



# A Framework for Thinking About Law School Affordability

By Sandy Baum, Ph.D.

December 2015



A report from the  
Access Group Center for  
Research & Policy Analysis<sup>SM</sup>



## About Access Group

---

Founded in 1983, Access Group is a nonprofit membership organization composed of nearly 200 nonprofit and state-affiliated ABA-approved law schools. The organization works to further access, affordability, and the value of legal education, specifically—and graduate and professional education more broadly—through research, policy advocacy, and direct member and student educational services.

## About Access Group Center for Research & Policy Analysis<sup>SM</sup>

---

The Access Group Center for Research & Policy Analysis conducts research and provides grants that address some of the most critical issues facing legal education, including:

- Enhancing access to legal education for students from diverse backgrounds;
- Increasing affordability for students pursuing legal education; and
- Expanding the value of legal education.

For more information about the Center, visit [AccessResearch.Org](https://AccessResearch.Org).

# **A Framework for Thinking About Law School Affordability**

*December 2015*

**A report from the  
Access Group Center for Research & Policy Analysis**

*This report was commissioned by the Access Group Center for Research & Policy Analysis from Sandy Baum, Ph.D.*

# Table of Contents

---

Executive Summary ..... 1

Introduction ..... 2

Tuition ..... 3

Student Debt ..... 4

Who goes to law school? ..... 6

How much do lawyers earn? ..... 7

Perspectives on the value of law school ..... 9

What is an affordable legal education? ..... 11

Pre-law school circumstances and available resources ..... 13

How much can students contribute from earnings while in school? ..... 14

Setting standards: manageable debt ..... 14

Conclusion ..... 15

References ..... 18

# Executive Summary

---

Rapid rises in tuition, dramatic growth in average debt levels in recent years, and a weakening of the job market for lawyers all raise questions about whether and for whom going to law school is a sound financial decision. Regardless of their motivation for studying law, people enroll expecting to be able to live at a higher standard of living than would have been possible without this education, even after repaying the debt they incur. Understanding what makes law school “affordable” for students in different circumstances requires thinking about how well the investment in this professional training pays off.

Law school affordability cannot be evaluated through simple metrics like tuition prices and debt levels. Rather, the lifetime value of the investment—based on the earnings premium generated and net of both direct costs and forgone earnings—is the best measure of whether or not going to law school is “affordable.” But there is no guarantee that even with a positive net present value, the investment in law school will be sufficiently financially rewarding to satisfy students making sacrifices to pay off their debts.

The complexity of evaluating the “affordability” of a law school education is multiplied many times by the extreme variation in prices, job opportunities, and earnings in this market. Knowing that on average a law degree pays off means little for those for whom the payoff turns out to be relatively small. On the other hand, high prices and debt levels should not deter students whose chances of having successful careers that are personally and financially rewarding are high.

Lawyers’ earnings are a function of the law schools they attended, geographical location, and type of employment, in addition to personal characteristics. Most lawyers earn much less than the salaries enjoyed by successful lawyers in large urban firms and the significant variation in earnings within the profession makes it impossible to set general benchmarks related to prices or debt levels for potential law students. For example, the amount of debt that can be supported at the 75<sup>th</sup> percentile of lawyers’ 2014 earnings is about three times as high as at the 25<sup>th</sup> percentile.

Guiding students about reasonable amounts to spend—and law schools about reasonable amount to charge—requires understanding of the wide range of law school outcomes and of the significant differences associated with individual law schools. While there is considerable uncertainty, some of the indicators of future earnings are available before enrollment and both students and institutions should consider these signals. Prospective students surely overestimate lawyers’ earnings and just clarifying and highlighting the actual distribution of earnings could provide a constructive caution to aspiring lawyers.

All law schools should focus on increasing efficiency and providing quality education at a lower cost. But law schools educating students who tend to have earnings over their career at or below the average for the profession should be particularly concerned about finding ways to cut their costs and their prices. Current prices not only lead to debt levels not sustainable at typical earnings levels, but likely generate earnings premiums for many students that do not support the investment.

# Introduction

---

While most discussions of postsecondary tuition and affordability focus on undergraduate education, law schools are under increasing scrutiny. Despite the fact that many law school graduates use their skills outside of the direct practice of law, the recent decline in employment in the legal profession, along with rising prices and high levels of student debt, is generating questions about the financial viability of legal education for many students. This paper explores the most constructive ways to think about the “affordability” of legal education in the context of trends in law school enrollment, prices, debt, and employment.

People frequently equate affordability with having the money on hand to pay for something—I can’t afford to buy a new shirt until I get my paycheck. Or they may think of affordability over the longer run and in the context of a complete budget—I can’t afford to buy a Lexus, so I will buy a Ford Fiesta instead. I will have to borrow money for that purchase, but over time, the payments will fit my budget.

But going to law school is not just a purchase. It is an investment. Regardless of their primary motivation for enrolling, it is likely that most people expect that their earnings after law school will be higher than their earnings before law school. So the question is not whether they have the money in their pockets now to pay, or even whether they could afford to pay over time at their current earnings level. Rather, law school, like other graduate education, is a form of occupational training. Whether or not it is affordable depends on its cost relative to the earnings it will generate. The availability of debt financing that is likely to involve manageable repayment is also relevant to affordability.

It is reasonable to consider law school “unaffordable” if it does not lead to earnings high enough to pay for it over time while leaving enough income to live at a higher standard of living than would have been possible without the investment. It is also unaffordable if repayment of the necessary loans will cause sacrifices many borrowers find unacceptable. In other words, the real question is under what circumstances going to law school is a good investment.

It is important to qualify this discussion with the caveat that there are good reasons other than money to go to law school. Some people want to be lawyers because of the

social impact they think they can have, because of the intellectual challenge, or because of the social status associated with the profession. Clearly, people aspiring to be public defenders, focus on public interest law, or concentrate on pro bono work do not expect their law degrees to make them rich. That said, a discussion of how people manage to pay for law school must focus on the financial outcomes.

This perspective distinguishes the discussion from the debate over affordable undergraduate education. While law students come disproportionately from relatively affluent, well-educated families, the vast majority of them borrow to pay for school and a surprisingly small number report receiving assistance from their parents (Dinovitzer, Garth, Sander, Sterling, & Wilder, 2004). Many people think they should pay for their undergraduate education without borrowing, despite the fact that this has become fairly uncommon. But questions about the feasibility of paying for law school almost never center on whether or not students have the funds to pay for their legal education up front.

Undergraduate education is a critical component of educational opportunity, with participation vital for access to a middle-class lifestyle. Bachelor’s degrees in particular are not just vocational preparation, but are avenues to broad education and to personal and intellectual development that may or may not feed directly into specific occupations. Measuring the value of an undergraduate degree only—or even primarily—in terms of post-college earnings is problematic. Such a focus is, however, much more appropriate for an analysis of the value of legal education. Surely law schools should continue to produce lawyers who will serve the public interest, not just lawyers who will earn high salaries. Nonetheless, it is hard to justify paying a high price for a legal education that does not lead to the option of a job in the field and to earnings that will allow debt repayment if the chosen path is not eligible for some form of loan forgiveness.

This report begins by describing trends in law school prices and the amount of debt students accumulate to pay those prices, as well as the demographics of law students. The next section reviews lawyers’ earnings. The paper then provides an overview of differing perspectives on the value of a legal education, followed by a discussion of the most reasonable ways to set guidelines for potential students and for law schools.

# Tuition

Law school tuition has increased even more rapidly than undergraduate tuition, particularly at public institutions. As Table 1 reports, in the public sector the ratio of average law school tuition to average undergraduate tuition for state residents increased from 1.74 in 1993 to 2.33 in 2003 and 2.69 in 2013. Between 1993 and 2013, when undergraduate tuition for state residents more than doubled, law school tuition more than tripled.

These average prices conceal considerable differences within sectors. The highest prices in 2013 were \$57,351 at Cornell and \$57,838 at Columbia, while Brigham Young charged \$11,280. The most expensive public law school was the University of Michigan, which charged residents \$49,784 and non-residents \$52,784 (American Bar Association, 2015b).

The sticker prices and their increases are not representative of the amount students actually pay, since grants and scholarships—or discounts—awarded by law schools have also increased dramatically over time. The average aid awarded by individual law schools increased from \$1.4

million (in 2013 dollars) in 1993 to \$3.3 million in 2003, and to \$5.5 million in 2012 (American Bar Association, 2015c; calculations by author) and more than half of all law students now receive some amount of institutional grant aid (Henderson & Zahorsky, 2012; Organ, 2013).

