

Are Layoffs at Twitter and Alphabet a Sign of a Bursting Bubble?

A growing number of big-name tech outfits have been shedding payrolls in recent months.

Twitter on Thursday [10/27/16] became the latest major tech company to face a wave of layoff announcements as a sector that for years had been considered a safe haven for employment continues to spit out workers.

Though the company managed to beat earnings estimates and posted an 8 percent annual jump in revenue during July, August and September, its net profits ultimately sagged over the year. In a note to shareholders accompanying the financial data, Twitter confirmed rumors that it would undergo a “restructuring and reduction” effort that could slash up to 9 percent of its payroll. The company currently employs more than 3,800 workers.

The layoffs will focus “primarily on reorganizing our sales, partnerships and marketing efforts,” and the restructuring effort as a whole is expected to cost between \$10 million and \$20 million. It’s unclear exactly how many engineers and tech folks will be in the crosshairs, but it’s clear that Twitter’s advertising unit will see at least some of its employees axed.

But Twitter’s layoffs are hardly an isolated incident. Just this week, Alphabet announced its Google Fiber project would “pause [its] operations” and that the company would be “reducing [its] employee base.” More than 100 employees are expected to be let go. Senior Vice President Craig Barratt, who headed the division responsible for the Fiber project, also announced he’d be stepping down to an advisory role.

Earlier this month, HP Inc. announced plans to slash between 3,000 and 4,000 workers from its payroll over the course of the next three years. Cisco in August announced it would cut more than 5,500 positions. Microsoft in July said in an earnings filing that it would eliminate 2,850 positions after announcing plans to drop a separate 1,850 workers in May. Intel in April said it would get rid of 12,000 workers. Dell reported in December that it had cut 10,000 jobs in its most recent fiscal year.

Even Apple is believed to be shedding workers, as news broke in September that the company would lay off “dozens of employees” from its self-driving car project.

All told, outsourcing and consulting company Challenger, Gray & Christmas in September estimated the “computer industry”

had announced plans to slash nearly 60,000 positions over the course of the year—which is second in layoffs only to the energy industry.

Such companies have announced plans to hire less than 30,000 new employees so far this year. And separate data from employment hub Indeed shows that job postings for positions that included references to “technology” were down roughly 5 percent over the year.

To be fair, computer industry layoffs from January to September were up only 1.4 percent over the year, and the number of hiring plans recorded by Challenger, Gray & Christmas were still second only to the retail and transportation industries—showing steady demand for computer industry workers.

But it’s hard to ignore tens of thousands of layoffs in a sector that weathered the Great Recession relatively well and had been considered a safe bet for employment. Unemployment in computer and mathematical occupations has ticked up slightly to 3 percent over the year from 2.8 percent in September 2015, according to the Bureau of Labor Statistics. And high-profile investors and business executives like Mark Cuban and Donald Trump have in recent months floated the idea that America’s tech industry is currently in a bubble.

Meanwhile, Trip Chowdhry, managing director of equity research at Global Equities Research, predicted in a research note earlier this year that the sky would fall on the tech industry in 2016 and that major companies would slash 330,000 positions. He has since revised that estimate to nearly 370,000.

“When you see the large companies laying off, that is an indication that the customer base is struggling,” Chowdhry said earlier this month, according to the Institute of Electrical and Electronics Engineers. “The only thing protecting them now is that they have funding that takes them to the end of this year or the middle of next year, but by March or April it’s going to get very bloody.”

