age and number of years in practice are highly correlated, although the relationship has probably become somewhat blurred as a result of the extensive war service of lawyers in nonlegal work. The years-in-practice-income pattern shown in table 11 closely follows the age-income pattern. In 1947, considering all lawyers, the peak median net income (\$7,813) was attained by lawyers having 25 to 29 years in practice.

**Full-time and part-time practice**

Law is a profession whose members have a strong tendency to move into other lines of work because of the close impingement of legal practice upon various other fields, including business management, real estate, finance, politics, etc. Thus, it is not surprising that in 1947 about 14 percent of the independent lawyers and 12 percent of the salaried were engaged in the practice of law on a part-time basis (table 12). (Former lawyers who were engaged exclusively in nonlegal pursuits were, for the purposes of the present study, no longer considered to be lawyers.)

The mean net income (from legal practice) of independent part-time lawyers (\$3,643) was less than half that of the full-time independent lawyers (\$8,133). On the other hand, part-time salaried lawyers' incomes were less than 20 percent below those for full-time salaried lawyers, suggesting that salaried lawyers tended to engage in nonlegal work less intensively than independent lawyers.

**Table 12.—Average Net Income of Full-Time and Part-Time Lawyers in the United States and in New York City by Major Source of Legal Income, 1947**

| Item                       | United States |           |                        | New York City |           |                        |
|----------------------------|---------------|-----------|------------------------|---------------|-----------|------------------------|
|                            | All           | Full-time | Part-time <sup>1</sup> | All           | Full-time | Part-time <sup>1</sup> |
| <b>All lawyers:</b>        |               |           |                        |               |           |                        |
| Percent in each group..... | 100.0         | 86.8      | 13.2                   | 100.0         | 87.5      | 12.5                   |
| Mean net income.....       | \$7,532       | \$7,990   | \$4,517                | \$9,866       | \$10,393  | \$6,203                |
| Median net income.....     | \$5,698       | \$6,098   | \$3,272                | \$7,509       | \$7,913   | \$3,750                |
| <b>Major independent:</b>  |               |           |                        |               |           |                        |
| Percent in each group..... | 100.0         | 86.3      | 13.7                   | 100.0         | 81.2      | 18.8                   |
| Mean net income.....       | \$7,517       | \$8,133   | \$3,643                | \$11,188      | \$12,615  | \$5,000                |
| Median net income.....     | \$5,303       | \$5,952   | \$2,404                | \$6,964       | \$8,417   | \$2,500                |
| <b>Major salaried:</b>     |               |           |                        |               |           |                        |
| Percent in each group..... | 100.0         | 87.8      | 12.2                   | 100.0         | 93.0      | 7.0                    |
| Mean net income.....       | \$7,560       | \$7,727   | \$6,359                | \$8,728       | \$8,709   | (2)                    |
| Median net income.....     | \$6,134       | \$6,209   | \$5,337                | \$7,607       | \$7,655   | (2)                    |

<sup>1</sup> Income received from pursuits other than the practice of law is excluded from all net income figures for lawyers. Accordingly, it is not possible to say whether the total earnings of part-time lawyers from all sources were less or greater than for full-time lawyers.

<sup>2</sup> Too few cases to be reliable.

Source: U. S. Department of Commerce, Office of Business Economics.



**Table 13.—Average Net Income of Veterans and Nonveterans of World War II by Age Groups, 1947**

| Item   | All ages | Age (years) |         |         |             |
|--|----------|-------------|---------|---------|-------------|
|  |          | Under 35    | 35-39   | 40-44   | 45 and over |
| <b>All lawyers:</b>                                      |          |             |         |         |             |
| Veterans:  |          |             |         |         |             |
| Percent veterans.....                                    | 31.0     | 66.7        | 53.6    | 34.8    | 5.8         |
| Mean net income.....                                     |          | \$4,331     | \$6,032 | \$6,807 | \$7,289     |
| Median net income.....                                   |          | \$4,160     | \$5,049 | \$5,731 | \$6,400     |
| Nonveterans:   |          |             |         |         |             |
| Mean net income.....                                     |          | \$5,770     | \$7,847 | \$8,413 | \$8,818     |
| Median net income.....                                   |          | \$4,644     | \$6,875 | \$6,733 | \$6,260     |
| Percent by which nonveterans' average exceeds veterans': |          |             |         |         |             |
| For mean net income.....                                 |          | 33.2        | 30.1    | 23.6    | 21.0        |
| For median net income.....                               |          | 11.6        | 36.2    | 17.5    | -2.2        |
| <b>Major independent:</b>                                |          |             |         |         |             |
| Veterans:  |          |             |         |         |             |
| Percent veterans.....                                    | 28.2     | 65.8        | 52.7    | 37.9    | 4.5         |
| Mean net income.....                                     |          | \$4,299     | \$5,927 | \$6,635 | \$7,320     |
| Median net income.....                                   |          | \$4,089     | \$4,469 | \$5,446 | \$6,417     |
| Nonveterans:   |          |             |         |         |             |
| Mean net income.....                                     |          | \$5,966     | \$7,744 | \$8,324 | \$8,560     |
| Median net income.....                                   |          | \$4,375     | \$6,682 | \$6,325 | \$5,619     |
| Percent by which nonveterans' average exceeds veterans': |          |             |         |         |             |
| For mean net income.....                                 |          | 38.8        | 30.7    | 25.5    | 16.9        |
| For median net income.....                               |          | 7.0         | 49.5    | 16.1    | -12.4       |

Source: U. S. Department of Commerce, Office of Business Economics.

