LUMO INSIGHTS

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AI’s workplace shake-up: efficiency boosts, talent gaps & the human factor

Executive Summary

A flurry of developments in the past two days underscores how rapidly - and unevenly - AI is changing the world of work. Major companies are making drastic moves to restructure their workforces for an AI-driven future, from layoffs and new 'AI team' structures to ambitious plans for upskilling. Meanwhile, data and labour reactions reveal a stark gap between leaders’ big AI ambitions and employees’ current reality, highlighting the need for a more honest, people-centred approach to tech-driven transformation.

AI efficiency and job cuts

In an extraordinary trend, companies are reporting strong financial performance even as they announce sweeping layoffs attributed to artificial intelligence. This week, internet services firm Cloudflare cut about 1,100 employees - roughly 20% of its workforce - in its first mass layoff ever, citing AI-driven efficiency gains that made many support roles redundant (techcrunch.com [1]) (techcrunch.com [2]). Cloudflare’s CEO noted that because AI had boosted productivity, the company simply doesn't need as many people in certain support positions (techcrunch.com [3]). Similar rationales have been echoed at Meta, Microsoft, Amazon and other tech giants that are using AI improvements to justify cutting thousands of jobs even as revenues climb (techcrunch.com [4]).

These workforce reductions are part of a broader, data-backed wave of AI-related job displacement. In the first quarter of 2026, at least 81,747 tech employees lost their jobs - the highest quarterly total in more than two years (invezz.com [5]). One industry tracker counted over 150,000 tech jobs eliminated by mid-April (invezz.com [6]), marking the largest concentrated wave of tech layoffs in a decade. Notably, unlike prior downturns driven by economic slumps or over-expansion, many of this year’s cuts are portrayed as strategic 'transactions' - swapping out roles that AI can handle or streamline, and reallocating resources towards technology investments.

Underlying these decisions is a dramatic shift in where companies are investing. The biggest tech firms - Google, Amazon, Microsoft, and Meta - are together planning to spend an astonishing $725 billion on capital projects in 2026 (largely AI infrastructure), a 77% jump from last year (invezz.com [7]). To fund this pivot, they are trimming payrolls even in high-performing units. Meta, for example, is eliminating 8,000 roles (10% of its workforce) effective this month and cancelling thousands more open positions, as part of a structural reorganisation to free up budget for a $115 - $135 billion AI build-out (thenextweb.com [8]) (thenextweb.com [9]). Meta’s head of HR explained that the move was needed to 'run the company more efficiently' and offset those massive AI investments (thenextweb.com [10]). In short, AI is prompting leaders to make painful cost trade-offs now in hopes of long-term efficiency and growth.

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Redesigning roles and teams with AI

For some companies, the push to integrate AI isn't only about cutting costs - it's about fundamentally changing who does the work and how. This week General Motors took the unusual step of laying off 600 members of its IT department (over 10% of that workforce) in what it termed a 'skills swap' (techcrunch.com [1]). Rather than simply eliminate those positions, GM is recruiting new employees with 'AI-focused' skill sets to refill many of the roles (techcrunch.com [2]). The company is seeking talent in areas like AI model development, data analytics, cloud engineering, and even prompt engineering - people who, as one insider put it, know how to build with AI from the ground up (techcrunch.com [3]). In effect, GM is trading out staff whose expertise 'no longer fits' for workers prepared to construct the next generation of AI-driven systems.

Tech firms that have invested heavily in AI are likewise reshaping their organisational structures. Meta's latest restructuring not only cuts headcount; it's also inventing new positions such as 'AI builder', 'AI pod lead', and 'AI org lead' (thenextweb.com [4]). Teams are being reorganised into nimble, AI-centric "pods," often by migrating employees into a central AI-focused division, as the company aims to 'fundamentally rewire how we operate' for greater productivity (thenextweb.com [5]).

