LUMO INSIGHTS

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AI’s impact on work: hard truths & fresh lessons for leaders

Executive Summary

New data and corporate moves over the past 48 hours reveal that AI is already reshaping the workforce in unexpected ways. From a surge in AI-driven job cuts and declining entry-level opportunities to the re-emergence of old hiring habits and shifts in how we reward and manage employees, the latest developments underscore that navigating AI’s impact is as much about people as it is about technology. For senior leaders, these insights highlight the need to guide AI-driven change with honesty, skill development, and empathy.

Jobs lost and created: the AI employment paradox

In the past two days, new evidence has emerged that AI is directly contributing to job cuts at an unprecedented scale. For the second month in a row, artificial intelligence was the top reason companies cited for layoffs, with U.S. employers announcing 21,490 AI-related job cuts in April - 26% of all layoffs last month (www.cbsnews.com [1]) (www.cbsnews.com [2]). These cuts are hitting certain sectors hardest: tech, finance, and customer service firms are rapidly adopting generative AI to streamline work and are shifting spending from headcount to automation initiatives (thehill.com [3]). For workers, this trend is a stark confirmation that AI-driven automation is already eliminating roles once considered secure.

However, some industry voices urge caution in interpreting these numbers. Even OpenAI’s CEO Sam Altman has warned that some companies may be “AI-washing” their decisions - blaming layoffs on AI to justify staff reductions they would have implemented anyway (www.msn.com [4]). This scepticism suggests that while automation is genuinely driving efficiency in many cases, not every layoff attributed to AI is truly caused by algorithms. Leaders should scrutinise whether job cuts are actually due to AI adoption or whether “AI” is becoming a convenient scapegoat for broader cost-cutting - a narrative that could backfire by eroding employee trust.

It’s also important to remember that AI’s impact on employment is two-sided. Alongside displacement, new kinds of jobs are emerging. A major international forecast anticipates that by 2030, advancements in AI and other technologies will generate around 170 million new jobs worldwide, even as about 92 million jobs are disrupted - a net gain of roughly 78 million positions (www.weforum.org [5]). Many of these roles - from prompt engineers and AI ethicists to data curators - are aimed at augmenting and governing AI systems rather than replacing human workers. The takeaway: we are in a period of transition. The composition of the workforce will change dramatically, but with prudent strategising and reskilling, organisations can position themselves to create as many opportunities as AI eliminates.

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Early-Career crunch and the skills gap

One of the most alarming developments is evidence that AI may already be eroding entry-level opportunities for young professionals. A comprehensive study of payroll data finds that since late 2022 - when tools like ChatGPT first went mainstream - early-career employees in highly AI-exposed jobs have seen significant employment declines. In particular, entry-level positions in fields such as software development, marketing, and customer support have fallen by roughly 16 - 20% for workers aged 22 to 25 (www.cbsnews.com [1]).

Compounding this challenge, some employers are responding to the shrinking junior talent pipeline by narrowing their recruitment efforts. A 2025 survey found that 26% of large companies were recruiting primarily from a short list of elite universities (up from 17% in 2022) - a retreat from the “talent is everywhere” hiring approach of recent years. One practical reason, recruiters say, is that AI-written résumés have made many candidates look indistinguishable from each other, pushing companies to fall back on familiar signals like degree prestige to identify top talent.

Why are junior staff bearing the brunt? Simply put, generative AI is now adept at automating the routine, “textbook” tasks that entry-level workers typically do - from writing basic code to drafting marketing plans. This is knowledge that college graduates have just learned, and AI can replicate much of it almost instantly. As study co-author Erik Brynjolfsson explained, “These large language models are trained on books, articles and written material found on the internet and elsewhere… That’s the kind of book learning that a lot of people get at universities before they enter the job market, so there is a lot of overlap between these LLMs and the knowledge young people have” (www.cbsnews.com [2]). In contrast, experienced employees bring deeper expertise, tacit knowledge, and organisational insight that AI cannot easily mimic - which helps explain why their employment prospects have so far remained more resilient.

