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*The Labor Market for
Attorneys in the State of
California*

Past, Present, and Future

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*Supported by the
University of California*

RAND Education

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Preface

In response to the University of California, Office of the President's Request for a Proposal for a study of the Need for a New Law School in California, RAND conducted an assessment of future workforce needs for lawyers in California through the year 2015. The study was carried out under a contract from the University of California, whose responsibilities under the California Master Plan for Higher Education include helping to meet California's workforce needs.

This research was conducted jointly by RAND's Institute for Civil Justice (ICJ) and RAND Education. Each of these Units provides analysis and assessments for decision-makers and for the public domain. The ICJ's mission is to help make the civil justice system more efficient and equitable by supplying government, private decision makers, and the public with the results of objective, empirically based, analytical research. RAND Education conducts analytical research and provides technical assistance to improve education policy and practice in all sectors that offer education and training, including higher education.

In this current research, both primary and secondary data were gathered to develop a profile of practicing lawyers in California, project future supply and demand for lawyers in California, and gain the expert opinion of individuals within the legal community on issues that may affect future supply and demand. The results of the study may now be cited. They are of interest to individuals within the legal community and administration in higher education, especially in California.

Executive Summary

The overall goal of the research reported here is to provide an objective and credible assessment of the future workforce needs for lawyers in the state of California through the year 2015. The study was carried out in 1999–2000 under a contract from the University of California, whose responsibilities under the California Master Plan for Higher Education include helping to meet California’s workforce needs.

Among publicly supported institutions, the University of California has the sole responsibility for providing certain types of professional education, including law. If the existing or expected supply of lawyers is likely to be unable to meet the state’s needs, then it would be appropriate for the University, along with other stakeholder institutions, to consider ways of addressing such imbalances. This project represents a first step toward understanding whether any supply-demand mismatches are emerging that might warrant new policy initiatives.

Research Objectives and Methods

Specifically, the project gathered both primary and secondary data to meet four main research objectives:

- i. Develop a profile of practicing attorneys in California today at the state level and—insofar as possible—for specific regions within the state.
- ii. Project future supply and demand for lawyers in California to the year 2015 at the state level and—insofar as possible—for its specific regions, and identify likely mismatches (if any) between supply and demand.
- iii. Determine what representatives of California’s top ABA-approved law schools expect to happen in legal education and in the legal profession generally over the coming decade that might affect future supply of and demand for lawyers.
- iv. Explore what representatives of varied employing organizations and other experts anticipate as upcoming trends that will affect future supply of and demand for lawyers.

The first two objectives cited above are realized by acquiring and analyzing secondary data available through a number of sources (e.g., the US Census, Current Population Supplements to the US Census, the Bureau of Labor Statistics, the California Bar Association, the National Association for Law Placement and Martindale Hubbell). The latter two objectives are achieved by means of semi-structured interviews carried out with members of law school faculties, law firms and other experts. In addition, a narrowly focused review of relevant literature provides background information that helped guide research toward all four objectives.

Major Findings and Conclusions

Below we summarize the major findings and conclusions from the research. For purposes of this study, we define the supply of lawyers at a particular point in time as the number of qualified lawyers willing to work under prevailing market wages. Demand, similarly, is construed as the number of lawyers that employers or clients are willing and able to hire at the prevailing market wage.

It is important to underscore the limitations of the quantitative supply and demand projects presented here. First it is impossible directly to observe supply and demand; rather, these are inferred from the number of lawyers qualified to practice in the state and the number of lawyers actually employed at any given time. These numbers may overestimate supply and underestimate demand, for reasons explained in the report. Second, it is difficult to obtain reliable forecasts of trends that will affect the numbers of qualified lawyers and employed lawyers in the future. The results that follow should be interpreted with these caveats in mind.

Aggregate supply and demand

The overall conclusion we draw from examining quantitative data from the profile and projections is that the number of Bar-certified lawyers is likely to keep pace with or exceed the expected growth in demand between now and 2015, for the state as a whole and for each region in the state as well.

After 10 decades over which the legal profession grew approximately as a function of population growth in the United States, the 1970s and 1980s witnessed an unprecedented expansion in the number of lawyers per capita, with California leading the nation on this measure. By 1990, there was an acknowledged oversupply of attorneys, and a declining economy led many of them to exit the profession. At present, data from the profile and projections suggest that in California the labor market may be in near equilibrium; that is, overall levels of supply and demand are reasonably well matched, as noted above. That the ratio of lawyers per thousand people in California is now approximating the national average after having been substantially higher earlier in the decade tends to substantiate this view.

Recent trends, together with interview data, suggest a number of reasons why the supply of lawyers is likely to be reasonably well matched to future demand.

- The labor market for lawyers appears to have adapted to changing demand conditions in the recent past through wage adjustments and adjustments in the number of hours worked. Additionally, lawyers are able to move in and out of the profession in response to differential demand (as evidenced, in part, by recent growth in the proportion of inactive Bar members). Such adjustments allow the market to avoid situations of surplus and shortage.

- Although the number of undergraduates from California schools is expected to increase as a function of the baby boom echo, law schools do not expect the number of applicants to increase proportionately. California's expanding economy provides many attractive alternatives to graduate school in general and law school in particular. In any case, the top ABA-approved law schools in California do not plan any substantial increase in their enrollments in the coming decade. But if the ratio of applications to enrollments increases, law schools will likely exercise greater selectivity, which would be expected to increase the already high proportion of graduates who pass the Bar. Under these conditions, the number of Bar-certified lawyers would increase faster than expected on the basis of enrollments alone.
- Law firms are not expanding their hiring as rapidly as in the earlier 1980s boom period. Rather, like other businesses, law firms perceive a need to keep their hierarchies relatively flat and to keep billing costs down for their clients. Reliance on paralegals and substitution of capital for some types of labor are contributing to this trend.

Taken together, then, quantitative analyses supplemented by qualitative information present a future in which the aggregate supply of lawyers either meets or moderately surpasses demand. They also indicate that business cycles are major drivers of the labor market. Thus it is important to underscore the dependence of the projections on the state of California's economy. The kinds of labor market adjustments discussed above are consistent with modest expansions and contractions; if the economy undergoes dramatic upward or downward shifts, major shortages or surpluses could result.

Dimensions of supply and demand

The preceding account looks at overall labor market conditions for lawyers; here we summarize what we have learned about more specific dimensions of supply and demand. At disaggregated levels of analysis, there is evidence of mismatch between some supply and demand characteristics related to geography, ethnicity, work settings and specialization. However, these mismatches do not necessarily constitute supply-demand imbalances as these terms are defined above.

- Regional markets exhibit considerable variation in supply and demand characteristics. For most California regions, there appear to be slight to major surpluses of attorneys now and in the future. In two regions—the Inland Empire and the San Joaquin Valley—and in rural northern counties the projections indicate that the number of attorneys available to practice will be about equal to projected employment. Additionally, the profile suggests that these regions today have low lawyer-to-population ratios relative to the rest of the state.
- These data suggest that the geographic regions singled out above are having difficulty attracting lawyers, especially for work in government, public law or general practice law. This problem, however, is not unique to the legal profession; it parallels in many respects the difficulty of attracting medical doctors to rural regions for general or

family practice. On the other hand, according to many academic and professional interviewees, location of residence or firm appears to be increasingly independent of location of practice. Networked information and communication technologies are presently supporting such trends; improvements to these media in the future, along with the nationalization of firms, should boost geographic independence in the coming decade. As a consequence, it is difficult to tell how well the legal service needs of particular regions are being met by examining local lawyer-to-population ratios.

- Significant disparities are evident at both the state level and within particular regions among California's ethnic groups with respect to their representation in the legal profession. Specifically, there are disproportionately many white lawyers compared with lawyers of color. This imbalance is uniformly regarded as undesirable. While the problem is not unique to California, it will become increasingly noteworthy here over the next five years, when the state is expected to attain a nonwhite majority.
- The state's public law schools are not well positioned at present to address the ethnic mismatch between the lawyer labor force and the population, given the passage of Proposition 209 and the related UC Board of Regents' decision. Private California law schools, in contrast, are actively recruiting minority students. While private schools are increasing in diversity, this trend does little to provide greater representation for low-income and minority group members in need of legal services. Historically lawyers of color have entered public law in greater than average proportions. Now they are increasingly entering large law firms, in part because their debt burden makes the choice of very low-paying career entry options much less viable.
- Lawyers are not distributed evenly over work settings; in particular, public law is losing ground to law firms and other businesses. Independent of ethnicity, many law school graduates feel they cannot afford to enter public law. Interviewees believe that those who choose this course are either highly committed personally to the field or see it as a path they can afford to take en route to other government career goals for which public law is a strong beginning. Market forces are not expected to ameliorate the imbalance between public and private sector law in the foreseeable future; public sector salaries are not expected to approximate those in law firms or other businesses, and public sector workloads are not likely to decrease.
- Another distributional shift is evident in the transition of lawyers away from solo practice. Firms, whether legal service firms or other private sector businesses, now employ more attorneys than are in self-employed practice. Larger firms, in turn, are likely to be urban in location, cater to business clients, and pursue a number of specialized lines of administrative law at high cost. This trend is seen as contributing to declines in general practice legal services offered by affordable solo practitioners or small firms.

- Greater specialization, both within large firms and on the part of small “boutique” firms is also changing the face of the legal profession. Although the trend is sometimes associated with a likely decline in affordable general practice services (see above), many interviewees believe that more routine general legal services may increasingly be made available on a do-it-yourself basis, leaving the more specialized, complex and costly work to be handled by professionals.
- Specializations are not evenly distributed over regions of California; rather they respond to local market demands. For instance there is a noticeable concentration of intellectual property lawyers in the Bay Area. Moreover, the very high salaries now being offered to attorneys with mediocre qualifications but experience in intellectual property law in that region can be viewed as evidence of a current shortage in the specialty. However, market forces are expected to correct that mismatch by attracting more better-qualified lawyers into that field in the near future.

The preceding paragraphs present a research-based picture of present and expected supply and demand trends for lawyers. It is important, however, to call attention to two considerations that underlie much of the discussion.

First, recognized needs do not constitute “demand” in the economic sense. In the sense defined above, for instance, the needs of underserved groups and communities typically do not constitute demand since these constituencies are often unable to pay the going rate for lawyers. Thus many of the types of disparities outlined above, while of concern to policymakers, do not represent supply shortages or supply-demand mismatches. Consequently, answers to questions about market forces do not address policy concerns about how the diverse legal needs of the California public will be best served in the future.

Second, not all the demand for attorneys is reflected in employment within the practice of law, as reflected in the growing number of inactive Bar members. Organizations that provide other kinds of services are increasingly hiring lawyers. While the diversification of the profession probably began as a function of the oversupply of lawyers, many experts believe it now reflects the greater attractiveness of wages, working conditions and other rewards afforded by alternative lines of work. So “demand,” in the sense defined in this report, is broader at any point in time than the number of practicing lawyers. Consequently, in a healthy economy, professional diversification may mean that an “oversupply” of lawyers would not pose a problem. These kinds of considerations should be taken into account in interpreting supply and demand trends in the legal profession. For such reasons, several expert interviewees underscored the importance of looking beyond supply and demand projections when considering the future of the profession and how it might best be served by the legal education system.

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Section I

Introduction

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In the next section we summarize findings from the literature review. Sections 3 and 4 present descriptive and analytic methods and findings to yield a profile of California lawyers today as well as projected future supply and demand trends, respectively. Sections 5, 6 and 7 then describe procedures and findings from interviews with law

school deans, law firm representatives and other spokespersons for the profession. Section 8 provides conclusions and recommendations from the research. Finally, a set of appendices is included that gives supplementary methodological information related to the collection and examination of both secondary and primary data.

Section II

Literature Review

Introduction

American society has witnessed an incredible expansion of the legal profession over the past three decades. The tremendous increase in the number of people becoming lawyers gave rise to increasing diversity within the profession, as more women and members of minority groups have become members of the Bar. However, while as of 1999 women have nearly achieved equal representation in the profession, there is still much improvement to be made in the representation of lawyers of color.

The contemporary structure of the legal profession has also been heavily influenced by the overall economy and by the business sector in particular, which have promoted the emergence of increasingly large firms and a highly specialized labor force. Future trends point toward a continuing influence of these factors on the structure of the profession, boosted by the role of technology and the Internet in the economy as well increasing globalization.

One result of this unprecedented growth of the legal profession has been an increase in research designed to understand the expanded production of lawyers and the proliferation of legal services and activity. We undertook a highly focused review of this literature, relying primarily on reports by the American Bar Association, relatively recent academic journal articles addressing issues of supply and demand for lawyers, plus articles from popular journals and magazines like *U.S. News and World Report*, in order to determine the most current trends in the profession. While most of the studies we identified were national in scope, a small subset addressed legal education and the legal profession in California.

The resulting literature informed our development of the profile of practicing attorneys in California as well as our projections of future supply and demand. It also suggested important themes to be pursued in interview protocols. We summarize the findings below, first for national-level literature and then for studies particular to California.

Trends in the Supply of Lawyers

There are several key factors that have influenced the growth of the legal profession and its changing demographics, beginning with a combined effect of the baby boom and rising educational levels. The entry of women and members of minority groups into the profession has increased over the past several decades, increasing the diversity of the legal profession. In addition, since the late 1960s the responses of American law schools to changes in the level of demand for legal education have played a major role in shaping the profession.

The Expanding Lawyer Population

Between 1870 and 1970 the growth in the legal profession merely mirrored the growth in the American population, both of which increased at approximately 25 percent per decade over this period. However, beginning in the early 1970s, the legal profession entered a period of tremendous growth. From 1970 to 1980, the size of the profession (as measured by the number of lawyers) increased by 90 percent, and by an additional 48 percent between 1980 and 1988 (Rosen, 1992). This rapid increase was unique to the legal profession, which grew at four times the rate of the general work force and twice as fast as the medical profession (Sander and Williams, 1989).

While there have been periods of decline in demand for lawyers and legal services linked to recessions in the economy, especially in the late 1980s and early 1990s, for the most part the profession has continued to prosper over two and a half decades following the initial expansion. A recent *U.S. News and World Report* article (Kleiner, 1999a) describes a boom in hiring in 1999 related to the continued strength of today's economy. The article estimates that firms will fill 32,000 entry-level positions in 1999, up from 22,000 last year (the class of 1999 equals approximately 40,000). Further, many firms are recruiting more broadly, in terms of considering more schools and going beyond the top 10 percent of each class. First-year compensation is up as well, as increased competition among firms for qualified graduates hikes up starting salaries at the elite firms.

These trends are also apparent in recent findings by the National Association for Law Placement (NALP). Their findings highlight the upward pressure on startup salaries due to competition for legal talent faced by private firms, who are now competing with consulting firms, accounting firms, banks, and public sector employers.

The Role of Law Schools

Law schools facilitated the growth in the legal profession through three main mechanisms: an increase in the number of ABA-approved law schools, growth in the size of existing law schools, and an increase in the graduation and bar passage rates of law students. The capacity of the legal education system expanded to meet the increase in demand by expanding the number of ABA-approved law schools from 135 in 1967 to 175 by the mid-1980s, representing a 30 percent increase (Rosen, 1992).¹ Additionally, the size of existing schools grew by 75 percent over this period. Rosen (1992) concludes that school size increases were responsible for twice as much growth as increases in the number of schools. Law schools also became more efficient at producing graduates because the schools became more selective, and therefore enrolled higher quality law students. Dropout rates declined, and graduation rates increased from 60 percent in the mid-1960s to 90 percent in the 1980s.

¹ Currently there are 181 ABA-approved law schools in the U.S.

The Changing Face of the Legal Profession

One of the most notable trends in legal education and the current and future supply of lawyers is the dramatic increase in the number of women entering the legal profession. The increased participation of women was a major factor in the explosion of the overall number of lawyers that began in the mid-1970s. Between 1975 and 1984, women increased their representation in the legal profession by a factor of four. In 1970 women made up only 4.7 percent of the profession; by 1988 this proportion had risen to 19.4 percent (Sander and Williams, 1989). This increase of women in the legal profession has occurred at a faster pace than in medicine, engineering, or accounting. Today, women have almost completely closed the gender gap in law school graduation rates; the 1998 class of new J.D.s was 45 percent female (National Association For Law Placement, 1999).

With regard to race, there has been substantial improvement in the representation of members of minority groups among law students. Between 1971–1972 and 1991–1992 the total number of minority students in law schools increased from 5,568 to 19,410, a factor of nearly 3.5 (The Task Force on Law Schools and the Profession: Narrowing the Gap, 1992, hereafter The MacCrate Report). Overall, over the last 20 years the proportion of law students who are members of minority groups has increased from 8.4 percent to 19.6 percent as of 1997–1998. More specifically, over this same period of 1976 through 1997 the proportion of law students who are African American has increased from 4.9 percent to 7.2 percent. Hispanics have increased their representation in law schools from 2.1 percent to 5.5 percent, Asian Americans have increased from 1.2 percent to 6 percent, and Native Americans have increased from 0.3 percent to 0.9 percent (American Bar Association, 1998).

Persistence of Minority Underrepresentation

In spite of this narrowing of the ethnic gap in law schools, minority groups are still underrepresented in the legal profession. While whites represent 78.8 percent of the total workforce, they represent 92.6 percent of the legal profession. In contrast, while African Americans make up 10 percent of the total workforce, they constitute only 3.4 percent of the legal profession. For Hispanics, the comparable proportions are 7.8 percent and 2.5 percent of the total workforce and legal profession, respectively; for Asian Americans, the proportions are 2.8 percent and 1.4 percent, respectively, and finally, for Native Americans, 0.6 percent and 0.2 percent respectively (American Bar Association, 1998).

A recent study by the Law School Admission Council (1998) raises additional concerns about the effects of the recent changes in affirmative action policies on the future diversity of the legal profession. The 1995 UC Regents decision in addition to the passage of Proposition 209 in California initially resulted in a dramatic decline in the number of African American and Latino students being admitted or enrolling in the three UC law schools subject to both new policies (UC Berkeley (Boalt Hall), UC Davis, and UCLA). For example, the 1996–1997 incoming class at Boalt included 7.3 percent African American students and 10.7 percent Latino students; the following year, these percentages plummeted to 0.4 percent African American and 5.2 percent Latino. More recent data from the University of California indicate modest improvement in the diversity of the student body at the three UC schools; while the 1999 first-year class is 73 percent

white, it includes 17 percent Asians or Pacific Islanders, 7 percent Mexican Americans or others of Hispanic ethnicity, 2 percent African Americans, and less than one-half of a percent American Indians (University of California, 1999).

Bar Passage Rates among Examinees of Color

In 1998, the Law School Admission Council published a study of bar passage rates in order to address unfounded rumors and anecdotes suggesting that bar passage rates among examinees of color were so low as to make potential law school applicants reconsider entering the field altogether. These data were gathered about the 1991 class of entering law students (23,086 students), including information from students, their law schools, and state boards of bar examiners over a five-year period. The goals of the analysis were to 1) report for the first time national bar examination outcomes by race, ethnicity and gender, and 2) explore factors that may explain differences in outcomes.

The study found that the eventual pass rate for this sample was 94.8 percent. For people of color, the rate was 84.7 percent. More specifically, the eventual pass rate by race/ethnicity was as follows: 82.2 percent for American Indian examinees; 91.9 percent for Asian American examinees; 77.6 percent for African American examinees; 88.4 percent for Mexican American examinees; 79.7 percent for Puerto Rican examinees; 89 percent for Hispanic examinees; 96.7 percent for white examinees; and 91.5 percent for examinees of other race or ethnic groups. The study did not find a gender difference in passage rates. The strongest predictors of passage for all groups were law school GPA and LSAT score. Controlling for the above factors, passage rates varied considerably by geographic region (in which the bar was taken) and by law school cluster.²

The Structure of the Legal Profession

Work Settings

A 1992 study by the American Bar Association (The MacCrate Report) describes the phenomenal growth in the legal profession since World War II. This growth has influenced the manner in which law is practiced, the ways in which law firms are structured and the organization of their work, and has permitted greater specialization in practice. The authors of the MacCrate Report claim that there had not been major changes in the distribution of lawyers across work settings between 1980 and 1991. The proportion of lawyers in private practice increased from 72.1 percent in 1980 to 76.4 percent in 1991; the proportion in business decreased from 10.6 percent to 9.2 percent during the same period; government decreased from 9.8 percent to 8.6 percent, judiciary 3.7 percent to 2.8 percent, and public interest/education from 3.8 percent to 3 percent (MacCrate Report, 1992; Curran and Carson, *The Lawyer Statistical Report: The U.S. Legal Profession in the 1990s*, 1994). However, more current data from the graduating class of 1998 does show some recent changes in the distribution of lawyers across

² It was necessary to cluster law schools by characteristics such as public/private, more or less prestigious, and the like, in order to maintain confidentiality. The report did not contain information regarding what these regions or clusters were, specifically.

work settings, with greater proportions of lawyers going into business and the judiciary and fewer going into private practice. Of the class of 1998, only 55 percent went into private practice initially, while almost 14 percent went into business, 13 percent entered the government or military sector, 11 percent went into judiciary, and 4 percent entered academia or public interest law (NALP, 1999).

Work Settings by Race and Ethnicity

Nationwide, there are few data available to describe the distribution of lawyers across work settings by race and ethnicity. The National Association of Law Placement Survey of the class of 1996 (representing 33,615 new lawyers) indicates that minority graduates are more likely than whites to enter the not-for-profit sector (particularly government and public interest) and less likely to enter private practice. NALP data comparing white and minority law students graduating in 1987 and 1996 show some changes in initial employment area by minority status over the past decade. The proportion of minority graduates going into business more than doubled over this period, increasing from 6 percent in 1987 to 15 percent in 1996. (American Bar Association, 1998). In addition, fewer minority graduates are going into government (down from 22 percent to 17 percent); currently the proportion going into private practice decreased from 55 percent to 50 percent, likely a result of the overall shift towards the business sector described above. These data also indicate differences by race/ethnicity for initial employment in terms of firm size. Among graduates who enter private practice, minorities are more likely than whites to go to very large firms initially (firms with more than 100 lawyers). Large increases in the proportion of Asian American graduates initially being employed in large firms are a major influence on this finding.

The Role of the Economy in Law Firm Structure

One of the major changes in the structure of law firms is size; there has been steady movement towards larger and larger firms. Between 1968 and 1987, the average size of the 20 largest firms grew fourfold from 127 to 527. The number of firms with more than 100 lawyers grew from 45 in 1975 to 247 in 1987 (MacCrate Report, p. 78). One of the most important contributors to law firm size is the economy, especially the business sector.

While analyses of the market for lawyers have not found a clear, direct relationship between the demand for legal services and total population, there is evidence of a positive relation between demand for legal services and per capita income. For example, demand for legal services is stronger in business-oriented urban areas and areas of financial concentration (Abel, 1989). The authors of the MacCrate Report point out evidence that illustrates how closely linked corporate law practice is to the general level of economic activity. One source of evidence is the 1990–1992 downturn in the economy, which forced many large firms to downsize. In addition, “various studies of law practice show a clear relationship between the size of a firm and the source of income: as firm size increases the percentage of fees from business clients rises and the percentage of fees from individuals drops” (The MacCrate Report, p. 31). Legal services for the business community are closely linked to economic activity; they are largely discretionary services for which demand rises in periods of business prosperity and quickly falls when businesses contract or postpone transactions requiring specialized legal services.

Thus, the current economic boom may be creating growth in the legal profession. The American Lawyer's annual report of the nation's 100 largest firms likewise shows tremendous recent growth in the legal profession; for the third year in a row, the largest 100 American firms reported double-digit growth in gross revenue, with the average over the period close to 15 percent (Morris, 1999). Further, these big firms are getting bigger in terms of the proportion of the overall legal market that they capture; in 1998, these top 100 firms accounted for 18 percent of the \$130 billion for-profit legal services, up from 14 percent in 1995.

Specialization

A defining feature of the legal profession is the scope of specialization within the field; the distribution of lawyers across specialties is a key factor in the analysis of supply and demand trends. For example, with the growth of Silicon Valley over the past decade or so, there has been a huge increase in demand for lawyers who specialize in intellectual property, including patent and copyright law, as well as virtually every area related to technology and the Internet. This trend has influenced both legal education and the legal profession in many ways. For example, many law schools have responded by hiring additional faculty specializing in intellectual property and increasing the number of courses they offer in this area (see law school survey results). Geographically, more and more lawyers with expertise in these areas have been attracted to the Silicon Valley area, and it is likely that greater proportions of law students are pursuing intellectual property in response to both the market demand and the increased preparation in the field offered by law schools. In sum, the phenomenon of specialization plays a major role in defining the landscape of the legal profession.

The current trend towards increasing specialization within the legal profession began in the early 1970s, when the state of California became the first to formally recognize specializations. Fourteen other states have since followed California's lead. In August 1990, the ABA Standing Committee on Specialization developed Model Standards for Specialization in 24 specialties, although currently there are more than 116 identified in the Martindale Hubbell database. Specialization has been fostered by the increasing size of large firms and competition among such firms. Specialization is more common in larger firms that have a larger number of attorneys. Because large firms can support a wider variety of specialists, they often have a competitive advantage over smaller firms in attracting business. This in turn promotes more specialization. Overall, specialization seems to have become a dominant feature of the profession; a 1991 Survey of the State Bar of California found that 75 percent of the lawyers spent at least half of their time in one area of concentration, while more than half limited their practice to three or fewer areas of law.

The National Law Journal annually publishes a "Who's Hot in the Job Market," which is useful for assessing the current and potential future trends within the specialties of the legal profession nationwide. The 1999 report, published in August, claims that intellectual property is so hot that even lawyers with mediocre credentials are being courted for choice jobs (Smith, 1999b). Demand for intellectual property expertise is expected to continue unabated. Corporate attorneys are also highly sought, as the thriving economy and rush to consolidation throughout American industry has created a boom in demand for experience in mergers and acquisitions, securities and

any form of transactional work. Employment, litigation defense, and employment and litigation advising are also strongly in demand, while demand for environmental and traditional labor and insurance defense lawyers seems to be down. Other areas that are considered to be either slow or in decline include bankruptcy and banking. Trends in litigation demand appear to depend on the region of the country, while real estate is strong in most parts of the country. Tax law seems to be steady, and trusts and estates are surging in many areas. Finally, in-house legal departments are increasingly popular and are said to be luring associates away from private law firms.

The Role of Earnings

Any attempt to understand the phenomenon of the increasing supply of lawyers over the past several decades would be incomplete without the consideration of the role that earnings expectations play in the decision to become a lawyer. A few recent studies have addressed this issue, finding that when law firms advertise high starting salaries as part of their recruiting efforts, potential law students respond by entering the profession. However, since these prestigious jobs are difficult to obtain, only a small fraction of new lawyers find such lucrative first jobs within the legal profession. When reality does not meet expectations, some lawyers respond by leaving the profession.

In an economic analysis of the market for law school students, Ehrenberg (1989) found that the number of law school applicants is related to their perceptions of earnings levels in the profession. Data on the starting salaries of graduates were taken from 99 of the 174 ABA approved law schools for the graduating class of 1985, as reported in Barron's Guide to Law Schools, and the "Gourman score"³ was used as the ranking measure. Based on salary trends from 1975–1976 through 1985–1986, Ehrenberg found that the attractiveness of a legal career increased relative to entering the labor market immediately following college graduation, as well as compared to pursuing an MBA degree in the late 1980s. He also found that students from higher-ranked public and private law schools are less likely to go into public service. This tendency for graduates of more prestigious law schools to enter the private sector as opposed to the public sector results in part from the fact their law schools charge higher tuition; the data suggest that higher tuition levels may reduce the likelihood of students entering the public sector.

Sander and Williams (1989) attempted to explain what they refer to as the "lawyer boom," meaning the substantial increase in the number of lawyers since the 1970s. The dramatic increase was created by both a surge in the number of individuals becoming lawyers as well as an increase in demand for legal services. In addition to the general trend of an increase in supply was the emergence of a surplus of sole practitioners, characterized both by the rising numbers of sole practitioners and their falling incomes, as seen in U.S. Census data and data on earnings acquired from the IRS, covering roughly the period from 1960 to 1985. The authors hypothesized that this surplus results from the fact that many lawyers are attracted to the

³ The Gourman score comes from the Gourman report, which is claimed by the author to be an objective evaluation based on a wide number of criteria. No details are provided by Gourman on precisely how these scores are calculated. It is interesting to note, however, that the correlation between the rankings of the top 20 law schools provided by deans of law schools in a recent *U.S. News and World Report* article and the rankings of the same schools' scores in the Gourman report is about 0.85 (Ehrenberg, note 15).

profession by the advertisement of high starting salaries of associates in large firms; however, this vision does not represent the reality that most young lawyers encounter in the profession. Given that the competition, especially for partner, is intense in the elite firms, many lawyers leave because of failure to make partner or poor quality of life. Many of these lawyers either go into solo practice or leave the profession altogether. The data presented by Sander and Williams do in fact suggest that these trends exist, and further their argument that there might well have been an oversupply of lawyers, at least as of 1989.

While trends in earnings help explain some of the recent explosion of the legal population, Sander and Williams admit that much of the trend is still a mystery. Some additional contributing factors are a proliferation of legislation that has spurred the need for more complex legal services, increases in litigation since 1960, and increases in the divorce rate and criminal activity. Sander and Williams's data further describe a somewhat segmented demand for legal services, with solo practitioners facing sharply declining incomes while those employed by large firms were experiencing great prosperity. In addition, there seems to be a third sector of smaller, highly specialized firms that are holding their own against the competition from larger firms. It is the large firms, however, that seem to be responsible for many of the profound changes within the profession over the past several decades. Overall, trends in the profession are very difficult to predict given the multitude of factors involved. The importance of the economy to the health of the profession further complicates the issue.

One of the factors described by Sander and Williams as partly responsible for the oversupply of lawyers in the late 1980s, the prominence of high starting salaries, seems to be a characteristic of the job market for the most recent graduating class of lawyers. The National Law Journal (Smith, 1999a) has reported a current surge in the market for lawyers, based on its annual survey of lawyers' earnings. They report that the nation's law firms are particularly healthy this year (1999), continuing an upturn that started in 1995. Salaries for incoming associates are setting records, especially in the top corporate law departments. Starting salaries for new associates in elite firms are at record highs, with many firms breaking the \$100,000 barrier. The new boom is not doing much for those in the public sector, however, with the salaries of public interest and legal aid attorneys trailing far behind those in the private sector. Overall, firm profits are still not back up to 1980s levels, but are recovering from the recession of the early 1990s.

Future Trends

A recent article published in the American Bar Association's Law Practice Management Section magazine describes 25 trends that are expected to define the future of the American legal profession, providing some interesting issues to consider (Summer 1999). The authors predict substantial changes in the nature of legal work and in the structure of the legal profession, in addition to increasing numbers of practicing lawyers. They foresee the lawyer of the future functioning as a businessperson and manager who is much more mobile and flexible across different types of work settings beyond private law firms.

Another trend that is likely to redefine the legal profession is the emergence of multidisciplinary practices, or MDPs. An MDP is an organization owned wholly or partly by non-lawyers that

provides legal services directly to the public through lawyers who either own or are employed by the MDP (Bower, 1999). In practice, MDPs include otherwise independent law firms owned only by lawyers that practice in close cooperation with professional service firms; the firms are owned exclusively or partly by non-lawyers, usually under contract. The MDP issue generally is considered within the context of the Big 5 accounting firms (e.g., Ernst & Young, Deloitte & Touche, Arthur Andersen), which currently refer to themselves as business-consulting firms, not accounting firms. At present there is great debate among lawyers as to whether MDPs violate professional rules or provide better service to clients. The American Bar Association has deferred the vote on this question until sometime in the year 2000.

