

Microsoft announces another round of AI-related layoffs, targeting gaming and engineering workers

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7 July 2025

On July 2, Microsoft expanded a long run of layoffs by announcing a workforce reduction of up to 4 percent, or about 9,100 jobs. These add to the over 8,000 layoffs this year at the company, including about 6,000 layoffs in May. In total, this year's layoffs have hit over 7 percent of its global workforce.

Most of the specific cuts to be made in this latest round have yet to be identified. Company executives have emphasized an aim to "remove layers of management to increase agility and effectiveness." So far this year, although the layoffs have affected product managers and program managers, over 40 percent of the job cuts have been in software engineering. Jobs in Microsoft's home state of Washington have been hardest hit, but the layoffs affect its global workforce more generally, including layoffs in California, as well as in Europe, Australia and New Zealand.

Most of the workers to be laid off are apparently not unionized. A minority of impacted gaming workers, however, are organized by the Communication Workers of America (CWA). The CWA has issued a statement expressing that it is "deeply disappointed in Microsoft's decision to lay off thousands more workers, including union-represented CWA members, at a time when the company is prospering. ... We will be bargaining with the company over these layoffs."

A popular Reddit comment responded to the CWA statement:

It needs to be made clear that this statement is really all any union can do about "restructuring."

Some people on the internet, who have never been in a union themselves and sure as hell aren't getting off their asses to unionize their own work place, love telling other folks to unionize when they have no idea what a union actually is. Unions are not an answer to mass layoffs.

Possible solutions include wildcat work stoppage (which is illegal for unions to do), and abolishing capitalism instead of pretending it can be saved.

Another popular Reddit comment in a separate thread described work at Microsoft:

There is a perpetual climate of fear inside the company. Instead of ripping the band aid off and being done it's a continuous parade of monthly layoffs causing many to be fearful. I have seen a regression towards the old way of teams fighting each other instead of working towards a common goal.

The secrecy is the worst. Layoffs in my group happened and they won't tell us who is gone from the people I work with and rely on. The work didn't go away though. It was just added onto the backs of those who remain.

The cost cutting isn't limited to people. They took away the post it notes and pads of paper in the supply rooms in my building.

In January this year, Microsoft terminated about 2,000 workers in ostensible "performance-based" cuts. In May, it laid off about 6,000, with vague references to "efficiency" and "business priorities" being the reasons given. In June, it laid off hundreds more, once again in ostensible "performance-based" cuts.

Workers subject to the "performance-based" cuts lose healthcare insurance coverage immediately, and are denied severance pay. The company has imposed a two-year rehiring ban on workers cut under the pretext of poor performance, and has deemed the cuts to be "good attrition," suggesting that company management intends to incorporate layoff targets for specified divisions as a regular feature of its business plans. These measures replicate similar ones taken in recent years by other tech giants like Amazon and Meta.

Online commenters, apparently tech workers or those with personal relations to tech workers, have disputed the company's claims that layoffs in January and June were truly "performance-based." For example, another popular Reddit comment reads:

I know people personally who were affected. None of them had any indication of "low performance." They received annual bonuses and positive reviews. One even asked for specific performance metrics for promotions and was given vague responses stating they were on a promotion track and to keep doing what they were doing. In the end, this is a callous layoff under the guise of "low performances" so they can justify culling thousands of people with no severance and leaving them without insurance or a high amount of earned stock set to divest [sic] again in two weeks.

Other online commenters have confirmed the practices described above. Very apparently, the comment refers to a practice of terminating workers shortly before a scheduled vesting event for their equity compensation, which, at large tech companies, commonly comprises 50 percent or more of workers' income. Such a practice would enable the company to deprive workers of very large amounts of equity compensation which they had

worked toward for months and years, under a pretext of allegedly poor performance.

Notably, the “performance-based” cuts in January and June affected primarily workers in Microsoft’s gaming divisions, including Xbox. Xbox and other Microsoft gaming divisions have again been targeted in the latest round of much larger layoffs (which are not “performance-based”). It is cutting jobs from divisions that produce the games Candy Crush and Forza Motorsport. It is canceling entirely the popular Perfect Dark and Everwild games, as well as several unannounced projects.

In an X post made in reference to the layoffs, Matt Turnbull, executive producer at Xbox Game Studios Publishing, demonstrated the pervasive indifference of the capitalist class toward the workers it exploits. The post condescendingly explains, “I’ve been experimenting with ways to use LLM AI tools (like ChatGPT or Copilot) to help reduce the emotional and cognitive load that comes with job loss.” He goes on to suggest “some prompt ideas and use cases that might help if you’re feeling overwhelmed,” i.e., that laid-off workers should use AI chatbots to help them with career planning, job seeking, networking, as well as the emotional impact of their job loss.

