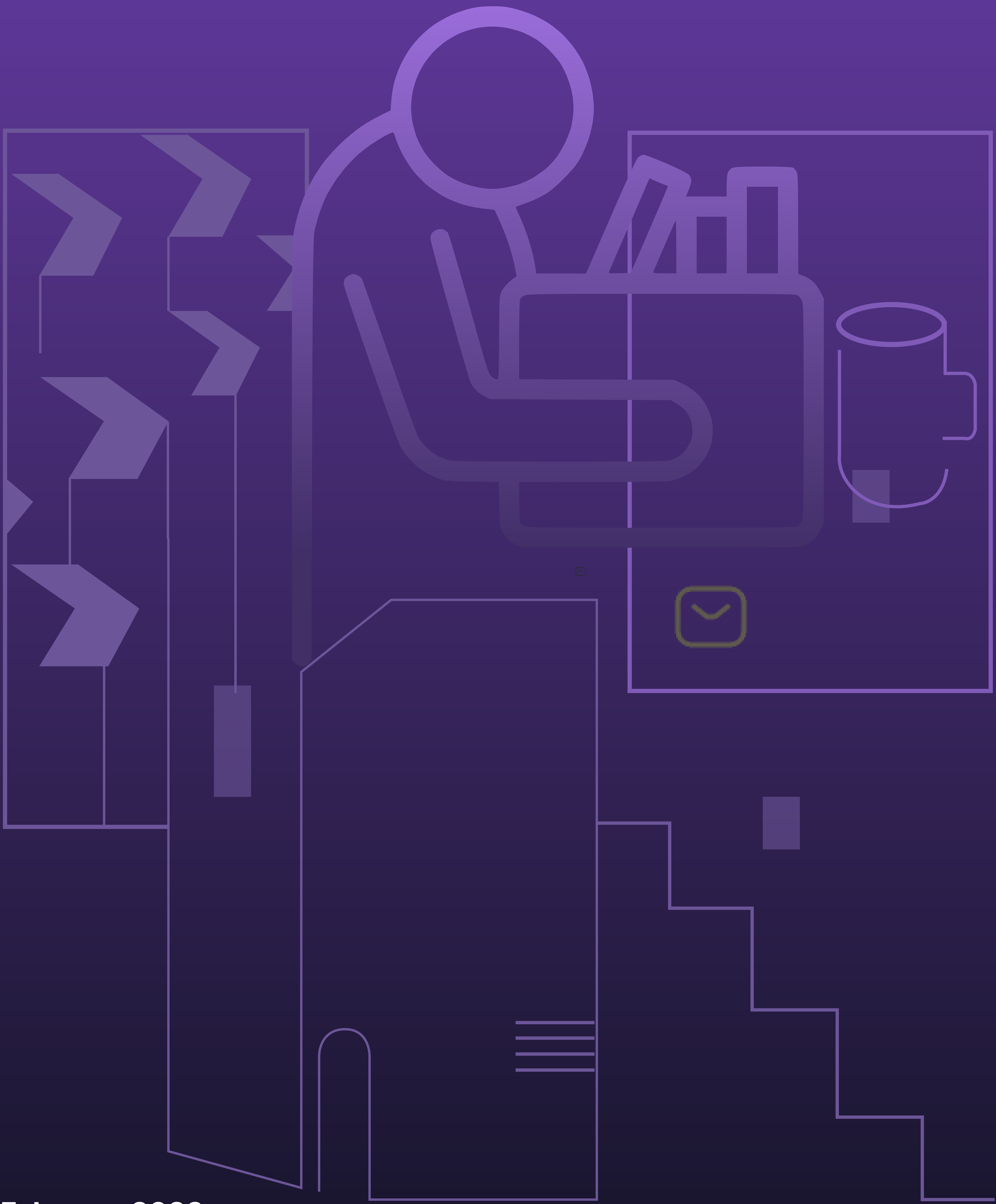
skuad

The implications of Big Tech layoffs on global hiring



February 2023

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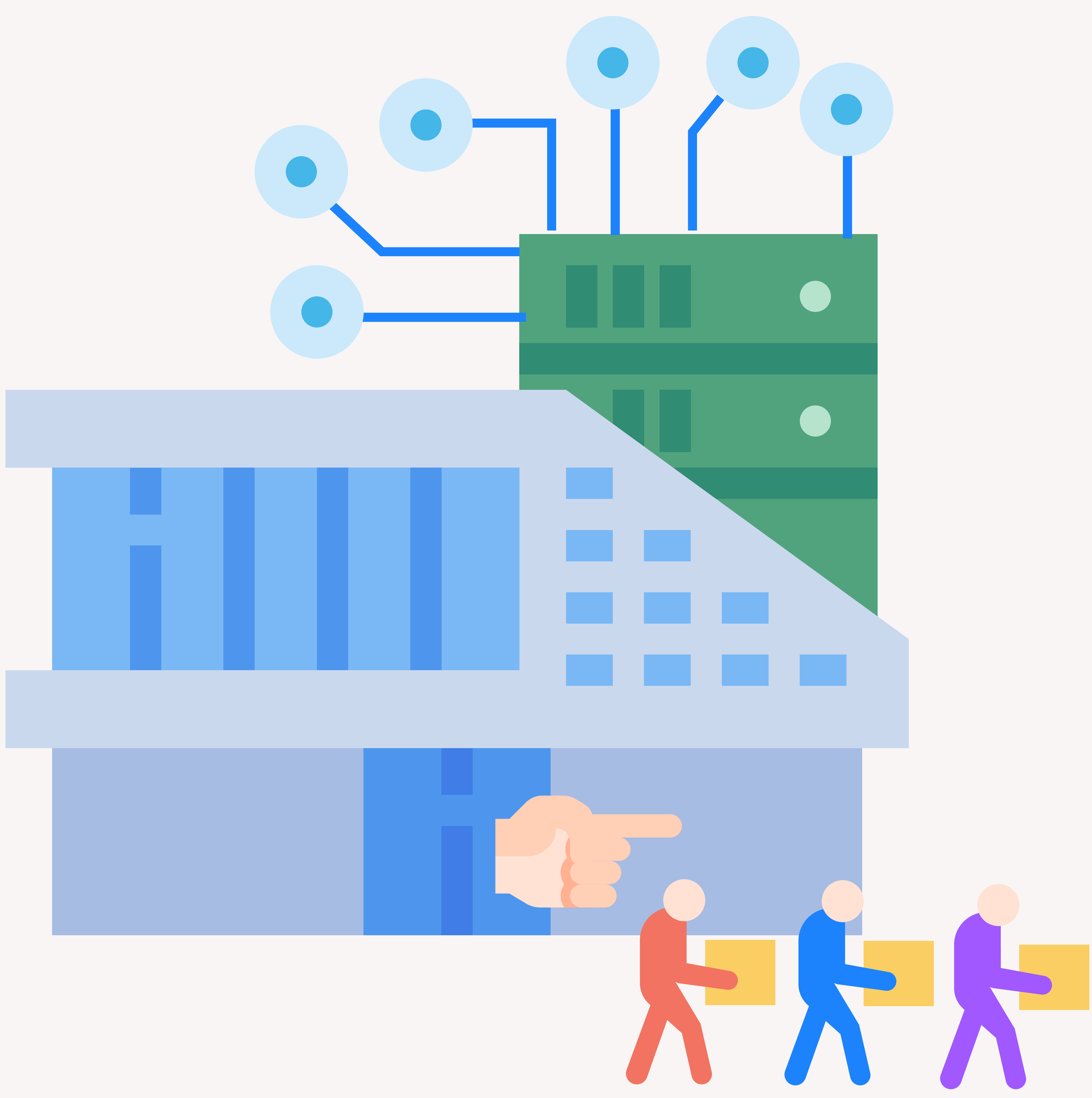
Introduction

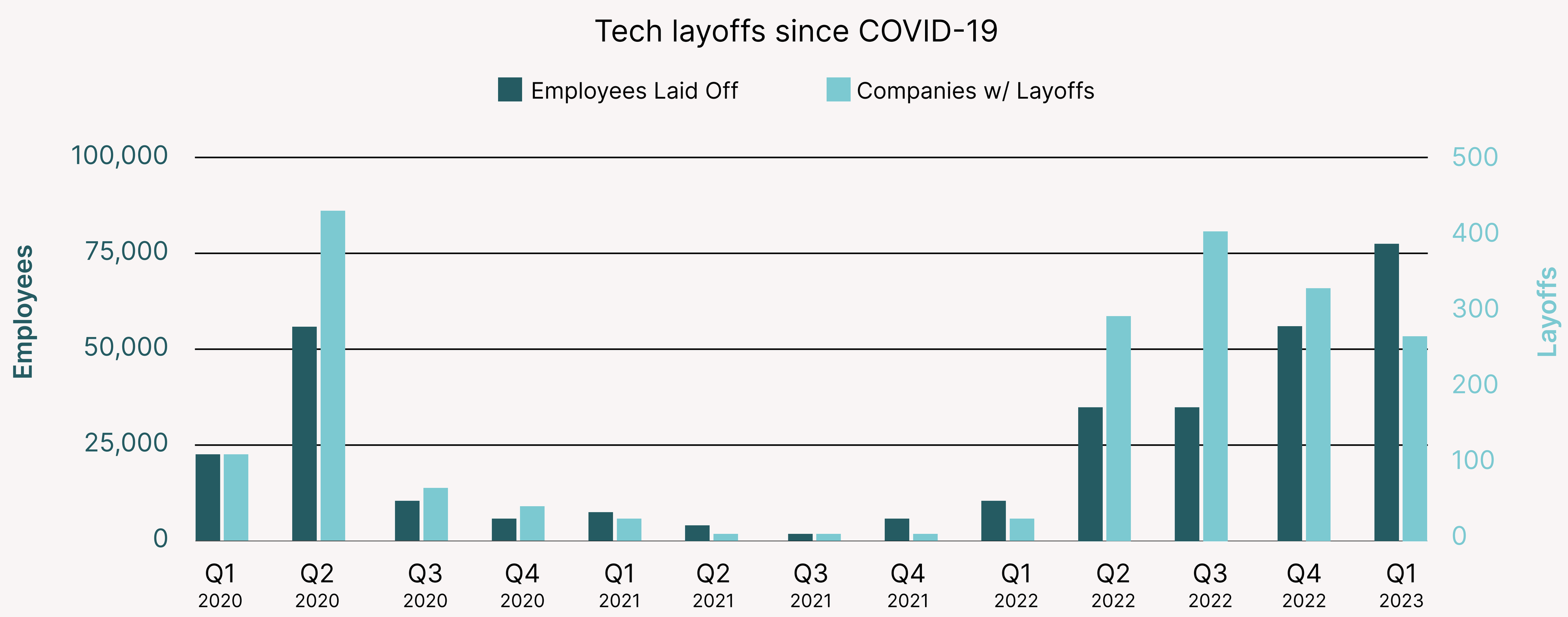
The news about recent Big Tech layoffs is already making big headlines globally. Following a bumpy year for Meta, a series of layoffs at various big-name companies in Silicon Valley came fast on the heels of each other: Amazon, Google, Twitter, Microsoft, Salesforce, Coinbase and more. The pace and scale of layoffs came as a shock not only to laid off workers — mostly experienced and skilled engineers — but also to supporting industries such as contracting companies hiring for Big Tech.

