

# Preparing for Layoffs in Tech

What to know about layoffs as a tool of last resort, and how to execute them humanely if there's no other choice.



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**Q: We will need to execute layoffs to reduce our burn rate. I'd love advice on how to do this with as much humanity as possible.**

This is a question from a startup CTO at a company struggling to raise the next round of funding. Sadly, layoffs [are speeding up](#) at tech companies and in the coming months we will likely see more layoffs across the sector.

In this issue we go through this difficult topic from a variety of angles. We cover:

1. The impact of layoffs
2. Do layoffs help the business?
3. Ways to reduce spend before doing layoffs
4. Preparing for a layoff
5. Executing it
6. After the layoff
7. Case study: layoffs at Deliveroo in 2020
8. Poorly executed layoffs

Subscribers have access to the document 📄 *Preparing for Layoffs: a Checklist* as well, linked at the end of the article.

Let's start by taking a step back:

## 1. The impact of layoffs

What happens after a round of layoffs is done and those who are let go, depart the company? Does everything continue the way it was? It does not.

**More employees will leave than just those who are laid off.** For many people, a layoff breaks trust with the employer. There will be staff who start looking for other jobs as soon as the

layoffs are announced. [Survivor guilt](#) may also kick in for some people; a feeling that it's wrong they're still working at the company when their former colleagues and friends aren't.

In many cases, people considered top performers are among those who leave shortly after layoffs. These are, after all, the professionals who are most likely to have no trouble getting competitive offers. Even if they get retention bonuses to persuade them to stay, all these sums do is make it more expensive for another company to poach your high performers.

In the spring and summer of 2020, Uber laid off close to 25% of its workforce. Several people in my team were let go and entire teams I had worked with were fired. Although I was not laid off, this was the tipping point when I decided to leave Uber and to not look for a new job as the next step. In an interesting "what if", had Uber been able to avoid layoffs, this newsletter might not exist in its current form. It's safe to say that The Pragmatic Engineer began as a ripple effect of the Uber layoffs.



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Now that more companies are doing (and will be doing) layoffs: it's a good reminder that many leaders underestimate the *\*real\** impact of layoffs. Consistently.

Speaking myself, Uber's layoffs in spring/summer of 2020 was the direct trigger for me to decide it was time to leave.

12:36 PM · May 30, 2022

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Local laws make a difference to how many people end up leaving. For example, in the UK, if laying off more than 20 employees, a company needs to determine which roles are at a risk of redundancy during a 30-45 day consultation period. In practice, this means the company notifies more people that their role is at risk, than it intends to lay off. It's common to see people begin looking for a new job when they receive this notification.

**Expect the culture of the company to permanently change.** Especially if this is the first round of layoffs in the history of the organization, long-standing employees will re-evaluate their relationship with it. Expect any sense of "family" which existed to evaporate for most people.

Layoffs damage psychological safety. Following a layoff, no employee will truly feel safe any more. When an event like this happens once, it can happen again.

In a strange way, the disappearance of psychological safety is often not obvious to management. Take how Netflix CEO Reed Hastings describes the first Netflix layoffs in 2002 in

his book 'No Rules Rules: Netflix and the Culture of Reinvention.'

"Within a few weeks, for a reason I couldn't initially understand, the atmosphere improved dramatically. We were in cost-cutting mode, and we'd just let go a third of the workforce, yet the office was suddenly buzzing with passion, energy and ideas. (...)

"To my amazement, those same eighty people were getting everything done with a passion that seemed higher than ever. They were working longer hours, but spirits were sky-high."

From the CEO's perspective, everyone looked more motivated and happier after unexpectedly losing a third of their colleagues. I'll leave this question for you to answer: were those employees really happier and more motivated? Or were they worried that if they did not appear motivated around the CEO, they might be next in the firing line?

**People lose trust in the leadership team.** I experienced this first-hand during the Uber layoffs. Talking with well over a dozen tech people working at Klarna, many shared how their admiration for Klarna's CEO and leadership team has vanished overnight, since [the recent layoffs at Klarna in mid-May](#).

**Work productivity drops.** The reduction will not just be immediate, but is often felt months later, too. Some people will spend a good amount of time preparing for interviews. Others will be disillusioned with the company – and the leadership – and put in the bare minimum amount of effort. Others might work less because they are experiencing stress and burnout, off the back of the layoffs.

**People are more likely to burn out.** Layoffs create more stress than almost any other event at work, and this stress will often continue afterwards. It's common for reorganizations to happen post-layoff, which adds to uncertainty.

In the Netherlands, people are legally allowed to go on burnout leave if they get diagnosed with burnout. Before the pandemic, there were relatively few people taking burnout leave. However, following mass layoffs in 2020, the number of people taking months-long burnout leave spiked heavily.