Other businesses are even experimenting with radical team models built around AI. At the freelancing platform Upwork, the CEO decided to cut 25% of the workforce in a bid to move faster, arguing that 'AI means smaller, differently resourced teams in product and engineering can make a bigger impact than ever' (www.upwork.com [6]). In her message to employees, she outlined plans to consolidate redundant tasks, collapse layers of management, and build flatter, more agile groups with AI boosting their capacity (www.upwork.com [7]). Meanwhile, crypto company Coinbase has gone so far as to eliminate most traditional managers altogether. In a bold May reorg accompanying a 14% staff reduction, CEO Brian Armstrong introduced 'AI-native' pods that include single-person teams using AI agents to perform what used to be done by entire departments of engineers, designers, and product managers (thetechmarketer.com [8]).

As AI systems begin handling more knowledge work, companies across industries are re-imagining processes to capitalise on these capabilities. The World Economic Forum's recent report highlighted case studies where AI tools drastically reduced workloads - in one, an AI system analysing tax and regulatory data uncovered $120 million in savings and cut a filing process from weeks to days, while another firm's lab automation bot shrank a 30-minute ordering task to mere seconds, freeing up

30,000 hours of work per year (aimagazine.com [9]). Leaders also note that automating rote tasks can improve employee well-being: early adopters report AI has reduced repetition and burnout, allowing staff to focus on higher-value work and creativity (aimagazine.com [10]). And looking to the near future, some foresee AI becoming an official 'team member' itself - ServiceNow's Chief Strategy Officer Hala Zeine has predicted that org charts will soon include AI agents as formal team members alongside humans, each with defined responsibilities and performance metrics (aimagazine.com [11]).

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Employee fears and adaptation

For many workers, the impact of AI on their day-to-day jobs has been limited so far - but that hasn't eased anxieties about what's coming. In a recent survey of over 4,000 U.S. professionals, 75% said they have not experienced any changes to their job due to AI yet (www.flexjobs.com [1]). Only 6% reported that their own role has changed because of AI. Yet nearly half (42%) of these workers fear that AI could eventually threaten their job security (www.flexjobs.com [2]). In short, there's a wide gap between the constant talk of AI disruption and most employees' current reality.

At the same time, a growing number of employees are proactively experimenting with AI - sometimes under management's radar. Research shows that while only about 40% of organisations have officially invested in advanced AI tools like large language models, workers at over 90% of those companies report using their *own* AI tools on the job (www.5wpr.com [3]). This shadow adoption can be a double-edged sword. Roughly half of U.S. employees use AI at work without knowing whether it's allowed, and 44% knowingly use it in ways their employers haven't sanctioned (www.5wpr.com [4]). On one hand, these self-starters are boosting their individual productivity with AI and sharpening new skills - for example, more than a quarter of workers say AI motivates them to learn new capabilities faster (www.flexjobs.com [5]). On the other hand, unauthorised AI use creates risks around errors, data security, and compliance if organisations don't catch up.

Where AI is arriving openly in the workplace, it's also provoking resistance and calls for safeguards. Across industries, labour unions are emphasising demands for transparency, fairness, and human oversight in AI deployment (news.lrionline.com [6]). In the media sector, the union at ProPublica went so far as to stage a 24-hour strike in April, pushing for contractual guarantees on job security in an 'AI-driven industry' and a say in if and how new AI tools are used in reporting (www.poynter.org [7]). Journalists at outlets like The New York Times and the Associated Press have likewise protested what they call "woefully inadequate" AI policies after incidents such as an AI-generated book review that

mimicked another publication’s writing (www.poynter.org [8]). Meanwhile, in the tech world, nearly all of Google DeepMind’s UK staff - 98% - voted this month to unionise, motivated in part by concern over their employer’s involvement in military AI projects and a desire for stronger ethical governance of AI work (thenextweb.com [9]).

These reactions are a warning for leaders: failing to address employees’ concerns can derail an AI initiative. A labour relations analysis found that employers who treat AI purely as a technical implementation - rather than also addressing the human and trust aspects - are far more likely to encounter workforce resistance (news.lrionline.com [10]). Conversely, organisations that communicate early, involve employees in the rollout of AI changes, and maintain clear human oversight tend to see far less pushback (news.lrionline.com [11]). In this delicate moment, a people-first approach isn’t just about avoiding blowback; it’s key to unlocking AI’s potential productivity gains in a sustainable way.