Aid patterns vary considerably across institutions. In fall 2013, three institutions—Cardozo (tuition of \$51,778), Chapman (tuition of \$44,843), and St. John’s (tuition of \$49,750)—gave average grants of \$30,000 or more. But St. John’s discounted for only about 38 percent of its students, compared to 46 percent for Cardozo and 67 percent for Chapman. The University of South Dakota School of Law, with tuition prices of \$13,904 for state residents and \$28,430 for out-of-state students, did not provide institutional aid, but the University of North Dakota, with prices of \$11,029 and \$23,866 for in-state and out-of-state students, respectively, awarded grants averaging about \$8,500 to one-third of its students. Harvard (tuition of \$53,308) gave about 47 percent of enrolled students discounts averaging \$19,800; Stanford (tuition of \$52,530) and Yale (tuition of \$54,650) aided about 56 percent and 59 percent of their students, respectively, with awards averaging \$21,900 and \$22,300 (American Bar Association, 2015a; calculations by author).

**Table 1: Law school and undergraduate published tuition: Public in-state and private, 1993 to 2013**

	Average Tuition in 2013 Dollars				Average Tuition Comparison	
	Private		Public In-State		Ratio Law / Undergraduate	
	Law	Undergraduate	Law	Undergraduate	Private	Public
1993	\$23,987	\$17,806	\$7,147	\$4,101	1.35	1.74
2003	\$32,484	\$24,071	\$13,742	\$5,900	1.35	2.33
2008	\$36,424	\$26,356	\$17,880	\$7,008	1.38	2.55
2013	\$41,985	\$30,094	\$23,879	\$8,893	1.40	2.69
Percentage increase in average tuition						
1993-2013	75%	69%	234%	117%		
1993-2003	35%	35%	92%	44%		
2003-2013	29%	25%	74%	51%		
2003-2008	12%	9%	30%	19%		
2008-2013	15%	14%	34%	27%		

*Note:* Tuition prices are published or sticker prices, not the net prices students pay after subtracting grants and scholarships.

*Sources:* American Bar Association. (2014). *Law School Tuition (1985-2013; Public/Private)* [Data file]. Retrieved from [http://www.americanbar.org/groups/legal\\_education/resources/statistics.html](http://www.americanbar.org/groups/legal_education/resources/statistics.html); The College Board. (2013). *Trends in College Pricing 2013*. Retrieved from <http://trends.collegeboard.org/sites/default/files/student-aid-2013-full-report-140108.pdf>.

# Student Debt

Not surprisingly, the vast majority of law students borrow to fund their education. Figures on debt are difficult to interpret. Since only students with significant resources can pay out of pocket, any increase in enrollment among less affluent students would likely correspond to an increase in the percentage of students borrowing and in the average amount borrowed. Institutions with low debt levels could have low prices or generous financial aid—or they could enroll a disproportionately affluent student body.

As Table 2 and Figures 1 and 2 indicate, both among law school students and among professional degree students

more generally, average debt per borrower and average debt per graduate (including those with no debt) was quite stable between 2003-04 and 2007-08, but had increased sharply by 2011-12. In contrast to bachelor’s and master’s degree recipients, the percentage of law graduates who borrow has not increased—but has been over 85 percent at least since 2003-04 (U.S. Department of Education, 2004; U.S. Department of Education, 2008; U.S. Department of Education, 2012b).

Data from the American Bar Association confirm the sharp increase in debt among students who borrow for law school. According to these data, reported in Table 3, average debt per borrower increased by 43 percent (in inflation-adjusted dollars) between 2002 and 2012 for public law

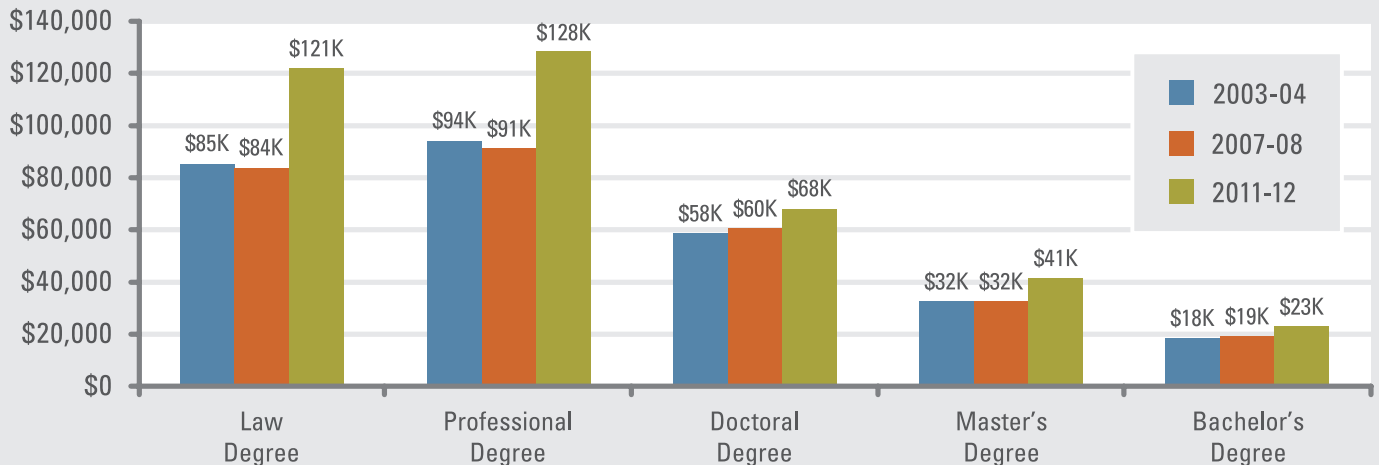
**Table 2: Cumulative student debt by degree program: Law students and other degree recipients, 2004, 2008, and 2012**

Average debt per borrower				
	2004	2008	2012	Increase (2004 to 2012)
Law Degree	\$85,200	\$84,230	\$121,890	43%
Professional Degree	\$94,180	\$91,240	\$128,560	37%
Doctoral Degree	\$58,930	\$60,390	\$68,020	15%
Master’s Degree	\$32,670	\$32,590	\$41,400	27%
Bachelor’s Degree	\$18,460	\$19,490	\$23,050	25%
Average debt per graduate (including both borrowers and non-borrowers)				
	2004	2008	2012	Increase (2004 to 2012)
Law Degree	\$73,710	\$74,990	\$104,970	42%
Professional Degree	\$80,060	\$78,910	\$109,600	37%
Doctoral Degree	\$28,730	\$27,730	\$29,330	2%
Master’s Degree	\$17,360	\$17,980	\$24,900	43%
Bachelor’s Degree	\$9,870	\$11,630	\$14,200	44%
Percentage with debt				
	2004	2008	2012	Change (2004 to 2012)
Law Degree	87%	89%	86%	-1%
Professional Degree	85%	87%	85%	0%
Doctoral Degree	49%	46%	43%	-6%
Master’s Degree	53%	55%	60%	7%
Bachelor’s Degree	54%	60%	62%	8%

Source: Author analysis of data from the U.S. Department of Education, National Center for Education Statistics, 2003-04, 2007-08, 2011-12 *National Postsecondary Student Aid Study*. Available from <https://nces.ed.gov/datalab/postsecondary/index.aspx>.



**Figure 1: Average debt per borrower over time (excluding graduates with no debt)**



Source: Author analysis of data from the U.S. Department of Education, National Center for Education Statistics, 2003-04, 2007-08, 2011-12 *National Postsecondary Student Aid Study*. Available from <https://nces.ed.gov/datalab/postsecondary/index.aspx>.

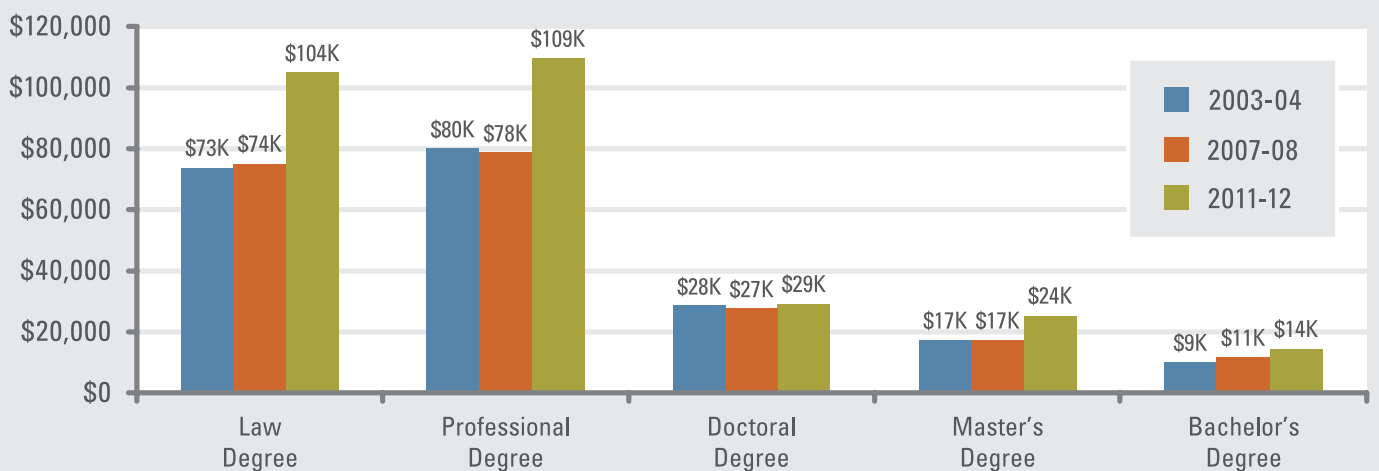
school graduates and by 37 percent for those from private law schools.