**Layoffs can reduce diversity and make it harder to build up a diverse team.** If a company does not pay attention, layoffs can impact minorities in an outsized way. An engineering leader shared the story of how the decision to not dismiss senior-or-above engineers during layoffs, meant that many software engineers who were minorities were let go, as most of them occupied entry-level or mid-level software engineer positions.

Layoffs also signal that the company is risky to stay at and it also creates more stress for those who remain. I have heard stories of staff from minority groups slowly but surely leaving companies after layoffs, even if they were not let go. In the hiring pipeline, fewer people with a

diverse background became interested in joining firms after layoffs were widely reported in the media.

[Read more about hiring and retaining a diverse team here.](#)

**Negative press coverage.** Layoffs at a well-known company tend to catch the attention of the media. Affected former employees are more likely to share details with journalists, such as how the layoffs were executed. Mistakes made during these events can make firms look incompetent and often make for catchy headlines.

**More difficult to hire.** Following layoffs that are well-reported by the media, candidate interest in the company will predictably drop. Although this is usually not an immediate problem – as hiring is often the last thing the company is focused on – candidates become more hesitant, which can come back and bite the organization when it wants to increase the pace of hiring in future.

## 2. Will a layoff help the business?

This is the realistic calculation behind layoffs: do they ultimately help the company?

If a startup will go bust without reducing headcount to gain the cost savings that come from them, then the answer is clearly yes, a layoff can save a company – at least for the time being.

But what about layoffs where the underlying reason is not about preventing a company from going bankrupt, but to make it more effective, more competitive? In the Harvard Business Review article [Layoffs that don't break your company](#), the authors claim layoffs frequently do not help companies:

"Data on layoffs should give companies pause. In a 2012 review of 20 studies of companies that had gone through layoffs, Deepak Datta at the University of Texas at Arlington found that layoffs had a neutral to negative effect on stock prices in the days following their announcement. Datta also discovered that after layoffs a majority of companies suffered declines in profitability, and a related study showed that the drop in profits persisted for three years.

"And a team of researchers from Auburn University, Baylor University, and the University of Tennessee found that companies that have layoffs are twice as likely to file for bankruptcy as companies that don't have them."

**You should treat layoffs as a very last resort, given their highly negative impact.** In the above sections, we've covered a string of negative consequences arising from layoffs, including the highest performers potentially leaving, to the culture being undermined, trust in leadership eroding and productivity sinking.

**In highly regulated countries, the impact of the layoffs can be higher than leadership estimates.** For example, in several European countries the process of executing a layoff may involve mandatory consultation with unions, work councils and government bodies.

Engineering managers who have overseen mass layoffs in countries like France, the Netherlands or Germany, have shared that the cost of executing layoffs is far more expensive than US leaders tend to expect. All of these leaders suggested thinking of layoffs as a multi-year decision, and cautioned against thinking of them as a one-off, quick process.

### 3. Ways to reduce spend before reaching for layoffs

Is a layoff really the only option on the table to cut costs? It usually is not, and there are plenty of things you can do, many of which circumvent the need for layoffs, if started in good time.

**Plan ahead and have a realistic and a pessimistic business plan.** This is the single best way to avoid layoffs. How is your profitability or loss? What does your runway look like? What are the threats to your business model?

Many tech companies are forced to do layoffs because in their planning stages they assumed they'd be able to raise a next round of funding when needed, because their runway is only at 6-18 months. Up until this year, raising a new funding round was easy enough for most growing companies. However, the VC market has dried up overnight, as covered in [The Tech Downturn](#) and in [The Scoop #11](#).

**Cut additional costs.** This includes travel, perks, learning budgets and other costs that are non-essential. There are companies where these costs add up to a significant expense. Do the math on the efficiencies available from scaling these back, even temporarily.

**Reduce the senior / junior ratio.** If you don't yet need to introduce a hiring freeze, consider hiring fewer experienced employees while keeping the same headcount. This will have an impact [on the seniority ratio](#), but it will lower your cost base. As a risk, a more junior team will likely move slower and you will need to invest in [growing a junior-heavy team](#). As a short-term tradeoff, this approach might be worth the risk, though.

**Postpone promotions and pay raises, or replace cash with stock.** Uber canceled its promotions cycle in the middle of 2020, following the layoffs. No promotions means saving the promotions budget. Needless to say, doing so increases attrition risk for those who are unhappy that they did not get promoted. In cases where headcount is frozen and there are no backfills, people leaving can help the company's financial health, even though it increases the workload of remaining colleagues.

