

Effectiveness of Relaxing Labour Laws and Cutting down Workforce in the Global Economy

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ABSTRACT

The limits imposed by COVID-19 were lifted in 2022, and the majority of economic activity resumed. However, the pandemic's effects can still be visible in a variety of ways: recession, inflation, employment crisis, or economic collapse. Employees are the face of a company and are the backbone of a company's success framework. In an effort to reduce costs and prepare for a potential economic crisis, many businesses, particularly consumer brands and IT behemoths, are reducing the size of their workforces. In the corporate sector, mass layoffs are a difficult but frequent occurrence that often leaves employees unsure of how they'll be affected and what to do when they receive a pink slip. Cutting the labour force and treating them unethically has become the latest trend of recent times and has resulted in serious complications. Employees have been facing serious issues and have been infuriated with the way they are overlooked. Successful economic development is only reached when the area's workforce has improved their skills which further leads to reducing the cost of production leading to huge profits which therefore helps the company thrive in today's global economy. Over the past few months, many major corporates, including Meta and Amazon, have laid off hundreds of employees causing panic in the market¹. This paper aims to explore the recent 2022 massive layoffs in the corporate sector and examine how it affects the company while highlighting how these large companies relax labour laws for cost effectiveness and greater output.

INTRODUCTION

Human resource management is one of the key functions of a business as it forms the base of all the other activities. Satisfied employees invest more time and constraint being more efficient with their work whereas resentful employees are a liability for the same. Organisations try to allocate the best people for HR management to achieve high efficiency with limited resources. Employees are the people behind the success of organisations ranging from the biggest ones like Apple and Tesla to smaller start-ups. Companies face discordant issues in their Human Resource department because of the lenient attitude employers have towards employees. Employees are taken for granted which makes them infuriated as well as the public more than ever.

Relaxation of labour laws by cutting wages and employees has been most of the companies' principal strategies for cost-effectiveness. This has affected their total productivity and has created chaos in the market. The economy is at a downfall due to increasing unemployment. According to the U.S. Bureau of Labor Statistic (2018)², total nonfarm payroll employment increased by 261,000 in October, and the unemployment rate rose to 3.7 per cent. Underemployment can be extremely detrimental to the economy as it increases poverty which results in the poverty trap leading to even greater poverty. This is very baleful to the economy which thrives on its people's success but without it, the economy will fail. COVID-19. Completely unexpected, the pandemic world of 8 billion people overnight leaving people stranded, hungry, unemployed and furious. After the imposition of the lockdown on March 25, 2020, America's estimated 120 million rural-to-urban migrant workers were either stranded at their place or suffering without the aid³. Many firms faced losses and tried to compensate for it by cutting loose labour who had no financial or social

¹ "The Layoffs Wave: As Recession Tensions Mount, Here Are Companies That Have Recently Cut Jobs." *TimesNow*, 5 Jan. 2023, <https://www.timesnownews.com/business-economy/the-layoffs-wave-as-recession-tensions-mount-here-are-companies-that-have-recently-cut-jobs-article-96761034>.

² *The October Situation—OCTOBER 2022*. www.bls.gov/news.release/pdf/empsit.pdf.

³ "Relaxing Labour Laws Can't Help Industry in the Long Run; Formalising the Economy Can." *indiaspread.com*, www.indiaspend.com/relaxing-labour-laws-cant-help-industry-in-the-long-run-formalising-the-economy-can.

security⁴. The Unemployment rate has increased by 0.2 percentage point to 3.7 percent in October⁵ due to the repeating trend of cutting down employees for cost benefit globally resulting in huge hits for big companies who had already been exploiting their workforce causing the whole system to fall through.

