

ANALYTICS & INSIGHTS

The Future of Work SERIES INTRODUCTION

DEC 2021





ICONIQ Capital, LLC

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About the series

We're at a turning point in the future of work

COVID-19 has made a lasting impact on the workforce.

At the start of the pandemic, many employers felt forced to make mass layoffs and pay cuts. While this may have been an inevitable reality of 2020, it did not occur without degrading the trust workers had in their employers. For essential workers, the nature of work changed completely, leading to record levels of stress and burnout. For others, the transition to widespread remote work introduced new optionality, initiating an exodus from major cities in search of lower cost of living or different lifestyles altogether.

Now, as we adapt to living with the realities and implications of the pandemic, perhaps for the long-term, we're at a turning point in how we are collectively defining the future of work.

While employers are establishing new policies for their workforce, **employees are feeling empowered to leave their jobs at record rates** as they reflect on where, when, and why they work. In tandem, converging macro trends such as the generational distribution of the workforce, increasing technology adoption and job automation, and record levels of private funding are accelerating the transition.

The purpose of this series is to explore how recent workforce trends are impacting the technology sector. As investors in over 100 technology companies, we believe we have unique insight into the major opportunities and challenges related to the future of work.

Leading companies are not just adapting to the new normal, they are innovating for the future - and helping define it.

ICONIQ ANALYTICS & INSIGHTS

Dedicated to empowering our portfolio companies and partners to make informed decisions with benchmarks, data-driven insights, and problem-solving frameworks

The Future of Work Series

DEC 2021 **Series Introduction** Chapter 1 Exploring recent trends in employee attrition, job satisfaction, recruiting, compensation, and the macro dynamics impacting these trends. Potential future series topics Q1 2022 Q1 2022 **Compensation & Benefits Diversity in Tech** Chapter 2 Chapter 3 *How is compensation changing? How are How have the events of the last ~2 years* companies approaching compensation for impacted diversity in tech? How are remote workers? How are companies companies attracting and retaining adjusting benefits offerings? diverse talent?

If you have requests for follow-on topics or want to be featured in one of our upcoming studies, please contact the <u>ICONIQ Analytics team</u>.

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Select data from a survey of **CHROs and Heads of People** at ICONIQ Growth portfolio companies conducted in October 2021. The make-up of participating companies is as follows:



Select data from a survey of **tech employees** conducted in October-November 2021. Responses were collected from employees across **~70 tech companies**, including:



Select data provided by ICONIQ Growth Partners*:

*bamboohr

Select **employee sentiment and attrition data** was provided by BambooHR, a leading HR platform. The data includes survey responses from 1,000+ employees and aggregated attrition across **8,000 companies**.



Select **recruiting and hiring data** was provided by Gem, a platform for modern recruiting. The data includes aggregated and anonymized candidate passthrough rates at more than **180 technology companies**.



Select **compensation data** was provided by Pave, an end-to-end platform for compensation planning, analysis, and management. The data includes median base salaries across roles and geographies.

Select data from reputable public sources:

As the topics included in this report have been broadly studied, we've included data and insights from reputable third-party sources when relevant. All publicly sourced data will be identified by this logo —

Sources include:

- U.S. Bureau of Labor Statistics
- McKinsey & Company
- GoodHire
- <u>RippleMatch</u>

- United States Census Bureau
- Visier
- LinkedIn Workforce Insights

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ICONIQ Partner: "bamboohr"

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At BambooHR, we are the champions of HR, leadership teams, and employees to create the employee experience.

We remove absurd complexities with automation and simplified workflows.

Our tools and analytics let HR professionals stay ahead of every aspect of building culture while curating diverse and demanding workforces.

This is at the heart of the employee experience.

We are the leading HR platform that lets you move with agility no matter what gets thrown your way.



ICONIQ Partner: **Gem**

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Gem empowers talent acquisition teams to engage their entire talent network, optimize sourcing efforts, and uncover insights that inform smarter, forward-looking decisions.

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::: twilio	🛐 shopify	P ELOTON	disco Meraki
	lyR	Pinterest	RQBLOX
📢 unity	Robinhood 🖉	💤 slack	DOORDASH

Results with Gem

- **5x** faster sourcing
- 2x higher response rates to outreach
- 20% lower time-to-hire
- Increased diversity in candidate pipeline



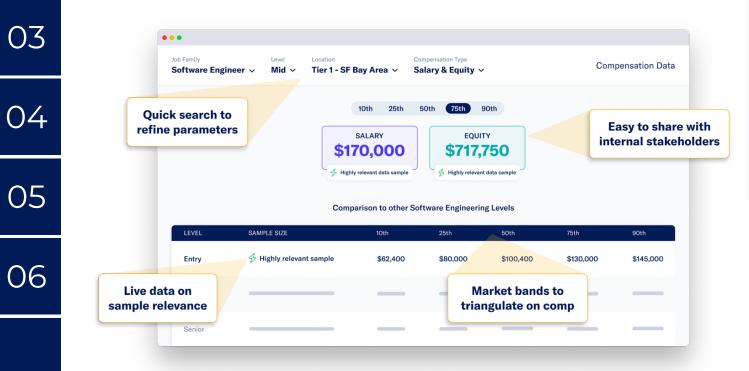
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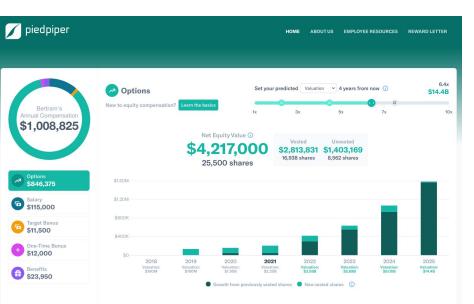
ICONIQ Partner: PAVE

01

02

- ✓ Real-time compensation benchmarking
- ✓ Total Rewards & Visual Offer Letters
- Merit Cycle Compensation Planning





The default valuation and preferred share price is based on the valuation for our last round of funding. You can model our theoretical share price using this tool. However, it's important to remember that our ultimate share price is still unknown and could increase based on our performance and market conditions. Also, this modeling tool does not take into account diution from future rounds of financing nor does it consider the preference stack in the case of a liquidity event. Lastly, it assumes that the ultimate common share price and ordering the approximation for ourse when a liquidity event occurs.

Equity Summary





allbirds

"Pave saves me time and energy, which for startups moving so fast, is extremely valuable."

Evan Salisbury Director of Total Rewards & People Operations

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TABLE OF CONTENTS Trademark

Executive Summary

Key macro trends are impacting employee sentiment, retention, and hiring

Generational shifts

Soon, Millennials and Gen Z will make up 50% of the workforce, leading to **shifting workforce preferences and priorities**.

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Remote work

Most **employees prefer remote work**, and many are leaving "Tier 1" cities as a result of increased geographic flexibility.

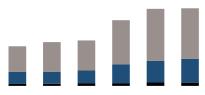


Of tech CHROs surveyed report implementing flexible and remote work options moving forward.

Venture & entrepreneurship

Click on headers to go the relevant page for more detail

Robust private capital markets **and high rates of entrepreneurship** may push tech employees to start their own businesses or join early-stage ventures.



The "Great Resignation" is impacting tech companies, and may get worse for some

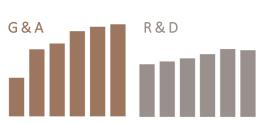
Increasing attrition

Tech companies reported a 16% YoY increase in voluntary employee attrition in 1H 2021, and a nearly **50% YoY increase** in 2H 2021.



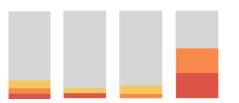
Variables impacting attrition

Attrition varied primarily by **job function**, **location**, **seniority**, **and gender**. Cohorts that had higher attrition rates than their peers included G&A employees and Bay Area employees.



Intent to resign

Attrition may increase in the next few months, especially at large, slow growth companies, where 58% of employees report intent to resign – with 29% claiming their resignation is a certainty.



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Executive Summary

Employees report common resignation reasons and shifting preferences

Resignation reasons

The most common resignation reasons cited by employees were job satisfaction (83%), professional development and career advancement (78%), and compensation (75%).

Employer disconnect

Employers overestimate the importance of team and company culture, relevant to only 24% of resignations, and underestimate the importance of company mission, relevant to 62% of resignations.



Shifting priorities

Compensation, company mission and values, and career advancement are becoming increasingly important to the broader workforce, over job stability and flexibility.



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The current hiring market is highly competitive

Themes in recruiting

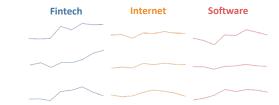
More often, candidates have **multiple** offers in-hand, require higher compensation, and ask for added work flexibility.



Of CHROs surveyed reported increased competition in recruiting and hiring

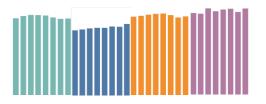
Supply of applicants

The "Great Resignation" led to a supply and demand problem for tech talent. The recent QoQ drop in applicants may signify an overall supply shortage for tech talent after months of record resignations.



Job offer & accept rates

Offer rates went up in 1H 2021 – meaning the average candidate was more likely to receive an offer. During this period, job accept rates declined, most notably for jobs offered at larger tech companies.



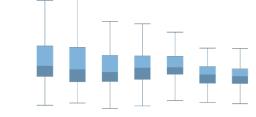
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Executive Summary

Companies are adapting and innovating to stay competitive

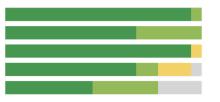
Changes to recruiting cycles

Companies are trying to improve their recruiting processes via **manager-driven outreach**, **faster cycles**, **higher-touch communication** with candidates, **and focusing on culture** throughout the interview process.



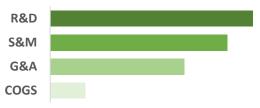
Benefits

Most companies have implemented or are planning to implement new and expanded benefits. 94% report implementing compensation increases and benefits to combat stress and burnout.



Compensation

Salary increases are happening across most roles in 2H 2021, with the **highest inflation seen in R&D** roles (+1.77%) and S&M roles (+1.55%) from Q3 to Q4.



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Additional datadriven recommendations

Many technology companies have responded to the recent attrition and hiring trends with incentives such as increased compensation, expanded and net new benefits, and remote work flexibility. While these tactics may improve outlook for the short-term, we recommend a more holistic approach to enable long-term goals. Based on our analyses, investing in career development, being mission driven, and practicing wage equity – especially between existing and new hires - will be critical to effectively attracting and retaining the future technology workforce.

Professional development



Of tech employees cite professional development and career advancement as an important factor in their decision to stay at a company.

Company mission



Of tech employees report company mission is relevant to their decision to stay at a company.

Wage equity



Of tech employees that are paid less than their peers on average cite compensation as relevant to their resignation.

02 The evolving workplace

Key trends

- Key macro trends are impacting the topics discussed in this study
 - **The generational divide:** As Millennials and Gen Z make up more of the workforce, employee preferences are shifting. Younger generations value compensation, career advancement, and purpose more than their predecessors.
 - **Remote work & relocation:** Most employees in the US prefer remote work, and many are re-locating to burgeoning cities. Companies that require in-office work, especially those located in "Tier 1: cities, may see increased employee attrition in response.
 - Venture and entrepreneurship: Private funding and the rate of entrepreneurship are at all-time highs, which may push more tech employees to start their own businesses or join early-stage ventures.

the evolving workplace Key macro trends

The following macro trends are accelerating the evolution of work

Throughout this study, we present analyses and insights that must be considered in tandem with broader economic and demographic trends. Understanding these macro trends can help companies identify how to approach certain challenges – whether a new "problem", high employee attrition for example, is one that should be solved or one that should be accepted and adapted to as the new normal. We believe the following trends have the most significant influence on the topics addressed in this study, and explore those highlighted in more detail in the following slides:

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The generational divide

The generational make-up of the workforce is changing rapidly as Baby Boomers retire at record rates and Millennials and Gen Z flood the workforce. With this shift comes new employee preferences and priorities, which should impact employee recruiting and retention strategies.

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Venture & entrepreneurship

Private funding and rate of entrepreneurship are at all-time highs, which may be pushing more employees to start their own businesses or join early-stage ventures. In tech, this may lead to a workforce shift away from larger, slow-growth companies.

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Cost of living & inflation

In the US, inflation is outpacing wage growth. Additionally, gains in real wages, or wages after accounting for inflation, are primarily going to the highest earners. As cost-of-living increases, workers are searching for higher paying jobs and affordable cities.

Remote work & relocation

The COVID-19 pandemic accelerated a shift to remote work for much of the workforce, which has had incredible impact on everything from where people live to consumer purchasing activity, business travel, and family planning.