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Closing the skills & Strategy gaps

The race to embrace AI is exposing critical capability gaps - both in the workforce and in the boardroom. Even as automation displaces certain jobs, companies are struggling to fill new tech-heavy positions. In the U.S., roughly 275,000 AI-related job postings were open at the start of this quarter, even as the industry was experiencing record layoffs (invezz.com [1]). Employers report a 92% surge in hiring for AI roles in 2026, often with salaries carrying a 50%+ premium for in-demand skills (invezz.com [2]). Yet the workers being laid off - in areas like customer support, routine administration, and middle management - typically don’t have the machine learning and data science skills needed for those open roles (invezz.com [3]). This stark skills mismatch means that without significant retraining, many displaced employees simply can’t step into the new jobs AI is creating.

Organisations are adopting different strategies to close this gap. Many are in a talent 'arms race,' either hiring externally or trying to rapidly upskill their people. Automaker GM’s 'skills swap' is one example of bringing in fresh AI expertise following layoffs (techcrunch.com [4]) (techcrunch.com [5]). Meanwhile, some tech giants are willing to pay unprecedented sums to attract top AI experts - one report noted that Meta offered compensation packages up to $1.5 billion for a single elite machine-learning engineer (thenextweb.com [6]). Other companies are focusing more on developing their existing workforce. For instance, at the World Economic Forum’s 2026 meeting in Davos, 25 major firms - including Cisco, Wipro and ServiceNow - collectively pledged to train over 120 million people worldwide in digital and AI skills by 2030, helping create new 'AI native' roles for the future (aimagazine.com [7]). These kinds of large-scale upskilling initiatives reflect a commitment to avoid

leaving existing employees behind.

Lastly, there's the challenge of leadership itself adapting to the age of AI. A recent KPMG report revealed nearly three-quarters of corporate boards have only 'moderate or limited' understanding of AI technologies and their implications (kpmg.com [8]). To address this, KPMG and INSEAD have introduced new AI governance principles to guide board directors in providing effective oversight as AI transforms their organisations' strategies and risk profiles (kpmg.com [9]). Even among executives, direction can be inconsistent: 75% concede their company's AI strategy is 'more for show' than actual substance (writer.com [10]). And 79% of enterprises say they face significant challenges turning AI investments into real business value - with 54% of C-suite leaders admitting that the process of adopting AI is actually 'tearing their company apart' internally (writer.com [11]). As the World Economic Forum points out, AI transformations more often stumble due to people and process issues rather than technology failures (www.weforum.org [12]). The organisations that succeed are typically those that deliberately redesign workflows and roles to mesh human expertise with AI capabilities, invest in training and change management, and foster a culture of trust and adaptability. The bottom line for leadership: effectively leveraging AI is not just about buying the latest algorithms - it's about preparing your people, and yourselves, for a new way of working.

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Key Statistics

- 75% of U.S. workers say they haven't experienced any AI-related job changes in their role so far ([www.flexjobs.com](https://www.flexjobs.com/blog/post/future-of-work-report#:~:text=27,about%20AI%20disrupting%20jobs%20is)).
- 54% of C-suite executives say that adopting AI is "tearing their company apart" internally ([writer.com](https://writer.com/blog/enterprise-ai-adoption-2026/#:~:text=dynamics,This%20is)).
- Approximately 275,000 AI-related jobs were open in early 2026 while tens of thousands of tech workers were being laid off, reflecting a major skills gap ([invezz.com](https://invezz.com/news/2026/05/04/is-big-techs-725b-ai-splurge-being-funded-by-mass-layoffs/#:~:text=that%20shows%20275%2C000%20AI,attributed%20layoffs%20will)).

KEY TAKEAWAY

The past 48 hours show it’s time to rethink people strategy for AI. Tech can boost efficiency, but poorly managed AI integration is already causing workforce upheaval, anxiety, and cultural rifts. Leaders who redesign work, upskill employees, and actively involve their people will be far better positioned to capture AI’s benefits without losing talent.

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