METHODOLOGY

This research paper analysed the recent layoffs in the corporate sector and relaxation of labour laws having data back up their falling performance after the same. All the data is secondary and has been cited in MLA format. Financial records, articles, latest news etc were analysed to come to conclusions

Body

Some nations are further relaxing labour laws to attract investment and achieve “cost leadership”. “Cost leadership” is a strategy used by businesses to gain an advantage over their competition that is slowly turning unhealthy as companies are cutting down labour to do the same which is making their work substandard. Businesses are using unethical means like making their employees work overtime without extra pay and hiring them for temporary basis in order to remit from paying them for the whole year which is indirectly affecting other factors. One of the key ethical dilemmas faced by the government is whether they should relax labour laws to give MNCs an incentive to invest and to identify policies that harm or hinder growth, along with an assessment of their effectiveness in poverty reduction. Recently news stated “It’s just been 8 days since this month began, but over 8,000 employees have been fired by 22 companies this month” as of November 2022⁶. “Byjus Laying Off Employees To Cut Costs But Appoints Lionel Messi As Its Global Brand Ambassador?” were the headlines of almost every Indian newspaper on October 12th.⁷ The Bengaluru based Edtech firm Byjus has gone on a laying-off spree after it sacked several employees on the pretext of achieving profitability. The sacked former employees have complained that the company forced them to sign pre-drafted resignation letters and treated them like “robots” as stated by one of their employees⁸. Furthermore, it hasn’t been paying its permanent employees for the past four months. It has anticipated a fund crunch and leaned for holding back salaries and is struggling to survive with offline classes and coaching centres reopening after the pandemic. This has caused distress among employees who are being forced to leave and are being exploited for their profit and benefit. Making the scenario even more preposterous, the company is hiring more teachers globally and has even brought football star Lionel Messi as its international brand ambassador which has infuriated all the sacked employees who were reassured their job back soon as all the money they were getting as salaries was going into getting a star for promotion. The distressed employees met the General Education and Labour Minister who commented on social media that his ministry would take the matter seriously and investigate it which would be an obstacle for Byjus who plan on launching their IPO in the coming months.



⁴“Relaxing Labour Laws Can’t Help Industry in the Long Run; Formalising the Economy Can.” *indiaspread.com*, www.indiaspend.com/relaxing-labour-laws-cant-help-industry-in-the-long-run-formalising-the-economy-can.

⁵The October Situation— OCTOBER 2022. www.bls.gov/news.release/pdf/empst.pdf.

⁶“Relaxing Labour Laws Can’t Help Industry in the Long Run; Formalising the Economy Can.” *indiaspread.com*,

⁷Byju’s Sacked Employees Cry Fowl on Forced Resignations and Ill-Treatment; Byju Laying off Employees to Cut Costs but Appoints Lionel Messi as Its Global Brand Ambassador? {<https://www.inventiva.co.in/trends/byjus-sacked-employees-cry-fowl-on-forced-resignations-and-ill-treatment-byju-laying-off-employees-to-cut-costs-but-appoints-lionel-messi-as-its-global-brand-ambassador/>}.

⁸S, Sreeja, and Sanjib Kumar Das. “Byju’s Forced Us to Resign, Treated Us as Robots,’ Say Sacked Employees.” *NDTV.com*, 3 Nov. 2022, www.ndtv.com/india-news/byjus-ex-employees-claim-company-forced-them-to-sign-resignation-letters-treated-them-as-robots-3487877.

The news of Musk firing Twitter employees right after the takeover is all over the internet. It began with Twitter CEO Parag Agarwal, after which the blogging platform fired nearly half of its 7,500 staff, letting go of close to 90 percent of its Indian staff from the marketing, communications and engineering teams. The layoffs by Twitter have also prompted a class action lawsuit by the company's former employees. As per the rules in the US, the employees have a 60-day deadline with their immigration status under threat implying that the fired employees, who are already holding an H-1B visa, have to find a new job to maintain their immigration status or face deportation.⁹With more than fifty percent of employees being fired, Twitter deprioritised workflows related to accounting access, lost password requests, account suspension appeals and more. This has resulted in users of the platform declining which is reducing the platform's popularity and is being replaced by other user-friendly platforms. This has indeed become a huge mess for the new owner – Elon Musk. He has already received an open letter urging him to “ensure human rights are central to the management of Twitter”¹⁰.

