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Mphasis plans to go in for one-time bonus

N Shivapriya
MUMBAI

MID-tier software services firm Mphasis, which is owned by Hewlett Packard (HP), plans to replace its annual salary increment for its staff with a one-time bonus in order to ensure more variability in its employee wage bill and align it better with the company's performance.

The bonus, termed as a recompense bonus, was introduced earlier this year, replacing increments, and is likely to be extended over the next few years, a senior company official said on Tuesday.

"We have started innovating on the compensation model. We will not do salary increases... If the company is doing well, the employees will be compensated for it," Elango R, chief human resources officer, Mphasis, told ET.

Unlike some top IT firms, which already have a variable pay structure in place, Mphasis had a predominantly fixed salary structure till 2009. By shifting to a one-time bonus, which is linked to the employee's performance and the company's performance, Mphasis aims to make about 20% of its employee wage bill variable in the next three years.

In 2009, the demand slump and the need to conserve cash forced the management to reach out to employees and ask them to forgo salary hikes, customarily given in March or April.

Mr Elango said the company didn't do any layoffs or salary cuts and employees were promised they would be compensated when the company performed well. True to the promise, Mphasis company recently announced a recompense bonus of 10%.

Mphasis, which announced results for its fiscal ending October 2009 last week, posted a sharp 44% rise in revenue to Rs 4,283.3 crore and a two-fold jump in net profit to Rs 908 crore.

The company also intends to resume hiring and will hire as many as 1,500 experienced professionals to fill open positions in the current quarter alone.

In the October 2009 quarter, it had opted to not to hire as it had to absorb around 750 employees from AIGSS, the software captive of insurance firm AIG that it acquired.

About 300 of the 750 employees of the captive were on the bench, and Mphasis has now deployed them on client projects.

While larger tech rivals hire employees and keep them on bench in preparedness for new projects, Mphasis has a just-in-time hiring policy.

"Our hiring engine is highly tweaked. We don't carry a huge bench," said Mr Elango.

The company had an 82% utilisation in the just October 2009 quarter. The current crop of employees are also being hired in response to deals the company has won and will work in the areas of enterprise resource planning (ERP), web technologies, infrastructure management and applications.

The company has also taken on board 120 freshers that it had made offers to and intends to shortly ask 150 more freshers to join.

With this, all the freshers with outstanding offers from the company and who haven't dropped out, would have joined, Mr Elango said.