Two leading bond counsel firms agree to unite

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The Bonus Buzz

Associates at law firms of all sizes never have it easy. Whether working at a Top-ten firm or a struggling mid-sized firm, associates find themselves tied to the desk, subjected to the whims of firm partners, and stirred by an innate desire to forge ahead to partner status.

To ascend to the rank of partner in a firm usually takes at least a decade’s worth of effort. During this time of duress, salaries usually compensate for the pain. What often makes the hard work even more manageable is the promise of a bonus at the end of the year. But due to changes in salary that may happen during the year, speculations regarding prospective bonus amounts abound during this time. Earlier this year, salaries in a number of firms had risen considerably, which caused much speculation as to whether bonuses would also be increased. The trend seems to be that, when it comes to bonus amounts, everything depends on the philosophy of the particular firm.

Bonuses flow in early December for associates in the big firms in New York. A number of Big Apple firms are known to distribute bonuses which, when equated to the firm’s annual financial statements, do not seem to appropriate. This is because market competition sets the standards, and firms are forced to cough up the additional amounts in order to gain employee loyalty. Some big firms tend to soft pedal on the bonus criteria issue, fearing that to take a stringent attitude would result in employee losses, or even ward off promising would-be lawyers from top schools.

Common criteria for deciding on bonus amounts are quality of individual performance, and sheer quantity work hours. Legal experts are of the opinion that bonuses help firms achieve parity between pay costs and average annual performance. But many firms adhere to the sliding scale, measuring billable hours against the percentage of a bonus ratio. The less the billable hours accrued by an individual, the lesser the probable percentage of the bonus.

Major financial and industrial giant Simpson Thacher & Bartlett LLP, for example, decides upon bonus amounts based on individual efficiency. The firm believes that bonuses have to be earned through hard work and not from billed hours or the firm’s overall performance. Gary Horowitz, executive committee member of the firm, stated that the firm follows the corporate culture in America where bonuses are “calibrated to performance.”

In contrast, many other heavy-hitting firms in New York take an across-the-board approach to bonuses. They justify their stand for equal bonuses by noting that it simplifies the matter, and allows junior associates time to adjust to the firm’s standards at their own paces.

Firms elsewhere apply multiple criterion to bonus awards, raising the bar for bonus hopefuls. At Philadelphia-based Duane Morris LLP, for example, bonuses are awarded based on an individual’s profit contribution to the firm, and both billable hours and performance quality are considered. On the other hand, heavyweights like DLA Piper, which has multiple offices in many parts of the country, uses productivity and performance parameters to assess bonuses in every office except their New York location. In the New York office, the firm employs a parallel system, taking seniority into account to fix amounts among selected high-performers.

Although the most common reasons for offering bonuses are to retain staff, and promote profit-sharing, authorities at San Francisco-based Morrison & Foerster - who have yet to declare their bonuses for this year- are confident that they will base their decisions on individual performance and contribution, together with optional features, rather than simply hours. The firm invests much time creating a fault-free, merit-based bonus payment system. The firm’s NY office, however, awards associates who can maintain an overall strong position at the end of the year.

In 2005, Sullivan & Cromwell made it to the head of the pack by declaring bonuses of $35,000 to $65,000. The firm was tailed closely by Davis Polk & Wardwell, and Cahill Gordon & Reindel LLP. The firm again created waves in 2006 by raising the associates’ salary ceiling to $20,000 to $145,000 in early February.
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Law firms Cincinnati-based Peck, Shaffer & Williams LLP and Denver-based Becker Stowe & Bieber LLC agreed to merge operations on January 1. A national leader and a veteran law firm, Peck, Shaffer & Williams has been serving clients in matters of public finance law for 117 years. Becker Stowe & Bieber, operational for more than two decades, is an expert in municipal, public, and public finance law. The combined firms will take the name Peck, Shaffer & Williams and will have two offices in Denver.

Company officials said the merger would unite two of the leading bond counsel firms in Colorado, and provide clients in Colorado and the Rocky Mountain region with a greater depth of knowledge in public finance.