The owner bought all the shares back from the market which indirectly affected Tesla stocks which tumbled falling almost 16%. Elon Musk has made it clear that Twitter will be the largest platform for racism and other forms of right-wing bigotry. Many anti-Black accounts have been celebrating Elon's purchase of Twitter because it means they can be as racist as they want without fear of being de-platformed¹¹. His tweets heightened fears that Twitter is headed into a new era of toxicity under Musk, who has fired the company's top leadership and dissolved its board, naming himself the sole director. As a result, MIT reports Twitter lost over 1 million users since Elon Musk's takeover. In the week before Musk bought Twitter, only 5,958 accounts are deactivated or suspended, suggesting a 208% increase in account losses in the days after the purchase went through¹². Musk might assume that he is supporting free speech with Twitter, but governments from Turkey to Nigeria to India disagree. They worry that Twitter brings American notions of what constitutes free expression into their societies, reducing their ability to police speech. SpaceX employees are reportedly circulating an open letter calling Elon Musk's behaviour a “distraction and embarrassment” to the company¹³. The company has fired several employees who complained about Elon Musk's public behaviour in that open letter. The letter was published at the same time when Musk was bidding to take over Twitter whose employees were already sceptical about his management style and political beliefs. A handful of former employees, claiming unfair compensation, brought suits against SpaceX. California law requires rest periods for employees every four hours, along with breaks for meals. SpaceX's shifts were designed such that workers couldn't take these breaks but were also not paid more for working these hours instead of resting¹⁴. In emails to workers at SpaceX and Tesla, Musk threatened them saying they were required to spend a minimum of 40 hours a week in the office or else they would be fired, leaving them annoyed due to the stressful work employment and high expectations for an underpaid job. Residents of Brownsville where SpaceX's facility is located have criticised SpaceX for destroying the surroundings, but they're also worried about rising house prices. The company bought properties that were on the market for years in a matter of months which has resulted in increased real estate prices. Brownsville, being one of the poorest cities in the states, has residents who can't afford this huge leap in prices and are stressed about their living conditions. These moves could spur a wave of resignation inside Musk-owned companies, tech workers and management which could drastically affect them.

⁹Hogg, Ryan. “Hundreds of Twitter Employees on H-1B Visas Fear Being Deported if Elon Musk Fires Them.” *Business Insider*, 6 Nov. 2022, www.businessinsider.in/tech/news/hundreds-of-twitter-employees-on-h-1b-visas-fear-being-deported-if-elon-musk-fires-them/articleshow/95337352.cms.

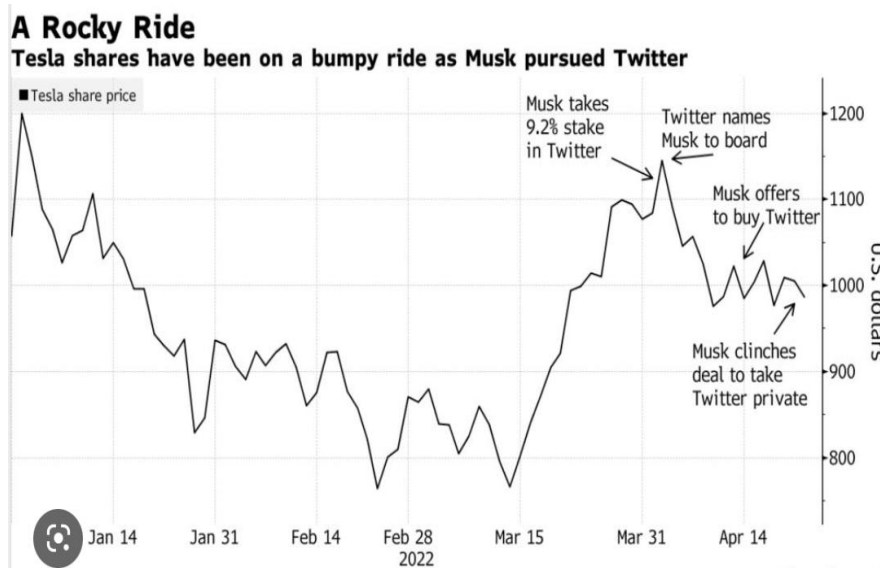
¹⁰Sarkar, Debashis. “Elon Musk Twitter Saga Live Updates: Musk Kills Official Tag for Verified Accounts.” *News18*, 9 Nov. 2022, www.news18.com/news/tech/elon-musk-twitter-saga-live-updates-track-all-latest-news-of-twitter-under-the-rule-of-elon-musk-livenews-6326485.html.

