LUMO INSIGHTS

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AI upheaval: navigating layoffs, learning and leadership in a 48-hour workplace shake-up

Executive Summary

A wave of AI-driven workforce changes and reactions has emerged in the past two days. From surprise tech layoffs and employee protests to billion-dollar upskilling bets, these developments highlight a crucial truth: how leaders manage the human side of AI will determine which organisations sink or soar.

AI layoffs surge - hype vs. reality

In the last 48 hours, several major companies have announced sweeping job cuts connected to artificial intelligence. Internet infrastructure firm Cloudflare, for example, is eliminating roughly 1,100 roles - about 20% of its workforce - in its first-ever mass layoff, citing efficiency gains from AI automation (techcrunch.com [1]). This move came even as Cloudflare reported its highest quarterly revenue ever (a 34% year-on-year jump), underscoring a drive to cut costs despite strong growth (techcrunch.com [2]). Similarly, crypto platform Coinbase said it will cut around 700 employees (14% of staff) to implement a more AI-centric workflow. CEO Brian Armstrong noted that smaller, focused teams have become dramatically more efficient by using AI tools to automate tasks that once required larger groups (www.forbes.com [3]). And according to media reports, PayPal plans to reduce its headcount by as much as 20% over the next three years while ramping up AI-driven automation to save $1.5 /billion in costs (www.cbsnews.com [4]) (www.cbsnews.com [5]).

These AI-branded layoffs have left many workers and analysts sceptical. While genuine automation is beginning to affect certain tasks - research by AI lab Anthropic shows that many work activities are technically automatable, yet "the vast majority are still performed primarily by humans" (theconversation.com [6]) - the overall impact on jobs remains smaller than headlines suggest. A Goldman Sachs study estimated that if today’s AI tools were fully implemented across the U.S. economy, only about 2.5% of jobs would be at immediate risk of automation (theconversation.com [7]). And according to Oxford Economics, most employers “don’t appear to be replacing a significant number of workers with AI” so far (www.cbsnews.com [8]). Some firms may even be using the hype around AI as a convenient pretext for downsizing. As one economist put it, companies are "trying to dress up layoffs as a good news story… by pointing to technological change instead of past overhiring" (www.cbsnews.com [9]). Surveys back this up: Gartner found that in late 2025, only 20% of customer service leaders who reduced headcount did so primarily because of AI - most cuts were due to broader economic pressures (www.forbes.com [10]). All of this suggests a growing gap between the narrative of AI-driven job losses and the current reality on the ground.

Importantly, AI isn’t just a job destroyer - it’s also a job transformer and creator. The World Economic Forum reports that the wave of AI and automation has already added about 1.3 /million new positions globally in areas like AI engineering and data centre operations (www.weforum.org [11]). Companies

are creating roles such as prompt engineers, AI ethicists, and even Chief AI Officers to guide the use of these technologies. In many cases, AI is taking over repetitive tasks and freeing humans to focus on more complex, higher-value work rather than eliminating the workers altogether. The challenge for leaders is figuring out how to balance the drive for efficiency with the need to elevate and redeploy human talent - so that the benefits of AI are realised without losing the people who create long-term value.

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Short-Term cuts, long-term regrets

If this week's news is any indication, some companies may soon second-guess the decision to cut staff in the name of AI. A new survey of over 1,000 business leaders found 55% of employers who laid off staff due to AI now acknowledge they made the wrong call (www.forbes.com [1]). Major analyst firms are also warning of a coming rethink: Gartner predicts that by 2027, half of the organisations that slashed headcount for "AI efficiency" will end up rehiring for those same roles, and Forrester similarly forecasts a wave of rehiring by the end of 2026 (www.forbes.com [2]). In short, the rush to shed employees can backfire as companies find that automation isn't delivering the expected gains or creates new gaps.

Some forward-looking executives are already adjusting course to avoid those pitfalls. IBM's Chief Human Resources Officer, for example, argues that the most successful companies in the next few years will be those that continue bringing in entry-level talent - even for jobs that AI could technically do - to build skills for the future (www.forbes.com [3]). Organisations that cut too deeply are discovering unintended consequences: to fill capability gaps, they often have to hire experienced replacements from outside at roughly a 30% higher salary cost (www.forbes.com [4]). Those pricey hires lack the company-specific knowledge and relationships that departed employees had built over time, eroding culture and institutional memory.