Alternative dispute resolution, or ADR, seems to be spreading to every type of practice. Given the high cost of litigation, the increasing use of “less adversarial” and less costly procedures is increasingly popular. Currently almost all states have experimented with some form of ADR, with the number of disputes handled through the American Arbitration Association nearly doubling over the past decade (Kleiner, 1999b). Lawyers specializing in ADR are in great demand by a broad range of businesses that look to save time and money by avoiding litigation. Demand from both students and the marketplace has influenced many law schools to add or improve ADR curricula; while in 1984 only 47 law schools had ADR courses, by 1997 the American Bar Association’s directory of law school alternative dispute resolution courses and programs listed more than 714 courses and clinics at 177 law schools.

Finally, few would deny that an international focus has taken over at many U.S. law schools and law firms. As a result, international courses and semester-abroad type programs have proliferated at American law schools. For example, Harvard now offers 40 courses addressing a range of issues related to the global legal realm, and Columbia has increased its number of such courses from 34 to 46 within only 5 years. New York University has embarked on a \$75 million enterprise to completely revolutionize its law school along this global theme (Streisand, 1999). The same trends that have increased the international focus of American law schools are mirrored in the growing demand for young lawyers with international training, even in small firms and not only in large cities.

The State of California

Few data or literature sources include information that is specific to the state of California; however a recent report by RAND provides a profile of the state Bar in 1994, based on a survey of its members (Hensler and Reddy, 1994). As of 1994, the state Bar was still largely white and male, but growing more diverse. Slightly more than one-quarter (27 percent) were female, 11 percent minority, and 5 percent gay, lesbian or bisexual. In terms of office sizes and settings, 25 percent were in solo practice, 23 percent in small firms (2–5 lawyers), 28 percent in medium-sized work settings (6–50 lawyers), and 24 percent in large firms (51–500+). Eighty-three percent were in private practice, 15 percent in public service or other nonprofit, and 2 percent in some other kind of law-related setting. As of 1994, half of the state Bar members had been admitted in 1980 or later, reflecting many of the recent surges in numbers of new lawyers. In terms of geographic distribution, slightly more than one-third (35 percent) of California attorneys were practicing in the Los Angeles area, 27 percent in the San Francisco Bay Area, 17 percent in

the Orange County/San Diego region, 12 percent in the area of Fresno and San Luis Obispo, and 9 percent in the Sacramento area (p. 5). In terms of practice patterns, an increasing percentage of younger lawyers were in public interest (16 percent of those admitted to the bar since 1980 versus 4 percent of the oldest group, admitted before 1960). Additionally, only 16 percent of the youngest group were in solo practice, compared to 40 percent of the oldest group (p. 7). These changes likely reflect traditional career paths as well as shifts in the practice patterns of the profession.

The Hensler and Reddy profile of the state Bar described above is quite consistent with our own (Section 3), constructed using the Current Population Survey and the Martindale Hubbell database. A few differences result from the fact that our profile represents 1999 as opposed to 1994, plus the fact that various databases often use different categorizations. For example, it is difficult to compare the profiles in terms of office setting, given that the CPS uses the categorizations of self-employed, government, private legal services and private non-legal services. Further, the Hensler and Reddy profile relies on self-report data obtained from half the surveyed Bar members (50 percent did not respond); so the findings inevitably reflect some response bias. However, the two profiles are similar in their reports of the proportion of minority lawyers in California, the distribution of lawyers across broad regions of the state, and the distribution of lawyers in offices of varying size.

While progress has been made in achieving a greater gender balance, less progress has been made in promoting racial and ethnic diversity in the legal profession in California. Additional information about the racial and ethnic diversity of the California legal profession is provided from the 1998 ABA report *Miles to Go*. Data for selected California cities show that in 1997 in Los Angeles, 6 percent of partners and 19 percent of associates were members of minority groups; in San Diego, 3 percent of partners and 10 percent of associates were minorities; the corresponding figures for San Francisco are 4 percent and 18 percent for partners and associates, respectively. Again, data are sparse but suggest that minority lawyers are better represented in corporate legal departments than in private law firms (San Francisco appears to have substantial proportions of minority lawyers serving as in-house counsel, as of 1995). The largest proportions of minority lawyers, and of African American lawyers in particular, are found in federal government offices (law clerks, general attorneys, administrative law judges, and patent attorneys).

With regard to the future of the profession, in 1994 most California lawyers agreed that legal practice will become more specialized, that clients will increasingly demand alternatives to hourly billing for legal services, and that technology will improve productivity and improve the quality of the legal product (Hensler and Reddy, 1994). They also expected that the earnings gaps between different work settings will continue to widen. Lawyers disagreed on some of the most controversial new issues facing the profession. For example, in response to the question of whether lawyers will increasingly form prepaid legal service plans, similar to medical HMOs, 38 percent agreed, 43 percent were neutral, and 21 percent disagreed.⁴ Lawyers were similarly divergent on the issue of whether lawyers will increasingly form practices with members of other professions, such as accounting or consulting firms, in the form of multidisciplinary practices (MDPs): 29 percent agreed, 41 percent were neutral, and 30 percent disagreed. Finally,

⁴ Scales ranged from 1, “agree completely,” to 5, “disagree completely,” with 3 indicating “in between” or neutral.

approximately half of lawyers agreed that non-attorneys will provide many legal services in the future, especially those of a routine nature (56 percent); 29 percent were neutral and 15 percent disagreed.

Conclusion

On the whole, what emerged from this review of the literature was a fairly consistent picture across diverse sources, of the legal profession of the past two decades and expectations for the near-term future. However, it also identified some caveats that need to accompany the interpretation of data that bear on recent trends. For example, several authors cautioned against attempting to predict supply of and demand for lawyers. As Ehrenberg (1989) notes, “studies by economists of the labor market for lawyers suggest that it is dangerous to project trends” (p. 627). And even efforts to explain past trends in supply and demand have encountered major difficulties. While Sander and Williams (1989) uncovered many factors that played roles in the expansion of the profession since the 1970s, they admit that “most of the increase is still a mystery” (p. 478).

In what follows, we update this literature with a contemporary profile of California lawyers. Then we provide projections that extend the envisioned trends in supply of and demand for lawyers in California well into the coming century. Finally, we complement this vision with the perspectives of leaders in California's law schools and law firms.

Section III

Profile of Current California Attorneys

The first major objective set out for this research, as explained in the Introduction, was to develop a “profile of current active California Bar members” (see Request for Proposal for a Study of the Need for a New Law School in California, University of California, August 1999). To establish a starting point for subsequent projections, the profile below offers a macro perspective on current demographic and associated attorney workforce characteristics in the state of California and—in certain cases—for specific regions within the state. As part of this discussion, we also give detailed attention to types of work settings that employ lawyers as well as the distribution of lawyers over varying office sizes and practice specialties. Additionally, the profile describes geographic relationships between where lawyers receive their degrees and where they practice.

For these purposes, the profile relies exclusively on descriptive analyses of secondary data obtained from several different information sources.¹ Because different sources of data differ in extent of coverage and level of aggregation as well as in how particular variables are defined, it is not always possible to combine them to provide a comprehensive picture along all the dimensions of interest to this study. The profile therefore provides as complete and current a description of the state of the legal workforce in California as is feasible given the limitations of extant datasets. The findings are intended both to complement projections of future trends in supply of and demand for lawyers (see Section 4) and to supplement what is learned in interviews with representatives of law schools and firms (see Sections 5 and 6).

State Description

The legal industry is part of the service sector and, as such, is directly influenced by economic and demographic changes. Therefore, to understand the legal market for the state of California, it is first important to understand the overall trends in population, demographics, and industry for the state.

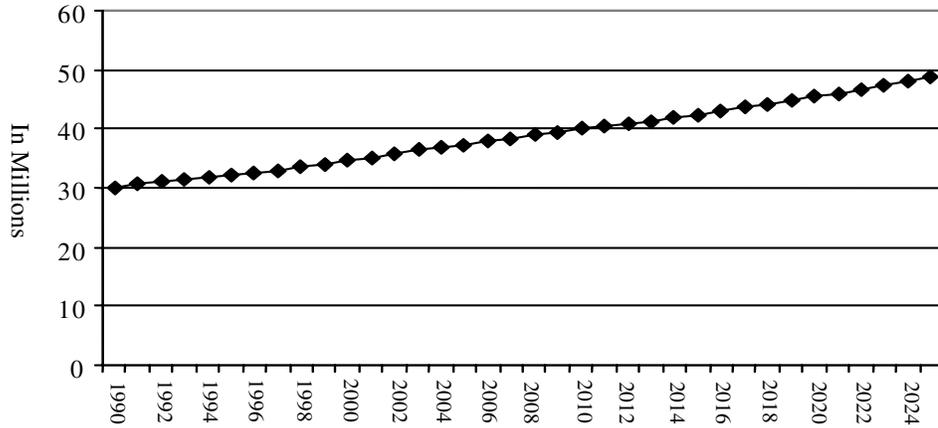
Population

Currently, California is the most populated and one of the most ethnically diverse states in the United States. Figure 3.1 displays the current and projected population trends for the state, while Figure 3.2 displays the ethnic breakdown of the state.² Figure 3.1 indicates that the state has undergone and will continue to sustain strong, steady population growth.

¹ A detailed description of each of the data sets is provided in Appendix A, including a summary of the differences between the data sets and why a particular data set is used the analysis versus another data set.

² “White” is defined as “Non-Hispanic” White, “Asian & Pacific” is defined as “Non-Hispanic” Asian and Pacific Islanders, “Black” is defined as “Non-Hispanic” Black, and “American Indian” is defined as “Non-Hispanic” American Indian.

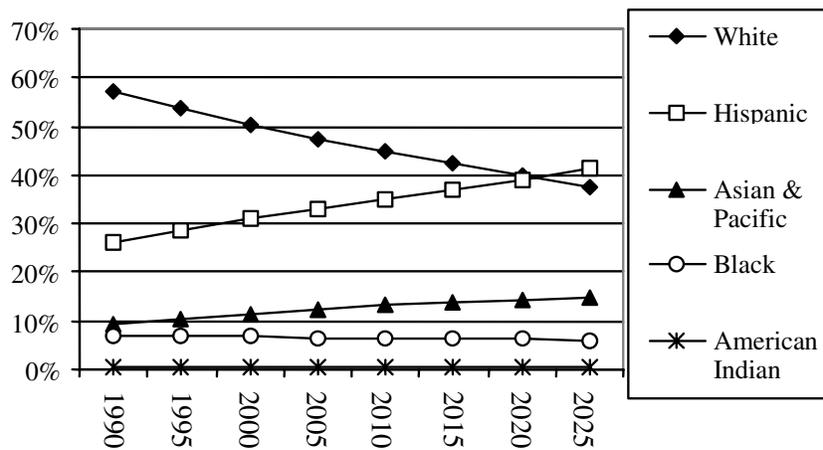
Figure 3.1
Current and Projected Population Trends
in California 1990 Through 2025



Source: U.S. Census Bureau, 1999.
 The years 1990–1999 are census estimates while the years 2000–2025 are census projections.

However, Figure 3.2 suggests that the composition of the population will change over the next few decades. The white population is estimated to constitute less than 50 percent of the population in the year 2000, and the Hispanic population is projected to surpass the white population by year 2021. Asians are also increasing and now represent over 10 percent of the population. In contrast, the Black and American Indian populations have maintained a constant proportions and are projected to sustain these proportions in the future.

Figure 3.2
Current and Projected Ethnic Mix of the State
in California 1990 Through 2025



Source: U.S. Census Bureau, 1999.
 The years 1990–1999 are census estimates while the years 2000–2025 are census projections.

Industry

Another dimension of California's diversity is reflected in its economy. From its strong growth in software development in Silicon Valley to its bustling international harbors, California is experiencing healthy growth in a number of different industries. Table 3.1 displays the current and projected employment breakdowns for the state by the California Employment Development Department's (EDD) major industry categories.

As indicated in Table 3.1, Services and Trade together currently make up the biggest share of employment in the state. Both of these industries are projected to sustain tremendous growth through 2006. The Government and Transportation and Public Utility industries are also projected to maintain strong growth through the year 2006, while Manufacturing, Mining and Construction are projected to have slower but solid growth. In contrast, California's Finance, Insurance, and Real Estate industries are projected to experience relatively slow growth. In total, the state's employment figures are projected to grow by almost 17 percent between 1998 and 2006.³

Table 3.1
Current and Projected Industry Breakdowns for California

Industry ⁴	Employment		Percentage Change
	1998	2006	
Services	4,219,500	5,391,200	+27.8
Trade	3,121,900	3,595,200	+15.2
Government	2,163,600	2,492,400	+15.2
Manufacturing	1,960,300	2,122,100	+8.3
Finance, Insurance, & Real Estate	798,000	802,000	+0.5
Transportation & Public Utilities	694,000	807,700	+16.4
Construction	601,500	635,400	+5.6
Mining	25,400	26,900	+5.9
Total Non-Agriculture Employment	13,584,200	15,872,900	+16.8

Source: 1999 California Employment Development Department.

³ It should be noted that EDD industry data do not represent self-employed individuals in any of the sectors tabled.

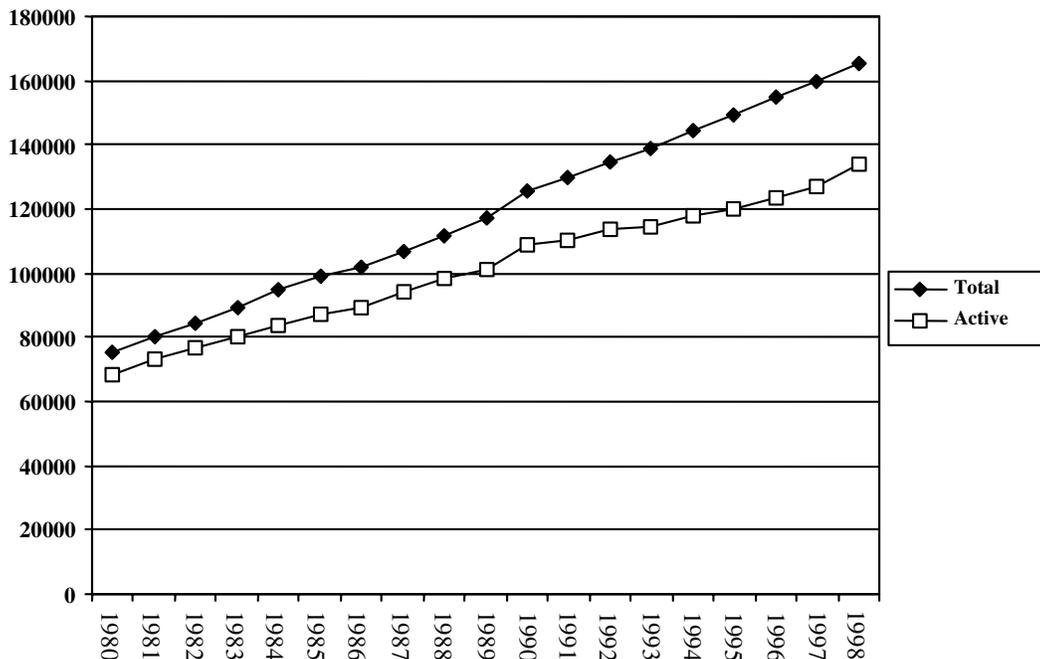
⁴ While most of the industry categories are self-explanatory, some need further explanation. Trade includes wholesale and retail trade, and Services includes such things as personal services, business services, auto repair, motion pictures, amusement parks, health services, legal services, etc.

Lawyer Trends in California

Bar Membership

In a vibrant economy and society, it is necessary for organizations to make contracts that are legally binding, for consumers to be protected from fraud, and for citizens to have their individual liberties protected. Lawyers provide these and other services, and thus play a vital role in society. These services are provided through a number of modes. Some lawyers work in large legal firms and some in small firms. Others work as in-house counsel for large corporations, while still others work in government or nonprofit agencies. Currently, there are just over 165,000 California Bar-certified lawyers, and this number is growing each year. This growth is reflected in Figure 3.3 by the increase in the total number of lawyers. More specifically, the figure displays the trends of total and active California Bar-certified lawyers in the state of California over time. As the figure highlights, California has experienced consistent growth over the past two decades in the total number of lawyers certified by the state Bar. However, the proportion of active lawyers has not maintained the same level of growth. In other words, the percentage of inactive lawyers has grown over time.⁵

Figure 3.3
Trends in the Number of Bar Members in the State of California



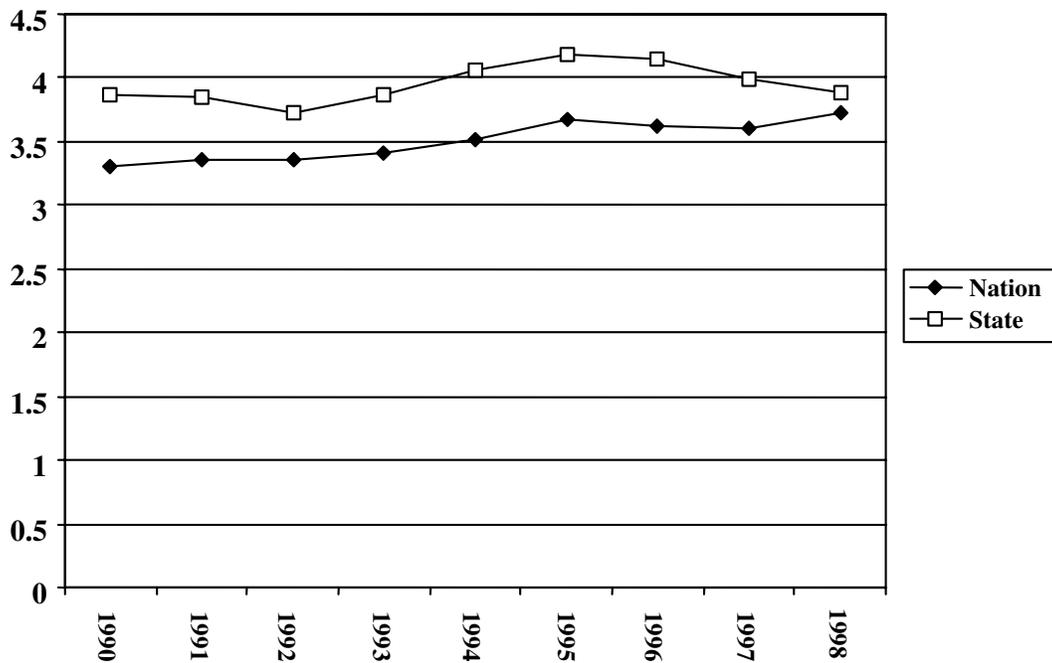
Source: State Bar of California, 1980 – 1998.

⁵ Inactive lawyers are defined as lawyers who have Bar certification but have not maintained full Bar membership and other practice prerequisites. An active lawyer is a lawyer who has maintained full Bar membership and is entitled to practice law in the state. Converting from inactive to active status only requires a change in fee.

Number of Attorneys Relative to Population

While Figure 3.3 displays the trends in total and active lawyers over time, Figure 3.4 highlights the number of California lawyers relative to the state's population and the number of lawyers nationwide relative to the nation's population. As can be seen from the figure, California's lawyer-to-population ratio has been higher than that of the nation, as a whole. The figure indicates, however, that in the last two years the number of lawyers per 1000 people in the state has decreased, while the number of lawyers per 1000 people in the nation has increased. At present, the two ratios are quite similar.

Figure 3.4
Ratio of Lawyers per Thousand People
for California and the Nation



Source: 1990–1998 Current Population Survey and 1990-1998 U.S. Census Bureau.

Ethnic Distribution of Lawyers for California

Table 3.2 displays the number of lawyers per 1000 people for specific ethnic groups. The table suggests that whites are overrepresented in the legal profession and other ethnic groups are underrepresented. Specifically, the table shows that whites have the highest number of lawyers per 1000 people (6.21) and Blacks have the fewest per 1000 people (1.12). In essence, the table suggests that there is a large disparity among ethnic groups in terms of representation in the legal profession. Later, we will examine these ratios for each region.

Table 3.2
California Lawyers per 1000 People for Different Ethnic Groups

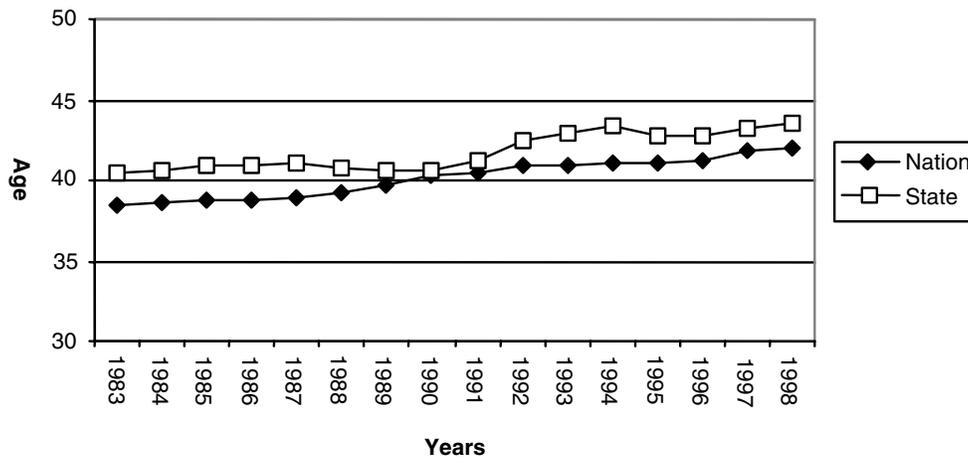
Ethnicity	Lawyers Per 1000 People In Each Ethnic Group
WHITE	6.21
HISPANIC	1.17
ASIAN & PACIFIC ISLANDER	2.58
BLACK	1.12
TOTAL	3.92

Source: 1997 Current Population Survey.

Age Distribution of Lawyers for California

In addition to the ethnic distribution, we also report the average age of lawyers over time for both the nation and the state in Figure 3.5. As the figure suggests, the average age of lawyers is slowly increasing over time and may be a reflection of the aging of the baby boomers.

Figure 3.5
Average of Age of Lawyers for California and the Nation



Source: 1983–1998 Current Population Survey.

The aging of the profession has implications for the future supply of lawyers, although our projections indicate that lawyers tend to retire from employment later than other professionals (see Section 4). On the other hand, responses to interview questions (see Sections 5 and 6) suggest that the aging of the baby boom cohort may also affect demand by increasing the need for certain types of legal specialties (e.g., estate planning, legal services to the elderly, and some aspects of health law).

Detailed Lawyer Description By Region

While the preceding section described some general demographic and other relevant characteristics of California lawyers, this section provides a detailed description by region of the legal profession. This includes the work setting, office size, and breakdowns of specialties, as well as ethnic distribution of lawyers by regions.

For purposes of disaggregating the state profile, the regional breakdowns we use are based upon Current Population Survey (CPS) standard metropolitan statistical area (SMSA) groupings. There are eight regions included in our breakdown. These regions and the counties included in each region are displayed in Table 3.3. Some rural counties are not included in the CPS “Metropolitan Areas” (MAs)⁶ groupings; they are lumped together as a region called “Residual.” Most of these residual counties are located in the extreme northern regions of the state. The regional breakdowns are intended to represent regional labor markets for lawyers; therefore, we have included the current and projected population sizes and projected growth figures for each region. It is noteworthy that Orange County, Inland Empire, San Diego, San Joaquin Valley, and Sacramento Valley are all anticipated to grow by over 20 percent between 1998 and 2010.

⁶ “Metropolitan Areas” (MAs) is a term the census bureau uses to define a collective area.

**Table 3.3
Regional Breakdowns**

REGION	COUNTIES INCLUDED	CURRENT AND PROJECTED POPULATION		
		1998	2010	Projected Growth 1998–2010 (percent)
Los Angeles	Los Angeles	9,648,800	10,957,000	+14
Orange County	Orange	2,763,900	3,333,400	+21
Inland Empire	San Bernardino, Riverside	3,104,300	4,220,000	+36
San Diego	San Diego	2,828,300	3,497,900	+24
Santa Barbara	San Luis Obispo, Santa Barbara, Ventura	1,381,300	1,629,800	+18
San Joaquin Valley	Fresno, Kern, Madera, Merced, San Joaquin, Stanislaus, Tulare	3,088,300	3,941,400	+28
Sacramento Valley	Butte, El Dorado, Placer, Sacramento, Shasta, Sutter, Yolo, Yuba	2,196,900	2,713,000	+23
Bay Area	Alameda, Contra Costa, Marin, Monterey, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma	7,386,000	8,579,600	+16
Residual	Alpine, Amador, Calaveras, Colusa, Del Norte, Glenn, Humboldt, Imperial, Inyo, Kings, Lake, Lassen, Mariposa, Mendocino, Modoc, Mono, Nevada, Plumas, San Benito, Sierra, Siskiyou, Tehama, Trinity, Tuolumne	1,084,600	1,123,200	+4

Source: 1999 California Department of Finance, Demographic Research Unit.

Distribution of Lawyers by Region

According to the 1998 Current Population Survey, there were 133,972 active lawyers in the state of California. Table 3.4 illustrates how those lawyers were distributed across the regions. As the table suggests, Los Angeles and the Bay Area employ the largest number of lawyers, while the Inland Empire and the Residual areas employ the smallest numbers.

Table 3.4
Number of Lawyers Per Region of California

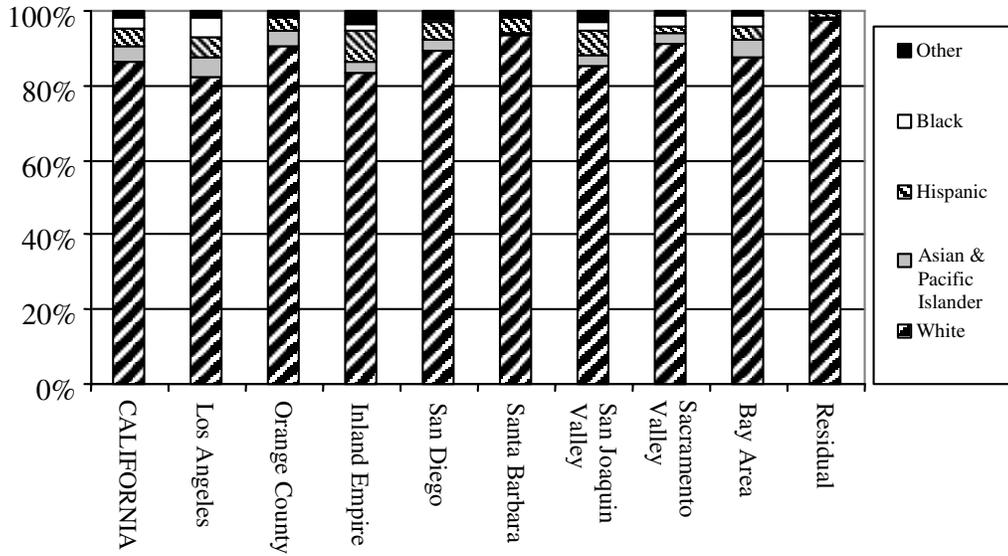
	California	Los Angeles	Orange County	Inland Empire	San Diego	Santa Barbara	San Joaquin Valley	Sacramento Valley	Bay Area	Residual
Total	133,972	43,003	11,474	3,659	11,181	3,520	4,343	8,294	38,023	1,543

Source: 1999 State Bar of California; the California total includes California Bar members who do not live within the state and who are not represented in regional totals (see also table 4.2).

Figure 3.6 presents the racial mix of lawyers by region in 1990. White lawyers represented over 80 percent of the lawyers employed in each region at that time. In order to get a proper perspective, we must compare this distribution to each region's 1990 general population racial mix, which is displayed in Figure 3.7. A comparison of the two figures indicates that white lawyers were disproportionately represented in each region. It should be noted that our analysis, as explained previously, suggests that the proportion of white Californians in the population has decreased in recent years while the Hispanic and Asian proportions have increased in recent years. Based on the literature review, we have evidence that these proportional trends in population have not been well matched in the legal profession. Therefore, we believe that the mismatch in racial composition of lawyers relative to California's general population has either remained stable or increased. When it becomes available, census data for the year 2000 should be analyzed to resolve this question.⁷

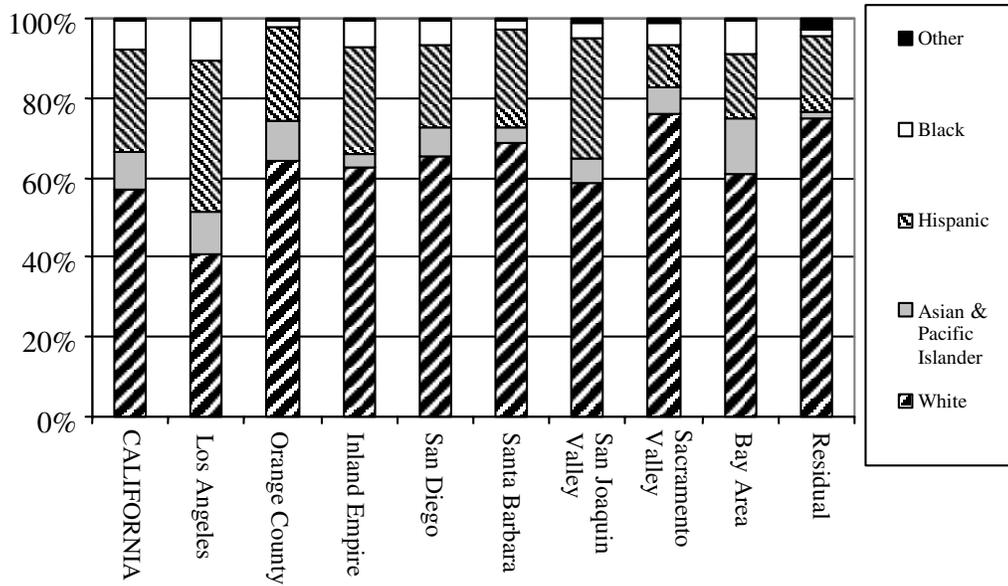
⁷ More recent CPS data constitute an alternative to using 1990 census data. However, the more recent CPS data are limited by very small sample sizes for each region that create large variances in estimates from year to year at the regional level. Therefore, we choose to use the 1990 census data instead.

Figure 3.6
Ethnic Composition of Lawyers by Region, 1990



Source: 1990 Census.

Figure 3.7
Ethnic Composition of Population by Region, 1990

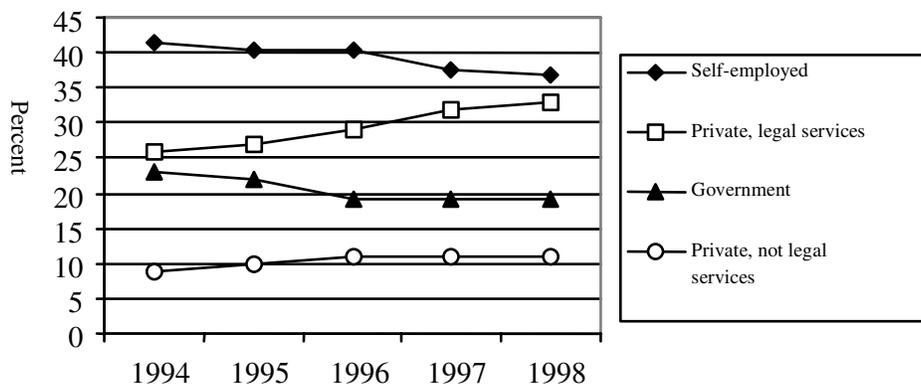


Source: 1990 Census.

