

Amazon layoffs multiply, indicating continued strife in tech sector

Article

The news: Amazon announced it's laying off more than 18,000 employees, a markedly larger number than previously planned and a sign that the spate of layoffs in the tech industry could worsen before they get better, per [Bloomberg](#).

Where Big Tech leads, smaller players are likely to follow: Amazon is the latest Big Tech behemoth to shed headcount, on the heels of [Salesforce's decision to lay off 10%](#) of its staff,

or 8,000 workers. Amazon's reasoning is that it hired too many people during the pandemic.

- We're seeing tech companies announce larger job cuts as part of restructuring efforts and course correction for a down economy.
- In Amazon's case, it projected layoffs to reach up to 20,000 in December.
- **The 18,000 employees represent 1% of its workforce**, and the cuts center on HR and retail workers. Amazon is the second-largest US employer behind **Walmart**, with more than 1.5 million employees as of September.
- Amazon is also reducing its real estate footprint and distancing itself from poorly performing business units like its Devices and Services group, which is responsible for **Echo** speakers and smart home devices.

A cascading effect of layoffs on the tech industry: 2023 seems to be continuing on last year's trend of layoffs as a means to recover from the economic downturn.

Tech and media sectors look to be particularly volatile, especially as tech behemoths look to retain stockholder value in the face of adversity and as advertising budgets evaporate.

- Job uncertainty at the start of the year can impede productivity and curtail innovation as tech workers navigate an increasingly unpredictable job market.
- We predicted that layoffs in the tech sector will result in a redistribution of tech talent across adjacent industries. In context, the auto and banking sectors are already scooping up tech talent.
- The volatility of the tech industry could cause friction for tech companies in the future, when they have to compete with other industries for top talent.

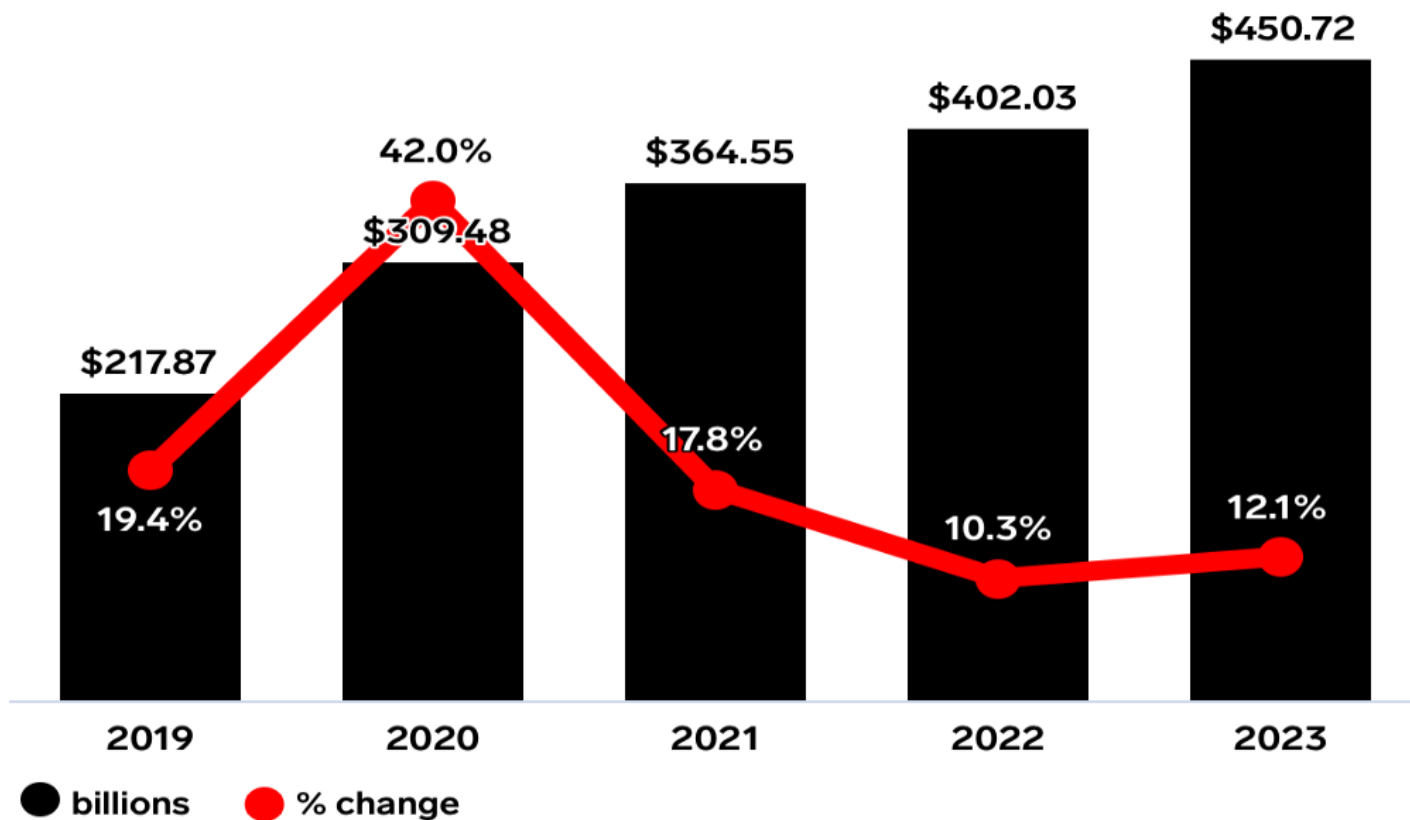
What's next for Amazon? Its immense size and wide range of businesses will make it extra challenging for Amazon to restructure, especially as the economy takes a toll on ecommerce growth.

"These changes will help us pursue our long-term opportunities with a stronger cost structure," CEO **Andy Jassy** said. "However, I'm also optimistic that we'll be inventive, resourceful, and scrappy in this time when we're not hiring expansively and eliminating some roles."

Our take: With Amazon's growth slowing to its lowest rate in two decades, the company will look to aggressively cut down on nonessential products and services and consider continued layoffs to stay profitable.

Amazon Retail Ecommerce Sales

US, 2019-2023



Note: represents the gross value of products or services sold on Amazon.com (browser or app), regardless of the method of payment or fulfillment; includes direct and marketplace sales; excludes travel and event tickets, Amazon Web Services (AWS) sales, advertising services and credit card agreements

Source: eMarketer, November 2022

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