In more recent months, Big Tech's short history has been further compressed to show even more clearly what happens when growth and contraction come fast, unexpectedly, and consecutively for various companies.



For example, during the COVID-19 pandemic in 2020, tech companies rushed into a hiring spree to keep up with a global demand for everything to move online — only to revert to **massive layoffs in 2022 and 2023 in a post-pandemic, “back to the office” world.**

256 tech companies laid off ~82,756 employees in 2022-23

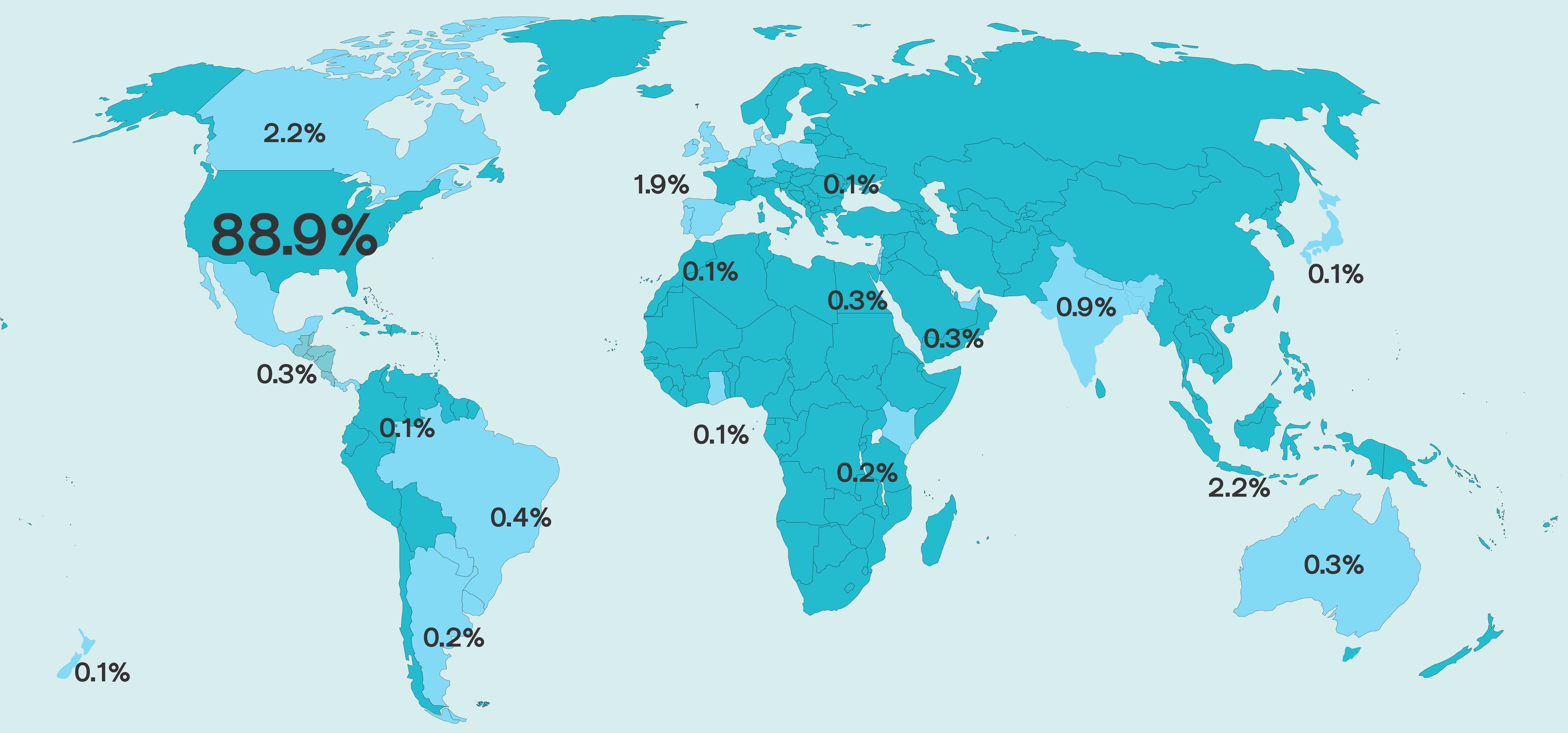


However, this pattern of hire-and-fire has been a defining characteristic of Big Tech for years. But, the recent wave of layoffs is particularly troubling.

Household names, including Meta, Amazon, Google, Microsoft, Twitter and Salesforce have been laying off skilled and experienced staff at unprecedented rates for months. Compared to earlier layoffs in Big Tech's history, the reasons for the current wave of layoffs and downsizing are complicated: global runaway inflation, frenzied pandemic hiring, declining revenue and slowing global e-commerce demand.

Locations affected by the layoffs

Since most big tech firms are headquartered in the US, it's no surprise thatover 88% of layoffs cocured there.



While the US has already attracted international attention around the Big Tech layoffs, it has begun to impact IT giants in China and India, too.

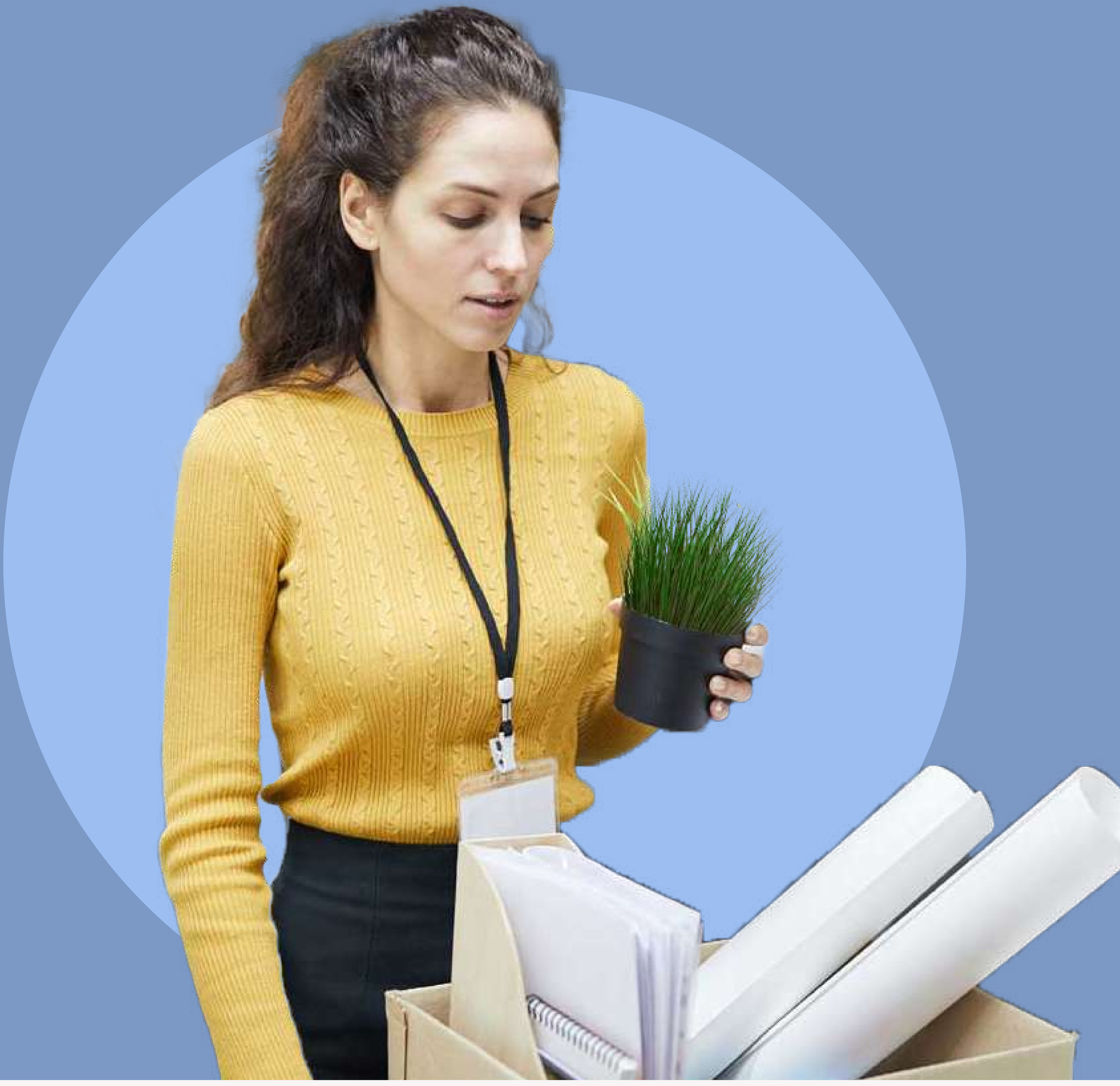
Layoffs are not necessarily a sign of some passing instability in the Big Tech industry but could indicate much broader and structural problems underlying the ways IT companies are run, and the performance of highly skilled workers is managed.

