AUG 11
Jacob Bourne

Contract workers, consumer-facing products, and travel on Microsoft’s chopping block

Article

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The news: **Microsoft** announced workforce cuts and expense restrictions this week.

- The tech giant is **laying off hundreds of contract workers in recruitment and talent acquisition** roles on top of a company-wide hiring freeze, per Insider.
- The contractors learned about their termination earlier this week and won't receive severance pay.
- Microsoft also **laid off its roughly 200-person Modern Life Experiences (MLE) team**, telling them to find another job at the company or take severance.
- "I thought I was going to be secure for the next year and a half, and here I am, getting let go," a contractor who wished to remain anonymous told Insider.
- In addition, the company has asked teams to cut back employee expenses on things like business travel and gatherings, per The Wall Street Journal.

What it means: The job cuts and belt-tightening announcements are a **reversal of Microsoft's earlier statements about its projected sub-1% layoffs** being part of standard annual restructuring. Prior plans to grow its headcount over the next year are less certain.

- Microsoft added a record **40,000 employees** during its most recent fiscal year, with another **11,000 hires** starting in its fiscal Q1.
- Although Microsoft tried to keep an upbeat tone to prevent attrition, the looming recession caught many tech companies off guard.
- The job cut announcements are likely in response to narrowly missing Wall Street's performance expectations, despite a market rally following its latest earnings report.
- Shutting down its MLE division means abandoning plans to expand customer-facing offerings like **Mile IQ**, **Money in Excel,** and **Family Safety**.
- Company managers are reportedly now paying out of pocket for team-building social events, potentially causing some to hold a dimmer view of their tech giant employer and making attrition a risk.

Big Tech growth headwinds: Microsoft shares its plight with other Big Tech companies that are facing similar challenges.

- Recent quarterly reports show Microsoft and **Alphabet** gliding on their cloud strength. Yet investor forecasts for **2023 indicate a significant slowdown in cloud spending, with a drop**

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between mid-20% down to mid-single digits.

- Another troubling trend for Big Tech is the rise of a global splinternet triggered by the war in Ukraine and tensions with China.
- As the EU doubles down on tech data restrictions and the US stalls decision-making in that area, a potential trans-Atlantic regulatory rift could **intensify the global internet's fragmentation**.
- This could affect Microsoft's and other Big Tech companies' ability to earn revenue in other countries and challenge growth plans, potentially exacerbating the layoff picture.
- With Microsoft's MLE division out of the picture, it could rely more heavily on remaining consumer-facing brands like **Teams**, **365**, and other **cloud** offerings, which are affected by EU regulations.
- It could focus on expanding **Microsoft Azure** offerings to markets with burgeoning tech sectors in Southeast Asia, Latin America, and Africa to shore up earnings potential and stave off further layoffs.

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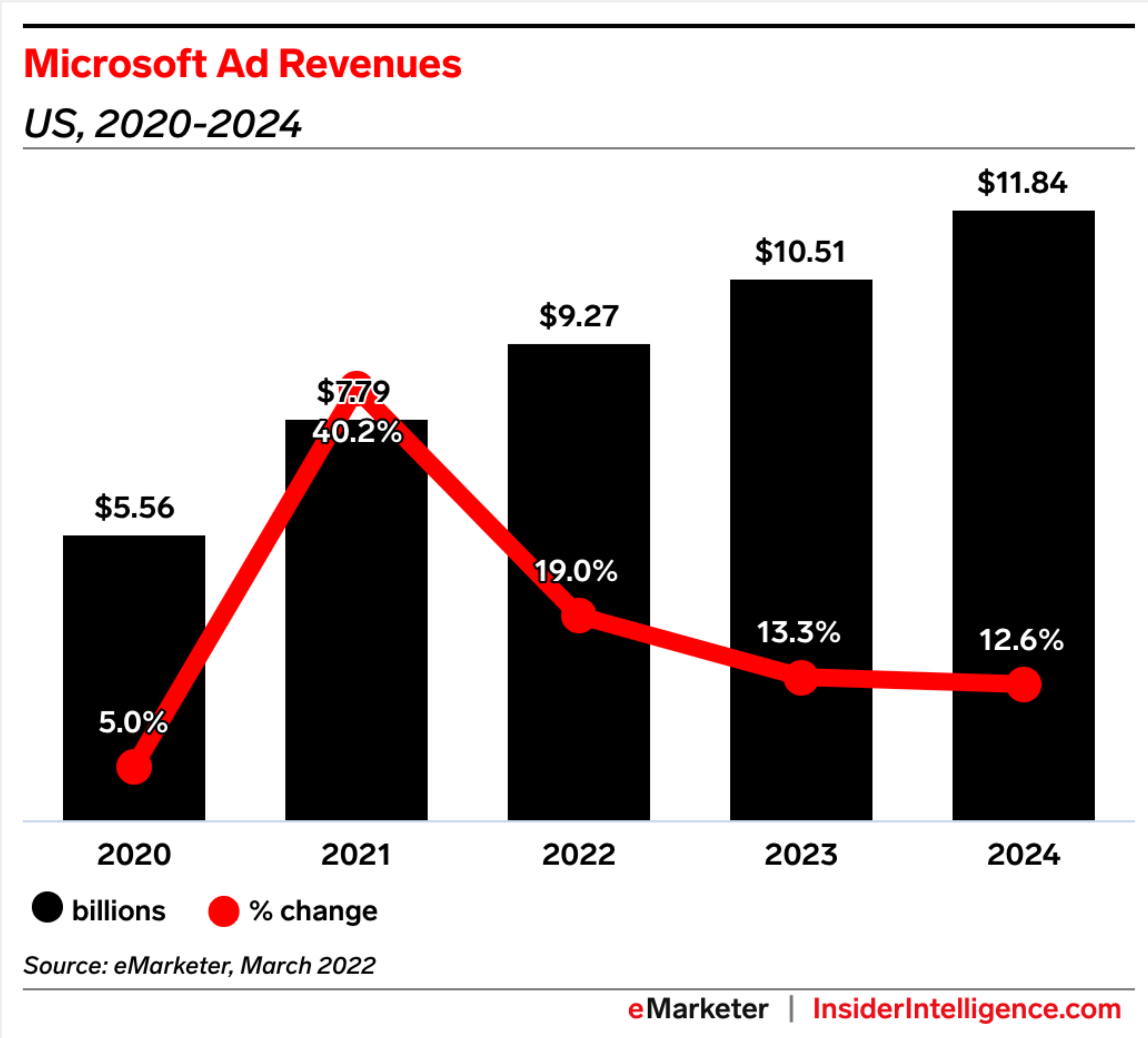

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