

Bonus Season Highlights Varying Approaches Among Law Firms



The much-anticipated bonus season is underway, with many law firms aligning their compensation structures to match market expectations. However, not all firms are following the trend of offering both year-end and special bonuses, signaling a shift in the legal industry's approach to associate compensation.

Divergence in Bonus Strategies

While a majority of firms have adhered to the bonus scale set by industry leader Milbank, which includes both year-end and special bonuses, notable exceptions have emerged. Hogan Lovells and Perkins Coie have chosen not to offer special bonuses this year, illustrating a calculated departure from the norm.

"Firms just don't feel the pressure anymore to follow," said Katherine Loanzon, Managing Director at Kinney Recruiting. According to Loanzon, special bonuses are typically discretionary and hinge on a firm's financial success, as well as its desire to remain competitive in recruiting top talent. However, shifting market dynamics have lessened the urgency for firms to compete aggressively on compensation.

Year-End Bonuses Remain Standard

Perkins Coie and Hogan Lovells have maintained robust year-end bonuses, with payouts ranging from \$20,000 to \$115,000 based on seniority. However, these firms are not offering the additional special bonuses, which in other firms range from \$6,000 to \$25,000.

Hogan Lovells has implemented an alternative strategy, rewarding associates who exceed the minimum hours requirement with additional bonuses surpassing the base amounts. "Our bonus structure goes beyond the year-end billable hours bonuses, and we believe it aligns with our overall strategy," a Hogan Lovells spokesperson told Bloomberg Law.

The Milbank Effect on Associate Compensation

Milbank has solidified its reputation as a trendsetter in associate compensation. Earlier this year, the firm surprised the legal market by announcing special bonuses. However, unlike previous years, peer firms did not immediately rush to match Milbank's move. Instead, most waited for Cravath Swaine & Moore's year-end bonus announcement before making their decisions.

"When August passed without a match of the special bonuses, I assumed they were done," said Kate Reder Sheikh, a recruiter at Major, Lindsey & Africa. "It has been a pleasant surprise to see them alongside annual bonuses."

Conditional Special Bonuses

Some firms have tied special bonuses to higher billable hour requirements. Fish & Richardson and Katten Muchin Rosenman, for example, mandate a minimum of 2,000 hours for associates to qualify for these bonuses. This conditional approach reflects a more measured response to fluctuating market conditions.

Lessons from Market Shifts

The current bonus landscape contrasts sharply with the frenetic environment of 2021, when firms offered special bonuses and salary increases to address unprecedented demand for legal services. That period of heightened competition was followed by a phase of cost-cutting, including associate layoffs at some firms.

"Once the dust settled, the firms that were always going to be market leaders have pretty much maintained that reputation," Loanzon noted. Firms that attempted to compete without the same financial stability were hit hardest by the market downturn. "I think a lot of firms are just learning from that," she added.

Looking Ahead

Industry experts suggest that more firms may join Hogan Lovells and Perkins Coie in declining to offer special bonuses. "Once a few firms set this as an alternative standard, it becomes a lot easier for others to follow suit," said Reder Sheikh. However, she cautioned that this approach may not sit well with associates. "I don't think associates will be pleased, though."

As firms navigate the complexities of retaining talent while managing financial realities, the bonus season continues to reflect broader trends in the legal industry. Whether the current divergence in strategies represents a

temporary shift or a long-term change remains to be seen.

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