To put layoffs into perspective, it's necessary to take a closer look at underlying causes; immediate and broader implications for Big Tech, investors, and the economy at large; and innovative solutions that **HR and payroll platforms like Skuad offer to help manage high-skilled workers more substantially, particularly in times of crisis.**

This white paper helps employers gain insights into an ongoing layoff wave at a global scale by understanding:

- Why Big Tech is laying off employees in droves,
- What does it mean for the global economy and industry, including startups, and
- How does it impact global hiring and employment in 2023 and beyond.

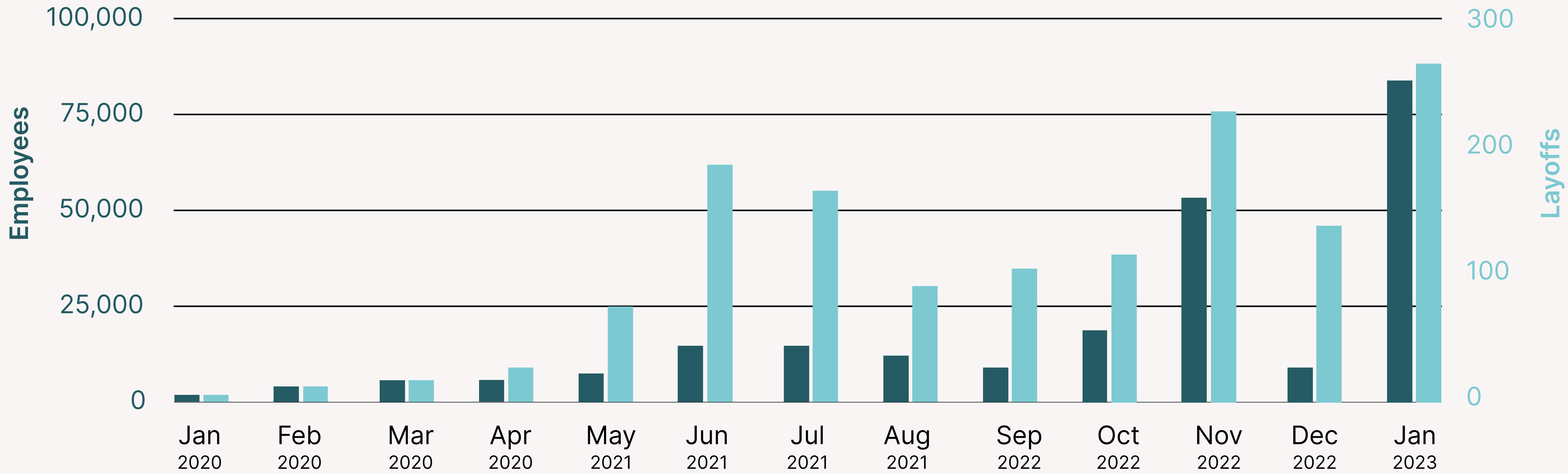
1.What's going on with Big Tech layoffs?



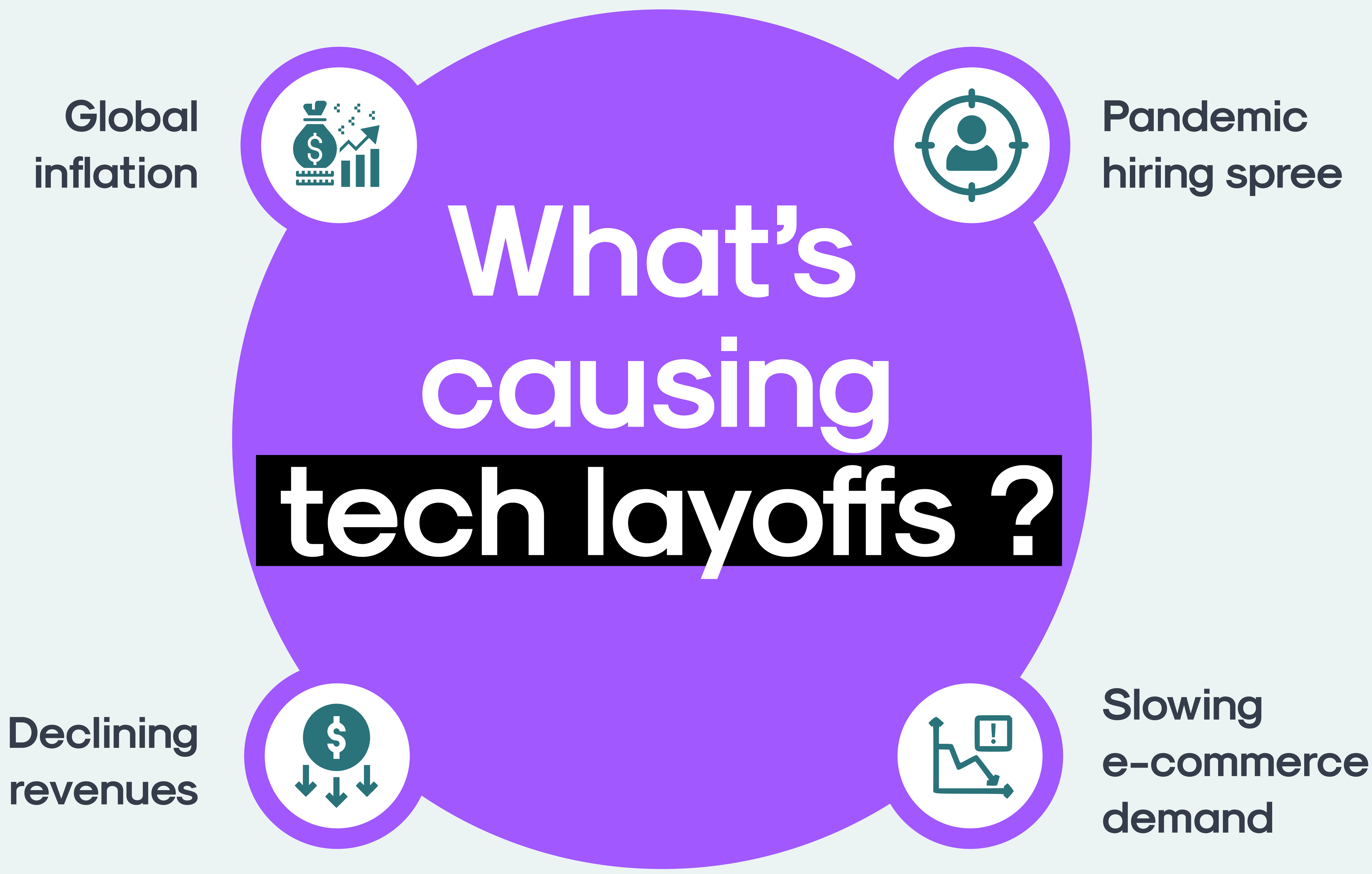
A layoff is a particularly unpleasant event in any worker's life and has damaging economic and health consequences. Major layoff news historically centered on conventional industries such as manufacturing, where unskilled and suburban workers were usually the first to be shaved from a factory's workforce to save labor costs.
However, with the rise of Big Tech — particularly as seen in recent years — highly skilled and educated workers, including software engineers, are being laid off in droves from iconic companies, such as **Meta, Twitter, Amazon, Google, Microsoft, Salesforce, Coinbase, Robinhood** and **Lyft.**

Tech layoffs in 2022-2023

Employees Laid Off   Companies w/ Layoffs



Company	Number of laid off employees	Snapshot timeline
Meta	11,000	Meta announced an 11,000-worker layoff in November 2022 to minimize expenses and enhance growth to counter increasing competition from TikTok, effectively cutting 13% of the workforce.
amazon	18,000	Amazon announced the biggest layoff in company history, slashing less than 1% of the workforce as of mid-November, 2022.
twitter	3,700	At a little less than 50% of the overall workforce, Twitter made global headlines by announcing a 3,700-worker layoff in early November 2022.
Google	12,000	Google has laid off 12,000 people from its workforce, with immediate effect in the US, adding to the slew of major tech companies cutting jobs amid fears of an oncoming recession. In other countries, the process will take longer due to local laws and practices.
Microsoft	1,000	Microsoft announced layoffs across different departments and in different countries in October 2022, cutting just under 1% of the workforce.
salesforce	7,000	Citing a 25% operating margin, Salesforce announced a company-wide layoff in October 2022.
coinbase	2,000	At 18% of full-time jobs, Coinbase announced a plan to lay off one-fifth of its workforce.
lyft	700	Citing inflation and growing insurance costs, Lyft announced a 13% cut of its workforce in early November.
Robinhood	1,100	Citing inflation and a broad crypto market crash, Robinhood announced a 23% cut of the workforce in August 2022, in addition to 9% earlier in April.



