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Layoffs at Big Tech: Sorry for over-hiring during the pandemic



The US labour market ended 2022 successfully. 223,000 people were employed last December, and the unemployment rate dropped to 3.5%. But Tech giants' employees are not part of this positive calculation by the US Bureau of Labour Statistics.

As many as 194,000 people were laid off from the largest US technology companies last year, according to tech site Layoffs.fyi. It was a year of major layoffs from tech giants, and the beginning of 2023 signals that the trend will continue.

Google's parent company, Alphabet, announced on Friday that it was cutting around 12,000 jobs, as much as 6% of its total global workforce. CEO Sundar Pichai emailed staff saying, "We hired for a different economic reality than the one we face today".

For more or less the same reasons, Alphabet continued last year's practice of other large tech companies announcing layoffs during the first months of 2023.

Bad layoffs statistics

Microsoft will lay off 10,000 people by March 31 and Amazon as many as 18,000 workers, mostly in its human resources and stores divisions. Last week, Crypto.com announced that it will reduce its work force by 20%, or about 500 people. Coinbase announced the same layoffs percentage, although it already had one large layoff of 18% of its employees last June.

Salesforce announced at the beginning of the year that it will lay off about 7,000 people and that it will reduce some office space as part of a restructuring plan. There were also last year's large layoffs at Meta, Facebook's parent company (11,000). Last October, Twitter laid off 3,700 employees, as soon as new owner, Elon Musk, took over. Shopify and Snap, a thousand each; 450 Netflix employees twice, and even 6,000 from Tesla.

Mass layoffs in technology giants roughly constitute the exit from the COVID-19

pandemic crisis period, which was actually a period of unexpected expansion for these companies.

Lockdown and the transfer of many jobs from the real to the technological sphere brought a significant increase in demand for the products and services of technology companies, which employed thousands due to this growth in demand.

Amazon, for example, in just two pandemic years, from the end of 2019 to the end of 2021, doubled its workforce, from about 800,000 to 1.6 million. In two crisis years, Alphabet "grew" by as many as 50,000 employees.

Unsustainable employment pace

However, this sudden employment growth in the tech sector was only the result of the "crisis" and sharp growth in demand, which simply had to finish with the end of the crisis. The costs of overemployment became too high, and competitors have grown stronger, in a way that did not rely on human labour, but on new technological solutions.

In announcing that the company will lay off a thousand workers, or 10%, Shopify CEO Toby Lutke made a confession in a letter to employees that he had misjudged how long the pandemic-driven e-commerce boom would last, and said the company is being hit by a broader pullback in online spending. Shopify shares have dropped by as much as 78% in the past year.

Daniel Ives of Wedbush Securities said the layoffs highlight irresponsible spending across a sector basking in "hypergrowth". "The reality is tech stalwarts over-hired at a pace that was unsustainable and now darker macro is forcing these layoffs across the tech space", he said according to the BBC.

Yet it could have been different...

However, the example of a giant whose employees do not have to fear layoffs so far shows that this is not an issue that the sector could not protect itself against. Apple is a global exception to the wave of layoffs and for now has no plans to follow the path of other tech giants.

The answer lies in the company's policy, which did not respond to the sharp growth in demand with the same growth in employment. During the pandemic, Apple may have grown more moderately than others in the sector, but that is why it adapted its employment policy to the growth pace.

Regardless of the crisis potential, Apple decided to hire at the same pace it did before the crisis, a trend it set in 2016. Hiring growth has followed the company's growth, and as a result, its managers now do not have to send goodbye letters to thousands of their employees.

Everyone who got a job in Big-tech during the COVID-19 pandemic, and then suddenly lost their jobs at the moment when high demand and big profits passed, will probably not have to worry about their existence for long.

Their qualifications give them great opportunities in the still very competent labour market in the technology sector, although not in the large companies from which they were laid off.

“While layoffs from high-profile firms make the headlines, plenty of firms are desperate for more workers, especially tech workers. Those workers are in high demand from the auto industry to the Department of Veterans Affairs to not-for-profits”, said CNN Robert Frick, corporate economist at Navy Federal Credit Union.

“The labour market is still so tight, so many workers from the technology sector will very rapidly be taken on by smaller companies, which are still looking for people of their profile, rather than the large corporations from which they were fired”, said Frick.