Law school debt is frequently accumulated on top of undergraduate debt. Although undergraduate debt does not directly affect the value of the investment in law school, it does have implications for how much discretionary income lawyers have after meeting their debt obligations. As Table 4 shows, while the average debt for public law school graduates was \$99,980 for graduate school, their total education

debt was \$119,990. Similarly for private law school graduates, their average debt for graduate school was \$131,460 while their total education debt was \$145,020.

Living costs are not a real cost of going to law school, since people pay for housing and food whether or not they are students. However, the amount students have to borrow while they are in law school depends on whether they are borrowing just to cover tuition, or whether they also have to come up with the funds to cover living expenses. Students who

**Figure 2: Average debt per graduate over time (including borrowers and non-borrowers)**



Source: Author analysis of data from the U.S. Department of Education, National Center for Education Statistics, 2003-04, 2007-08, 2011-12 *National Postsecondary Student Aid Study*. Available from <https://nces.ed.gov/datalab/postsecondary/index.aspx>.

**Table 3: Average debt levels of public and private law school graduates who borrow, in current dollars and in 2012 dollars, 2002 to 2012**

Academic Year	Current Dollars		2012 Dollars	
	Public	Private	Public	Private
2002	\$46,500	\$70,150	\$59,310	\$89,480
2003	\$45,760	\$72,890	\$57,170	\$91,060
2004	\$48,910	\$76,560	\$59,170	\$92,620
2005	\$51,060	\$78,760	\$60,240	\$92,930
2006	\$54,510	\$83,180	\$61,650	\$94,080
2007	\$53,840	\$80,390	\$59,300	\$88,540
2008	\$56,470	\$86,430	\$59,220	\$90,640
2009	\$58,590	\$91,510	\$62,340	\$97,350
2010	\$69,690	\$106,250	\$73,370	\$111,860
2011	\$75,730	\$124,950	\$76,990	\$127,030
2012	\$84,600	\$122,160	\$84,600	\$122,160
2002 to 2012	82%	74%	43%	37%

Note: Data based on the question: “The average amount borrowed in law school by J.D. graduates who borrowed at least one education loan in law school.”

Source: American Bar Association. (2014). *Average amount borrowed*. Retrieved from [http://www.americanbar.org/groups/legal\\_education/resources/statistics.html](http://www.americanbar.org/groups/legal_education/resources/statistics.html).

are married or are able to live with their parents while they are in law school may be able to borrow less than those who are fully responsible for their own living costs. In any case, most law students face relatively high opportunity costs for their time. Spending three years in school instead of in a full-time job with earnings typical of bachelor’s degree recipients is a very real cost of going to law school.

Average debt among 2012 law school graduates who borrowed was about \$100,000 for those from public institutions and \$131,000 for those graduating from private law schools. Total tuition for three years averaged about \$66,000 in the public sector and \$119,000 in the private sector, without taking grant aid into consideration.<sup>1</sup> In other words private law students borrowed about 10 percent more than full tuition and public law students borrowed about 50 percent more—enough to cover about \$11,000 per year of living expenses.

1. These estimates are based on tuition levels for 2008 and 2012 and assume a constant rate of growth—2.4% in the private sector and 6.2% at public law schools.

**Table 4: Undergraduate and graduate debt: 2011-12 law school graduates**

	Public	Private	All
Percent borrowing for graduate school	89%	85%	86%
Percent with education debt	89%	87%	87%
Average borrowed for graduate school	\$99,980	\$131,460	\$121,890
Average borrowed for all education	\$119,990	\$145,020	\$120,260

Source: Author analysis of data from the U.S. Department of Education, National Center for Education Statistics, 2011-12 *National Postsecondary Student Aid Study*. Available from <https://nces.ed.gov/datalab/postsecondary/index.aspx>.

The *After the JD* (AJD) longitudinal study of lawyers first entering the bar in 2000 found that only 16 percent of law school graduates were debt-free three years after entering the work force, and just over half still had debt 12 years after passing the bar. Median outstanding debt fell only from \$70,000 to \$50,000 over these years, but the percentage with outstanding debt exceeding \$100,000 fell from 20 percent to 5 percent (Plickert et al., 2014).

## Who goes to law school?

Only 38 percent of AJD respondents went directly from college to law school, although 54 percent attended law school within three years of graduation from college. Accordingly, at graduation from law school, half of the lawyers in the sample were 27 or younger and a quarter of them were 30 or older (Dinovitzer et al., 2004).

Among 2007-08 bachelor’s degree recipients, middle-income students—those from families with parental incomes between \$50,000 and \$90,000, were just over half as likely as others to earn law degrees by 2009. Table 5 shows that this under-representation was not typical of other graduate fields. Surprisingly, students from the lowest-income families were not similarly under-represented among law degree recipients.

The racial/ethnic characteristics of law students provide another window into who enrolls in law school. While about 12 percent of all graduate students are black and 9 percent are Hispanic, among law students only 5 percent

are black and 6 percent Hispanic. The only other graduate fields with such under-representation are fine arts, science and engineering, and dentistry (U.S. Department of Education, 2012b).

The racial distribution of the AJD nationally representative sample of law students who passed the bar in 2000 is similar. About 6 percent of the graduates were black and about 4 percent were Hispanic. About 51 percent of the graduates' mothers and 63 percent of their fathers had a bachelor's degree or higher—much higher than the 28 percent of adults between the ages of 35 and 53 who had a bachelor's degree in 2000 (U.S. Census Bureau, 2015).

Comparing the family backgrounds of law school graduates to those of other graduate degree recipients in national data reveals that both future lawyers and other professional degree recipients come from highly educated families, with 44 percent of law school graduates and 40 percent of all professional degree recipients, compared to 31 percent of master's degree recipients, having at least one parent with a graduate degree.<sup>2</sup> Ten percent of law school graduates, 8 percent of all professional degree recipients, and 19 percent of master's degree recipients had parents with no postsecondary experience (U.S. Department of Education, 2012a).

2. The master's degree category includes MBA degrees.

## How much do lawyers earn?

Law school graduates enter a wide variety of occupations, only some of which are categorized as legal professions. But even among those who are practicing lawyers, the range of earnings is very wide.

According to the Bureau of Labor Statistics, the median annual salary of lawyers in 2014 was \$114,970. At the same time, as Table 6 reports, 25 percent of lawyers earned less than \$75,630 and 25 percent earned more than \$172,540. These figures may be surprising to those who have heard about the \$160,000 common starting base salary for associates in major urban firms. By their eighth year, associates in firms of 251-500 lawyers see median earnings rising to \$235,000. In contrast, after 11 to 15 years civil legal services lawyers have median earnings of \$65,000—and these salary differences are exacerbated by the generous bonuses frequently offered by large firms.

Overall, lawyers' earnings grew more slowly than earnings in all occupations and more than earnings in management occupations over the decade from 2004 to 2014. Median earnings for lawyers were 21 percent higher in 2014 than in 2004. The median for all occupations rose 24 percent over the decade and the increase for management occupations was 31 percent. Table 7 reports these data.

**Table 5: Graduate degrees attained by 2012: Dependent 2007-08 bachelor's degree recipients, by 2006 family income level**

Dependent Students' Parental Income (2006)	Any graduate degree	Graduate Field							
		Education	Health professions and related sciences	Business, management, and marketing	Legal professions and studies	Psychology	Public administration /social services	Engineering	Other
All	22%	23%	23%	17%	15%	7%	6%	5%	5%
\$50,000 or less (23%)	20%	20%	21%	22%	15%	8%	7%	3%	5%
\$50,001-\$90,000 (28%)	21%	28%	21%	17%	9%	9%	8%	4%	5%
\$90,001-\$130,000 (26%)	23%	21%	21%	15%	18%	5%	8%	7%	4%
Over \$130,000 (23%)	26%	21%	27%	14%	20%	6%	2%	5%	3%

*Note:* For eighty percent of the students in the "legal professions and studies" category a professional practice law degree was the highest degree attained, but about 7 percent earned post-baccalaureate certificates and 6 percent earned master's degrees in legal studies. Among all graduates in these fields, 64 percent were from families with incomes above \$90,000 in 2006. Among those whose degrees were professional practice law degrees, 68 percent had family incomes this high.

