Is the romance over for tech jobseekers?

Tech layoffs and opportunities in Asia

Written by Mercer's Harrison Tan

Many people want to work in the tech industry. A quick look at the top 15 employers in Singapore (unveiled in April by LinkedIn) revealed at least five of them are in the tech sector. A job within it is regarded as a mark of achievement to jobseekers all over Asia — particularly over the past couple of pandemic-affected years. Governments are also increasingly digitalizing their economies with e-commerce at the forefront, and countries such as the Philippines, Malaysia, India and Korea rank among the top 10 in the world for e-retail growth. With this is mind, recent news emerging from the tech sphere has given much food for thought.

First, big tech share prices have been falling consistently on the Nasdaq since May. Second, layoffs from tech start-ups are at a level not seen since the dawn of the COVID-19 pandemic, as investment sentiment turns bearish. Is this something to be feared? And is the romance over for the average tech jobseeker? There are no clear-cut answers at the moment, but let's look at each of the above scenarios in more detail.

We'll start with the growing number of layoffs in start-ups, which have made the news in many locations, including Asia. Crypto.com, based in Singapore, cut 5% of their headcount to ensure continued and sustainable growth for the long term by making targeted reductions. Shopee is laying off some employees in its food delivery and online payment teams in Southeast Asia. In fact, the number of disclosed layoffs in that region last month was even higher than in China, where tech players have been reducing their headcount since July 2021 due to regulatory crackdowns.

Start-ups are but just one sub-sector of the overall tech ecosystem, though. Ed-tech, fin-tech, med-tech companies etc. are all functioning in the e-commerce space and most, by definition, are dependent on funding to various extents. Thus, the overdue correction in this area is not that surprising. With the specter of global recession due to Russia's invasion of Ukraine and supply-chain snarl-ups, investors in these start-ups are requiring them to have a clearer pathway to profitability before injecting further funding. Also, investors in more "frontier"-type technologies (sometimes described as "web3") start-ups are becoming more conservative with regard to less familiar investment opportunities and are therefore not financing at previous levels; in some cases, they are withholding any new investment. In the short term, there will be further volatility and a "Darwinian" struggle as firms seek to defend their turf; only the best-funded start-ups will remain standing.

The fall in share prices of big tech companies is an overdue correction; as a result of the pandemic, there had been an impossibly bullish valuation built in regarding the earnings and long-term potential of respective tech firms. As we try to live with COVID-19, earnings have not correlated to expectations, which has made the stock market jittery. Many high-tech companies use long-term incentives, which are very much tied to market valuation of their firms, and that this has resulted in a further hit to employee compensation plans. Market volatility will remain high in the near future, but in our view the long-term impact on big tech will not be terminal.