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Job automation

COVID-19 and the shift to remote work are accelerating the adoption of jobautomating technologies. Automation and AI are likely to have increasing impact on total employment, the skill requirements of the workforce, and the supply and demand of certain job categories.

Mass reprioritization

Though inter-related with many of these trends, **the events of 2020-2021 have spurred mass introspection and reprioritization.** People tend to re-evaluate their values, habits, and priorities during periods of uncertainty, which has been shown to impact everything from career changes to birth and divorce rates.

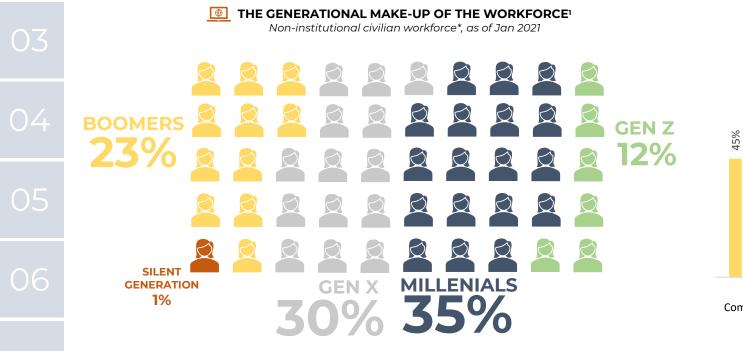
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The generational divide

As Millennials and Gen Z make up more of the workforce, employee preferences are shifting

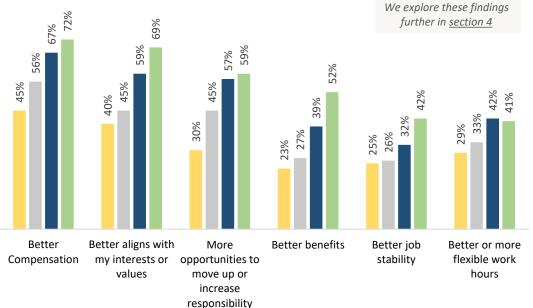
In 2020, Baby Boomers began retiring from the workforce at record rates³, and recent surveys estimate 75% of Boomers are planning to retire early⁴. This "Great Retirement" is quickly shifting the generational make-up of the working population – soon, Millennials and Gen Z workers together will make up more than 50% of the workforce.

With this transition comes shifting employee preferences and priorities. LinkedIn Workforce Confidence research shows discrepancies in how each generation values work-related priorities, with younger generations valuing compensation, career advancement, and purpose over job stability and flexibility².



FACTORS CONSIDERED WHEN SWITCHING JOBS/INDUSTRIES²

By generation



1 Bureau of Labor Statistics as of January 2021; Willennials and Gen Z as a percent of the non-civilian workforce has likely increased since the most recently available data 2 Linkedin Workforce Confidence Index research as of November 2021 3 Pew Research Center

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 3 Pew Research Center

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 4 Forbes, October 2021

THE EVOLVING WORKPLACE Remote work & relocation

Most employees in the US prefer remote work, and many are re-locating to burgeoning cities

EMPLOYEE-REPORTED PREFRENCES REGARDING REMOTE WORK¹

required to return to in-office work full-time

Based on a 2021 survey to 3,500 American Knowledge Workers

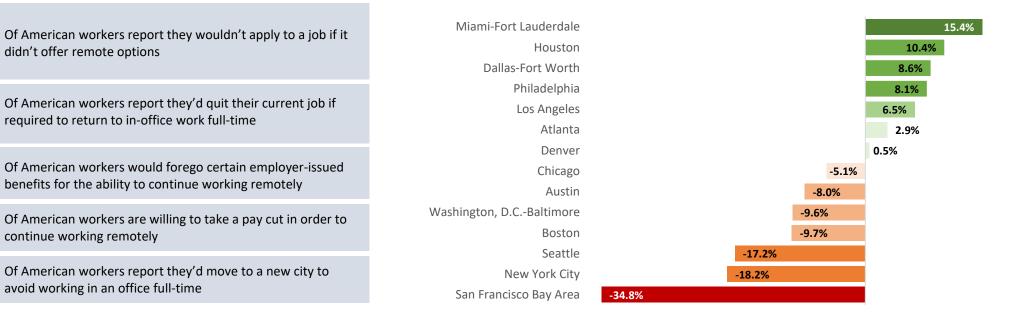
Survey data shows most US workers prefer remote to in-office work and would move cities, forego compensation, or forfeit benefits in order to continue working remotely. As remote and hybrid work surges, companies are reducing the amount of office space they offer, and many employees are relocating from "Tier 1" cities (e.g., San Francisco, New York City) to burgeoning areas. Companies that require inoffice work, especially those located in Tier 1 cities, may see increased employee attrition in response.



94% of tech CHROs surveyed report implementing flexible and remote work options moving forward. Hybrid work is the most popular approach (78%) followed by remote-first work (17%)³.

YOY CHANGE IN NET MIGRATION OF TECH WORKERS²

Difference in net migration from Mar 2020-Feb 2021 vs. Mar 2019-Feb 2020



Of American workers would forego certain employer-issued 70% benefits for the ability to continue working remotely Of American workers are willing to take a pay cut in order to 61% continue working remotely Of American workers report they'd move to a new city to 60% avoid working in an office full-time

didn't offer remote options

85%

74%

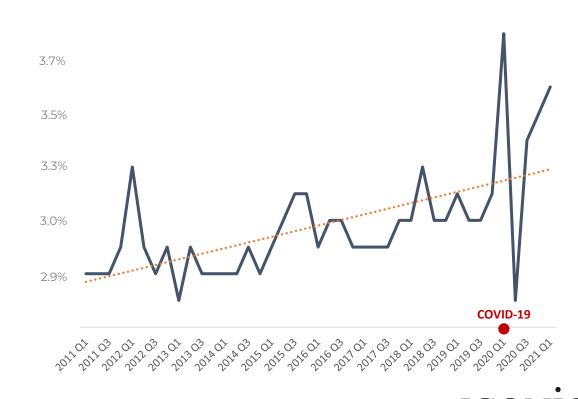
THE EVOLVING WORKPLACE Venture & entrepreneurship

Private funding and the rate of entrepreneurship are at all-time highs, which may push tech employees to start their own businesses or join early-stage ventures

Global venture capital funding has doubled in the last 15 months alone, with an estimated 50-65%+ going to technology companies. At the same time, after a historical low in 2020 due to COVID-19, the rate of new business creation in the US is rapidly increasing. Census estimates show as of October 2021, total business applications are up ~45% from October 2019³. As venture funding increasingly fuels the growth of new businesses, more tech employees may feel empowered to leave their jobs to start businesses or join early-stage ventures.

02**ESTIMATED GLOBAL VENTURE FUNDING**¹ By Quarter ~\$160B ~\$160B \$160B ~\$135B \$120B ~\$95B ~\$90B ~\$80B \$80B \$40B Q2 2020 Q3 2021 Q3 2020 Q4 2020 Q1 2021 Q2 2021 ■ Seed & Angel ■ Early Stage ■ Late Stage

Ratio of new businesses created to total number of business establishments



QUARTERLY RATE OF NEW BUSINESS CREATION (USA ONLY)²

03 The "Great Resignation"

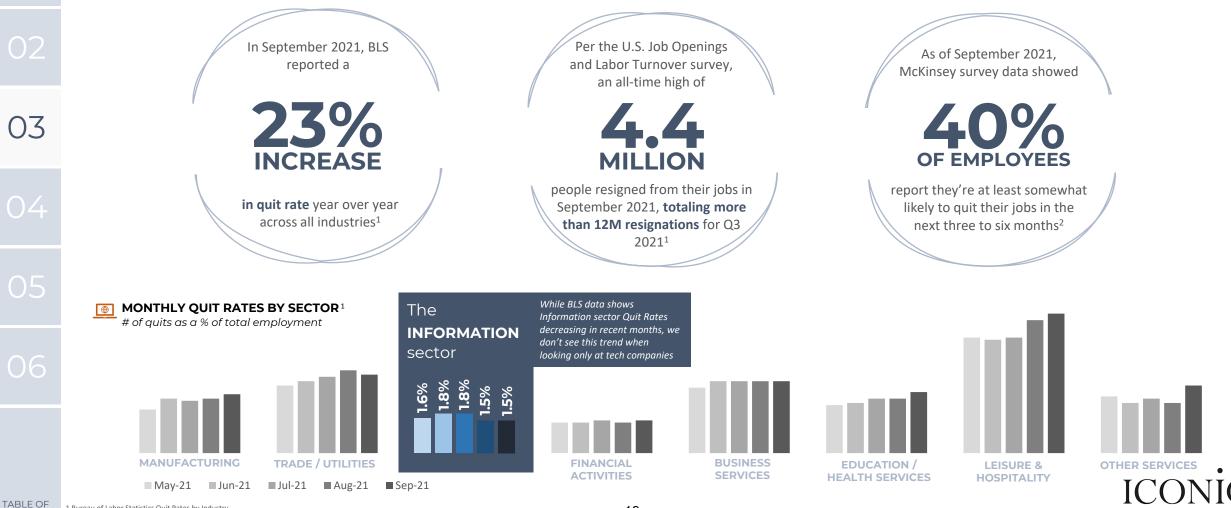
Key insights

- The Great Resignation is impacting most industries, and attrition may remain high in the coming months
- Technology companies are seeing increased employee attrition, averaging a 50% YoY increase in 2H 2021
 - The events of 2020-2021 had directional impacts on employee attrition
 - While voluntary attrition has been trending upward since 2019, the upwards trend slowed during 2020 in response to the pandemic
 - Voluntary attrition made up almost 70% of total attrition in Q2 2021, and more than 72% of total attrition in Q3 2021, compared to 45-65% in prior quarters.
- Attrition varies by:
 - Role: G&A roles have seen the sharpest increase in attrition and the slowest wage growth
 - Location: Of the major tech hubs, the Bay Area is likely seeing the highest resignation rates
 - Management status: Director+ level employees reported higher resignation rates than Mid-Level employees, possibly due to challenges of remote people management
 - Parental status: While females and males reported similar resignation rates, mothers have reported significantly higher intent to resign
- · Attrition may increase in the short-term, especially at larger, slow growth companies

Impact to the general workforce

The "Great Resignation" is widespread across industries, and attrition may remain high in the coming months

Employees are quitting their jobs at record rates in most industries, with more to come. The Bureau of Labor Statistics (BLS) tracks Quit Rates in the "Information" sector, which groups software and internet companies with media, broadcasting, and telecommunications companies, among others. Overall, data on how the so-called "Great Resignation" is impacting technology companies specifically is lacking.



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 1 Bureau of Labor Statistics Quit Rates by Industry

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 2 McKinsey & Company, September 2021

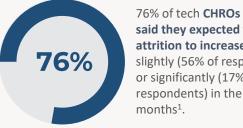
THE "GREAT RESIGNATION" Employee attrition over time

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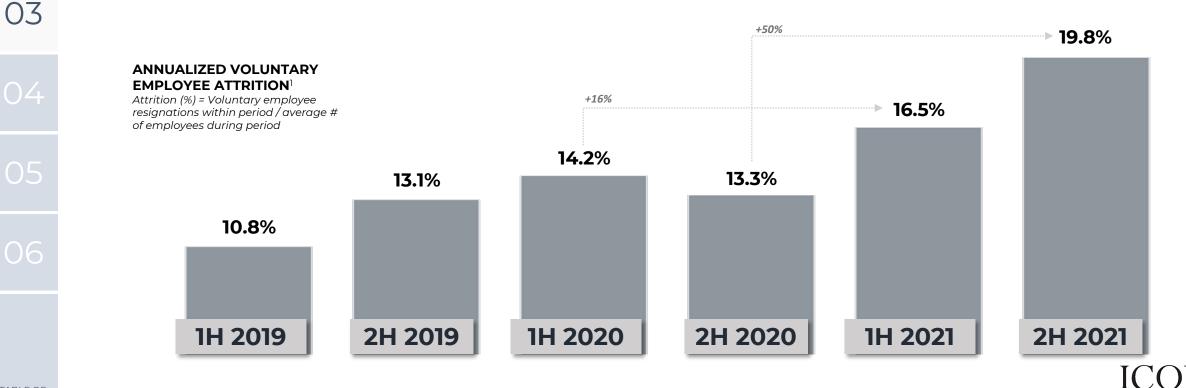
Technology companies are seeing increased voluntary attrition, averaging a 50% YoY increase in 2H 2021

CHROs and Heads of People participating in this study reported a 16% YoY increase in voluntary attrition in the first half of 2021, and a nearly 50% YoY increase in the second half of 2021. Additionally, 76% of these leaders expect attrition to increase in the next ~6 months.