Legal Settings and Law Office Size within California

In this section, we describe current trends in the distribution of lawyers among various work settings within California. We also describe the current distribution of lawyers among different office sizes for the state. There are a number of ways in which the legal setting could be classified for lawyers. Adopting categories used for gathering CPS data, we classify settings in four ways: Self-employed, Government, “Private, not legal services,” and “Private, legal services.”⁸ The trends of lawyer placement among these work settings are displayed in Figure 3.8. The data suggest that there is a decline in the percent of lawyers who are self-employed and a decline in the percent of lawyers working in government organizations over the past few years. In contrast, there appears to be a significant increase in the percent of lawyers employed in private legal service organizations, while the percent of lawyers who work in private organizations that do not provide legal services is relatively constant over the four years for which these data are provided.

Figure 3.8
Work Settings for Attorneys in California



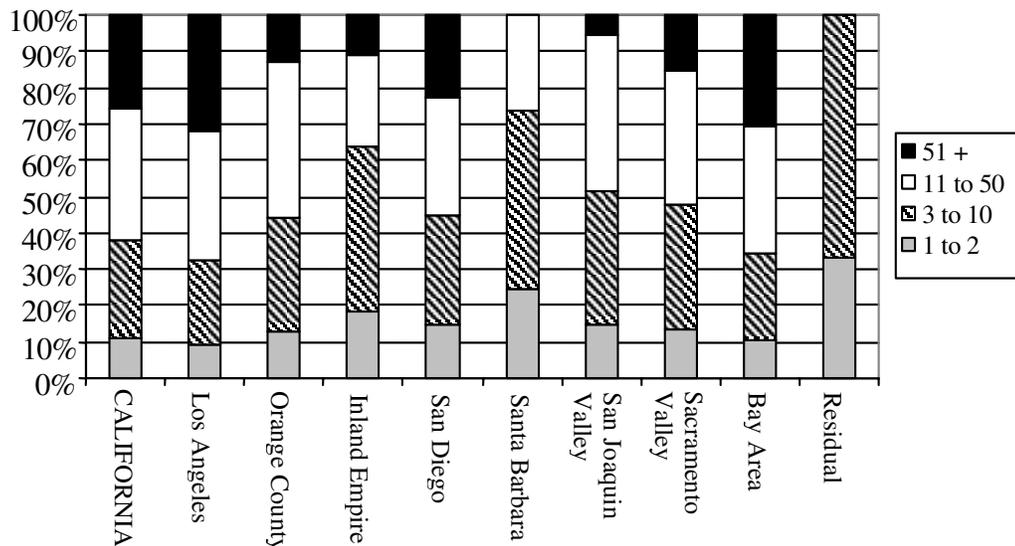
Source: 1994–1998 Current Population Survey.

Despite the decline in the percent of self-employed lawyers, this work setting still remains the most common type of employment for lawyers. This could change in the near future if the trend of lawyers migrating towards private legal service organizations continues. A large proportion of these self-employed lawyers are in solo practice law firms, and together with the lawyers practicing in private legal service settings, these lawyers encompass all of the lawyers practicing in law firms. Thus law firms presently account for nearly 70 percent of all lawyers. Therefore, it is important to analyze the distribution of law firms across the regions to get a greater sense of the labor market for

⁸ These categories of work settings parallel those used in the MacCrate Report (See Section II), with a few exceptions; specifically, the MacCrate Report does not treat “self-employed” as a separate type of work setting for lawyers, while the CPS does not break “government” settings into subcategories.

lawyers. In Figure 3.9, we display the distribution of lawyers among law offices of various sizes for the state of California and its regions.⁹

Figure 3.9
Percent of Lawyers within Law Firms by Office Size
for California and Each Region



Source: 1999 Martindale Hubbell.

Note: See Table 3.3 for a list of counties located in each region.

The figure displays the present percent of lawyers in the four size classifications of law offices: very small (1 to 2), small (3 to 10), medium (11 to 50), and large offices (51+).¹⁰ Currently, just over 10 percent work in an office of only 1 or 2 lawyers. Lawyers that work in these very small offices represent a greater proportion in the less populated regions of the Inland Empire, Santa Barbara, and the Residual Region than in the larger urban areas. Lawyers that work in offices of 3 to 10 people are also more prevalent in these less populated regions and represent nearly 30 percent of all lawyers for the state. Lawyers that work in medium-size law firms are also well represented in all areas except the Residual Region. Finally, lawyers that work in large offices are much more prevalent in large urban areas, while very few lawyers work in such large offices in the less

⁹ In Appendix A, a full distribution of lawyers in the various law office sizes in the state of California and among the regions is provided (Table A.2).

¹⁰ Office size classifications are based on The Task Force on Law Schools and the Profession: Narrowing the Gap (*Legal Education and Professional Development: An Educational Continuum*: 1992). They are similar but not identical to the self-report categories used in the 1994 Hensler and Reddy survey (See Section II). While the large firm size categories are identical, minor discrepancies exist among the other three categories (e.g., Hensler and Reddy treat solo practitioners as a separate size category while the Task Force Report uses 1–2 employees to define its smallest size category). Although such discrepancies are common among secondary sources and make difficulties for data aggregation, they do not affect the main conclusions drawn about the profile of California lawyers here.

populated regions. Lawyers that work in large offices make up more than 10 percent of the lawyers in all the regions except the San Joaquin Valley, Santa Barbara, and the Residual Region.

In summary, a majority of lawyers are either self-employed or work in a private legal practice organization. Lawyers are much more likely to be in small or very small offices if they are located in a less populated area, and they are more likely to be in a medium or large office in a large urban area.

Lawyers by Specialty

In the post World War II era, an increasing number of large law firms emerged that allowed greater specialization among lawyers. In this section, we detail the distribution of specialties among the regions.¹¹

Table 3.5 displays the proportion of lawyers in each specialty within each region and the state as a whole. As the table suggests, corporate law and trusts and estates have the highest percentage of lawyers in nearly every region. Antitrust and media/entertainment law represent a very low percentage of lawyers in every region except for Los Angeles.

¹¹ In total, there are 116 different specialties in the Martindale Hubbell data set. We collapsed these specialties into 19 major areas that have a strong representation in California and a residual specialty category called “Other.”

Table 3.5¹²
Percentage Breakdowns of Specialties Within Regions

Specialty	San									Residual
	California	Los Angeles	Orange County	Inland Empire	San Diego	Santa Barbara	Joaquin Valley	Sacramento Valley	Bay Area	
Government/ Administration	4%	4%	3%	6%	4%	4%	5%	9%	4%	8%
Antitrust	1%	2%	1%	0%	1%	0%	0%	0%	1%	0%
Corporate Law	23%	24%	25%	18%	26%	22%	22%	19%	24%	6%
Family	6%	5%	6%	12%	7%	10%	9%	8%	6%	8%
Insurance	7%	8%	8%	6%	8%	6%	7%	8%	7%	4%
Litigation	4%	4%	4%	4%	3%	5%	5%	5%	4%	5%
Bankruptcy	4%	4%	5%	4%	4%	4%	4%	3%	3%	3%
Banking	1%	1%	2%	0%	1%	1%	1%	1%	1%	0%
Technology	1%	1%	1%	0%	1%	0%	0%	0%	2%	3%
Real Estate	2%	2%	3%	2%	2%	2%	2%	2%	2%	2%
Criminal	6%	5%	4%	11%	6%	6%	8%	7%	4%	27%
Trusts & Estates	16%	14%	17%	18%	16%	20%	18%	15%	16%	17%
Land Use	3%	3%	3%	3%	3%	4%	3%	3%	4%	3%
Labor	2%	2%	3%	5%	2%	2%	3%	3%	2%	0%
Environmental	3%	3%	3%	2%	3%	4%	4%	6%	4%	4%
Securities and Investments	3%	3%	3%	0%	3%	1%	0%	1%	4%	3%
Health Care	3%	3%	3%	5%	3%	3%	3%	3%	2%	2%
Media/ Entertainment	2%	5%	1%	0%	1%	1%	0%	1%	1%	1%
Intellectual Property	2%	2%	2%	1%	2%	1%	0%	0%	3%	0%
Other	4%	5%	4%	4%	4%	4%	5%	4%	5%	6%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: 1999 Martindale Hubbell.

To compare the distribution of lawyers by specialty across regions, we constructed a simple index where the numerator is the lawyer-to-population ratio for each specialty for the region and the denominator is the lawyer-to-population ratio for that specialty for the state as a whole (see Table 3.6).

$$\text{SPECIALTY INDEX} = \frac{\text{Lawyer to Population Ratio for Region}}{\text{Lawyer to Population Ratio for State}}$$

Using this formula, if a region has more lawyers per capita than another region, the index for that region will be higher. If the number of lawyers per capita in a particular region is greater than the state average, then the index will be greater than one.¹³ The state as a

¹² Table A-1 of Appendix A displays percent of lawyers for each specialty across each of the regions.

¹³ A simple example may help illustrate the meaning of the index. Despite the fact that Santa Barbara has many more corporate lawyers than trust and estate lawyers, the index for trust and estate lawyers (1.10) is much greater than the index for corporate lawyers (0.82). The difference in the index is explained by the

whole has an index value of 1.0. Note, however, that the purpose of this index is to facilitate comparisons among regions on the number of lawyers per population for a specific specialty. Because the denominator is not constant across specialties, comparisons across specialties are not meaningful.

The indices for each region and for each specialty within regions are displayed in Table 3.6.¹⁴ The bottom line of the table represents the overall index for each region. The table clearly indicates that the Inland Empire, Santa Barbara, San Joaquin Valley, and the Residual Region (composed of rural counties) each have indices of less than one, signifying that these regions have fewer lawyers per person than other regions of the state and the state as a whole. The index is especially low for Inland Empire, that is, the total index for the whole region (0.30)¹⁵ is substantially lower than the rest of the state, excluding the Residual Region. In contrast, the Bay Area has the highest total index (1.35). Other regions that have a high total index are Los Angeles, Orange, and San Diego.

With regard to specialties within specific regions, an index greater than one indicates that the number of lawyers per person in that specialty in that region is greater than the average number of lawyers per person in that specialty in the state. For example, Los Angeles has an especially high index for entertainment law (2.52). This means that a higher proportion of the state's entertainment lawyers practice in Los Angeles, as would be expected. Also as expected, we find high indices for government law in Sacramento Valley and for securities and investment and technology law in the Bay Area. In contrast, Inland Empire has several categories with particularly low indices, including antitrust, banking, entertainment, intellectual property, securities and investments, and technology law. San Joaquin Valley has particularly low index values for antitrust, technology, securities and investments, media/entertainment, and intellectual property, while the Residual Region has very low indices for corporate law, insurance, bankruptcy, banking, real estate, environmental, health care, media/entertainment, and intellectual property.

fact that Santa Barbara has more trusts and estate lawyers per population than other regions, while it has fewer corporate lawyers per population than other regions.

¹⁴ The data are provided by Martindale Hubbell. This data set is intended to be a marketing tool for lawyers. As such, lawyers usually claim more than one specialty and therefore, double counting does occur across specialties. If one added the total number of lawyers in each specialty, therefore, the sum would be greater than the total number of lawyers in the survey. The Martindale Hubbell data set does not capture the universe of lawyers for the state of California. In 1999, the Martindale Hubbell data set included over 97,000 lawyers, which represents just over 72 percent of all active lawyers in the state of California.

¹⁵ Indicated by the total row at the bottom of the table.

Table 3.6
Index of Lawyer to Population Ratio
in Each Specialty for Each Region

Specialty	Los Angeles	Orange County	Inland Empire	San Diego	Santa Barbara	San Joaquin Valley	Sacramento Valley	Bay Area	Residual
Government/Administration	1.01	0.79	0.38	0.99	0.74	0.47	2.05	1.34	0.62
Anti-Trust	1.51	0.72	0.04	1.11	0.26	0.11	0.43	1.64	NA
Corporate Law	1.19	1.21	0.23	1.22	0.82	0.42	0.83	1.38	0.09
Family	0.94	1.12	0.58	1.18	1.43	0.66	1.19	1.24	0.39
Insurance	1.18	1.31	0.24	1.16	0.72	0.43	1.09	1.30	0.16
Litigation	1.12	1.05	0.29	0.98	1.13	0.56	1.23	1.30	0.42
Bankruptcy	1.22	1.58	0.36	1.26	0.87	0.45	0.92	1.07	0.22
Banking	1.33	1.59	0.10	0.84	0.83	0.41	0.65	1.31	0.08
Technology	0.71	0.97	0.01	1.15	0.30	0.08	0.37	2.49	0.80
Real Estate	1.11	1.47	0.20	1.14	0.68	0.37	0.97	1.40	0.24
Criminal	1.05	0.87	0.61	1.25	0.98	0.67	1.22	1.04	1.57
Trusts & Estates	1.04	1.24	0.34	1.15	1.10	0.52	0.96	1.37	0.35
Land Use	1.03	1.02	0.26	1.09	1.05	0.46	0.87	1.58	0.34
Labor	1.12	1.45	0.65	0.85	0.97	0.55	1.37	1.10	0.06
Environmental	0.88	0.89	0.22	0.96	0.96	0.54	1.83	1.58	0.36
Securities and Investments	1.14	1.09	0.04	1.22	0.32	0.03	0.35	1.92	0.36
Health Care	1.31	1.29	0.48	1.08	0.76	0.41	1.09	1.06	0.21
Media/Entertainment	2.52	0.30	0.06	0.44	0.39	0.09	0.31	0.72	0.10
Intellectual Property	1.13	1.27	0.07	1.06	0.40	0.08	0.14	1.99	0.03
Other	1.21	0.91	0.25	1.05	0.88	0.52	0.95	1.38	0.41
Total	1.15	1.14	0.30	1.12	0.88	0.45	1.00	1.35	0.33

Source: 1999 Martindale Hubbell and 1998 Census.

An index value of less than 0.30 is highlighted in bold.

For each specialty, the index is equal to the lawyer-to-population ratio for the region divided by lawyer-to-population for the state. By definition, statewide ratios for each specialty are equal to 1.00. Index values can be compared across regions for a given specialty, but cannot be compared across specialties because the denominator is not constant across specialties.

Table 3.6 generally indicates that there are disparities among the regions in the current supply of specialized lawyers. This disparity can be attributed to a number of factors. Two primary factors are the industry makeup of the region and the demographic characteristics of a region.

First, the industry makeup of a region will often determine the specialty needs. For instance, the entertainment industry represents a large portion of Los Angeles's economy, consequently, there is a greater demand for entertainment lawyers in Los Angeles. However, in other cases, a particular industry can be prevalent within a region, but the headquarters of those industries may be in another region. In such cases, lawyers may be consulted in the same region as the headquarters and not at the place of production.

Secondly, the needs of the people of a region will influence local specialization. For instance, certain regions may have a different age distribution—for instance, a relatively higher proportion of retirees. In a region with a high proportion of retirees, the region may need more trust and estate lawyers for example. This may be true of regions like San Diego, which attract a sizable population of retirees.

These are just a few of examples to explain why lawyers are distributed differently by specialty over the regions. However, they also illustrate factors that affect the supply and demand of lawyers within a region and the state.

Law Schools

In this section, the geographical distribution of both recent graduates and all graduates from California's ABA-approved law schools is examined. These schools constitute the majority of attorneys practicing in California.¹⁶

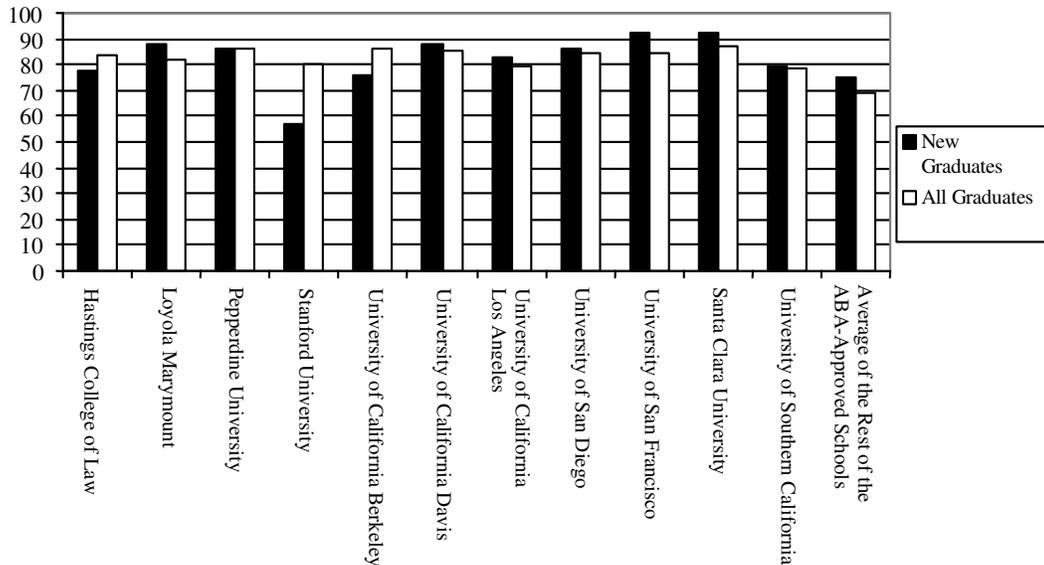
New Graduates

In Figure 3.10, we display the geographic placement of the 1997 graduates along with the entire alumni of 11 California ABA-approved law schools plus the average of the rest of the ABA-approved schools.¹⁷ Two major conclusions can be drawn from the figure. First, the vast majority of both new graduates and the entire alumni of the schools stay within the state to work. Second, there are no systematic patterns of difference in geographical placement between new graduates and the entire alumni body.

¹⁶ The Martindale Hubbell data are survey data in which respondents specify where they went to law school. Not all respondents disclosed their school. Out of the lawyers who did report their law school, 58,125 went to one of the ABA-approved law schools in California. This means that at least 59.5 percent of the lawyers who responded to the Martindale survey went to an ABA-approved law school.

¹⁷ We present data separately for the top 11 ABA-approved law schools according to criteria elaborated in Section 5 and Appendix C. These schools are the focus of interview findings reported in Section 5 below.

Figure 3.10
Percent of New Graduates Whose First Position is Within California and the
Percent of All Graduates Who Are in California

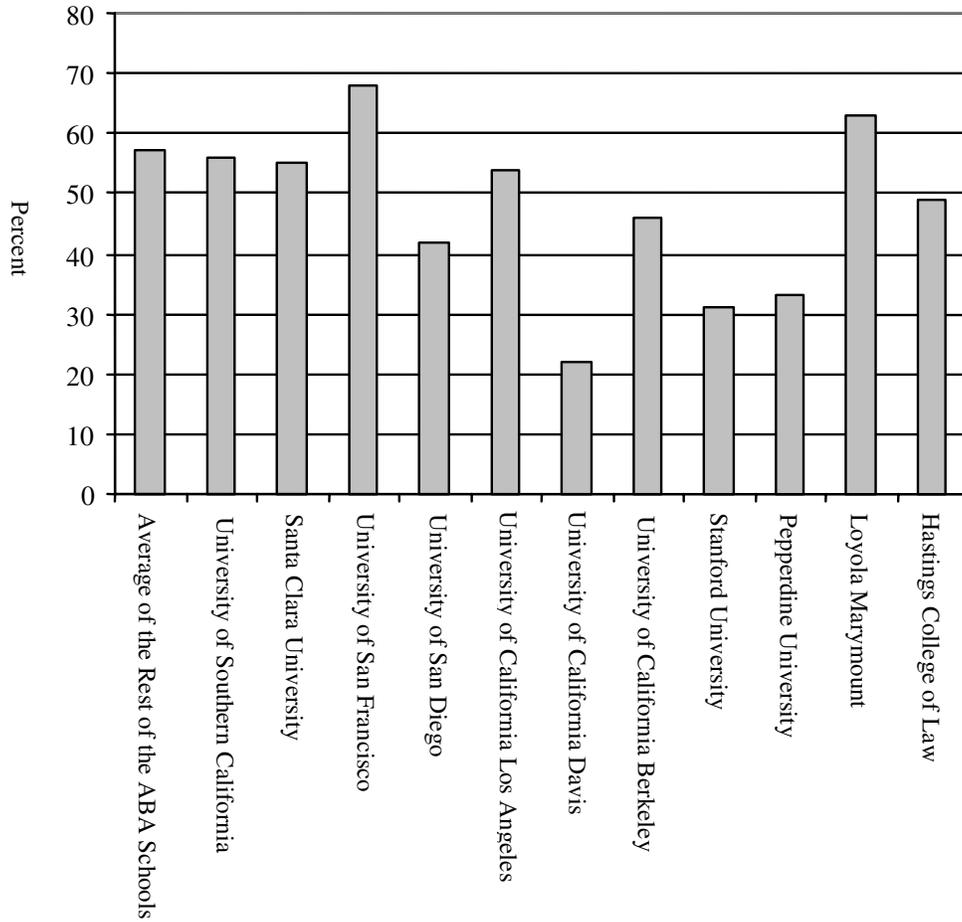


Source: 1999 *U.S. News and World Report* (new graduates) and 1999 Martindale Hubbell (all graduates). Rest of ABA-approved schools include: California Western, Golden Gate University, McGeorge School of Law, Southwestern University, and Whittier University. Chapman, Western State and Thomas Jefferson are not included here because *U.S. News and World Report* data are not available for these schools.

While Figure 3.10 shows the proportion of each school’s graduates in the state of California, Figure 3.11 shows the proportion of each school’s graduates who are employed in the school’s region.¹⁸ The region in which each of the law schools is located is displayed in Table 3.7. Figure 3.11 indicates that in a majority of cases, well over half of the graduates stay in the same region as their alma mater. It is noteworthy that three of the regions lack an ABA-approved law school, as does the Residual Region.

¹⁸ This information was not available for new graduates.

Figure 3.11
Percent of All Graduates Working in the
Same Region as Law School Attended



Source: 1999 Martindale Hubbell.

Chapman and Western State University are not included because of a lack of data.

Whittier Law School was counted in LA County for the regional distribution. Whittier only recently moved to Orange County (1997), and therefore the alumni in the data would have almost entirely graduated from Whittier when it was in LA County.

Table 3.7
Regional Location of ABA-Approved Law Schools

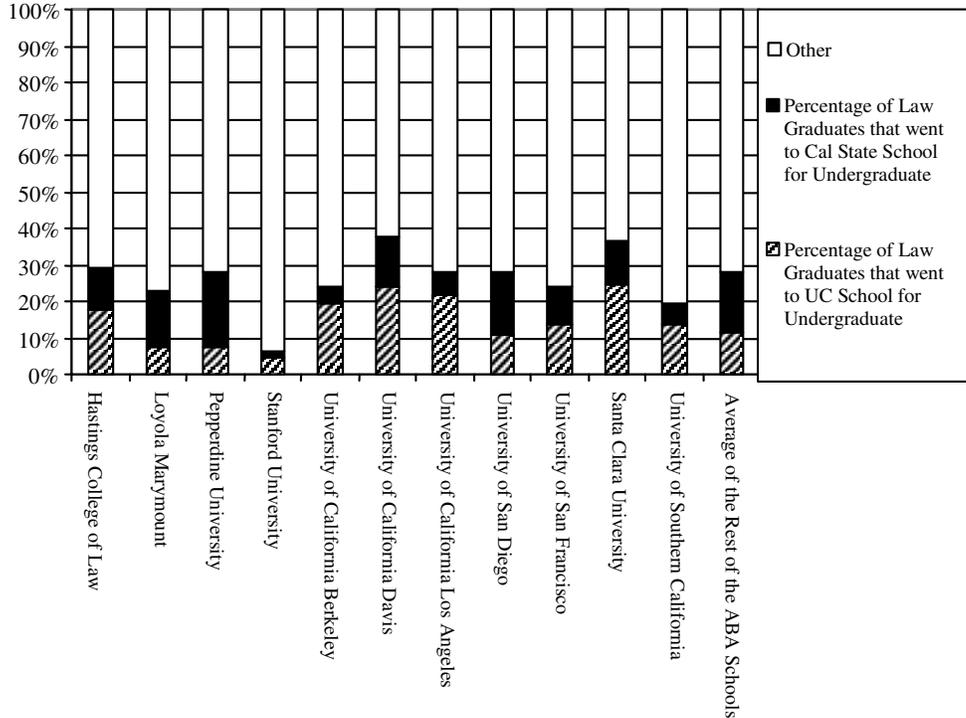
Region	Law School(s)
<i>Los Angeles</i>	Loyola Marymount University Pepperdine University Southwestern University University of California Los Angeles University of Southern California
<i>Orange County</i>	Chapman Western State University Whittier School of Law
<i>Inland Empire</i>	None
<i>San Diego</i>	California Western School of Law University of San Diego Thomas Jefferson School of Law
<i>Santa Barbara Area</i>	None
<i>San Joaquin Valley</i>	None
<i>Sacramento Valley</i>	McGeorge School of Law University of California Davis
<i>Bay Area</i>	Hastings College of Law Golden Gate University Santa Clara University Stanford University University of California Berkeley (Boalt Hall) University of San Francisco
<i>Residual</i>	None

Students of the Law Schools

Figure 3.12 shows that undergraduate schools attended by students from the ABA-approved law schools in California. The figure presents the distribution of students that went to a University of California school or a California State school for their undergraduate degree before attending an ABA-approved law school in California.¹⁹ As the figure displays, less than a third of the students for each of the law schools went to a University of California or a California State University campus for their undergraduate training. The two exceptions are the University of California Davis and Santa Clara University law schools.

¹⁹ Western State Law School was not included in the analysis because of problems in retrieving data.

Figure 3.12
Undergraduate School for All Graduates of
ABA-Approved Law Schools in California



Source: 1999 Martindale Hubbell.
 Chapman, California Western and Western State Law School are not included in the Average of the Rest of the ABA Schools due to a lack of data.

Summary

In this section we have examined the demographic and market characteristics of lawyers in the state of California. We highlight that the state of California is diverse both in its people and its economy and that the diversity of its people has not been matched by the ethnic distribution of lawyers in the state. The section also provides information about the distribution of lawyers across different work settings, office sizes, specialties, and regions. Finally, we also provide information about the regional placement of graduates of law schools along with information about the proportion of graduates from ABA-approved law schools who did their undergraduate work at UC or CSU.

Section IV

Projections of California Labor Market Conditions for Lawyers

This section describes and implements a number of approaches to projecting the availability of California lawyers and their employment levels in the year 2015. We include in this section a wage analysis of lawyers and other professionals in California. This analysis provides some additional insight into the factors that have affected supply and demand in the labor market for lawyers in the past and are likely to continue to have an effect in the future.

The first subsection contains an overview of the concepts of supply and demand and derives working definitions of these concepts. It also provides caveats that should accompany all economic forecasts. Next are the results of a wage analysis. A wage analysis is a technique employed by economists to evaluate supply and demand and provides a different perspective on the balance of supply/demand than is provided by the projections. The third subsection describes and summarizes the results of the supply/demand projections themselves and discusses the implications of these results for a potential mismatch in the future availability and employment of lawyers in California. (Appendix B provides more detail on the methodologies employed). This section concludes by discussing the results of the wage analysis and projections, highlighting their consistencies and weaknesses. We also highlight factors not incorporated in this chapter that could impact the supply and demand for attorneys in 2015.

Conceptual Overview and Caveats

Making predictions about future supply and demand in any type of labor market is an inherently difficult task because of the impossibility of observing supply and demand directly. The number of lawyers qualified to practice law and the number of lawyers currently employed can be observed, but these observed quantities do not represent supply and demand, *per se*, but rather the choices of individuals and employers that result from the interaction of the forces governing supply and demand in the labor market.

The supply of lawyers at a particular point in time is the number of qualified lawyers *willing* to work at prevailing market wages. In labor economics, it is generally assumed that the greater the wage, the greater the supply of attorneys will be—that is, there is a positive relationship between wages and supply. If wages are not sufficiently high, many qualified lawyers will not practice law. We assume that the observed number of lawyers qualified to practice in the state approximates an upper bound on—or maximum—supply of lawyers. Our analysis uses two measures of lawyers qualified to practice in the state: 1) active California Bar members and 2) total (active and inactive) California Bar members. Active California Bar members represent qualified persons who are immediately available to practice law (see footnote 5, Section 3). Inactive California Bar members, who are eligible to convert back to active status by notifying the California Bar (and paying the higher active status fee), represent a pool of persons who, though not

currently practicing law, could theoretically be lured back to the profession in California if the conditions were sufficiently appealing to them.

The demand for attorneys at a particular point in time is defined as the number of lawyers that employers are *willing* to employ at the prevailing market wage. It is generally assumed that the demand will be lower at higher prevailing wages. However, under a highly regulated market, wages and hours worked may not adjust quickly to changes in demand conditions. For example, if a market is highly unionized or regulated, firms may be unable to lay off unneeded employees and actual employment will exceed demand. In the case of lawyers, however, it is probably safe to assume that actual employment represents a lower bound on true demand. We therefore use the number of employed¹ attorneys in California as an approximation to this lower bound on demand.

Due to the considerations described above, it is important to view any projection of the supply of lawyers based upon numbers of individuals qualified to practice as subject to possible overestimation and any projection of the demand for lawyers based upon levels of employment as subject to possible underestimation. These discrepancies could lead to the appearance of lawyer surpluses where they do not exist. Our first caveat, therefore, is that these potential discrepancies make it very difficult to determine or to project labor shortages or surpluses from observed data, no matter how accurate the observed data are. That said, projections based on these observed trends do provide useful information and can give a general indication of the direction in which supply and demand are moving.

A second caveat concerns the difficulty of obtaining reliable forecasts of future trends in our observable quantities, i.e., the number of qualified lawyers and the number of lawyers employed. Projection methods vary in complexity. The simplest method is based on straightforward extrapolation of the trend in question. A slightly more complex method involves the use of projections of factors related to the trend in question. This alternative is helpful when the underlying factors may be more accurately predicted than the trend that relies on them. This analysis utilizes both types of methods to project demand, but we are aware of the fact that each method will contain a margin of error.

For example, we base certain projections on estimates of the future population and the ratio of lawyers per capita. Population estimates, however, can themselves be unreliable. A recent report on population projections for California shows that different assumptions about future trends in international and domestic migration and in fertility rates lead to widely varying projections of the future population (Johnson, 1999). The highest projection predicts a 64 percent population growth by 2025; the lowest projection suggests only 29 percent population growth by 2025. Forecasting the future employment in a profession is problematic because a larger number of variables and lack of accurate data lead to less than desired reliability and comprehensiveness. Making projections at the regional level is even more difficult because it is necessary to account for both the inter- and intra- state migration of professionals, in addition to the fact that data on population and economic trends are less accurate at smaller geographical units than at the national level.

¹ Defined as self-identified attorneys who are currently employed.

We also base certain of our projections on forecasts of industry growth and industry-specific rates of the employment of lawyers. Yet there are problems inherent in making projections about future trends in industry growth. An ongoing example of such difficulties is the unanticipated length of the current economic expansion in the U.S. For several years, economic forecasters have been warning of a recession, of which there is still no real sign. Given that the employment of attorneys is driven by a combination of population trends and, to a greater extent, by economic growth, the inability to forecast population and economic growth with great accuracy will necessarily have an impact on the ability to forecast the demand for attorneys.

Despite these caveats, forecasts of the pool of eligible attorneys and the employment of attorneys can provide insight as to whether there is any evidence of a possible mismatch in these two measures under different sets of assumptions. Moreover, this exercise forces the analyst and reader to become cognizant of other factors that can have an impact on the future supply of and demand for attorneys, whether or not accurate knowledge of future movements in these factors can be incorporated in the forecasts.

