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Jacob Bourne

Salesforce lays off workers as tech, banks buckle under interest rate hike

Article

The news: **Salesforce** laid off hundreds of employees last week as the tech industry continues its fall from grace.

- The San Francisco-based cloud software company is being reticent about the cuts but said it would **shed under 1,000 workers**, per TechCrunch.
- Earlier reporting by Protocol suggests additional layoffs could follow a 30-day performance review.
- The slashed headcount comes in the wake of Salesforce bringing on investor **Starboard Value**, which has been pushing for expense cuts.

The company's move is the latest in a series of recent layoffs from **Twitter**, **Meta**, **Lyft**, and **Stripe**, as well as hiring freezes at **Apple** and **Amazon**.

- It also comes at a time when Big Tech is taking a big valuation hit, with Amazon becoming the first company to lose **$1 trillion** in market value, per Bloomberg.
- Data from Battery Ventures shows that **over 70,000 tech jobs were lost from more than 400 companies globally over the past two quarters**, per Yahoo.

Watch the CPI, not Wall Street: The war in Ukraine, persistent supply chain disruptions, and a strong dollar have been bad for tech. In addition to disappointing quarterly earnings, the recent spate of layoffs were likely fueled by the US Federal Reserve's interest rate hike announcement on November 2.

- The Fed's **0.75** percentage point increase sent short-term borrowing rates to **3.75% to 4%**, the highest level since January 2008, per CNBC.
- Designed to fight inflation, the strategy also hinders economic growth by making it hard for companies to borrow money and spend on overhead, which can trigger layoffs.
- The glimmer of hope for tech and other sectors is that US inflation, while still high, decelerated in October.
- Expect to see continued market volatility, but the essential indicator to watch is **movement of the consumer price index (CPI), which will determine the Fed's next steps as it maintains a tight grip on steering the economy**.

What's bad for workers is bad for tech: Tech workers are sharing some of their pain with white collar workers in other sectors, like banking, also experiencing layoffs.

- While this might appear to dim the job outlook for laid-off workers, **the skills deficit means there will still be hiring opportunists out on the tech talent prowl** in industries like aerospace and defense.

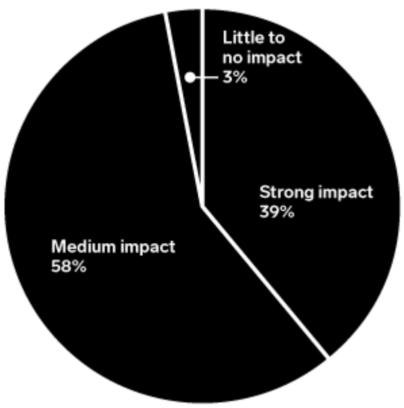
- From September to October, tech job postings rose over **3%**, per Yahoo.
- **This means highly skilled workers have leverage** and companies should tread cautiously.

A Leadership IQ study of layoff survivors showed that **74% said productivity declined since the layoff, 69% said their company's product or service quality declined, and 87% were less likely to recommend their organization** as a great place to work, per Forbes.

- Such poor outcomes can be mitigated by damage control post-layoffs.
- Twitter's remote work ban and accusations of breach of contract regarding severance pay is bad for morale and optics and is a prime example of what not to do after laying off nearly half a workforce.

Anticipated Impact Level of Inflation on Client Businesses in 2022 According to Financial Services Executives Worldwide

% of respondents



Source: AlixPartners, "Preparing for the Storm: Insights from the 17th Annual Turnaround and Transformational Survey," July 19, 2022

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