

Tesla mass firings could show impact down the road

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LiPo Ching/Bay Area News Group

The Tesla Factory in Fremont.

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Frank Morales joined Tesla about four years ago, eager to work for a growing company.

Morales handled the aggressive deadlines of the Tesla warehouse — until last month. He said he received years of strong performance reviews, but was fired one day “with no warning.”

A friend and a cousin recently asked him if they should go to work for the car maker. “I told them no,” Morales said, “stay where you’re at.”

Tesla’s October dismissal of 700 workers has left former employees angry and outspoken. Some, like Morales, have refused to sign a separation agreement they feel is unfair and restrictive. The agreement bars former employees from disparaging the company or the executives who fired them, according to a copy obtained by this news organization.

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Tesla also faces ongoing protests, lawsuits and federal complaints from ex-workers and workers seeking to unionize — and is once again aggressively defending its image.

The disruptions come as the company battles the enormous task of hiring, training and expanding a skilled workforce to produce a new vehicle — the delayed, lower-cost Model 3 — that’s key to its success and survival.

Experts in human resources and employment law say the abrupt dismissals and upheaval could have lasting consequences for the Tesla brand and the company’s ability to attract talented engineers and factory workers.

“You really need to plan (terminations) very, very carefully, because it’s about people,” said Sanjay Sathe, CEO of placement support agency RiseSmart. The former workers could be future customers or even rehired as production demands increase, Sathe said. And bad word-of-mouth reviews can spread quickly on social media.

CEO Elon Musk acknowledged for the first time this month the company had fired 700 employees, saying it was for poor performance. Tesla sets high worker standards, he said, because it must be better than its bigger competition. “They’re high because, if they’re not high, we will die,” Musk said.

He complained that the October terminations, first reported by this news organization, became public and added that journalists should “be ashamed” for writing about a turnover of 2 percent of the public company’s employees.

The company also shot back at critics questioning its treatment of workers, who have raised concerns about lax worker safety rules and low pay. Chief people officer Gaby Toledano wrote an op-ed in the Sacramento Bee this month touting the company’s employee stock program and innovative environment. The company lists more than 2,500 open positions on its job board.

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“Our employees have many paths towards promotion and long-term careers,” Toledano wrote in response to a critic. “We also believe it is important for everyone to be an owner of the company so, unlike other automakers, everyone is awarded company stock upon hiring.”

Palo Alto-based Tesla says workers remain attracted to the automotive and clean tech company. A company spokesman said Tesla received more than 73,000 applications worldwide in October, a 16 percent increase from January.

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Any suggestion that the firings would hurt Tesla hiring in the long-term, the company said, “is purely speculation.” The company’s stock price hit record highs this year, but fell in recent weeks.

Analysts have kept a close watch on employee turnover in key positions. High-profile executives in autonomous driving, batteries, finance and business development have left the company this year.

More than a dozen current and former employees interviewed said their dismissals came with little or no warning and were unrelated to performance. Some said they were fired weeks before stock options vested. Many added that morale suffered at the plant, as workers were unsure of their job status.

The company has also angered outgoing employees by requiring them to sign a broad non-disparagement clause as part of their separation package.

The separation agreements ban ex-employees from bad-mouthing the company, its executives, investors, affiliated companies, and contractors and products. Fired employees are prohibited from specifically criticizing Musk, in return for two weeks severance pay.

Irving Arguello, a former Tesla mechanic from San Francisco, refused to sign the agreement. “I got spit out,” said Arguello, an expert in automotive electronics. “It’s a lot to ask.”

Arguello spent months in Norway, Canada and in U.S. cities fixing Tesla cars and training mechanics. He enjoyed learning the cutting edge technology, but said he became disillusioned with company managers ignoring worker needs, and Tesla’s demand for secrecy.

“Tesla relies a lot on perception,” he said. “They want to keep the positive perception.”

Scores of workers and supporters have protested at the Fremont factory since the terminations. Some former employees have joined a class action suit, saying the dismissals were actually layoffs — a distinction that could bring ex-employees up to 60 days of back pay.

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Employment lawyers say it’s unusual to fire hundreds of employees within weeks for performance issues.

“If an employee is doing poorly, you would just fire him,” said Nick Rosenthal, a Los Angeles attorney for several ex-workers. “You wouldn’t fire hundreds at the same time.”

Randy Strauss, an employment attorney based in Oakland, questioned Tesla’s explanation for the dismissal.

“On its face, it seems highly unlikely,” Strauss said. “Have you ever heard of a company that fires up to 1,000 people at one time, for cause?”

Josie Camacho, an executive at the Alameda Labor Council, said the terminations shocked many in the community. Labor organizers had high hopes for Musk leading a new era of auto manufacturing in the Bay Area and restoring the former Toyota NUMMI plant to regional, economic powerhouse.

Camacho said remaining factory workers she's spoken with are upset. "As far as I'm concerned," she said, "this employer needs to be held accountable."

Morales, 46, insists he's not bitter about his time at Tesla. He's found a new, better-paying job closer to his home in San Jose. "Things happen for a reason."

But still, he said, "I don't think it was right."