In 2020, Klarna started to not issue cash bonuses or pay rises, and instead to issue company stock - RSUs. This was done as a cost saving exercise during an uncertain period, and I'm told

that the practice has stuck since.

**Institute a hiring freeze.** This means no teams are allowed to hire, except for strategic hires – often approved only by the C-level. In recent months, DoorDash, [Meta](#) and [other companies](#) have put hiring freezes in place.

**Disallow backfilling.** The “soft” version of a hiring freeze allows backfilling for people who leave the company. The “hard” version of a hiring freeze disallows backfilling, full stop. This means that every time an employee leaves, no hire is made to replace them.

Disallowing backfilling is a desperate move, as it puts more pressure on existing teams to keep operating with fewer people. When backfilling is not allowed, teams need to reduce the work they commit to after a team member has left, or else face the risk of burnout.

Still, not allowing for backfilling is still better than doing a layoff, as it does not have the same impact on morale.

**Terminate contractors.** Companies that hire contractors for non-core or specialist roles can cut costs in the short-term by terminating these roles, or by not extending them. Doing so can feel like the start of a layoff. However, if the contracts are simply not extended, then this is in line with the risks of the role which contractors accept; a risk for which they hopefully are compensated.

**Rescind outstanding offers.** Rescinding signed offers is almost as bad as laying people off – except you’re “letting go” someone who has not started yet, and not someone who has been at the company.

Rescinding offers is a major hit on those whose offers are taken back, as they have already given notice, and turned other offers down. The visa status of people might be impacted, and there could be people who are forced to leave the country. Expect negative press coverage, and in the future, candidates potentially feel more empowered to do the same with your company: sign, then let you know the last minute they are not going to come and work.

If you decide you have no choice but to rescind offers, the very least offer severance – basically paying people for the additional time they need to spend job searching. Coinbase rescinded most outstanding offers in May 2022 and [offered severance](#) of around two months’ salary as they did.

**Pay cuts for senior leadership.** Before doing layoffs, it can be a sympathetic – and popular – gesture for senior leaders to take a pay cut. In practice, this rarely happens, as the cost saving of salary cuts for a handful of leaders is usually not what makes the difference.



However, it is more common to see founders or CEOs reduce their salary – even all the way to zero – if layoffs happen, to show solidarity with those employees let go. For example, when Uber announced layoffs in 2020, the CEO and board members also announced they were [giving up their cash compensation](#).

**Pay cuts for all employees.** A last – and desperate – approach to avoid layoffs is to reduce the salary for all employees. This may give the company a cost reduction of as much as 10-20%.

A word of warning though: pay cuts are a gamble, and expect that such a move will push people to seek jobs elsewhere where they are paid their market value. At the very least, the company should make it clear on what condition it plans to repay employees who took a pay cut, and offer something else in return.

For example, an 11-person startup took the approach of cutting everyone's salary by 10%, but also issued more stock as compensation:



Hana Mohan  
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@ycombinator @magicbell\_io @PryHQ We are 11 people full-time, and we are going to retain everyone. However,

- \* New hiring freeze
- \* A 10% salary cut across the board
- \* Everyone gets 30% more options
- \* I am taking a 50% pay cut
- \* No retreats

We'll reset the salaries at break-even/fund-raise.

(5/9)

7:07 AM • May 25, 2022

In April 2020, Deloitte Australia rolled out a 25% pay cut for equity partners, some of the highest earners at the company. In December 2020, thanks to better than expected results, [the company repaid](#) the entire payout to all employees.

**Consider furloughing people.** In some countries, it is possible to furlough people and claim government support for this, effectively paying people while they are on leave. The UK is one country which [introduced a coronavirus furlough scheme](#) to allow businesses to furlough some employees.

**Consider claiming government support, if available.** During the pandemic, several governments allocated various funds to support businesses that did not lay off staff, despite a

drop in their business. The Netherlands was one country [to introduce such a scheme](#).

**Lay some employees off.** If none of the above measures bring the cost savings needed – and if there really is no other way to avoid even larger damage to the company – then you might have to execute a layoff.

## 4. Preparing for a layoff

**Consult your board.** Before proceeding with layoffs, talk with your board and confirm this is a path they support. In some cases, the board might be able to pull strings, such as influencing existing investors to extend more capital. Given the negative impact the layoff will have on the whole company, it's prudent to get feedback from this group.

**Understand the relevant regulation in the countries you operate in.** Each country has different regulations for layoffs. Get help from HR and the legal team, as you need to understand what you can and cannot do when laying people off.

For example, UK legislation mandates consultation with workers, or those laid off can take you to an employment tribunal. In the Netherlands, companies above a certain size need to consult with a works council, and there are complex rules on how people can be laid off.