Some experts warn that aggressively automating entry-level roles could be a costly long-term mistake. MIT’s Andrew McAfee cautions that by removing too many junior roles, companies risk undercutting their future leadership pipeline (finance.yahoo.com [3]). After all, today’s new hires and trainees are tomorrow’s managers and innovators - but only if they have opportunities to develop skills on the job. Recognising this, forward-thinking organisations are taking action to bridge the AI skills gap instead of simply shrinking their intake. For example, design platform Canva recently gave its 5,000 employees a full week off from regular work to focus exclusively on learning AI skills - a “bold experiment in team development,” according to co-founder Cameron Adams (www.hrgrapevine.com [4]). Similarly, companies like IBM, Microsoft, and Amazon have launched massive internal AI upskilling programmes, and new roles such as AI trainers and prompt engineers are being created to ensure human talent remains at the core of the AI revolution. By investing in employee growth and adjusting career pathways, leaders can help mitigate the early-career crunch and cultivate the next generation of AI-ready talent.

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Culture shock: trust, bias, and resistance

As AI tools weave into everyday workflows, they are surfacing new cultural challenges in the workplace. One striking example is a recent experiment that revealed a gender-based double standard when employees use AI. Researcher Zehra Chatoo had two job seekers - one woman and one man - submit identical résumés generated with AI (differing only in the names “Emily” and “James”). The result was eye-opening: reviewers were 22% more likely to question the woman’s credibility and were twice as likely to doubt her competence, despite her qualifications being identical (www.msn.com [1]). Gen Z male reviewers were the most sceptical of the female candidate’s AI-assisted résumé, describing it as 'weak' 3.5 times more often than the identical male version. In fact, James’s résumé received a 97% approval rating, compared to just 76% for Emily’s (www.msn.com [2]). This kind of bias could discourage women from using AI tools - or from crediting those tools - which in turn might hamper their productivity or visibility. It’s a reminder that technology doesn’t automatically eliminate bias; sometimes it uncovers biases we didn’t know we had.

At the same time, many employees remain uneasy about the growing role of AI in their working lives. Nearly two-thirds of Americans (64%) believe AI will lead to fewer jobs in the long run (thenextweb.com [3]), and even among those whose jobs are not immediately threatened, there’s a “trust gap” emerging. One recent global survey found that AI adoption in the workplace is now outpacing employees’ confidence in the technology’s benefits (www.ey.com [4]). In practice, this anxiety can translate into resistance. For instance, faced with an automated video interview or chatbot screener, a substantial share of job seekers are simply opting out: roughly 38% have already withdrawn from a hiring process because it required an AI-driven interview, and another 12% say they would likely do the same if asked (finance.yahoo.com [5]). Of those who went through AI-based interviews, about half say the experience did not result in a job offer (finance.yahoo.com [6]) - a discouraging outcome that can fuel further distrust. Clearly, if organisations push AI tools on employees or candidates without addressing their concerns, they risk attrition and hiring challenges.

These sentiments are not going unheard. Employee unions and regulators are increasingly vocal about the need to ensure a "just" AI-driven transition in the workplace. Labor groups are pressing employers to be transparent about how algorithms are used in decisions affecting jobs, pay, and working conditions. In the US, policymakers are taking note: the White House recently called on Congress to establish a legal framework to protect individuals from the unauthorised use of AI-generated replicas of their voice or likeness (news.bloomberglaw.com [7]) - a response to union outcry in industries like media and entertainment over deepfakes and digital impersonation. The overall message is that managing the human side of AI is now a leadership issue. Companies that treat AI adoption purely as a technical upgrade, without regard for fairness, transparency, and employee involvement, may face growing backlash. By contrast, those who proactively engage their workforce, address bias, and build trust stand a far better chance of achieving sustainable, people-positive AI transformation.

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Leading in the Human+AI Era

With AI now rewriting business processes, leadership itself must evolve. Many organisations are appointing new roles and rethinking team structures to steer this transformation. A new global survey of 2,000 CEOs by IBM found that 76% of companies have created a Chief AI Officer (CAIO) position in 2026, up from just 26% in 2025 (newsroom.ibm.com [1]). Nearly two-thirds of these CEOs also say they are comfortable using AI-generated insights to inform major decisions at the leadership level (newsroom.ibm.com [2]). Boards are asking tougher questions about AI strategy, and companies increasingly realise that guiding AI deployment can’t be left to IT departments alone - it requires engagement from the C-suite and directors.

