Amid Layoffs, Tech Companies Throw Cash, Stock at the Workers They Still Want



Illustration by Josh Brill.

By Mark Matousek

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Nov 11, 2022, 7:00am PST

Comment by Landon Loveall

In August, amid a slump in stock and crypto prices, Robinhood took the dramatic step of slashing 23% of its workforce, just four months after laying off 9% of its employees. But those who survived the online brokerage's cuts soon got an incentive to stick around and work hard.

Shortly after the layoff, Robinhood told employees it would grant them extra shares, according to two people familiar with the matter. The previously unreported award

was designed to offset the impact of a 50% decline in Robinhood's stock price between January and August, which had eroded the value of past equity grants. Robinhood wasn't alone in extending such an offer: Snap made a similar move after cutting its headcount 20% in late August.

Despite a growing number of mass layoffs underway in tech—most obviously at Meta Platforms this week and Twitter last week—companies are as concerned as ever about holding onto top performers and keeping staff motivated and productive. For that reason firms including Instacart and Coinbase—both of which have cut staff—have also been offering cash bonuses, more stock or better benefits to workers. This issue will likely loom large for tech giants that have made big cuts this month, including Stripe, Chime and Lyft. (Insider previously reported Snap's intention to award extra grants of restricted stock units.)

The Takeaway

- Robinhood granted employees extra shares after layoffs
- Businesses are still hiring in technical areas while cutting elsewhere
- Companies are boosting cash pay to keep employees happy

It might seem contradictory for employers to be trying to keep some workers happy even while they're laying off thousands of others. But many companies are cutting predominantly in areas like marketing and recruiting while continuing to hire in technical areas, such as software engineering. Online banking startup Chime, for instance, which said last week it was cutting 12% of its workforce, also said it was still hiring for "select" roles.

"The competition for talent is still ever present," Aalap Shah, a managing director at compensation consulting firm Pearl Meyer, told The Information this week. Shah, who works with both public and private tech companies, said while all of his clients have made an effort to control costs in the second half of this year, most have also increased their employees' compensation in some form over the last six months, most often through equity grants.

"What they're trying to do is calm the nerves of individuals who are left behind," he said.

Losing too many people could stall high-priority initiatives or disrupt services to users and customers. Notably, Twitter, which slashed half of its 7,500 employees on Friday after Elon Musk took control of the company, quickly discovered it had gone too far and is now trying to get some laid-off engineering workers to come back to help build new features.

Some companies are trying to boost morale with team-building exercises. E-commerce software giant Shopify, which slashed around 10% of its roughly 10,000 workers in July and has continued to make smaller cuts since, is still bringing workers together for the periodic gatherings it calls "bursts" that it introduced in 2021 after embracing remote-first work during the pandemic. A Shopify spokesperson said there was no correlation between the company's layoffs and its burst initiative.

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These exercises are designed to build morale, help teams complete projects and check in on performance and goals. Shopify has converted some of its former offices into team-gathering spaces, which it calls ports, but it has also sent teams to far-flung locations and luxury hotels.

Easy Money

Another way companies have sought to keep people happy is more basic: paying them more. Thomas Vick, a regional vice president for recruiting agency Robert Half, said he's seen private tech firms boost compensation more frequently in recent months. "They're doing everything they can right now to try to retain employees," Vick said.

Those startups that had hoped to go public soon—but had to call off those plans as the initial public offering market cratered—have had to take more steps to keep people happy. Workers expecting to cash out of their equity now have to wait longer.

When Instacart officially gave up hope for a 2022 IPO last month, the grocery-delivery startup told employees it would hand out cash bonuses in December and June to people who were meeting or exceeding performance expectations. The announcement came even as Instacart had in recent months been slowing hiring, using performance reviews to shrink its headcount and reining in other expenses such as travel and team gatherings.

And Discord—which media speculation suggested was an IPO candidate before the tech market meltdown—awarded most of its employees a 7% raise this summer.

Other companies may not have the ability to pay people more. Dan Walter, a vice president at FutureSense, which advises companies on compensation and other human resources matters, said most of the late-stage tech startups he's spoken to are in "severe cash-conservation mode" and haven't boosted compensation.

Ann Gehan also contributed to this article.

Mark Matousek is a reporter for The Information covering fintech. You can reach him at markmatousek@theinformation.com, mmatousek@protonmail.com, or via Signal at +1 (847) 744-0804.

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Mark Matousek
Reporter
The Information

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Landon Loveall
Partner
KB Financial Advisors

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