Whitepaper

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TECHWOLF RESEARCH · 2026

Your workforce plan is already out of date

Why this year's AI layoffs repeat an old pattern, and how to plan once a year and move every quarter instead.

David Mendelsohn

> Companies are cutting jobs for AI before AI can do the work. Hiring sprees and layoffs have the same cause: workforce planning is broken.

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EXECUTIVE SUMMARY

Companies make their biggest people decisions too late and all at once.

AI is changing what jobs involve within months. Most companies still plan their workforce once a year, with a method built in the 1960s and 1970s for a world of "relative economic stability."

<1%

of AI-attributed layoffs last year happened because AI had made those jobs unnecessary

120,000+

announced US job cuts blamed on AI in 2026 so far, twice as many as in all of 2025

1.4x

as likely to beat revenue goals when workforce plans keep up with how the work changes

<1 in 5

CHROs say their company plans that way

01 The pattern is old.

Overhiring in the pandemic and AI layoffs now come from the same broken process.

02 Traditional planning fails in six places.

It starts too late, plans around today's jobs, guesses at AI's impact, ignores skills, moves in big jumps and never checks results.

03 Big, late cuts are expensive.

The people who stay get less done, and profits rarely improve.

04 Plan at two speeds.

Set the direction once a year. Make the moves every quarter, in steps you can reverse.

01 · THE PATTERN

Companies are cutting jobs for AI before AI can do the work

In March, Canva said it had no plans to lay off staff. On 4 November, it said it would cut, change or move about a fifth of its roles.[1,2]

Growth had slowed, and in August Canva had cut its revenue forecast, partly because running AI cost more than expected.[3] "Small changes won't be enough," wrote co-founder and CEO Melanie Perkins.

Dutch government

A savings target expected to cut about 25,000 civil service jobs by 2035. The plan for how AI will help isn't due until early 2027.[4]

Barclays

About 5,000 jobs cut by the end of 2026, partly tied to AI.[5]

Block

Cut about 40% of its staff, citing AI. Within weeks, it rehired some of them.[6]

Under 1% of last year's AI-attributed layoffs

happened because AI had actually made those jobs unnecessary.[7]

That hasn't slowed things down: US employers have blamed AI for more than 120,000 announced job cuts so far in 2026, more than twice as many as in all of 2025.[8]

During the pandemic, many companies made the opposite mistake. Meta nearly doubled its headcount in under three years, then cut more than 11,000 jobs. "I got this wrong," Mark Zuckerberg wrote in 2022.

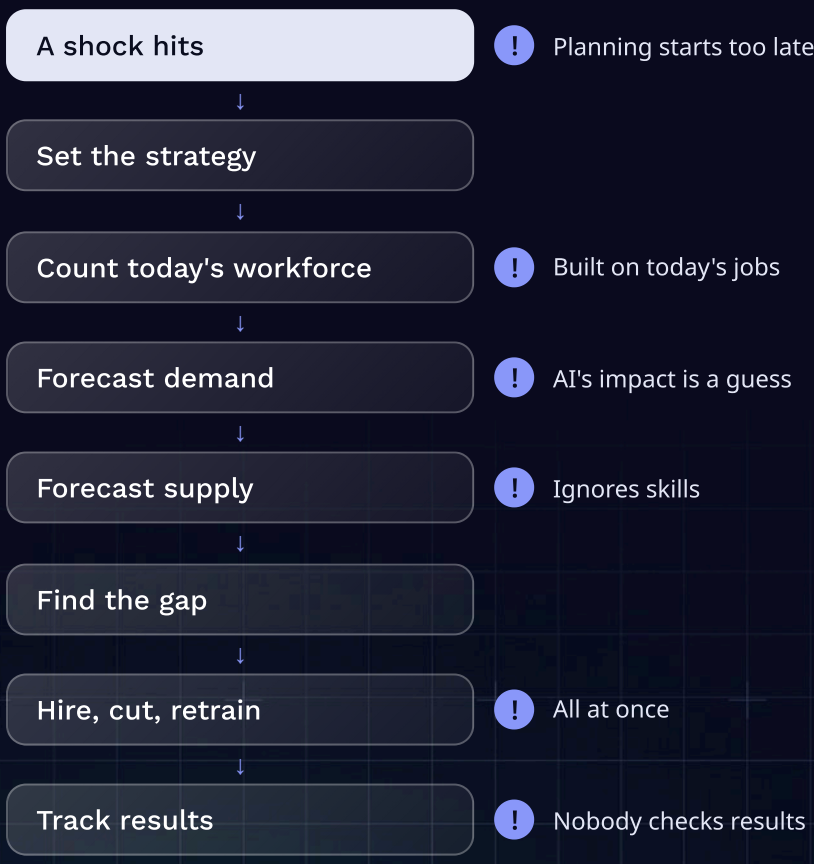
Hiring sprees and layoffs have the same cause.

Workforce planning is broken.