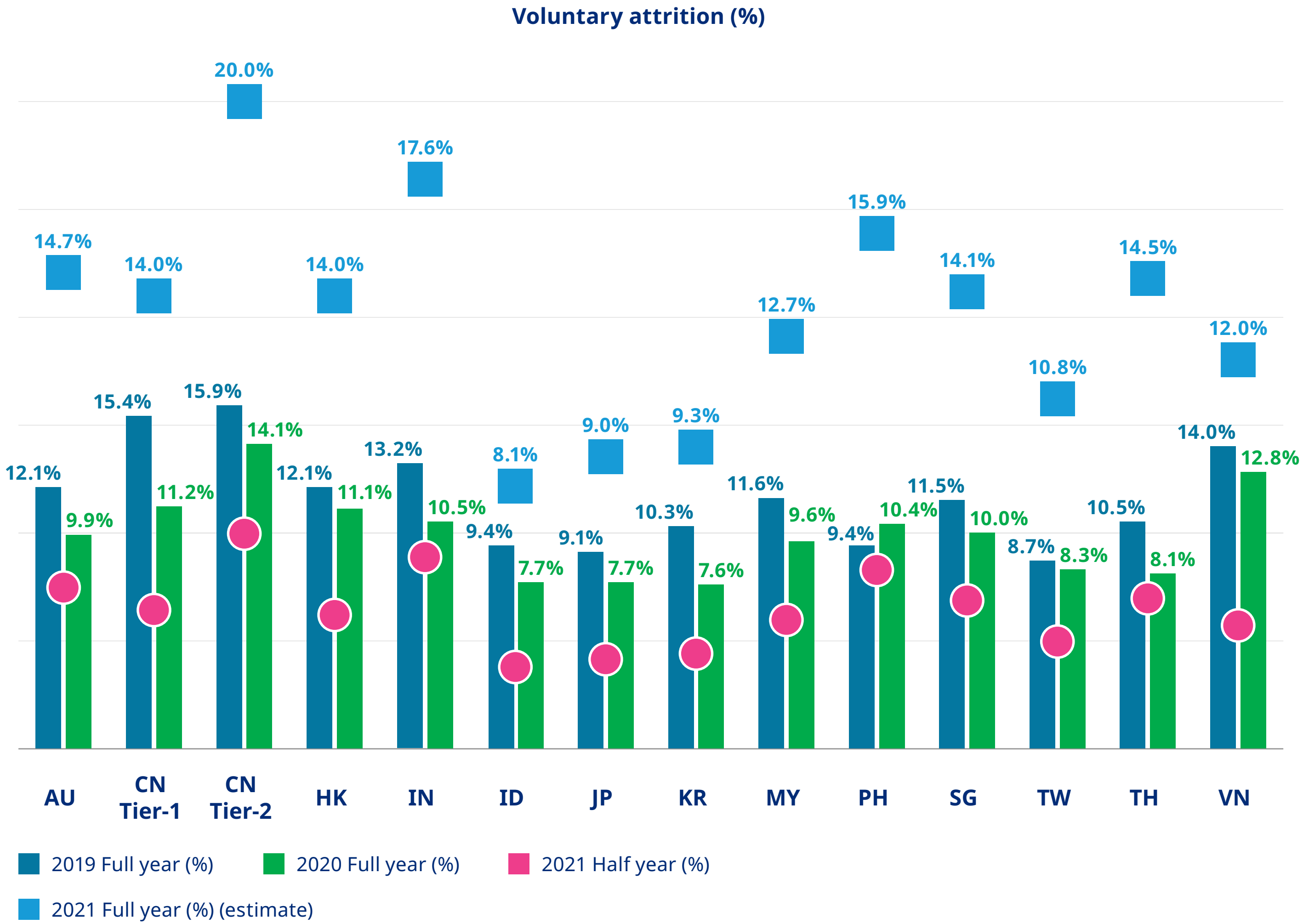
So is there any good news? That depends on the timeframe in question. While there are some worrying immediate issues, looking further ahead, say in six months' or a year's time, it is still very likely that in Asia, tech demand will be outstripping the available tech supply.

If we look at Mercer's most recent high-tech survey results, the broader tech industry's overall voluntary attrition rates are still higher than the recent past, layoffs notwithstanding. The events of the past couple of months represent at most a "pause" in, rather than a "reset" to, the general direction of travel.

We also compared attrition rates from 2021 (that is, the most recent official numbers) against 2019's (the last year pre-pandemic), and there was a clear upward trend in 2021. China and India's markets have the largest number of people moving on, often to competitors.

China and India reported the highest attrition in 2021 (20% and 17.6% respectively).