*Source:* Author analysis of data from the U.S. Department of Education, National Center for Education Statistics, 2008-2012, *Baccalaureate and Beyond Longitudinal Study*. Available from <https://nces.ed.gov/datalab/postsecondary/index.aspx>.

**Table 6: Lawyers salaries, 2014**

	Salary
<b>All lawyers</b>	
25th percentile	\$75,630
50th percentile	\$114,970
75th percentile	\$172,540
	Median Salary
<b>First-year associates by firm size</b>	
2-25 lawyers	\$68,000
251-500	\$160,000
501-700	\$125,000
701+	\$135,000
<b>Civil legal services</b>	
Entry level	\$44,600
5 years	\$51,000
11-15 years	\$65,000
<b>Associates in firms with 251- 500 lawyers</b>	
First year	\$160,000
Fourth Year	\$200,000
Eighth year	\$235,000

Sources: U.S. Department of Labor, Bureau of Labor Statistics. (2014). *May 2014 National Occupational Employment and Wage Estimates*. Retrieved from [http://www.bls.gov/oes/current/oes\\_nat.htm#23-0000](http://www.bls.gov/oes/current/oes_nat.htm#23-0000); National Association of Law Placement. (2014). Top salaries for first-year associates remain flat at \$160,000, but prevalence shrinks as large law firm market becomes less homogenous [Press release]. Retrieved from [http://www.nalp.org/associate\\_salaries\\_2014](http://www.nalp.org/associate_salaries_2014).

Lawyers' earnings are a function of the law schools they attended, geographical location, and type of employment, in addition to personal characteristics. In 2003, lawyers who passed the bar in 2000 had median earnings of \$70,000, with 25 percent earning less than \$50,000 and another 25 percent earning more than \$110,000 (Dinovitzer et al., 2009). The median for legal services lawyers and public defenders was \$39,000, compared to \$135,000 for those working in law firms with offices employing more than 250 lawyers. The median salary of graduates of the top 10 law schools was \$135,000, compared to \$56,200 for those who attended fourth-tier schools (Dinovitzer et al., 2004). The median salary for women was \$66,000, compared to \$80,000 for men.

This variation in salaries is critical to an understanding of the value of the investment in law school, as is the ques-

tion of how earnings grow over time. Among lawyers who first passed the bar in 2000 and were surveyed by AJD, the median salary increased by 40 percent (not adjusting for inflation) between 2003 and 2006, but by only another 8 percent between 2006 and 2012. Over these six years, which included the Great Recession, the 25<sup>th</sup> percentile of this cohort's earnings actually declined, even before adjusting for inflation. But earnings at the 75<sup>th</sup> percentile increased by 18 percent. Earnings at the 75<sup>th</sup> percentile were about twice the earnings at the 25<sup>th</sup> percentile in 2003, but were almost three times as high by 2012 (Plickert et al., 2014).

It is important not to under-emphasize the difference in the typical earnings of graduates of different law schools. In 2003, as reported in Table 8, graduates of the top ten law schools reported median salaries of \$135,000 compared to \$72,790 for graduates of the schools ranked 21 to 100 and

**Table 7: Earnings in 2004 and 2014: Lawyers, all occupations, and management occupations**

	25 <sup>th</sup> percentile	Median	75 <sup>th</sup> percentile	75 <sup>th</sup> / 25 <sup>th</sup>
<b>Lawyers</b>				
2004	\$64,620	\$94,930	\$143,620	2.22
2014	\$75,630	\$114,970	\$172,540	2.28
Change	17%	21%	20%	
<b>All Occupations</b>				
2004	\$19,300	\$28,770	\$45,060	2.33
2014	\$22,950	\$35,540	\$57,720	2.52
Change	19%	24%	28%	
<b>Management Occupations</b>				
2004	\$50,890	\$74,390	\$107,900	2.12
2014	\$67,080	\$97,230	\$141,150	2.10
Change	32%	31%	31%	
<b>Lawyer /All</b>				
2004	3.35	3.30	3.19	
2014	3.30	3.23	2.99	
<b>Lawyer/Management</b>				
2004	1.27	1.28	1.33	
2014	1.13	1.18	1.22	

Sources: U.S. Department of Labor, Bureau of Labor Statistics. (2015). *Occupational Employment Statistics, May 2004 and May 2014*. Available from <http://www.bls.gov/oes/tables.htm>.

\$56,180 for those from the fourth tier.<sup>3</sup> The top salaries rose least over time, and by 2012, graduates of the top 10 law schools surveyed by AJD had median earnings of \$173,500, 32 percent higher than graduates of the schools ranked 21 to 50 and 74 percent higher than graduates of fourth tier schools. Even graduates from the most selective schools with low grade point averages (GPAs) earned more than graduates of all but the top 50 schools with very high GPAs (Plickert et al., 2014).

Both the variation in earnings among lawyers and the unusual shape of the earnings distribution make median earnings for law school graduates questionable indicators. Starting salaries tend to be bi-modal, with a significant number of graduates clustered around the entry-level salaries in large firms, and others clustered around salaries less than half that amount in solo practices, government jobs, public interest, and other occupations (Henderson, 2009; National Association for Law Placement, 2012).

## Perspectives on the value of law school

There is no argument about the fact that law school tuition has risen rapidly in recent years, even after considering the increase in scholarship aid. Many students graduate

3. Rankings in the *After the JD* study are based on *U.S. News and World Report*.

with high levels of debt and at least in the years during and immediately following the Great Recession, many graduates have been unable to find the kinds of jobs they expected when they enrolled in law school.

These developments, while certainly discouraging for law school faculty and administrators and for those in the legal job market, do not lead to clear conclusions about whether or not law school remains a good investment—key to determining whether or not it is “affordable” in a meaningful sense for most students.

Some analysts argue that law school has proven to be a bad investment for many or even most recent graduates, while others argue that it remains a good investment with a high earnings premium. Some argue that the market for legal services has undergone structural changes that will prevent it from recovering any time in the foreseeable future, while others argue that the decline has been cyclical and there is no reason to believe that there is a long-term downward trend in the financial security of lawyers.

One factor contributing to these different conclusions is how the affordability of—or the return to—law school is defined. Should we focus on required debt payments relative to earnings or on the earnings premium relative to the option of not going to law school (or to any other graduate program)? Should we focus on median prices, debt levels, and earnings, or on the graduates at the bottom of the earnings distribution?

**Table 8: Earnings of lawyers entering the bar in 2000 by selectivity of law school attended**

	Law School Tier						Ratio
	Top 10	Top 11-20	Top 21-50	Top 51-100	Tier 3	Tier 4	Top 10 / Tier 4
<b>2003</b>	\$135,000	\$107,000	\$72,790*	\$72,790*	\$60,000	\$56,180	2.40
<b>2006</b>	\$162,000	\$107,000	\$108,000	\$92,000	\$92,000	\$83,000	1.95
<b>2012</b>	\$173,500	\$158,000	\$131,500	\$120,000	\$113,000	\$100,000	1.74
<b>2003 to 2012</b>	\$38,500	\$51,000	\$58,710	\$47,210	\$53,000	\$43,820	
<b>2003 to 2012</b>	29%	48%	81%	65%	88%	78%	

Note: The 2003 data are for the top 21-100 schools and do not differentiate between the top 21-50 and the top 51-100. Rankings in the *After the JD* study are based on *U.S. News and World Report*.

Sources: Dinovitzer, R., Garth, B., Sander, R., Sterling, J., & Wilder, G. (2004). *After the JD: First results of a national study of legal careers*. Overland Park, KS: The NALP Foundation for Law Career Research and Education. Chicago, IL: American Bar Foundation; Dinovitzer, R., Nelson, R., Plickert, G., Sandefur, R., Sterling, J., Adams, T., ... Wilkins, D. (2009). *After the JD II: Second results of a national study of legal careers*. Chicago, IL: American Bar Foundation. Dallas, TX: The NALP Foundation; Plickert, G., Dinovitzer, R., Garth, B., Nelson, R., Sandefur, R., Sterling, J., & Wilkins, D. (2014). *After the JD III: Third results of a national study of legal careers*. Chicago, IL: American Bar Foundation. Dallas, TX: The NALP Foundation.

