

Survey shows hours billed determines bonus levels



By Gavriel Hofflander

BONUS payments for partners below equity level are based more on recorded and billed hours than on business development and competency-based performance, according to legal recruiters.

A survey into non-equity fee-earners' remuneration at law firms has also found that there are significant discrepancies in both salary and bonus payments between fixed-share and salaried partners.

The survey, carried out by legal recruiter First Counsel, further reveals that salaries for support service staff dropped as the recession took hold. Firms have increasingly turned to innovative benefit packages for employees in a bid to offset declining pay packets.

The survey reveals a marked discrepancy between bonus distribution at firms that offer both salaried and fixed-share partner positions. It also

shows that non-equity partners' bonuses were often far below the maximum available.

Sharon White, chief executive at Stephenson Harwood, says: "There can be a difference between expectations and reality, but it's shortsighted not to reward the contribution that people make to a firm properly because they won't put up with it."

Stephensons operates a fixed-share model, with all partner bonuses coming from a central pool. White adds that the firm has increased the number of bonuses it pays to non-equity partners in recent years.

While 90 per cent of firms that operate a salaried partner model claims that bonus payments are dependent on individual performance, that figure drops to 77 per cent when applied to fixed-share partners. Salaried partners' bonuses also depend more on firm performance than

White: 'There can be a difference between expectations and reality'

Firms have increasingly turned to innovative benefit packages for employees in a bid to offset declining pay packets

their fixed-share peers.

Furthermore, recorded and billed hours are seen as a more important factor for salaried partner bonuses. Conversely, 'exceptional' performance is rated as a more important part of bonus calculations for fixed-share partners.

The survey's authors suggest that the reason for this is that fixed-share partners' remuneration already takes into account the performance of the firm as a whole. Bonus payments, therefore, "will be less structured and more focused on the firm as a whole," First Counsel's survey says.

While salaried partners are paid a salary and discretionary bonus, fixed-share partners are paid

bonuses based on the profit of the firm as a whole.

Of the 74 firms that responded to First Counsel survey, just over half have salaried partners, while two-thirds operate a fixed-share partners model either instead of, or in addition to, their salaried partners.

Simmons & Simmons managing partner Mark Dawkins, whose firm operates a salaried model for partners below the equity, says that overall firm performance should not be a factor when determining bonuses.

"We've moved away from just profitability," he says. "For us it's about making sure we're recognising through rewards the type of behaviour we want our partners to display."

The survey also shows that there has been a reduction in both salary and bonuses for support staff, in particular in finance, IT and marketing.

Benefit packages have also taken a hit, with cost control becoming a major issue. Almost a third fewer firms now offer overtime pay compared with last year, while 24 per cent fewer give the option of after-hours travel allowances.

The trend has brought about a rash of innovation for bonus packages, with childcare vouchers, salary sacrifice schemes and access to counselling all becoming increasingly common during the past 12 months.

Kevin Hogarth, HR director at Freshfields Bruckhaus Deringer, says: "We've seen pressure on salaries and on costs in the most difficult recession for a generation, so I'd expect to see a greater take-up in flexible benefit schemes as firms try to give people more individual choices."

FIRM PROFILE KALISCH RUFUS



Firm: Kalisch Rufus-Isaacs
Managing partners (l-r): Mark Kalisch and Alexander Rufus-Isaacs
Turnover: Estimate up to \$1.5m (£920,000) for first year
Number of partners: Two
Number of equity partners: Two
Number of lawyers: Six
Number of fee-earners: Six
Number of offices: One
Location: Beverly Hills, California
Main practice areas: Litigation, insurance, employment, entertainment transactional
Clients: Underwriters and companies at Lloyd's of London, Dunbar Armored, Carsey Werner Distribution, Future Films, Robertson Taylor Insurance Brokers

By Matt Byrne

There cannot be too many firms fitting this description: a California-based outfit founded by a pair of English barristers operating out of Beverly Hills.

In February last year Alexander Rufus-Isaacs and Mark Kalisch launched their new firm partly as an attempt to build a legal bridge between Los Angeles and the UK.

"We found it interesting that none of the UK firms have offices in Southern California," says Rufus-Isaacs. "And while we realise that most of the larger firms have existing links with Californian counterparts, there are many mid-size and small [UK] firms who will occasionally need assistance from [local] lawyers."

The pair's business litigation-focused firm also handles commercial, entertainment, employment and insurance disputes. Clients include various leading underwriters and companies at Lloyd's of London. Indeed, the international scope of the duo's litigation practice has been evident from day one.

The pair launched their new firm after sensing a gap in the market for smoothing out some of the cultural differences between the US and UK dispute resolution markets.

"From a litigation point of view some of the English rules, such as 'costs follow the event', don't apply in the US," says Rufus-Isaacs. "Also, contingency fees are much more sophisticated over here."

That might change following the Jackson review, but for now Rufus-Isaacs and Kalisch are confident that they have hit upon a solid business plan whereby they explain the US rules to UK clients in a language they can understand.

Despite their British roots the pair have more than 50 years of combined professional US experience. That should help with becoming a first port of call for UK solicitors in need of US counsel on the West Coast.

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