There are several reasons "justifying" these layoffs, including global inflation, the pandemic hiring spree, declining revenues, and slowing e-commerce demand. The most common reason, however, is a hiring frenzy mistake made by Big Tech at the peak of COVID-19 pandemic to meet unprecedented global demand for everything online.

To hedge against the possible departure of highly skilled workers under increasing work stress, Big Tech companies hired more. Then, shutdowns eased up, and COVID-era restrictions began to lift.

In a post-pandemic world, Big Tech companies face a surplus of skilled workers that they don't know what to do with and, therefore, must be laid off. These companies are also facing challenges that affect their bottom, such as inflation and predictions of a global recession. These seem less about a sign of uncontrolled factors and more of structural and organizational problems that Big Tech companies experience. A deeper and more troubling analysis reveals a different reality of inadequate mismanagement along with hiring and firing of high-skilled workers during economic downturns.

1.1 Do companies “copy” each other at times of crises?

A growing body of research around mass layoffs shows that Big Tech and peer companies are simply [engaging in imitative behaviors] and that layoffs are not necessarily [proven to save operation costs] (as is widely believed). In reality, layoffs increase costs by forcing companies to pay severance packages and unemployment insurance. Layoffs are almost always bad press, oftentimes resulting in negative stock performance. To further complicate matters, these companies sometimes end up rehiring laid-off employees at higher labor costs when economic conditions improve.

The Big Tech hiring spree seen during the pandemic, coupled with the quick firing of employees, has raised legitimate questions about whether companies were hiring based on actual organizational needs and also whether they are firing for justifiable performance management reasons.

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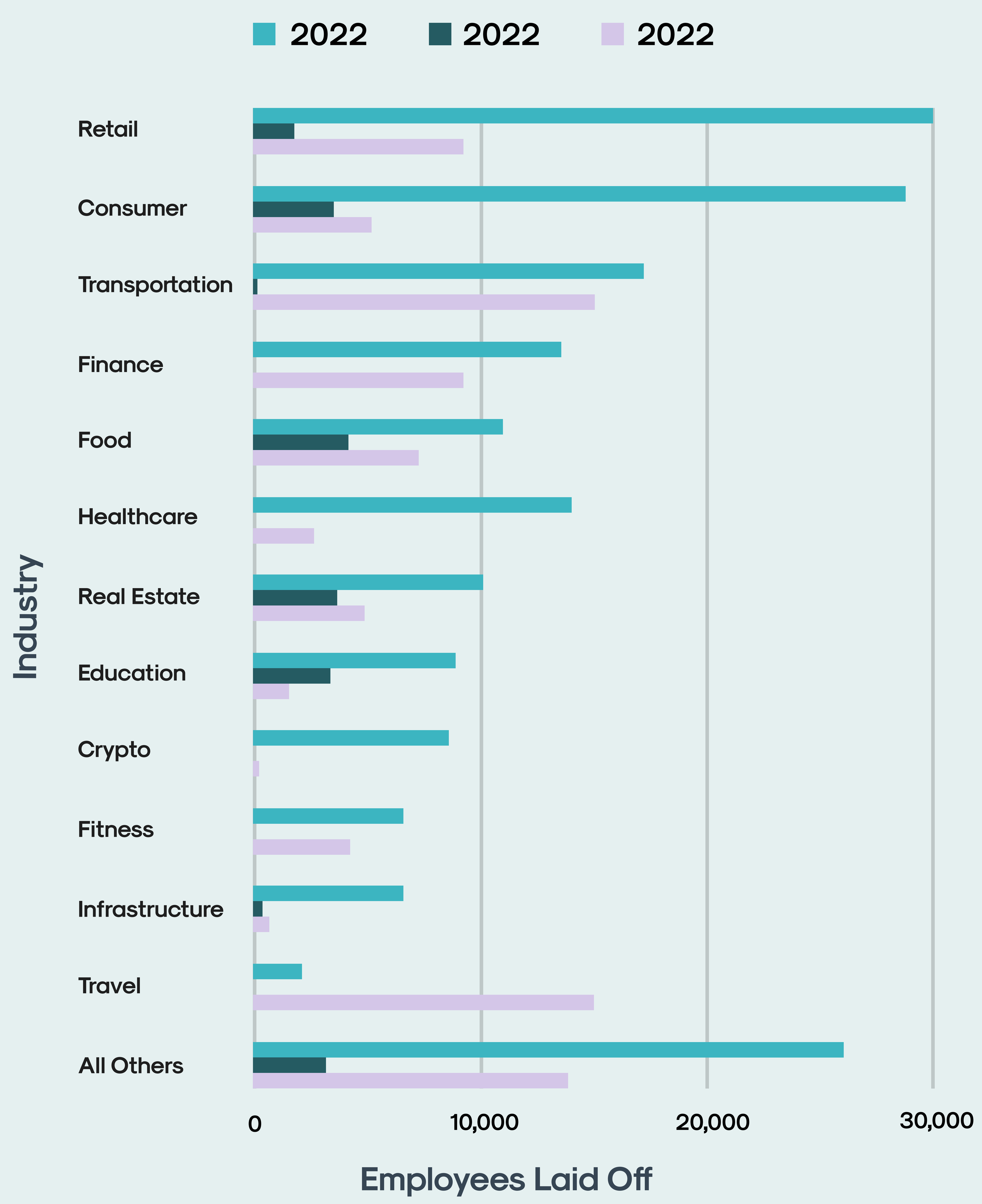
Tech layoffs by industry since COVID-19

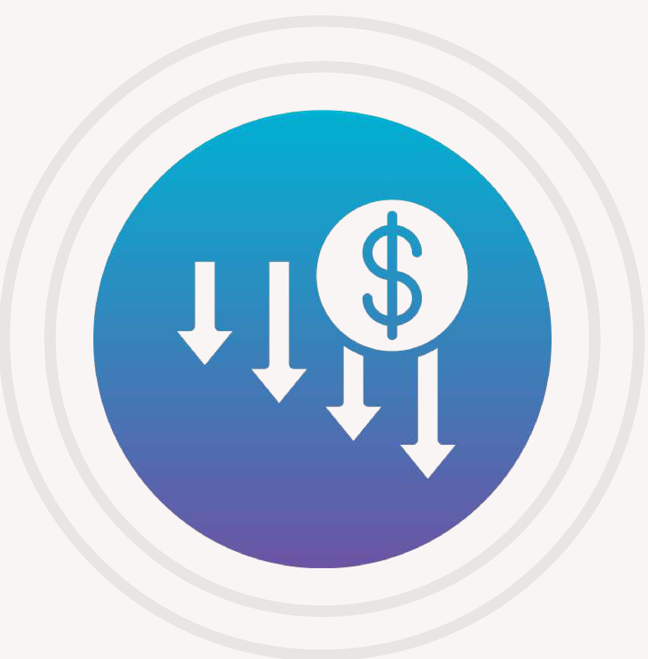


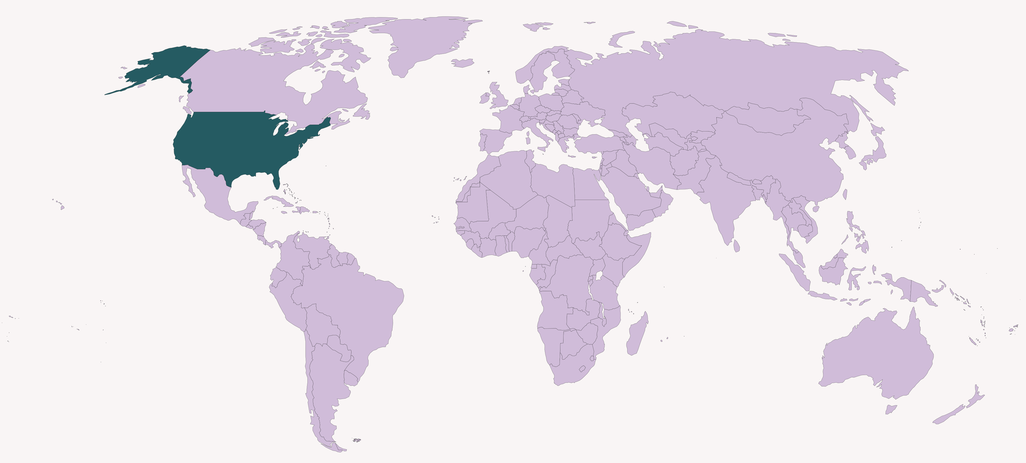
Critics say Big Tech companies have relied on ineffective quarterly appraisals to evaluate performance, dismissing evidence-based performance recommendations. Later, they say companies often complain of a "skills shortage" and are forced to invest in skilled labor (if not acquired by competition and startups) at higher labor costs when headwinds subside.

Consider FTX, a cryptocurrency exchange market. A FinTech company long hailed as a crypto prodigy, FTX collapsed in a matter of weeks, quickly raising questions about FTX management. Mismanaging customer accounts, failing to keep correct financial records (if any at all), and lacking proper organizational structure and leadership, FTX epitomizes the Big Tech's major failure in making staff accountable. The company did not have evidence-based metrics in place to evaluate each employee's performance based on solid and sustainable criteria. Not surprisingly, Coinbase and Robinhood, both cryptocurrency exchange platforms, laid off 18% and 23% of each company's workforce during 2022.

2. What Big Tech layoffs mean for the economy

The US, China and India are home to many Big Tech companies employing millions across verticals and, therefore, have a huge economic and reputational impact well beyond national borders. The global economic implications of Big Tech layoffs vary across a wide range of variables, including macroeconomic conditions, geographical locations, organizational priorities and staff responses.



