



Recent Wave of Tech Layoffs

Prelims: Global Layoffs, Economic Recession, GDP, Employment, Russia-Ukraine Conflict, Covid-19.

Mains: Impact of Global Layoffs on India.

Why in News?

The **International Business Machines Corp (IBM)** has announced that it would be laying off about 3,900 employees.

- It is the latest in the series of Big Tech layoffs in 2022, the **tech sector alone shed more than 1,50,000 employees**, with several more job cuts being announced since the start of the new year, over 40,000.
- The biggest tech companies in the US (Alphabet, Amazon, Microsoft, and Facebook-owned Meta) have accounted for 51,000 of the tech layoffs in recent months.

What causes these Layoffs?

- **Looming Recession:**
 - The **Covid-19 Pandemic** had already slowed down the growth and in 2022, when the pandemic eased, **Russia invaded Ukraine** and **central banks around the world started sounding caution about an impending recession**.
 - These companies are apprehensive of potential **economic recession, with inflation** soaring in most parts of the world.
 - The **International Monetary Fund (IMF)** has cited forecasts for global **GDP (Gross Domestic Product)** growth in both 2022 and 2023 as gloomy, given the pandemic and ongoing Russia-Ukraine Conflict.
- **Dismal Growth:**
 - Alphabet had posted lower-than-expected numbers for its third financial quarter, where it **fell behind both revenue and profit expectations**.
 - Growth has indeed slowed down from pandemic levels, analysts also project that the five big tech companies, including Apple, are headed to **report dismal profits for the October to December (2022) period**.
 - A Reuters analysis states that Amazon is expected to report that earnings fell 38% and revenue grew at the slowest pace in more than 22 years.
- **Cost Cutting:**
 - Cost-cutting is one of the main reasons for lay off **because the companies are not making enough profits to cover their expenses** or because they need substantial extra cash to address paying off debt.
 - Indian Startups have also faced this trouble with media reports saying that more than ten thousand employees have been laid off by startups in mainly the edtech and ecommerce sectors in 2022.
- **Decreasing Dependence on Online Platform:**
 - Along with the ease in pandemic, peoples' sparing more time on internet has gone down,

resulting in heavy losses to these big tech companies.

- During Pandemic the overall consumption saw an upsurge following which the companies went to increase their output to meet the market requirements, which **has significantly come down.**

How will the Layoffs affect Indian Professionals?

- Between 30% to 40% of those laid off are **Indian IT professionals**, a significant number of whom are on **H-1B and L1 visas**.
 - The H-1B visa is a **non-immigrant visa that allows U.S. companies to employ foreign workers** in special occupations that require theoretical or technical expertise.
- Technology companies depend on it to hire tens of thousands of employees each year from countries like India and China. A **sizable number of them are now scrambling for options to stay in the U.S.** to find a new job in the stipulated few months that they get under these foreign work visas after losing their jobs.

What's the Job Situation for Tech Workers in India?

- **More than 20,000 workers at the country's startups** in sectors like edtech and e-commerce were handed pink slips in 2022, as investors who just a year ago had infused large sums of capital in the market pulled back.
- Already in 2023, startups like Swiggy, which in January became a decacorn — a firm with a valuation of USD 10 billion or more — recently **laid off 380 employees, and Google-backed ShareChat fired 20%** or around 400 of its workforces.
- Cab-hailing firm Ola, which had already **fired more than 2,000 workers 2022 following a failed bid** to scale up its quick commerce vertical, let go of 200 employees earlier this year.

What can be the Impact of Layoffs?

- **Loss to the Workers:**
 - Layoffs can be damaging psychologically as well as financially to the affected workers as well as their families, communities, colleagues, and other businesses.
- **Loss of Prospects:**
 - Indian workers who have been laid-off have a big worry. If they are unable to find a new employer within 60 days, they are faced with the prospect of leaving the U.S. and re-entering later.
 - To make matters worse, the prospects of these Indian workers back home are also weak.
 - Most Indian IT companies have frozen or slowed down hiring as recessionary fears in the U.S. and high inflation in Europe have kept demand low.
- **Decreases Customer Prospect:**
 - When a company lays off its employees it sends out a message to customers that it is undergoing some sort of crisis.
- **Emotional Distress:**
 - The person who is laid off suffers the most distress, but remaining employees suffer emotionally as well. The productivity level of employees who work in fear is likely to go down.

Way Forward

- Indian startups grew at a faster pace than its neighboring regions. Just because a startup had touched a sky-high valuation did not immediately mean its employees' jobs were insured.
- **Voluntary retirement programs** can enable individuals to transition to retirement smoothly.

Source: TH