Article continues at: <http://bit.ly/2eNCI2i>

UNEMPLOYMENT

Region	September 2015	August 2016	September 2016	Percentage Point Change	
				1 month	12 months
San José MSA	3.9%	4.0%	3.8%	- 0.2	- 0.1
San Francisco MD	3.2%	3.4%	3.2%	- 0.2	0.0
California	5.6%	5.6%	5.3%	- 0.3	- 0.3
United States	4.9%	5.0%	4.8%	- 0.2	- 0.1

INDUSTRY EMPLOYMENT

Sector — September 2016 data	San Jose MSA	San Francisco MD	Combined Region	Percentage Change (Combined Region)	
				1 month	12 months
Total Nonfarm	1,087,100	1,091,700	2,178,800	+ 0.3%	+ 3.1%
Construction	48,900	46,300	95,200	+ 0.2%	+ 7.4%
Manufacturing	161,600	35,600	197,200	- 0.8%	- 1.2%
Retail Trade	86,200	82,400	168,600	- 0.7%	+ 0.4%
Information	80,300	61,200	141,500	- 0.4%	+ 2.6%
Professional & Business Services	236,700	279,600	516,300	+ 0.8%	+ 6.5%
Educational Services	43,600	29,400	73,000	+ 1.1%	+ 4.3%
Health Care & Social Services	120,600	106,800	227,400	+ 0.8%	+ 5.6%
Hospitality & Leisure	100,400	139,700	240,100	- 1.6%	+ 2.0%
Government	92,200	127,300	219,500	+ 3.4%	+ 1.7%

NOTE: San José MSA (San José-Sunnyvale-Santa Clara Metropolitan Statistical Area) = Santa Clara and San Benito Counties
 San Francisco MD (San Francisco-Redwood City-South San Francisco Metropolitan Division) = San Mateo and San Francisco Counties

Source: California Employment Development Department, LMID

LABOR FORCE & ANNUAL CHANGE

Labor Force by Metropolitan Statistical Area (U.S. High-Tech Regions)

	LABOR FORCE			UNEMPLOYMENT			UNEMPLOYMENT RATE		
	September 2015	September 2016	Change	September 2015	September 2016	Change	September 2015	September 2016	Change
United States	156,607,000	159,636,000	+ 1.9%	7,628,000	7,658,000	+ 0.4%	4.9%	4.8%	- 0.1
California	18,917,300	19,437,500	+ 2.7%	1,063,400	1,029,100	- 3.2%	5.6%	5.3%	- 0.3
San Diego, CA	1,557,300	1,594,400	+ 2.4%	75,500	75,500	0.0%	4.8%	4.7%	- 0.1
San Francisco, CA	994,100	1,021,800	+ 2.8%	32,200	32,700	+ 1.6%	3.2%	3.2%	0.0
San Jose, CA	1,046,700	1,086,200	+ 3.8%	40,800	41,800	+ 2.5%	3.9%	3.8%	- 0.1
Austin, TX	1,072,494	1,108,949	+ 3.4%	35,918	39,139	+ 9.0%	3.3%	3.5%	+ 0.2
Boston, MA	2,604,584	2,643,213	+ 1.5%	116,168	81,415	- 29.9%	4.5%	3.1%	- 1.4
New York City, NY	4,157,600	4,161,800	+ 0.1%	203,200	240,500	+ 18.4%	4.9%	5.8%	+ 0.9
Seattle, WA	1,579,726	1,644,505	+ 4.1%	73,667	66,542	- 9.7%	4.7%	4.0%	- 0.7
NOVA Workforce Area	763,300	787,600	+ 3.2%	24,100	24,600	+ 2.1%	3.1%	3.1%	0.0

NOTE: Totals may not add correctly due to rounding

Source: California Employment Development Department, LMID

REGIONAL LAYOFF ACTIVITY

September 2016 Events

Company	Location	# Affected
Merchante-Solutions	Redwood City	36
Oracle	Santa Clara	158
Seagate	Cupertino	70
SunEdison	Belmont	26
Total		290

WARN SUMMARY

Events YTD [†] :	21
Individuals Affected YTD :	953
Individuals Previous YTD [‡] :	1,343
* WARN: Worker Adjustment and Retraining Notification (notice of mass layoff or closure)	
[†] YTD: Year to Date (Program year: July 1–June 30)	
[‡] Previous YTD: No data available for San Mateo County, FY2014/15	

NOTE: Layoff data are preliminary and should be considered an estimate of monthly regional activity

Source: NOVA's internal Rapid Response database