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¹²“Twitter May Have Lost More Than a Million Users Since Elon Musk Took Over.” *MIT Technology Review*, 8 Nov. 2022, www.technologyreview.com/2022/11/03/1062752/twitter-may-have-lost-more-than-a-million-users-since-elon-musk-took-over.

¹³“SpaceX Workers Reportedly Slam Elon Musk as ‘distraction and Embarrassment.’” *New York Post*, 16 June 2022, nypost.com/2022/06/16/spacex-workers-call-elon-musk-distraction-and-embarrassment.

¹⁴“Elon Musk's SpaceX Shortchanged Its Workers and Now It Must Pay.” *CNBC*, 19 May 2017, www.cnn.com/2017/05/15/elon-musk-spacex-mistreated-its-workers-and-now-it-must-pay.html.



Source: Bloomberg (2022)

The Wall Street Journal reported on Wednesday that Meta is looking to slash its costs by at least 10% within the next few months¹⁵. Meta executives didn't use the term layoffs but are trying to cut staff by reorganising departments and giving workers a certain amount of time to apply for other roles within the company.

Google also pressured some employees to apply for new roles. Furthermore, Sundar Pichai remarked about slowing down hiring but said the company remains "focused on hiring engineering, technical and other critical roles" and continues to look for ways to "increase our productivity and ensure we're focused on our long-term priorities"¹⁶. Meta Platforms Inc is planning to begin large-scale layoffs that will affect thousands of employees, the Wall Street Journal reported. A spokesperson for Meta declined to comment, and instead directed WSJ to a previous statement from Mark Zuckerberg that the company would "focus our investments on a small number of high-priority growth areas. The Meta yearly report showed the losses faced by meta to an exorbitant 11 billion dollars"¹⁷.

The labour legislation of nearly all countries has historically included the classification of employment contracts and in several cases has tolerated special relationships that failed to follow normal employment patterns; today, however, the variety of those deviations is unexampled within the history of labour law. This could justify why some observers regard the new forms of atypical employment as a threat to the survival of the principles that have shaped labour law.

The changes that began in the mid-1970s created conditions that prompted countries, organisations and workers to seek greater employment flexibility. As a result, normal employment began to unravel. Global economic changes have increased competition and uncertainty among businesses, putting them under pressure to generate higher profits and be more flexible in hiring staff and responding to consumers. Sluggish economic growth triggered high unemployment that made it clear, especially in Europe, that economies were incapable of generating enough jobs to provide full-time wage employment for all workers¹⁸. The new terms in the market: part-time work, temporary agency and contract company employment, short-term employment, contingent work, and independent contracting have taken over the standard paid employment. Employers prefer to hire labour on a flexible basis where they don't have to pay them for the entire year and where they work overtime for meagre wages. Furthermore, the deregulation of labour law goes back to the deregulation agenda that has been implemented by the European Commission since the early 2000s to loosen employment protection law in the member states to get rid of the so-called constraints linked to workers' protection in terms of substantive requirements and procedural requirements for dismissals, but also terms of procedural requirements for collective dismissals¹⁹. This has given employers more confidence to lay off employees on large scales for higher profits.