**Understand the impact on specific groups of people.** How will those on visas be impacted? What about those who relocated for their job? What about protected groups like those who are pregnant, or on maternity or paternity leave? Are there other protected groups you need to take into account?

**Prepare senior leadership.** Gather the group who will act as decision makers in this process and start by outlining the problem. Answer the questions they have. You'll need this group to be united for both drafting and executing the plan.

Consider taking a step back by having leadership answer the question of whether layoffs are really the only solution to the budget problem.

In one case shared with me, the senior leadership group came up with a plan to avoid layoffs with a combination of a hiring and backfill freeze, and higher earners taking a temporary pay cut. This came after the CEO signaled that they wanted to move ahead with layoffs. Encouragingly, this alternative plan worked out for the company.

**As a principle; cut once, cut deep, cut decisively.** This advice sounds cruel, but it's effective. The harshest medicine – as shared by employees enduring it – is the “death by a thousand cuts,” where a small layoff is followed by another small layoff, followed by another... meaning people live in fear of when and where the next round of redundancies will fall.



The general advice from engineering leaders who have overseen layoffs is to aim to dismiss more people and to be certain this is sufficient, as opposed to laying fewer people off, but then having to do the same again, soon.

**Decide if you will follow the legally mandated but slower layoff route, or move faster and risk falling foul of the regulator.** This decision is especially relevant in Europe, where doing layoffs according to legislation is often a months-long process when employees operate in an atmosphere of uncertainty.

For tech positions, where most people can get a new job quickly, many people might prefer higher severance pay and getting the redundancy process over with, faster. This is in contrast to many positions for which the law is typically designed; such as those industries where it takes a long time to get a new position, and long consultation periods mean people have several months to find another, more stable job. As a leader deciding which path to take, you'll need to balance the law, the trauma of the layoffs, and giving people certainty as quickly as possible.

When Klarna executed layoffs in mid-May, the leadership opted to not follow the long-form layoff procedures of Sweden, which take up to six months to complete. Instead, Klarna offered a mutual separation agreement with higher severance than legally mandated. I have reports of Klarna's leadership sharing during an all-hands following the layoffs, that they purposely had not followed the path that would have prolonged the layoffs, in order to quicken the process for those affected and to reduce the stress for everyone else.

Uber followed a similar model when laying off employees in the Netherlands in 2020.

I've heard this model referred to as "shake the tree and see who falls off," as that's exactly what it is; employees are given a choice of either signing a mutual separation agreement, or refusing to sign and starting a months-long procedure which follows legislation. At the end of that process, if the regulator finds that they can be laid off, they will typically get less severance than the company had offered. However, the regulator can also rule that the mass layoffs are against the rules, and not allow employees to be let go.

Uber in 2020 let go about 200 employees from its Amsterdam office, offering people to sign a contract to leave voluntarily. About 10 did not sign and went to court. Several months later, the [regulator did not allow Uber to fire any of these employees](#).

**Prepare with HR.** Go through the high-level plan and the details of how to execute the process. This is where knowledgeable HR partners with experience of layoffs can help. If you don't have anyone with experience, you should find someone, fast.

**Prepare a list of who will be laid off.** How should you put this together?

- Involve senior management on a need-to-know basis. This process is delicate. Avoid involving line managers. Those putting the list together should take responsibility for how this list is created, and ultimately answer the question of how decisions are made.
- Take regulation into account when building the list. In countries with strict regulation, you will need a scoring mechanism of some kind. The criteria you use will need to be thoroughly reviewed by a local employment lawyer, ensuring the selection is not discriminatory. Keep in mind that depending on local laws, individuals might have the right to ask how they were scored, so the scores need to be justifiable.
- Consider doing a “zero-based budget exercise” using the target number. Given the target number to reduce the organization, which job families like engineering, design etc, need to be cut more or less deeply? This is a decision senior management needs to make, and later will need to justify.
- Be aware of information “leakage.” The more people are involved in building this list, the higher the chance is that news of the layoffs will leak. This is another reason why line managers and less experienced managers are rarely involved in this exercise.
- Whoever is involved in this exercise will have to own the message. It’s typical for the most senior manager in the organization to do this exercise. This usually means C-levels and sometimes directors. It’s uncommon to have those beneath the level of director take part in this process.

**Prepare to support those who will be laid off.** Plan ahead and don’t leave this until the last minute, so you can lend support immediately when the layoffs are announced. Treat those laid off with respect and support them as much as possible. Doing so will go a long way, not just for those laid off, but also for those who stay.

As engineering manager Jon Oropeza [shares](#):

“Supporting starts at the top with dignity and support for those affected. This sounds simple but it's so powerful through the process to point people and yourself back to that value.

