

Massive job cuts start to ease at Bay Area tech companies as sector stabilizes

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The wobbly Bay Area tech sector may be starting to stabilize after 18 brutal months of layoff announcements that revealed plans to chop more

than 25,000 tech jobs in the nine-county region.

Tech companies continue to disclose plans for layoffs as the industry proceeds with a wrenching restructuring, even as the economic blows wrought by the coronavirus fade away and remote work ebbs.

Case in point: At the end of May, Facebook owner Meta Platforms revealed it would jettison slightly over 1,100 jobs in Menlo Park, San Francisco, Sunnyvale and Fremont. Other layoffs were announced in June and July.

Yet the layoff numbers from the April-through-June second quarter, when compared with the first three months of 2023, show a distinctly improving trend in the Bay Area, according to this news organization's analysis of official layoff notices tech companies have filed with the state Employment Development Department (EDD).

"These numbers confirm what our instincts have been telling us, that Silicon Valley's underlying fundamentals are sound," said Russell Hancock, president of Joint Venture Silicon Valley, a San Jose-based think tank.

For the first time since early 2022, the number of tech company layoffs in the Bay Area during the most recent three months is less than the number of such cuts announced in the prior three months, the EDD filings show.

"The Bay Area's tech economy does appear to have settled somewhat," said Jeff Bellisario, executive director of the Bay Area Council Economic Institute. "Fewer layoffs are likely the result of recovering stock prices, slowing inflation, and an overall economic outlook that is more positive than just a few months ago."

Over the April-through-June second quarter, tech companies filed plans for a total of just over 5,200 [job cuts](#) in the Bay Area, according to the WARN layoff notices filed with the state.

The most recent quarter's total represented a drastic slowdown from the nearly 10,200 regional layoffs that tech companies disclosed during the January-through-March first quarter, the EDD filings show.

"Some of our tech companies are sorting out some strategic decisions they made about potential markets that might not be panning out," Hancock said. "Others have gone through a normal process of recalibration coming out of the pandemic."

The [second-quarter](#) layoff announcements in the Bay Area were about 48% below the first-quarter totals, the first concrete indicator that the worst of the current batch of tech job cuts has come and gone. This tech trend mirrors an improving situation nationwide, according to information analyzed by Scott Anderson, chief economist with Bank of the West.

Nationwide, "technology job cuts were down 79.5% from a year ago in June," said Anderson, citing information compiled by Challenger, Gray & Christmas, an outplacement and careers consulting firm. "Layoff announcements for the Western U.S. were also down 69.5% from a year ago."

Despite the encouraging signs, more obstacles could emerge for the Bay Area tech sector, and this region's overall job market, partly due to the Federal Reserve's quest to corral inflation with steep interest rate increases.

"The headwinds from a restrictive monetary policy from the Fed remain firmly in place," Anderson said. "We still anticipate further deterioration

in consumer and business demand in the months ahead that could lead to further weakness in the technology and Bay Area labor market down the road."

Still, the tech job trends in the Bay Area seem brighter for the moment.

Bay Area technology industry job cuts showed hefty increases over four consecutive quarters—a full one-year period ending in March 2023. Then a sharp improvement began in April 2023.

"The outsized tech layoffs in 2022 and the [first quarter](#) of 2023 represented an industry reset, driven by several factors, particularly the industry overhiring the previous few years," said Michael Bernick, an employment attorney with law firm Duane Morris and a former director of the EDD. "The reset is not finished, but it has slowed considerably."

An additional encouraging trend has emerged. The shifts in the tech layoff announcements are backed up by official job reports for California and the Bay Area that the state posts monthly.

Over the first four months of 2023, tech companies eliminated a net total of 16,500 jobs in the Bay Area, according to a Beacon Economics compilation of seasonally adjusted totals for all major industries in this region and California that were derived from the EDD official releases.

But in May, tech companies actually added 2,300 jobs in the Bay Area, offering fresh evidence that the industry may be starting to heal from economic ailments that have arisen in a post-pandemic world. Even before May's tech sector gains, some hopeful signs had emerged for the battered industry.

In January and February, [tech companies](#) lost a net total of 13,400 jobs in the Bay Area, the Beacon figures showed. But over the next two

months, the tech industry cut 3,100 jobs—1,500 in March and 1,600 in April. The gains in May provided further hope.

Some experts say the tech industry is attempting a massive pivot to artificial intelligence and machine learning technologies. Tech companies also have jumped into creating products to serve cutting-edge green energy vehicles and batteries.

"Beyond the slowing in layoffs, I can see a resumption of tech job growth over the next year as recession fears ebb and [artificial intelligence](#) and electric vehicle growth potential is large," said Stephen Levy, director of the Palo Alto-based Center for Continuing Study of the California Economy.

The boom and bust—and boom—cycle of Silicon Valley is a familiar refrain for the Bay Area's economic engine. For now, the tech sector finally seems to be stabilizing.

"We're poised for our next phase of innovation and reinvention," Hancock said. "People who have lived in Silicon Valley long enough have seen this movie before. Stay here awhile and you'll see it all over again."

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