

# Work-From-Anywhere Perks Give Silicon Valley a New Edge in Talent War

Startups in smaller markets feel pinch as coastal tech giants poach their employees; ‘a national competition’ for every hire

Online interior-design startup Havenly can’t compete with Silicon Valley heavyweights when it comes to compensation, but it used to have an effective weapon in the battle for tech talent: the Rocky Mountains. The 150-person company counted on Denver’s outdoorsy lifestyle to help lure people from more-expensive places.

Since the pandemic spurred leading tech companies to embrace “work from anywhere” policies, that advantage is fading fast. Now that a software engineer or marketing guru can work from a creekside cabin while still pulling down big bucks from Facebook or Salesforce, smaller firms far from the coasts are feeling the pinch.

For Havenly, landing new hires now means competing with companies all over the country, and hanging onto talent has been harder than ever. At one point, even members of Havenly’s executive team were a flight risk.

“My CMO and my CFO were both like, ‘Listen, we love this company but the reality right now is I have an old friend reaching out to me,’ ” said Lee

Mayer, Havenly's co-founder and CEO. She almost lost multiple executives to Bay Area companies offering on average 20% salary increases and no requirement to relocate. "I was getting recruited" too, she said.

Some of the biggest names in tech aren't just allowing existing workers to relocate out of the Bay Area, they are also starting to hire in places they hadn't often recruited from before. The result is the most geographically distributed tech labor market to date. That's leading to above-market rates for workers in smaller hubs, forcing local companies to raise wages to keep up with the cost of living and fend off deeper-pocketed rivals from California, Seattle and New York.

The winners of the pandemic are turning out to be the workers themselves and the companies in coastal hubs who can pay less than a San Francisco salary but more than a local one, according to Mark Muro, a senior fellow with the Brookings Institution.

"If talent is the most important dimension, they have a way now then to truly access lost Einsteins all across the country," said Mr. Muro. "What remote work does is it turns every hire into a national competition."

In the short term, the democratization of tech jobs is broadening Silicon Valley's reach and influence, rather than diminishing it. Longer term, companies in smaller hubs are hoping the current pinch is temporary and that eventually they'll have access to the new tech migrants—especially if larger

tech companies start reversing work-from-home policies—easing their labor shortage and enjoying a livelier tech scene and the venture capital that comes with it.

While many big tech companies have opened offices in smaller cities in recent years, most of the jobs and the venture-capital money are still concentrated in coastal hubs, with the San Francisco Bay Area at the epicenter of the industry's growth. Between 2010 and 2018 the Bay Area accounted for nearly 18% of digital services job growth in the U.S., according to Brookings.

For decades, landing some of the most desirable tech jobs meant having to live there, dealing with exorbitant housing costs and long commutes. The pandemic has served as a pressure-release valve for both the companies and their workforces. Of nine tech companies that shared relocation data with The Wall Street Journal, approximately 9% of employees they counted as living in the Bay Area made permanent moves away from the region during the pandemic. The companies, including Twitter Inc., Slack Technologies Inc., and Dropbox Inc., had a total of more than 9,000 workers in the area as of early 2020.

Some headed beyond commuting distance to cities such as Sacramento and Los Angeles, or left the state for existing tech hubs including Austin. Whether it was living out a dream of settling in the mountains or moving

back East near family, plans people hoped to make good on five to 10 years from now became plans for right now.

In the first quarter of 2021 in Austin, there was a greater share of home buyers who had lived in San Francisco the previous year than there were people who had moved within the city, according to the real-estate brokerage Atlasa. Around 50 employees from Google bought homes in the Texas city, 23 from Facebook, 17 from Apple Inc. and 17 from Amazon.com Inc., the firm found.

Twitter had started working on plans to decentralize its workforce in early 2018 at the urging of its CEO, Jack Dorsey, who thought the company was too concentrated in San Francisco, according to chief human resources officer Jennifer Christie.

Flexible work program requests from Twitter employees—either to work remotely in the same place or to move to a new city—were nine times higher this year compared with 2019.

“There’s no question that employee expectations have been changed forever,” said Ms. Christie. “These days flexibility is really table stakes.”

Twitter had around 10% of its San Francisco employees relocate over the past 12 months. The company started welcoming employees back to its San Francisco office earlier this month and is expanding in other parts of the Bay

Area, with a new office set to open in San Jose. But it is also keeping track of its concentration of workers in Austin, San Diego and Portland to see if it should start leasing space there.

Twitter said the changes enable it to make more diverse hires as it draws talent from places such as Atlanta, which has the highest concentration of Black science, technology, engineering and mathematics graduates; and Miami, with its large Latino population.

Moving toward a model of smaller offices and co-working spaces spread out around the country is becoming increasingly popular for tech companies.