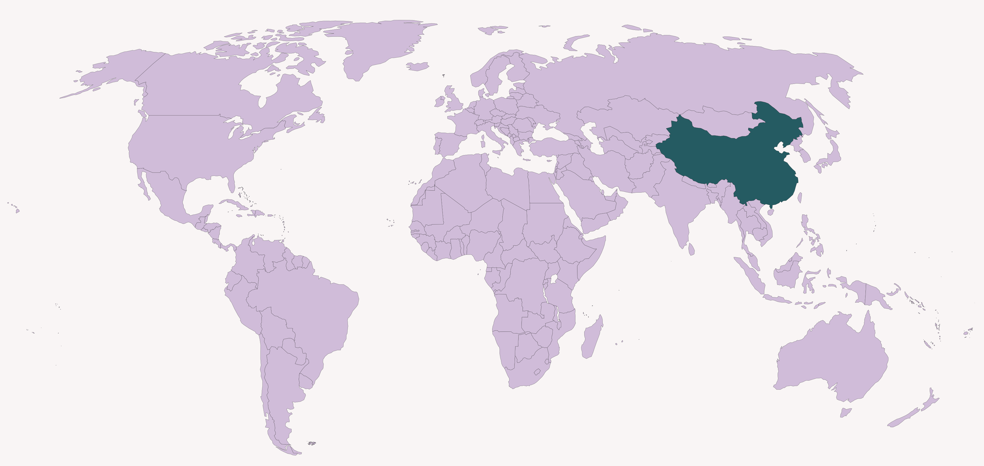


2.1 Layoffs in the US

The US is still home to a majority of the world's most valuable Big Tech companies and that is why recent mass layoffs at these US companies are causing global ripple economic effects. The nation's looming recession is a major factor contributing to why Big Tech companies are laying off unprecedented numbers of highly skilled workers to mitigate risks, control costs, and optimize operational efficiency. The softening consumer spending, prompted by a slowing economy, is one reason why

US company revenues have declined in recent months, driving layoffs. The economic ripple effects of American Big Tech layoffs are even bigger, however. In response to falling stock prices, companies such as Twitter (following Elon Musk's takeover) and Lyft (under mounting investor pressure to generate profit) are being reevaluated and restructured at unprecedented scales. Moreover, unionization, usually dismissed in Big Tech, is becoming an increasingly attractive option to disgruntled skilled and experienced workers who have been dismissed with short notice and, in Twitter's case, a publicly humiliating manner.

The massive layoffs in Big Tech are also giving rise to an emerging risk: reputation damage. Once considered a gold standard of employment for example, being a Googler, landing a dream job at Amazon or working at Meta — The massive layoffs in Big Tech are also giving rise to an emerging risk: reputation damage. Once considered a gold standard of employment for example, being a Googler, landing a dream job at Amazon or working at Meta — the reputation of Big Tech companies has taken a serious hit by the recent layoffs. These companies have long boasted a happy and skilled workforce combining work and play at lavishly equipped campuses. Today, however, a Big Tech label is no longer as appealing and may even drive away some employees and investors.



2.2 Layoffs in China

Meanwhile, the COVID-19 lockdowns in China prompted a damaging wave of layoffs, affecting the latest iPhone 14 production. In mainland China, Big Tech layoffs are wrenching economic havoc. In 2022, for example, laid off workers in major Chinese Big Tech companies came from Alibaba (over 15,000 employees), Tencent (around 4,000 employees) and Xiaomi (around 1,900 employees).

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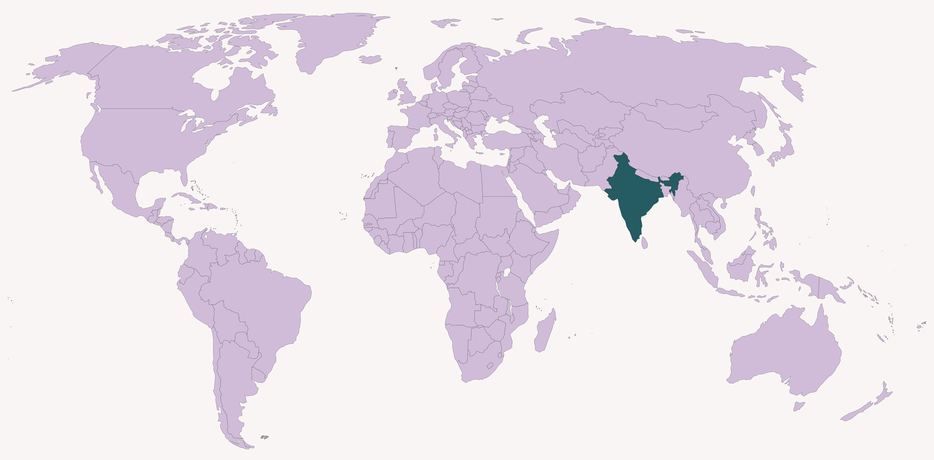
The economic impact has been and is expected to be incalculable.

In addition to reputation damage and a bleak economic outlook, an estimated $2 trillion is expected to be wiped out in a massive investor rush to sell off mobile and internet companies in China amid a series of fines and draconian regulations imposed on Chinese Big Tech. The recent waves of layoffs in China also spurred a wave of cost control in Chinese Big Tech only to cast a gloomy cloud over short-run investment and growth outlook.



2.3 Layoffs in India

India is not far behind either. IT professionals in the country — hired by global Big Tech companies and "unicorn" startups — have been sharing their disillusionment amid the massive layoffs at Byju's (EdTech company)

BYJU'S	2,500 employees

Meta, Amazon, Google and Twitter. More worryingly, the bigger names in the US, Chinese and Indian Big Tech have already triggered a cycle of economic uncertainty. In response, Indian startups are under increasing reevaluation pressure to control costs and to lay off more workers as part of business reorganization.
To put the economic impact of Big Tech layoff into perspective, investors need to understand a wide range of factors contributing to layoffs in their current and former portfolio

companies, such as the reasons for companies downsizing, including performance management tools used to evaluate employees.

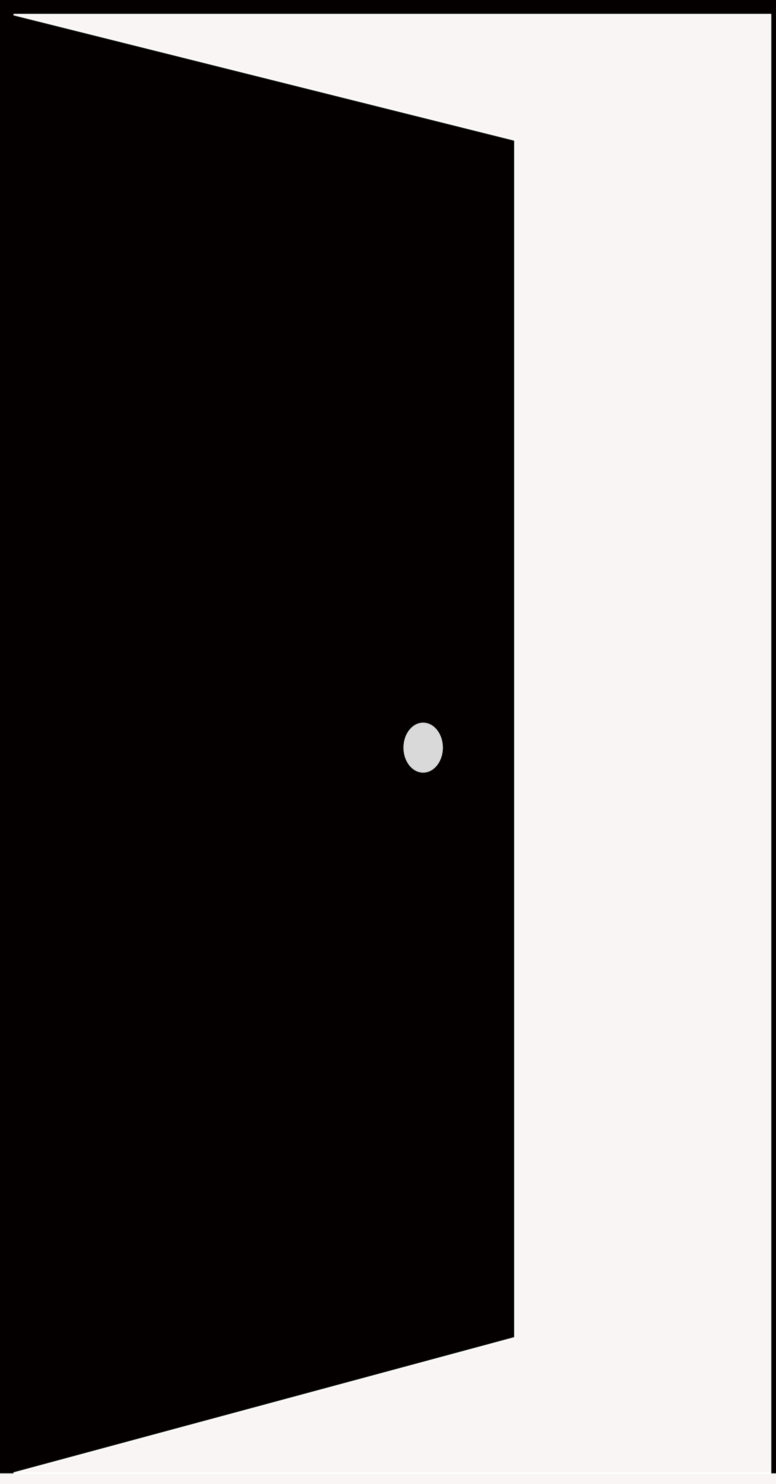
- **Understanding the rationale for layoffs:**

The difference between Big Tech and startup layoffs is a thin line between managing costs to appease stakeholders and laying off for survival. In a financial analysis, it means that investment in IT companies is no longer easier compared to the internet heydays. Instead, investors need to understand the subtle differences between whether downsizing is a routine job or for survival to make informed funding decisions.