Tech companies may be seeing higher attrition than the national average. 53% of our employee survey respondents reported resigning from a tech company since the COVID-19 pandemic started. If we annualize that over the full two-year period, tech employees had an estimated ~55-60% resignation rate from 2020-21. In comparison, estimates suggest a ~40-45% resignation rate² general employees during the same period.



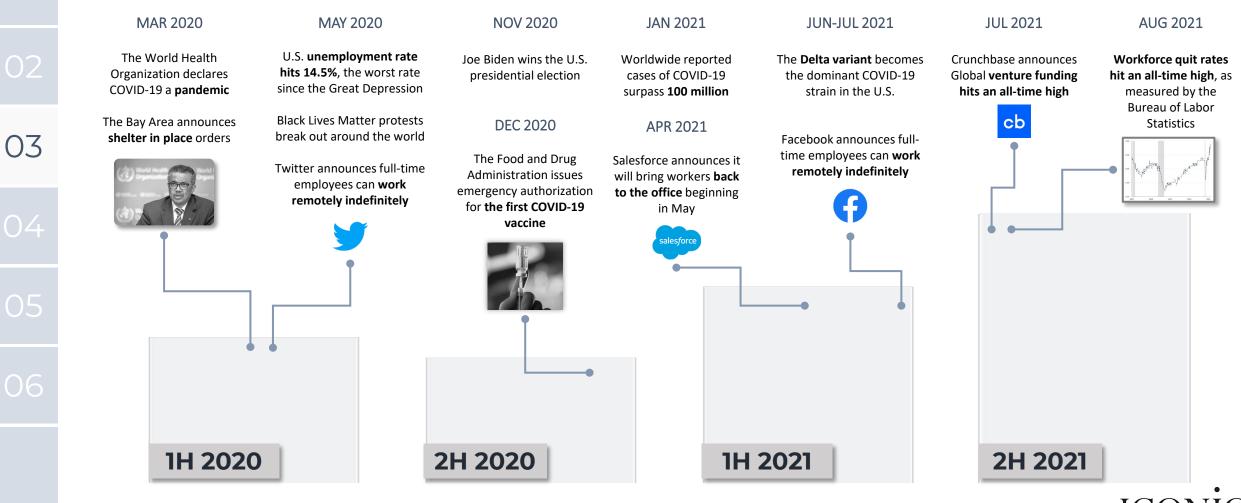
76% of tech CHROs surveyed said they expected voluntary attrition to increase either slightly (56% of respondents) or significantly (17% of respondents) in the next ~6



THE "GREAT RESIGNATION" Employee attrition over time

01

The events of 2020-2021 had directional impacts on voluntary attrition



THE "GREAT RESIGNATION" Employee attrition vs. unemployment

While voluntary attrition has been trending upward since 2019, the upwards trend slowed during 2020 in response to the pandemic

On average, voluntary attrition has been trending up at tech companies since 2019, jumping from 10.8% in 1H 2019 to 14.2% in 1H 2020. When comparing this trend to national unemployment rates during the same period, we see potential correlation between broader employment uncertainty and a slow-down in voluntary attrition rates. Though record unemployment levels in 1H 2020 were primarily driven by headwind-affected industries such as travel and hospitality, tech companies saw decreased attrition in 2H 2020 in response. The hiatus in rising attrition was short-lived, as the upwards trend continued in 1H 2021.

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U.S. UNEMPLOYMENT RATE¹ VS. ANNUALIZED VOLUNTARY EMPLOYEE ATTRITION² Unemployment rate monthly, Annualized Employee attrition by half-year

THE "GREAT RESIGNATION" Voluntary vs. involuntary attrition

*bamboohr®

01

02

Q2-Q3 2021 saw the highest proportion of voluntary attrition as a percent of total attrition

When looking at voluntary vs. involuntary attrition as a percent of total attrition for tech companies, Q2 and Q3 2021 saw the highest proportion of voluntary attrition in recent history. Voluntary attrition made up almost 70% of total attrition in Q2 2021, and more than 72% of total attrition in Q3 2021, compared to 45-65% in prior quarters. Unsurprisingly, involuntary attrition hit a high in Q2 2020 as companies responded to COVID-19.

Internet Software & Services Companies 03 27.7% 30.2% 33.5% Other 38.5% 39.0% 0445.5% attrition 53.0% 57.1% 05 72.3% 69.8% 66.5% Voluntary 61.0% 61.5% 54.5% attrition 06 47.0% 42.9% Q4 2019 Q1 2020 Q2 2020 Q3 2020 Q1 2021 Q2 2021 Q3 2021 Q4 2020

VOLUNTARY VS. OTHER ATTRITION AS % OF TOTAL ATTRITION

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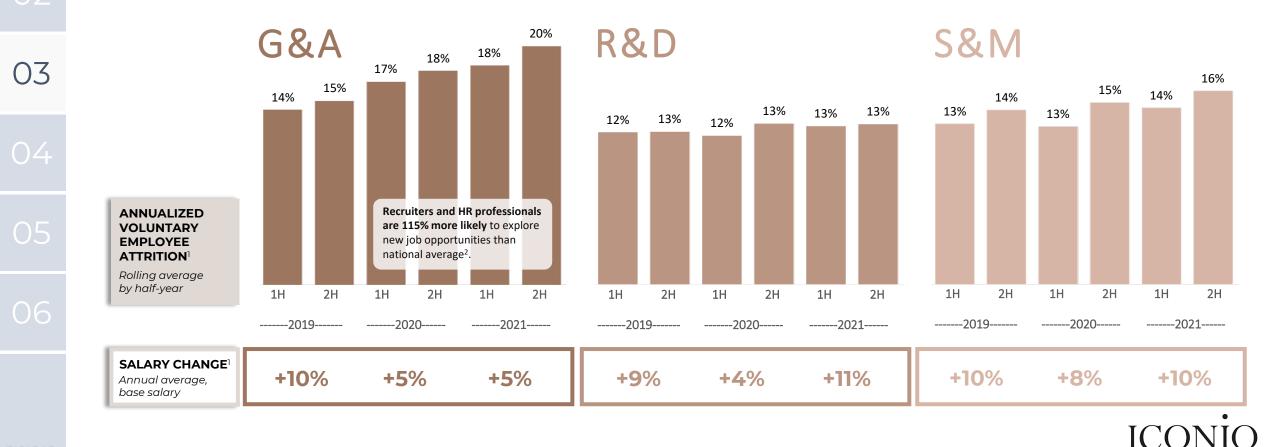
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 1 BambooHR Proprietary Data

THE "GREAT RESIGNATION" Employee attrition by role

G&A employees had the sharpest increase in attrition and the slowest wage growth

On average, **G&A employees had the highest attrition rate** of all role categories at tech companies in 2021, and the largest increase in year over year attrition compared to R&D and S&M employees. G&A employees, especially HR and Recruiting professionals, may have been disproportionately impacted by the events of the last ~year, and are especially challenged now given labor market dynamics.

Additionally, salary growth slowed in 2020 compared to 2019 as COVID-19 uncertainty forced companies to cut budgets and resourcing. Salary growth recovered in 2021 for R&D roles (+4% to +11%) and S&M roles (+8% to +10%) but did not recover for G&A roles (+5% to +5%), which may have contributed to the increased attrition seen for G&A employees.

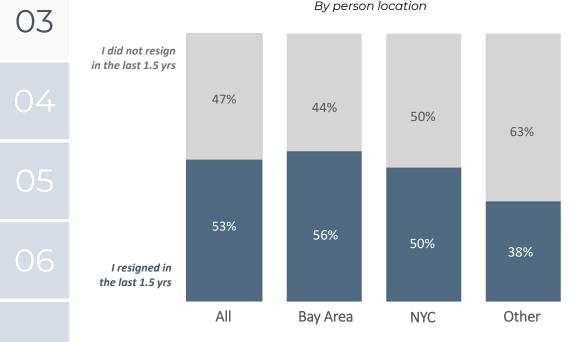


THE "GREAT RESIGNATION" Employee resignations by location

Of the major tech hubs, the Bay Area is likely seeing the highest resignation rates

When looking at reported resignations by employee location, resignation rates were highest for employees located in the Bay Area (56%) versus non-Bay Area employees (45%).

It's likely this finding is not unique to 2021, though it may be exaggerated recently due to the Great Resignation. Research from Workforce Logiq in 2019 and 2020 showed **employees located in the Bay Area** were 50% more likely to engage with unsolicited recruiter outreach than the national average, suggesting a more ubiquitous trend. Employees located in New York City were the next most likely, at 25% more likely than the national average².



RESIGNATION STATUS OF TECH EMPLOYEES

LIKELY TO ENGAGE" SCORES BY METROPOLITAN AREA2

Likeliness to engage with unsolicited recruiter outreach

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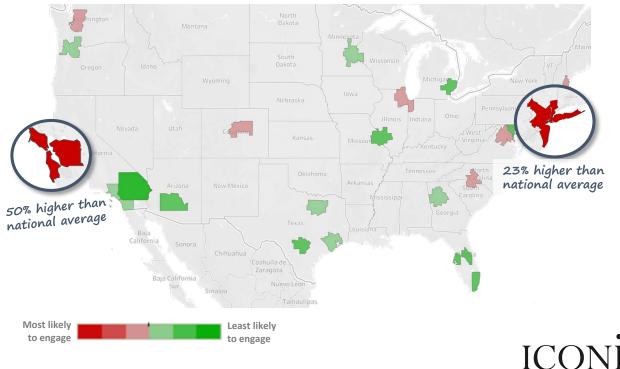


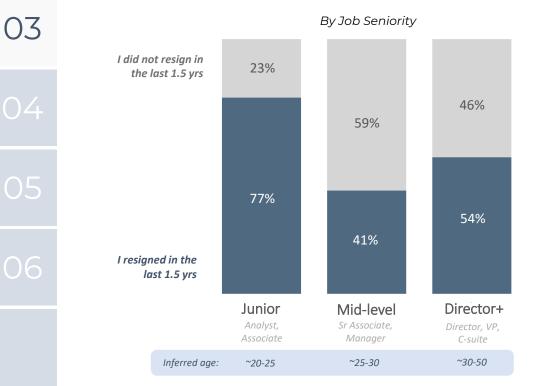
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 1 ICONIQ Proprietary Data: Tech Employee Survey

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 2 Workforce Logiq Annual Benchmark Report 2020

THE "GREAT RESIGNATION" Employee resignations by seniority

Director+ level employees reported higher resignation rates than Mid-Level employees, possibly due to challenges of remote people management

Of those surveyed, employees with a Director+ title reported higher resignation rates than Mid-Level employees. Visier research on resignation rates showed similar trends in 2020: the highest YoY increase in resignation rates was seen amongst employees aged 30+: those most likely to have a Director+ title. According to this research, one of the primary drivers of this trend was management status: employees categorized as Managers saw a 12% increase in YoY resignations, versus a 6% decrease for Non-Managers. Resignation rates may have increased for managers due to challenges associated with hiring and managing a remote workforce.



RESIGNATION STATUS OF TECH EMPLOYEES

CHANGE IN RESIGNATION RATE BY AGE & MANAGEMENT STATUS²

YoY % Change from Aug 2019 to Aug 2020, data from 9M Employees

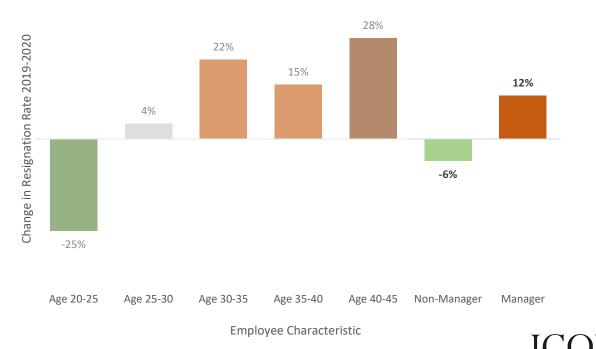


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 1 ICONIQ Proprietary Data: Tech Employee Survey

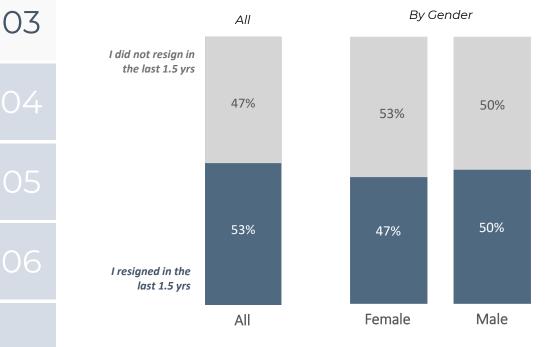
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 2 Visier Insights Research, 2021

THE "GREAT RESIGNATION" Employee resignations by gender

While females and males reported similar resignation rates, mothers have reported significantly higher intent to resign

Research has shown mixed results for how the Great Resignation is manifesting across genders; however, it's very likely that **attrition by gender isn't nearly as variable as attrition by gender and age (or parental status) combined**. The 2021 Women in the Workplace study showed 20% of working mothers are considering dropping out of the workforce entirely, vs. 11% of working fathers; and 47% of working mothers with young children feel burned out versus 38% of fathers².

