Tech Layoffs Enter a New Phase

Streamlining the work force in search of higher efficiency

**By Mike Isaac**

Last year, Mark Zuckerberg declared 2023 to be a “year of efficiency.” His company, Meta, soon laid off a third of its employees. Amazon, Google, and Microsoft also cut tens of thousands of workers.

Their worlds did not stop. Not only that, but the companies were also rewarded. Their stock prices soared. Some divisions were more productive. And the companies – including X, formerly known as Twitter, which has chopped nearly 80percent of its staff since late 2022 – continued operating.

Other chief executives took notice. And a month into 2024, tech companies have entered a new phase of cost cutting.

After last year’s widespread layoffs, the largest firms – including Amazon, Google, and Microsoft – have in recent weeks made smaller, targeted job trims while focusing on fewer projects and shifting resources to key products such as artificial intelligence. Some tech start-ups – such as Flexport, Bolt and Brex – have slashed more deeply to stave off potential extinction. The mandate from the top is the same: Do more with less.

“There are three basic buckets of layoffs we’re seeing,” said Nabeel Hyatt, a general partner at the venture capital firm Spark Capital, which invests in tech companies. “Big, fat tech oligopolies looking for more growth and profit; there are the medium-size companies that over-hired during boom times; and there are the smaller start-ups that are just trying to gain runaway to survive.”

The new layoffs are the latest correction to years of a booming global economy and near-zero interest rates, which gave tech companies the ability to throw gobs of cash to attract top talent in the pandemic. Many of the companies hired tens of thousands of new workers during that time to keep up with digital demand.

The past couple of years have forced tech executives to think differently. After lockdowns lifted and people ventured back out into the world, use of tech products shrank compared with pandemic highs. More than 1000 tech companies eliminated over 260, 000 jobs in 2023, according to data compiled by Layoffs.fyi, which catalogs job cuts across the tech industry.

Slashing tech work forces would have been anathema in Silicon Valley just a few years ago. Tech culture has long been one of which a manager’s status was determined by how many people reported in him or her and how effectively a company countered competitors’ recruitment efforts. Tech executives often viewed attracting the next generation of computer scientists as a full-contract sport.

But now the stigma of layoffs has dissipated. More executives at tech companies have admitted that they over-hired in the pandemic. The largest companies are making strategic cuts to areas where they plan to invest less and where they plan to invest less and where certain types of jobs are no longer needed. Smaller companies that could easily raise capital just a few years ago are cutting to stay afloat.

In the first 30 days of this year, 25,000 layoffs occurred across roughly 100 tech companies, according to Layoffs.fyi. Microsoft, Google, Apple, Meta, and Amazon are to give more insight into the state of the industry when they publish quarterly financial statements this week.

Waves of job losses tend to happen suddenly and all at once, said Sheel Mohnot, a partner at the venture capital firm Better “Tomorrow Ventures. “When one company in your space or nearby does it, it gives you air cover to do,” he said. “It becomes easier for a company to say, “It’s not us – it’s the industry.”

Meta, which owns Facebook and Instagram, exemplifies the arc of layoffs.

Last year, Mr. Zuckerberg cut what he called “managers managing managers.” This year, the company has been more targeted with its trims, specifically narrowing the number of “technical program manager” roles across Instagram, according to two people familiar with the company’s plans. A technical program manager, or TP.M., oversees different projects inside a department and is responsible for keeping teams on schedule – exactly the kind of middle-manager role Mr. Zuckerberg was intent of cutting.

Business Insider earlier reported on Meta’s move to shrink the role. Meta declined to comment. Amazon also shed hundreds of jobs this month at its streaming arm, including at Prime Video, MGM Studios and Twitch. Google made thousands of cuts across several areas, including YouTube and the hardware division that makes the Pixel phone, Fitbit watches wand Nest thermostat. In an internal memo obtained by The New York Times, Sundar Pichai, Google’s chief executive, hinted that there was no imminent end to the rolling layoffs, and that the company would remove more “layers to simplify execution and drive velocity in some areas” of the business.

“Many of these changes are already announced, though to be upfront, some teams will continue to make specific resource allocation decisions throughout the year where needed, and some roles may be impacted,” Mr. Pichai wrote.

Medium-size start-ups with hundreds of employees are scaling back as well. Some face the prospect of an initial public offering, which has caused them to take a hard look at their finances. Such companies “know they need to get their balance sheets together,” Mr. Mohnot said. “The market values profits.”

Certain areas have been hit particularly hard this month, notably the video game industry. Companies including Unity Software, Riot Games, Eidos-Montreal, and Microsoft’s Activision Blizzard and Xbox have downsized in recent weeks.

“Those cuts are due partly to a consolidation of game studios,” said Joost van Dreunen, an analyst who watches the sector. After several blockbuster game debuts last year, a relatively muted slate of titles is expected this year, with fewer workers needed to release those games, he said. Consumers and coders are also waiting for new consoles like Nintendo’s Switch 2, which leads to a more immediate pullback in customer spending and development of new titles.

Discord, the social networking, and group chat app popular with gamers, this month cut 17 percent of its staff, or 170 jobs, after increasing its head count fivefold since 2020.

“We took on more projects and became less efficient in how we operated,” Jason Citron, Discord’s chief executive, wrote in a memo to employees.

Few expect the wave of consolidation to slow anytime soon. Those in the tech industry now joke about ZIRP companies --- short for Zero Interest Rate Phenomenon, describing start-ups that would not have been able to obtain capital if not for access to cheap and free-flowing venture dollars.

Many of those start-ups, unable to attract further venture investment as interest rates rose, are cutting staff and focusing on fewer products.

“They might have just tried a bunch of things to find a business model that works.” Mr. Mohnot said. “But now, it’s reckoning times.”