- **Optimizing performance management:**

Talent is critical in the IT industry. Performance management, using evidence-based metrics, is one key indicator investors should give a hard look at how companies of all sizes hire and fire. More importantly, they should also determine what exact metrics are used to evaluate performance based on results — not just behaviors, which have shown to yield little value to actual performance evaluation during good and bad times.

3. What is the impact of layoffs on the global startup sector?



Inspired and also impacted by Big Tech, startups in the US, China, India and Southeast Asia are experiencing a second wave of layoffs. Unlike Big Tech, however, which is far more financially cushioned, startups are under growing pressures from investors to control costs and grow, often leading up to massive layoffs, especially in Indian startups and Southeast Asian companies, more reorganization and re-evaluation scrutiny. Despite Big Tech layoffs, there is opportunity for startups to hire world-class tech talent and other skilled professionals, flooding the job markets, at competitive salaries.

In a phase of rapid growth, startups burn funds quickly and invest massive amounts of cash in R&D. The tech industry not only thrives but also is dependent on innovation, which in dependent on innovation, which in turn depends on human capital and skills. Under normal circumstances, financing startups is relatively easy compared to crunch periods where control and optimization are of utmost priority. In short, favorable macroeconomic and credit conditions make it possible and easier for startups to set up shop and grow.

Big Tech continues to be a role model for unicorn startups struggling to grow and establish a global market reputation. That is why when Big Tech experiences some challenges, such as recent layoffs, startups act similarly. Therefore, under a credit crunch, runaway inflation and market uncertainty (as is the case in the current wave of layoffs), VC funds and investors are hesitant to invest in smaller companies — risky at the best of times and even more so during crises.

Not surprisingly, a startup laying off workers — based on internal organizational needs or just in imitation of Big Tech — signals that serious challenges are being faced and even that a startup's existence may be on the line. To complicate matters, startups, under mounting external economic pressures and internal financial stress, are re-evaluated by investors and are often asked to reorganize or restructure. This is a more powerful signal to the job and investment market that something definitely is amiss.

In **Southeast Asia**, for example, many startups are not profitable (as is the case for many global companies just starting out). Indonesia and Singapore based startups, like Sea Group and Grab, are already under mounting pressure from investors to control costs, lay off workers, and reorganize. As a result, thousands of workers have been laid off in the last few months.

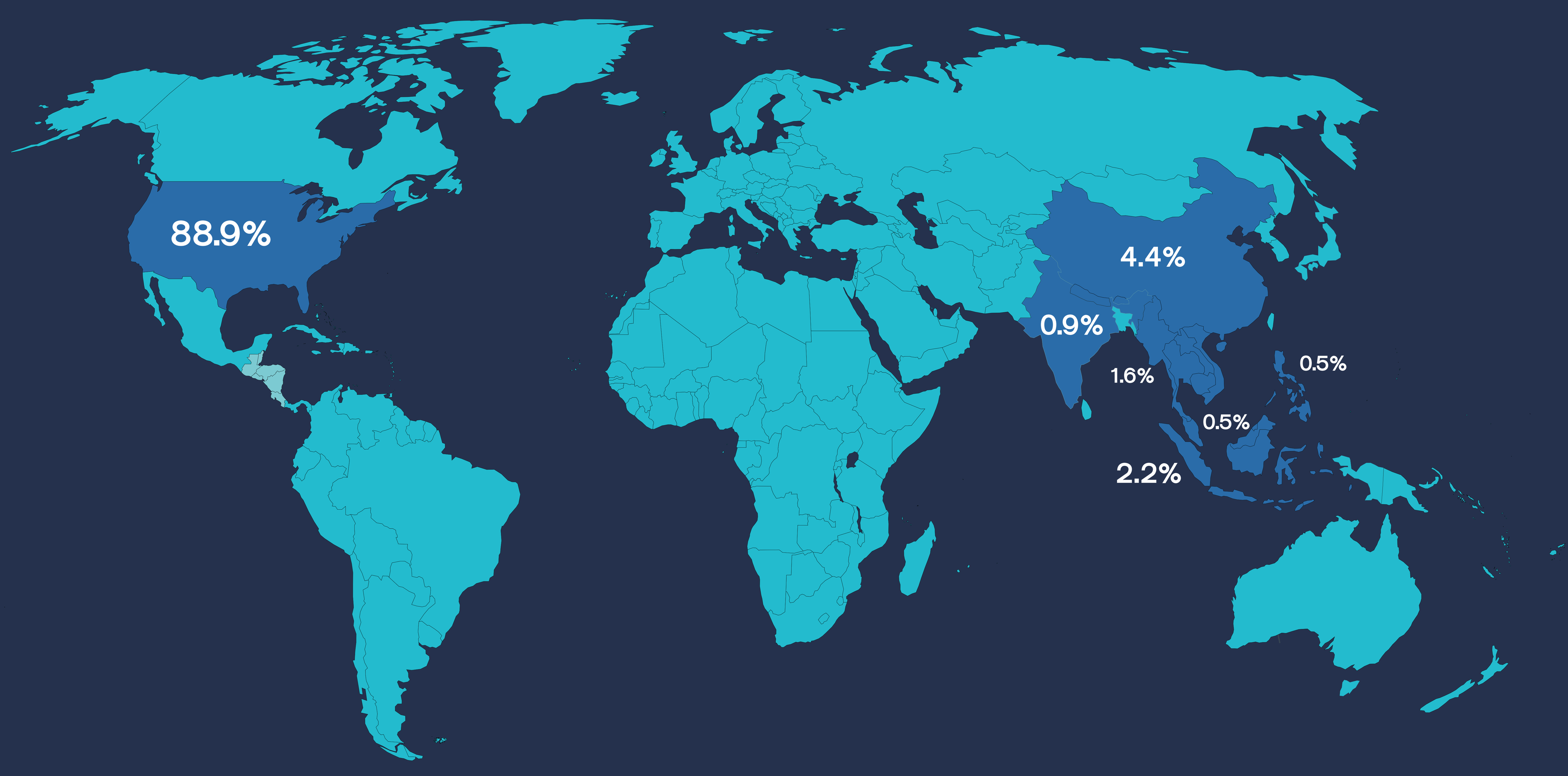
Startup	Number of laid off workers
glints	The company retrenched 18% of its over 1,000-strong workforce.
sea connecting the dots	The startup has laid off more than 7,000 employees (10% of its workforce) over the past six months.
goto	Goto has announced that it was laying off 12% of its roughly 10,500-person permanent workforce.

Meanwhile in India, 2022's rough patch has continued into 2023 with a number of marquee companies announcing layoffs. These include:

Company	Number of employees laid off	Reasons
BYJU'S	2,500	Restructuring
OLA	2,300	Restructuring
blinkit	1,600	Cost Cutting
unacademy	1,500	Cost Cutting
OYO	600	Restructuring

Conversely, Big Tech layoff woes have appeared to benefit some gaming and AI startups who are hiring skilled workers in search of jobs. Confirming a less common assertion about opportunities opening up to smaller companies when bigger ones are experiencing some challenges, some startups, founded or funded (even both) by former Big Tech employees, are luring skilled workers to get aboard. This window of opportunity perhaps follows a similar, earlier pattern in the early 2000s when scores of startups went defunct only to give rise to Big Tech names such as Twitter and Facebook (now Meta).