An Analysis of Wages in the Labor Market for Attorneys

Before turning to the projections of supply and demand, it is instructive to examine recent changes in the wages of lawyers. The basic economic model of the labor market implies that if there is a shortage of lawyers, then the wages of lawyers will eventually increase. That is, when firms find it difficult to hire lawyers, they will respond by offering job candidates more lucrative compensation packages. Similarly, firms may need to offer their current staff higher wages in order to retain them.

In this section, we examine the wages of lawyers since 1983. If the wages of lawyers have not increased, then there is little evidence that there has been a recent increase in the demand for lawyers relative to supply. However, the wages of lawyers could be increasing simply because of broader changes in the wage distribution or because the current labor market is at a peak within the business cycle. Therefore, we also compare the wages of lawyers with the wages of other professionals. If the gap between the two groups has not increased in favor of lawyers, then this evidence would suggest that lawyers have not become in short supply relative to other professionals.

If the attorney labor market is highly competitive, we might expect to see a fair amount of wage fluctuation in both a positive and negative direction over time. The implication of such a finding would be that forecasts of supply and demand might be subject to a great deal of imprecision, due to the responsiveness of the market to future—and as yet unknown—economic shocks. In addition, if fluctuations in attorney wages appear to be correlated with fluctuations in the business cycle, we would then be encouraged to design a forecasting model that attempts to incorporate forecasts of economic growth.

Before describing the findings of our wage analysis, it is useful to outline the basic economic principles guiding our investigation. In a standard labor market, the market price, or wage, is the mechanism by which supply and demand are brought into alignment. It is this price which determines the amount of labor supplied and demanded. External factors, such as an increase in economic growth, could increase the demand for lawyers at the prevailing wage level. Similarly, external factors, such as an increase in the wages of alternative forms of employment available to lawyers, could cause a decrease in supply at the prevailing wage level.

If a change in these types of external factors brings about an increase in demand or a decrease in supply, then the excess of demand over supply will exert an upward pressure on wages, and they will rise to restore balance to the market. On the other hand, if external factors change in a manner that brings about a decrease in demand or increase in supply at the prevailing wage level, then a downward pressure is exerted on wages, and they will fall. In a competitive labor market, wages adjust until the market stabilizes. In other words, in a market in which there is free entry and exit, wages can adjust easily, thereby inducing the expansion or contraction in the quantities of labor supplied or demanded that is needed in order to equalize the two quantities. In this type of labor market, there should be no long-run shortages or surpluses.

It is important to point out that although market equilibrium implies no shortage or surplus at prevailing wages, it does not imply that everyone is equally well off before or after a shift in demand. If wages increase because external factors increase demand, lawyers benefit but customers pay the price. Some customers (e.g., local governments, low-income citizens, or nonprofit organizations) may be forced to reduce the number of lawyers they hire or face rising costs. Similarly, if external forces decrease demand, then lawyers pay the price in terms of lower wages, but customers benefit. It is, therefore, necessary to emphasize the point that “equilibrium” in the economic sense may not necessarily reflect a socially desirable quantity of attorneys. Similarly, the economic notion of “demand” is not equivalent to the notion of perceived social “need.”

The distributional consequences that ensue from a change in demand could be mitigated by a concurrent change in the underlying supply of lawyers. In other words, if the underlying supply of lawyers increases at the same time demand increases, wages would not need to adjust so much to bring the market into equilibrium. In considering what such a change might entail, it is important to recognize that the underlying supply of lawyers is controlled to some extent by the California Bar Association. Regardless of the number of people who move to California from another state or who graduate from California law schools, individuals must pass the California Bar examination in order to practice law in California. An increase in the number of people passing the California Bar examination can generate an increase in supply.² It is important to keep in mind that the lack of an economically defined shortage or surplus of attorneys at any given point in time does not necessarily mean that policymakers might not want to expand or decrease the future supply. With these considerations in mind, we now turn to the results of the wage analysis.

² Supply can also increase if fewer individuals relinquish active membership in the Bar.

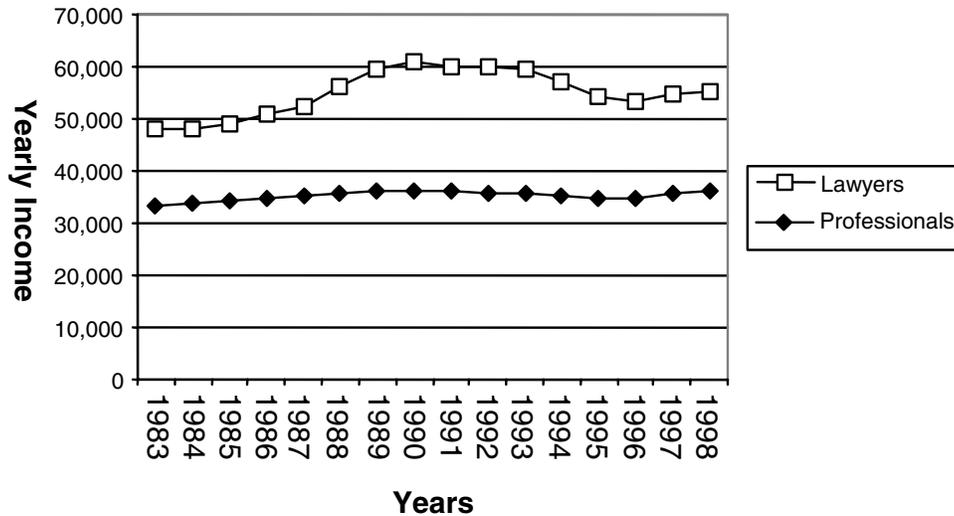
The Wages of Attorneys Relative to Those of All Professionals

We examined both the real annual incomes and the real hourly wages of attorneys in each year between 1983 and 1998 and compared them to the same quantities for all professional workers. In accordance with the occupational designations used by the Current Population Survey (CPS), we defined professional workers as those whose occupations fell within the 1980 Census of Population category of “managerial and professional specialty occupations.” These occupations included managers, accountants, attorneys, engineers, physicians, nurses, teachers, and several others normally considered to be professional in nature. The CPS is a household survey conducted on a nationally representative sample, and a description of the data it provides is contained in Appendix A. We performed our wage analysis on data taken from the nation, as a whole.³

Figure 4.1 displays the average nationwide real income of young lawyers (between 25 and 35 years of age) relative to other young professionals. The figure indicates that the income of attorneys has consistently exceeded the income of other professional workers during the time period under consideration and that it has exhibited a larger degree of fluctuation.

³ Although the CPS data can be sorted by state, the sample size becomes greatly diminished when individual occupations within states are investigated. In addition, since each household chosen for the CPS sample is interviewed for eight months, it is good practice to select only one observation per household for this type of analysis. This reduces the sample size even further. Furthermore, in order to protect the confidentiality of respondents, earnings in the CPS have a ceiling of \$1,927 and above per week between 1989 and 1993, \$1,923 and above between 1994 and 1997, and \$2,885 and above in 1998. We therefore look only at the earnings of attorneys and professionals who are between 25 and 35 years of age in order to eliminate some of the downward bias introduced as a result of this coding procedure. Due to these considerations, we performed our wage analysis on the national sample rather than on the California subset.

Figure 4.1
Real Yearly Income of Young Lawyers and Other Professionals Nationwide,
1983–1998



Source: Current Population Survey.

Data rely on a three-year running average to smooth alterations in trends, given the relatively small sample size of attorneys in the CPS. All figures are reported in 1998 dollars. Real yearly income is the running average of real earnings per week at one's current job multiplied by 52 (weeks in the year). Young workers are persons aged 25–35 years of age.

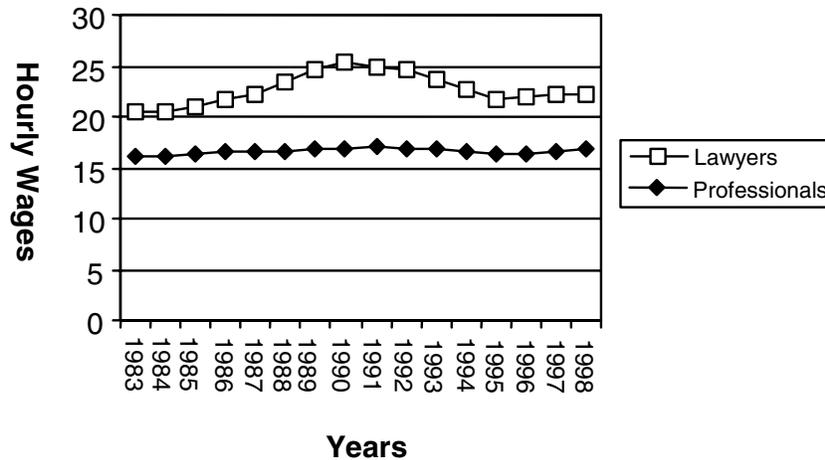
According to the figure, there was an increase in the real income of lawyers relative to other professionals between 1985 and 1990. This was the period of economic expansion that preceded the 1990–1991 recession.⁴ Two hypotheses generated by the figure would be that 1) the recession was responsible for halting the growth in attorney income after 1990 and 2) that the attorney labor market is more responsive to business cycle fluctuations than that of the average professional worker.

In order to understand whether the growth in attorney income was the result of growth in hourly rates or growth in the number of hours worked, we also plotted real hourly wages.⁵ The results are shown in Figure 4.2.

⁴ The prior recession occurred in 1981–82.

⁵ Real hourly wages were calculated by dividing reported real weekly earnings by the reported usual number of hours worked per week.

Figure 4.2
Real Hourly Wages of Young Lawyers and Other Professionals Nationwide, 1983–1998



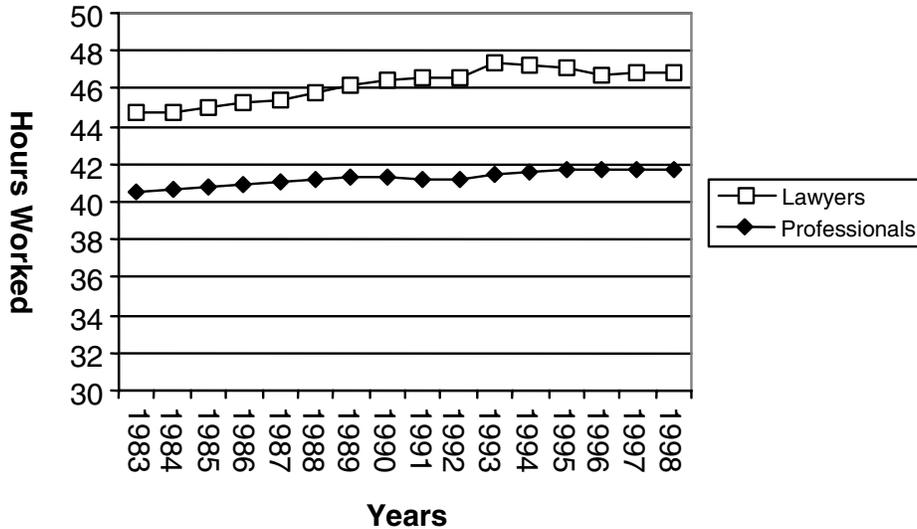
Source: Current Population Survey.

Data rely on a three-year running average to smooth alterations in trends, given the relatively small sample size of attorneys in the CPS. All data are calculated in 1998 dollars. Real hourly wages are the running average of earnings per week at one's current job divided the usual hours worked at this job. Young workers are persons aged 25–35 years of age.

Both real hourly wages and real income increased between 1984 and 1990 and outstripped increases experienced by professionals as a whole. This finding indicates tightness in the attorney labor market during this time period due either to an increase in demand or a decrease in supply. Given that the period was one of economic growth, it is plausible that increased demand was primarily responsible. A decrease in supply could have resulted if economic growth increased the amount of alternative and more lucrative employment available to attorneys, thus inducing them to leave the legal profession, or if other factors decreased the supply of attorneys. Given our knowledge of trends in the number of active attorneys in California, however, it seems more likely that an increase in demand drove hourly wage trends during this time period.

While both the real hourly wages and real income peaked in 1990 for attorneys, real hourly wages began a decline while real income lingered around the peak level until 1994. This indicates that the number of hours worked by lawyers continued to increase during and after the recession. This phenomenon is evident in Figure 4.3, which displays average reported weekly hours worked for attorneys and professionals. Average weekly hours worked by all professionals increased throughout most of the period, with those of attorneys increasing at a higher rate until 1993 and then declining somewhat.

Figure 4.3
Weekly Hours Worked of California Lawyers Relative to Other Professions,
1993–1998



Source: Current Population Survey.

Data rely on a three-year running average to smooth alterations in trends, given the relatively small sample size of attorneys in the CPS. The hours of workers of all ages above and including 25 are included in this figure.

Real hourly wages declined between 1990 and 1995, suggesting the effects of the recession endured for a few years beyond the official end of the recession in 1991.⁶ Attorneys initially cushioned the decline in real income levels between 1990 and 1993 by working more hours. After 1995, real hourly wages and real income levels began to increase again, while the number of hours worked eased back towards pre-recession levels.

One limitation with the wage analysis is the comparison group of other professionals. This category includes a mixed group of highly paid professionals, including physicians and accountants, and not so highly paid professionals (e.g., social workers, teachers). Most of these professions are not reasonable alternatives for lawyers. A more appropriate comparison group might be business officers, engineers, and/or accountants—professions that are real alternatives to the legal profession. For example, in Silicon Valley, lawyers may leave law firms to work in Internet start-ups because the actual or potential economic gains are much greater. Because of data limitations, we are not able to compare the hours worked and wages of lawyers with such an ideal comparison group.

Considered together, our plots suggest that the labor market for attorneys is more responsive to changes in the business cycle than that of the group of professionals taken

⁶ It also appears that the effects of the prior recession ending in 1982 may have endured until 1984. In addition, the recession in the early 1990s ended later than 1991 in some parts of the country. This was the case in California, for example.

as a whole. Our wage analysis indicates that attorney labor markets are fairly competitive and that fluctuations in the attorney labor market are linked to business cycle fluctuations. These findings point to the importance of incorporating forecasts of economic growth into models designed to project the future demand for attorneys. In addition, they suggest that projections may be subject to substantial imprecision due to the sensitivity of the market to unknown future fluctuations in the economy.

Forecasting: Methods and Results

1. Forecasting Active and Total California Bar Members (Supply): Method and Results

Using historical information on the number of active California Bar members and total (inactive plus active) California Bar members provided by the California Bar Association, we forecast the expected number of active and total California Bar members in 2015. We used a fairly straightforward extrapolation technique described in detail in Appendix B. Figure 4.4 presents 1) the number of California Bar members from the early 1970s to 1998 and 2) the projected year-to-year forecasts of California Bar members between 1999 and 2015. We use both active and total California Bar members to provide a low and high projection of the pool of lawyers available to practice law in California.

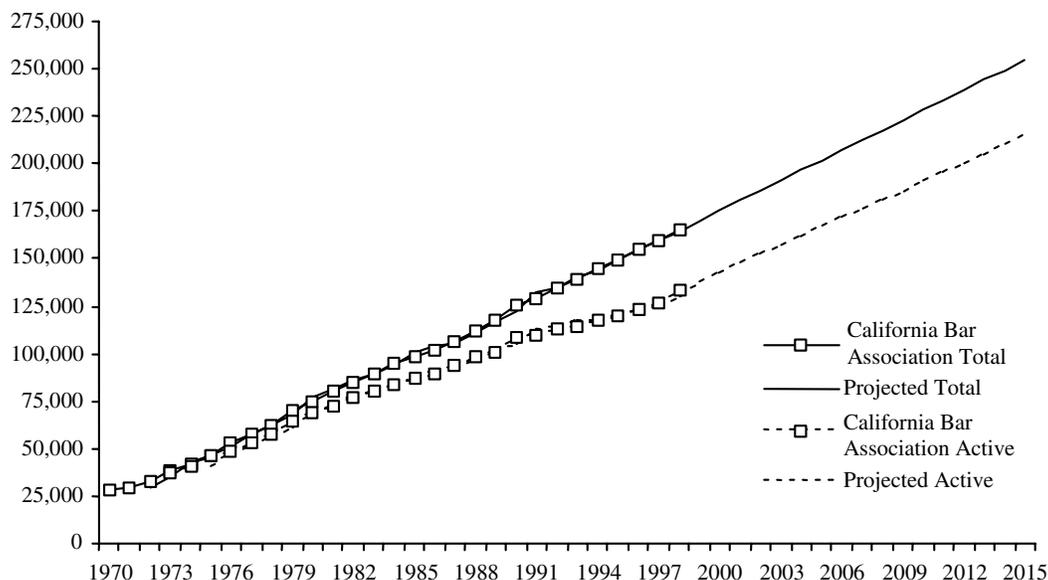
The projection method we use assumes that the trend has been linear since the early 1970s. This assumption is strongly supported by the linear trends in Figure 4.4. To test the robustness of this assumption we completed two other sets of projections as well. The first allows for a nonlinear trend in the rate of change in total and active California Bar members since 1970. The model fit yielded by this projection technique (as described in appendix Table B.3) was less than the fit yielded by the linear projection technique.⁷ We also experimented with restricting the projections to trends on active and total California Bar members since 1990 in case the rate of change in California Bar members had changed in the last decade. The resulting projected number of California Bar members is virtually indistinguishable from that based on data since 1970 (see Appendix B for discussion of results). We conclude that the projection technique employed here is robust in its underlying assumptions.

For all estimates and projections, we have rounded off to the nearest hundred to reflect the level of uncertainty.

By the year 2015, this forecasting method predicts that there will be approximately 214,800 active California Bar members and about 254,700 total California Bar members. Consistent with historical trends in the number and proportion of California Bar members who are inactive, this model predicts that the number of inactive California Bar members will continue to increase modestly through 2015, although the proportion will decline slightly.

⁷ Based on actual data between the early 1970s and 1998, the projection weights the number of Bar members in the most recent years more heavily than those in earlier years (as described in Appendix B).

Figure 4.4
Actual and Projected Numbers of Total and Active
California Bar Association Members



Next, we consider the forecasts of California Bar members by region within the state (see the definition of regions in the preceding section). To generate these regional forecasts, we applied the current regional distribution of California active and total California Bar members to the 2015 projections. The result is presented in Table 4.1. Two points can be made about this table.

First, there is an out-of-state category. California Bar members, regardless of active/inactive status, can reside outside California. California Bar members may reside out-of-state for a variety of personal or professional reasons. For instance, a lawyer may have specific plans for or a vague interest in practicing law in California in the indefinite future or on occasion try cases in California. Whatever the reason, the number of out-of-state Bar members is nontrivial. For example, more than twice as many active California Bar members (8,932) used out-of-state addresses than used addresses in either the Inland Empire, Santa Barbara, the San Joaquin Valley, or the Residual Region in 1998.

A second point to be made about Table 4.1 is that the projected rates of growth of active and total California Bar members between 1998 and 2015, by definition, are constant across regions. The total number of active California Bar members is projected to increase by 60 percent and the number of total California Bar members by 54 percent.

Table 4.1
Current (1998) and Projected California Bar Membership

Region	Actives		Total members	
	1998	2015	1998	2015
Los Angeles	43,003	68,900	52,977	73,200
Orange	11,474	18,400	14,135	19,400
Inland Empire	3,659	5,900	4,508	6,300
San Diego	11,181	17,900	13,774	19,400
Santa Barbara	3,520	5,600	4,336	6,300
San Joaquin Valley	4,343	7,000	5,350	7,200
Sacramento Valley	8,294	13,300	10,218	14,200
Bay Area	38,023	61,000	46,842	67,000
Residual	1,543	2,500	1,901	2,700
Out-of-state	8,932	14,300	11,004	39,000
California	133,972	214,800	165,046	254,700

Source: 1999 State Bar of California and RAND projections (as shown in Figure 4.1 and discussed in Appendix B). To obtain the 1998 estimates, we applied the distribution of inactive attorneys across regions provided by the California Bar Association as of January 4th, 1999 to the total number of attorneys for the state.

In truth, regions with faster rates of population growth may experience higher rates of growth in lawyer supply than others to the extent that California Bar membership and population are correlated. According to the population projections in Section 3 (Table 3.3), the Inland Empire and San Joaquin Valley will undergo the fastest rates of population growth (36 percent and 28 percent, respectively, between 1998 and 2010). The slowest rates of population growth will be in the Residual Region (4 percent), Los Angeles (14 percent), the Bay Area (16 percent), and Santa Barbara (18 percent) between 1998 and 2010. Accordingly, the forecasts in Table 4.1 may underestimate active and total members in Inland Empire and San Joaquin Valley and overestimate active and total members in Los Angeles and the Bay Area. The aggregate total projections for California, however, remain unaffected by these regional variations.

There are several potential limitations with the supply projection that have to do with factors that we were unable to model directly in this exercise. One concern is whether there will be a heavy outflow of attorneys among the baby boom cohort, due to retirement and death. Baby boomers are persons who were born between (mid-)1945–1964. The first five-year cohort of baby boomers will reach age 65 beginning in 2010. We do not anticipate that retirement will contribute to a substantial drop in the number of California Bar members by 2015 for several reasons. First, most baby boomers will not yet be 65 until after 2015. Second, lawyers tend to retire well after age 65, thus postponing the first year that the exodus of baby boomers from the profession might exert a real impact.⁸ Third, the expansion of ABA-approved law school classes affected the later, not the earlier baby boomers; so the earliest baby boomers, as they retire or die, are being

⁸ The California Bar Association designates two categories of inactive attorneys to distinguish those who are partially or completely retired from younger inactive attorneys, using age 70 as the cutoff.

replaced by larger cohorts now passing the California Bar examination. Fourth, life expectancy and health status continue to improve, thereby extending the potential career of attorneys into later life. Although we do not believe that attrition from the profession due to retirement or death will be an important factor reducing the supply of attorneys before 2015, it may become important in the decade following 2015.

Another potential source of inaccuracy in projecting future numbers of active and inactive attorneys could be unforeseen changes in the number of persons passing the California Bar examination. Based on current trends in undergraduate college and law school enrollment, such changes seem unlikely. Currently, most of the deans of the ABA-approved law schools we interviewed report that they are operating near or at capacity. Total undergraduate enrollment at UC campuses is projected to grow by 34 percent between now and 2008 (California Department of Finance, 1999), which may produce more applicants to law schools. As discussed in Section 2, and corroborated by our law school survey (Section 5), when there are more applicants, law schools can be more selective and enroll higher quality students (Rosen, 1992). The deans we interviewed do not predict a noticeable change in law school enrollment.⁹ If, as predicted, the quality of law school graduates is higher, it is possible that the already high California Bar examination pass rates (assuming the bar is not raised) may rise thereby producing more California Bar members. Again, this is not a scenario under which the forecasted number of active and inactive attorneys is too high but rather may be too low.

2. Projected Employment Levels of Lawyers in California (Demand): Methods and Results

Our projections of employment levels (an indicator of demand) for attorneys are more complex and dependent on a broader range of factors than the projections of California Bar members (an indicator of supply). These factors are:

1. population trends,
2. change in local economies,
3. level of employment of attorneys within industries, and
4. current distribution of attorneys throughout California.

We utilized two methods to project employment levels in 2015. The first method assumes that employment of attorneys is determined entirely by population. This method involves applying the rate of lawyers per capita statewide in 1998 to state and regional population projections in 2015 provided by the state of California, Department of Finance.

The second forecasting method is based on the assumption that employment of attorneys is shaped by changes in both population and economic activity across major industries. Industries vary in the level of legal services they require. For example, the financial

⁹ It is important to point out that we interviewed only spokespersons for California's top ABA-approved law schools. Other California law schools may have more capacity and incentive to expand enrollments.

services sector, which includes real estate, banking, and securities, by the nature of the services and products provided, has a greater need for legal services than do wholesale manufacturers. We present this as an alternative method because the variation within California and across the United States in attorneys employed per capita indicates that economic considerations, in addition to population, are important. The results of these two projection methods are displayed in Table 4.2. (The two methods are described in more detail in Appendix B.)

Table 4.2
Current (1998) and Projected (2015) Employment of Attorneys

Region	1998	2015 Projections	
		Method 1	Method 2
Los Angeles	32,400	36,900	42,800
Orange	9,700	11,400	13,900
Inland Empire	3,900	6,100	6,400
San Diego	9,900	12,800	14,900
Santa Barbara	7,400	9,500	10,300
San Joaquin Valley	4,000	5,700	5,800
Sacramento Valley	16,800	21,000	23,900
Bay Area	42,900	51,200	57,800
Residual	1,100	1,900	1,600
California	128,000	156,500	177,400

Source: 1998 CPS and RAND projections (as described in Appendix Tables B-5 and B-6). Numbers are rounded off to the nearest 100.

The first column in Table 4.2 shows the regional and statewide 1998 estimate of employed California attorneys—i.e., the base estimates from which the projected employment of California attorneys in 2015 are derived. Two points should be made about the 1998 data. First, as Table B.7 shows, the statewide number of employed attorneys derived from the CPS is about 96 percent of the number of active California Bar members indicating a close match between supply and employment levels. If one includes inactive California Bar members in the pool of persons eligible to practice law in California, then there was in 1998 a large reserve of qualified lawyers (165,046 total California Bar members compared to 128,000 employed lawyers in California).

Second, in general, the number of active California Bar members in a region is more than or approximately equal to the number of locally employed lawyers. For example, in Los Angeles in 1998, there were 43,003 active California Bar members compared with 32,400 employed attorneys (see Table B.7). However, there are also regions in which employment is markedly higher than the number of active California Bar members. The Sacramento Valley is the most striking example of this anomaly, with 8,294 active California Bar Association members compared with 16,800 employed attorneys. This unlikely scenario may reflect differences in how these data are reported. The CPS, a household survey, records lawyers as living in their primary region of residence, whereas the California Bar counts members as residing in the region where members receive their mail. In the case of the Sacramento Valley, the much higher count of employed attorneys

likely reflects the high number of attorneys working in a state bureaucracy for all or much of the year but who choose to have their mail sent to their permanent home addresses. This finding highlights the caution necessary in interpreting a seeming shortage of attorneys (as defined by an excess of employed attorneys over the number of California Bar members). Keeping this mind, we turn to the first projection of demand for lawyers in 2015.

The results of the first (population-based) method by region and for California are shown in Table 4.2 in the second column (see Appendix B for a description of method 1). The projected employment of lawyers based on the more complex mix of population and industry related method is shown in the third column (see Appendix B for a description of method 2). With the exception of the Residual Region, the projected employment of lawyers based on the second method is higher than the population-based projections. This is explained by the fact that the second method takes into consideration projected growth in various industries. Most of the growth in the employment of attorneys is based on increased employment in professional services (including legal services) and government. As discussed in Appendix B, both these industry categories have a high ratio of attorneys to employees. Nationally, for every 1,000 professional services and government employees there are 25 and 28 lawyers, respectively (Table B.6). In contrast, for every 1,000 employees working in the construction industry, there is less than one lawyer.

Figure 4-5 graphs the 1998 estimated and 2015 projected number of California Bar members and employed attorneys. The solid area of each California Bar represents the low projected numbers and the crosshatched represents the high projected number. Specifically, the solid area of the first California Bar represents the number of active California Bar members; the crosshatched area represents the number of inactive California Bar members. The second bar represents the number of attorneys employed in California in 1998. The third and fourth bars represent the 2015 projected number of active (solid area of bar) and inactive (crosshatched area) California Bar members and low (solid area of bar) and difference between low and high (crosshatched area) projected employment of lawyers. Our projections indicate that what is currently a match or slight surplus of active attorneys relative to employed attorneys may develop into a large surplus by 2015 if current trends continue. The surplus of total in-state active attorneys over the higher projected number of employed attorneys is expected to be greater than 22,000 based on these assumptions. If inactive attorneys are included in the pool of potential attorneys, the surplus of in-state attorneys in California may exceed 38,000 by 2015, again based on the assumptions of the model. The numbers are even higher (as seen in Figure 4.5) when out-of-state Bar members are included.

Figure 4.5
Current (1998) and Projected (2015) Number of California Bar Members
and Employed Attorneys, California

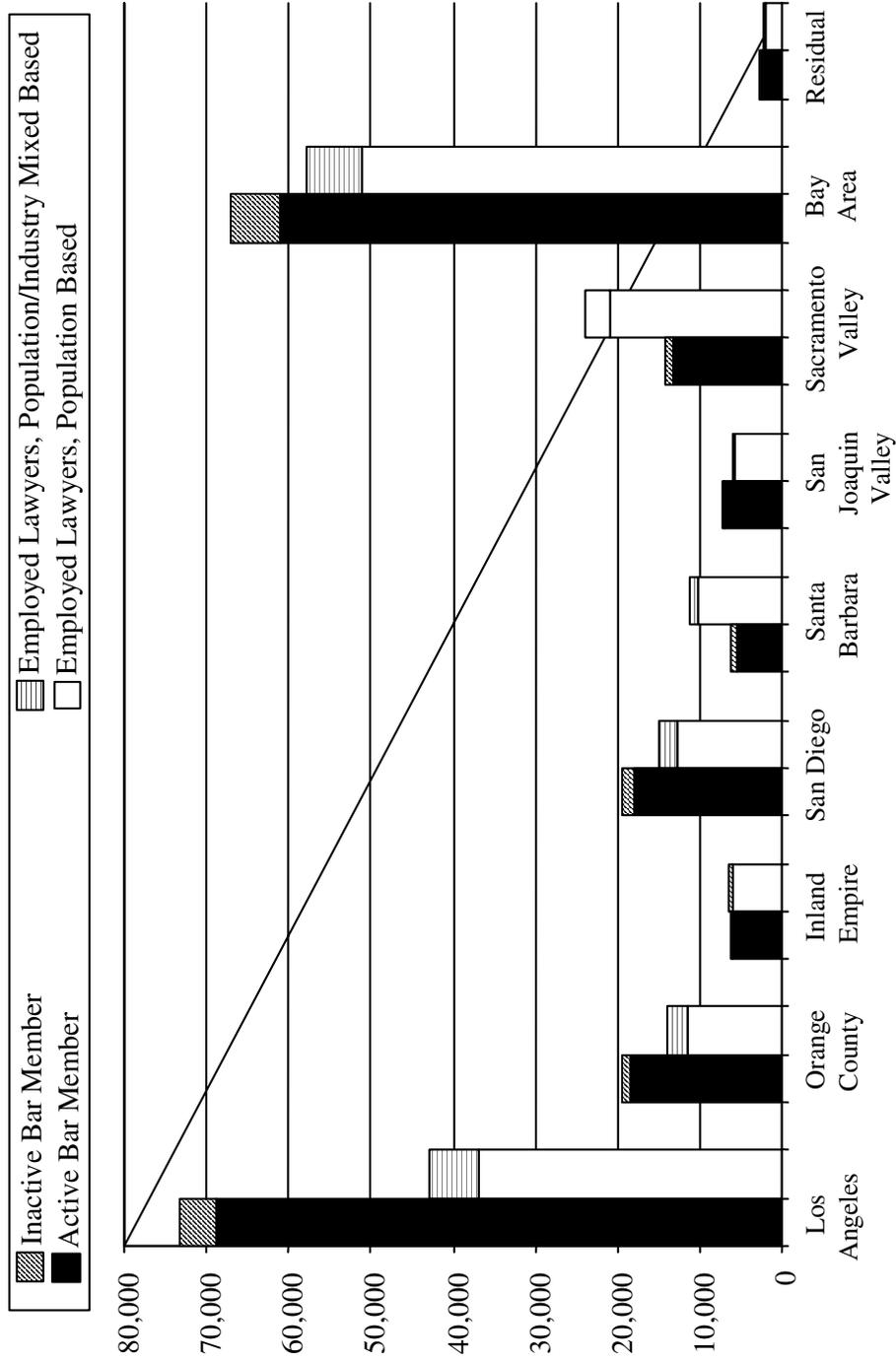


Source: 1998 estimates from California Bar Association and Current Population Survey.

