



The Dollars and Sense of Utilization of Paralegals for the New Decade

by J. Robyn Dotterer

Ten years ago, the Paralegal Division of the Utah State Bar looked at the issue of how to demonstrate to attorneys the value of utilizing paralegals to increase the profits in their firms. So rather than start from scratch, we are re-printing the article to demonstrate that the profitability of using paralegals still exists. So, we will go back to the original article with a few changes and see where the “sense” of utilizing paralegals will take us.

One change that has occurred over the past decade is the general change from the use of the term “legal assistant” to the term “paralegal.” The name of our division and the Utah Legal Assistants Association, now Utah Paralegal Association, both reflect that change.

One of the goals of the Paralegal Division is to assist the legal community in understanding the role paralegals can play in all areas of the practice of law. We have addressed those goals several times in the past few years, but it seems that it is time again to discuss that goal.

Back in 2003 I wondered what I could say about the utilization of paralegals that would catch the attention of practicing attorneys. So, I contemplated the definitions of “utilization” and what it really means to the practicing attorney.

The American Heritage Dictionary of the English Language defines utilize as: “To put to use for a certain purpose.”

That seems appropriate. Putting paralegals to use for a certain purpose. But what is the purpose? The American Heritage Dictionary defines “purpose” as: “The object toward which one

strives or for which something exists; goal; aim.”

Even better. The purpose for which a law firm would utilize a paralegal. Now we are getting closer.

What may be the most important definition of proper utilization of a paralegal may well be, “A resource whereby attorneys increase their efficiency, productivity and bottom line.” My definition. The purpose of a legal assistant when properly utilized could be, to a law firm, as simple as dollars and cents.

Dollars and cents coming into your practice to bolster your bottom line.

The costs involved with utilizing a legal assistant are similar to those associated with associates – and the benefits have a similar upside. In models published in the ABA Section of Law Practice

Management book, *Leveraging with Legal Assistants: How to Maximize Team Performance, Improve Quality, and Boost Your Bottom Line*, Chapter 2, “Expanding the Role of the Legal Assistant – Why Do It?” the editors have demonstrated the financial benefit of billable hours generated by a team of attorneys and legal assistants.¹ Many of the examples also

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demonstrate a cost savings to the client. With their permission, I will use some of their examples to demonstrate how you can make this work in your own practice.

Additionally, several years ago Judge David Nuffer presented a CLE seminar entitled “Leveraging with Legal Assistants” and used a number of the ABA’s models from Leveraging with Legal Assistants. And then in 2001 a presentation was made at the Bar’s Annual Convention in Sun Valley on utilization. It’s clear this is not a new topic. But perhaps a reminder might be appropriate.

Paralegals/legal assistants can make you money.

Paralegals do substantive legal work that otherwise would be performed by the lawyer. This is not to be confused with the practice of law; but rather doing those things that do not require the attorney to do them personally. The ABA’s definition of the role of a legal assistant/paralegal is:

A legal assistant or paralegal is a person, qualified by education, training, or work experience, who is employed or retained by a lawyer, law office, corporation, governmental agency or other entity and who performs specifically delegated substantive legal work, which work, for the most part, requires sufficient knowledge of legal for a lawyer which is responsible.

When you consider the types of work the paralegal will be doing, you will realize that hours will be freed up that the attorney, who would otherwise be doing the work, will be able to use doing other tasks that only the attorney can perform. For example, the work that would be done by a lawyer would include:

- Accepting a case
- Evaluating the case and charting its course
- Performing legal analysis
- Giving legal advice
- Formal judicial process (i.e., depositions, hearings, trials, etc.)
- Supervising the legal assistants

The work that would be performed by the paralegal would include:

- Obtaining facts from the client

- Communicating information to and from the client
- Interviewing witnesses
- Performing limited legal research to assist the lawyer with the legal analysis
- Obtaining documents (i.e., police reports, medical records, employment records, deeds, photographs, plans, probate records, weather records, etc.)
- Preparing summaries, chronologies, itemization of claims, drafts of pleadings, interrogatories and production requests and responses
- Preparing outlines for lawyer to use in deposing witnesses and in argument
- Indexing deposition transcripts and preparing summaries of the evidence
- Preparing exhibits and lists²

The separation of these tasks allows the attorney to handle more cases and offer services to the client at a lower cost.

One of the attractions of utilizing legal assistants/paralegals is the lower cost of legal services to your clients. The ABA’s “Leveraging” models demonstrate that clearly.

Example 1 – In our example, assume all the work is performed by the lawyer at a rate of \$150.

Interview with Client	2 hr.	\$300
Interview Two Witnesses	2 hr.	300
Gather information	2 hr.	300
Review Documents	2 hr.	300
Legal Research and Analysis	4 hr.	450
Draft Pleading	2 hr.	300
Trial Preparation	4 hr.	600
Trial	4 hr.	600
TOTAL	22 hr.	\$3,150

The lawyer invests twenty-two hours in the case and bills the client \$3,150.

Example 2 – This is the same case with a substantial portion of the work being delegated to a legal assistant/paralegal at \$60 an hour.

Interview with Client		
Lawyer	2 hr.	\$300
Legal Assistant	2 hr.	120
Interview Two Witnesses		
Legal Assistant	2 hr.	120
Gather information		
Legal Assistant	2 hr.	120
Review Documents		
Legal Assistant	2 hr.	120
Legal Research and Analysis		
Lawyer	1 hr.	150
Legal Assistant	2 hr.	120
Draft Pleading		
Legal Assistant	2 hr.	120
Trial Preparation		
Lawyer	1 hr.	150
Legal Assistant	3 hr.	180
Trial		
Lawyer	4 hr.	600
Legal Assistant	4 hr.	240
TOTAL	27 hr.	\$ 2,340

In this example, the lawyer invests eight hours, the paralegal nineteen; billing is \$2,340, saving the clients \$810.³

But perhaps as important, the paralegal is saving the attorney fourteen hours of time on this case that could be used to work on another case – freeing up time for tasks that only the attorney can handle.

