

Microsoft to hire at least 400 Yahoo workers

August 5 2009, By MICHAEL LIEDTKE , AP Technology Writer

(AP) -- Microsoft Corp. will hire at least 400 workers from Yahoo Inc. if government regulators approve the companies' proposed Internet search partnership, and Yahoo will receive \$150 million to cover any unexpected costs during the switch to new technology.

Those details emerged Tuesday in a regulatory filing that elaborated on an agreement announced last week.

Sunnyvale-based [Yahoo](#) said then that an unspecified number of its 13,000 employees would be offered jobs at Microsoft after the Redmond, Wash.-based software maker assumes control of the search results and [search advertising](#) on Yahoo's Web site.

The transition is supposed to begin early next year, assuming the alliance is approved by antitrust regulators in the United States and Europe.

Microsoft will pay \$50 million annually during the first three years of the 10-year contract to supplement the revenue that Yahoo will receive from the ads appearing alongside its search results. The \$150 million in guaranteed payments weren't mentioned last week.

Tuesday's filing said Yahoo can use the \$150 million to pay for unforeseen transition costs.

Yahoo's stock has fallen by about 15 percent since it unveiled the Microsoft deal, largely because announced terms didn't include a large upfront payment.

Tuesday's disclosure probably won't ease the disappointment much, given analysts had anticipated Microsoft paying \$1 billion to \$2 billion for access to Yahoo's search engine. Yahoo's shares ended Tuesday up 17 cents at \$14.51. Microsoft eased 6 cents to \$23.77.

Most of the revenue from the Microsoft deal will flow from ad commissions. Yahoo will receive 88 percent of the search ad revenue during the first five years of the contract. After that, Yahoo's commission will range from 83 percent to 93 percent, depending on whether it still handles some of the ad sales in the partnership.

The main reason Yahoo decided to turn over its search engine to Microsoft was to save money. If Yahoo wants to save even more on technology, it has the option of adopting Microsoft's online mapping service replace of its own, according to Tuesday's filing. Yahoo Chief Executive Carol Bartz has already made it known she isn't impressed with Yahoo's online maps.

As it is, transferring 400 workers to Microsoft would prune Yahoo's current payroll by about 3 percent.

Yahoo will lay off some workers if the Microsoft deal goes through, Bartz said last week. Tuesday's filing didn't provide any layoff projections.

Although it also has been jettisoning workers because of the recession, Microsoft finished its latest fiscal year end in June with 93,000 employees - an increase of about 2,000 people from the previous year.

Microsoft is counting on the Yahoo partnership to help it reverse years of losses in its online operations and siphon some traffic - and ad sales - from Internet search leader Google Inc.

Yahoo's [search engine](#) is the second largest, making it the quickest way for Microsoft to gain ground on Google. Even so, Microsoft and Yahoo combined have less than 30 percent of the U.S. search market compared to 65 percent for Google, according to comScore Inc.

To keep Yahoo happy, Microsoft will have to produce ad revenue per search that is within a certain percentage of Google's industry-leading rate. If Microsoft doesn't hit the target, Yahoo can abandon the partnership before the contract expires. Tuesday's filing didn't specify how close Microsoft has to come to Google's revenue per search.

Microsoft estimates that [Google](#) gets 7 cents in ad revenue for every search, while Yahoo gets 4.3 cents and Microsoft gets 3.9 cents, according to a PowerPoint slide [Microsoft](#) mistakenly posted online.

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