Jerome Organ is a key spokesperson for the negative view. Organ (2013) focuses on the average salaries of recent law school graduates over time, and finds that tuition at public institutions increased from 7 percent of employed graduates' salaries in 1985 to 12 percent in 1995, 18 percent in 2005, and 28 percent in 2011. At private law schools, the average ratio rose from 26 percent in 1985 to 50 percent in 2011. Organ argues that a doubling of the ratio of tuition to earnings is equivalent to a doubling of how expensive law school is for students. The gap in these ratios for public and private law school graduates has declined significantly in recent years, as prices in the public sector have risen most rapidly (Organ, 2013).

Organ (2013) also examines the variation in debt-to-income ratios for lawyers from different types of schools, in different occupations, and in different geographical areas. He estimates that only one-third of the class of 2011 has "marginal financial viability," with monthly payments required to retire the debt within 25 years not exceeding 12 percent of gross income or debt no more than 1.5 times starting salary. Organ notes that taking scholarships into account would improve this picture, putting about 47 percent of graduates across the line.

The concept of debt-to-income ratios used in Organ's work is based on Chen (2012). Chen argues "The ease with which a student can carry and retire educational debt after graduation may be the simplest measure of educational return on investment." He asserts that any student whose education debt requires a larger percentage of income than the spread between the housing industry's standard for housing debt and for total debt will be unable to qualify for a mortgage. This standard leads him to conclude that the maximum education debt should be 1.5 times earnings or should require no more than 12 percent of monthly income for repayment—with lower amounts more desirable.

Michael Simkovic and Frank McIntyre, focusing on the earnings premium for lawyers relative to bachelor's degree holders, are key spokespersons for the more optimistic view of the value of law school education. In Simkovic and McIntyre (2014) the authors find that for most law school graduates, the present value of a law degree exceeds its cost by hundreds of thousands of dollars. They control for observable ability and find that law degrees are associated with median earnings increases of 73 percent. Their estimates suggest a mean annual earnings premium of approximately \$57,200 in 2013 dollars and a mean pretax lifetime value of a law degree of approximately \$1 million.

In McIntyre and Simkovic (2015) the authors find, based on law school graduates from the 1960s through 2008, that while the impact of graduating into a weak economy is still visible four years after graduation, a high unemployment rate at the time graduates enter the job market has little impact on lifetime earnings except for those with the highest earnings. The difference in lifetime value between those graduating into high and low unemployment is around \$80,000 at the mean, compared to a lifetime value of around \$800,000. The decline is smaller—around 2 percent of lifetime value—for those near the bottom of the earnings distribution but around 28 percent for those near the top.

According to McIntyre and Simkovic (2015), graduates entering a booming market benefit throughout their careers, but the careers of those graduating into weak markets are not so different from those entering in average economic times. Moreover, the state of the labor market at the time students must make decisions about whether and when to enroll in law school provides little information about what their prospects will be three years later. The authors focus on the earnings premium of law graduates relative to those with terminal bachelor's degrees. In weak economies, declines in earnings among lawyers are accompanied by declines in the earnings associated with alternative educational paths, so do not necessarily lead to decreases in the earnings premium. The authors also find that starting salaries are not reliable predictors of long-term earnings in the legal profession.

McIntyre and Simkovic (2015) argue that even in a weak economy, and even for those at the 25<sup>th</sup> percentile of the earnings distribution, the lifetime value of a law degree exceeds typical net tuition prices by hundreds of thousands of dollars. A higher discount rate, higher than average net tuition prices, and lower earnings could of course generate a negative net present value of lifetime earnings for some segments of the legal market.

Others also question the use of starting salaries as an indicator of the payoff to a legal education. Dinovitzer, Garth, and Sterling (2011) point out that people shift jobs numerous times over their careers and that surveys of lawyers suggest that the vast majority of lawyers are satisfied with their careers.

In addition to the debate about measuring the value of a legal education, there is disagreement about whether the recent downturn in legal employment opportunities represents a long-term structural shift or a temporary cyclical

problem. Dinovitzer et al. (2011) take the position that it is too soon for conclusive evidence about the long-term future of law school graduates. But according to McIntyre and Simkovic (2015), as of 2013 there was no evidence of a structural shift reducing the relative value of the law degree to below its historical average. The absolute decline in earnings and employment opportunities for lawyers, along with the increase in loan default rates, was typical of the economy as a whole.

In contrast, Henderson and Zahorsky (2011) argue that globalization, technological change, and other factors have generated a long-term decline in the demand for lawyers and in the relative salaries they will command. In *Failing Law Schools*, Brian Z. Tamanaha (2012) also argues that there have been long-term structural shifts in the market for lawyers and that there will be fewer and fewer opportunities for lucrative careers. From this perspective, the combination of high debt levels and diminishing opportunities should be viewed as a crisis.

Merritt (2015), using a database of employment outcomes for Ohio lawyers who received their degrees in 2010, also finds strong evidence of structural shifts in the legal market, with employment opportunities for the class of 2010 not having improved following the patterns of earlier classes.

## What is an affordable legal education?

Discussions of law school affordability, like discussions of college affordability, tend to focus on the indicators that are easiest to measure, frequently either prices or debt levels. For example, thebestschools.org identifies the ten top affordable law schools in the U.S. based largely on the lowest tuition and fees. At the top of the list are the CUNY School of Law, with cited tuition of \$11,952 (ranked #113 by *U.S. News and World Report*), and the North Carolina Central School of Law, priced at \$9,961 (“10 Top Affordable,” 2011).

Equating affordability with low sticker prices is simplistic and misleading. Most obvious is that this approach ignores the discounts many law schools offer. But it is also bad advice to suggest that students should choose the cheapest school they can find, without regard to what they will learn, how likely they will be to find a job, and how much they can expect to earn. As noted above, legal job opportunities and earnings are highly correlated with law school selectivity.

Another approach involves identifying the schools where students borrow the least (Muller, 2013). Debt levels, like tuition prices, provide important information. But as already discussed, they are imperfect indicators. A measure that compared the debt levels of *similar* students attending different law schools would provide more information, but that would be a daunting task, and would really amount to comparing net prices for students in different circumstances. Moreover, it would ignore the question of how well the education pays off.

The scholarly inquiries into the value of a law school education discussed above incorporate more sophisticated definitions of what it means for law school to be affordable, with the focus on alternative definitions of the financial value of the investment. All of the implicit definitions of affordability have something to contribute to a comprehensive view of the financial viability of law school education.

- The present discounted value of the earnings premium net of costs (including the opportunity cost, or forgone earnings during the law school years) is the most direct way of answering the question. This type of cost-benefit analysis is standard for investments outside the realm of human capital.
- Monitoring tuition—or net tuition—relative to beginning salaries is also based on the logic of comparing costs to benefits. However, the focus on starting salaries is a clear weakness. In many legal occupations earnings rise rapidly over time; the earnings paths of different jobs differ quite a bit; and there is considerable mobility in the legal labor market so starting salaries are not reliable predictors of long-term earnings. Moreover, defining the cost just in terms of tuition and ignoring the forgone wages understates the true costs and misses some of the variation in costs over time associated with the strength of the overall labor market.
- Debt-to-income ratios shift the focus from the total cost of education to the portion of education funded through borrowing. The large percentage of law students relying on debt and the high amounts borrowed make this approach less problematic for law students than for undergraduates, but ignoring the costs funded through other means is an issue. In addition, the current federal loan provisions for graduate students likely cause many students to borrow more than necessary since they place no limits other than the full cost of attendance (including living

expenses in addition to net tuition) and promise eventual loan forgiveness for borrowers whose incomes do not support repayment of the full amount. It is also important to note that simple rules about debt-to-income ratios, like that proposed by Chen, ignore the role of preferences and priorities. Borrowers with higher debt-to-income ratios might have to buy less expensive houses, but that is far different from not being credit-worthy.

In the abstract, the lifetime value of the investment, based on the earnings premium generated, is the best measure of whether or not going to law school is “affordable.” However, maximizing lifetime earnings may not always lead to the most comfortable financial circumstances over time. Considering this possibility creates an avenue for incorporating the role of education debt into the evaluation of the advisability of an investment.

The timing of costs and benefit is one consideration. In a perfect market, if people face expenses early in their careers, with the earnings that more than compensate for those expenses coming later, they can borrow with the knowledge that they will be able to repay at a future time. The interest rates are incorporated into the present value calculations of lifetime costs and benefits. But in reality, carrying large amounts of debt for long periods of time can be a burden. It can affect access to credit, cause short-term liquidity problems, and have psychological costs. The federal income-dependent loan repayment system for student loans is designed to ease these problems, allowing borrowers to postpone loan payments until their incomes can support them. This system mitigates the timing issue, but does not eliminate it.

It is not reasonable to argue that a law school education just has to support a higher average lifetime living standard than would otherwise be available. Young lawyers need not have high incomes immediately after law school to make the investment worthwhile, but if they have to wait too long to live better than they could have without this education, the perceived value will surely be diminished.

