



**An analysis & review  
the tech sector turmoil**

Industry Report

# intro

A very famous Elon Musk quote is "Some people don't like change, but you need to embrace change if the alternative is disaster". This idea now seems paradoxical in the tech industry ever since Elon Musk decided to lay off 7,500 employees in Twitter. The huge layoffs were handled in a confused manner, even though everyone was apparently promised three months of severance money. Many ex-employees allegedly learned about their dismissal after their work email and Slack accounts were shut off. The layoff, Musk claims was an important strategic decision to save the company millions ahead of an economic downturn.

# The end of an IT boom

IT companies that have made layoffs this year alone include well-known brands such as Uber, Airbnb, Zillow, Coinbase, Netflix, Spotify, Peloton, Shopify, Stripe, and Robinhood. It was announced that Amazon also intends to lay off massive 10,000 employees after Meta already fires 11,000 workers in early November.

## So, what is causing this domino effect?

The entire nature of employment is changing as a result of automation and intensifying global competitiveness. Many companies have had to reconsider their workforce policies in order to stay competitive. This has led them to undertake difficult and disruptive reforms including re-organisation and layoffs. Both have long-term negative effects on employee engagement, and when handled badly these strategies can have a negative impact on business profitability.

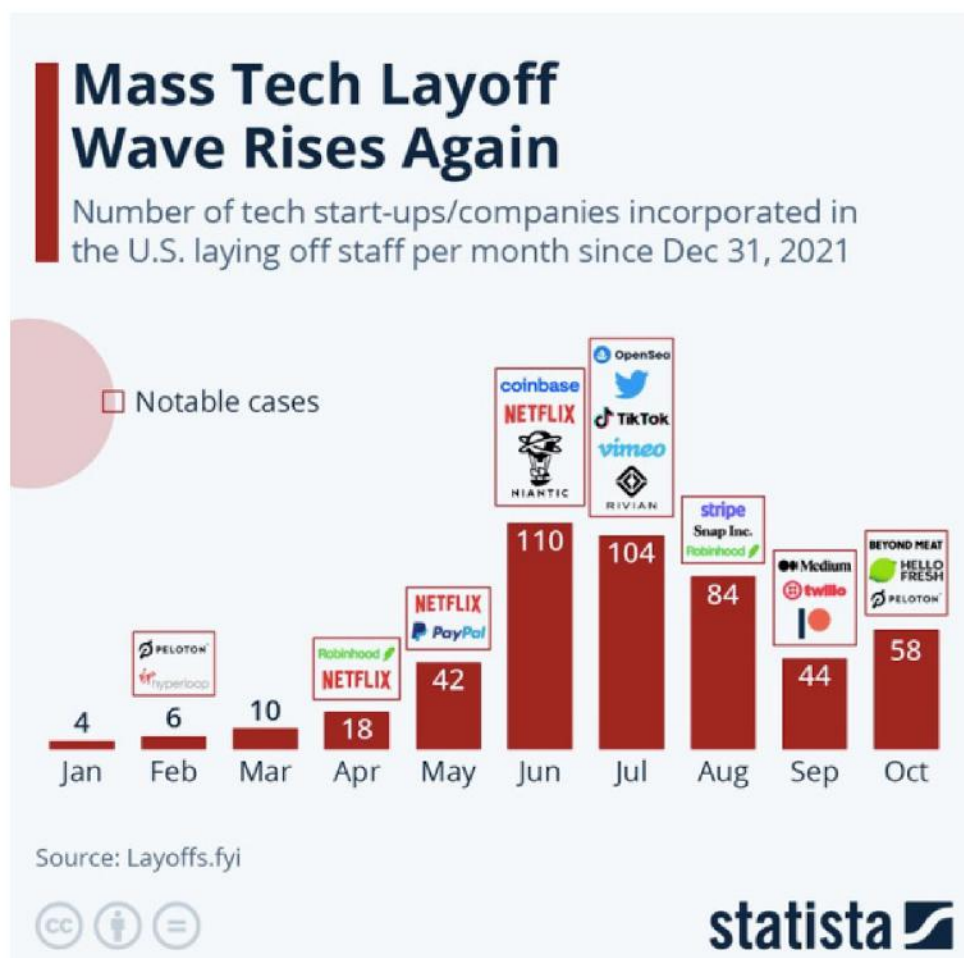


Figure 1 – Is a graph representing layoffs by tech companies in the U.S. in 2022.

# What is changing the nature of work?

## 4What is changing the nature of work?

An insightful piece from Forbes mentioned two forces responsible for the changing nature of work. The first is the shift in lifestyle post covid which means people are not "stuck at home" anymore. People are more interested in engaging in leisure activities outside work. Work-from-home and hybrid work cultures are becoming popular. People want to collaborate and share new ideas to make their business get back on track. The result as the article mentions is that the tech companies hired more people than needed. These employees are not just admin staff but also highly experienced software developers who enjoy many benefits provided by the company.

The second reason is the potential recession. Growth prospects have not been high ever since covid. A recession would lead to a reduction in consumer spending. Consequently, the companies will need to reduce their advertising revenue to control their spending to ensure they get through this recession smoothly. Inflation is another reason why businesses have been in trouble. Last week, it was revealed that the price of goods and services in Ireland has risen to its highest level in over 40 years. Inflation is now 9.2%, according to the most recent Central Statistics Office (CSO) estimates.