“Usually I've found folks tend to sort into two groups: those who want or need another job right away, and those who want a break. For the former, engage as many people as possible in sourcing opportunities, making intros to hiring managers, giving references. For the latter, long term support in career guidance, coaching sessions and offers to be a reference.”

Think about the following:

- **Offer benefits which will help in finding a new position.** This includes as generous of a severance as you can provide – ideally above the legally mandated minimum – extending health insurance coverage in the US, and people keeping their laptop and company phones to help with their job search.

- **Professional help to find the next position.** When Uber and Airbnb laid off employees in 2020, both companies built a list that employees could opt into, where external recruiters could find them to offer job opportunities. When Hopin laid off employees in early 2022, it contracted with a recruitment agency to offer dedicated recruiters who helped place all laid off employees. During the 2020 Booking.com layoffs, the company offered professional recruiters and created the “Booking alumni” LinkedIn group to allow ex-colleagues to offer jobs in their network.
- **Employee assistance programs.** These include counseling via a third party to ensure confidentiality.
- **Organize job fairs and partner with local companies hiring.** In 2013, after Electronic Arts closed two local studios in Vancouver, the mobile gaming industry [organized a job fair](#) to help those laid off find new positions. In 2016, when Skype closed its London office, Skype alumni also rallied to organize job fairs, and Amazon London extended job offers with no interviews to whole teams. In 2020, when Uber laid off employees in Amsterdam, we organized several “meet and greet” sessions with local Amsterdam companies in hiring mode, at which they pitched their vision, positions, and fast-tracked laid off employees through their recruitment processes.

**Decide on the logistics of the layoffs. In-office or remote?** Before the pandemic, this would not have been a question, as most layoffs were inevitably done at the office, with people called into meetings with HR, and then leaving with the news, their emotions often visible for all to see.

Although it might feel impersonal, doing layoffs via a screen has the one benefit of giving people more privacy. This is how Klarna went about its layoffs in Sweden. Even though the company was already back working in the office, a week of remote work was mandated to execute the layoffs, leadership having decided this would give more privacy to people – and be more simple logistically.

## 5. Executing the layoff

You’ve prepared; you have the list of those to be laid off, it’s been cleared with HR and legal, and you’ve done the legwork on how to support those laid off. What next?

**Have a communications plan ready.** Legal often needs to be involved in drafting this plan and you might need to provide managers or HR with a script to go by in announcing the layoff rules.

This plan should include:

- A timeline of how communications will happen and who will execute it.
- Emails and external communications drafted.
- A script on how to deliver the news of the layoffs to those affected and who will do this.

- How and when will leadership address the company, both at the start of the layoffs and when the process is complete?
- Where should people turn with questions when the process is underway?

A typical communications plan goes like this:

- General layoff announcements: first thing in the morning.
- Managers' briefing session on what to expect during the day, and providing support tools.
- Sessions with all employees.

Talking to a senior leader who executed layoffs at a company, the communications plan was heavily influenced by legal and it included briefing managers in an European country to deliver the news to those laid off. It contained the following rules:

- The script to be read word-for-word.
- The session to be recorded as per the recommendation by legal.
- No Q&A in the delivery session, but having a separate channel for asking questions.

**Have a contingency communications plan** in case the news of the layoffs leak. In the comments, Elaine May shared this advice:

"I was part of and affected by a layoff in 2020 that leaked early due to people's system access being cut off prior to them being notified. Managers like myself were asking for guidance/information. However, such guidance was not part of the schedule so we weren't informed until several hours after the news got out."

**Prepare managers and team leads** previously unaware of the layoff details. People will turn to their direct managers with questions, so equip them with the tools to handle this. These include:

- Share an FAQ with managers. Have the leadership team put this FAQ document together, anticipating questions people might ask. These should range from why the layoffs happened, through how people were selected, all the way to how to respond to questions about the timeline of the layoffs, how they can help, and so on.
- Consider collecting all support information in a document so managers can assist both those laid off, and also those who were not impacted.
- Anonymous AMA channels: some companies found success in putting chat channels in place where people could ask for more details and do so anonymously.

**Break the news: do this internally or externally first?** This question is hopefully a no-brainer; if you are to retain some trust in your company's leadership, you should break the news internally first, followed by an external announcement.

There is a risk in breaking the news internally, that it leaks to the media in a narrative your company does not control, and with a message you do not want to communicate.

For this reason, some companies share the press release of the layoffs ahead of time with a trusted media partner under a Press embargo, for this news outlet to break the news externally at the same time as it is shared internally. Simultaneously, the company will usually share the layoff communications on its website for the Press to access.