A more difficult issue to sort out is the impact of debt when incomes are too low to support what the borrower considers to be a reasonable lifestyle. This issue has become more salient in recent years as the earnings of lawyers have declined, but the earnings of adults whose highest degree is a bachelor’s degree have also declined, prevent-

ing a reduction in the earnings premium. In other words, the payoff to a legal education may not have declined, but the absolute financial circumstances of many lawyers have. They have paid higher prices for their education, have accumulated more debt, and face less remunerative job opportunities than those who came before them.

The earnings premium to a legal education may be high enough to leave the student better off than he would have been skipping law school. In that sense, it may be a good investment. But it is entirely possible that the high earnings premium may not be associated with a level of earnings that is high enough to comfortably repay student loans—or to sacrifice the benefit of savings spent to finance education.

It is easier to see the underlying problem in the context of undergraduate education. Students who earn associate degrees and certificates earn more than those with only a high school diploma. The average earnings premium is high enough to make paying the cost of a community college education a good investment. That said, the typical earnings of community college graduates may be too low to provide economic security for a family in the current economy. If a borrower has to pay \$200 a month or \$2,400 a year in student loan payments and her \$25,000 annual (after-tax) salary is \$5,000 more than she would earn without an associate degree, she has made a good investment. But given her income, she will struggle to make the loan payments—and to pay her rent and care for her children.

Few employed lawyers live at the edge of the poverty level. Nonetheless, even if there is a positive return to their legal education, they may face financial disappointments and difficulty with loan payments. If they lived at the standard of living typical for people without graduate degrees, they might be able to pay their debts down quite successfully. But particularly after having scrimped while out of the labor force, now that they are in workplaces with expectations about how to dress, at an age where family obligations are a realistic possibility—and they think of themselves as lawyers deserving of a relatively privileged lifestyle—they may well struggle. Even if objectively they face higher lifetime earnings than they would if they were not making those loan payments, their current earnings may not yet reflect this future and they are likely to view the necessities of life differently than they would if they had not gone to law school. In other words, even if the education really was a good long-run investment, it may create hardship in the shorter run.



This argument leads to the conclusion that evaluating the investment in law school requires more than just the estimation of the net lifetime financial benefits. It requires that this estimate be evaluated in the context of financial realities in the first ten or twenty years out of law school—including debt repayment obligations.

The complexity of evaluating the “affordability” of a law school education is multiplied many times by the extreme variation in prices, job opportunities, and earnings in this market. Knowing that on average, a law degree pays off means little for those for whom the payoff is below average, including the significant portion of graduates for whom it is far below average.

## Pre-law school circumstances and available resources

---

While the pressure of repaying loans can be a unique problem, spending \$150,000-\$200,000 in existing assets on law school should not be taken lightly either. If there is no job on the other end the student (or her parents) would be much better off finding an alternative way to invest those funds. The value of a law school education is important regardless of how it is financed and concerns over education debt should not obscure the reality that poor investments are costly even for people with ample resources.

That said, understanding that decisions about financing have to be made in advance of enrollment, it is necessary to think about how a student’s pre-college or pre-law school circumstances can provide guidelines for how much she can afford to pay. As noted, while debt financing does not necessarily change the long-term value of the investment in law school, incurring debt does change a student’s ability to live at an “acceptable” standard of living in the years following graduate school. Potential students with no resources available up front—and with debt from undergraduate education—will rationally be more cautious about investing in law school. To be affordable in a meaningful sense, law school must not just be a good long-term investment, but must also provide viable options for cash flow management on an annual basis—including the years immediately following law school.

## Pre-existing debt

---

Some students enrolling in law school already have significant undergraduate debt, while others are debt-free. Among 2011-12 law students, 56 percent had no undergraduate debt at the time they enrolled and another 11 percent owed \$10,000 or less. But 11 percent of law students owed more than \$35,000 for their undergraduate studies, including 5 percent who owed more than \$55,000 (U.S. Department of Education, 2012b).

Not surprisingly, students who received Pell Grants as undergraduates, indicating that they came from low-income families, were more likely to have this debt. Only 19 percent of Pell Grant recipients had no debt—compared to 68 percent of non-recipients. While only 8 percent of the non-Pell students (23 percent of those who borrowed) had over \$35,000 in undergraduate debt, 21 percent of Pell recipients (26 percent of those who borrowed) owed this much.

This variation in financial circumstances at the time of enrollment is a reminder that total debt—as opposed to just debt incurred for law school—is the appropriate metric for determining a reasonable amount of borrowing for law school. Moreover, these figures suggest that taking family background into consideration is important for determining ability to pay for law school, despite the fact that these students are adults.

## Parental resources

---

Less than 10 percent of law students report that their parents provide assistance with their expenses and less than 5 percent report receiving more than \$5,000 per year (U.S. Department of Education, 2012b).<sup>4</sup> In other words, counting on parental resources to finance law school is a rare exception.

Nonetheless, considering parental resources in allocating financial aid to law students is the only way to differentiate among most students. Very few students have significant assets of their own and very few can earn more than summer salaries while they are in school. Other than high earnings among spouses, parental resources are the best indicator of the options available to law students. And as the data on undergraduate debt reveal, students from low-income backgrounds face very different circumstances

---

4. Among respondents to the *After the JD* study, 13 percent reported receiving assistance from parents or other relatives and 6 percent reported support from a spouse or partner (Dinovitzer et al., 2004).

from those with more affluent families—even before considering the subsidies some students are likely to receive from their families while they are in law school.

Although parents are not responsible for financing the education of graduate students, parental financial strength is an important consideration because students from families with significant resources can more easily contribute to their own educational expenses, even without direct contributions from their parents. These students are more likely to get help with buying a house and educating their children; they are more likely to have a safety net in case of emergency; they are more likely to receive periodic gifts; and they are less likely to be responsible for financially assisting their families of origin.

In guiding students about reasonable amounts to spend, it is clear that including parental contributions is necessary. Students should add any amount their parents are able and willing to contribute to their own resources in figuring out what is affordable for them.

## Savings

---

While few undergraduate students have been able to save on their own, some law students may have had significant earnings in the years leading up to law school. In 2011-12, 10 percent of law students were ages 30 to 34 and another 10 percent were 35 or older. About a quarter of the 30 to 34 year-olds and almost half of the older group had total incomes exceeding \$50,000 in 2010 (U.S. Department of Education, 2012b). In other words, a significant fraction of law students have had the potential to save and if they have spouses who continue to work, to contribute from household income while they are in school.

## How much can students contribute from earnings while in school?

---

While some law schools allow part-time enrollment and it may be feasible for a small number of law students to enroll only in evening classes and finance living expenses by working, the demands of law school make it unrealistic to include earnings other than summer earnings in estimates of ability to pay.<sup>5</sup>

---

5. According to the National Postsecondary Study Aid Study, 59 percent of law students had no in-school earnings in 2011-12; 18 percent earned \$9,900 or more.

Law students are usually able to work during the two summers between law school years and these earnings provide some capacity for covering a portion of expenses. Summer earnings vary parallel to starting post-graduation earnings. Many students at top law schools are hired at firms that pay weekly wages consistent with the salaries of first year associates. Wages for first year summer associates in 2015 range from \$900 to \$3,100 per week, with a median of \$2,304. The median for second year summer associates is \$2,450 (National Association for Law Placement, 2015). But not all students will have access to this sort of employment. As is the case with post-law school earnings, the selectivity of the school is likely to be highly correlated with summer earnings possibilities and, particularly for students at less prestigious schools, grade point average will also be a factor.

## Setting standards: manageable debt

---

Considering the monthly payments involved and the predicted earnings of law school graduates, as suggested by some of the investigations into the financial viability of law school discussed above, is a reasonable approach. The following discussion of manageable debt abstracts from the income-driven repayment programs for federal student loans. As mentioned above, under current provisions law students, like other graduate students, can borrow the full cost of attendance less financial aid through the federal Grad PLUS program. This unlimited amount of debt is eligible for the Income-Based Repayment (IBR) and Pay as You Earn (PAYE) programs that limit monthly payments to an affordable percentage of discretionary income and forgive remaining balances after 20 or 25 years. As observers have noted, this system could lead to considerable loan forgiveness for lawyers (Delisle & Holt, 2012). It might be possible to argue that students should not worry about how much they borrow because no amount of debt under this system will be unmanageable.

This is not, however, a constructive approach for the current discussion. There is no guarantee that this system that forgives unlimited amounts of debt will remain in place. Moreover, carrying large loan balances for long periods of time can be damaging even if it does not lead to repayment

difficulties since it may affect access to credit for housing or other important purchases. And the fundamental question we are posing is how much law students can *afford* to pay—whether the investment in law school is a sound one, not how much they can manage to escape paying.