02



RESIGNATION STATUS OF TECH EMPLOYEES

Women in the Workplace 2021

47%

Of working mothers with young children* feel burned out often or almost always, versus 38% of working fathers

Of working mothers with young children* are considering dropping out of the workforce entirely



15%

25%

Of working mothers are considering dropping out of the workforce entirely, versus 11% of fathers

Of those not considering dropping out of the workforce, an additional 15% of working mothers are considering adjusting their careers (e.g., fewer hours or less demanding roles)

*Parents of young children are defined as parents with one or more children aged 12 or younger

THE "GREAT RESIGNATION" Outlook for the next 3-6 months

01

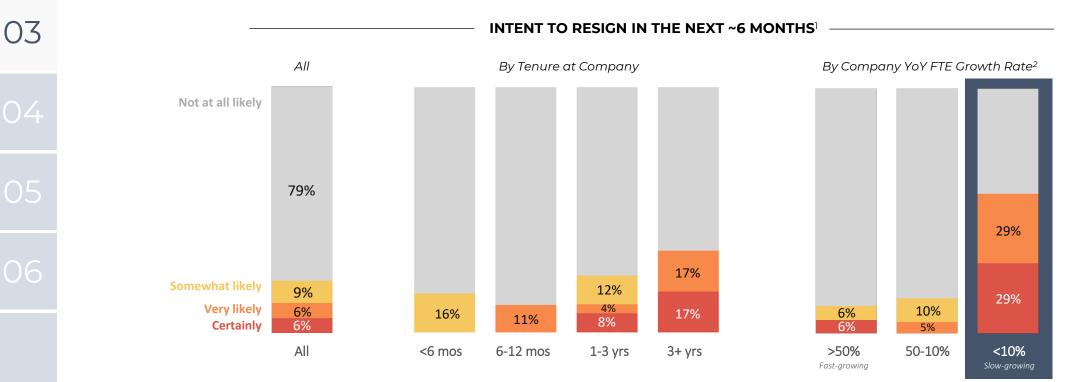
Attrition may increase in the short-term, especially at larger, slow growth companies

21% of the tech employees surveyed reported they were at least somewhat likely to resign from their job in the next 3-6 months. **Employees most at risk for attrition in the next few months are those at larger, slow growth tech companies** with YoY FTE Growth <10%, where a meaningful 58% of employees report intent to resign (29% reporting their resignation is a certainty).

Employees least at risk for attrition in the next few months were those at high growth companies with >50% YoY FTE Growth Rate. It's likely these trends are related to the current start-up market, in which venture funding is decreasing risk and high growth is increasing opportunities for career advancement and potential monetary upside.



76% of tech **CHROs surveyed** said they expected voluntary attrition to increase either slightly (56% of respondents) or significantly (17% of respondents) in the next ~6 months³.



1 ICONIQ Proprietary Data: Tech Employee Survey

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Employee sentiment & shifting preferences

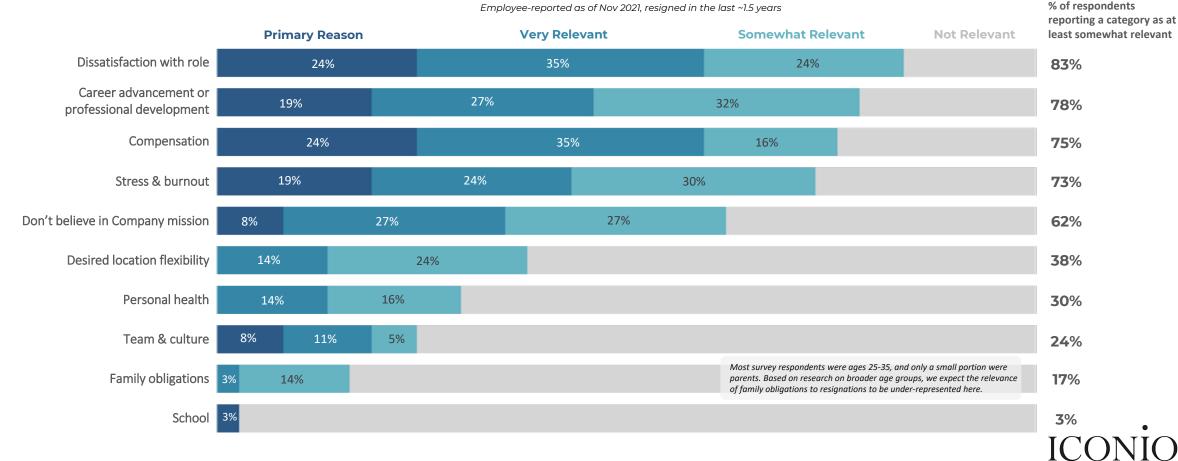
Key insights

- Tech employees most commonly resign seeking job satisfaction, career advancement, and compensation
- Tech employees report career advancement, professional development, salary, and culture as primary reasons to stay at a company
- · Career advancement and professional development are cited as the most important factors in both staying at a company and leaving it
 - Most employees report their professional development has been negatively impacted in the last year
- Employers overestimate the importance of team and company culture: Tech employees report team and company culture as a "nice to have": a reason to stay but not a reason to leave
- Employers underestimate the importance of the company mission, which is only getting more important to the workforce
- The importance of compensation
 - Compensation is becoming more important with each generation, especially in tech jobs
 - Compensation is most important to employees that have traditionally been paid less than their peers
 - Lack of wage equity between current employees and new hires is likely pushing employees to search for new jobs: the current compensation market favors job switchers, especially in technology jobs

EMPLOYEE SENTIMENT & SHIFTING PREFERENCES Resignation Reasons

Tech employees resign seeking job satisfaction, career advancement, and compensation

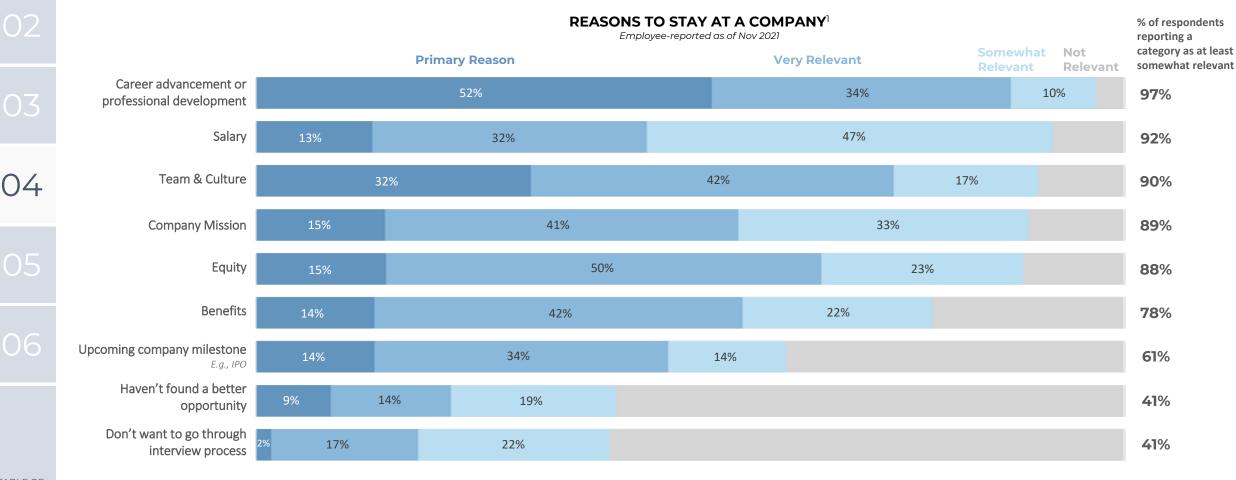
The most common reasons cited for employee resignations in the last ~1.5 years were job satisfaction (83%), career advancement (78%), and compensation (75%), closely followed by stress and burnout (73%). Though it wasn't reported often as a primary resignation reason, belief in company mission was cited by 62% of respondents as at least somewhat relevant to their resignation. Only 24% of respondents cited team and company culture as at least somewhat relevant to their resignation.



RESIGNATION REASONS OF TECH EMPLOYEES¹

Tech employees report career advancement, professional development, salary, and culture as primary reasons to stay at a company

The most common reasons cited for staying at a company were career advancement and professional development (97%), salary (92%), and team and company culture (90%), closely followed by company mission (89%) and equity (88%). Career advancement and professional development was the most common primary reason for staying (52%) followed by team and company culture (32%).



ICONIQ The importance of professional development

Career advancement and professional development are cited as the most important factors in both staying at a company and leaving it

97% of tech employees cite career advancement and professional development as at least somewhat relevant to their decision to stay at their current company, with 53% reporting it as their primary reason – more than any other category cited. In tandem, 83% reported it as at least somewhat relevant to their decision to leave a company in the last ~1.5 years. Investing in professional development, including communicating clear career advancement pathways and timelines, appears critical to retaining tech employees.

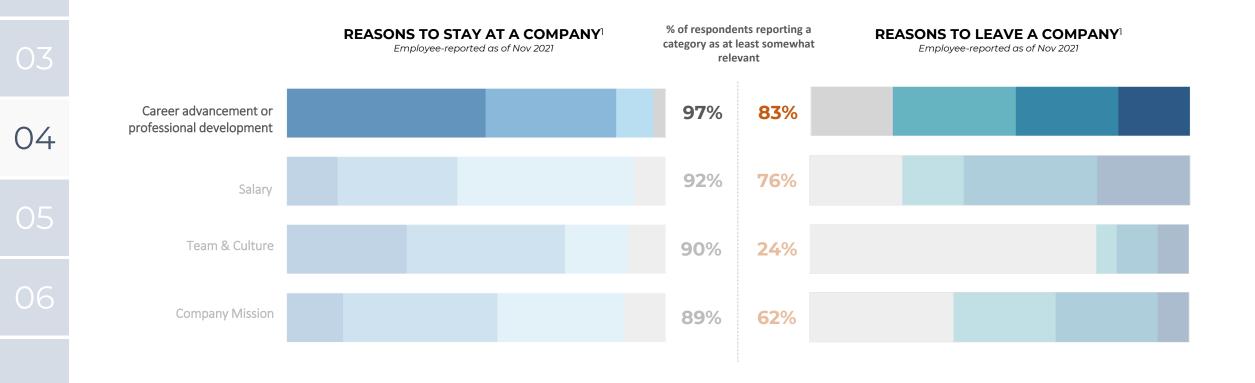


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THE "GREAT RESIGNATION" Impact to professional development

*bamboohr®

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Most employees report their professional development has been negatively impacted in the past ~year

While employees identify professional development as the most important factor in their decision to stay at a company or leave it, **78% of employees report their career development was negatively impacted in the last year**. The top factors negatively impacting professional development include burn out (25%), having to balance home and family life (25%), and lack of workplace interaction (24%).

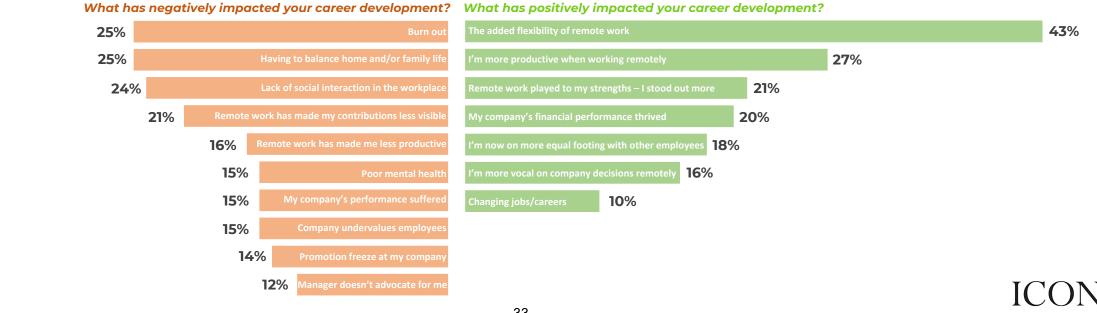
However, employees also report **certain aspects of remote work have positively impacted their career development**. The most common positive factors include added flexibility (42%) and productivity (27%). Mixed sentiment over how remote work has impacted professional development is likely highly correlated with an employee's seniority, role, and parental status.