Figure 4.6 graphically presents the projected number of California Bar members and lawyer employment in California by region. Each region is represented by a pair of stacked bars, following the convention described for Figure 4.5. The first bar represents the active (solid region) and inactive (crosshatched area) California Bar members; the second stacked bar represents population-based projected employment (solid region) and the difference between that and population/industry based projected employment (crosshatched area).¹⁰ In Los Angeles, Orange, San Diego, and the Bay Area the low projection of supply (i.e., projected active Bar members) exceed the high projected demand (i.e., Population/Industry Mixed Based Projection). In three regions, the Inland Empire and San Joaquin Valley, as well as the Residual Region, the number of projected active attorneys approximates the lower projected level of lawyer demand. The addition of inactive attorneys to the potential pool of attorneys available to practice in the region, in each of these cases, results in an even greater surplus of California Bar members even when compared to the high demand projection.

¹⁰ In the case of the Residual Region, the population-based projection is higher than the industry-based projection; i.e., the solid area represents the industry-based projection and the crosshatched area represents the population-based projection.

Figure 4.6
Projected (2015) California Bar Members (Active and Total) and Employed Lawyers, by Region



Note: The numbers accompanying this figure are in Table B.7.

In the Inland Empire, the San Joaquin Valley and the Residual Region, the projected California Bar members approximate projected employment; that is, supply and demand are expected to be in near equilibrium by 2015 in these regions, with a projected slight deficit of California Bar members in the Inland Empire and a slight excess of California Bar members in the Residual Region. The only regions where there is an apparent shortage are Santa Barbara and the Sacramento Valley. As discussed previously, the latter shortage is misleading because many California Bar members working for the state government appear to use permanent addresses that are outside of the Sacramento Valley. We suspect that for whatever reason California Bar members are disproportionately not providing their Santa Barbara addresses to the California Bar even though they live (and presumably work) in the Santa Barbara region. In 1998, there are about twice as many lawyers residing in Santa Barbara according to the CPS than are indicated by the California Bar membership rolls.

Discussion

This section presented an analysis of wages and hours worked over the past decade by attorneys and other professionals as a preface to long-term projections of number of California Bar members (an indicator of supply) and lawyer employment (an indicator of demand) in California in 2015. A mixed picture emerges. The wage analysis section shows that California may be in the early stages of a lawyer shortage as indicated by rising wages relative to other professions during the late 1990s. If we go back further in time, it is evident that the market for lawyers is very responsive to economic conditions—during periods of economic expansion, wages of lawyers and their hours worked rise faster than wages for all other professions. During less robust economic periods, the wages and the average number of hours worked per week of lawyers declined faster than those of the average professional worker. We conclude from the wage analysis that the labor market for attorneys is very responsive to changes in the economy and that fluctuations in wages and hours worked by attorneys, relative to other professions, are due to business cycle fluctuations. While there may be occasional short-term shortages, as indicated by rising wages, lawyers from in-state or out-of-state are filling these slots, thus adjusting to a new equilibrium.

The estimated and projected numbers of active (and inactive) California Bar members and lawyer employment are consistent with this conclusion. Statewide, in 1998, there appeared to be only a slight surplus of active California Bar members relative to the number of attorneys employed. If inactive attorneys are included in the pool of available law practitioners, the current surplus is much greater. Projections based on current trends indicate that a substantial surplus will be present in the future. At the regional level, there also appear to be varying degrees of surplus of active over employed attorneys both currently and in the future depending on whether active or total California Bar members are used and on the forecasting method employed. In two regions, Inland Empire and San Joaquin Valley, the projections indicate that the number of attorneys available to practice will be about equal to projected employment levels, given the caveats provided earlier.

The indication of a current and projected shortfall of active California Bar members relative to lawyer employment in two regions—the Sacramento Valley and Santa Barbara—is, we believe, an artifact of data limitations for two reasons. First, California Bar representatives have informed us that some California Bar members, particularly state government employees, have their annual dues sent to a permanent address that may be in a different county from where the California Bar member lives and works. Second, there is currently a substantially higher number of lawyers employed in both regions than the number currently residing there, according to the California Bar membership rolls. We doubt that these two regions will experience a shortfall of attorneys to the extent forecasted by our models. Rather, they highlight the data limitations we encounter in making the regional forecasts and the need to interpret other apparent shortages/surpluses carefully. Needless to say, these data limitations apply across region-specific forecasts.

Finally, it is important to note that uncertainty with respect to several factors may affect the accuracy of the results of the preceding forecasting exercise. These include general data limitations, regional distribution of lawyers, and state and local economic changes.

Data Limitations

To derive state- and region-specific estimates and forecasts of supply and demand for attorneys, we relied on two separate data sources, each with its own set of limitations. The employment figures were based on the CPS, a household survey, and, as such, there is less than a one-to-one correspondence between region (or state, for that matter) of the respondent's household and where the lawyer respondent works. Data for forecasting supply came from the California Bar Association. The regional breakdown of California Bar members is based on the address to which the California Bar member's annual membership dues statement is sent. In some cases, particularly those involving state government employees, California Bar members may choose to have their annual fee statement sent to a permanent address to avoid loss of mail. These limitations combined with the greater error inherent in small-area estimation and forecasting make the regional estimates and projections subject to greater error than the state forecast. The CPS is designed to provide accurate estimates at higher units of analysis than those of a particular profession at the state level, not to mention the regional level.

Regional Distribution

Regional forecasts are subject to potentially large errors for three other reasons as well. First, the regional forecasts assume that the current regional distribution of lawyers will not change between now and 2015. Potential shifts in the population distribution make this assumption unlikely. To the extent that regions with faster rates of population growth (e.g., Inland Empire) attract relatively more attorneys over this period, the projections of California Bar members in these regions are underestimated. Conversely, in regions with slower projected rates of population growth, the projected number of California Bar members may be overestimated. Two factors mitigate the potential impact of this problem. First, population is directly incorporated in both sets of employment projections—we do not apply the regional distribution based on 1998 data to the

employment projections. Second, the importance of location to practice may diminish given the growing scope of large firms and the ability of new information and communication technologies to complement in-person lawyer-client interactions (see Sections 5 and 6 below).

Economic Factors

The employment projections, in general, are subject to a larger range of error because of the potential occurrence of large unforeseeable economic changes than are the California Bar membership projections. Economic trends are difficult to predict. Possible inaccuracies stem from the inability to predict economic growth with certainty and from the sensitivity of legal employment to economic growth in changing future employment scenarios, such as changes in the relative attractiveness of other professions to lawyers at a given point in time. Moreover, environmental and international factors that shape the demand for lawyers (e.g., new policies or new forms of legal practice) can change.

Another potential limitation is that the demand for lawyers within industries may change over time. In particular, rapidly transforming industries such as biotechnology and the computer industry may have greater need for attorneys per employee in the future and such changes may be region specific. Interview data suggest this may be happening with respect to intellectual property lawyers in Silicon Valley. It is impossible for us to examine this hypothesis, much less incorporate it in our projections because of data limitations.

What may matter most for employment projections in the long run is change in the way that legal services are delivered. With improving networked technologies and the increasing size of law firms, legal services for large and medium-sized clients can be increasingly provided by attorneys outside of the region. Thus, the regional match between California Bar members and employment may become increasingly less important. On the other hand, individuals and small business clients will probably continue to seek legal services from lawyers within the region. What will remain important is that there be an overall match between the demand for attorneys in California and a supply of California Bar members willing to provide legal services and that this match be accompanied by the desired distribution of lawyers across industries and clients.

Section V

Survey of California's Top Quality Law Schools

Introduction

In evaluating the likely supply of and demand for lawyers in California in the coming decade, we rely on trend projections derived from existing labor and population data sources. But as our literature review indicates, we also need to consider how these trends might be affected by other factors, such as emerging high-technology specialty areas, growing international trade, public attitudes, and so on. For these kinds of insights we interviewed knowledgeable individuals in California's top law schools and firms, as well as experts in the legal field. In general, we rely on the survey results to identify special content issues in supply and demand trends and potential changes in the ways in which legal education and legal services will be provided in the coming decade. The findings help to interpret and qualify outcomes of the quantitative analyses discussed above.

The main questions addressed by the law school survey include the following: changes foreseeable in law student numbers, geographical origins, ethnicity and other demographics, and legal practice goals; changes in the delivery of legal education in terms of sites, class size, distance learning, clinical features, and joint programs with other disciplines and other kinds of changes in the law school environment, such as curriculum, types of faculty, and new or more concentrated specialties. We also inquired about expected changes in the demand for lawyers; changes in the way legal services will be delivered, such as reliance on more paraprofessionals, alternative dispute resolution (ADR), and Internet-based delivery; and other changes in the professional environment, such as the size of law firms, the employment of lawyers by corporations and consulting firms, and the meaning to legal education of economic globalization.

Procedures

In order to determine how the top ABA-approved law schools in California are planning to prepare for the legal landscape of the future, we selected 11 law schools according to several criteria. The criteria included the number of applicants, ratio of applicants to acceptances, proportion of acceptances that eventually enroll, the Bar passage rates of the school's 1997 graduating class, and measures of the quality of the student body, including LSAT scores and undergraduate GPA. The final sample of 11 "top quality" law schools met the following criteria: 1) they had at least 2,550 applicants for the incoming first-year class in 1997; 2) the admittance rate was below 50 percent; 3) the average undergraduate GPA in the bottom quarter of the 1997 incoming class was not lower than 2.75; 4) the average undergraduate GPA in the top quarter of the 1997 incoming class was not lower than 3.35; 5) the average LSAT score in the bottom quarter of the 1997 incoming class was not lower than 150; 6) the average LSAT score in the top quarter of the 1997 incoming class was not lower than 159; and 7) the Bar passage rate for graduates in 1997 was at least 80 percent (see Appendix C).

The use of these criteria resulted in a final sample of 11 law schools listed below (see Figure 5.1). The sample includes four public law schools and seven private schools.

Figure 5.1
11 Law Schools Surveyed

Hastings College of Law ¹ Loyola Law School Pepperdine University Santa Clara University Stanford University University of California Berkeley (Boalt Hall) University of California Davis (King Hall) University of California Los Angeles University of San Diego University of San Francisco University of Southern California
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For each of the 11 schools, we conducted interviews with the law school dean using a semi-structured interview protocol (see Appendix D). The interviews were done by telephone and on average took 45 minutes to complete. In all cases, the deans provided a wealth of information and insights about the current trends in legal education as well as the larger legal profession. However, it should be underscored that the sample is not random but instead is chosen to represent California's leading law schools; findings from the survey therefore do not generalize to the population of California law schools.

Findings

In what follows we report what we learned from these interviews about expectations for the future of legal education and the legal profession. For convenience, findings are organized to follow the order of questions in the survey protocol (see Appendix D). Although the responses we obtained were richly detailed and varied, what is most striking about them is their strong overall consistency along dimensions of greatest interest to this research. We therefore present the findings in summary form below, citing noteworthy differences in viewpoints when relevant.²

Applicant and Enrollment Trends

Respondents expect large increases in the numbers of future undergraduates due to the “baby boom echo,” and therefore, the potential law school applicant pool will presumably increase. But the actual number of applications is not expected to keep pace with growth in the population of students with undergraduate degrees because enrollments themselves are not expected to change substantially in the foreseeable future. Two reasons are given for these conclusions. First, the economy is good, so there are many positive alternatives to law school following an

¹ Hastings College of Law is affiliated with the University of California; it is not entirely under the control of the University of California Regents but rather has a separate governing body.

² All findings reported in this chapter reflect beliefs and judgments of those interviewed; we did not acquire secondary data from school records.

undergraduate degree (thus applications will increase at a slower rate than the population). Second, admissions will remain more or less stable because law schools are operating near or at capacity; they cannot readily increase enrollments without major adjustments that they are currently not contemplating. However, any increase in applicants could improve the quality of those admitted and ultimately enrolled.

Geographic Origin

With respect to geographic origin of applicants, there are some differences based on school affiliation. Public schools generally have out-of-state enrollments no higher than 25 percent; the proportion of in-state students actually enrolled in their classes ranges from 75 to 85 percent. Private schools vary more along this dimension. Smaller private schools enroll as many as 90 percent of their students from California, while the larger and more prestigious schools report that about 60 percent of their enrollees are from within the state. Both private and public schools indicate that a substantial proportion of their in-state students (about half or more) is from nearby regions. These geographic characteristics of enrollees are not expected to change substantially in the future.

Minority Enrollment

We also learned about differences between public and private schools with respect to their enrollment of minority students. The three University of California schools confirm that Proposition 209 has decreased their minority enrollments and will continue to keep minority representation down in the future (see University of California enrollment statistics cited in the literature review). In private schools, affirmative action programs persist and minority enrollments are either stable or, in many instances, increasing. According to the deans in almost all of the schools surveyed, representation across ethnic groups is shifting. Specifically, African American representation is disproportionately small and the numbers are declining. Latino representation exhibits similar trends in University of California schools; however, in private schools, Latino students are stable or increasing as a proportion of enrollments. Asian American students are growing as a proportion of enrollments in both private and public schools, although their representation is not yet proportional to the number of Asian Americans in the state population. In general, greater diversity is expected to characterize private but not public law schools in the coming years. Our interviews also inquired about other demographic trends. Among them, the stabilization of gender trends was most frequently mentioned. All schools reported that after two decades of growth, enrollment of women now represents half (or slightly more than half) of all enrollments; this proportion is not expected to change.

Areas of Specialization

Further, the interviews inquired about changes in desired areas of concentration or specialization on the part of enrolling students. Here we found quite consistent responses across types of schools. Not surprisingly, they mirrored expected changes in demand for lawyers practicing in particular specialty areas. One dean pointed out that ideally law schools themselves are predicting the landscape of the legal profession five years into the future and planning accordingly. Figure 5.2 below summarizes these findings. Specialization is increasing in law

firms, according to respondents. This is reflected in increasingly specialized, often interdisciplinary, programs or courses within schools (see Section 6 for similar, although slightly varying judgments made by law firm representatives).

Figure 5.2
Judged Changes in Importance of Areas of Specialization

<i>Specialties on the Rise:</i>
<ul style="list-style-type: none"> ➤ Intellectual Property ➤ Cyber Law ➤ International Law ➤ Alternative Dispute Resolution ➤ Health Care ➤ Business Law ➤ Estate Planning
<i>Specialties in Decline:</i>
<ul style="list-style-type: none"> ➤ Environmental Law ➤ Bankruptcy ➤ Personal Injury

Briefly, practice domains that are showing the greatest growth include intellectual property (patent law, copyright law, and applications of these in biotechnology, pharmaceuticals, and other high technology fields), cyberlaw (and, more generally, relationships between law and information and communications technologies), international law, health care, and alternative dispute resolution. Business law, a staple (including taxation, transactions, commercial litigation, antitrust, and so on) will continue to grow steadily. Further, all aspects of estate planning as well as legal services for older adults should attract growing interest in the future as the baby boom cohort ages. In contrast, environmental law—which grew in demand in the early 1990s—has markedly declined in recent years. Bankruptcy law and personal injury law also appear to be trending downward.

Because interview questions about changes in importance of areas of specialization were open ended, we cannot assess the correlation between judgments made by educators and those provided by law firm representatives (see Section 6). However, except for some divergence of opinion about particular subareas within environmental law, their viewpoints are highly congruent. They also corroborate the main themes emerging from our literature review (see Section 2) about changes in the salience of different specialization areas nationally.

Changing Approaches to Legal Education

To obtain a more fine-grained picture of influences on the future supply of lawyers from California’s top law schools, we asked about potential changes in approach to legal education that might increase or decrease the number of students they could accommodate. For example, moving away from large lecture classes to small group courses would be likely to reduce the total number of enrollees a school could serve. On the other hand, introduction of part-time or

evening course options or adoption of distance learning technologies could expand enrollment capacities. Interviewees' responses are summarized below.

All schools have introduced smaller courses that make use of clinical style teaching methods. Small courses, in turn, restrict options for increasing enrollments. They are expensive to provide, however, so they are typically confined to certain curriculum areas in most schools. They may entail real onsite work with clients or, where such arrangements are not feasible, may rely on simulation techniques. The cost of small courses makes this trend a self-limiting one.

Part-time enrollments and evening courses are options made available in only four of the schools in the sample—all of them private schools; the remainder of those surveyed had no plans to introduce such programs in the future. Where they are available, these options are seen as affording avenues for economically disadvantaged students to pursue careers in law. No schools reported plans to open off-campus sites.

Both public and private law schools report that many joint programs are currently being conducted with other schools and departments (e.g., joint JD/MPA degrees, joint social science and law degrees, and even engineering and law). International exchange programs are being introduced as well, because of the growing interest in international law. In addition, varied interdisciplinary courses (e.g., health law) are being offered within schools. A more innovative joint effort is reflected in a shared UCLA and UC-Berkeley class on Native American Law. Respondents concur that increasing specialization of practice can only boost trends toward joint and interdisciplinary courses and programs in the future.

On the other hand, the future for distance learning in legal education is less clear. Many respondents said that Concord—the entirely virtual law school in Los Angeles—would not be the wave of the future. Equally many, however, cited the UCLA-Berkeley course on Native American Law, delivered by videoconferencing, as a precedent-setting success in the use of technology. It is likely that there will be a role for interactive networked technologies in the future delivery of at least some parts of the law school curriculum, but views are divided about its nature and scope. Uncertainties turn, in part, on doubts about ABA accreditation for such network-based courses and, in part, on ambivalence about the effectiveness of the medium, especially for conveying the less tangible aspects of legal education, such as ethics and norms, rational inquiry, and deliberative style.

At present, all schools are relying on Web- and Internet-based tools to aid and enhance traditional teaching and learning. The uses mentioned include access to online resources for conducting research; distribution of course materials electronically; synchronous or asynchronous discussion groups; Internet-based techniques for cross-site team teaching or collaborative learning; and smart classrooms (where note-taking is done on laptops rather than on paper). Such educational uses will expand in the near future quite independently of the fate of distance learning as a course delivery method.

Other Changes in the Law School Environment

To keep pace with new and increasingly complex specialty areas, many respondents mentioned changes in types of faculty members hired. Nearly all schools are attempting to create a more interdisciplinary faculty by hiring members without law degrees but with strong scholarly research skills in relevant fields (e.g., from the behavioral sciences) as well as making more joint appointments. Besides these main trends, our interviews additionally shed light on the following changing hiring patterns in one or more schools: greater reliance on practicing lawyers as adjunct professors to teach some highly specialized courses (e.g., cyberlaw); more lateral hiring; and—among older more stable faculties—the hiring of very recent graduates as a way to increase faculty diversity. In addition to new types of faculty, many schools also mentioned the introduction of new journals, while other schools reported that they already published eight or nine journals. The proliferation of journals is attributed to the proliferation of specialties, the need to provide more publication vehicles for students, or both.

Finally, many schools reported a greater emphasis on ethics, social justice, pro bono work, and public interest law. In part, these changes represent a response to widely reported disaffection with the legal profession on the part of insiders as well as the public (e.g., Hensler and Reddy, 1994). Interviewees report that students are keenly interested in taking advantage of such efforts and that many would like to pursue public interest law careers. On the other hand, positions in public law are very poorly paid and there are few mechanisms in place (e.g., loan forgiveness programs) to counteract that disincentive. Further, the competition for good positions in this field is fierce. So few students, in fact, elect to concentrate on public law. Thus some interviewees concluded that law schools' greater emphasis on the public interest was more a publicity trend than a trend in fact.

Future Convergence or Divergence Among Schools?

To close the discussion of future trends in legal education, our interview asked whether ABA-approved law schools on the whole will be moving in similar directions or whether they would be likely to take significantly different steps in the future. By and large, the law schools in our sample expect they will converge on a generally similar path forward. Innovation and diversity in future plans are constrained in part by ABA accreditation policies and in part by published results of annual national rankings (*U.S. News and World Report* rankings were especially singled out).

Resources also impose constraints on the future course law schools will take. Larger and wealthier schools can be expected to offer a greater range of specialties, recruiting students from a broader geographic base and dispersing them more broadly after graduation. Smaller schools will have to offer a reduced set of specialties and may retain a more regional emphasis as well. However, the future vision presents much more in the way of similarities than differences for legal education.

Future Demand for Practicing Lawyers

In addition to inquiring about legal education and related variables that could affect the future supply of lawyers, our interview also asked about the future demand for lawyers and potential influences on demand. The consensus is that the level of demand for lawyers will stay relatively constant or increase somewhat in the coming decade. This expectation is predicated on the assumptions that, other things being equal, growth in population should increase demand; and increasing complexity in the business and regulatory environment should increase demand. If the economy continues to expand, this too could cause demand to increase; on the other hand, an economic downturn would be likely to decrease demand.

Both public and private schools reported that students who graduate from California law schools choose—in the vast majority of cases—to remain in California to practice. And they generally tend to head for the state’s larger cities. On the other hand, it is unclear whether students seek jobs in cities within regions near the schools from which they graduate. These geographic preferences appear to characterize even the graduates who initially came from undergraduate schools outside the state. Besides California’s climate and the health of its economy, respondents cited the state’s growing market for high-technology lawyers and other specialties as an influence. As a corollary, however, respondents predicted a continuing shortage of lawyers in small and rural towns in California.

We also inquired specifically about expected levels of demand for lawyers of color in the future. Respondents indicated that most large law firms have policies that promote diversity in hiring; as a result, in the large-firm market, demand for lawyers of color far outstrips the current supply and will continue to do so in the future. Further, if minority individuals who need legal representation prefer lawyers of color, then their preferences are not likely to be met. In general, economically disadvantaged individuals from all ethnic groups cannot afford legal representation, so their wants do not comprise demand in the economic sense defined in this report. As a side note, several respondents pointed out that graduates from lower socioeconomic strata are most likely to have incurred significant student debt and therefore are least likely to be able to accept low-paying public law positions (although, other things equal, they would like to serve their communities). Consequently, given present trends, respondents expect that today’s underserved constituencies will continue to face a shortage of affordable legal services in the future—independently of whether there is an increasing supply of lawyers from minority or economically disadvantaged backgrounds.

Finally, anticipated changes in demand for lawyers in particular specialty areas—as noted above—have driven the kinds of changes in specialized educational offerings discussed earlier (see also Figure 5.2). Additionally, interviewees report an increasing demand for lawyers with bilingual skills (especially within international business, trade or immigration law specialties). They also call attention to marked regional differences in demand for different specializations. There is much stronger demand for entertainment law in southern California, while in the far north (and beyond, in Oregon) the demand for environmental law remains robust despite its decline elsewhere. In and around Silicon Valley, not surprisingly, intellectual property law is

growing rapidly in importance; at least in the near future, the demand there is expected to continue to outrun the supply of qualified lawyers, as our literature review suggested.

Changing Approaches to Delivery of Legal Services

Our interview next asked about future changes in the ways that the demand for legal services will be met. The majority of interviewees predicted, first, an increasing reliance on paralegal staff; routine work is likely to be transferred from higher- to lower-paid employees of law firms in order to reduce billing rates to clients. Further, other professionals or paraprofessionals (e.g., scientists and technicians) are likely to become increasingly involved as advisors, especially in legal matters involving advanced technology. Increasing reliance on alternative dispute resolution (ADR) was also anticipated by a majority of respondents—in part because some judges are mandating it, and in part because many client firms are requiring it (to avoid the delays and associated costs of litigation). ADR techniques, respondents underscored, are practiced by both lawyers and non-lawyers. Some interviewees pointed out, however, that both this and the previously cited trend have been predicted before and have not yet materialized in ways that had a major impact on the profession.

A third focus of inquiry had to do with the future delivery of legal services via the Web and the Internet. Here, responses mirrored in general ways the expectations surfaced for distance learning. The availability of easy-to-understand, free, online legal forms has already enabled this trend, which should grow in the future; the same holds for online legal self-help manuals. Such delivery mechanisms are not expected to replace services presently being delivered by lawyers; rather, they are viewed as alternatives for people of modest means whose legal service needs would otherwise go unmet. Web- and Internet-based exchange is also expected to complement more traditional lawyer-client interactions. There is already considerable electronic contact between lawyers and their clients (both firms and individuals), and this trend will only grow. On the other hand, there is considerable skepticism about the potential for completely virtual law firms—firms in which lawyer-client interactions are initiated and completed entirely via the network.

Other Changes in the Professional Environment

Besides changes in how legal services will be delivered, respondents envisioned changes in the types of work settings within which lawyers might provide them. For instance, respondents predicted continuing increases in in-house counsel positions—firms are growing their in-house staffs, and lawyers are increasingly inclined to accept these roles because of the less demanding workloads they impose. By far the most dramatic foreseeable change, however, is the emergence of multidisciplinary practices (MDPs) that deliver legal services along with a range of other business and financial services to clients. Client demand on the one hand and competition on the other are pushing the development of such full-service firms. Currently many lawyers have ethical and professional responsibility concerns associated with MDPs; they fear potential compromises to lawyers' independence and objectivity. Despite their concerns, most

respondents acknowledge that MDPs are in fact coming, and they thus predict a major shift of lawyers into MDPs in the next decade.

Significant changes are also foreseen in the size and structure of law firms themselves. Specifically, a bifurcated growth trend is anticipated: at one extreme there will be more mergers between law firms as well as between law firms and accounting firms to create what several respondents called megafirms, for firms of unprecedented size with multiple sites and national or even international practices. At the other extreme there will be more small boutique or specialty niche firms that respond to client needs for legal services that embody complex technical knowledge in a particular domain. Some interviewees thought the first trend might actually feed the second—that is, the stressful quality of life in very large firms, combined with the loss of personal relationships to clients, might mean that lawyers would remain in such environments for only a few years before joining a smaller organization. In addition to these kinds of firms, respondents noted, a great deal of work for individual clients will continue to be done by solo or small practices. While seemingly invisible compared to the megafirms, such practices will remain sizeable in number.

In addition to changes in firm sizes and types, interviewees also expect a great deal of mobility on the part of employees. New graduates do not plan to stay long with the firm they first join after graduation. Rather, they choose a firm—often a large firm—which will provide the experience base they seek, with the intent of leaving within the next one to three years. Additionally, lateral moves are increasing, even on the part of senior employees. Already under way, this trend is predicted to continue and grow in the future. Other sorts of changes in the professional environment mentioned by respondents include more flexible work arrangements in the future—largely through the use of information and communication technologies (often termed telecommuting) to enable some work to be done at home (reducing commuting stress and helping to meet the needs of women who are combining legal careers with parenting). Respondents also suggested that increasing firm-to-firm mobility, together with continued technical advance in specialty areas, should require greater investments in continuing education for lawyers in the future.

Our inquiry about whether the trends outlined above would result in major changes in the professional landscape for lawyers in the next decade yielded mixed responses. The uncertainties appear to turn on: 1) the future course of MDPs; 2) the sustainability of megasized multisite firms; and 3) the role information and communication technologies in the conduct of legal work within firms, across firms, and between firms and clients.

We closed our interview by asking respondents what influences they thought would have the most profound impact on outcomes for either the legal profession or legal education in the next 10 years. Top candidates were, broadly speaking, advanced uses of information and communication technology on the one hand and consolidation and economic globalization trends on the other. Taken together, these trends could lead to an unprecedented restructuring of both the profession and the educational path to it.

Section VI

Survey of Law Firms

Introduction

In the preceding chapter, we report findings from interviews with representatives of California's top ABA-approved law schools. They provide a well-informed perspective on California's future lawyers from the supply side. To obtain insights into the future of the legal workforce in California from the demand side, we gathered interview data from representatives of a range of California law offices¹ to satisfy the fourth major objective of the study.

The law firm interview was designed to incorporate a subset of the issues addressed in law school interviews (see the interview protocols, Appendix D). Questions focused on changes in overall level of demand for lawyers in the coming decade as well as narrower kinds of changes based on geographic location, ethnicity, and area of specialization. Firm interviews also inquired about expected changes in legal service delivery, work settings, office size, and patterns of practice. Finally, the interview asked firm representatives to speculate about the most important influences on the nature of legal education or the legal profession that would emerge in the next 10 years. Below we first outline the procedures used to survey a sample of firms and then discuss the findings.

Procedures

Generating the sample of law firms was more complicated than the corresponding process for the law schools. We aimed for a sample that would capture several aspects of the legal profession, including approximately 10 large firms that are in urban areas (mostly Los Angeles and San Francisco), plus another 20 firms that represented small and mid-sized practices throughout the state.

Selection criteria for drawing the sample of large firms differed from the others for two main reasons: most large firms are located in urban counties only, and in a very restricted set of cities within them; and many of these firms have multiple sites, not all within California. We chose them first by referring to American Law's top 100 U.S. firms for 1999 (based on revenues) and identifying California offices. We then consulted a 1999 American Law survey of in-house counsel for high-technology firms that inquired about the law firms on which they have relied in recent years for work in various specialty areas. The initial sample included all the firms that were on both lists. In terms of total number of employees, all are well above the cutoff for large firms.² Although we do not know the size of the average office or branch of these firms, they are all well suited to respond to questions about future demand—and changes in demand—for legal services in California.

¹ It is important to note that many of these firms, particularly the large ones, have multiple offices either within the state or nationwide, as explained in Section 3.

² Large firms, as defined in Section 3 above, are those that employ 51 or more lawyers (see Figure 3.9).

Because we lacked comparable methods for identifying appropriate small and mid-sized firms and spokespersons to be surveyed, we relied instead on nomination techniques (snowball sampling). That is, at the end of the interviews, we asked all law school deans and all representatives of large firms to suggest firms in the small to medium-size range that would be able to address the issues of interest to this study; we also sought the names of specific contact persons within these firms.

Survey Strategies

In all cases, initial contacts were made by fax, which included a letter written by the director of RAND's Institute for Civil Justice describing the study and urging participation. We then followed up with phone calls to request a short telephone interview (approximately 30 minutes) with someone in the firm qualified to address the issues raised in the survey. For large firms, it was helpful but not necessary to have the name of a contact person and a referral. The first 11 large firms we telephoned yielded the targeted sample of nine interviews.

We then turned our attention to smaller firms, where it proved very difficult to secure any participation at all without having a specific contact person and a known referral. While the snowball approach eventually enabled us to interview the targeted number of small to mid-sized firms within the time frame of the study, it did not produce the desired geographic distribution. That is, law school deans and large-firm representatives were overwhelmingly likely to be familiar with smaller firms and individuals practicing in urban rather than in rural areas.

Table 6.1
Sample of Surveyed Law Firms

	Number in Category	Mean Size
Urban		
Large (51+)	9	397.6
Mid-Sized (10-50)	11	24.8
Small (1-9)	11	5.3
Other		
All Firm Sizes	7	3.1
Total	38	-

As shown in Table 6.1, the obtained sample includes a total of 38 firms; they comprise 9 large urban firms, 11 mid-sized urban firms, 11 small urban firms, and 7 nonurban firms of varying size (the majority were small or solo firms). Overall, while the findings should only be generalized to urban law offices, the high degree of consistency among responses from firms of varying sizes from the north to the south of the state lends confidence in the results.

Findings

Below we report what we learned from law firm interviews, organizing the findings along the lines of the interview protocol (see Appendix D). It should be noted that all subsequent material in this section comes from firm interviews; we did not gather independent data from firm records.