In addition to data for the United States as a whole, table 12 presents similar data on the earnings of lawyers in New York City, where about one-tenth of all lawyers practice.

### Veterans and nonveterans

Thirty-one percent of all lawyers in active practice in 1947, according to survey findings, were veterans of World War II (see table 13). Two-thirds of the lawyers under 35 years of age were veterans, one-half of those 35 to 39 years of age, a third of those 40 to 44 years of age, and only 6 percent of the lawyers 45 and over. In every age group in which veterans comprised a substantial proportion of lawyers, their average income was lower than that of nonveterans.

### TECHNICAL NOTES

To provide data required for its official estimates of national income, the National Income Division has in the past made mail surveys in various fields of economic activity.

Because of limited funds, the coverage of these surveys has generally been on a sample basis. In the 1948 survey the list of lawyers' names was obtained from a commercial mailing service having the most complete listing of active lawyers available at the time. However, it seems fairly certain that the list was deficient in its coverage of salaried lawyers, although the deficiency may well have been compensated for by a disproportionate response from the salaried lawyers addressed. Unfortunately, no independent source of data exists by which the possible bias in this respect could be checked.

The original list from which the sample was drawn was divided into two main groups; namely, American Bar Association members and all other lawyers. Each group represented an alphabetical list of lawyers within each community for each state. The sample was obtained by taking every eighth name in the entire listing. Questionnaires were mailed to the sample group of 21,352 lawyers during the period of May 3-12, 1948. Response was voluntary and respondents were not identified in any way. It is estimated that the usable returns, numbering 3,353, represent 18.1 percent of the eligible lawyers who received questionnaires.

Questionnaires were mailed to individual lawyers rather than to law firms as such, but the individuals were asked to give, for the years 1943-47, inclusive, data on the gross income, expenses, and net income of the firm; they were also asked to give their own share of the firm's net income, as well as any salary they had earned. In addition, salaries and wages paid to employees, as well as the number of employees and office rent, were obtained for the firm. When the returns were later edited, the respondent was allocated the same proportion of the firm's gross income, pay roll, employees, rent, etc., as his share of the firm's net income.

Reliable control figures on the total number of lawyers in active practice, the number of independent and salaried lawyers, the number by age groups, or by size of community do not exist. But information of a relatively reliable nature could be assembled on the proportional regional distribution of lawyers by American Bar Association membership and nonmembership, and the returns were weighted on this basis.

That is, the returns were divided into 14 weighting cells (New England—ABA; New England—non-ABA; etc., for each of the seven regions) and by a random procedure additional returns were duplicated—merely by assigning integral weights to the selected returns—to bring each of the 14 cells up to the proportion of returns required by the control figures. No returns were discarded in the weighting process. The net effect of the weighting for all lawyers was as follows: mean net income before weighting, \$8,037—after weighting, \$7,532; median before weighting, \$5,997—after weighting, \$5,698.

The above differences appear to be due chiefly to the membership-nonmembership weighting. Although only 19.8 percent of all lawyers were ABA members in 1947, about 29.8 percent of the returns were from this group. The mean net income of all ABA members in 1947 was \$12,364, whereas for nonmembers it was \$6,341. (The corresponding medians were \$9,288 and \$5,126, respectively.) For independent lawyers alone, the ABA mean was \$12,976, the non-ABA \$6,075. (The medians were \$10,048 and \$4,504.) For salaried lawyers the ABA mean was \$11,004, the non-ABA \$6,822. (The medians were \$8,242 and \$5,760.)

### State Income Payments

(Continued from page 17)

Only in Oregon of the Far Western States was income expansion as large as the national rate of 20 percent.

The relative income decline of the Far West in recent years is of particular interest because of the region's long-term uptrend in total income payments. From 1929 to 1948 the share of total income received by the Far West increased one-third. This stemmed from substantially above-average gains in nearly every type of income and from very large population growth.

The relatively small increase of total income in the Far West in 1947 and 1948 reflected less-than-average gains in most major income sources. In 1948, total income and population in the region increased by about the same proportion; per capita income showed no increase, in contrast to the 7 percent advance nationally. Most striking in this regard is Nevada's record. From 1947 to 1948 total income in the State rose 6 percent, population increased 18 percent, and per capita income dropped 10 percent.

In California, which dominates Far Western income movements, 1946-48 increases fell considerably short of the national average in nearly all major categories of nonfarm income. Over the 2 years agricultural income declined 11 percent in the State, whereas it rose 25 percent on a Nationwide basis.

Within the broad area of the economy covered by State unemployment insurance laws, aggregate earnings advanced from 1947 to 1948 at a lesser rate in California than in the country as a whole. Total employment, however, increased by a slightly larger proportion in the State than nationally. Reflecting these divergent wage and employment movements, average earnings of employees showed considerably below-average advances in California, both for total covered employment and most industry divisions. The lag was most pronounced in the trade and service industries. In the latter it stemmed mainly from developments in the State's large motion-picture production industry, in which both employment and average earnings were reduced from 1947 to 1948.

That the recent level of employment in California has been maintained relatively well is evidenced also from data for manufacturing. From December 1947 to December 1948 total factory employment declined 2 percent on a Nationwide basis, but showed little change in California. In the first 5 months of 1949 employment in manufacturing was the same in California as in the corresponding period of 1948, whereas for the country as a whole it was 6 percent lower.