4. What is the impact of layoffs on global employment and hiring trends?

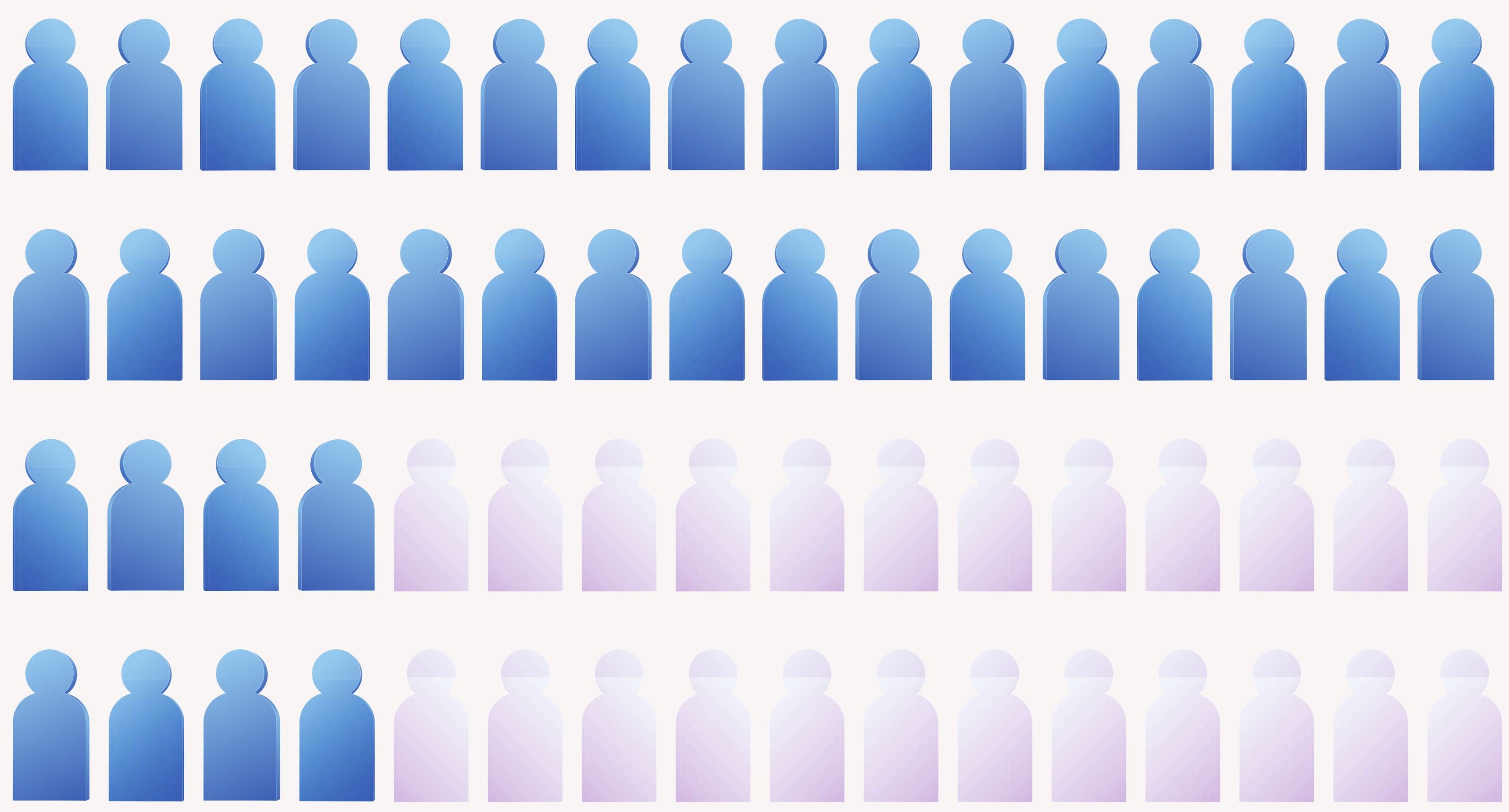


Given how pervasive Big Tech has become in many industries and across geographies, the global ripple effect of laying off workers in droves should not be surprising. For example, layoffs in the US can impact companies and startups in China, India and Southeast Asia.

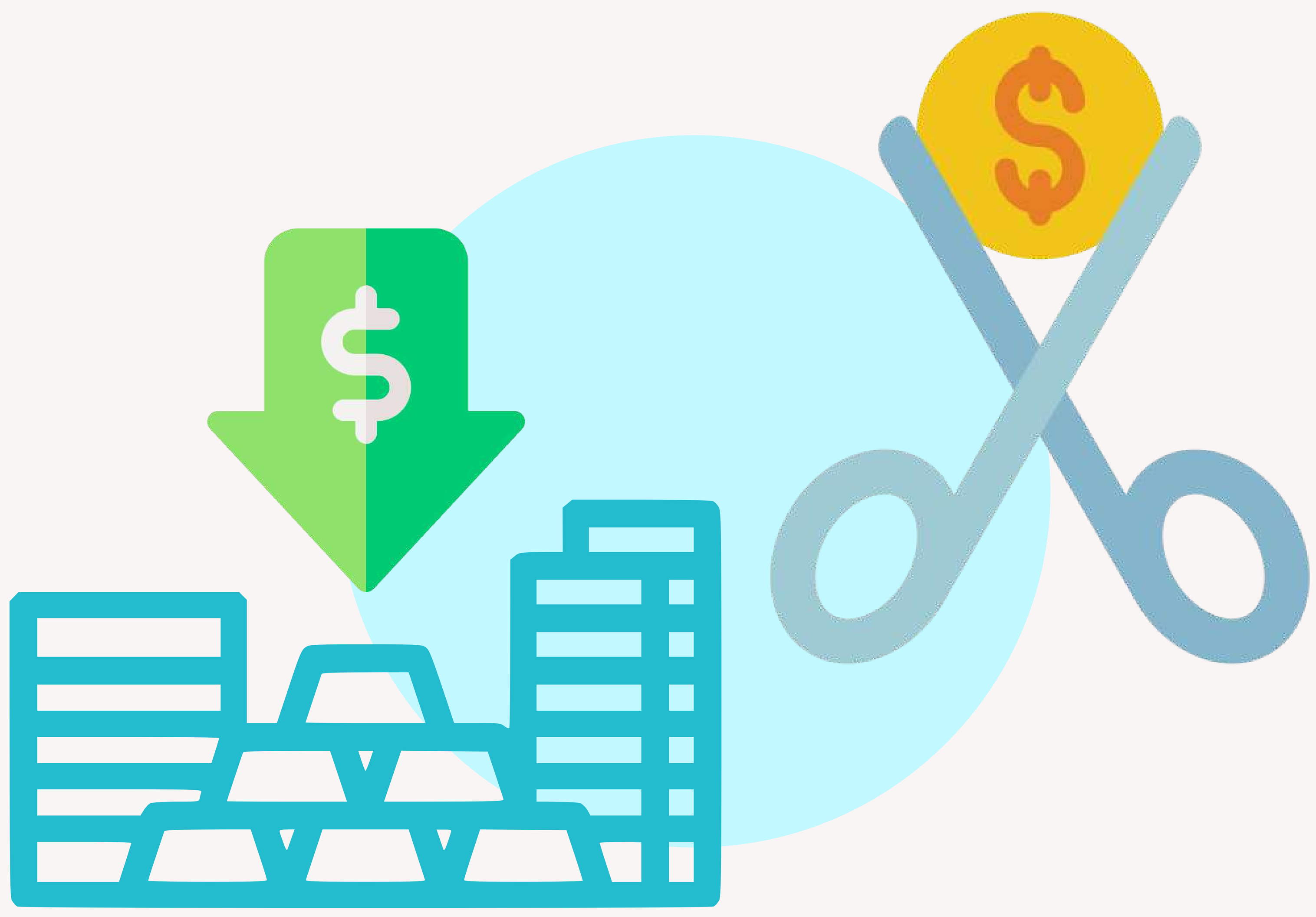
This impact is not limited to a common cost control measure but extends to include a wide range of management and hiring practices. However, these developments have also opened up new windows of opportunities for a multitude of businesses and workers.

- **Tech companies:**

For Big Tech and other companies, cost control reins supreme. This means more workers may be laid off to save operational costs while also impacting the optimization of advertising costs. This could be a major hit to advertising-revenue-sharing platforms (e.g., Facebook) and partner media companies. Further, with experienced tech professionals flooding the job market, salaries are likely to deflate and higher levels of experience and education will be required to secure employment — basically falling in line with more established parts of the market.

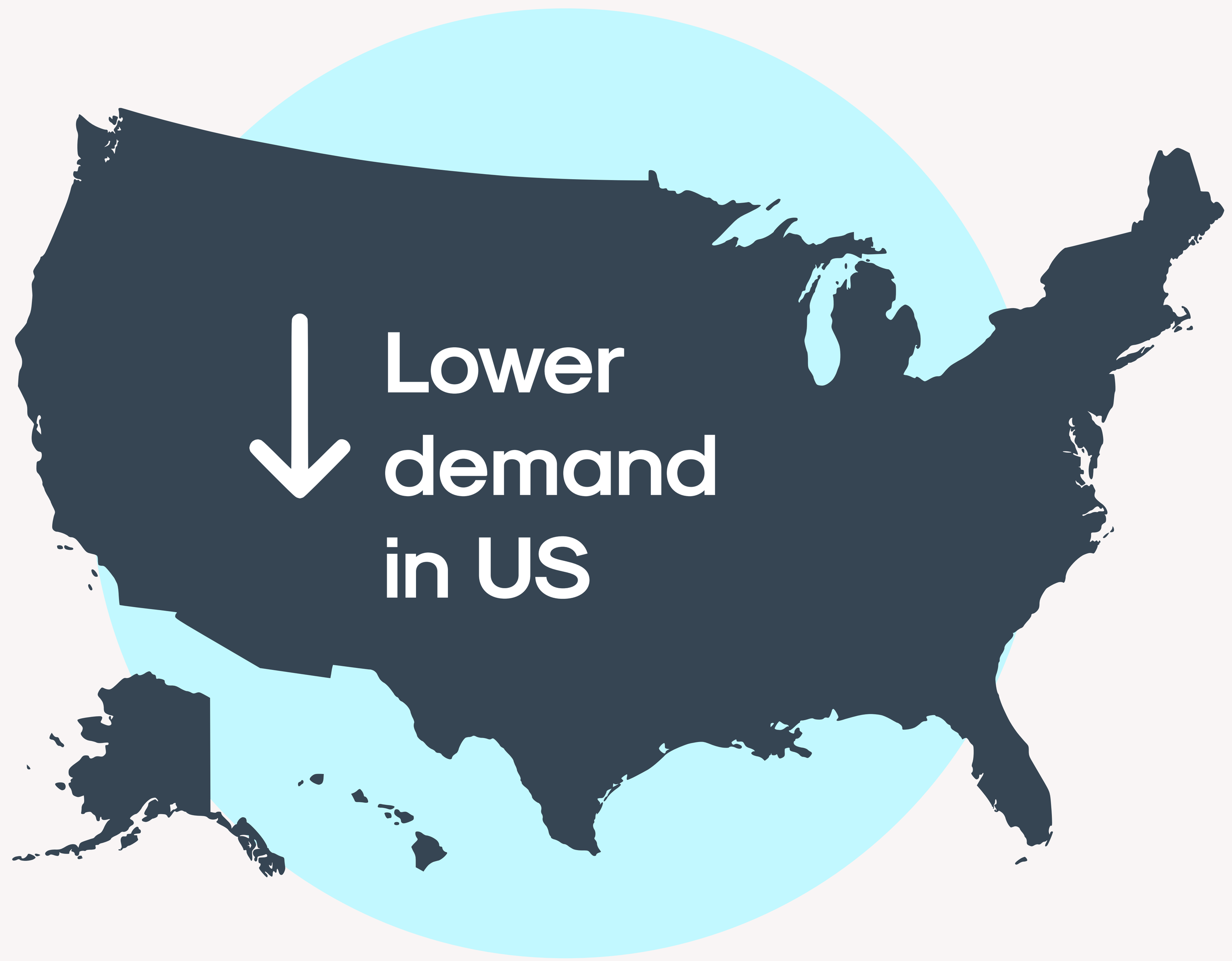


Predictably enough, Big Tech and smaller IT companies along with downstream industries are readapting to a new hiring reality where **skill supply far exceeds demand.** Generous benefits are becoming part of a recent golden past.