The extreme variation in the earnings of lawyers makes it impossible to define a price—or a level of borrowing—that could serve as a general benchmark for potential law students. Some of the indicators of future earnings are available before enrollment. Students have an idea of their interest in being a public defender, a real estate lawyer, or a corporate lawyer. They might have a sense about whether they would prefer to live in the Northeast or the Midwest. And the average earnings of graduates of a top private law school in the Northeast are much higher than those of the graduates of a southern state university's law school. Nonetheless, there is a lot of uncertainty. Many people who aspire to associate positions in prestigious urban law firms will end up in small-town private practices.

The current system for income-dependent repayment of federal student loans provides one potential benchmark for reasonable debt. This system does not ask for payments until the borrower's income exceeds 150 percent of the poverty line. Beyond that level, required payments are either 10 percent or 15 percent of the amount by which income exceeds this threshold. Remaining debt is forgiven after 10 years for public service employment and otherwise after 20 or 25 years.

Table 9 illustrates the difficulty of setting even a range of the amount of debt it might be reasonable for law students to accrue. The table estimates the amount of debt an individual could pay off in either 10 years or 20 years with monthly payments equal to 15 percent of income exceeding 150 percent of the poverty line for a single individual and a 7.2 percent interest rate—the interest rate for Grad PLUS loans issued in 2014-15.

These examples are based on the simplifying assumption that income levels are constant over the repayment period. For the first two categories—percentiles of all lawyers' salaries and starting salaries at firms of different sizes—this leads to a significant under-estimate of the amount of debt borrowers would repay, since incomes would in fact rise over time. The second two categories—legal services and large firm associates over time—provide an indication

of how the monthly payment supported over time would increase.<sup>6</sup>

Allowing 20 years for repayment instead of 10 years increases the amount of debt a borrower will repay by about 73 percent. Most important, however is the variation in manageable debt levels implied by the variation in earnings among lawyers. The 25<sup>th</sup> percentile of lawyers' 2014 earnings would support \$62,100 of debt repaid over 10 years, while the 75<sup>th</sup> percentile of earnings would support \$165,400—nearly three times as much. An associate in a large firm could pay off \$216,400 in debt over 20 years even without an increase from her starting salary, whereas her counterpart in a small firm could manage only \$93,000.

Obviously, advising students and law schools about appropriate debt levels requires personalizing the guidance. Students at very selective law schools with reasonable expectations of long careers in large law firms have little to worry about. In contrast, many of those enrolled in lower-tier schools are likely to find themselves with earnings at or below the median for lawyers across the nation and will find typical current levels of debt for law school graduates problematic.

## Conclusion

---

Is law school a good investment? There is not one answer to this question, one rule to provide to prospective law students, or one guideline for law schools setting their prices and their future agendas. Fundamentally, law school is a good investment as long as the earnings premium is large enough to cover the direct costs of law school plus the earnings forgone to attend. But there is no guarantee that even with a positive net present value, the investment in law school will be sufficiently financially rewarding to make the sacrifices involved in paying off the debt most students accrue acceptable.

The variation in law students, in law schools, and in earnings among lawyers makes simple rules about reasonable levels of tuition and debt unrealistic. Fortunately, very good data are available to help individuals make reasoned judgments about how much it is worth paying for law school. A young person seeking a career in corporate law who can

---

6. Reducing the percentage of discretionary income required for payments to 10 percent, in accord with the more generous Pay-as-You Earn (PAYE) plan, would reduce the debt supported, while increasing the number of years to the 25-year limit under IBR would increase it.

enroll at Harvard Law School with a scholarship and reasonable expectations for academic success is likely to see a very high rate of return to her investment. A 30 year-old considering enrolling in a lower-tier law school knowing he is geographically constrained to staying in the Midwest should carefully monitor the net tuition he is paying and consider the very real possibility that the investment may not be worth it. His earnings are likely to be below \$100,000 a year for his entire career and alternative paths might be more remunerative. Almost certainly, he should not borrow more than \$100,000 to finance his education.

Many law schools may not have adequate data to reliably predict the long-term earnings of their graduates. If schools do not succeed in gathering this data, the federal government could end up providing the information to stu-

dents, as it has recently attempted to do for undergraduate institutions with the College Scorecard (U.S. Department of Education, 2015). But even without precise data, law schools can make reasonable predictions about the career paths of their graduates and take steps to develop compatible financial options for students.

Unfortunately, many students are likely to be overly optimistic about their prospects. Most people are subject to a form of “overconfidence bias,” leading them to predict that they will do better than the objective data might suggest (Kahneman, 2011). Still, it is surely true that people overestimate lawyers’ earnings and just clarifying and highlighting the actual distribution of earnings could provide a constructive caution to aspiring lawyers.

**Table 9: Total debt retired under income-dependent repayment over 10 and 20 years**

	Salary	Salary - 150% of poverty level (family size = 1)	Monthly payment (15%)	Debt supported (10 years, 7.2% interest)	Debt supported (20 years, 7.2% interest)
<b>All lawyers</b>					
<b>25th percentile</b>	\$75,630	\$58,125	\$727	\$62,100	\$107,100
<b>50th percentile</b>	\$114,970	\$97,465	\$1,218	\$104,000	\$179,500
<b>75th percentile</b>	\$172,540	\$155,035	\$1,938	\$165,400	\$285,500
<b>First year associates by firm size</b>					
<b>2-25 lawyers</b>	\$68,000	\$50,495	\$631	\$53,900	\$93,000
<b>251-500</b>	\$160,000	\$142,495	\$1,781	\$152,000	\$262,400
<b>501-700</b>	\$125,000	\$107,495	\$1,344	\$114,700	\$198,000
<b>701+</b>	\$135,000	\$117,495	\$1,469	\$125,400	\$216,400
<b>Civil legal services</b>					
<b>Entry level</b>	\$44,600	\$27,095	\$339	\$29,000	\$50,000
<b>5 years</b>	\$51,000	\$33,495	\$419	\$35,800	\$61,700
<b>11-15 years</b>	\$65,000	\$47,495	\$594	\$50,700	\$87,500
<b>Associates in firms with 251-500 lawyers</b>					
<b>First year</b>	\$160,000	\$142,495	\$1,781	\$152,000	\$262,400
<b>Fourth Year</b>	\$200,000	\$182,495	\$2,281	\$194,700	\$336,000
<b>Eighth year</b>	\$235,000	\$217,495	\$2,719	\$232,100	\$400,600

Note: Estimates based on student debt calculator at finaid.org.

Sources: U.S. Department of Labor, Bureau of Labor Statistics. (2014). *May 2014 national occupational employment and wage estimates*. Retrieved from [http://www.bls.gov/oes/current/oes\\_nat.htm#23-0000](http://www.bls.gov/oes/current/oes_nat.htm#23-0000); National Association of Law Placement. (2014). Top salaries for first-year associates remain flat at \$160,000, but prevalence shrinks as large law firm market becomes less homogenous [Press release]. Retrieved from [http://www.nalp.org/associate\\_salaries\\_2014](http://www.nalp.org/associate_salaries_2014).

The 203 ABA-accredited law schools in the United States have a wide range of admission requirements, educational environments, and outcomes. They produce graduates who go into a variety of careers and have quite different earnings profiles. Graduates of the most elite institutions essentially choose their earnings profiles. Many graduates of Yale Law School, for example, go into public interest careers that do not generate earnings high enough to insure that the financial investment is a sound one. But available federal and institutional loan forgiveness programs provide a safety net. There is surely a price at which Yale would not be a good investment and therefore “unaffordable” for most students, but there is likely quite a bit of room above current prices.

Law schools know who their student bodies are and what their career outcomes are likely to be. The hard questions are those facing law schools whose graduates do not have access to the relatively small number of very high paying jobs—those who can expect about the median earnings for lawyers or even less. The reality is that current prices not only lead to debt levels not sustainable at typical earnings levels, but likely generate earnings premiums for many students that do not support the investment.

All laws schools—like other postsecondary institutions—should focus on increasing efficiency and providing quality education at a lower cost. But law schools educating students who turn out to be typical lawyers with earnings only a little higher than those of average college graduates should be particularly concerned about finding ways to cut their costs and their prices. This is true regardless of the extent to which the structural change argument or the cyclical downturn argument turns out to be more accurate. It may be possible for some of these institutions to improve the labor market outcomes of their graduates by strengthening the curriculum or focusing on specific skills in high demand, but challenging the prestige hierarchy is likely to be an uphill battle. Some law schools might find that the careers most of their students enter do not really require three years of training and shortening the time in school would have a major impact on the costs students incur.

