Rodney's Take

November 21, 2022

No Crying for Tech Layoffs… Yet

News of layoffs in the tech sector seems to hit the wires every day. Twitter is laying off almost 4,000 people. Meta will let 11,000 employees go, which Mark Zuckerberg says is "on him," as if that makes a person with no job feel better. Even Amazon, the bastion of growth, looks like it overshot this time and will cut 10,000 workers. A quick look at www.layoffs.fyi shows tech firms in the U.S. from Peloton to Amazon are cutting ties with about 60,000 employees total. But not all layoffs are the same.

Several lines into the news story on Amazon's layoffs, we learn that most of the cuts will be among those who worked in the home speaker, or Alexa, division, and just a few will be cut from retail goods. No hourly workers will be let go. It's likely that the people who lost their high-tech jobs aren't sitting around in a declining manufacturing town, wondering if any firm will open the next capital goods plant to make dishwashers or refrigerators. Instead, they're likely either in a high-tech town or working remotely, which gives them options. Either way, we're not seeing the layoffs turn into long-term unemployment, yet.

In addition to the weekly report on initial jobless claims, each week the U.S. Department of Labor reports the number of people who filed for continued jobless claims, or those that haven't found a job after the first week. Last week, 1.493 million people filed continued claims, up just a touch from the *all-time low* of 1.306 million in May of this year, and down 300,000 from 1.799

million on February 1, 2020, just before the pandemic. That doesn't scream "job-mageddon," and we still have plenty of companies looking for people.

The U.S. Bureau of Labor Statistics reported that the U.S. economy has 10.717 million openings and just 6.07 million people looking for jobs. Some of this represents structural employment, where potential workers don't live near work opportunities or don't have the skills that companies are asking for. Sadly, many potential workers have criminal records or can't pass a drug test. Employers can provide training, but they can't do much about hiring workers who can't pass a drug test, because employer insurance coverage would not allow it.

The most likely sign of an easing labor force won't be a sudden drop in tech workers, it will be a decline in average hourly earnings as employers find it easier to attract new employees. Over the last year, average hourly earnings increased by 4.7%. That's not nearly the pace of inflation, but earnings usually lag inflation. It would be a huge red flag if hourly earnings had fallen to nearly zero with inflation still around 7%. It's possible that incomes will drop a bit in the tech sector with tens of thousands of people looking for jobs; there's nothing in the market that implies this is more than a corrective move. We'd need to see continuing claims much closer to two million before this becomes worrisome. It's possible, but it's not on the horizon yet.

Rodney

Got a question or comment? You can contact us at info@hsdent.com.