Future Demand for Practicing Lawyers

One of the major foci of the survey of currently practicing lawyers was the future level of demand for lawyers in California. Somewhat surprisingly, respondents were quite mixed on the question of whether and in what ways the overall demand for lawyers would increase in the next decade or so. While the majority of small and mid-sized firms predicted no major changes in demand, a vast majority of large firms felt strongly that demand would increase. Not a single respondent expected demand to decrease. Several respondents believed there would be increases in demand due solely to increases in the California population, while others expected both increases and decreases within specializations without reference to overall changes.

The responses of large firm respondents conflict somewhat with the general expectations of law school deans; as noted in the previous section, the consensus among the deans was that the level of demand would remain relatively constant or possibly increase, but not to a dramatic extent. One possible explanation for this finding relates to the hiring practices of large, prestigious urban firms. Many of the respondents in this group were managing partners who are directly involved in recruiting and hiring activities. They explained that they only consider graduates of two or three California law schools and otherwise recruit nationally. They claimed that while demand for lawyers in general may not be increasing substantially, their firms are experiencing a tremendous need for the most highly qualified new graduates, especially in the most popular areas of specialization.

Consistent with the results of the law school surveys, a substantial majority of the firm respondents indicated that graduates of California law schools would remain within the state to practice. As with the deans, few firm respondents were able to indicate which regions of the state are most likely to attract large numbers of new graduates. Rather, a few large firm respondents pointed to Silicon Valley, the San Francisco Bay Area and San Diego as hot spots, with demand moderating in Los Angeles.

When asked about future demand for lawyers of color, the lawyers' responses were mixed. While many of the small and mid-sized firm respondents expect increasing demand for lawyers of color, the majority of large firm respondents emphasized the present-day importance of diversity and the difficulties of attaining a demographically balanced firm. Further, while only one large firm respondent asserted that color was not relevant, one-half of the small firm respondents claimed it was not an important factor in their hiring.

In contrast, virtually all respondents felt that a gender balance had been achieved in the legal profession and that it was no longer a significant factor in supply and demand. However, several individuals expressed concerns over the difficulties women encounter in trying to balance a legal career and family life, given that they are still often the primary caretakers of children.

Areas of Specialization

Expected changes in demand are tightly linked to the rise and fall of particular specialties within the profession. Aside from assessments of demand for specific specialties, many respondents also described a strong but general trend towards specialization, as clients are increasingly demanding substantive expertise on the part of law firms. One respondent explained that clients feel that if they are going to spend the money in the first place, they would rather spend a little more and get an expert in the substantive domain. This is consistent with results from the Hensler and Reddy report (1994), which reported that most California lawyers expected legal practice to become more specialized in the future. The issue of specialization tends to take center stage in many of the questions we asked, as seen in the results presented in the rest of this section.

Regardless of firm size, respondents overwhelmingly pointed to intellectual property, cyber-law, and anything related to technology as areas in which demand for lawyers is booming. Many representatives of large firms claimed that they cannot hire enough qualified individuals to do the work they already have, forcing current employees to work even harder and longer hours. Further, they do not predict an impending solution to this problem. This continuing trend of great demand for lawyers with expertise in high technology areas was also indicated by the results of both the literature review and the law school surveys.

The only other area in which a subset of respondents indicated increasing demand was environmental law, although this was only mentioned by small and mid-sized offices. While both law school representatives (see Section 6) and firm representatives generally believe that demand for environmental law has stabilized, there are specific subtopics in this domain that some firms expect to raise new and potentially growing challenges. These include the move from clean-up cases to prevention, issues associated with deregulation of utilities, and many questions about legal responsibilities for environmental issues that arise from the devolution of federal powers to the states on the one hand and the internationalization of environmental problems on the other.

Changing Approaches to the Delivery of Legal Services

The law school deans' expectations for the nature of legal service delivery in the coming decade for the most part parallel the current operating procedures of law firms, especially large firms. For example, many respondents from large firms said that they are already heavily reliant on paralegals because they are capable of doing many legal tasks with the aid of online information technology while being more economical for the firm. Paralegals are expected to become even more important in the future, as technology has increased expectations for speed and efficiency and firms attempt to compete. Therefore, demand for paralegals is expected to be particularly strong in large, high-tech firms. Finally, even small and mid-sized firms expect an increasing demand for paralegals, even though many of them are too small to employ them. These findings are consistent with results from our literature review, and with the Hensler and Reddy report (1994) in particular. In their survey of California Bar members, most respondents expected that non-lawyers would increasingly provide many legal services and that technology would improve productivity as well as the quality of the legal product.

Virtually all respondents agreed that ADR will play an increasingly prominent role in the profession. Many explained that the courts are increasingly mandating ADR, while many clients prefer it because it is faster and more cost effective. In addition, several lawyers commented that clients also prefer ADR because they are either fed up with the courts or “they are scared to death of lawyers.” Not surprisingly, all but one of the small firms reported increasing reliance on ADR, and a majority of mid-sized and large firms agreed. It is important to note that ADR is practiced by both lawyers and non-lawyers, therefore it is not immediately clear what effect this increasing reliance on ADR will have on the demand for lawyers in the future.

Overall, most respondents’ views on the role of the Internet in legal practice were more complex. While most acknowledged that it would be unwise not to take full advantage of the capabilities for efficiency that the Internet provides, they are skeptical about the scope of its use. For example, while nearly all use e-mail to keep in contact with clients, rely on the Internet for legal research, and do advertisement through their own Web sites, few feel that virtual delivery of legal services will take hold in the future. Many, especially those in small firms, voice concerns over confidentiality and the need for personal contact and relationships with their clients. Several respondents noted the existence of web sites such as Nolo Press’s which have extensive online legal resources; these are expected to be popular and useful providers of information. But these virtual services will not replace existing legal services to any significant degree, so respondents do not expect the use of these resources to decrease the demand for lawyers at all. Overall, the Internet is expected to be a vital delivery vehicle, not a substitute for legal services. Again, these views are remarkably consistent with those of the law school deans.

Changes in the Professional Environment for Lawyers

Respondents also predicted substantial shifts in the structure of the legal profession, both in the settings in which lawyers work and in the types of firms that will prosper in the coming decade. Likely the most dramatic impact on the profession will be caused by the emergence of multidisciplinary practices, which are bound to result in a major change in the work settings of lawyers. Many believe that clients desire the type of one-stop shopping that MDPs will be able to offer, combining general business consulting with legal advice and service all in one firm. The most likely participants in the MDP movement are those commonly referred to as “The Big Five” accounting or business consulting firms. Given the already incredible size of these firms (e.g., Arthur Andersen alone employs more than 30,000 people in the United States.) and the sheer number of clients they serve, they will have to hire large numbers of lawyers to develop into full legal service firms. The other, more likely alternative is that already large law firms will merge with one of these consulting firms. Regardless, there will be a major change in the professional environment for lawyers. Interestingly, in 1994 California lawyers were much more divided about the likelihood of MDPs revolutionizing their profession. Only 29% agreed that lawyers would “increasingly form practices with members of other professions, such as accounting or consulting firms, in the form of multidisciplinary practices” (Hensler and Reddy, 1994).

A substantial number of respondents expect the proportion of lawyers taking in-house counsel positions to increase, based on both the desirability of these positions and the increasing role that business is playing in the legal profession. Many respondents also expect the numbers in private

firms to increase, which may be linked to several other trends expected in the future. The first is the MDP movement described above, which would require larger numbers of lawyers in private firms, be they consulting or large law firms trying to compete with the new MDPs. Further, a large majority of respondents expect already large law firms to grow even larger, expanding into multisite or multinational megafirms. All of these trends would contribute to an increasing proportion of lawyers employed in some sort of private firm.

Despite this trend towards large firms, just as many respondents expect small specialty or boutique firms either to remain popular or become even more so, based on increasing client demand for expertise. These results mirror almost identically the expectations of the law school deans, who anticipate a bifurcated growth trend including small specialty firms at one end and the large megafirms previously described on the other. Further, the firm respondents also expect increasing mobility across work settings, as mid-sized and general-practice firms get squeezed out, forcing lawyers to one or other of the extremes described above. An additional influence on mobility patterns, mostly from large prestigious firms to smaller specialty firms, is the poor quality of life in large firms as described by many respondents. Mobility also results from what firm respondents refer to as declining loyalty on the part of employees; these days, new hires do not take a job expecting to make partner after a few years and then stay until retirement. In the first place, it has become increasingly difficult to make partner, and secondly, given the strength of the economy, there are many other opportunities available for lawyers. Again, these are trends well described by the law school deans in the prior section.

Inactive Lawyers

Based on our analysis of data from the state Bar, it appears as if an increasingly large proportion of Bar members are becoming inactive over time. We explained the issue to the firm respondents and asked if they could offer any reasons why this might be the case. Overall, there was quite a bit of agreement among respondents, with their answers focusing primarily on two points: disillusionment with the profession and attractive employment opportunities outside of the legal profession. Nearly all of the respondents pointed to disillusionment with the profession, including long hours, lack of family time, poor quality of life and burnout as a primary reason for the increasing proportion of inactive lawyers in California. Many noted that for the most part, law students have no idea what they are getting themselves into when they enter the profession. It is not uncommon for individuals to complete law school, pass the Bar, get a job, and then realize they hate being lawyers. Secondly, the existence of many other job opportunities for lawyers, based in part on the strength of the economy, has allowed many lawyers to become very successful in other fields. Respondents also explained that because lawyers have been trained to be good thinkers and problem-solvers, there are in great demand in other industries, especially business.

Large Enough Future Supply?

We asked firm respondents whether they believed that there would be a large enough supply of graduates from ABA-approved law schools in California to meet the future needs of the profession. Only one said no. The vast majority claimed that the future supply would be more than adequate, with many arguing that there are already too many lawyers in California. One respondent additionally explained that historically when there is increasing demand for lawyers,

students begin flooding into law schools. The one firm respondent who believed there would probably not be enough lawyers cited increasing globalization and economic restructuring abroad as the major factors increasing demand. Specifically, he expects that as countries like Japan restructure economically, there will be great demand for American lawyers, who are often considered some of the best-trained worldwide; and California lawyers would be well-positioned to meet the emerging needs of Pacific Rim businesses for legal services. However, aside from these points there was little disagreement about future adequacy of supply. In the opinions of currently practicing lawyers, it seems that there will be a more than adequate supply of lawyers to meet California's needs over the next decade.

Most Important Influences

As with the law school deans, we closed the interviews by asking firm representatives what they thought would be the strongest influences on the future of either legal education or the legal profession. By far the most common answer was technology in general and the Internet in particular. Respondents explain that technology has revolutionized the way things are done, and heightened expectations for the efficiency as well as the complexity of service work products. In addition, many also pointed to the increasing competition within the legal profession as well as from outside businesses, which have increased pressure to reduce costs and still do quality work. In general, many feel that the legal profession is becoming much more like a business than it was in the past.

Section VII

Expert Interviews: Balancing Supply And Demand

Introduction

We undertook the research reported here realizing that quantitative methods for profiling California's lawyers today and projecting future labor market conditions for the profession were likely to leave a number of important questions unresolved. We sought to supplement those analyses with interview data providing interpretive insights about both supply and demand trends. We also reserved time at the end of the study to solicit deliberation and comment on still-outstanding issues from a small number of experts in selected fields.

As the appended protocol suggests (see Appendix D), expert interviews were largely unstructured. The protocol was intended chiefly to stimulate reflection on major themes involved in balancing expected future supply and demand trends. The resulting material complements information generated by other quantitative and qualitative methods, contributing to the study's overall goal (see Section 1).

Procedures

A number of approaches were taken to converge on a small set of experts to interview. Some were identified in the course of the literature review as authors of relevant and noteworthy articles; others were chosen by virtue of holding an office, position, or role of recognized significance to this research; and still others were suggested by previous interviewees.

These procedures yielded 10 experts, most of whom satisfied at least two of the selection techniques outlined. Among them, about half have law schools as their primary affiliations; however, these individuals typically also engage in the practice of law or provide consulting services. The remainder are chiefly associated with nonacademic organizations, including traditional law firms as well as a major business consulting firm, a high-technology company and a nonprofit organization; but they typically also hold—or have held—either adjunct or regular professor positions in law schools. Collectively, the group of 10 comprised male and female interviewees from both white and ethnic minority (black, Latino) backgrounds.

In all cases, initial contacts with potential interviewees were made either by telephone or in person to explain the purpose of the study and the nature of the interview, as well as to arrange a time to conduct it. The interviews ranged in duration from about 20 minutes to an hour, depending on the extensiveness of interviewees' comments.

While the interview protocol guided these discussions toward major supply-and-demand themes that had been identified as worthy of further pursuit, respondents were not asked to limit their comments to these topics. Rather they were encouraged to range freely in their remarks.

Findings

What follows is an account of information gained through expert interviews, organized along the lines of the interview protocol. All findings reflect interviewees' judgments; we did not acquire any independent record data from them.

Supply Considerations

As is evident from the contemporary profile (Section 3) and the literature review (Section 2), most law school graduates eventually pass the Bar examination and a very high proportion of graduates from California's top law schools pass it on the first try. Yet a nonnegligible and growing proportion subsequently become inactive Bar members, meaning that they cannot practice as lawyers. This subset of Bar-certified attorneys present a challenge for understanding both present and future supply trends. Below we summarize experts' responses to this challenge.

First, all interviewees agreed that inactive Bar members in fact constitute a key piece of the supply-side puzzle about which definitive data are lacking. It is likely that there is still some oversupply of lawyers, of which this reserve pool is, in part, a manifestation. On the other hand, there are probably multiple interacting factors underlying the persistence of this trend, rather than a single explanation.

Disaffection with the Profession

Disaffection with the profession was probably a significant part of the explanation in the early and middle 1990s, when the economic downturn sharply reduced law firm revenues and resulted in major layoffs. These problems have by now been alleviated to a great extent, although two sources of dissatisfaction remain. Presently, there is intense competition for jobs in visible high-prestige firms known for offering six-figure starting salaries. But very few law school graduates enter such positions; so, in many cases, career expectations—albeit unrealistic and unfounded—are disappointed. Such individuals may well leave the practice of law for other fields.

Additionally, there is probably some level of dissatisfaction associated with the quality of working life in very large firms, for at least some of those who enter these prestigious settings. However, in perhaps a majority of cases, the earnings that go with such positions appear to be rewarding enough to overcome the disadvantages that accompany life in a large firm. One interviewee noted that in the 1950s it was solo practitioners who were unhappy with the profession, commenting that the popularity of different practice settings might in part reflect general social expectations and perceptions that can vary over time.

Diversification of Career Opportunities

Diversification of career opportunities outside of the traditional practice of law is now probably at least as strong a factor as disaffection—if not stronger—in explaining inactive status. Although historically the oversupply of lawyers in the early 1990s pushed Bar-certified attorneys out of traditional practice, by now other fields constitute a positive attraction pulling them away

from law. As one interviewee put it, lawyers discovered they could go elsewhere and do very well, and they enjoyed it.

This trend is particularly evident in regions of California where high-technology startup firms and new venture capital firms are proliferating. While the quality of working life in such firms is perceived as at least as stressful and intense as in most high-prestige law firms, the rewards for success (e.g., from stock options) are seen as potentially greater.

Other Factors?

A third part of the inactive puzzle might be explained by the early retirement of lawyers who fared extremely well during the late 1980s boom years. On the one hand, profile data indicate that lawyers generally retire comparatively late in life. On the other hand, anecdotal evidence suggests that earlier cohorts of principals in major firms would not have relished a lean, downsized high-stress environment. Such individuals may have had both the means and the motivation to retire early as the economy took a down turn.

Interviews also suggested ways in which women, who now constitute about half of the graduating classes of lawyers, may account for still another part of the inactive population. Large law firms, according to interviewees, typically have excellent health benefits and generous maternity leaves, which would make them initially more attractive to women than solo or small firm practice. However, over the long term, other businesses (e.g., entrepreneurial or managerial roles in startup firms or staff positions in government agencies or nongovernmental organizations) may offer careers more readily combinable with family life. Most such jobs would not require retaining active status.

Finally, increasing numbers of young lawyers are seeking international experience. It is doubtful whether this shift in career direction has been sizable enough as yet to exert a noticeable influence the proportion of California inactives, but it might be a trend to monitor for the future.

Among the several factors summarized above as possible influences on the supply of practicing lawyers in California, it should be noted that most are in principle reversible. That is, greater numbers of openings in high-prestige firms, increased wages, improved quality of working life, and combinations of these could draw a substantial proportion of inactive lawyers back into practice.

Demand Considerations

On the demand side, our research surfaced several factors that might affect the future market for lawyers, such as the growth of ADR, the emergence of MDPs, and the roles that pervasive new information and communication technologies might play in legal service delivery in the coming decade. However, their expected overall effect on demand was unclear. We therefore asked expert interviewees to comment on each of these factors in relation to the future demand for lawyers.

Alternative Dispute Resolution

The demand for ADR began in relation to domestic disputes but has expanded far beyond that domain. Now it is written into contracts with clients, mandated by courts, and in other ways becoming a standard component in the repertoire of legal services. The demand is driven by the desire to avoid delays and costs associated with litigation.

However, ADR is largely controlled by and done by lawyers, which is probably why law schools have so fully embraced it in their curricula. For this reason, ADR is not expected to affect the overall demand for lawyers in noticeable ways, although it could reduce the demand for litigators. As an aside, two interviewees noted that the kinds of skills promoted by ADR curricula in law schools (objective problem-solving, negotiating, advising) might help explain why lawyers are increasingly in demand in varied other business fields.

But a downside to the growing popularity of ADR, according to one interviewee, is that such informal dispute resolution processes work to the advantage of those higher in power or prestige; poor or underrepresented groups usually have less voice. So they tend to be better served by formal due process when public interest lawyers are available to them. As this interviewee noted, however, public interest lawyers are in comparatively short supply.

Multidisciplinary Practices

Expert interviewees generally regard the trend toward MDPs as one that will grow in importance, driven by business consulting firms and/or modeled after them. But it was viewed as unlikely that the growth of MDPs would affect overall demand for lawyers; more probably, it will instead redistribute them over different types of work settings.

According to some interviewees, the increasing role for MDPs is linked to the needs of large business clients—and especially to the needs of international clients—for global availability and consistency of all types of business services, including legal services. In some countries, the Big Five business-consulting firms are already able to offer legal services; and they expect to do so soon in the United States.

Effects of expanded roles are nevertheless expected to be felt at the level of the firm. That is, MDPs will be competing with large law firms for the same business clients. Expert interviewees believe that large law firms will survive such competition (in some cases via national or international mergers), as will small, high-quality specialized (“boutique”) firms. Mid-sized general-practice firms, however, may increasingly be squeezed out of the market.

One interviewee raised the possibility that the rise of MDPs and legal megafirms might eventually affect both supply and demand because they are structured more like traditional pyramid organizations with hierarchical reporting relationships. Lawyers, this interviewee believes, are accustomed to working more autonomously and to delivering products and services tailored in unique ways to highly individualized client problems. Given other opportunities, graduates from better law schools may not be attracted into MDPs or megafirms with standardized processes. And, on the demand side, the most desirable clients might not choose

such firms with they have other options. In any case, another interviewee noted, the growth of these kinds of firms constitutes another indication that California's law schools are chiefly producing attorneys geared to work for business clients rather than for individuals, whose needs for legal services are increasingly likely to go unmet.

Technology Roles

When we inquired about the roles for new information and communication technologies in future demand trends, the experts we interviewed raised common themes but sometimes offered quite different impact assessments. Their divergence parallels the diversity of opinions about technology effects elicited in earlier interviews with representatives of law schools and firms (see Sections 5 and 6).

First, expert interviewees corroborated the view that high technology areas—including intellectual property but also other challenging questions in varied domains ranging from e-commerce to genetic engineering—would present demands for legal services requiring greater substantive knowledge on the part of attorneys. While affecting market conditions for particular specialties and perhaps imposing stronger interdisciplinary skill needs in some areas, such demands were expected chiefly to affect distribution of lawyers over substantive domains but not to affect overall level of employment for lawyers.

Telecommuting, on the other hand, is viewed mainly as a supplement rather than an alternative to traditional interactions. As such, it will not affect overall supply and demand. However, it could both increase lawyer efficiency (by eliminating time spent in physical commuting) and increase hours worked (by supporting work done at home and on the road, after work hours, and on weekends).

Expert interviewees likewise tended to concur that information and communication technologies would likely enable at least some “substitution of capital for labor.” That is, online do-it-yourself services together with draft documents and even smart forms should allow many routine transactions and services to be carried out without the labor of professional lawyers. Some services of this nature may require help of the sort that a trained and technologically sophisticated paralegal could provide. In other cases, clients could use smart technology to draft initial versions of major document types themselves; lawyers would review and revise them, with the expectation that viable legal instruments would result at the cost of far fewer billed hours than if a lawyer had prepared the first draft. But the demand implications of such changes are not straightforward. While enabling technologies of the sort suggested could reduce the amount of lawyer time required per client, they could also increase the overall number of clients who could afford to purchase such services.

Last, two interviewees underscored the still-unknown capacity for these new media to stimulate innovative and dramatic change in the profession. A number of other professional service domains—especially those dependent on high-cost intermediaries—have undergone major restructuring in the past decade. The structural impact of information and communication technologies on professional legal services delivered by lawyers as intermediaries is potentially profound and well worth future investigation.

Supply Versus Demand

Taking into account the previous considerations as well as available supply-and-demand data, expert interviewees were asked whether they envisioned a large enough supply of law students graduating from ABA-approved law schools in California to meet the needs for professional services in the future. They were also asked to speculate about the major influences that would shape legal education and the legal profession in the coming decade.

At the outset, most expert interviewees underscored the extreme difficulty of making accurate supply and demand forecasts. Supply is to some extent controlled by the profession itself, and to some extent it is manipulable by political decisions (by permitting the proliferation of non-ABA-approved law schools or by making it possible for some legal services to be performed by nonlawyers without constituting “unauthorized practice of law”). In these ways, forces other than the professional labor market have considerable influence on supply. Demand is even more volatile; besides being highly influenced by shifts in the economy, it is also affected by changing government policies (e.g., regulation and deregulation in differing areas within trade, commerce and industry) and ABA decisions (e.g., for standards of legal practice within MDPs).

These caveats aside, experts believe there probably remains a moderate oversupply of lawyers in California today, in the aggregate, and that this trend is likely to continue. Inactive Bar member trends are taken generally to support this conclusion. However, major mismatches in overall supply and demand are rare and unlikely; huge changes in attorney salaries would be the indicator to monitor.

A major unpredictable source of future effect is the state of the economy, given the responsiveness of demand for legal services to business cycles. Opinions are divided with respect to whether it is sensible to bank on continued expansion of California’s economy for the coming decade. Other major uncertainties are the effects of globalization and technology on the profession. Although the time frame is indefinite and the ultimate nature of the resultant restructuring unpredictable, both trends—separately and in synergy—will have major long-term impact.

Last—and perhaps most important—some expert interviewees warned that future supply-and-demand trends might be the wrong questions to ask. On the one hand, it was noted that the very low unemployment rate among practicing lawyers plus the successful diversification of Bar members into other lines of work means that law school graduates can contribute to a viable economy in many ways. It is short-sighted, therefore, to assume their future employment will be based on demand for legal services per se. On the other hand, it was suggested that rather than trying to predict the market, we should instead be asking more complex questions whose answers can help shape the future. Examples include “How should we deliver legal services in the coming century? Which services? By what means? To whom? And at what cost?” Today most middle-income and lower-income citizens do not have the financial resources to use legal services—for instance, to handle job discrimination or unfair landlord practices or family law matters—despite the perception that Americans are too litigious. But the legal profession today is largely not interested in meeting these needs; instead, legal education and practice are generally oriented toward meeting the needs of business clients. Put otherwise, while there may

be an oversupply of lawyers in the aggregate, they are not well distributed in relation to the state's legal needs. The big policy issues, then, for these experts, do not turn on supply/demand projections but rather have to do with better serving the diverse legal needs of the California public.

The final set of interviews with selected experts reinforced the caveats with which we began our discussion of labor force supply and demand trends in the legal market (see Section 4). While their views did not undermine the quantitative methods we employed—and in fact tended to confirm the findings that emerged—they emphasized the role that other considerations, including both exogeneous variables and policy interventions, could or should play in the future of legal education and the legal profession. In most respects, the judgments summarized above corroborate and elaborate on the themes that surfaced in our interviews with representatives of law schools and firms. In the next chapter, we draw together the implications from these multiple lines of inquiry.

Section VIII

Conclusions and Recommendations

Previous sections of this report present findings related to each of the four objectives of the research as set out in the Introduction (Section 1). Here we draw the findings together to address the study's overall goal—to produce an objective and credible assessment of the future workforce needs for lawyers, gauging whether any supply-demand mismatches are emerging or likely to emerge in the coming decade.

In what follows, we first provide aggregate labor force conclusions. Then, we discuss disaggregated dimensions of the supply and demand for lawyers. Last, we examine other considerations that might affect the future of legal education and the legal profession, identifying uncertainties that merit further exploration.

Aggregate Supply and Demand

The overall conclusion we draw from examining quantitative data from the profile and projections is that the number of Bar-certified lawyers is likely to keep pace with or exceed the expected growth in demand between now and 2015, for the state as a whole and for each region in the state as well. This general conclusion is consistent with what we learned from the background literature review. Moreover, it reflects the judgment of an overwhelming majority of those we interviewed in both academic and professional settings.

After 10 decades over which the legal profession grew approximately as a function of population growth in the United States, the 1970s and 1980s witnessed an unprecedented expansion in the number of lawyers per capita, with California leading the nation on this measure. By 1990, there was an acknowledged oversupply of attorneys, and a declining economy led many of them to exit the profession. At present, data from the profile and projections suggest that in California the labor market may be in near equilibrium; that is, overall levels of supply and demand are reasonably well matched, as noted above. That the ratio of lawyers per thousand people in California is now approximating the national average after having been substantially higher earlier in the decade tends to substantiate this view.

Recent trends, together with interview data, suggest a number of reasons why the supply of lawyers is likely to be reasonably well matched to future demand. First, the labor market for lawyers appears to have adapted to changing demand conditions in the recent past through wage adjustments and adjustments in the number of hours worked. Additionally, lawyers are able to move in and out of the profession in response to differential demand (as evidenced, in part, by recent growth in the proportion of inactive Bar members); further, there is considerable lateral mobility within the profession. Such adjustments allow the market to avoid situations of surplus and shortage.

Second, although the number of undergraduates from California's universities and colleges is expected to increase as a function of the baby boom echo, law schools do not expect the number of applicants to increase proportionately. California's expanding economy provides many attractive alternatives to graduate school in general and law school in particular. In any case, the top ABA-approved law schools in California do not plan any substantial increase in their enrollments in the coming decade; most are operating at or near capacity and could not contemplate major increases without capital investments or other major changes that they are not prepared to make. On the other hand, if the ratio of applications to enrollments increases, law schools will likely exercise greater selectivity. Greater selectivity, in turn, would be expected to increase the already high proportion of graduates who pass the Bar (historically, Bar passage rates have remained quite stable over time). Under these conditions, the number of Bar-certified lawyers would increase faster than expected on the basis of enrollments.

Third, law firms are not expanding their hiring as rapidly as in the earlier 1980s boom period. Like other organizations, according to interviewees, law firms perceive a need to keep their hierarchies relatively flat and to keep billing costs down for their clients. Reliance on paralegals and substitution of capital for some types of labor are contributing to this trend.

Taken together, then, quantitative analyses supplemented by qualitative information present a future in which the aggregate supply of lawyers either meets or moderately exceeds demand. They also indicate that business cycles are major drivers of the labor market. Thus it is important to underscore the dependence of the projections on the state of California's economy. The kinds of labor market adjustments discussed above are consistent with modest expansions and contractions; if the economy undergoes dramatic upward or downward shifts, major shortages or surpluses could result.

Dimensions of Supply and Demand

The preceding discussion looks at the overall labor market conditions for lawyers; here, we review what we have learned about more specific dimensions of supply and demand. At disaggregated levels of analysis, there is evidence of mismatch between some supply-and-demand characteristics related to geography, ethnicity, work settings, and specialization. Although these dimensions of the labor market are sometimes interdependent, we discuss them separately in order below.

Regional Differences

Regional markets exhibit considerable variation in supply-and-demand characteristics. For most California regions, there appear to be slight to major surpluses of attorneys now and in the future. In two regions—the Inland Empire and the San Joaquin Valley—and in the Residual counties the projections indicate that the number of attorneys available to practice will be about equal to projected employment. Additionally, the profile suggests

that these regions today have low lawyer-to-population ratios relative to the rest of the state.

In part, the relatively low number of lawyers per capita in these regions reflects the absence of large law firms from rural areas and smaller cities; in California, such firms are concentrated in the Bay Area and in Los Angeles and, to a lesser extent, in San Diego. However, for the Inland Empire and the San Joaquin Valley, the lawyer-to-population ratios are low even in the specialty areas of family law, criminal law, and other domains which would be expected to have ratios reflecting population size (rather than, for instance, concentration of firms). These data suggest that the two regions are having difficulty attracting lawyers, especially for work in government, public law, or general-practice law. This problem, however, is not unique to the legal profession; it parallels in many respects the difficulty of attracting medical doctors to rural regions for general or family practice. Quite simply, people who have invested substantial amounts of time and money in graduate education often prefer to live in communities that offer a wealth of cultural, social, and intellectual resources; the labor market would presumably have to offer significant salary advantages to compensate for the lack of such amenities.

On the other hand, according to many academic and professional interviewees, location of residence or firm appears to be increasingly independent of location of practice. Sacramento, as explained in Section 4 above, is the most notable example—many attorneys have business with the state government and its agencies there although they and their firms are located elsewhere. Presumably, such geographic independence also characterizes other regions. For instance, it is likely that lawyers based in Los Angeles or San Diego have clients in Orange County, San Bernardino, and Riverside. Likewise, San Francisco-based lawyers may well serve clients based in more rural northern counties. Networked information and communication technologies are presently supporting these trends; improvements to these media in the future, along with the nationalization of firms, should boost geographic independence in the coming decade.

As a consequence, it is difficult to tell how well the legal service needs of particular regions are being met by examining local lawyer-to-population ratios. We also sought to determine the extent to which the location of an ABA-approved law school within a region is likely to lead to average or higher lawyer-to-population ratio. Profile data indicate that a sizable majority of graduates from California's ABA-approved law schools obtain their first job within the state, while an even greater majority eventually practice within the state. On the other hand, disaggregating these data by regions produces less clear results. On the whole, about half the graduates from an ABA-approved law school remain within the region to practice; but the variation across regions on this dimension is substantial, ranging from just over 20 percent local retention (UC-Davis) to just under 70 percent (University of San Francisco). Interviews with law school representatives suggested that lawyers are becoming more mobile professionally, both in terms of location and type of work setting; however, interviewees think it likely that smaller schools may continue to aim to serve more local markets. It thus remains uncertain whether presence of an ABA-approved law school will increase the lawyer-to-population ratio of a given region.

Ethnicity

There are significant overall disparities at the state level among California's ethnic groups with respect to their representation in the legal profession. Specifically, there are disproportionately more white lawyers than lawyers of color. This imbalance is uniformly regarded as undesirable. While the problem is not unique to California, it will become increasingly noteworthy here over the next five years, when the state is expected to attain a nonwhite majority.

We believe there are substantial ethnic mismatches within regions as well, based on 1990 census data. Given differential projected population growth rates for different regions and ethnic groups, moreover, the 1990 data may well underestimate local disparities. For instance, the Inland Empire is expected to have a higher rate of growth than the state average over the next 10 years, with a large and growing Hispanic population, but it is doubtful that the proportion of Hispanic lawyers will keep pace with the Hispanic population growth there.

