Berkeley Law
UNIVERSITY OF CALIFORNIA
Berkeley Center for Law and Business

Berkeley Center for Law and Business
University of California, Berkeley
School of Law
Boalt Hall #7200
Berkeley, CA 94720-7220

COVID-19 Leaves Its Mark In Silicon Valley As Layoffs Take Over

By Savannah Jo Dowling J.D. Candidate 2022 | April 21 2020

The coronavirus has hit our communities and our healthcare systems hard, and it has served staggering blows to the global economy. As of Tuesday, the total number of unemployment claims in the U.S. surpassed 20 million in just four weeks, an occurrence which the New York Times and others are saying has not happened since the Great Depression. Just as Silicon Valley companies benefited from bullish economic confidence reflected in outsized rounds in recent years, companies and their employees are now feeling the reverberations of an economy in crisis.

According to Layoffs.fyi, a publicly accessible database compiled through public reports, more than 8,000 individuals have been laid off by companies in the San Francisco Bay Area alone as of April 17. Not surprisingly, consumer facing platforms like Yelp were hit hard, with that company making the biggest cut recorded in the Bay Area: 1000 people. Yelp announced that it had furloughed an additional 1,100 workers, according to the San Francisco Chronicle. Other sensitive sectors, like real estate, are suffering due to the crisis as well. Notably, Softbank-backed Opendoor, a company which aims to streamline the home-buying process, let 600 people go last week--a full 35 percent of its workforce. The company, which has temporarily suspended homebuying, raised a known total of $1.5 billion in debt and equity during its lifetime. Other popularly recognized companies like Bird, Everlane, ZipRecruiter and many others have also cut staff. According to TechCrunch, rough data may suggest that companies are targeting layoffs in secondary satellite offices, where business development-focused teams are often concentrated.

Beyond layoffs, companies are making other strategic financial decisions to lengthen their runways should the virus continue to wreak havoc in the U.S. for the foreseeable future. Airbnb has yet to announce massive layoffs, but has frozen hiring, halted its marketing efforts, and raised a $1 billion debt round, with another reportedly to come. Most recently, People.ai, a sales and marketing startup which had raised $60 million in May 2019 at a post-money valuation of $500 million, raised tens of millions in debt in addition to layoffs. Other companies, like ClassPass, which reportedly lost over 95 percent of its revenue in 10 days, have pivoted their platforms online to weather the storm.

Interestingly, while shelter-in-place orders are significantly affecting many sectors, according to TechCrunch, it appears that some lending-focused fintech companies are finding opportunities to carve out their own spots in the market of debt financing for small businesses. Companies like Kabbage, which furloughed a significant portion of its staff, may be able to facilitate the disbursement of much needed small business loans.

With all of these developments and in these unprecedented times, it’s unfortunate that thousands of workers will likely now face even more difficult financial challenges. Whether companies that do end up making it through this crisis will maintain future investor confidence remains to be seen. It seems unlikely that the state of affairs will shift back to that bullish market anytime soon.