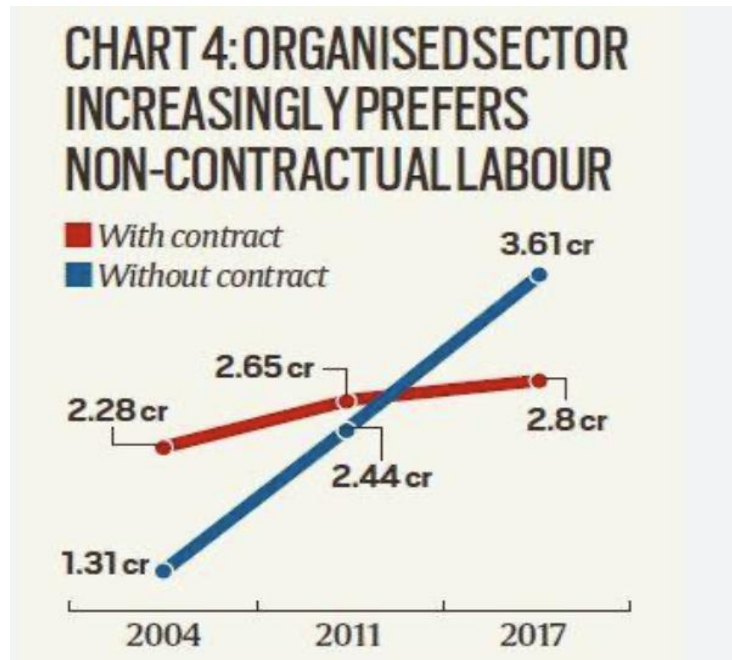
¹⁵,"Meta Is Reportedly Planning on Laying off 'Many Thousands of Its Workforce.'" *IGN India*, 7 Nov. 2022, in.ign.com/tech/176246/news/meta-is-reportedly-planning-on-laying-off-many-thousands-of-its-workforce.

¹⁶,"Meta Is Reportedly Planning on Laying off 'Many Thousands of Its Workforce.'" *IGN India*, 7 Nov. 2022, in.ign.com/tech/176246/news/meta-is-reportedly-planning-on-laying-off-many-thousands-of-its-workforce.

¹⁷Gautam, Vanya. "Mark Zuckerberg Loses \$11 Billion in Just a Day and Over \$100 Billion in 13 Months as Meta Shares Bleed." *IndiaTimes*, 28 Oct. 2022, www.indiatimes.com/worth/news/mark-zuckerberg-loses-11-billion-dollars-in-one-day-583249.html.

¹⁸(Córdoba 1986)

¹⁹,"---." *Eurofound*, www.eurofound.europa.eu/observatories/eurwork/industrial-relations-dictionary/deregulation.



Source: *Employment-Unemployment(2022)*

CONCLUSION

This paper has provided a broad overview of what big companies have faced due to relaxing labour laws. Looking at the turnouts, not only the companies but also the economy as a whole has been affected. Using unethical means might be beneficial for the interim period, but is dire in the long run. There may be a situation, approximately a tech meltdown and the viability of start-ups. As a result, the valuations of many establishments are under strain, and resultantly, a lot of corporations have introduced retrenchments while reorganising their businesses. This affects the company as well as the economy. When companies start to fail, the investors get sceptical about their money and might not invest in the future which will affect the economy on a large scale as revenues from big firms make a lot of taxes for the government. There are anecdotal reports that the average person is only a few weeks away from serious financial trouble without a paying job²⁰. As discussed throughout the paper when firms try to cut costs, they typically scale back their force together for their cost-saving measures. Those staff who have to do additional work mostly don't even receive any additional compensation for the additional hours they're working. Unemployment can even have a negative result on the status of those who are still employed. They will become more worried about their job security or be hesitant to look for alternative employment. The businesses that carry out ethically have a steady life from the angle of societal admiration and they live on within the long run in the market. Thus, the dilutions in laws will end up making these organisations' status worse and they all need to realise that their ability to scale up and become sustainable depends on the human capital of the entrepreneurs apart from the availability of venture capital and private equity funding.

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