Of workers report their career development has been negatively affected over the past year¹

TOP FACTORS IMPACTING PROFESSIONAL DEVELOPMENT

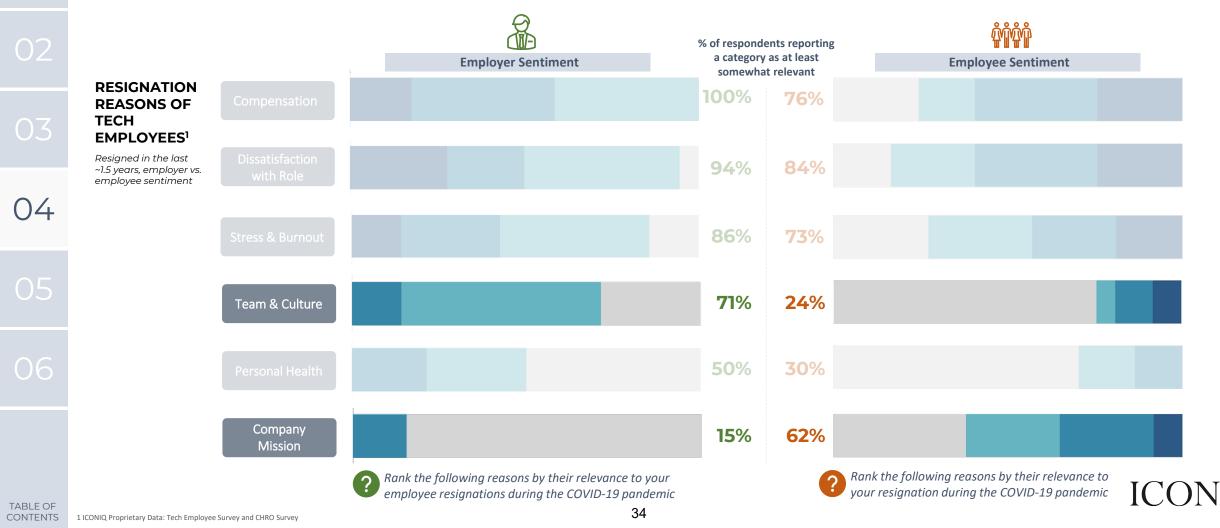
Over the past year, % of respondents



Employee sentiment & shifting preferences Employee vs. Employer Sentiment

Employers overestimate the importance of team and company culture, and underestimate the importance of company mission

When comparing why employers think their employees leave versus employee-reported resignation reasons, employers and employees are aligned across most categories. However, not when it comes to team / company culture and company mission. While 71% of employers think team and company culture are relevant to employee resignations, only 24% of employees reported so; and while only 15% of employers think belief in company mission was relevant to employee resignations, 62% of employees reported so.

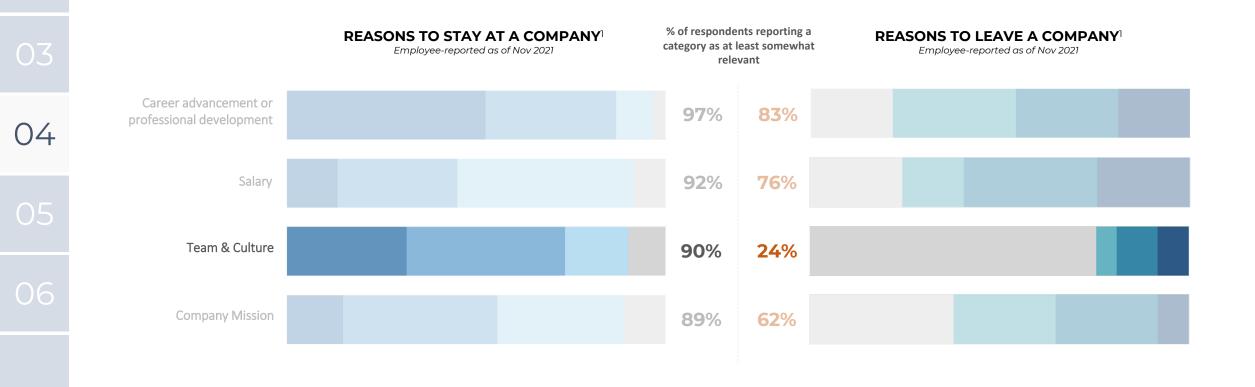


EMPLOYEE SENTIMENT & SHIFTING PREFERENCES The importance of culture



Tech employees report team and company culture as a "nice to have": a reason to stay but not a reason to leave

In general, tech employees weigh reasons to leave a company versus reasons to stay at a company similarly. However, this is not the case when considering team and company culture. **90% of employees** cite company and team culture as a reason to stay at a company, compared to only 24% reporting it as a reason to leave. This discrepancy has likely been exaggerated by the rise of remote work as employees start to prioritize career advancement, compensation, and flexibility over workplace culture; but the trend is likely here to stay given the prevalence of long-term remote and hybrid work.



EMPLOYEE SENTIMENT & SHIFTING PREFERENCES The importance of company mission

Company mission and employee purpose are becoming more important to the workforce

Only 15% of employers reported "belief in company mission" as at least somewhat relevant to employee resignation reasons, versus 62% of employees. LinkedIn's Workforce Confidence research shows the idea of alignment with your company's values is most important among Millennials and Gen Z employees, suggesting this is quickly becoming a critical aspect in retaining the future workforce.

There is a growing body of research on how purpose-oriented companies see better business outcomes on average, including higher productivity, growth rates, and employee retention. Some estimates show mission-driven companies have 40% higher employee retention and 30% higher levels of innovation and compared to non-mission-driven competitors³.

> Of CHROs Sav belief in company mission is at

15%

EMPLOYER¹



EMPLOYEES

% of Workforce by Generation 2021 least somewhat relevant to the resignation of their employees 69% 59% 45% 42% 41% 40% GEN X MILLENIALS **GEN Z Better Compensation** Better aligns with my More opportunities to move Better benefits Better job stability Better or more flexible work up or increase responsibility interests or values hours

FACTORS CONSIDERED WHEN CHANGING JOBS / INDUSTRIES²

EMPLOYEE SENTIMENT & SHIFTING PREFERENCES The importance of compensation

Compensation is becoming more important with each generation, especially in tech jobs

Employers and employees are mostly aligned on how important compensation is to resignation decisions. However, it's important to note **that compensation is becoming even more important in the workforce, as 67% of Millennials and 72% of Gen Z report compensation as a key factor** when switching jobs or industries, compared to 45% of Boomers and 56% of Gen X.

Compensation is likely more important to tech employees than the average worker: LinkedIn research shows ~60-65% of workers in general consider compensation when changing jobs / industries, while our research shows 76% of tech employees consider compensation.

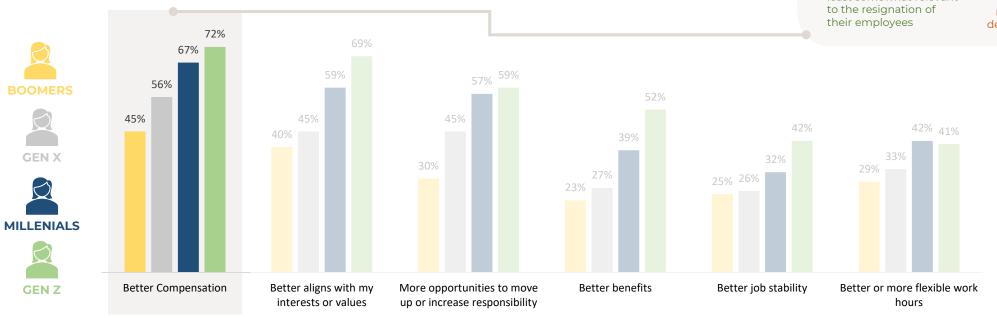
FACTORS CONSIDERED WHEN CHANGING JOBS / INDUSTRIES²

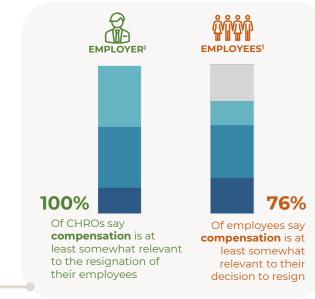
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% of Workforce by Generation 2021

EMPLOYEE SENTIMENT & SHIFTING PREFERENCES The importance of compensation

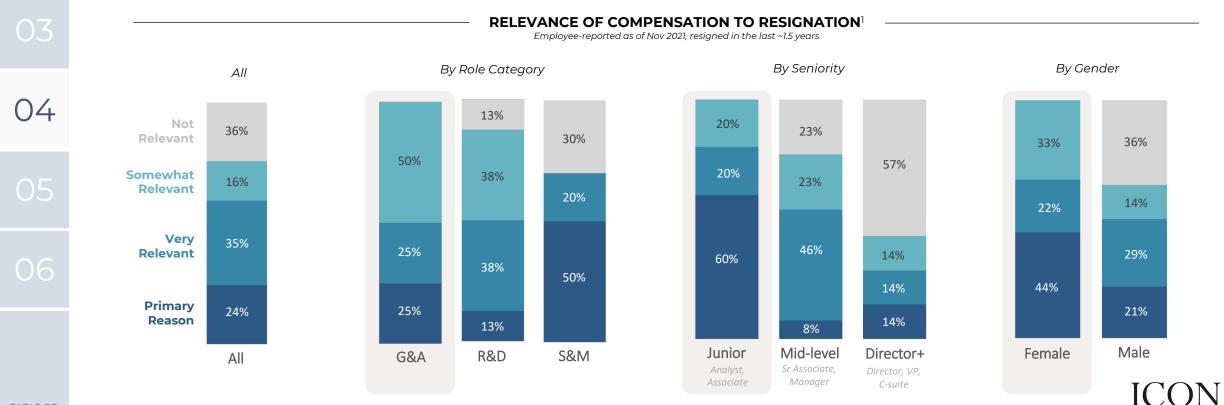
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Compensation is most important to employees that, on average, are paid less than their peers

The relevance of compensation to one's resignation decision varied primarily based on the employee's role, seniority, and gender. Within each category, compensation was more important to employees that, on average, are paid less than the others in their category. For example, in the last ~1.5 years, compensation was relevant to 100% of resignation decisions for females vs. 64% for males.

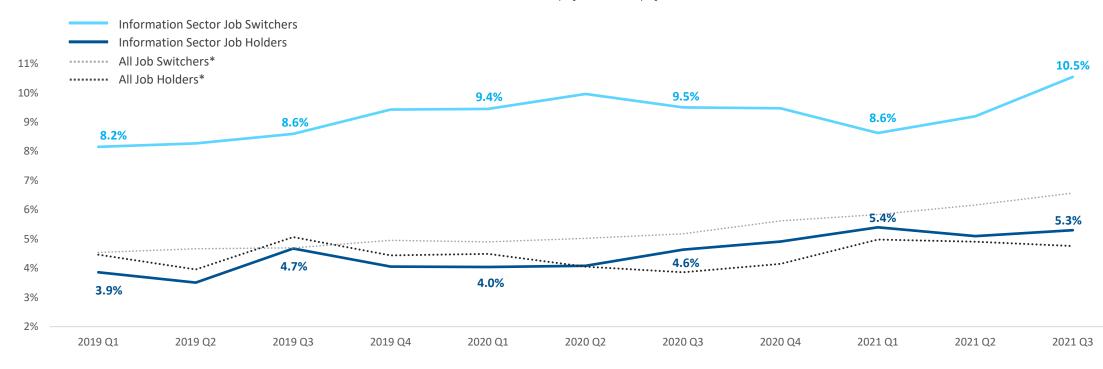
Hired's Impact Report on wage inequality in the workforce in 2020 showed a strong wage gap persisting in gender: for the same job at the same company, males were offered a higher salary than females 59% of the time, with 2.5% more salary offered on average. The research found the gender wage gap to be especially potent for technical roles: male software engineers were offered 4.1% more salary than female software engineers².



EMPLOYEE SENTIMENT & SHIFTING PREFERENCES The importance of compensation

The current compensation market favors job switchers, especially in technology jobs

Lack of wage equity between current employees and new hires is likely pushing employees to search for new jobs. The current wage market heavily favors job switchers – especially in technology jobs. In October 2021, the Bureau of Labor Statistics showed average wage growth for job holders increased 4.8% year over year, while it increased 6.6% for workers who switched jobs in that period¹. If we look specifically at jobs switchers versus holders in the Information sector, which includes technology companies among others, this wage growth discrepancy is even more pronounced. In Q3 2021, job switchers in the information sector were awarded with 10.5% YoY wage growth versus only 5.3% for job holders.