Attrition — High tech industry

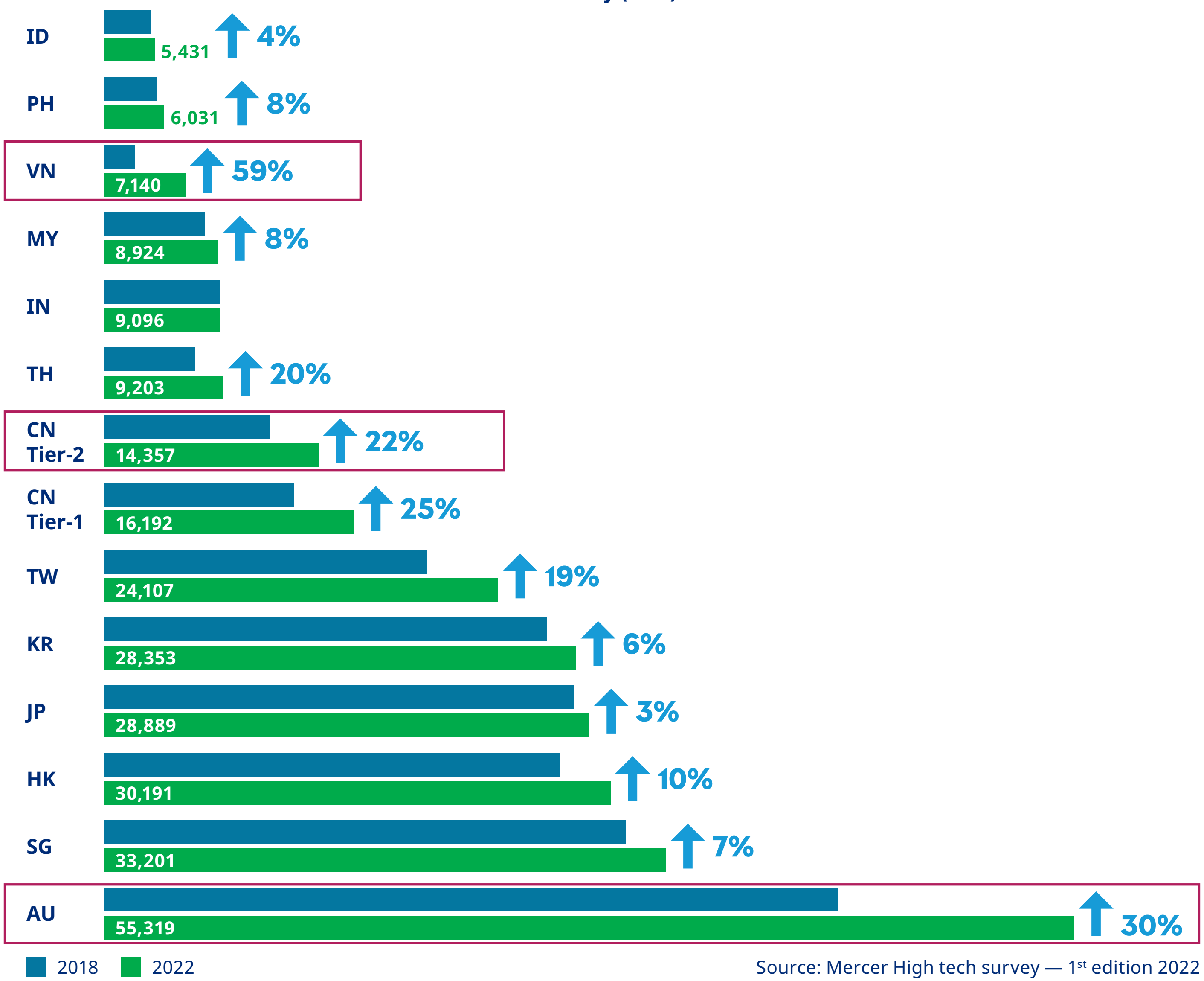


Source: Mercer High tech survey — 1st edition 2022;
Note: Average figures

And in keeping with the theme of demand outstripping supply, we also noted an increase in starting salaries for graduates with a computing degree. We compared published results from 2018 with 2022, the time it generally takes for one cohort in most locations to complete their course (assuming an average four year degree). There has been significant growth in the salary of such graduates in **Vietnam** (59% increase from 2018 vs. 2022), an emerging tech market in **Southeast Asia**, as well as in **China's lower-tier cities** (22% increase from 2018 vs. 2022), where more tech hiring for graduates of such degrees is taking place.

Starting salaries for computer science graduates

Comparison of 2022 vs. 2018



Source: Mercer High tech survey — 1st edition 2022

Even before the pandemic, digitalization was helping Asia's continued growth as a market. The pandemic has turbocharged this change and organizations of all sizes, in many sectors, have had to transform and change the way they work and tech is at the heart of that seismic shift. As a result, while the short term may have its ups and downs, jobseekers should keep calm and carry on; the fundamentals of the tech sector remain sound.