- **Global hiring:**

Globally, economic ripples of Big Tech layoffs in the US are already clear: fewer companies are now less prepared to go public, some investment banks are under funding pressures, and more companies are letting go of recruitment agencies and staffers. These companies and startups have justified layoffs to combat the effects of high inflation, rising costs and an impending recession. In this situation, a hiring freeze might turn out to be the lesser of two evils. This can help companies re-evaluate business investment areas in terms of human resources while cutting down a major part of the organization's budget.



- **US workforce:**

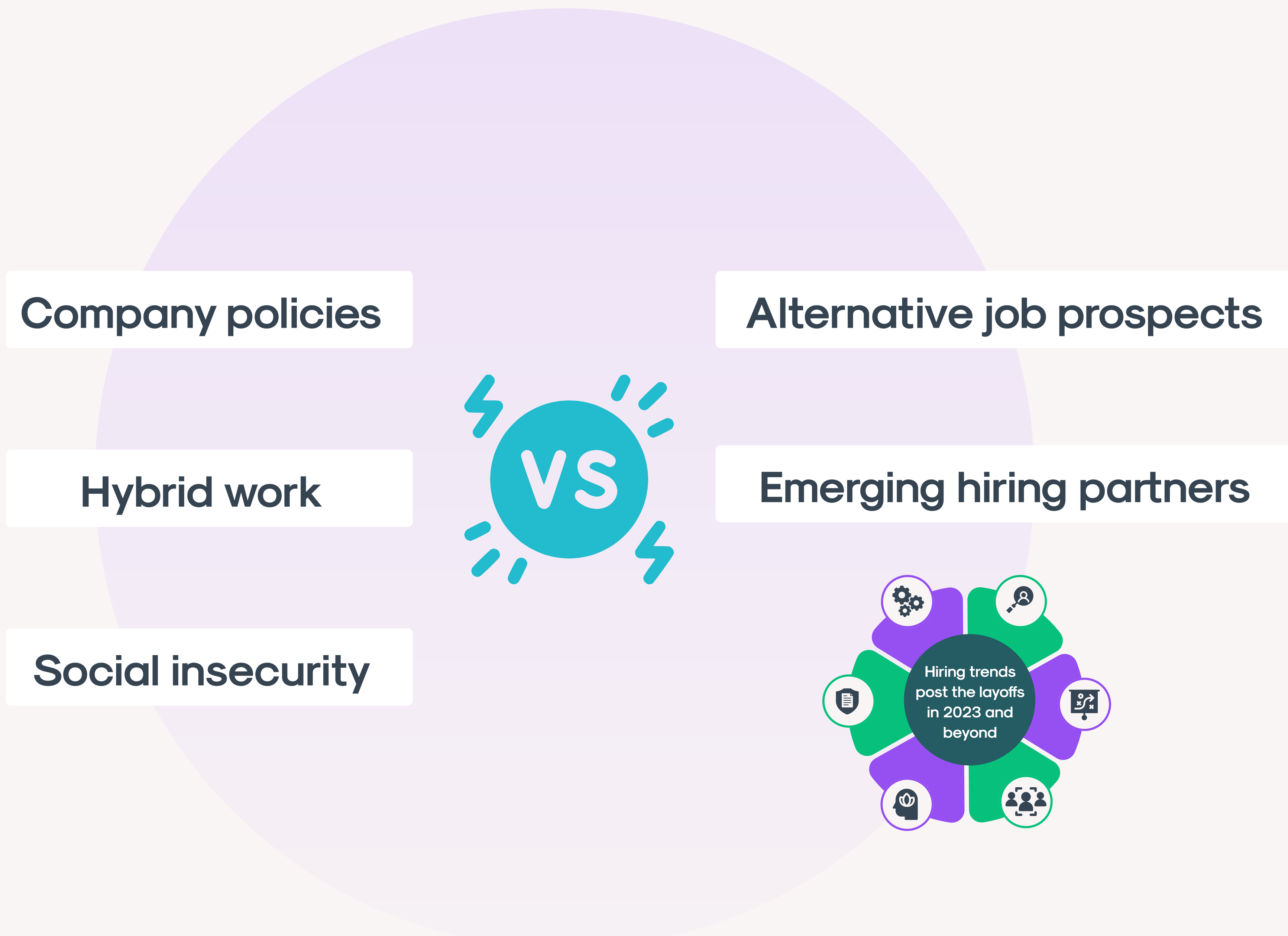
For laid off American workers, this opens up more opportunities to launch new startups. However, it also comes with the continued risk of being underpaid because of a slowing economy. Outside the US, contracting companies, which previously hired thousands of contractors in low-income markets (such as Kenya and Nepal), are already letting go of workers and downsizing in response to lower demand from the US Big Tech.

Predictably enough, Big Tech and smaller IT companies along with downstream industries are readapting to a new hiring reality where skill supply far exceeds demand. Generous benefits are becoming part of a recent golden past.

- **Global employment:**

The layoff crisis is changing how employers and workers perceive employment in general. There are ongoing discussions around company policies and employers insisting that the workforce return to the office while employees are pondering whether they should choose to work remotely, full- or part-time, regardless of company policies. For a while, a hybrid mode of work appeared to be an acceptable middle ground.

There is a state of job and social insecurity where the next professional steps are not as clear as they were in recent years. Then again, new grounds can be broken in the current situation by looking at emerging hiring patterns and alternative job prospects.



4.1 Hiring trends post the layoffs in 2023 and beyond

The massive Big Tech layoffs, which started in early 2022, are expected to have major ripple effects on hiring strategies and job security in 2023. **More educated and skilled, younger generations of science and engineering employees and fresh graduates report less job security and gloomier prospects in upcoming months.** Considered an eye-opener to experienced and less skilled workers in the US and elsewhere, Big Tech layoffs are creating new market niches for job seekers to launch new startups or change course altogether by joining non-tech industries.
Highly skilled and educated workers represent a gold mine to startups and non-tech companies. Formerly unable to hire cost-skilled and educated workers at an affordable cost to modernize operations, startups and non-tech companies now have a big opportunity to hire the best talent and see quickened growth. This is a major break from a solid career in the tech industry, which

many experienced and fresh-to-market workers have typically believed in. Given how less sophisticated management systems at non-tech companies are compared to tech companies, prospective workers now have a different career path that is not only more rewarding financially but which also provides more job security.

Further, this "growing cohort" of prospective workers" and science and engineering graduates have another major employment and professional growth opportunity in green collar jobs. As investors and employees grow more **environmentally conscious, investing in and working for net-zero carbon emissions companies is becoming a more viable and rewarding career path — both professional and personally.** Taking Big Tech into a new climate-friendly level — instead of the current situation where manufacturing practices contribute to significant carbon emissions and environmental damage — is perhaps what tech workers and recruiters should keep an eye on when applying for a job, launching a green startup, or hiring green-minded candidates.

Tapping into experiences gained and education well earned, agile and adaptive laid off tech workers can easily switch from "blue and white" to "green" collars. **The future of hiring in 2023 and beyond for tech and non-tech workers, laid off or not, is green.**

4.2 Learnings from the layoff crisis

Hiring exceptionally skilled and educated talent is what makes companies innovate and grow. **The recent industry layoffs in the US, China, India and elsewhere have started a global debate about Big Tech's hiring practices, economic impact at domestic and international levels, and new windows of opportunities for laid off workers.**

Big Tech's reasons for recent layoffs — a looming recession, higher interest rates, overhiring during the pandemic and runaway inflation — may not fully explain the underlying problems that have been seething for years. As new facts continue to emerge, these companies have witnessed performance management challenges, overvaluation risks and unsustainable growth strategies.

With a fresh perspective on **Big Tech, startups, non-tech companies and contracting agencies are realigning to make the most of a large pool of highly skilled and educated workers actively looking for jobs.** The recent Big Tech layoffs represent, in short, a crossroads only most market-vigilant workers and employers can make the most of. Under current uncertain conditions, however, most workers and employers may need help to keep pace and anticipate changes to come.

This is where Skuad comes in.

Way forward with Skuad

As an established Employer of Record (EOR), Skuad is best positioned to provide world-class HR and payroll services to help employers navigate uncertain waters. Using sophisticated software, in-house experts and extensive knowledge of leading and emerging labor markets, Skuad can help companies:

- Build and grow a globally distributed workforce on **one unified platform**
- **Pay contractors in local currencies** and at competitive exchange rates
- **Put tax and payroll compliance on an auto-pilot mode** and make compliance a matter of clicks
- **Customize benefits** to meet each worker's professional and personal needs
- **Onboard employees** and **contractors** in a matter of minutes platform

A large pool of laid off, highly skilled, and educated talent is now up for grabs. Under normal circumstances, skilled employees and contractors may wait longer and consider different offers before settling for one. However, under current uncertain conditions, acting quickly is imperative. But it's not enough to be quick— you have to have the right approach to secure top talent and hold a competitive edge in an uncertain market.

Ready to expand into the new world of work?

Contact Skuad for a demo.