Real-world experiences are reinforcing this lesson. Fintech company Klarna offers a cautionary tale: between 2022 and 2024, it eliminated 700 customer service roles, replacing those workers with an AI chatbot system. When service quality and customer satisfaction plunged, leadership admitted they "focused too much on efficiency and cost" at the expense of quality (www.forbes.com [5]). By mid-2025, Klarna was rehiring human support agents and moving to a hybrid AI-plus-human model (www.forbes.com [6]). Such reversals highlight an emerging truth: sustainable AI transformation requires pairing technology with human judgment, expertise, and adaptability. Companies that lose

sight of the human element may find themselves scrambling to rehire or re-skill talent they earlier let go.

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Leading through human-centred AI change

The recent scramble of AI-driven changes has revealed a stark divide in how organisations approach workforce transformation. Some companies - like Microsoft - are taking a measured path, reshaping roles and offering voluntary buyouts to gracefully evolve their talent mix for an AI-powered future (www.cnbc.com [1]). Others - like Meta - are plowing ahead with aggressive tech deployments only to face fierce employee resistance. Just this week, Meta saw workers protesting the introduction of AI-enabled “mouse-tracking” surveillance software, which employees view as an invasive attempt to monitor their every move and train algorithms at their expense (techstartups.com [2]) (techstartups.com [3]). The backlash, which coincides with Meta’s plans to cut about 10% of its staff and ongoing unionisation efforts, underscores the importance of transparency and trust. No matter how advanced the technology, failing to bring employees into the process can trigger real cultural and legal challenges.

By contrast, many companies that are succeeding with AI are those deeply investing in their people. LinkedIn’s Top Companies 2026 report found that leading employers (including Amazon, JPMorgan and Accenture) have made AI upskilling and internal mobility central to their HR strategy (www.forbes.com [4]). Amazon, for instance, is spending $1.2 /billion to retrain 300,000 workers with new tech skills as part of a “Future Ready 2030” initiative (www.forbes.com [5]). Microsoft has launched a $4 /billion global AI skills development programme to ensure its workforce can leverage emerging tools (www.forbes.com [6]). This intense focus on learning is already paying off: a Boston Consulting Group study indicates that the small minority of “future-built” companies seeing major financial gains from AI are upskilling more than half of their employees, far more than others, and providing dedicated time and resources for AI training (www.bcg.com [7]). These organisations understand that technology’s true value is unlocked by a workforce prepared to use it. In fact, roughly 70% of the value from AI projects comes not from the algorithms or IT alone, but from rethinking processes, roles and skills so that humans and AI can work together effectively (www.bcg.com [8]).

Finally, leaders must address the human side of AI adoption to avoid damaging morale and culture. Many employees are anxious - a recent survey found that nearly two-thirds of workers expect AI to make the workplace feel less human, and 57% believe AI will erode their skills, an even bigger share than those worried about losing their jobs (www.prnewswire.com [9]) (www.prnewswire.com [10]). Such fears can slow or undermine transformation if left unacknowledged. There are growing calls for responsible AI use in workplaces, including demands from labour unions and regulators for stronger protections. In Europe, for example, trade unions have pushed for new rules requiring employers to inform workers when algorithmic systems are introduced and to uphold a human-in-control principle for workplace AI (www.etuc.org [11]). The bottom line for executives: guiding your organisation

through an AI-driven transformation is as much about people as it is about technology. Those who communicate openly, invest in their team's development, and thoughtfully redesign jobs to blend human and machine strengths are more likely to see sustainable performance improvements - and keep their best people on board.

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Key Statistics

- 55% of employers who laid off workers for AI now say they regret it ([www.forbes.com](https://www.forbes.com/sites/joetoscano1/2026/02/18/corporate-america-is-rethinking-ai-workforce-needs-led-by-ibm/#:~:text=1%2C000%20business%20leaders%20found%20that,level%20talent%20are%20now%20poaching)).
- Half of AI-related job cuts are expected to be rehired by end of 2026 ([www.forbes.com](https://www.forbes.com/sites/joetoscano1/2026/02/18/corporate-america-is-rethinking-ai-workforce-needs-led-by-ibm/#:~:text=1%2C000%20business%20leaders%20found%20that,level%20talent%20are%20now%20poaching)).
- AI has created 1.3 /million new jobs (e.g. AI engineers, data centre roles) so far ([www.weforum.org](https://www.weforum.org/stories/2026/01/ai-has-already-added-1-3-million-new-jobs-according-to-linkedin-data/#:~:text=2026%2C%20while%20nearly%2080,Deployed)).
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KEY TAKEAWAY

Rapid AI-driven changes demand steady leadership. Data shows companies that treat AI as a human transformation - investing in reskilling, transparency and balanced integration - outperform those chasing quick, tech-only fixes. Leaders must empower people to thrive

alongside AI.

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