Klarna took the approach during its May 2022 layoffs to coordinate with TechCrunch, ahead of time. [TechCrunch broke the layoff news](#) at the same time as the CEO shared an internal video message about the layoffs. When one-click checkout company Bolt laid off staff – also in May 2022 – the CEO sent a message on Slack to all employees, and the company shared the exact same message [on its blog](#), at the same time.

### **When breaking the news, address these questions:**

- What are the reasons for the layoffs?
- What are the next steps for the employees?
- What assurance can you make – if any – about layoffs in future? If you cannot make assurances, don't say anything.

**Prepare for the common question of “why me?”** People will ask how they were selected to be laid off. Was it performance based? Tenure? Based on job family? Business organization? Know how HR and managers can answer this question.

Ideally, the answer to “why me” will be that the layoffs are based on the business need for roles, and have nothing to do with performance. However, in practice companies sometimes make performance-based decisions on layoffs. Be clear what you can and cannot share, but never share reasons that aren't true.

### **Expect a few things to happen after the announcement:**

- In the absence of good internal communications, rumors will spread rapidly. This is what happened both at Klarna and at Laceworks, where internal communications were not done well and only fuelled speculation among staff.
- Employees will talk to the Press, off the record. Another reason why it's important you have an external communications plan launched ahead of time.
- Those laid off could anonymously share sensitive business details with the Press.
- Reporters will actively reach out to employees to get more details.

**Start communicating with those being laid off.** This includes:

- Letting them know promptly that they are impacted. This typically means telling people the exact topic of the email or the meeting invite they will get if they are impacted, and by when this will arrive.
- What happens next, and when.

### **Communicate to those not laid off:**

- Make sure those not impacted by the layoffs, know this. Klarna made a major mistake in that their European staff did not know for one night if they were impacted or not. During this time, everyone assumed they were in the firing line, and several people not laid off started to reach out to recruiters. I am still talking with people who are interviewing despite not being laid off; all because Klarna did not notify them that they were safe.
- Give time for those not impacted to absorb the news and the shock. Consider giving a day or more, off work. Expect there will not be much work done during the week when layoffs are announced, anyway.

### **Cut people off the critical systems, but do so empathetically.**

- Most US companies cut people off of all systems as soon as they deliver the layoff news at the HR meeting. It makes sense to minimize the risk of sensitive business data leaking, but it's not very humane.
- Hopin allowed people laid off to have Slack access for two more days, to say goodbye to colleagues and trade contact details. Employees very much appreciated this gesture, and doing so helped release some of the emotions. I talked with Hopin employees who were laid off and with those who stayed, and they all said that this gesture made the layoffs much more bearable and were thankful that the company opted for a "goodbye window."
- Another engineering leader shared how their company allowed another 24 hours access to internal communications systems in order to say goodbye, while progressively cutting off affected staff from other internal systems.
- One company did a creative workaround where it created a "stay connected" external Slack channel which was sent to the personal email of all employees. For the next 48 hours, people at the company and those laid off used this channel to say their farewells. This approach satisfied both the security team's needs, and made goodbyes easy to coordinate.
- Balance the human part and trusting people, with the risk of internal business details leaking. My view is you should act as humanely as possible, which means giving people the time to say goodbye and to share their contact details.

## **6. After the layoff**



**Support people who are laid off.** There's plenty you can – and should! – do after the layoffs are done. As CTO [Martin Clarke](#) shares:

"You need to be as generous as you can with the support you're giving. If you can be more generous, consider it. At the end of the day, you're doing something that has a high impact on the people that are being laid off."

Ways you can support people include:

- **A public, opt-in list** for those laid off who want to be contacted by recruiters and hiring managers.
- **References.** Be generous in giving these.
- **Introductions** to companies and opportunities. The warmer the introduction, the better.
- **Current employees using their network.** Spread the message of the layoff, and share how external hiring managers and recruiters can get in touch. If there is a public list to be shared of those laid off, share this.
- **For VC-funded companies: investor introductions.** Engineering managers have shared success stories of former colleagues finding new jobs at the portfolio companies of these investors.
- **Managers offering interview prep or career advice.** On top of some managers helping those laid off prepare for interviews, some went the extra mile by offering to pair up in reviewing prospective new companies with people they used to manage.

**Don't forget to support colleagues who remain at the company.** Give enough time to process the tough news and time to grieve. If you can, give people a day or two off.

## 7. Case Study: Layoffs at Deliveroo

Deliveroo executed layoffs in April 2020, at the start of the pandemic. Having talked with people involved in the process, it was done as decently as a layoff can be. As such, I'm sharing details about this specific round of layoffs for learning.

