

To: *[Name]*
From: *[Your name]*
Subject: *AI Hiring Challenges & Market Strategy Adjustments*
Date: *[Insert Date]*

Executive Summary

[company name]'s hiring efforts encountered significant challenges due to a mismatch between our existing compensation structures and market expectations. Our benchmarking and analysis highlight key misalignments in pay levels, market premiums for AI-specific skills, and our leveling approach. Adjusting our compensation strategy is critical to securing AI talent while managing financial constraints.

Key Findings & Insights

1. Target Talent Pool Expansion

- The CTO initially focused on the "Magnificent Seven" (Mag7) companies, but our strategy should include top 50 high-growth tech companies to improve recruiting success.
- Our benchmarking will now reflect this broader peer group.

2. Role Definition & Market Premiums

- We require a small number of AI Researchers, but the majority (AI Engineers) need highly specialized PyTorch skills.
- PyTorch commands a XX% premium over SWE and X% over standard AI/ML Engineer roles.
- A new custom AI Engineer – PyTorch job category is being developed for refined benchmarking.

3. Leveling & Hiring Plan Validation

- The business's headcount plan of XXX AI hires was based on SWE leveling assumptions.
- Market data indicates XX% of AI Engineers are at P#-P#, compared to XX% for SWE, yet *[company name]* is underutilizing P# roles.
- We should expect to hire more senior-level AI Engineers, increasing costs.

4. Compensation Market Analysis

- NYC offers better cost efficiency for AI hires than SF or Seattle relative to SWE roles.
- Benchmarking AI Engineer pay as a multiple of SWE reveals:
 - Unicorns (95th percentile) command only a XX% base salary premium, but X-Yx in new hire equity (NH Equity) and total compensation.
 - Unvested equity at unicorn level is over Xx the median SWE, creating retention pressures in the market.
 - Sign-on bonuses cover XX% of unvested equity and XX% of first-year value, suggesting we don't need to pay full unvested value in sign-ons.

5. Cost & Hiring Impact Analysis

- AI Engineer equity premiums (XX%+) justify a separate pay range, though base salaries remain close to SWE at mid-levels.

- Hiring XXX AI Engineers under current market conditions would cost \$XXXM vs. \$XXM for SWE—an increase of XX% (\$XXM).
- If Finance planned based on SWE costs, we may be understating expenses by \$XXM or need to reduce hiring to ~XXX AI Engineers.

6. Offer Acceptance & Market Positioning

- [Company name] acceptance rates for AI Engineers are significantly lower than SWE, reflecting our competitiveness gap.
- XX% of AI offers include sign-on bonuses averaging \$XXK, versus XX% of SWE at \$XXK.
- Low pay ranges, slow approvals, and heavy reliance on sign-on bonuses may be deterring candidates.

Recommendations

1. **Separate AI Engineering Pay Structure**
 - Base salary: X-Y% above SWE
 - Equity: XX-YY% above SWE
2. **Refine Talent Benchmarking**
 - Expand the peer group to top 50 high-growth tech companies.
 - Align job benchmarking with key AI skills like PyTorch and Python.
3. **Adjust Hiring & Compensation Strategy**
 - Limit "unicorn" offers to the 95th percentile (≈3x SWE midpoints).
 - Use sign-on bonuses strategically instead of covering full unvested equity.
 - Increase budget forecast by \$XXM or adjust hiring plans to XXX AI Engineers.
 - Focus hiring in NYC and Toronto to optimize costs.
 - Reduce sign-on bonuses from XX% to XX% for \$XXM in savings.
4. **Financial & Talent Strategy Alignment**
 - Align with Finance to update workforce planning based on real market data.
 - Establish an ongoing offer market tracking process to enable competitive, data-driven compensation decisions.
 - Conduct a retention risk analysis for current AI talent given rapid market shifts.

Next Steps & Commitments

- Finalize AI compensation structure and get Comp Committee approval.
- Update hiring forecasts and collaborate with Finance on revised cost projections.
- Implement real-time benchmarking to improve hiring speed and accuracy.
- Develop proactive retention strategies to secure AI talent.

By aligning our AI hiring approach with market realities and financial constraints, *[company name]* can secure top AI talent while maintaining a sustainable cost structure. We look forward to your feedback and direction on these recommendations.

Prepared by: [Your Name]
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