Slack in April launched a six-month pilot program to give each of its full-time employees a membership to WeWork.

Dropbox, which has 2,700 total employees, plans to call its offices “studios” and estimates it will open in at least a handful of new cities over the next 18 months.

“The idea is many hubs, not one,” said Melanie Collins, Dropbox’s chief people officer. “We encouraged our employees to relocate.”

The software company started offering relocation bonuses ranging from \$10,000 to \$30,000 this year (employees who went from San Francisco to Georgia or Idaho, for example, received \$30,000). The idea was to give people incentives to move to places where the company plans to hire, and

where its customers are based. Nearly 60% of its new hires since January have been outside San Francisco, New York and Seattle.

Tech companies in other major hubs like Seattle are seeing similar trends to those in San Francisco: Online real-estate company Zillow Group Inc., which is based there, found that the biggest change in migrations was to places at least 50 miles away from a Zillow office.

“It’s further than a daily commute but it’s not so far as a flight,” said Dan Spalding, the company’s chief people officer.

Since adopting its work-from-anywhere policy, Zillow has made a handful of senior hires in Minnesota. It now has employees in 49 states.

Some industry observers warn that Big Tech’s extended geographic reach could stifle innovation. Bhaskar Chakravorti, dean of global business at the Fletcher School at Tufts University said sectors like artificial intelligence are already heavily concentrated among a small number of companies.

“If you imagine Google and Facebook and Apple and Amazon and Microsoft, they start hiring AI talent from Philadelphia, Houston and so on and so forth, those tiny startups, which also are a critical part of the AI ecosystem, they are not going to be able to get that talent,” he said.

The Silicon Valley diaspora could also export its social woes. The median home price in Bozeman, Mont., climbed 50% in June compared with the year-earlier month, according to the Gallatin Association of Realtors.

Mike Myer, CEO and founder of the customer-service messaging platform Quiq Inc., which is based in Bozeman, said he has been getting hit by both work-from-anywhere and hire-from-anywhere strategies: His existing employees' cost of living has gone up and he's now competing with New York and San Francisco companies for new hires.

Mr. Myer recently lost a prospective candidate to a publicly traded company offering a higher salary, and he raised wages for his own employees earlier this year to prevent attrition. "We're going to continue to make adjustments," he said.

Clearwater Analytics LLC, one of the largest tech companies in Boise, Idaho, said around 60% of research-and-development employees who left over the past six months took on remote roles and half were hired by Bay Area or Seattle companies.

In Provo, Utah, the pandemic has tightened the labor market in some ways and opened it up in others, according to Verl Allen, CEO of the marketing-software startup Claravine Inc., which was founded in 2014 and has 40 employees.

“When we went out to start hiring, especially in engineering, we were struggling to get enough inbound interest,” said Mr. Allen. “You can’t scale the teams quick enough here.”

Mr. Allen said he has friends in Utah who have recently taken jobs at Salesforce.com Inc. and Okta Inc.—both based in San Francisco—and they don’t have to move. Meanwhile, he has found talent in Little Rock and Portland.

“San Francisco is poaching from Salt Lake, Salt Lake is now poaching from Little Rock and from Portland,” said Mr. Allen. “It makes it more difficult for us but the markets below us is where the real pain is probably going to be felt.”

Bryson Webster, 33, moved from the East Bay town of Walnut Creek to Lehi, Utah, several years ago while working for Adobe Inc., which has an office there. At the time, he worried that opting for a more-affordable lifestyle would mean limiting his career opportunities in the future when he finished his time at Adobe.

When he started job hunting late last year, he didn’t need to apply to jobs with any Utah companies: All of his interviews were with companies in San Francisco and New York willing to let him work remotely. He took a job with Okta and didn’t have to relocate.



“It opened a totally new world of opportunity for me,” he said. “Why settle?”

Steve Case, co-founder of AOL and CEO of the venture firm Revolution, said tech transplants may eventually seek out jobs with local startups that offer less bureaucracy, more equity, and the chance to be involved in something in its earliest stages. Some might start companies after identifying opportunities in their new hometowns. For others, the allure of remote could wear off.

“They might get a little frustrated that they’re not in the room where things happen,” he said.

Ms. Mayer, the Havenly CEO from Denver, ended up hiring an outside firm to conduct a compensation review for all of her executives. She bumped up their salaries by 15% to 20%. A handful of lower-level employees departed for remote roles with midsize companies based in San Francisco and New York; one took a job with Amazon and another left for a remote role with Facebook-owned WhatsApp.

She also thinks she may have a chance to poach a senior employee of a San Francisco-based ride-share company. He has been working from Denver remotely and doesn’t want to leave if he is ever called back to headquarters.