Thus far, Microsoft company management has not admitted openly to any connection between the layoffs this year and the introduction and development of generative AI technologies. However, media observers, analysts and online commenters generally take it as a given that the job cuts are part of a large-scale restructuring of the tech industry related to AI. The company plans to invest \$80 billion in AI-related development in fiscal year 2025 alone.

At the Build industry conference in May, Microsoft CEO Satya Nadella demonstrated AI software tools that could, with relatively very little human direction, very quickly perform tasks previously carried about by entire teams of engineers. At present, about 30 percent of software coding work at Microsoft is done by AI.

In a move widely recognized as part of an AI-related strategic shift, Microsoft cut 10,000 jobs in early 2023. In 2024, it cut an undisclosed number of jobs, probably around 3,500-4,500 total. Business analysts, including Gil Luria, have suggested that Microsoft’s increased investments will necessitate annual workforce reductions of about 10,000.

According to the World Economic Forum’s annual Future of Jobs Report published in January, 41 percent of employers surveyed internationally “foresee staff reductions due to skills obsolescence” related to the implementation of AI technologies. International companies that underwent AI-related layoffs this year include Adidas, Ally, Automatic (parent company of Tumblr and WordPress), Block, Blue Origin, Boeing, BP, Bridgewater, Bumble, Burberry, Chevron, CNN, Coty, CrowdStrike, Disney, Dropbox, Estée Lauder, Geico, GrubHub, Hewlett Packard Enterprise, Intel, Johns Hopkins University, Kohl’s, Meta, Microchip Technology, Morgan Stanley, Nissan, Panasonic, Paramount, Porsche, PwC, Salesforce, Sonos, Southwest Airlines, Starbucks, Stripe, UPS, the *Washington Post*, Wayfair, and Workday.

A *Business Insider* report published in March explains bluntly:

Across tech, the tables have turned for employees as performance pressure and proclamations of “efficiency” and “intensity” replace perks and pampering. Sweeping layoffs have become the norm in an industry that, in recent memory, enjoyed job security. The pressure to dominate in AI has created intense competition, as companies use the technology to do more with fewer workers. Already hard-driving workplaces have become even harder.

corporate restructuring but a fundamental shift in how technology companies view human capital in an AI-dominated future.”

Amazon CEO Andy Jassy has also spoken bluntly about the connection between workforce reductions and AI. He explained in a message June 17 on aboutamazon.com:

As we roll out more Generative AI and agents, it should change the way our work is done. We will need fewer people doing some of the jobs that are being done today, and more people doing other types of jobs. It’s hard to know exactly where this nets out over time, but in the next few years, we expect that this will reduce our total corporate workforce as we get efficiency gains from using AI extensively across the company.

So far this year, Amazon has introduced new return-to-office and performance review policies that will intensify job performance pressures on workers while their compensation stagnates and even falls, primarily through cuts to equity and bonus pay.

An Amazon tech worker told the WSWS:

The so-called “performance-based” layoffs are not really performance-based. This has happened at Amazon, too. We’ve also had layoffs carefully planned by management to come shortly before RSU [restricted stock unit: a common type of equity compensation] vesting for large numbers of workers. It happens at pretty much every tech company. Historically, Google had not followed such practices. However, recently, even Google has been adapting, also because of AI. I’ve heard that they haven’t been making generous hiring offers anymore. They’ve taken away some of the perks. For example, Google used to have free meal services and onsite laundry. I heard they took most of it away. There are no longer any employers offering generous conditions to tech workers anymore.

University of Washington professor Margaret O’Mara told the *Seattle Times* that, in the context of business history, the Microsoft layoffs are very unusual: “When you see thousands of workers laid off, it’s been deindustrialization or companies in crisis, but these tech companies are the most valuable in human history.” In fact, Microsoft reported nearly \$26 billion in profits in the first quarter of 2025, one of the best ever for the company.

The major shifts in the computer gaming industry—coupled with the Trump administration’s economic warfare against the entire world—have recently led to massive price hikes for games. Last month, a 10-month strike of video game performers, members of the Screen Actors Guild-American Federation of Television and Radio Artists (SAG-AFTRA), was suspended after the union announced a tentative agreement.

Jacobin, *Labor Notes*, and other pseudo-left publications have remained silent so far about the Microsoft layoffs.

In a related development, an online petition “Stop Killing Games” has gathered over 1.2 million signatures. It is a consumer-based initiative aimed at pressuring governments to enact laws that would restrict tech companies from canceling popular computer games.



DesignWhine reports, “The Microsoft layoffs of 2025 mark not just a



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