LUMO INSIGHTS

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Aldi offshoring, ‘AI washing’ backlash spur adoption rethink

Executive Summary

Aldi’s plan to outsource head-office jobs under an AI partnership, alongside an Australian union outcry over “AI washing” in layoffs, has highlighted pitfalls in how firms adopt AI. New research shows that real productivity gains depend on broad use and active managerial support - reinforcing that how organisations deploy AI is crucial to its impact on work.

Aldi offshores back-office roles

Aldi UK, the fast-growing discount grocer, is consulting on cutting up to 150 roles in its head office technology team (www.cityam.com [1]). The move, announced on 11 November, comes after Aldi had already eliminated 103 finance and administration jobs and nearly 20 buying director roles in its UK operations earlier this year (www.cityam.com [2]). As part of a cost-saving restructure, the supermarket’s German owners plan to centralise support functions globally - including in Australia, the US and China - and have started outsourcing finance, procurement and other back-office work to Genpact, a New York-based business services firm that uses AI to streamline processes (www.cityam.com [3]).

Aldi’s latest cuts show how AI is being leveraged to drive efficiency in administrative tasks, but also how these initiatives often manifest as headcount reductions. By automating or offshoring routine work, companies aim to reduce costs and refocus resources on growth - in Aldi’s case, investing in new stores. However, simply handing back-office tasks to an external AI-enabled provider can carry risks. It may erode in-house capabilities and employee morale if not accompanied by a clear strategy for retraining and redeploying staff. For leaders, the key is to treat AI as a tool for redesigning work processes and roles, rather than as a shortcut to cut costs without a plan for the people affected.

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‘AI washing’ backlash in Australia

In Australia, business leaders are being cautioned against using “artificial intelligence” as a catch-all justification for job cuts. On 12 November, trade unions criticised several large companies for citing automation and AI while slashing jobs and shifting work overseas (money.usnews.com [1]). Corporations including the airline Qantas, software firms Atlassian and WiseTech, and telecoms provider Telstra have all announced layoffs or team closures this year, with some tasks moved to India in partnership with technology firms (money.usnews.com [2]). Union leaders argue that these

companies are engaging in “AI washing” ÿý using the hype around AI to make cost-cutting and outsourcing appear as digital transformation - and are demanding more transparency and consultation on any AI-driven changes to work (money.usnews.com [3]).

Australia’s experience illustrates the reputational and operational risks when AI initiatives are communicated poorly or used as a smokescreen for downsizing. Analysts point out that if AI alone were making roles redundant, there would be no need to first transfer the same work to offshore teams (money.usnews.com [4]). The country’s central bank also noted this week that AI has not yet led to widespread job losses, though there are early signs of shifts - such as fewer job advertisements for AI-exposed roles - as companies cautiously experiment with automation (money.usnews.com [5]). Leaders should ensure that AI programmes are driven by genuine productivity and service improvements. Using AI as a pretext for layoffs without a clear workforce transition plan can backfire, undermining employee trust and inviting public backlash (money.usnews.com [6]).

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Leadership gap in AI adoption

New data on how employees use AI at work reveals a stark divide between isolated experiments and truly integrated adoption. Gallup’s latest workplace survey, updated 10 November, found that 65% of employees at organisations using AI believe it has improved their productivity (www.gallup.com [1]). However, those benefits are much higher when workers use AI across many different tasks: 90% of employees who use AI in at least seven ways at work report a positive impact, compared with just 45% of those who use it for only one or two purposes (www.gallup.com [2]). This suggests that companies derive significantly greater value when AI is embedded broadly into roles and workflows, rather than applied in a piecemeal fashion.

The research also flags a cultural barrier: managers themselves may be unintentionally limiting AI’s impact. According to Gallup, only 36% of employees in AI-adopting organisations “strongly agree” that their manager supports the team’s use of AI in their work (www.gallup.com [3]). In other words, many employees lack clear encouragement and guidance to incorporate AI into their day-to-day tasks. For senior executives, this is a reminder that capturing AI’s potential requires more than buying new tools - it demands leadership that actively promotes training, experimentation and the redesign of roles so that human teams and AI systems can work effectively together.

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Key Statistics

- 78% of firms use AI, National Bureau of Economic Research
- 52% of workers in 11 eurozone countries use AI at work, European Central Bank
- 14% of companies reported AI-driven job cuts after one year, McKinsey global survey
- 0.5% rise in UK productivity in 3 years attributed to AI, Bank of England

KEY TAKEAWAY

Technology alone won’t deliver workforce gains. These developments show the need to redesign work and actively support employees in using AI, rather than just using ‘AI’ as a cost-cutting slogan. Leaders should assess how they manage and message AI-driven changes.

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