### The big picture before the tech layoff:

- Running out of money. The UK regulator [blocked](#) Amazon's £575M investment in Deliveroo. The company started to run out of money.
- Small non-tech layoff. Contractors and sales teams impacted.
- Cost-cutting exercise. To extend the runway, the company put a hiring freeze in place, and then asked for help from tech teams in reducing other expenses. This entailed creative ways to reduce the AWS bills, vendor costs and so on.

- More bad news. With COVID lockdowns starting, whole markets like Italy fully shut down, further shortening the runway of the company.
- Unfortunately, given all the bad news, the above cost savings were not enough and deeper cuts needed to be made.

## **Planning the layoffs**

- Layoff budget; tech had an overall percentage reduction target for personnel costs. Tech leadership then mandated an amount for each tech discipline; engineering was cut the least, data science and design had a higher percentage target.
- Further splits were made within disciplines. Functional leaders decided on how to carry out cuts: for example, within engineering, junior levels were cut, but no senior engineers.
- For each group affected, the whole group was placed "at risk" and entered a consultation period, as mandated by UK law. At the end of this period, they were then told whether they would be made redundant or keep their job, as decided by stack ranking. For example, if there were 50 junior SWEs and 20% were to be cut, all 50 were placed "at risk," then at the end of the consultation period the bottom 10 stack ranked SWEs were made redundant, and the other 40 would be told they were "safe."
- Director-level involvement up until this point. Only the CTO, VPs and directors were involved. ICs were unaware.
- Negotiation with HR for benefits. Representatives from each group did this, trying to negotiate better conditions for severance.
- Making a communications plan. The CTO and directors, together with HR, made a detailed communications plan.
- Prepare information packages. To make sure there was no confusion, information packages were created by the CTO, directors, and HR to inform people on the day of the layoff.
- No leaks. All the above was done without any leaks, despite a good number of leaders being involved.

## **Executing the layoff**

- All information announced at once. On the day of the layoffs, the CTO announced the tech layoffs.
- Information packages sent out immediately. People received the layoff information pack by email, at roughly the same time as the CTO announcement was made. This message contained information like which percentage of the team was being cut, how the stack ranking would be done, how the consultation period would happen and what the timelines were.

- Communicating immediately to those impacted and those not. Both groups had clarity on what their situation was, thanks to the communications plan being executed smoothly.
- Those impacted entered a consultation period; not immediately laid off as is common in the US. Voluntary redundancy was not offered.
- Stack ranking criteria communicated fairly clearly. Leadership communicated how the ranking would be done, which was similar to a performance review. While still subjective, being transparent about how the stack ranking for layoffs was to be done was more than most companies tend to communicate.
- Frequent Q&As with HR and tech leadership for impacted employees.

### **Consultation period**

- The tech headquarters for Deliveroo were in the UK, where a mandatory 30-45 day consultation period was put in place.
- As per UK law, representatives from each group were nominated and they entered negotiations with HR about conditions for severance.
- Work practically halted during this time, as people waited to find out who would be laid off.
- Managers encouraged those potentially affected to interview, and gave as many days as people wanted with no questions asked.

### **Aftermath**

- Planned layoffs happened. Tech leadership acknowledged they expected more people to willingly leave in the coming months, given many “at risk” employees were interviewing during the consultation period.
- Utilizing furlough with layoffs; those selected for redundancy were not immediately laid off, but placed on furlough for a few months. During this time, if someone else quit, they were invited to return and several people took advantage of this, some of whom are still with the company.
- Morale hit was hard; continued high attrition for the next 6-12 months, as a direct result of layoffs.
- Redundancies did not seem to affect hiring, afterwards. It came up during interviews, but did not have a visible impact on candidate acceptance rates once hiring began again.
- The performance review and promotions period in H1 2020 was skipped. The next performance review period was in late H2 2020, but pay adjustments were low, creating more attrition.

## **8. Poorly executed layoffs**

There is no shortage of examples of companies doing a poor job of layoffs. This should be no surprise; organizations tend to do things poorly that they haven't done before. Layoffs often fall into this category.

Here are some ingredients of poorly executed layoffs:


