

Cos curtail joining bonuses to cut costs

Tighten Purse Strings Amid Slowdown

Sushma U N &
Ishan Srivastava | TNN

Chennai: Most companies are giving joining bonuses a miss or scaling them down as they look to cut costs. A joining bonus, also known as a signing bonus, is money paid by a company to a prospective employee as an incentive. This can range from 15% to even 100% of the employee's salary.

"There is a drastic reduction in joining bonus at the mid-level. At the lower level, they aren't giving anything even in growing sectors," said Kamal Karanth, MD of Kelly Services, an executive hiring firm.

Joining bonuses have come down for prospective employees by 40% for junior management, 25% for mid-management and 15% for senior management. "Banking and financial services, FMCG and IT sectors are the ones who are most affected," said Ronesh Puri, MD of Executive Access, a staffing firm.

Till 2011, companies across sectors used joining bonuses as an incentive to lure talent. While the trend started with senior management employees, it gradually trickled down to the middle and lower management and even fresh-

JUST A HANDSHAKE?

▶ Junior mgmt candidates' joining bonuses have been cut by 40% and that of senior mgmt 15%

▶ Most affected are prospective employees in banking & financial services, FMCG, IT sectors

▶ Bonuses still given are in sectors like e-commerce that are flush with venture funds

▶ High-expertise jobs like R&D and regulatory functions in pharma sector also come with a joining bonus



ers over the last decade when growth rates were high.

Now, because of the tough economic environment, companies are being more cost prudent. "They usually lead to negotiations and companies don't want to get into complications during the hiring process," said E Balaji, MD of Randstad, a Chennai-based staffing firm.

For top-notch talent in senior management, bonuses continue to be doled out. In some cases, it is as high as 25% of the CTC (cost to company) for top executives. However, Puri stressed that a joining bonus would never go out. "Joining bonus can tilt the scales for a candidate sitting on the fence when choosing between two jobs. It is also used to cover the loss of pay in previous employment when switching jobs or

to make a lower regular salary more attractive," he said.

Sectors like e-commerce, buoyed by venture funds, are paying high bonuses to attract talent. They are poaching talent from a number of industries, including IT/ITeS. Jobs requiring a high level of expertise, or which concern the core functioning of a company, are still in high demand to warrant a bonus. "In a high-risk environment, talents with proven credentials define their premium," said Subeer Bakshi, director (talent & rewards), Towers Watson India, an HR firm.

"R&D and regulatory functions in pharma companies for example will still be given bonuses. They may not be senior positions but there aren't many people who can do the same job effectively," said Karanth.