YoY WAGE GROWTH FOR JOB HOLDERS VS. JOB SWITCHERS¹ Information Sector employees vs. All employees

****'Job Switchers**" defined as workers who switched jobs from one month to the next

"Job Holders" defined as workers who stayed at the same job for at least a year

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05 The state of recruiting

Key insights

- 100% of CHROs surveyed report increased competition in recruiting and hiring
 - More often, candidates have multiple offers in-hand, require higher compensation, and ask for added work flexibility
- Volume of applicants, offer rates, and acceptance rates are some key factors impacting the talent pool and recruiting cycles
 - The "Great Resignation" led to a supply and demand problem for tech talent
 - Accept rates decreased for tech companies in the first half of 2021, most significantly for larger companies
 - 1H 2021 was a great time to apply for a tech job as offer rates increased, leading to a candidate's market
 - · Certain roles have been more competitive to hire than others
 - Job offer acceptance rates decreased for G&A, S&M, and COGS roles, while those for R&D roles increased in 1H 2021
 - Of G&A roles, People and Finance roles had the biggest drop in job offer acceptance rates year over year
 - Of R&D roles, IT/Security and Data roles had the biggest drop in accept rates, while Eng and PM accept rates increased
 - Of S&M roles, Sales roles had the biggest drop in job acceptance rates year over year

THE STATE OF RECRUITING Themes in recruiting & hiring

More often, candidates have multiple offers in-hand, require higher compensation, and ask for added flexibility

100% of the tech CHROs we surveyed reported observing increased competition in recruiting and hiring recently. CHROs noted that more often, candidates have other active offers in-had (100%) and require higher salaries or expanded benefits (89%) along with additional work flexibility (61%).

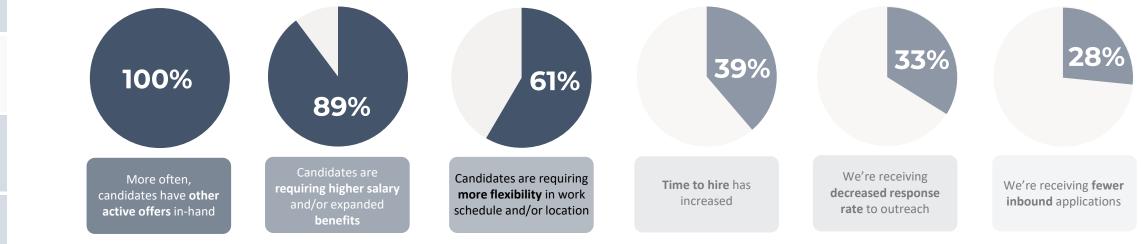
While candidates are receiving more offers and requesting additional flexibility and benefits, most CHROs have seen stable or decreased time to hire, stable or increased outreach response rates, and stable or increased application volume. These trends point to a highly frothy and competitive recruiting market, which we explore in more detail in this chapter.





RECENT TRENDS IN RECRUITING & HIRING¹

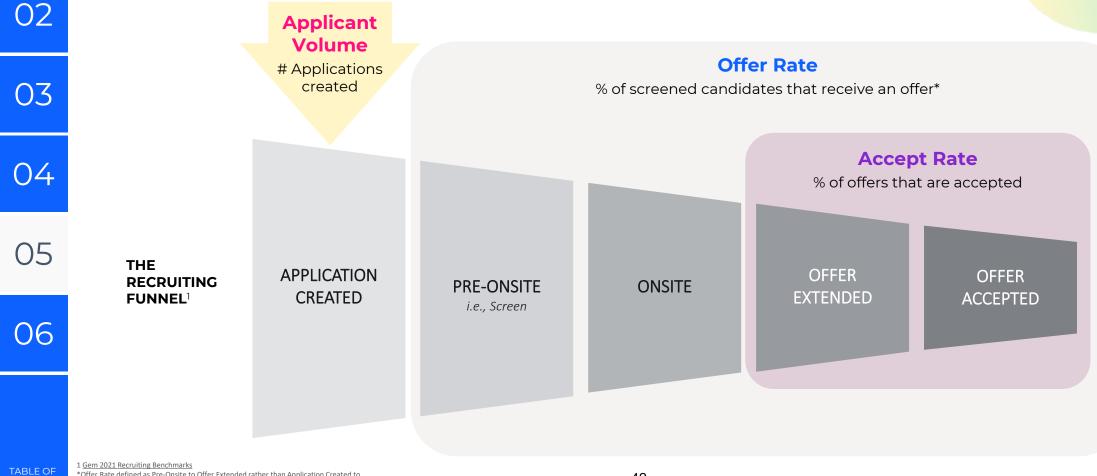
% of CHROs observing each trend



THE STATE OF RECRUITING What's contributing to the competitive recruiting market?



Volume of applicants, offer rates, and acceptance rates are some key factors impacting recruiting competition



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*Offer Rate defined as Pre-Onsite to Offer Extended rather than Application Created to Offer Extended to account for differences in when companies log candidate applications

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THE STATE OF RECRUITING Supply of applicants



The "Great Resignation" led to a supply and demand problem for tech talent

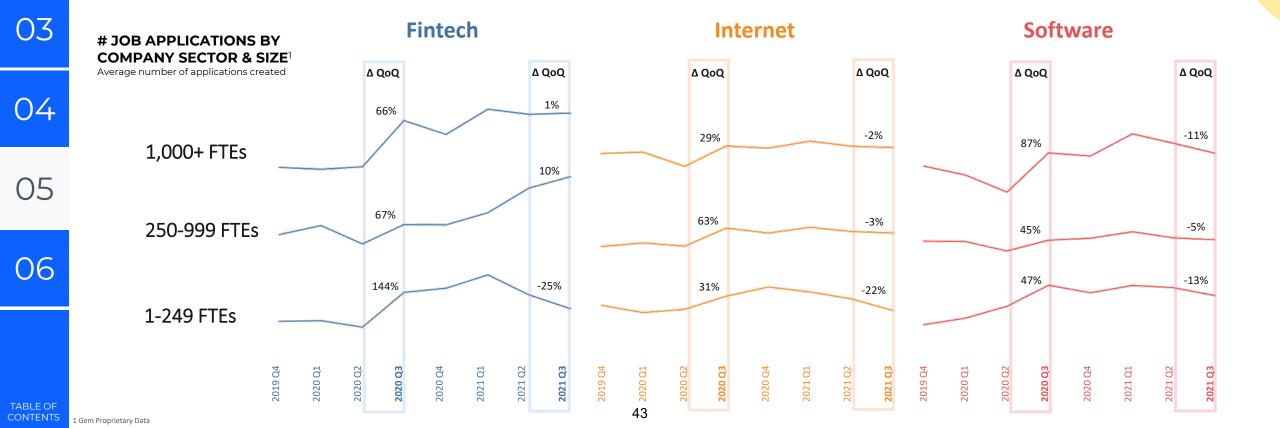
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The "Great Resignation" may have started in Q3 2020, when the average **number of job applications created per tech company increased notably**. During that period, certain companies saw more applicant growth than others, with the highest applicant growth seen in fintech.

However, while the demand for technology talent has grown as the category expands and companies ramp up hiring post-COVID, applicant volume has stayed relatively constant since Q3 2020 and even decreased QoQ for most tech companies in Q3 2021. The recent QoQ drop in applicants may signify an overall supply shortage for tech talent after months of record resignations.

For more benchmarks on passthrough rates and outreach stats, see Gem's <u>2021 Recruiting</u> <u>Benchmarks Report</u>



THE STATE OF RECRUITING Accept rates by company size

Gem

Accept rates decreased for larger tech companies in the first half of 2021

100% of the CHROs surveyed have recently observed that more often, candidates have multiple active job-offers in hand. We investigated whether this trend was impacting candidate accept rates (% of candidates that receive a job offer and accept it) at tech companies. While accept rates tend to fluctuate, quarter over quarter variability is usually within ~1%. However, during the initial waves of the "Great Resignation" (2H 2020-1H2021), accept rates decreased 3.6% for larger tech companies (1,000-4,999 FTEs).

For more benchmarks on passthrough rates and outreach stats, see Gem's <u>2021 Recruiting</u> <u>Benchmarks Report</u>

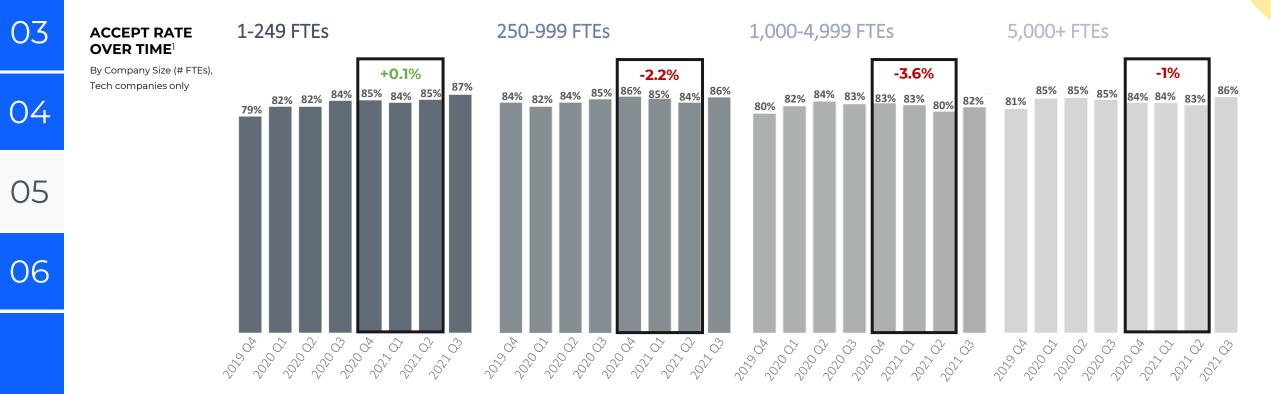


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The state of recruiting Offer rates by role



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1H 2021 was a great time to apply for a tech job as offer rates increased, leading to a candidate's market

Looking at offer rates (% of screened candidates that receive an offer) confirms the recent observation that more often, candidates have multiple offers inhand. **Overall, offer rates went up** in the first half of 2021 (+8%) – meaning **candidates were more likely to receive an offer on average during this period**.

While offer rates increased, accept rates decreased for most roles and stayed constant for others, **leading to a candidate's market**. Offer rates decreased across the board in Q3 2021, suggesting the frothy recruiting environment may be stabilizing.

For more benchmarks on passthrough rates and outreach stats, see Gem's <u>2021 Recruiting</u> <u>Benchmarks Report</u>

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OFFER RATE G&A R&D S&M ALL **OVER TIME**¹ +6% ROLES +8% -1.8% +32% By Applicant Role, 04Tech companies only 17% 16% 17% 17% 16% 16% 16% 15% 05 15% 15% 15% 14% 14% 14% 13% 13% 14% 13% 13% 13% 11% 12% 12% 12% 12% 12% 11% 11% 11% 10% 10% 9% 06 202 202 02 2027 03 202003 202004 2010 00 20202 40100 AD 202002 201 - 201 - 20 - 201 - 201 - 20 20200-2 2027-07 2027 03 201 -

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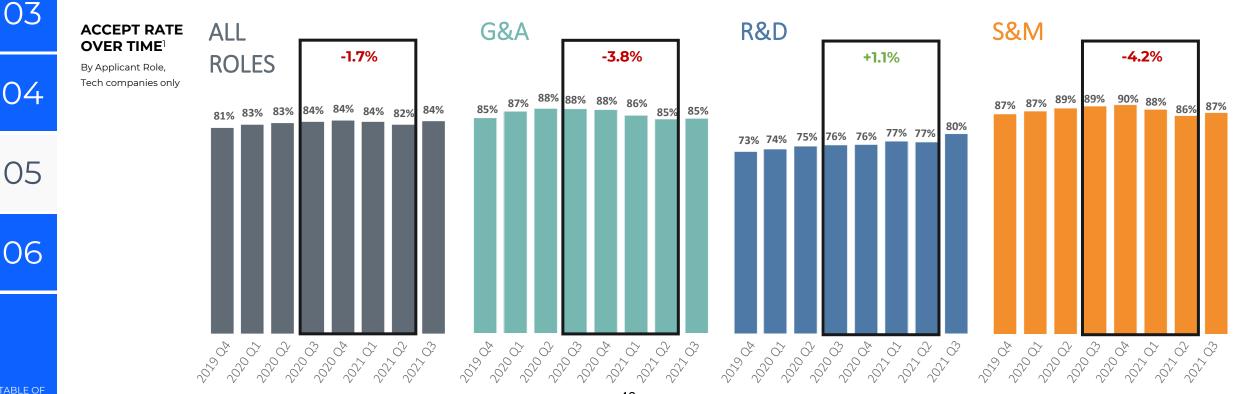
THE STATE OF RECRUITING Accept rates by role

In the candidate's market, accept rates decreased for most roles

While accept rates are lowest for R&D roles on average (~75-77%), R&D was the only category that saw increased accept rates in the first half of 2021 (+1.1%). The biggest decrease in accept rates was seen in Sales & Marketing roles, which when from a high of 90% to a low of 86% (-4.2% change) in the same period, followed by G&A roles (-3.8% change).

