

Recession Hits GC's Bonuses

By: Vanessa Vidal

The recession has battered markets — and jobs — over the past couple of years. According to Corporate Counsel 's 2010 GC Compensation Survey, publicly traded companies saw their profitability hammered, and compensation tanked even for the top lawyers at major corporations. Big chunks of take-home pay — particularly those bonuses — took a beating. As the recession hits GC's bonuses, discretionary bonuses have dropped nearly 40 percent.

According to Corporate Counsel, the new world of compensation has less love for discretionary bonuses, and stock options, too — two components of GC pay that, prerecession, knew nothing but good time. That said, there has been a silver lining. Salary has been up 3.8 percent, and stock awards have been up 5.6 percent. These aren't huge increases, but in a world where flat is the new up, they helped hold the doom and gloom at bay, at least for now.

So what should we make of all this — bonuses hammered, but salaries and stock holding their own, and even getting an uptick? "The days of super excessive pay may be over," said one compensation expert. "But companies still need to incentivize and retain people. They'll come up with packages."

Why the huge drop in discretionary bonuses? A bad economy and increased visibility. Recent SEC rules, for example, require companies to go into detail on their proxy statements about how they calculate compensation for their top executives: What companies does it compare itself to? What information did it look at? A narrative of the process must be provided — a Story of the Pay. And discretionary bonuses are a story not all companies want to tell. Yet companies had to keep their top employees — a point that helps to explain the salary uptick: that 3.8 percent.

In the end, the economy may return back to the good old days, but the process for determining top executive pay likely won't. There will most likely be more rigor and oversight involved in determining executive pay. In the meantime, GC's need not worry too much, companies will still look for ways to keep their top lawyers and provide healthy compensation – just structured differently.