- **Layoffs done in a discriminatory way, or breaching local laws.** Expect bad Press coverage to follow for an extended amount of time – and rightfully so.
- **Poor ownership of the layoff message.** If the CEO and leadership do not own the layoff decision, then expect bitterness. Similarly, if during the delivery the CEO makes it about themselves ("this is so hard for me,") predictable and understandable backlash will follow. Remember how the CEO of Better.com [made his announcement of layoffs about how hard it was for him](#), as he went ahead and fired 900 workers, anyway? Don't be this leader!
- **Poor layoff benefits.** If people are laid off without adequate severance or insurance, expect rightful backlash.
- **Not letting people know who's "safe."** The longer you keep people in limbo about whether or not they are fired, the more likely they are to assume the worst.
- **Messy communications.** The less people know about the progress of the layoffs, the more confusion and anger will accumulate.
- **Leadership not doing a Q&A during extended layoffs.** At companies where layoffs need to stretch out – for example, in the UK during a mandatory consultation period – leadership has a choice to hold weekly Q&A sessions, or to not do this. At one company, the CTO held weekly Q&A meetings, taking all questions and "taking the beating." At the same time, the Chief People Officer never attended these sessions. Employees shared how they felt somewhat reassured that the CTO was present and listened to them, even if they didn't have answers. At the same time, the perception of the Chief People Officer plummeted, as people thought that person was avoiding taking responsibility.
- **Spreading layoffs over a longer period of time.** During the 2020 Uber layoffs in the US, each organization announced layoffs separately. This led to close to 10 layoff announcements spread out over about 5 weeks, demoralizing the whole company.
- **Leadership trying to hide layoffs from the public.** A manager shared how their company tried to suppress external mention of layoffs, including by pressuring people who posted on LinkedIn to remove those posts.
- **Poor in-person logistics.** A manager recalled one of the worst executed layoffs being when an executive invited those affected into their office one by one, and then escorted them off the premises, in full view of their now former colleagues. This approach was humiliating for those laid off, as they became the object of a spectacle and were escorted by the executive.

- **Accidentally leaking private information.** During one set of layoffs, an email was sent, accidentally putting everyone laid off in the cc, instead of the bcc. This was a problem because this was a UK company and according to local employment law, this information was confidential unless people decided to share it themselves.
- **Layoffs driven by fear, not by planning.** Several companies laid people off out of fear at the start of the pandemic in 2020, not due an actual drop in business results. When – surprisingly – the economy did not crumble, many of these layoffs looked rash and unnecessary.
- **Hiring for the exact positions which were laid off.** There are companies keep hiring during, and right after layoffs, and hire for the positions and teams that they laid off from days, or weeks earlier. This approach sends the signal that the reason behind layoffs was not cost-cutting - if it was the case, hiring would stop - but how layoffs were done to let low performers go. Brazilian tech company VTEX followed this approach right after their layoff, extending offers for software engineers on the same teams that they laid off people from. In what is predictable, employees were angry as they learnt about this happening.

## Takeaways


Layoffs are one of the last levers any company should reach for, given the major damage they do to those affected, those staying, and to the culture of the company. If you have no other choice, know that there is no *good* way to do layoffs.

If doing layoffs, aim to have a plan and implement it as humanely as possible. This means thinking about how to make things easier for everyone as you map out the process, prepare enough so you can execute the plan as quickly as possible – while balancing regulations – and don't forget to support both the people laid off, and their former colleagues who remain at the company.

I created this checklist for subscribers to access:  [Preparing for Layoffs: a Checklist](#). This resource summarizes key points from the article, and can help when planning layoffs.

## Further resources

For more advice on executing layoffs, I suggest consulting the following articles and resources:


-  [Preparing for Layoffs: a Checklist](#) for subscribers
- [Planning and managing layoffs](#) from VC firm a16z
- [How to lead and rally through a layoff](#) by First Round
- [Layoffs that don't break your company](#) by Harvard Business Review
- [The art of the layoff](#) by investor and entrepreneur Guy Kawasaki

Thanks to [David](#), [Jon](#), [Martin](#), [Stefano](#), [Yasemin](#) and others who helped with input and reviews for this article.


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## 5 Comments





Write a comment...




**Elaine May** May 31  Liked by **Gergely Orosz**


Unfortunately, I've been through a lot of layoffs since 2001 including 4 consecutive rounds over 4 quarters that ended up laying off 85% of our engineering team. I definitely echo the "cut once, cut deep, cut decisively" advice. Not only is it incredibly disruptive to have a layoff every quarter, it also ties up senior leadership in deciding what to cut and what to keep. Finally, if you move people from project to project, you incur a learning period every time.

The other advice I would give which I don't think was mentioned is to have a contingency communication plan in case word leaks out early in the process. I was not part of nor affected by a layoff in 2020 that leaked early due to people's system access being cut off prior to them being notified. Managers (like myself) were asking for guidance/information, but that was not part of the schedule so we weren't informed until several hours after the news got out.

 2 [Reply](#) [Collapse](#) 



1 reply by **Gergely Orosz**



**Jeraldine Phneah** May 31  Liked by **Gergely Orosz**

Thank you for writing this. "If doing layoffs, aim to have a plan and implement it as humanely as possible." I feel like this line really summarizes the entire essence of this post. Appreciate your thoughtful and well-written content as always!

- Jeraldine from Singapore

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