Paradoxically, the state's public law schools are not well positioned at present to address the ethnic mismatch between the lawyer labor force and the population, given the passage of Proposition 209 and the related UC Board of Regents' decision. Private California law schools, in contrast, are actively recruiting minority students, but in most instances, private law school attendance results in higher debt burdens than would be the case for public schools. Minority graduates from California's ABA-approved law schools, according to interviewees, are, in turn, highly sought by large law firms whose robust affirmative action recruiting policies match those of their business clients.

Consequently, while private schools are increasing in diversity, this trend does little to provide greater representation for low-income minority group members in need of legal services. Historically, lawyers of color have entered public law in greater than average proportions. Now they are increasingly entering large law firms, in part because their debt burden makes the choice of very low-paying career entry options much less viable.

Work Setting

As suggested above, lawyers are not distributed evenly over work settings; in particular, public law is losing ground to law firms and other businesses. Independent of ethnicity, many law school graduates feel they cannot afford to enter public law. Interviewees believe that those who choose this course are either highly committed personally to the field or see it as a path they can afford to take en route to other government career goals for which public law is a strong beginning. But given the small number of positions, there is nonetheless fierce competition to obtain them. Once obtained, the work overload in public law results in a burnout rate comparable to that in highly paid but intensely stressful positions in the for-profit sector. Market forces are not expected to ameliorate the imbalance between public and private-sector law. In the foreseeable future, public-sector salaries are not expected to rise and approximate those in law firms or other businesses; nor are public sector workloads expected to decrease.

Another distributional shift is evident in the transition of lawyers away from solo practice. Taken together, firms, whether legal service firms or other private sector businesses, now collectively employ more attorneys than are in self-employed practice (see Figure 3.8). According to law school representatives, graduates of California's best law schools are particularly likely to take their first job in a large law firm. These firms, in turn, are likely to be urban in location, cater to business clients, and pursue a number of specialized lines of administrative law at high cost. Not surprisingly, this trend is seen as contributing to declines in general-practice legal services offered by affordable solo practitioners or small firms.

Specialization

As we have noted, there is a tendency toward greater specialization of the profession, both within large firms and on the part of small "boutique" firms. Although the trend is sometimes associated with a likely decline in affordable general practice services (see above), many interviewees believe that more-routine general legal services may increasingly be made available on a do-it-yourself basis, leaving the more specialized, complex, and costly work to be handled by professionals.

Specializations are not evenly distributed over regions of California; rather they respond to local market demands. For instance, there is an especially high concentration of entertainment lawyers in the Los Angeles region and intellectual property lawyers in the Bay Area. The very high salaries now being offered to attorneys with mediocre qualifications but experience in intellectual property law is taken as evidence of a current shortage in that domain; however, market forces are expected to correct that mismatch by attracting more entering lawyers with higher qualifications into that field in the near future.

In the meantime, some firm interviewees suggested that the current supply of law school graduates lacks the specialized domain knowledge, technical expertise and practice skills needed to be effective. Law schools are responding to these demands by offering a variety of interdisciplinary programs, joint degrees, and clinical courses. Continuing legal education is also expected to address such needs, which are expected to become more pronounced as specialties become more complex and increasingly dependent on new technologies.

Other Considerations

The preceding paragraphs present a detailed picture of present and expected supply-and-demand trends for lawyers. It is important, however, to call attention to two considerations that underlie much of the discussion.

First, recognized needs do not constitute "demand" in the economic sense. For purposes of quantitative profiles and projections, "demand" at any point in time is represented by the number of lawyers that employers or clients are willing and able to hire at the prevailing market wage. In this sense, the needs of underserved groups and communities

typically do not constitute demand since these constituencies are often unable to pay the going rate for lawyers. Thus many of the types of disparities outlined above, while of concern to policymakers, do not represent supply shortages or supply-demand mismatches as defined for economic analysis purposes.

Second, not all the demand for attorneys is reflected in employment within the practice of law, as reflected in the growing number of inactive Bar members. Organizations that provide other kinds of services are increasingly hiring lawyers; large law firms, for instance, have to compete with business consulting firms while small boutique law firms have to compete with high-technology startup companies to hire attorneys. While the diversification of professional employment probably began as a function of the oversupply of lawyers, many experts believe it now reflects the greater attractiveness of wages, working conditions, and other rewards afforded by alternative lines of work. So “demand,” in the economic sense defined in this report, is broader at any point in time than the number of practicing lawyers. Consequently, in a healthy economy, professional diversification may mean that an “oversupply” of lawyers would not pose a problem. These kinds of considerations should be taken into account in interpreting supply and demand trends in the legal profession.

Concluding Recommendations

We conclude, then, that there are not likely to be any serious overall supply-and-demand mismatches in California in the coming decade. Supply is likely to meet or exceed demand in the sense defined above. Further, greater diversification of the profession plus mobility within it probably means that aggregate oversupply will not create problems as long as the economy remains more or less stable. Finally, most of the supply-demand mismatches we have identified in the legal profession are a function of conditions that market forces are not likely to correct. For this reason, several expert interviewees underscored the importance of looking beyond supply and demand projections when considering the future of the profession and how it might best be served by the legal education system.

Conclusions drawn about labor force conditions for lawyers in the aggregate and in detail could be corroborated and extended by future research. The following questions, in particular, merit investigation.

- What explains the increasing proportion of inactive Bar members, and will the proportion continue to grow? While several underlying factors have been suggested, there is very little evidence to determine how strong a role each of them plays. In particular, estimates of supply would benefit from a better understanding of inactive Bar membership.
- What has happened to ethnic trends in lawyer-to-population ratios in California over the past 10 years within regions and work settings? Current Population Supplement datasets rely on samples so small that cannot support such disaggregate analyses. The

upcoming decennial census will provide data that should be analyzed to answer questions about trends in ethnic disparities.

- What kinds of supply and demand problems arise among rural and small city legal service providers and users? Within the time frame of this research, it was not possible to draw a representative sample to survey; and we were unable to identify existing datasets that portray their situation in any detail. In particular, it would be valuable to test hypotheses related to the potential for geographic independence to overcome local mismatches between supply and demand for legal services.
- What implications do the combined effects of technology, megafirms and MDPs, nationalization/globalization, and political and professional rule-making have for the future structure of the legal profession? These sources of influence are interrelated and in other service professions they have had profound effects. They should have an impact not only on supply and demand but on many other characteristics of legal education and the legal profession.

Answers to these kinds of questions would be of nationwide interest.

Appendix A: Description of Data Sources

In this appendix, we provide information about the quantitative data sources we use in both the profile and the projection sections. We also provide additional tables of information cited in the main text of Section 3.

Data

Current Population Survey

The Current Population Survey (CPS) is one of the primary sources of information about the nation's labor force. The CPS is a monthly survey of about 50,000 households conducted by the Bureau of Census for the Bureau of Labor Statistics. The survey sample is scientifically drawn to represent the civilian noninstitutional population. Each household is administered four monthly interviews, then after eight months is interviewed again once a month for the next four months.

In months four and eight of the survey, the respondents are questioned about the employment status of each member of the household 15 years of age and older. The information produced includes type of employment, earnings, hours of work, race, sex, and age. Weights are provided for the preparation of descriptive values and tabulations. The resulting data are provided for the nation as a whole, for states, and for regions within the states and are included in the CPS Labor Extracts. We use the CPS Labor Extracts 1979–1998 CD-ROM put out by the National Bureau of Economic Research.¹ These data are used both for the profile and for the projections.

U. S. Census Bureau

The U.S. Census Bureau continually conducts surveys and collects and analyzes social, economic, and geographic data. At the beginning of every decade the Census Bureau conducts a decennial census that surveys the entire nation to account for every individual, his or her place of residence, occupation, ethnicity, and other socioeconomic and demographic information. Therefore, much of this information is self-reported. In the years in between, the Census Bureau estimates the changes of some, but not all of these variables over time; it also projects future changes in some of these variables. The resulting data provide information for the nation as whole, as well as for individual states and counties.

In this research, we use the Census Bureau data to provide information about population and employment trends for the nation as a whole, the state of California, and regions within the state. However, some of these variables are available only in the decennial survey, including employment distribution. Therefore, the most recent data provided by the Census for occupations, including legal occupations, are 1990 data.

¹ CPS Labor Extract uses only data obtained in months four and eight. Since each household should appear twice in these datasets, we eliminated a priori one observation per household and kept only the observation corresponding to the final interview.

California State Bar Association

The California Bar Association tracks the number of active and inactive lawyers over time. An active lawyer is defined as a lawyer who has maintained full California State Bar membership and who satisfies all other prerequisites to practice law in the state. An inactive lawyer is a California State Bar member who is not practicing law within the state. These lawyers could be practicing law in other states, retired, or temporarily not practicing law at this time. By paying the higher-level active member dues, they can reinstate active membership at any time. The California Bar Association also provides information on the Bar pass rates by school. To create a long-time trend base for analysis, we used the information on total active lawyers starting in 1970 and the information on total inactive lawyers starting in 1973 (information about total inactive lawyers is not available for the years between 1970 and 1972). The number of active and inactive lawyers in the data together makes up the total number of lawyers available in the labor pool.² This information is used for both the profile and the supply-and-demand projections.

Employment Development Department

One of the primary purposes of California's Employment Development Department (EDD) is to link employers seeking labor with job seekers for the advancement of economic development in California. To do this, the department collects and provides data in regard to employment distribution across different industries within the state. Currently, the department has employment information on over 19 million California workers. This information includes current and projected employment trends for various industries for the state of California as a whole and for regions within the state. These industry breakdowns are classified by the Department of Labor's Standard Industry Codes (SIC). These data are based on the Current Employment Statistics (CES) survey, which summarizes monthly employment, hours, and earnings data from a sample of California employers. Annual average data are derived by adding up the monthly data for each industry and dividing by 12. These annual average data may also reflect major business openings, expansions, and closings. The data may reflect trends affecting an entire industry, such as economic conditions, structural and technological changes.³

To create projections, the EDD relies on a regression analysis using inputs of national industry forecasts from the Bureau of Labor Statistics; California enrollment forecasts for K-12; enrollment and graduate data for community colleges, state colleges, and universities; and its own time series of California industry employment data (personal communication with Carl Hedlind, EDD). The dependent variable is California employment for specific industries. Based on this analysis, projections are created. These projections, along with their historical data, are accessed for both our profile and for the supply-and-demand projections.

² However, the inactive status of a lawyer has to be converted to active status before the lawyer can practice law in the state of California.

³ <http://www.calmis.ca.gov/file/resource/indmeth.htm>

Martindale Hubbell

The Martindale Hubbell database is used primarily as a marketing tool for lawyers. It contains information on over 900,000 lawyers worldwide and over 97,000 for the state of California.⁴ The dataset is based on voluntary self-reported information. Thus, lawyers who have the strongest economic incentive to participate are those most likely to be included in the dataset. Therefore, the data do not represent the universe of all lawyers practicing in the nation, the state of California, or counties across the nation or the state.

Comparing the number of observations in the dataset to other datasets (California State Bar Association, the Census Bureau, and the CPS), we conclude that Martindale Hubbell represents approximately 70 to 75 percent of all active lawyers in the state of California. The dataset provides information about the name and the size of firm in which a lawyer practices, the county in which the lawyer practices, the name of the law school and undergraduate institution the lawyer attended, and the specialty area(s) of the lawyer. This information is utilized for the profile.

Summary

Each of the above datasets is utilized for different purposes throughout Sections 3 and 4 of the report. The dataset we chose to use in different circumstances is based on the unique characteristics of each the datasets. In certain cases, our analysis requires information about industry employment trends. In these cases, the EDD data are utilized. In other cases, we need the most updated ethnic distribution of individuals for the state or occupation earnings over time. In these cases, we utilize the CPS data. If, however, more micro details of ethnic or employment numbers are needed for regions rather than for the state, then census data are utilized.⁵ The Census Bureau also provides historical and projected population estimates over time. In other cases, we need information about specialty areas of lawyers or what law school/undergraduate school the individual attended. In these cases, only the Martindale Hubbell dataset was able to provide this information. Finally, in certain circumstances, we want to know the number of active and inactive lawyers the state of California has had over time. To gain this information, we utilize the California State Bar Association data. To summarize, each dataset provides unique information. Therefore, particular datasets are chosen over other datasets in certain portions of our analysis because of the specific information required by the analysis.

⁴ This dataset has fewer observations due to the purpose of the data. The data are used as a marketing tool for lawyers. Therefore, lawyers participate in the survey only if they expect to receive a benefit from their participation.

⁵ The CPS also provides information about ethnicity of individuals by regions. However, the CPS has small sample sizes for individual regions, and, therefore, the data have a great deal of variance over time.

Supplemental Tables

In this section of the Appendix, we provide supplemental tables to the Profile Chapter. Table A.1 provides information about the specialty breakdowns within each region. Table A.2 details the number of lawyers by office size for each region.

Table A.1
Percentage of Lawyers by Specialty Across Each Region

Specialty	Los Angeles	Orange County	Inland Empire	San Diego	Santa Barbara	San Joaquin Valley	Sacramento Valley	Bay Area	Residual	Total
Government/ Administration	29%	6%	4%	8%	3%	4%	13%	29%	2%	100%
Antitrust	43%	6%	0%	9%	1%	1%	3%	36%	0%	100%
Corporate Law	34%	10%	2%	10%	3%	4%	5%	30%	0%	100%
Family	27%	9%	5%	10%	6%	6%	8%	27%	1%	100%
Insurance	34%	11%	2%	10%	3%	4%	7%	29%	1%	100%
Litigation	33%	9%	3%	8%	5%	5%	8%	29%	1%	100%
Bankruptcy	35%	13%	3%	11%	4%	4%	6%	24%	1%	100%
Banking	39%	13%	1%	7%	3%	4%	4%	29%	0%	100%
Technology	20%	8%	0%	10%	1%	1%	2%	55%	3%	100%
Real Estate	32%	12%	2%	10%	3%	3%	6%	31%	1%	100%
Criminal	30%	7%	6%	10%	4%	6%	8%	23%	5%	100%
Trusts & Estates	30%	10%	3%	10%	5%	5%	6%	30%	1%	100%
Land Use	30%	8%	2%	9%	4%	4%	6%	35%	1%	100%
Labor	32%	12%	6%	7%	4%	5%	9%	24%	0%	100%
Environmental	26%	7%	2%	8%	4%	5%	12%	35%	1%	100%
Securities and Investments	33%	9%	0%	10%	1%	0%	2%	42%	1%	100%
Health Care	38%	11%	4%	9%	3%	4%	7%	23%	1%	100%
Media/ Entertainment	73%	2%	1%	4%	2%	1%	2%	16%	0%	100%
Intellectual Property	33%	10%	1%	9%	2%	1%	1%	44%	0%	100%
Other	35%	7%	2%	9%	4%	5%	6%	30%	1%	100%
Average	34%	9%	2%	9%	3%	4%	6%	31%	1%	100%

Source: 1999 Martindale Hubbell.

**Table A.2
Number of Lawyers by Office Size by Region**

Office Size	California	Los Angeles	Orange County	Inland Empire	San Diego	Santa Barbara	San Joaquin Valley	Sacramento Valley	Bay Area	Residual
1 to 2	4673	1377	483	172	452	204	170	315	1429	71
1	2715	829	271	104	260	110	78	181	853	29
2	1958	548	212	68	192	94	92	134	576	42
3 to 10	11101	3448	1204	423	922	405	419	825	3313	142
3	1710	411	189	60	153	78	93	141	552	33
4	1632	536	148	76	140	52	76	112	452	40
5	1465	450	175	75	100	35	60	130	410	30
6	1434	420	138	54	126	42	66	102	486	0
7	1323	441	140	42	140	35	35	91	385	14
8	1232	344	168	40	104	40	24	72	424	16
9	1305	486	126	36	99	63	45	117	324	9
10	1000	360	120	40	60	60	20	60	280	0
11 to 50	14651	5362	1622	239	990	220	490	875	4853	0
11 to 20	6843	2166	894	154	499	134	257	526	2213	0
21 to 30	3630	1353	356	85	237	86	119	77	1317	0
31 to 40	2102	893	149	0	211	0	67	141	641	0
41 to 50	2076	950	223	0	43	0	47	131	682	0
51 +	10766	4778	493	102	696	0	66	359	4272	0
51 to 75	2819	1400	125	0	285	0	66	0	943	0
76 to 100	2469	1255	258	0	78	0	0	166	712	0
100 +	5478	2123	110	102	333	0	0	193	2617	0
Total	41191	14965	3802	936	3060	829	1145	2374	13867	213

Source: 1999 Martindale Hubbell.

The total of 41,191 lawyers does not match up to the total of 97,000 lawyers in the Martindale Hubbell dataset because not all lawyers report the size of office they work in when they fill out their survey or do not work in a place the respondent considers a law office.

Appendix B: Methodology Supplement to the Projections

This appendix describes the forecasting methods employed in Section 4. We also, when appropriate, evaluate model fit and do sensitivity analyses based on alternative assumptions. The first part presents the forecasting methodology used to project active and total California Bar members. The second part overviews the projections of lawyer employment.

Forecasting California Bar Members (Supply)

We tested two forecasting methods. The first is Brown's linear exponential smoothing technique that is appropriate whenever there is a growth pattern or trend in time series observations (Bails and Peppers, 1982). The equations for this model are:

$$S_t^1 = \alpha Y_t + (1 - \alpha) S_{t-1}^1 \quad (\text{Eq. 1})$$

$$S_t^2 = \alpha S_t^1 + (1 - \alpha) S_{t-1}^2 \quad (\text{Eq. 2}),$$

where Y_t is the actual number of attorneys in year t , α is a smoothing constant that determines the extent to which the most recent observations of active or total Bar members are weighted more heavily than earlier observations, and S_t^1 is referred to as the single-smoothed statistic and S_t^2 to the double-smoothed statistic. The single- and double-smoothed statistics are weighted averages of $Y_t, Y_{t-1}, Y_{t-2}, \dots, Y_1$. The smoothing constant can range from .1 to .9. When $\alpha = .1$, the forecast behaves like a moving average model where past observations are weighted about equally with current observations. When $\alpha = .9$, the exponential model responds quickly to changes in the data pattern; i.e., the most recent observations most heavily influence projections. The appropriate value for the smoothing constant is empirically determined by evaluating the resulting fit of models after inserting different values of α .

Additional formulas used in Brown's linear exponential smoothing technique are:

$$\hat{Y}_{t+T} = a_t + b_t T \quad (\text{Eq. 3}),$$

where T is the number of time periods from the present period, t , to the future period being forecasted and \hat{Y} is the projected number of Bar members. The remaining terms provide the intercept and the slope for the formula in equation 3 and are defined as:

$$a_t = 2S_t^1 - S_t^2 \quad (\text{Eq. 4})$$

$$b_t = \frac{\alpha}{1 - \alpha} (S_t^1 - S_t^2) \quad (\text{Eq. 5}).$$

Tables B.1 and B.2 present the calculations used to forecast active and total California Bar members based on membership counts supplied by the California Bar Association. The projections are rounded off to reflect the lack of certainty in these numbers.

Because of potential nonlinear trends in active and total Bar members, we also applied a triple exponential smoothing technique (Bails and Peppers, 1982). An additional term can be added to Equation 1 to allow for a time series that is either increasing or decreasing over time.

To select between the Brown's and the triple exponential technique, we did simulations of the historical data. This simulation acts as if the values of the historical data are unknown. Then each forecasting technique is used to produce \hat{Y}_t of the historical data and compare these estimates with the observed values. The difference between \hat{Y}_t and the observed count is calculated (labeled Error). The square of the Errors for each year are summed and the mean calculated (yielding the mean square error, or MSE). This exercise also allowed us to identify the appropriate α , since α can vary from .1 to .9. The results of this exercise for active and total attorneys are presented in Table B.3. For example, the best fit of Brown's forecasting technique to the historical data on active California Bar members is associated with $\alpha = .64$ (MSE = 3,320,043). This fit is better than the best fit obtained when using the triple exponential forecasting technique (MSE = 6,181,394 when $\alpha = .41$). Therefore, we selected Brown's technique for these forecasts. Using the same process, Brown's technique is also selected for the forecast of total Bar members. For both active and total Bar members, the smoothing constant based on historical data is fairly high.

The 1990s witnessed many economic changes in California, raising the possibility that the trend in lawyers entering and/or exiting the pool of California Bar members may have changed in the last decade, and that the projections may not reflect these changes. To confirm that our results are robust, we carried out the same forecast starting with a more limited time frame as the base period. Table B.4 presents results restricted to 1990–1998 California Bar Association numbers of total Bar members. The projected number of lawyers in 2015 based on this projection is 257,200 versus 254,700 in the projection based on data since 1970. These projections are statistically indistinguishable and show that the net effect of entrances and exits from the pool of California Bar members has not changed substantially in the past decade. This is not a surprising result since, as described above, the smoothing constant is fairly high in both sets of projections and thus heavily weights the most recent observations.

As explained in the Section 4 text, for the 2015 regional breakdown of total and active Bar members, we applied the 1998 regional breakdown of total and active Bar members to the California total estimates and forecasts.

Forecasting Employment of Lawyers in California (Demand)

Two methods are used to forecast employment of lawyers in California. The first method is based entirely on the ratio of lawyers to population. The second method relies on a combination of population and the industry mix of local economies.

Method 1: In this method, we assume that the current number of attorneys per capita (as obtained in the CPS) in California and by region in 1998 remains constant through 2015. This ratio is applied to the statewide and region-specific projected population in 2015 to derive the projected number of attorneys that will be employed in 2015. Note that this method assumes that per-capita employment of lawyers statewide is constant across regions since, by definition, lawyer employment is determined entirely by population. Table B.5 shows the input and results of this method.

Method 2: The second method assumes that the demand for lawyers is a function of the changes in industry mix and population. Table B.6 shows the input and results of this method by region. Column (1) gives the 1998 EDD estimated employment by industry. We rolled up the EDD county-level estimates to get estimates by regions (as defined throughout the document). Column (2) provides the projected annual increase in employment for each industry. The projected increase is based on the annual rate of change obtained from the 1998 estimate and the 2002 EDD projected employment (see Appendix A for description of EDD projections). We assume that this annual rate of change applies through 2015.

Column (3) presents projected employment in 2015 by major industry. It is the product of the EDD estimated 1998 employment (column 1) and $[1 + \text{industry-specific projected annual rate of change in employment (column 2)}]$ to the seventeenth power (i.e., $(\text{column 1}) \times [1 + (\text{column 2})]^{17}$). The power represents the number of years in the future being projected forward (2015 – 1998 = 17).

Column (4) shows the lawyers per employee at the national level (averaged across the 1997 and 1998 CPS). To make the rates applicable to the EDD estimates and projections, self-employed persons are excluded from the denominator, but self-employed lawyers are included in the numerator. The rates reflect the number of self-employed and non-self-employed lawyers per non-self-employed worker by industry.

The projected number of lawyers employed by industry (5) is the product of columns (3) and (4). The total number of lawyers that are predicted to be employed in each region is the sum of lawyer employment across industries. The sum is multiplied by an adjustment factor. The adjustment factor is based on the assumption that each region has a specific level of employment of lawyers per employee that will remain constant from the present through 2015. An adjustment factor less than 1.0 indicates fewer lawyers than predicted by the model are employed in a region. An adjustment factor equal to 1.0 indicates that the model predicts the exact number of employed lawyers in a region in 1998. An adjustment factor greater than 1.0 means that there is a higher level of employment in the region than predicted by the model. The adjustment factor is the ratio of the number of employed lawyers in a region in 1998 (based on the CPS) divided by the number of lawyers the projection method predicts would have been employed in 1998. The three

regions for which the employment based model is greater than number of attorneys available in the region, Santa Barbara, Sacramento Valley, and the Bay Area have adjustment factors significantly above 1.0 (1.36, 1.56, and 1.30, respectively). The two regions with substantially lower levels of lawyer employment relative to that predicted by industry-mix and population are the Inland Empire, San Joaquin Valley, and Residual Regions (with adjustment factors of 0.43, 0.37, and 0.31, respectively). In other words, these regions employ fewer lawyers than predicted by the industry-based forecasting method.

These adjustment factors can change over time thus introducing possible (likely) error in the projections. In analyses not presented here, we found that the adjustment factors were stable over the past several years but we expect that they will change over longer periods of time. How they will change we cannot predict since unknown factors such as changes in the way that the profession is practiced and changes within specific industries will influence the outcomes.

Table B.1

Result of Brown's Linear Exponential Smoothing to All California State Bar Members

Year	Period	All Bar members (Y _t)	S _t ¹	S _t ²	a _t	b _t	Ŷ _{t+T}	Error
1970	1	28,083	28,597 ^a	28,597 ^a				
1971	2	29,111	28,977	28,878	29,076	281	-	-
1972	3	32,956	31,922	31,130	32,713	2,252	29,400	3,556
1973	4	38,675	36,919	35,414	38,424	4,284	35,000	3,675
1974	5	42,235	40,853	39,439	42,267	4,025	42,700	(465)
1975	6	46,596	45,103	43,630	46,575	4,191	46,300	296
1976	7	52,658	50,694	48,857	52,530	5,227	50,800	1,858
1977	8	57,505	55,734	53,946	57,522	5,089	57,800	(295)
1978	9	62,652	60,853	59,057	62,649	5,111	62,600	52
1979	10	70,244	67,802	65,529	70,076	6,471	67,800	2,444
1980	11	75,247	73,311	71,288	75,335	5,759	76,500	(1,253)
1981	12	80,215	78,420	76,566	80,274	5,278	81,100	(885)
1982	13	84,643	83,025	81,346	84,704	4,780	85,600	(957)
1983	14	89,367	87,718	86,061	89,375	4,716	89,500	(133)
1984	15	95,051	93,144	91,303	94,986	5,242	94,100	951
1985	16	98,956	97,445	95,848	99,042	4,545	100,200	(1,244)
1986	17	101,995	100,812	99,521	102,103	3,673	103,600	(1,605)
1987	18	106,932	105,341	103,828	106,854	4,306	105,800	1,132
1988	19	111,942	110,226	108,562	111,889	4,734	111,200	742
1989	20	117,161	115,358	113,591	117,125	5,029	116,600	561
1990	21	125,863	123,132	120,651	125,612	7,060	122,200	3,663
1991	22	129,550	127,881	126,001	129,761	5,350	132,700	(3,150)
1992	23	134,983	133,137	131,281	134,992	5,280	135,100	(117)
1993	24	139,023	137,493	135,878	139,107	4,596	140,300	(1,277)
1994	25	144,672	142,805	141,004	144,607	5,127	143,700	972
1995	26	149,460	147,730	145,981	149,478	4,977	149,700	(240)
1996	27	154,547	152,775	151,008	154,541	5,027	154,500	47
1997	28	159,571	157,804	156,037	159,571	5,029	159,600	(29)
1998	29	165,046	163,163	161,310	165,016	5,273	164,600	446
2015	46						254,700	

^aThis value computed as (28,083+29,111)/2 = 28,597. We experimented with different values of α to identify the value that provides the lowest Mean Squared Error (MSE). These results use $\alpha = 0.74$. Note: Total Bar member numbers from 1970–1998 provided by California Bar Association. Eqs. 1–5 in Appendix B describe how S_t^1 , S_t^2 , a_t , b_t and \hat{Y}_{t+T} are computed. These parameters are rounded off to the nearest whole number. The 2015 projection is calculated as $\hat{Y}_{t+T} = a_t + b_t T$: $254,700 = 165,016 + 5,273*(46-29)$. All estimates and projections rounded off to the nearest hundred.

Table B.2

Result of Brown's Linear Exponential Smoothing to Active California State Bar Members^a

Year	Period	Active Bar members (Y _t)	S _t ¹	S _t ²	a _t	b _t	Ŷ _{t+T}	Error
1973	1	37,451	39,035	39,035				
1974	2	40,618	40,048	39,683	40,413	649		
1975	3	46,596	44,239	42,599	45,879	2,916	41,100	5,496
1976	4	48,281	46,826	45,304	48,348	2,705	48,800	(519)
1977	5	53,003	50,779	48,808	52,750	3,504	51,100	1,903
1978	6	57,677	55,194	52,895	57,493	4,087	56,300	1,377
1979	7	64,020	60,843	57,981	63,704	5,086	61,600	2,420
1980	8	68,538	65,768	62,965	68,571	4,983	68,800	(262)
1981	9	72,922	70,346	67,689	73,004	4,724	73,600	(678)
1982	10	76,477	74,270	71,901	76,639	4,212	77,700	(1,223)
1983	11	80,047	77,967	75,783	80,151	3,883	80,900	(853)
1984	12	83,882	81,753	79,604	83,902	3,820	84,000	(118)
1985	13	87,491	85,425	83,329	87,521	3,726	87,700	(209)
1986	14	89,594	88,093	86,378	89,808	3,049	91,200	(1,606)
1987	15	93,877	91,795	89,845	93,745	3,467	92,900	977
1988	16	98,201	95,895	93,717	98,073	3,872	97,200	1,001
1989	17	101,226	99,307	97,294	101,319	3,578	101,900	(674)
1990	18	108,531	105,210	102,361	108,060	5,066	104,900	3,631
1991	19	109,886	108,203	106,100	110,306	3,739	113,100	(3,214)
1992	20	113,716	111,731	109,704	113,759	3,604	114,000	(284)
1993	21	114,637	113,591	112,192	114,990	2,488	117,400	(2,763)
1994	22	118,201	116,541	114,975	118,107	2,784	117,500	701
1995	23	120,267	118,926	117,504	120,348	2,528	120,900	(633)
1996	24	123,212	121,669	120,169	123,168	2,666	122,900	312
1997	25	126,865	124,994	123,257	126,731	3,088	125,800	1,065
1998	26	133,972	130,740	128,046	133,434	4,789	129,800	4,172
2015	43						214,800	

^aThis value computed as (37,451+40,618)/2 = 39,035. We experimented with different values of α to identify the value that provides the lowest Mean Squared Error (MSE). These results use $\alpha = 0.64$.

Note: Active Bar member numbers from 1973–1998 provided by California Bar Association. 1975 active number was missing in the source data. We impute this year as the average of the 1974 and 1976 number of active members.

Eqs. 1–5 in the text describe how S_t^1 , S_t^2 , a_t , b_t , and \hat{Y}_{t+T} are computed. These parameters are rounded off to the nearest whole number. The 2015 projection is calculated: $\hat{Y}_{t+T} = a_t + b_t T$; $214,800 = 133,434 + 4,789*(43-26)$. All \hat{Y}_{t+T} 's are rounded off to the nearest hundred.

Table B.3

Mean Square Error (MSE) Based on Simulations Using Two Projection Techniques to Forecast Total and Active California State Bar Members

α	Active Attorneys		Total Attorneys	
	Brown's	Triple exponential	Brown's	Triple exponential
0.1	140,918,251	45,834,135	222,480,528	67,115,974
0.2	26,005,563	12,727,055	33,419,914	15,571,770
0.3	10,251,947	7,208,268	11,474,093	8,068,176
0.37	--	--	--	7,176,562
0.4	5,698,379	6,191,437	5,829,964	7,261,584
0.41	--	6,181,394	--	--
0.5	4,040,691	6,550,300	3,762,871	8,745,102
0.6	3,439,587	7,690,864	2,969,100	11,410,555
0.64	3,320,043	--	--	--
0.7	3,355,867	9,387,229	2,675,443	14,847,856
0.74	--	--	2,586,464	--
0.8	3,706,547	11,520,303	2,642,500	18,900,297
0.9	4,403,099	14,067,655	2,862,407	23,538,461

Note: Bold MSE's are associated with the α s to the second decimal point that yields the best fit of the model to the data.