It is difficult to predict the future. On one hand, if the number of students enrolling in law school continues to decline, or even stays at the current reduced level, the balance of supply and demand is likely to change in favor of newly minted lawyers. However, concerns over whether law schools are accepting applicants with lower college GPAs and LSAT scores than has been the case in the past (Rivard, 2015)

suggest that the quality of graduates could decline—a factor that could be reflected in earnings over the long run. On the other hand, if the financial pressure on law schools continues, some schools may merge or close, diminishing the number of students entering the legal workforce with low-level credentials.

If we acknowledge the need for an adequate supply of well-educated lawyers, and if the cost of that education is too high to yield affordable prices for most students, should there be public subsidies? Some people go to law school aspiring to perform public service—knowing their earnings are not likely to be high enough to generate a high return to the investment. Encouraging this path should be a priority, but it would require very large subsidies to law students to bring prices for all down to a level that would make this a good financial investment for individuals. And that general subsidy would not be a good financial investment for society, since most law students follow quite different paths.

Predicting the vicissitudes of the economy and the legal market is a challenge, but acknowledging the disconnect between prices, debt levels, and typical earnings is fairly straightforward. Providing institution-specific information to potential students along with reliable debt counseling is important. But seeking solutions that will cut the cost and the price of legal education is also critical.

# References

---

- 10 Top Affordable Recognized Law Schools in the U.S. (2011, November 18). Retrieved from <http://www.thebestschools.org/blog/2011/11/18/10-affordable-recognized-law-schools-u-s/>.
- American Bar Association. (2015a). Fall 2013 grants and scholarships (by school) [Data file]. Available from [http://www.americanbar.org/groups/legal\\_education/resources/statistics.html](http://www.americanbar.org/groups/legal_education/resources/statistics.html).
- American Bar Association. (2015b). Fall 2013 tuition and living expenses (by school) [Data file]. Available from [http://www.americanbar.org/groups/legal\\_education/resources/statistics.html](http://www.americanbar.org/groups/legal_education/resources/statistics.html).
- American Bar Association. (2015c). Internal grants and scholarships [Data file]. Available from [http://www.americanbar.org/groups/legal\\_education/resources/statistics.html](http://www.americanbar.org/groups/legal_education/resources/statistics.html).
- Chen, J. (2012). A degree of practical wisdom: The ratio of educational debt to income as a basic measurement of a law school graduates' economic viability, *William Mitchell Law Review*, 38(3), 1185-1208.
- Delisle, J., & Holt, A. (2012). Safety net or windfall: Examining changes to income-based repayment for federal student loans. New America Foundation. Retrieved from [http://edmoney.newamerica.net/sites/newamerica.net/files/policydocs/NAF\\_Income\\_Based\\_Repayment.pdf](http://edmoney.newamerica.net/sites/newamerica.net/files/policydocs/NAF_Income_Based_Repayment.pdf).
- Dinovitzer, R., Garth, B., Sander, R., Sterling, J., & Wilder, G. (2004). After the JD: First results of a national study of legal careers. Overland Park, KS: The NALP Foundation for Law Career Research and Education. Chicago, IL: American Bar Foundation.
- Dinovitzer, R., Garth, B., & Sterling, J. (2011). Buyers' remorse: An empirical assessment of the desirability of a lawyer career. *Journal of Legal Education*, 63(2), 211-234.
- Dinovitzer, R., Nelson, R., Plickert, G., Sandefur, R., Sterling, J., Adams, T., ... Wilkins, D. (2009). After the JD II: Second results of a national study of legal careers. Chicago, IL: American Bar Foundation. Dallas, TX: The NALP Foundation.
- Henderson, W. (2009). The end of an era: The bi-Modal distribution for the class of 2008. Empirical Legal Studies Blog. Retrieved from [http://www.elsblog.org/the\\_empirical\\_legal\\_studi/2009/06/the-end-of-an-era-the-bimodal-distribution-forthe-class-of-2008.html](http://www.elsblog.org/the_empirical_legal_studi/2009/06/the-end-of-an-era-the-bimodal-distribution-forthe-class-of-2008.html).
- Henderson, W., & Zahorsky, R. (2011). Law job stagnation may have started before the recession—and it may be a sign of lasting change. *American Bar Association Journal*. Retrieved from [http://www.abajournal.com/magazine/article/paradigm\\_shift/](http://www.abajournal.com/magazine/article/paradigm_shift/).
- Henderson, W., & Zahorsky, R. (2012). The law school bubble: How long will it last if law grads can't pay bills? *American Bar Association Journal*. Retrieved from [http://www.abajournal.com/magazine/article/the\\_law\\_school\\_bubble\\_how\\_long\\_will\\_it\\_last\\_if\\_law\\_grads\\_cant\\_pay\\_bills](http://www.abajournal.com/magazine/article/the_law_school_bubble_how_long_will_it_last_if_law_grads_cant_pay_bills).
- Kahneman, D. (2011). *Thinking fast and slow*. New York: Farrar, Straus and Giroux.
- McIntyre, F., & Simkovic, M. (2015). Timing law school. (HLS Center on the Legal Profession Research Paper No. 2015-4). Retrieved from [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2574587](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2574587).
- Merritt, D. (2015). What happened to the class of 2010? Empirical evidence of structural change in the legal profession (Working Paper No. 290). Retrieved from [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2577272](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2577272).
- Muller, D. (2013). These 30 law schools became more affordable in the last three years. Excess of Democracy. Retrieved from <http://excessofdemocracy.com/blog/2013/12/these-30-law-schools-became-more-affordable-in-the-lsat-3-years>.
- National Association for Law Placement. (2012). Salaries for new lawyers: An update on where we are and how we got here. Retrieved from <http://www.nalp.org/august2012research>.
- National Association for Law Placement. (2015). *2015 Associate Salary Survey*. Washington, DC: NALP.

Organ, J. (2011). How scholarship programs impact students and the culture of law school. *Journal of Legal Education*, 6(6), 173-205. Retrieved from <http://www.swlaw.edu/pdfs/jle/jle612organ.pdf>.

Organ, J. (2013). Reflections on the decreasing affordability of legal education. *Washington University Journal of Law and Policy*, 41, 33-59. Retrieved from [http://openscholarship.wustl.edu/law\\_journal\\_law\\_policy/vol41/iss1/3](http://openscholarship.wustl.edu/law_journal_law_policy/vol41/iss1/3).

Plickert, G., Dinovitzer, R., Garth, B., Nelson, R., Sandefur, R., Sterling, J., & Wilkins, D. (2014). *After the JD III: Third results of a national study of legal careers*. Chicago, IL: American Bar Foundation. Dallas, TX: The NALP Foundation.

Rivard, R. (2015, January 16). Lowering the Bar. Inside Higher Ed. Retrieved from <https://www.insidehighered.com/news/2015/01/16/law-schools-compete-students-many-may-not-have-admitted-past>.

Simkovic, M., & McIntyre, F. (2014). The economic value of a law degree. *The Journal of Legal Studies*, 43(2), 249-289. Retrieved from [http://law.shu.edu/uploads/Simkovic\\_McIntyre\\_2014\\_The%20Economic%20Value%20of%20a%20Law%20Degree.pdf](http://law.shu.edu/uploads/Simkovic_McIntyre_2014_The%20Economic%20Value%20of%20a%20Law%20Degree.pdf).

Tamanaha, B. (2012). *Failing law schools*. Chicago: University of Chicago Press.

U.S. Census Bureau. (2015). Table A-1. Years of school completed by people 25 years and over, by age and sex: Selected years 1940 to 2014 [Data file]. Available from <http://www.census.gov/hhes/socdemo/education/data/cps/historical/index.html>.

U.S. Department of Education, National Center for Education Statistics. (2004). 2003-04 *National Postsecondary Student Aid Study*. Retrieved from <https://nces.ed.gov/datalab/powerstats/dataset.aspx>.

U.S. Department of Education, National Center for Education Statistics. (2008). 2007-08 *National Postsecondary Student Aid Study*. Retrieved from <https://nces.ed.gov/datalab/powerstats/dataset.aspx>.

U.S. Department of Education, National Center for Education Statistics. (2012a). 2008-2012 *Baccalaureate and Beyond Longitudinal Study*. Retrieved from <https://nces.ed.gov/datalab/powerstats/dataset.aspx>.

U.S. Department of Education, National Center for Education Statistics. (2012b). 2011-12 *National Postsecondary Student Aid Study*. Retrieved from <https://nces.ed.gov/datalab/powerstats/dataset.aspx>.

U.S. Department of Education (2015), *College Scorecard*, <https://collegescorecard.ed.gov/>.



© 2015 Access Group, Inc. All rights reserved.

Corporate Office: 10 N. High Street, Suite 400  
West Chester, PA 19380

Washington, DC, Office: 440 First Street NW, Suite 550  
Washington, DC 20001



[AccessGroup.Org](http://AccessGroup.Org)  
[AccessResearch.Org](http://AccessResearch.Org)