



## **Mass Layoffs in the Video Game Industry**

Daniel Shin

Los Angeles, CA, USA

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Previously known for its growth and creativity, the video game industry has recently faced a troubling wave of mass layoffs. Big companies and small studios are laying off workers, which has raised concerns about the industry's financial health and the workers' job security. The lingering effects of the COVID-19 pandemic, high development costs, and market changes are the major factors in laying off workers to cut costs. The layoffs have meant a loss of valuable personnel and have impinged the gaming industries' future growth and economic outlook.

### **Background**

The video game industry, a highly dynamic and rapidly evolving segment of global entertainment, has experienced significant growth and undergone a remarkable transformation over the past few decades. In recent years, the video game market has been projected to reach a revenue of \$282.3 billion and continues to grow, driven by technological advancements (Statista, 2024). The strong development and growth of personal computers, consoles, and mobile gaming have aided this growth. The industry is highly competitive and innovative and relies heavily on creative and skilled personnel.

However, despite its success as a major contributor to modern entertainment, the video game industry is not immune to mass layoffs, which have become more pronounced in recent years. For example, Unity Technologies laid off about 600 people, or 8% of its workforce, in 2023. The video game software developer said it would restructure “specific teams” and that the layoffs would help the company position itself for “long-term and profitable growth” (Capoot, 2023).

One significant factor contributing to these layoffs is the high-risk nature of game development. Video game development is typically long and expensive, with massive investment required for research, development, marketing, and distribution. However, a game's success is unpredictable, and underperforming titles can lead to significant financial losses (Kovtun, 2023).

### **Guiding Questions**

1. How has COVID-19 contributed to the massive layoffs in the video game industry?
2. What was the impact that the mass layoffs have caused in the video game industry?

### **Causes of Layoffs**

#### **Covid-19 pandemic**

The COVID-19 pandemic is responsible for much of the mass layoffs. During the pandemic, the video game industry saw a massive boom as people were stuck inside their homes and had more time to play video games. This led to companies massively expanding and hiring more staff to meet their increased demand. For example, Microsoft acquired ZeniMax Media for \$7.5 billion and Activision Blizzard for \$75.4 billion. Microsoft then announced that they laid off over 1,900 people across both companies. This was due to the pandemic increasing their revenue and hiring more staff with the hope that the revenue would continue, but since it wasn't able to, both old and new staff have been let go of their company in masses (Peebles, 2024).

However, as the pandemic subsided, people returned to their regular routines, which decreased the demand for video games. The rise in production costs and competition during the pandemic, and the sudden drop in demand, led to many video game companies laying off their workers (Parvini, 2023).

### **Rising Costs**

Rising costs for video game companies include the continuing complexity of game design, the adoption of advanced technologies to create "visually stunning" experiences, and rising player expectations for expansive and cinematic content. In addition to overexpansion, outsourcing, and company restructuring, immense pressure is put on the companies' budgets. Moreover, the recent global economic slowdown and rising interest rates make it more challenging for video game companies to secure funding (Wikipedia Contributors, 2024). Reduced budgets have forced studios to reduce project scope and their team size. A vicious cycle ensues; the mass layoffs cause the video game industry's stock prices to drop, making investors even more cautious. It also made securing new publishing deals more challenging; publishers are signing fewer deals.

### **Layoff Impacts**

These factors are causing many people to lose their jobs in the video game industry. When 2023 came to a close, more than 10,000 layoffs hit programmers, quality assurance workers, sound designers, and artists - alongside countless other people and job titles. Six months into 2024, the number of layoffs has surpassed 2023's total (Carpenter, 2024). Some laid-off workers move to other countries for employment but find themselves laid off there for the same reasons (Chang et al., 2024). The impact of these layoffs is unparalleled, as gaming will

lose hundreds, if not thousands, of talented creatives and support staff due to a lack of opportunities. (Farough, Futter, 2024)

The impact of these layoffs goes beyond just job losses; they also affect the mental health and morale of those still employed. Those who still keep their jobs will start to feel guilty and worried about their job security (Diepeveen, 2024). For those affected by these layoffs, it causes an emotional toll on them. Working in the video game industry is not just a career, but a dream for people to turn their passion from their childhood to a career. Once that dream is taken away from you due to these layoffs and it leaves an emotional impact on the workers that were laid off. Not only that, the laid off workers struggle to find new jobs and are often having to take freelance or short term contracts to make ends as both their severance packages and savings start to deplete rapidly (WholesGame, 2024).

### **Discussion**

The rapid growth in the video game industry during the COVID-19 pandemic led to problems when the demand for games decreased, precipitating mass layoffs. Companies expanded too quickly, hiring more staff and making big purchases. As the pandemic ended, companies laid off workers and spiraled into an economic free fall. This situation reveals the risks of expanding too quickly and the challenges of dealing with new technology and company changes. The video game industry has lost many valuable and talented workers, causing a slowdown in production and delays in new releases.

### **Conclusion**

The video game industry's significant growth during the COVID-19 pandemic led to tremendous expansion, with many companies hiring extensively and making costly investments in anticipation of sustained demand. However, as the pandemic's effects started to clear up and

everyday routines resumed, the resulting decrease in demand exposed the vulnerabilities of such rapid expansion. The combination of rising development costs, increased competition, and economic factors has worsened the industry's difficulties. These layoffs not only disrupt the careers of thousands of talented individuals but also impact the industry's overall stability and innovation potential. The industry must overcome these challenges by reassessing its growth strategies, managing resources more effectively, and adapting to the constantly changing market to ensure a more robust and sustainable future.

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