Across all role categories, accept rates increased from Q2 to Q3 2021, potentially fueled by companies implementing strategies to stay competitive in the hiring market (Section 06) and a smaller applicant pool compared to previous quarters (Section 05).

For more benchmarks on passthrough rates and outreach stats, see Gem's 2021 Recruiting Benchmarks Report



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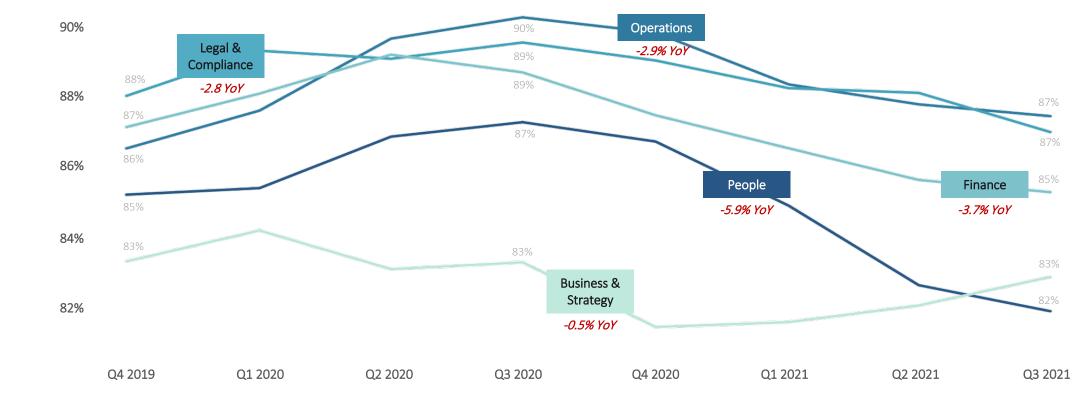
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On average year over year, all G&A roles included saw a decrease in accept rates. Unsurprisingly, this decrease was most pronounced in People roles (-5.9%), as the pandemic posed unprecedented human resources challenges. Finance roles saw the second largest decrease in acceptance rates of G&A roles (-3.7%), followed by Operations roles (-2.9%).

For more benchmarks on passthrough rates and outreach stats, see Gem's 2021 Recruiting **Benchmarks** Report

THE STATE OF RECRUITING Accept rates for G&A Roles

Of G&A roles, People and Finance roles had the biggest drop in accept rates year over year



ACCEPT RATE OVER TIME Rolling Average for G&A Roles, Q3 2020 to Q3 2021 YoY Change

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The state of recruiting Accept rates for R&D Roles



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Of R&D roles, IT/Security and Data roles had the biggest drop in accept rates, while Eng and PM accept rates increased

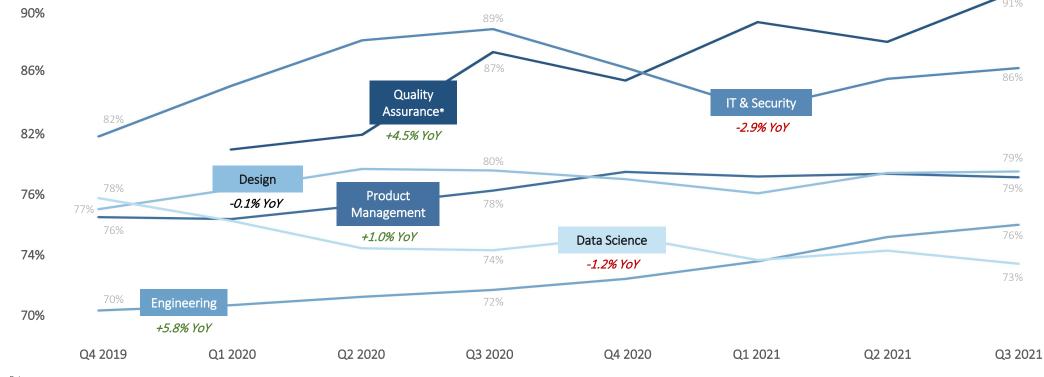
R&D roles had the biggest variability in YoY accept rate change from 2020 to 2021. While accept rates increased for Engineering (+5.8%), Quality Assurance (+4.5%), and Product Management (+1.0%) roles, they decreased for IT/Security (-2.9%) and Data Science (-1.2%) roles. Product Design roles had relatively constant accept rates during the same period. One possible explanation for the increase in accept rates for certain R&D jobs is compensation: in 2021, tech companies report R&D roles had the largest wage growth compared to peers (+11%)².

For more benchmarks on passthrough rates and outreach stats, see Gem's <u>2021 Recruiting</u> <u>Benchmarks Report</u>



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ACCEPT RATE OVER TIME¹ Rolling Average for R&D Roles, Q3 2020 to Q3 2021 YoY Change

 1 Gem Proprietary Data

 2 ICONIO Proprietary Data: CHRO Survey

CONTENTS *Data excluded for Quality Assurance Q4 2019 due to n-size

THE STATE OF RECRUITING Accept rates for S&M Roles



Of S&M roles, Sales roles had the biggest drop in job acceptance rates year over year

On average year over year, all S&M roles included saw a decrease in job offer acceptance rates. This decrease was most pronounced in Sales roles (-4.2%), followed by Customer Success roles (-2.3%). The decrease in accept rate for Sales roles started in Q4 2020 and continued through Q3 2021, possibly aligning to when many companies re-accelerated their go-to-market motions in the wake of the pandemic. Companies may be trying to catch up to pre-COVID revenue targets – and are accelerating sales hiring to do so.

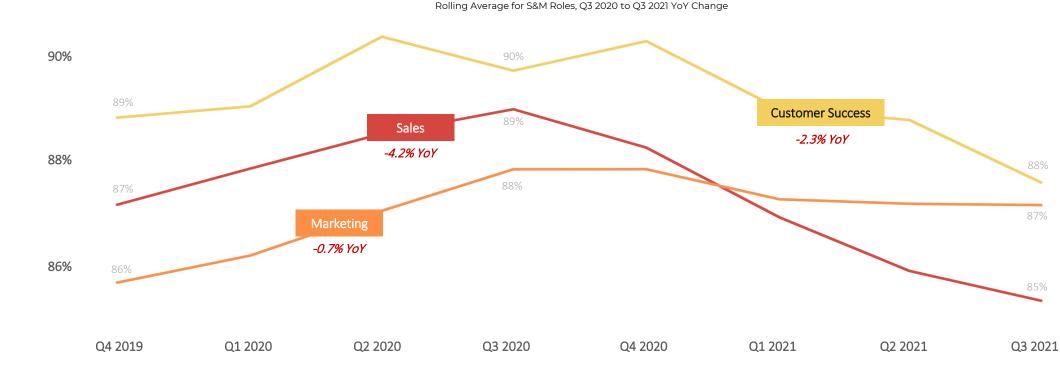
For more benchmarks on passthrough rates and outreach stats, see Gem's <u>2021 Recruiting</u> <u>Benchmarks Report</u>

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How companies are staying competitive

Key insights

- Improving the recruiting process: faster time to hire, manager-led outreach, and high-touch candidate communication
- Flexible work arrangements: Hybrid is the most popular return to work strategy, with three major "flavors" of hybrid work
- Expanding compensation and benefits: primarily increased compensation and flexible work arrangements, followed by benefits to combat stress, WFH benefits, and family care
- Salary increases are happening across most roles, with the highest inflation seen in technical roles in 2H 2021
 - Most companies are taking a "geo-comp" approach, where compensation bands are tied to employee location based on "Tiers"
- Our data-driven recommendations
 - Emphasize professional development and career advancement
 - Be mission-driven and clearly communicate this mission
 - Practice wage equity within like-roles, especially between existing employees and new hires

KEY STRATEGIES EMPLOYED BY TECH COMPANIES¹



Improving the recruiting process

Companies are trying to improve their recruiting processes via manager-driven outreach, faster interview cycles, higher-touch communication with candidates, and focusing on culture throughout the interview process.



Expanding benefits

Most companies have implemented or are planning to implement net new and expanded employee benefits including increased **compensation**, **flexible work arrangements**, and benefits for **stress and family care**.



Remote and hybrid flexibility

Given overwhelming employee preference for flexible work and the flexibility of choice, most tech companies are taking a **hybrid or fully remote** approach to the future of work.

Salary increases and geo-comp

Companies are **increasing salary** bands and implementing **geography-based compensation** to adapt to hybrid and remote workforces.

ADDITIONAL DATA-DRIVEN RECOMMENDATIONS



Focus on career development

Have clear advancement paths, professional development benefits, and regular career communication.



Be mission-driven

Clear and regular communication of the company mission to existing employees and candidates during the recruiting process.



Practice wage equity

Practice wage equity within like-roles: especially between existing employees and new hires.

how companies are staying competitive Improving the recruiting process

Making incremental improvements to your recruiting tactics can improve candidate passthrough rates and candidate experience



Manager-driven outreach

Having Hiring Managers send recruiting outreach rather than the recruiting team helps companies convert applicants from outreach to screen.



Faster recruiting cycle

Shortening interview cycles for candidates given risk of other offers. Shorter lifecycle helps to keep candidates engaged and interested.



High-touch candidate communication

Improving candidate experience via regular, timely, and high-touch communication and visibility.

06

"Culture-forward" interview process

Ensure candidates interact with different members of the team, added focus on company culture throughout interview process (especially in remote environment).



ATTRIBUTES OF A POSITIVE CANDIDATE EXPERIENCE²

Reported by Gen Z workers, 2021

70% Timely (within 5-7 business days) updates about application status
53% Personalized follow-ups and check-ins from recruitment team
51% Rejection reason if you are not selected for the role
49% Clear job description on job posting

how companies are staying competitive Remote and Hybrid work

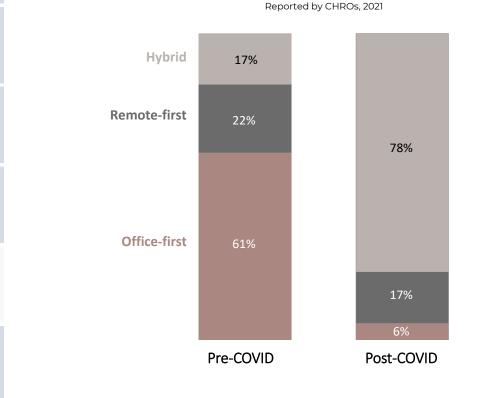
POST-COVID WORKFORCE STRATEGY

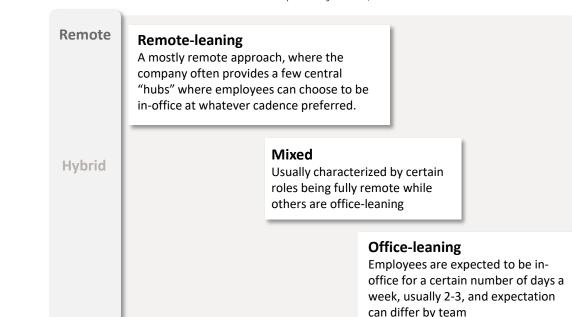
Most tech companies are taking a hybrid approach to the future of work, with three common hybrid "flavors"

The overwhelming majority of knowledge workers are looking for flexible work arrangements – or at least, the ability to choose their preferred work option. In response, only 6% of CHROs reported their companies were taking an office-first approach to work moving forward. Most tech companies are taking a hybrid approach (78%), followed by a subset taking a remote-first approach (17%). Interestingly, more tech companies report being remote-first before the pandemic (22%) than after (17%), suggesting some teams that used to be remote-first are transitioning to a hybrid approach as well.