That example also demonstrates a significant involvement by the paralegal in the case. If a paralegal is utilized to their full extent, depending, of course, on experience and skill level, an attorney can significantly decrease the amount of hours they are required to put in on a given case. With a limited involvement by the paralegal, the attorney's hours would be considerably higher. More extensive examples of this are outlined in *Leveraging*, but I won't take the time and space to outline them again here. Take my word for it. It will save your client money and the attorney valuable time to utilize a paralegal.

In the arena of insurance defense, which is the area in which I have spent my professional time as a paralegal, it is common for insurance carriers to indicate in their billing guidelines areas of

responsibility based on the necessary skill level to accomplish a task from the attorney to the associate to the paralegal and on to the secretarial/clerical skill level. Clients in other practice areas are also becoming aware of the divisions of responsibility that are available in most law firms. The task can be accomplished by the lowest cost denominator, not the highest.

To derive a financial benefit from the use of paralegals, the work must be properly managed and adequately priced. An economic analysis of how paralegals can generate profits for lawyers is necessary to determine how a paralegal can be a financial asset in your firm. The elements to consider in that financial analysis include the following:

- Revenues from legal assistant hours
- Any increase in the lawyer's hourly rate that is justified by shifting a larger portion of the work to a legal assistant with a lower rate
- The increase in the lawyer's billable hours that results from moving nonbillable work from the lawyer to the legal assistant⁴

The ABA model in "Leveraging" also recommends an analysis of the costs vs. the revenues. They recommend determining costs by allocating the same categories of expenses among the partners, associates and paralegals. That allocation would be based on the makeup of the firm and requires making subjective judgments. Costs that can be specifically allocated include:

- Salary – The salary figure of each individual should be specifically allocated.
- Fringe benefits – The fringe benefit expense can be allocated by specific individual or can be broken down by category of time-keeper: partners, associates, and legal assistants.
- Secretarial support – Each individual can be charged with the specific expense of his or her secretary or portion thereof (includes salary and fringe benefits).
- Office space – Each individual can be charged with his or her pro rata share of the office space or it can be broken down by category of timekeeper: partners, associates, and legal assistants.
- Dues, meetings, and CLE – These expenses may be specifically allocated, depending on the firm's control of these items.

Other expense allocations will probably have to be estimated.

For example:

- Supplies
- Library
- Administrative salaries
- Telephone, postage, copying, data processing
- Equipment
- Advertising, marketing and client development⁵

A test to determine if your paralegal is of economic benefit to you is the “Rule of Three.” This rather straightforward analysis simply says that the test of profitability is met if the revenues that are generated by the paralegal equal three times the salary. For example:

Hourly Rate X	Billable Hours =	Revenues ÷ 3 =	Salary
\$80	1,600	\$128,000	\$42,666
\$80	1,400	\$112,000	\$37,333 ⁶

Though by this time the “Rule of Three” may have suffered some erosion due to increasing law firm costs so that the

equation may be more of a “Rule of Three and a Half,” this model may help you determine how to set the firm’s financial goals and costs.

Taking a serious look at the composition of your practice, your client base and your future plans for building and expanding your practice should include an analysis of the utilization of legal assistants in your practice. Look at these dollars and sense issues of how to increase your profitability and efficiency in your practice. Paralegals can be of value, financial and otherwise, if we are utilized properly.

1. Arthur G. Greene & Kathleen Williams-Fortin, *Leveraging with Legal Assistants: How to Maximize Team Performance, Improve Quality, and Boost Your Bottom Line*, Chapter 2 (American Bar Association 1993).
2. *Leveraging with Legal Assistants*, Judge David Nuffer, Utah State Bar CLE, November, 1997
3. *Supra*, note 1, at 9.
4. *Id.* at 11
5. *Id.* at 11–12
6. *Id.* at 13

Paralegal of the Year Award

The Paralegal of the Year Award is presented by the Paralegal Division of the Utah State Bar and the Utah Paralegal Association. It is the top award to recognize individuals who have shown excellence as a paralegal. We invite you to submit nominations of those individuals who have met this standard. Please consider taking the time to recognize an outstanding paralegal. Nominating a paralegal is the perfect way to ensure that their hard work is recognized, not only by their organization, but by the legal community. This will be their opportunity to shine. Nomination forms and additional information are available by contacting Danielle Davis at ddavis@strongandhanni.com or on the Paralegal Division website at <http://www.utahbar.org/sections/paralegals/Welcome.html>

The deadline for nominations is April 2013. Reminders will also come via E-bulletin as well as announcements at the Mid-Year Meeting in March in St. George. The award will be presented at the Paralegal Day luncheon held in May 2013.

Notice to all Paralegals

Renewals will begin on April 1, 2013, through April 30, 2013, online.

Please go to www.myutahbar.org. Click on renew your membership online and follow the directions.

If you do not have your login and password information please email onlineservices@utahbar.org with your name and five-digit bar member ID number if you have it. They will send you back your login information.

The CLE and Attorney Affidavits which are available online on the Paralegal website under FORMS. The CLE, Attorney Affidavits and Committee Volunteer Forms will need to be sent to Carma Harper at charper@strongandhanni.com. You still have until June 30, 2013 to obtain your CLE. Please renew now and have your completed forms sent to charper@strongandhanni.com by June 30, 2013. **PLEASE DO NOT SEND THEM TO THE UTAH STATE BAR.**