Table B.4

Result of Brown's Linear Exponential Smoothing to All California State Bar Members (restricted to most recent observations)

Year	Period	All Bar members (Y_t)	S_t^1	S_t^2	a_t	b_t	\hat{Y}_{t+T}	Error
1990	1	125,863	127,707	127,707				
1991	2	129,550	129,439	129,335	129,543	1,629		
1992	3	134,983	134,650	134,331	134,969	4,996	131,200	3,783
1993	4	139,023	138,761	138,495	139,026	4,163	140,000	(977)
1994	5	144,672	144,317	143,968	144,667	5,473	143,200	1,472
1995	6	149,460	149,151	148,840	149,462	4,872	150,100	(640)
1996	7	154,547	154,223	153,900	154,546	5,060	154,300	247
1997	8	159,571	159,250	158,929	159,571	5,029	159,600	(29)
1998	9	165,046	164,698	164,352	165,044	5,423	164,600	446
2015	26						257,200	

Note: These results use $\alpha = .94$. This example uses the California Bar Association supplied number of active Bar members from 1990 to 1998 (same as in Table B.1). Eqs. 1–5 in the text describe how S_t^1 , S_t^2 , a_t , b_t , and \hat{Y}_{t+T} are computed. These parameters are rounded off to the nearest whole number. The 2015 projection is calculated as $\hat{Y}_{t+T} = a_t + b_t T$: $257,200 = 164,600 + 5,423(26-9)$. All estimates and projections rounded off to the nearest hundred.

Table B.5**Calculation of Population Method for Forecasting Employment of Lawyers in California, by Region: 2015**

	1998 Population (1)	1998 Employed Lawyers (2)	Attorneys per capita (2)/(1) (3)	Projected population: 2015 (4)	Projected lawyers: 2015 (3) X (4) (5)
Los Angeles	9,649,800	32,414	0.0034	10,978,500	36,900
Orange	2,763,900	9,653	0.0035	3,278,000	11,400
Inland Empire	3,104,300	3,867	0.0012	4,859,800	6,100
San Diego	2,828,300	9,931	0.0035	3,644,100	12,800
Santa Barbara	1,381,300	7,417	0.0054	1,774,000	9,500
San Joaquin Valley	3,088,300	3,979	0.0013	4,432,100	5,700
Sacramento Valley	2,196,900	16,808	0.0077	2,747,900	21,000
Bay Area	7,386,000	42,854	0.0058	8,829,400	51,200
Residual	1,095,200	1,126	0.0010	1,827,100	1,900
California	33,494,000	128,048	0.0038	42,370,900	156,500

Source: 1998 and projected 2015 population estimates provided by state of California, Department of Finance, 1998. 1998 employed lawyers derived from 1998 CPS.

Table B.6

Calculation of Projected Number of Lawyers by Industry Method, by Region

Los Angeles

Industry	Total employment 1998 EDD estimates (1)	Projected annual increase in employment (2)	Projected 2015 employment (3)	Lawyers per employee (1997–1998 CPS) (4)	Projected number of lawyers in 2015 (5)
Mining	4,900	2.2%	7,100	0.004	-
Construction	116,200	2.5%	176,800	0.000	100
Manufacturing					
Durable goods	370,300	1.3%	463,400	0.001	300
Nondurable goods	297,500	1.7%	395,300	0.001	300
Service producing					
Transportation & public utilities	223,700	1.3%	280,600	0.001	200
Trade					
Wholesale trade	272,200	1.6%	356,500	0.000	100
Retail trade	601,700	1.7%	797,600	0.000	100
Finance, insurance, & real estate services	226,500	-0.2%	217,300	0.005	1,200
Personal services	76,400	1.8%	103,500	0.000	-
Business and repair services	323,900	5.5%	804,800	0.001	900
Entertainment and recreation	197,500	2.9%	318,700	0.001	300
Professional services	696,600	1.6%	919,600	0.025	22,900
Government	539,300	1.6%	711,400	0.028	20,000
					46,400 Total
					0.92 Adjust. factor
					42,800 Total x adjust. factor

Note: See note at end of Table B.6.

Table B.6 continued

Orange County

Industry	Total employment 1998 EDD estimates (1)	Projected annual increase in employment (2)	Projected 2015 employment (3)	Lawyers per employee (1997-1998 CPS) (4)	Projected number of lawyers in 2015 (5)
Mining	900	-4.8%	400	0.004	-
Construction	63,200	3.0%	104,200	0.000	-
Manufacturing					
Durable goods	160,800	1.8%	217,800	0.001	100
Nondurable goods	75,200	0.5%	82,300	0.001	100
Service producing					
Transportation & public utilities	46,500	1.1%	56,100	0.001	-
Trade					
Wholesale trade	98,500	3.2%	167,100	0.000	100
Retail trade	222,800	1.8%	303,900	0.000	-
Finance, insurance, & real estate services	99,400	0.8%	114,100	0.005	600
Personal services	31,400	2.5%	47,800	0.000	-
Business and repair services	116,400	2.6%	179,300	0.001	200
Entertainment and recreation	32,500	3.5%	57,900	0.001	-
Professional services	211,800	2.8%	336,600	0.025	8,400
Government	136,000	1.5%	176,000	0.028	5,000
					14,500 Total
					0.96 Adjust. factor
					13,900 Total x adjust. factor

Note: See note at end of Table B.6.

Table B.6 continued

Inland Empire

Industry	Total employment 1998 EDD estimates (1)	Projected annual increase in employment (2)	Projected 2015 employment (3)	Lawyers per employee (1997-1998 CPS) (4)	Projected number of lawyers in 2015 (5)
Mining	1,000	-2.6%	600	0.004	-
Construction	58,200	5.2%	137,900	0.000	100
Manufacturing					
Durable goods	75,100	4.3%	152,900	0.001	100
Nondurable goods	35,000	2.9%	56,600	0.001	-
Service producing					
Transportation & public utilities	45,700	3.6%	83,500	0.001	100
Trade					
Wholesale trade	41,500	3.3%	72,100	0.000	-
Retail trade	181,200	2.2%	261,700	0.000	-
Finance, insurance, & real estate services	30,300	1.2%	36,900	0.005	200
Personal services	22,300	1.5%	28,600	0.000	-
Business and repair services	46,600	6.8%	143,200	0.001	200
Entertainment and recreation	17,000	6.9%	53,200	0.001	-
Professional services	146,700	3.5%	262,800	0.025	6,500
Government	174,500	2.6%	270,800	0.028	7,600
					14,800 Total
					0.43 Adjust. factor
					6,400 Total x adjust. factor

Note: See note at end of Table B.6.

Table B.6 continued

San Diego

Industry	Total employment 1998 EDD estimates (1)	Projected annual increase in employment (2)	Projected 2015 employment (3)	Lawyers per employee (1997-1998 CPS) (4)	Projected number of lawyers in 2015 (5)
Mining	300	0.0%	300	0.004	-
Construction	61,100	5.5%	151,100	0.000	100
Manufacturing					
Durable goods	91,400	1.6%	119,700	0.001	100
Nondurable goods	35,900	1.2%	43,800	0.001	-
Service producing					
Transportation & public utilities	44,600	1.9%	61,600	0.001	-
Trade					
Wholesale trade	47,100	2.1%	66,700	0.000	-
Retail trade	200,500	2.3%	294,400	0.000	-
Finance, insurance, & real estate services	64,200	2.7%	100,300	0.005	500
Personal services	23,500	2.3%	34,500	0.000	-
Business and repair services	85,600	5.1%	198,500	0.001	200
Entertainment and recreation	23,200	3.6%	42,100	0.001	-
Professional services	228,100	3.0%	377,400	0.025	9,400
Government	194,800	1.8%	262,600	0.028	7,400
					17,700 Total
					0.84 Adjust. factor
					14,900 Total x adjust. factor

Note: See note at end of Table B.6.

Table B.6 continued

Santa Barbara

Industry	Total employment 1998 EDD estimates (1)	Projected annual increase in employment (2)	Projected 2015 employment (3)	Lawyers per employee (1997-1998 CPS) (4)	Projected number of lawyers in 2015 (5)
Mining	2,200	-1.7%	1,600	0.004	-
Construction	23,500	3.1%	39,300	0.000	-
Manufacturing					
Durable goods	42,700	2.3%	62,700	0.001	-
Nondurable goods	17,000	1.3%	21,300	0.001	-
Service producing					
Transportation & public utilities	20,100	2.0%	27,900	0.001	-
Trade					
Wholesale trade	20,400	4.1%	40,300	0.000	-
Retail trade	99,000	1.8%	133,700	0.000	-
Finance, insurance, & real estate services	25,700	1.3%	32,200	0.005	200
Personal services	6,500	2.9%	10,500	0.000	-
Business and repair services	36,100	3.5%	64,500	0.001	100
Entertainment and recreation	0	0.0%	-	0.001	-
Professional services	102,200	2.9%	164,800	0.025	4,100
Government	96,100	1.0%	114,700	0.028	3,200
					7,600 Total
					1.36 Adjust. factor
					10,300 Total x adjust. factor

Note: See note at end of Table B.6.

Table B.6 continued

San Joaquin Valley

Industry	Total employment 1998 EDD estimates (1)	Projected annual increase in employment (2)	Projected 2015 employment (3)	Lawyers per employee (1997-1998 CPS) (4)	Projected number of lawyers in 2015 (5)
Mining	15,500	0.0%	15,500	0.004	100
Construction	40,700	2.1%	57,800	0.000	-
Manufacturing					
Durable goods	45,400	1.4%	57,100	0.001	-
Nondurable goods	70,000	1.4%	88,200	0.001	100
Service producing					
Transportation & public utilities	48,700	1.8%	66,100	0.001	-
Trade					
Wholesale trade	45,600	1.1%	54,800	0.000	-
Retail trade	176,400	2.5%	269,900	0.000	-
Finance, insurance, & real estate services	39,700	1.4%	50,100	0.005	300
Personal services	5,200	1.4%	6,600	0.000	-
Business and repair services	43,500	4.5%	91,600	0.001	100
Entertainment and recreation	3,800	3.5%	6,800	0.001	-
Professional services	175,400	2.9%	285,700	0.025	7,100
Government	210,800	1.6%	275,800	0.028	7,800
					15,500 Total
					0.37 Adjust. factor
					5,800 Total x adjust. factor

Note: See note at end of Table B.6.

Table B.6 continued

Sacramento Valley

Industry	Total employment 1998 EDD estimates (1)	Projected annual increase in employment (2)	Projected 2015 employment (3)	Lawyers per employee (1997-1998 CPS) (4)	Projected number of lawyers in 2015 (5)
Mining	500	3.6%	900	0.004	-
Construction	46,600	4.0%	90,500	0.000	-
Manufacturing					
Durable goods	43,100	8.1%	161,500	0.001	100
Nondurable goods	23,400	1.8%	31,400	0.001	-
Service producing					
Transportation & public utilities	40,500	2.0%	56,700	0.001	-
Trade					
Wholesale trade	38,000	2.6%	58,600	0.000	-
Retail trade	161,700	2.2%	232,200	0.000	-
Finance, insurance, & real estate services	57,300	2.0%	80,800	0.005	400
Personal services	14,900	1.9%	20,700	0.000	-
Business and repair services	55,600	3.8%	104,400	0.001	100
Entertainment and recreation	16,800	4.0%	32,500	0.001	-
Professional services	153,800	3.0%	255,900	0.025	6,400
Government	232,000	1.4%	294,900	0.028	8,300
					15,300 Total
					1.56 Adjust. factor
					23,900 Total x adjust. factor

Note: See note at end of Table B.6.

Table B.6 continued

Bay Area

Industry	Total employment 1998 EDD estimates (1)	Projected annual increase in employment (2)	Projected 2015 employment (3)	Lawyers per employee (1997-1998 CPS) (4)	Projected number of lawyers in 2015 (5)
Mining	3,500	1.4%	4,500	0.004	-
Construction	162,100	3.5%	290,200	0.000	100
Manufacturing					
Durable goods	379,100	2.8%	603,100	0.001	400
Nondurable goods	154,200	0.9%	179,400	0.001	100
Service producing					
Transportation & public utilities	193,700	1.5%	251,500	0.001	200
Trade					
Wholesale trade	190,300	2.2%	276,000	0.000	100
Retail trade	564,600	2.2%	815,600	0.000	100
Finance, insurance, & real estate services	220,900	0.4%	234,700	0.005	1,300
Personal services	59,700	2.3%	87,900	0.000	-
Business and repair services	351,400	7.2%	1,142,400	0.001	1,200
Entertainment and recreation	36,000	3.1%	60,500	0.001	-
Professional services	688,800	2.5%	1,052,000	0.025	26,200
Government	484,400	0.4%	520,300	0.028	14,700
					44,400 Total
					1.30 Adjust. factor
					57,800 Total x adjust. factor

Note: See note at end of Table B.6.

Table B.6 continued

Residual Region

Industry	Total employment 1998 EDD estimates (1)	Projected annual increase in employment (2)	Projected 2015 employment (3)	Lawyers per employee (1997–1998 CPS) (4)	Projected number of lawyers in 2015 (5)
Mining	0	0.0%	-	0.004	-
Construction	12,500	2.7%	19,600	0.000	-
Manufacturing					
Durable goods	18,700	0.9%	21,900	0.001	-
Nondurable goods	28,800	2.8%	46,300	0.001	-
Service producing					
Transportation & public utilities	12,200	2.2%	17,700	0.001	-
Trade					
Wholesale trade	8,300	1.4%	10,600	0.000	-
Retail trade	62,700	1.9%	86,000	0.000	-
Finance, insurance, & real estate services	10,500	1.0%	12,500	0.005	100
Personal services	7,800	2.7%	12,200	0.000	-
Business and repair services	4,800	4.3%	9,800	0.001	-
Entertainment and recreation	800	2.7%	1,300	0.001	-
Professional services	47,400	3.2%	81,200	0.025	2,000
Government	85,100	1.4%	107,900	0.028	3,000
					5,100 Total
					0.31 Adjust. factor
					1,600 Total x adjust. factor

Note: 1998 EDD estimates based on EDD (1999). Projected annual increase in employment calculated by subtracting 2002 county-specific (aggregated up to Region) EDD projections from 1998 EDD estimates (1) and dividing by 4 (2002–1998). Projected 2015 employment (3) equals [(column 1) x (1+(column 2))]¹⁷. This is the projected number of people employed by industry by the year 2015, assuming a constant annual rate of change given in column 2. Lawyers per employee based on national CPS data 1997–1998. Excludes agriculture, farming, and fishing industries. Total employees excludes self-employed workers. Projected number of lawyers in 2015 (5) is product of (3) and (4). The adjustment factor is the number of attorneys the projection method predicts were employed within the region in 1998 divided by the number of employed attorneys observed in the 1998 CPS. Estimated and projected numbers rounded off to nearest hundred.

**Table B.7
Current and Projected Supply and Employment of Attorneys in California**

Region	1998			2015			
	California Bar Members		Estimated Employment	California Bar Members		Projected Employment	
	Actives	Totals		Actives	Totals	Method 1	Method 2
Los Angeles	43,003	52,977	32,400	68,900	73,200	36,900	42,800
Orange County	11,474	14,135	9,700	18,400	19,400	11,400	13,900
Inland Empire	3,659	4,508	3,900	5,900	6,300	6,100	6,400
San Diego	11,181	13,774	9,900	17,900	19,400	12,800	14,900
Santa Barbara	3,520	4,336	7,400	5,600	6,300	9,500	10,300
San Joaquin Valley	4,343	5,350	4,000	7,000	7,200	5,700	5,800
Sacramento Valley	8,294	10,218	16,800	13,300	14,200	21,000	23,900
Bay Area	38,023	46,842	42,900	61,000	67,000	51,200	57,800
Residual	1,543	1,901	1,100	2,500	2,700	1,900	1,600
Out-of-state	8,932	11,004		14,300	39,000		
California	133,972	165,046	128,000	214,800	254,700	156,500	177,400

Appendix C

Selecting California Law Schools for Survey Participation

Table C.1
Criteria for Law School Selection¹

At least 2,550 applicants	
An admit rate of less than 50%	
Average GPA in 25th percentile no lower than	2.75
Average GPA in 75th percentile no lower than	3.35
Average LSAT score in 25th percentile no lower than	150
Average LSAT score in 75th percentile no lower than	159
A bar passage rate of at least 80%	

¹ These criteria were chosen in consultation with the Office of the President of the University of California. They are regarded as benchmarks of best practice. Law schools that meet these criteria are therefore treated as credible sources of information about the future of legal education and the legal profession representing the supply-side perspective. They do not, however, constitute a random or representative sample of all of California's law schools. In particular, only ABA-approved law schools were considered for survey participation.

Table C.2
California's ABA-Approved Law Schools:
Values on Selection-Relevant Variables²

Institution	First Year Class 1997		Indicators of Quality of the Class					
	Students Enrolled	Students Admitted	Applications Received	GPA 25th Percentile	GPA 75th Percentile	LSAT 25th Percentile	LSAT 75th Percentile	Percent Bar Passage
Stanford University	177	443	3,611	3.60	3.87	165	171	91.3
UC Berkeley	268	860	4,171	3.66	3.86	163	171	88.6
UC Los Angeles	381	1,007	3,957	3.42	3.75	159	165	82.8
University of Southern California	200	877	3,300	3.20	3.60	159	166	89.0
Hastings College of the Law	311	1,278	3,605	3.08	3.56	158	165	92.0
UC Davis	172	805	2,095	3.25	3.64	156	162	93.3
University of San Diego	326	400	2,786	2.79	3.36	157	161	84.8
Loyola Law School	428	1,064	2,783	3.01	3.47	153	160	84.1
Pepperdine University	244	1,046	2,265	3.02	3.51	153	159	87.1
Santa Clara University	298	1,275	2,559	2.96	3.42	153	160	83.6
University of San Francisco	218	1,038	2,525	2.78	3.31	152	159	89.8
McGeorge School of Law	376	1,240	1,811	2.72	3.26	149	155	76.3
Golden Gate University	187	1,056	1,781	2.82	3.29	146	154	70.3
California Western University	292	1,293	1,779	2.78	3.36	146	152	74.7
Whittier College	254	1,038	1,874	2.66	3.23	148	153	67.9
Thomas Jefferson University	200	600	1,200	2.39	3.08	141	151	45.9
Southwestern University	334	n/a	2,193	2.65	3.25	150	154	67.1
Total	4,666	15,320	44,295					

Source: Law School Admission Council, The Official Guide to U.S. Law Schools, 1999. Data were not available for Chapman or for Western State University.

² All values represent the first year class of 1997, except for Bar passage rates, which are for those taking the Bar exam in July 1997 (after completing three years of law school).

Table C.3
Ranks of California's ABA-Approved Law Schools on Selection Criteria³

	Rank in Number Applying	Rank in Percent Admitted	25th LSAT Rank	25th GPA Rank	75th LSAT Rank	75th GPA Rank	75th LSAT Rank	75th GPA Rank	Rank on Bar Passage Rates	Sum of 7 Ranks
Selected Law Schools:										
1. Stanford University	3	1	1	2	2	1	1	3	13	
2. UC Berkeley	1	3	2	1	2	2	2	6	17	
3. UC Los Angeles	2	4	4	3	5	3	3	11	32	
4. University of Southern California	5	5	4	5	3	5	5	5	32	
5. Hastings College of the Law	4	6	5	6	5	6	6	2	34	
6. UC Davis	12	8	7	4	6	4	4	1	42	
7. University of San Diego	6	2	6	11	7	11	8	8	51	
8. Loyola Law School	7	7	10	8	9	8	9	9	58	
9. Pepperdine University	10	10	10	7	11	7	7	7	62	
10. Santa Clara University	8	11	10	9	9	9	9	10	66	
11. University of San Francisco	9	9	11	13	11	12	12	4	69	
Omitted Law Schools:										
12. McGeorge School of Law	14	15	13	14	12	14	14	12	94	
13. Golden Gate University	15	14	16	10	14	13	14	14	96	
14. California Western University	16	16	16	12	16	11	13	13	100	
15. Whittier College	13	13	14	15	15	16	15	15	101	
16. Thomas Jefferson University	17	12	17	17	17	17	17	17	114	
17. Southwestern University	11	-- ⁴	12	16	14	15	16	16	-- ⁴	

Source: California State Bar Association, July 1997 Examination Statistics, first-time test takers.

³ Ranks are based on the first year class of 1997, except for Bar passage rates, which are for those taking the Bar exam in July 1997 (after completing three years of law school). The top eleven schools on these rankings were chosen for inclusion in this study.

⁴ The data were not available to calculate this percentage.

Appendix D

Interview Protocols

Law School Survey Protocol

SURVEY ON TRENDS IN LEGAL EDUCATION AND THE LEGAL PROFESSION: AN OVERVIEW

A multidisciplinary research team at RAND¹ is conducting a study to understand how legal education and the law profession might change in the coming decade. With funding from the Office of the President of the University of California, we're trying to assess the likely supply of and demand for practicing attorneys in the next 10 years or so.

In part we will rely on trend projections derived from existing labor and population data sources. But we also need to consider how these trends might be affected by other factors, such as emerging high-tech specialty areas, growing international trade, public attitudes, and so on. For these kinds of insights we're interviewing knowledgeable individuals in California's top law schools and firms.

The interview takes about 45 minutes. We will not identify responses with interviewees personally or with their institutions in any study reports. All findings will be presented in aggregate or general form. We will ask you to answer questions from the perspective of your school's experience, although we would also be happy to get comments on the broader context.

SURVEY ON FUTURE SUPPLY AND DEMAND TRENDS

I'd like to begin with some questions about trends in law schools and the future supply of practicing lawyers. Please answer from the standpoint of your school's experiences and plans. Of course, we'd also be happy to get your impression of the broader trends.

1. First, do you anticipate any overall changes in numbers of individuals who apply, are admitted, and enroll in law schools in the next decade?
 - a. Changes in where, geographically, enrolled law students are coming from (within the region, within the state, out of state)?
 - Can you estimate the proportion of your current students who come from within the state? (IF YES, probe for the percent who come from within the specific region.)
 - b. Changes in race/ethnicity of enrolled law students?
 - c. Other demographic changes (gender? age? economic status? other?)?
 - d. Changes in desired specialties (e.g., environmental law? intellectual property? biotechnology? other?)?
2. What about anticipated changes in the approach to legal education?
 - a. Smaller clinic style courses?

¹ RAND is a nonprofit organization based in Santa Monica, California, that does policy research in the public interest.

- b. Full- versus part-time enrollment?
 - c. Joint programs with other schools/departments?
 - d. Off-campus sites?
 - e. Distance learning?
 - f. Other?
3. Other kinds of changes in the law school environment?
 - a. Changes in curriculum?
 - b. Changes in faculty hiring (e.g., other disciplines)?
 - c. Changes in emphases (e.g., pro bono work)?
 - d. Other changes? (e.g., more student legal associations sponsored? New journals or publications started)?
 4. More generally, do you think ABA-approved law schools on the whole are moving in similar directions—or are significantly different directions likely to be taken in the future?

Now I'd like to change the focus and ask some questions about trends in the legal profession and the future demand for practicing lawyers.

1. First, do you envision any overall changes in the level of demand for lawyers in the coming decade?
 - a. Changes in where, geographically, graduating law students will go to practice after graduation (within the region, within the state, out of state)?
 - Probe for the extent to which—if at all—the location of the law school influences the location where graduates go to practice?
 - b. Changes in demand for lawyers of color in California?
 - c. Changes in demand for lawyers based on other demographic factors (gender? age? economic status? other)?
 - d. Changes in demand for lawyers with specific specialties? Do there seem to be new or growing areas of demand (e.g., environmental law? intellectual property? biotechnology? other)? Are there any specialties where demand is declining?
2. Changes in the way the demand for legal services will be met?
 - a. Greater or less reliance on paralegals?
 - b. Greater or less reliance on alternative dispute resolution mechanisms?
 - c. Web/Internet-based delivery of legal services (e.g., “Virtual Law Offices”)?
 - d. Other?
3. Other kinds of changes in the professional environment for lawyers?
 - a. Changes in work settings (e.g., more/fewer lawyers going into government or nonprofit settings? more/fewer lawyers hired as in-house counsel? more/fewer lawyers in private law firms)?
 - b. Changes in patterns of practice—types of first jobs versus subsequent jobs in lawyers’ career paths?
 - c. Changes in size of law firms (more large firms? more small specialty or boutique firms? other)?
 - d. Changes in number of firms with multisite—even national—practices?
 - e. Other changes?

4. On the whole, would you say the professional environment for lawyers will remain fairly stable over the coming decade—or do you envision major changes in the professional landscape in the future?

Finally, I'd like to ask you a big picture question.

1. Overall, what do you think will be the most important influences on the nature of legal education or the legal profession in the next 10 years (changes in public attitudes? changing demographics? new regulatory trends? increasing economic globalization? the information revolution?)?
2. Are there other people in your law school whom you think we should speak with about these issues?
3. Are there other knowledgeable individuals elsewhere in academia or professional practice we should be asking about these issues? Whom would you recommend?

Thanks very much for taking the time to talk with me today. We really appreciate it.

Law Firm Survey Protocol

SURVEY ON TRENDS IN THE LEGAL PROFESSION: AN OVERVIEW

A multidisciplinary research team at RAND² is conducting a study to understand how legal education and the law profession might change in the coming decade. With funding from the Office of the President of the University of California, we're trying to assess the likely supply of and demand for practicing attorneys in the next 10 years or so.

In part we will rely on trend projections derived from existing labor and population data sources. But we also need to consider how these trends might be affected by other factors, such as emerging high-tech specialty areas, growing international trade, public attitudes, and so on. For these kinds of insights we're interviewing knowledgeable individuals in California's top law schools and firms.

The interview takes about 30 minutes. We will not identify responses with interviewees personally or with their institutions in any study reports. All findings will be presented in aggregate or general form. We will ask you to answer questions from the perspective of your firm's experience, although we would also be happy to get comments on the broader context. What follows are the main points the survey will cover.

² RAND is a nonprofit organization based in Santa Monica, California, that does policy research in the public interest.

SURVEY ON FUTURE SUPPLY AND DEMAND TRENDS

I'd like to begin with some questions about trends in the legal profession and the future demand for practicing lawyers.

1. First, do you envision any overall changes in the level of demand for lawyers in the coming decade?
 - a. Changes in where, geographically, graduating law students will go to practice after graduation (within the region, within the state, out of state)?
 - Probe for the extent to which—if at all—the location of the law school influences the location where graduates go to practice?
 - b. Changes in demand for lawyers of color in California?
 - c. Changes in demand for lawyers based on other demographic factors (gender? age? economic status? other?)?
 - d. Changes in demand for lawyers with specific specialties? Do there seem to be new or growing areas of demand (e.g., environmental law? intellectual property? biotechnology? other?)? Are there any specialties where demand is declining?
2. Changes in the way the demand for legal services will be met?
 - a. Greater or less reliance on paralegals?
 - b. Greater or less reliance on alternative dispute resolution mechanisms?
 - c. Web/Internet-based delivery of legal services (e.g., “Virtual Law Offices”)?
 - d. Other?
3. Other kinds of changes in the professional environment for lawyers?
 - a. Changes in work settings (e.g., more/fewer lawyers going into government or nonprofit settings? more/fewer lawyers hired as in-house counsel? more/fewer lawyers in private law firms?)?
 - b. Changes in size of law firms (more large firms? more small specialty or boutique firms? other?)?
 - c. Changes in number of firms with multisite—even national—practices?
 - d. Changes in patterns of practice—types of first jobs versus subsequent jobs in lawyers' career paths?
 - e. Other changes?
4. In our research we've found a large proportion of California Bar members who are inactive—eligible to practice but do not currently practice. Can you shed any light on this situation? Can you speculate as to why this might be so?
5. Do you envision a large enough supply of law students graduating from ABA-approved law schools in California to meet the future needs of the profession?

Finally, I'd like to ask you a big picture question.

1. Overall, what do you think will be the most important influences on the nature of legal education or the legal profession in the next 10 years (changes in public attitudes? changing demographics? new regulatory trends? increasing economic globalization? the information revolution?)?
2. Are there other knowledgeable individuals elsewhere in professional practice we should be asking about these issues? Whom would you recommend? We would especially like to get the perspective of smaller firms, if you can suggest any.

Thanks very much for taking the time to talk with me today. We really appreciate it.

Expert Survey Protocol

SURVEY ON TRENDS IN THE LEGAL PROFESSION:
AN OVERVIEW

A multidisciplinary research team at RAND³ is conducting a study to understand how legal education and the law profession might change in the coming decade. With funding from the Office of the President of the University of California, we're trying to assess the likely supply of and demand for practicing attorneys in the next 10 years or so.

In part we will rely on trend projections derived from existing labor and population data sources. But we also need to consider how these trends might be affected by other factors, such as emerging high-tech specialty areas, growing international trade, public attitudes, and so on. For these kinds of insights we're interviewing knowledgeable individuals in California's top law schools and firms, including deans of California's top ABA-approved law schools, representatives of law offices, and selected highly knowledgeable experts. You fall in the latter category. For the experts we have a very brief elite interview that asks about what major factors (outside of those included in labor economists' projections) are likely to have big effects on supply and demand in the legal profession in the coming decade.

The interview takes about 30 minutes. We will not identify responses with interviewees personally or with their institutions in any study reports. All findings will be presented in aggregate or general form. What follows are the main points the survey will cover.

Supply Side:

1. In our research we've found a large proportion of California Bar members who are inactive—eligible to practice but do not currently practice. Can you shed any light on this situation? Can you speculate as to why this might be so?
 - a. What effect will this have on supply and demand? Obviously will decrease immediate supply, but there will still be a reserve pool of lawyers. Will increases in wages bring these people back into the legal profession?
 - b. Do the factors responsible for the increasing proportion of inactives threaten the future supply of new lawyers? (just as high wages bring in potential lawyers, won't negative perceptions of quality of life deter potential lawyers?)

Demand Side:

³ RAND is a nonprofit organization based in Santa Monica, California, that does policy research in the public interest.

2. Extent to which many of the trends people have mentioned will actually increase the demand for lawyers, for example:
 - a. **Alternative Dispute Resolution:** may draw in lawyers, *but from where?* And will this increase be offset by a decrease in demand for litigators?
 - b. **Multidisciplinary Practice:** everyone talks about “The Big Five,” and the increasing involvement of the accounting firms in the practice of law. What effect will this have on supply and demand?
 - It seems that as consulting firms suck up lawyers, all other sectors of the legal profession (mostly private firms) will have to replace them...
 - c. **Size:** Similarly, what effect will the trend towards larger, multisite, and multinational practices have on demand? Seems that this would increase demand, as firms get larger they’ll need more lawyers.
 - Many have suggested that increasing globalization will increase demand for American lawyers because they are so well trained. Do you think that overall this trend towards globalization will increase demand?
 - d. **The Internet and other technological advances:** everyone talks about increasing efficiency and demand on the part of clients for greater productivity. Many folks talk about lawyers working harder, longer hours.
 - How, and to what extent, will technology influence the demand for lawyers?
 - Technological advances in terms of telecommuting—some have said that they believe that location will become less important, and people would migrate away from expensive locales like Los Angeles and San Francisco. Do you think that technological advances will make location less important in the future? Would this result in California being less attractive within the legal profession?
3. Do you envision a large enough supply of law students graduating from ABA-approved law schools in California to meet the future needs of the profession?

Finally, I’d like to ask you a big picture question.

4. Overall, what do you think will be the most important influences on the nature of legal education or the legal profession in the next 10 years?

Thanks very much for taking the time to talk with me today. We really appreciate it.

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