The reaction from twitter employees is against Elon Musk's glorified "hardcore" work culture. According to a poll in the U.S., three-quarters of Twitter employees feel that it is "better to take three months' severance pay than to work under a leader who has demanded long hours and fired dozens of employees who had criticised him, some publicly".

"Hundreds of employees have resigned"

"Mr. Musk appears to have underestimated how many people would leave"

– NY Times 2022

McKinsey laid down reasons for why employees may choose to resign in such a scenario. The survey of 600 workers in the U.S. who voluntarily left the job goes to show how companies must offer adequate reasons to retain the workforce.

The cost of quitting employment has significantly decreased, with employees putting forth their demands during this labour crisis. Acceptance of remote work in most places has made the job search even less complicated. In today's competitive world, showing gaps in resumé is not viewed as incompetence. Figure 2 below shows the reasons why employees are willing to leave without another job in hand according to the U.S. survey. Most of the employees felt that their leaders were not considerate and are insensitive to the former's needs. Additionally, they are also willing to do so because every employee seeks growth opportunities by doing a job that is meaningful or adds value to their career development which their current employer might or might not offer. Economically, the recession made employers turn down their workforce which heavily influenced the trust and loyalty in an employment relationship which clearly emphasises the unempathetic behaviour of leaders towards employee well-being.

Figure 2: Reasons why people left jobs without another in hand

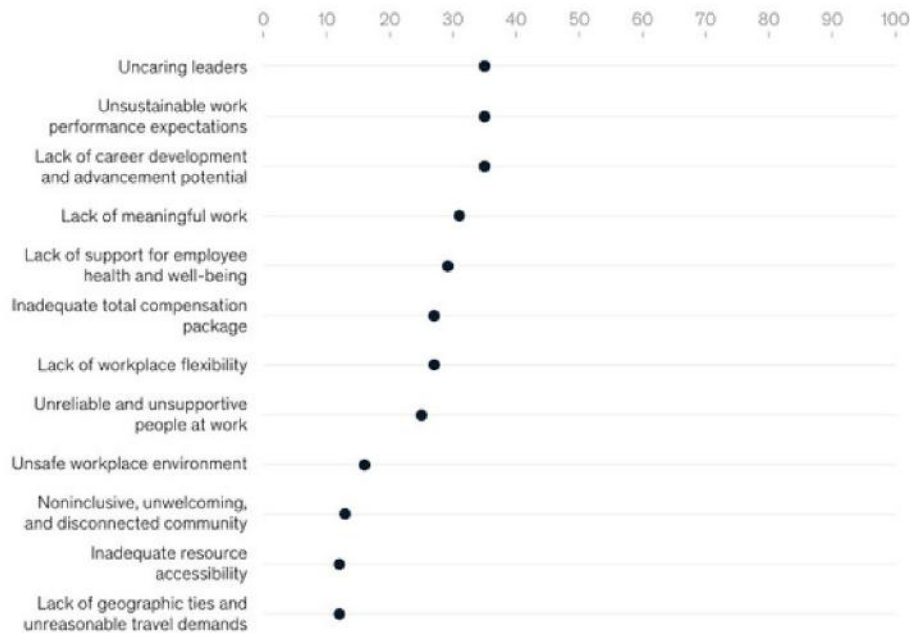


Figure 2: Reasons why people left jobs without another in hand. Source: McKinsey report by Aaron De Smet, Bonnie Dowling, Marino Mugayar-Baldocchi, and Bill Schaninge

# The social impact in response to the tech sector turmoil

## 1. Government Involvement and Support

According to [enterprise.ie](https://www.enterprise.ie), the government in Ireland stepped in to help their Ireland-based employees to deal with the layoffs. For example, the State will fund mandatory redundancy payments from the Social Insurance Fund on behalf of companies to assist the employees in case they are unable to satisfy their financial commitments. This will help compensate their employees who are laid off under the law. Retrieval of the redundancy obligation will be handled in a flexible and discretionary manner, and in many situations, the debt can be reimbursed over many years.

## 1. Collective Community Support

Facing this significant Tech Sector Turmoil, we have seen a great response from the global business community to help people who have been laid off or were at risk of layoffs. For example, a group of executive coaches provide free coaching sessions. The tech community banded together during this challenging time by organising meetings and events. For example, the events organised by Dogpatch Labs extended support to people who were laid off through a talk, followed by a coaching session to help them deal with the circumstances and decide what steps to take in the future.

## 1. Qualified Recruiting Partners

Employees who have been affected by this turmoil can also reach out to expert recruiters, who can provide sound advice in terms of finding their next opportunity and set out a roadmap on how to achieve this. The Recruitment Consultant should be able to advise on anything from CV preparation, interview skills, and job opportunities to managing your social media presence (e.g., updating your LinkedIn Profile) to suitable opportunities in the market. Recruitment agencies are stepping in to use networking to connect candidates with potential jobs that fit their demands.

# Conclusion

The Tech sector is experiencing huge turmoil with massive and increasing layoffs. In today's business world, redundancies are inevitable. It is essential to establish a sense of security and reinforce morale in employees. Now is the time to reflect on how we can help to build the resilience of people and our community.



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