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Tech's layoff wave could hurt employer branding

Article

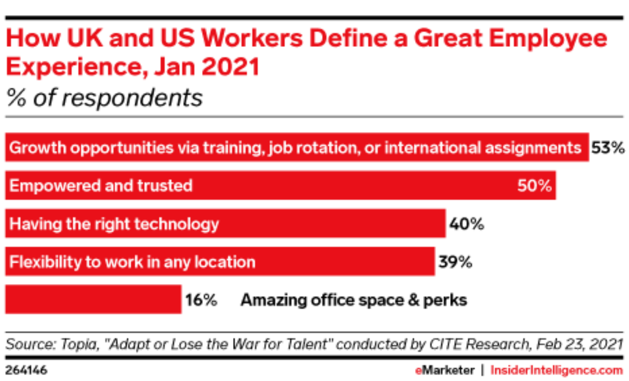
The news: After two years of booming business for tech and media, the industries are now facing a wave of cost-cutting measures like layoffs and shutdowns that signal a focus on profitability, but could harm companies’ reputation with prospective employees in an already-tight labor market.

- **Meta** implemented a rare hiring freeze, and recently shut down its podcasting business after just one year. **Netflix** laid off several newly hired staff members for its blogging initiative **Tudum**.

- Recent statements from **Uber** CEO **Dara Khosrowshahi** saying the company will treat hiring as a "privilege" also imply a hiring freeze or slowdown.
- Social media and video app **Cameo** also laid off 87 employees last week—nearly a quarter of its workforce.
- Retail companies—including **GoPuff**, **Peloton**, **Thrasio**, and **Reef**—are also rethinking their staffing levels as the changing economic conditions force them to shift focus to turning a profit.

How we got here: Increased screen time and ecommerce spending during the early days of the pandemic brought a boom to many tech companies that drove them to rapidly add staff to keep up with demand.

- **Amazon**, for example, nearly doubled the size of its workforce over the past two years. As a number of fulfillment center employees went on COVID-19-related leaves, the company hired new employees. But as absences subsided later on, Amazon quickly became overstaffed, which resulted in lower productivity that cost it about $2 billion, per a recent earnings call.
- These cost-cutting moves come in the midst of a still-tight labor market in which many companies continue to struggle to hire enough workers. That's lead to increased wages, which, in turn, has contributed to rising inflation.
- To curb that inflation, the **US Federal Reserve aims to gently pump the brakes on the economy** by steadily increasing interest rates throughout this year (including a 50-basis-point increase last week). That increases borrowing costs, which leads companies to hold off on investments.



The employer branding problem: The market may be pushing companies to cut costs, but employer-employee relations are no longer a matter of internal concern and play a part in both a company's ability to attract top talent and its public-facing image.

- Take, for example, **Better**, the mortgage and insurance startup that made headlines in December for a viral Zoom call in which its CEO laid off 900 employees, sparking a nationwide dialogue about employee relations. But that wasn't all: The company found itself in the spotlight again in March for impersonal layoffs, and then again last month.
- The pandemic has caused many employees to jump to greener pastures, leading to a tight labor market that puts more power in the hands of prospective employees and raises pressure on companies to not only attract them, but retain them.

The big takeaway: Changing economics means companies are paying more attention to their bottom lines, but large layoffs and shutdowns of new ventures could make it harder for them to attract talent in the future.