However, pouring money into intelligent software alone is not a silver bullet. A sobering analysis by Gartner recently found that only one in fifty AI projects truly succeeds in delivering transformative value (www.gartner.com [3]). Often, the difference between organisations that thrive with AI and those that struggle lies in the human element of integration. Businesses that invest in reimagining workflows, upskilling employees, and aligning job roles to complement AI are seeing better returns. Indeed, IBM’s study notes that companies embracing an "AI-first" operating model - even restructuring leadership teams around AI - have scaled 10% more AI initiatives across their enterprises than their peers (newsroom.ibm.com [4]).

Forward-thinking leaders are also adapting how they measure performance in an AI-enabled workplace. Some firms have begun rewarding employees for integrating AI into their work. For example, Google has reportedly started to include AI tool usage as a factor in performance evaluations for its engineers (finance.yahoo.com [5]). On the other hand, not everyone believes in tracking individual AI metrics. Goldman Sachs’s tech chief Marco Argenti argued that monitoring each employee’s AI usage is misguided - "like looking at only one player on the field" - and instead measures how fast teams move from idea to product as the key indicator of success (finance.yahoo.com [6]) (finance.yahoo.com [7]). These contrasting approaches underscore that there’s no one-size-fits-all playbook. What’s clear is that successful leadership in the AI era means fostering a culture of innovation and learning, where employees are empowered (and incentivised) to use AI ethically and effectively.

As IBM’s Vice Chairman Gary Cohn put it, the companies that win will be those that treat AI "not as a layer of technology, but as a new operating model" that accelerates decision-making and dissolves silos (newsroom.ibm.com [8]). Leading an organisation through AI-driven change is a test of adaptability and vision. By pairing technological investment with purposeful role redesign, continuous learning opportunities, and an empathetic change management strategy, executives can unlock AI’s benefits while bringing their people along on the journey.

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Key Statistics

- 26% of U.S. job cuts announced in April 2026 (21,490 layoffs) were attributed to AI, making it the top-cited reason for workforce reductions that month ([www.cbsnews.com](https://www.cbsnews.com/news/ai-layoffs-job-cuts-challenger-report-april-2026/#:~:text=Christmas,Some)).
- Entry-level employment in AI-exposed roles like software development and customer support fell nearly 20% for workers ages 22 - 25 from late 2022 to mid-2025 ([www.cbsnews.com](https://www.cbsnews.com/news/ai-artificial-intelligence-jobs-workers/#:~:text=have.,according%20to%20the%20report)).
- 76% of surveyed organisations have a Chief AI Officer in 2026, up from 26% in 2025 ([newsroom.ibm.com](https://newsroom.ibm.com/2026-05-04-ibm-study-ceos-are-reshaping-c-suite-roles-for-the-ai-era#:~:text=Reshaping%20C,help%20inform%20major%20strategic%20decisions)).
- Gen Z men were 3.5× more likely to call a woman’s AI-generated résumé 'weak' compared to an identical male version (James’s had a 97% approval rating vs 76% for Emily’s) ([www.msn.com](https://www.msn.com/en-us/news/insight/study-finds-ai-r%C3%A9sum%C3%A9-bias-hits-women-harder-than-men/gm-GM0F9A9714#:~:text=match%20at%20L22%20r%C3%A9sum%C3%A9%20as,respondents%2C%20indicating%20some%20positive%20recognition)).
- Only ~4% of U.S. employers gave flat "peanut butter" raises in 2026 - despite 44% considering across-the-board raises earlier in the year ([finance.yahoo.com](https://finance.yahoo.com/economy/policy/articles/companies-abandoning-peanut-butter-raises-074100783.html#:~:text=this%20year%20suggested%20this%20trend,users%20gain%3F%20Why%20are%20peanut)) ([finance.yahoo.com](https://finance.yahoo.com/economy/policy/articles/companies-abandoning-peanut-butter-raises-074100783.html#:~:text=than%20equal%20raises%3F%20How%20is,Google%20has%20begun%20incorporating)).

KEY TAKEAWAY

Leaders must balance tech adoption with a people-first approach. The companies thriving with AI are those investing in talent - reskilling employees, creating new roles, addressing biases, and communicating transparently - so they realise AI’s benefits without losing their workforce.

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