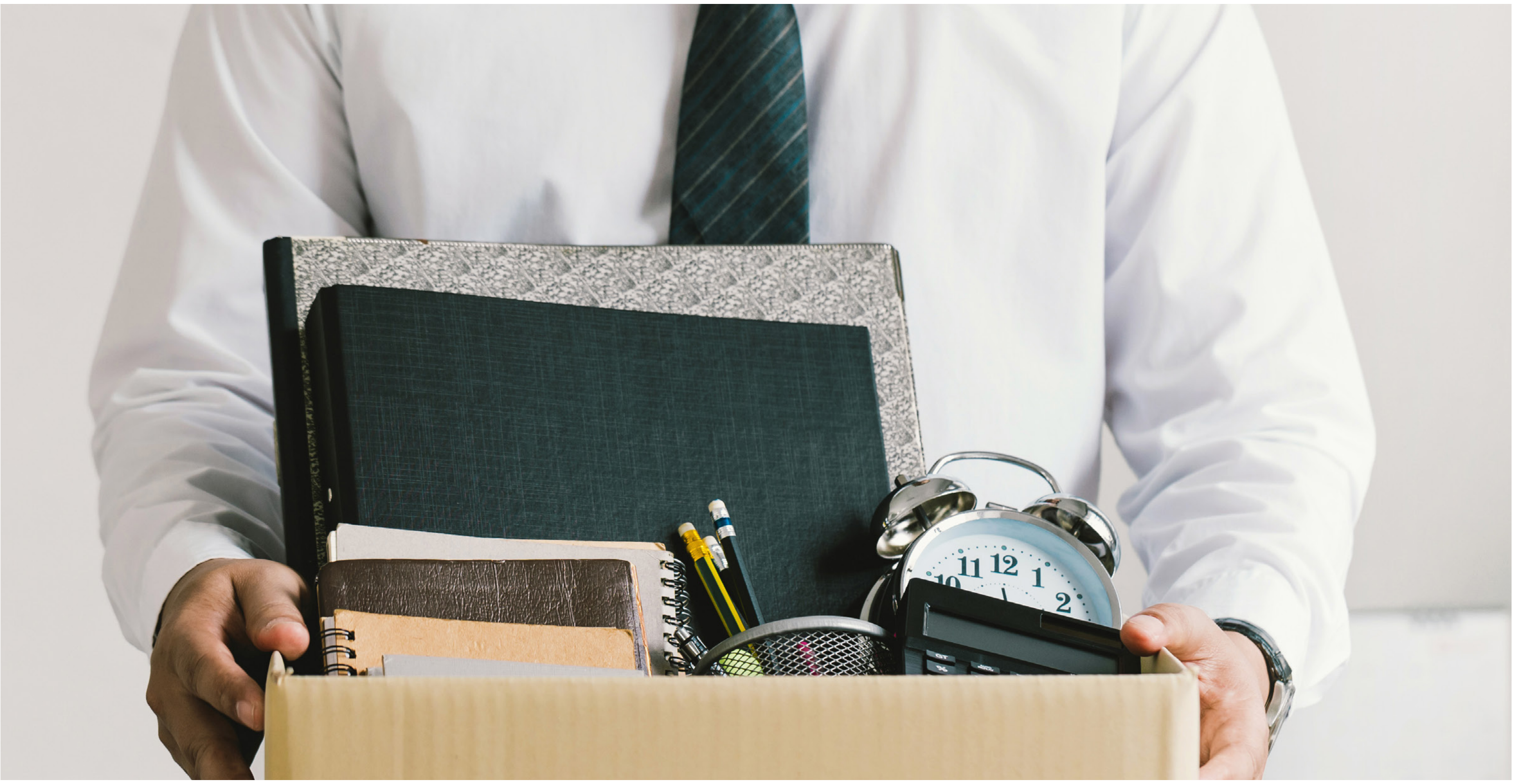
Conflicting Signals: What do Layoffs Mean for the Labor Shortage?



In recent news from the Washington Post, tech giant Meta is cutting around 11,000 jobs, representing 13% of the company's workforce. Twitter is also continuing with layoffs, after already slashing jobs drastically in November.

Meanwhile Forbes reports large-scale layoffs at Amazon, adding that multiple other major companies – from Disney to Barclays, Salesforce, and Lyft have all already cut jobs or have announced cutbacks and hiring freezes.

With all of these changes incoming, the question that's top of mind is: How will this affect the labor shortage we've seen since 2021?

In Larger Context

The names above are some of the biggest players (and employers) in the market, so it's natural to assume that these cuts mean the labor shortage is inevitably reversing. Before making that deliberation, however, it's worth taking a look at some of the figures from the US Chamber of Commerce (USCC) to get a sense of the bigger picture.

In October, Stephanie Ferguson, the USCC Director of Global Employment Policy & Special Initiatives outlined the magnitude of the shortage, stating: "We have a lot of jobs, but not enough workers to fill them. If every unemployed person in the country found a job, we would still have 4 million open jobs."

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State and Sector

The shortage stems, Ferguson says, from the unprecedented number of jobs added in 2021 – approximately 3.8 million. At the same time, the labor force has shrunk, with many workers retiring early and workers quitting their jobs in unprecedented numbers as part of the Great Resignation.

USCC data shows that these shortfalls are largest in northern and eastern states, and that certain industries, like hospitality and healthcare, have disproportionately high levels of job openings.

All of which is to say, while the big moves happening in the tech sector right now are certainly concerning, they still form part of a much larger and more nuanced picture.

CRE Concerns?

For the commercial real estate (CRE) industry, the effects are likely to be similarly varied, depending on where and what type of business we look at. We have already seen some sharp downturns for specific Proptech companies. Redfin, for example, has cut a further 13% of its staff, following on from an earlier round of layoffs in June.

Labor Market Outlook

What these cuts ultimately mean for the labor market, and especially for CRE operations in the Bay Area where many tech companies are concentrated, is still unclear.

For now, it seems that worker availability, even in tech, is still falling short of demand from employers. Amid the current economic uncertainty, however, that situation might well change as we head into 2023. As always, we'll be keeping a sharp on the trends, and potential impacts in CRE markets.