02

06





THE COMMON "FLAVORS" OF HYBRID WORK

Reported by CHROs, 2021

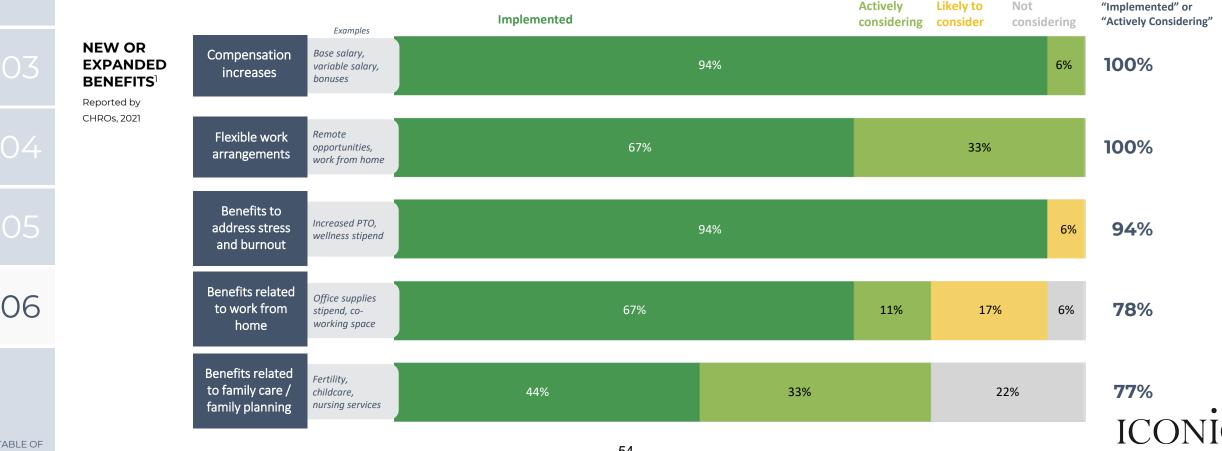


Office

HOW COMPANIES ARE STAYING COMPETITIVE Expanding benefits

Most companies have implemented or are planning to implement net new benefits

When tech CHROs were asked what benefits their companies are implementing to stay competitive in the current environment, 94% reported implementing compensation increases and benefits to combat stress and burnout, such as increased PTO and wellness stipends. 67% reported implementing flexible work arrangements such as remote opportunities and additional remote days, as well as benefits to support work from home such as office supplies and co-working spaces. 44% have implemented additional benefits related to family care and family planning, and another 33% are actively considering it.



how companies are staying competitive Salary increases

% CHANGE IN BASE SALARY¹ From Q3 2021 to Q4 2021 by Role Category, Average across all geographical tiers



01

Salary increases are happening across most roles in 2H 2021, with the highest inflation seen in R&D and S&M roles

In 2H 2021, median base salaries across most tech roles increased. From Q3 to Q4 2021, the highest average salary inflation was seen in R&D roles (+1.77%), with fast-growing functions such as Customer Success Engineering, Data Science, and IT seeing the largest increase. S&M roles saw the next highest salary inflation (+1.55%), mostly concentrated in Sales Engineering, Account Management, and Sales Operations roles.

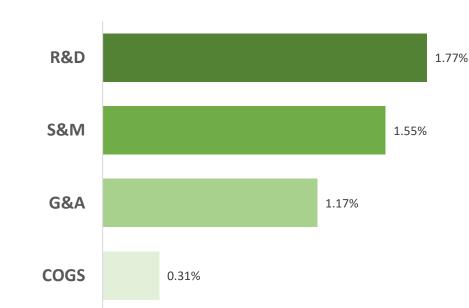
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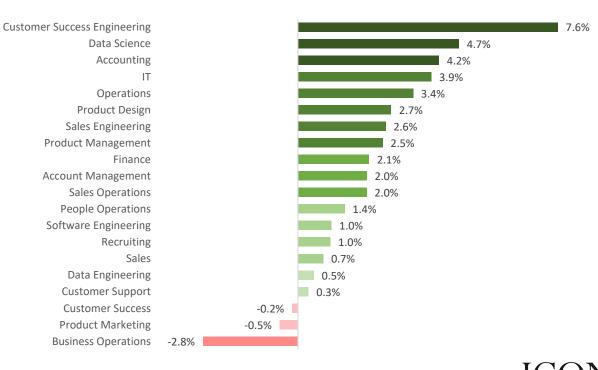






% CHANGE IN BASE SALARY

From Q3 2021 to Q4 2021 by Key Detailed Roles, Average across all geographical tiers



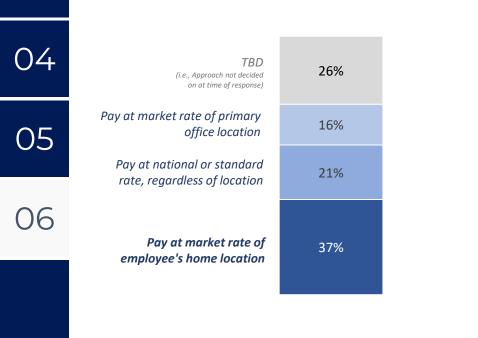
How companies are staying competitive Geography-based compensation



Most companies are taking a "geo-comp" approach, where compensation bands are tied to employee location based on "Tiers"

Based on research we did in Q2 2021, we expect ~40-45%+ of tech companies with remote workers to transition to geography-based compensation, in which employees are paid based on the market rate of the location in which they reside. A common approach to geo-comp is to split the workforce into geographical tiers based on cost of living and market rates in a region. It's important to find the right balance between specificity and simplicity, particularly as your organization grows – we typically see three tiers.

Pave benchmarks as of Q4 2021 show employees located in Tier 2 and Tier 3 geographies are making similar salaries (within ~1-3% of each other) while employees located in Tier 1 locations are making ~12-16% more than those located in Tier 2 and 3 geos on average.



COMPENSATION FOR REMOTE WORKERS

Results as of June 2021



TIER 2 AND 3 SALARIES AS % OF TIER 1 SALARY²

Tier 2 and 3 median base salaries as a % of Tier 1 salary by Role Category, Q4 2021

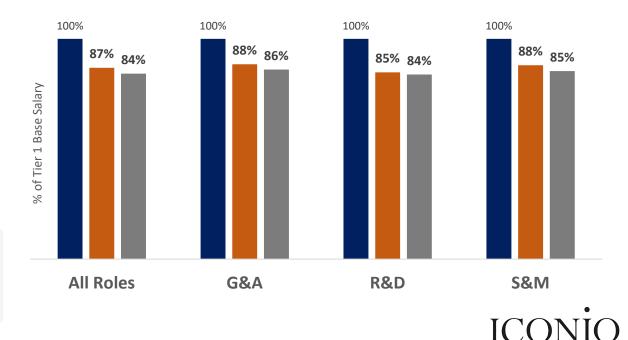


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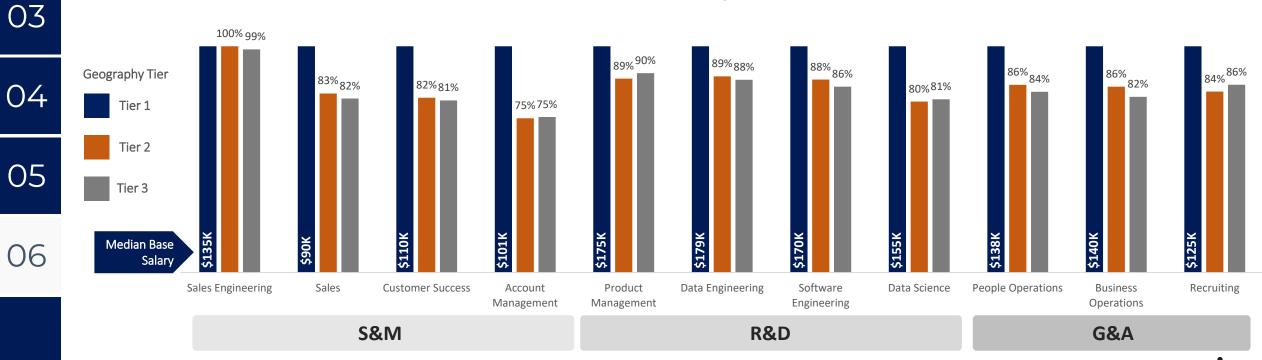
03

How companies are staying competitive Geo Comp for key roles



Salaries for certain roles have a higher consistency across geos, including Sales Engineering, Product Management, and Data Engineering

Looking closer at geo-comp, certain roles have more consistency across geographies than others. For example, Sales Engineers make the same salary across Tier 1,2, and 3 geographies on average, while Account Managers in Tier 2 and 3 geographies make ~75% of their peers located in Tier 1 geographies. **Companies may be implementing geography and role-based compensation, in which certain roles may be paid agnostic of employee location.** However, It's important to note that some of this variability may also come from lack of standardization in job titling across companies.



TIER 2 AND 3 SALARIES AS % OF TIER 1 SALARY – Key Roles¹

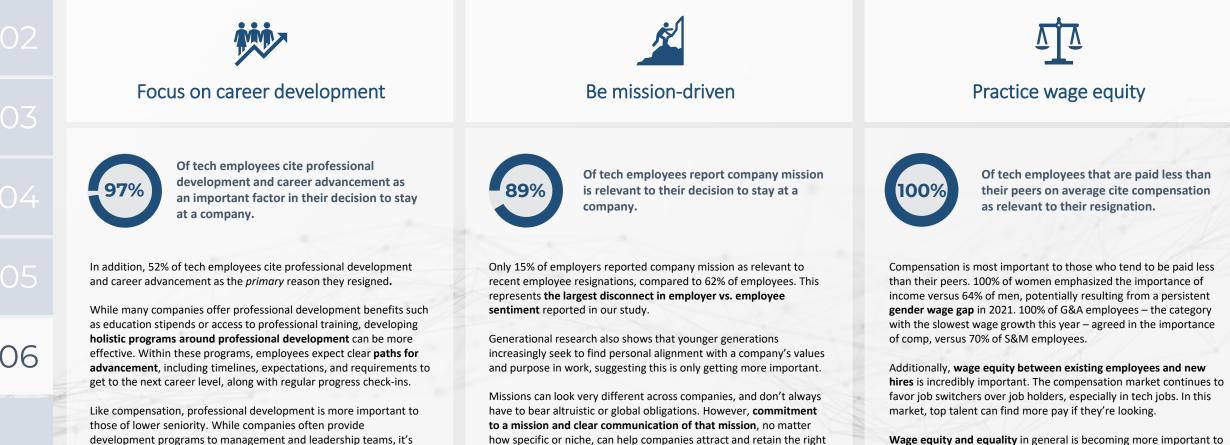
Median Base Salary, Q4 2021

01

02

how companies are staying competitive Data-driven recommendations

Many technology companies have responded to the recent attrition and hiring trends with incentives such as increased compensation, expanded and net new benefits, and remote work flexibility. While these tactics may improve outlook for the short-term, we recommend a more holistic approach to enable long-term goals. **Based on our analyses, investing in career development, being mission driven, and practicing wage equity will be critical to effectively attracting and retaining the future technology workforce.**



talent.

Wage equity and equality in general is becoming more important to the workforce. Younger generations expect tangible results from DE&I efforts – including wage equity.

TABLE OF CONTENTS often even more desired - and effective - at the junior and mid-level.

ABOUT ICONIQ GROWTH



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ICONIQ GROWTH

Dedicated team with strong investing and operating experience

ICONIQ

OUR VALUES Teamwork | Excellence | Integrity

WE PARTNER WITH

EXCEPTIONAL ENTREPRENEURS AND LEADERS WHO DRIVE GLOBAL IMPACT AND CHANGE



A PORTFOLIO OF CATEGORY LEADERS

adyen	SI Age of Learning	🚫 airbnb	🏱 Airtable	👻 ajaib	EQ. Alibaba Group	alteryx	APT <i>TUS</i>	articulāte
aurora	AUTØMATTIC	🔀 AXONIUS	*bamboohr"	g Benchling	BetterUp	bill.com	BLACKLINE	braze
Calendly	🖬 Campaign Monitor	chime	ظانہ collibra	Sconexiom	oupa 🦛		Cyber 🔆 GRX	DATADOG
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Lucid	>>>> MARQETA	miro	MONTE CARLO	motorway [.]	Moveworks	Nayya	≁netskope	notable
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companies represent the full list of companies that I	CONIQ Growth has invested in since inception throug	sh ICONIQ Strategic Partners funds.		62				ICOI

These companies represent the full list of companies that ICONIQ Growth has invested in since inception through ICONIQ Strategic Partners funds. Trademarks are the property of their respective owners. None of the companies illustrated have endorsed or recommended the services of ICONIC

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