02 · WHERE PLANNING FAILS

One big decision, made late

Once a year, alongside the budget, companies forecast three to five years out, find the gap and close it. Companies whose plans keep up with the work are 1.4 times as likely to beat their revenue goals, yet fewer than one in five CHROs say they plan that way.[10]



Traditional workforce planning: built for a world of relative economic stability.[9]

02 · SIX FAILURES

Where traditional workforce planning goes wrong

01 Companies start planning too late.

Some only start after a merger, an acquisition or a major change program, when they're under pressure to decide fast. As one analyst put it, many companies "decide how many people to let go before they understand what it will take to get work done."[10]

02 Companies plan around the jobs they have today.

Starting from today's jobs, skills and headcount protects today's setup instead of building what the strategy needs. Only about one in six CHROs say their company now updates its plan more often than it used to.[11]

03 Companies guess how much work AI will take over.

Scoring each role for how much AI could automate shows what AI could do in theory. It doesn't show whether the company will use AI for that work, whether it will pay off, or whether its tools can do it. Still, 44% of US CFOs said this spring they plan AI-related job cuts this year.[12]

04 Companies count people and ignore their skills.

Plans track how many people leave, not who already has the skills for new work. Almost half of employers admit they refill the seat without asking whether the business still needs that job.[13]

05 Companies make big changes all at once.

Headcount stays flat until the gap gets large, then moves in a big hiring wave or a big layoff, sized to hit a savings number. Some copy the target from similar companies. Three years on, nine out of ten cost-cutting programs no longer show results.[14]

06 Nobody checks the results.

Few companies check whether cutting a team or retraining people delivered what they expected. It's the same with AI: executives believe it has made them more productive, but the gains in their own revenue and staffing figures are much smaller.[15]

03 · WHAT IT COSTS

Big, late cuts are expensive, and the bill arrives later

THE PEOPLE WHO STAY

Get less done

- Less engaged, less productive
- Much more sick leave
- Still less engaged years later

THE BUSINESS

Doesn't get more profitable

- Less profitable than peers that didn't cut
- Bigger hit in fast-growing, R&D-heavy industries
- Savings rarely last

Leaders often expect layoff survivors to be grateful and work harder. Studies find the opposite.[16] Your company-wide engagement score may bounce back, but only because the new hires weren't there for the cuts.[17] Companies that cut end up less profitable than similar companies that didn't.[18]

9 in 10

cost-cutting programs no longer show results after three years[14]

44%

of US CFOs plan AI-related job cuts this year, before AI's gains show up in revenue[12]

These costs are easy to miss at first.

Share prices dip only slightly when a layoff is announced, and even less when it's framed as an AI restructure.[19] The damage shows up months or years later.

04

Set the direction once a year. Make the moves every quarter.

Many small decisions, made early, instead of one big decision, made late.

04 · PLAN AT TWO SPEEDS

The yearly plan sets the direction. The quarterly check sets the pace.

Companies still need to plan years ahead. They also need a way to act faster when the work changes.

ONCE A YEAR · LEADERSHIP TEAM

Vision, talent philosophy and the capabilities you'll need

↓ direction

↑ what we learn

EVERY QUARTER · BUSINESS LEADERS WITH HR AND FINANCE

1. Update the skills map
2. Move people internally
3. Take reversible steps
4. Count savings once they're real

Once a year, the leadership team decides where the company is going and which capabilities it will need. Every quarter, the leaders closest to the work check how it's changing and take the next step. The quarterly check also catches what the yearly plan got wrong.

04.01 · ONCE A YEAR

Start from your vision and your talent philosophy

The vision says what the business wants to be in three to five years. The talent philosophy says how it finds, grows and keeps its people, and how it treats them when the work changes. Together, they show which work will grow, which will shrink, and which capabilities you'll need.

Example: a bank sets a 2029 goal

A small business that applies for a loan gets a decision within a day instead of weeks. That needs AI that prepares the credit analysis, and people who are good at judging risk and advising the client.

01 Rebuild your most important processes.

Start from the value the business needs to deliver, then redesign the whole process with the people, tools and AI available today. Pick the few processes that matter most to your vision and commit to rebuilding them over the next few years. The rebuilt processes show which skills and roles you'll need.

02 Build the capabilities before you need them.

New skills take a long time to build. Set up the training, create the new roles and career paths, and keep hiring junior people every year, even when budgets are tight. In the US, about 11% fewer 22 to 25 year olds now work in AI-exposed jobs than in late 2022: fewer people learning the work today who could lead it in ten years.[20]

03 Stand by your talent philosophy.

Give people a clear reason to build their career with you: what they'll learn, the work they can grow into, and how you'll help. Say it inside and outside the company, and keep to it when budgets are tight. That's when people decide whether to believe you.

04.02 · EVERY QUARTER

Let the evidence set the pace

Each quarter, business leaders, HR and finance look at which tasks AI has taken over, where work has grown and who could move. Then they decide the next small move.

01 Keep a live map of work and skills.

Know what tasks each role involves, which of those AI has taken over, what skills each person has and where they could move next. Job descriptions written years ago won't tell you.

02 Build an internal market for work.

Open every new role, project and short assignment to internal candidates first, matched on skills, whatever their title. People move to where the work is growing, and managers can't quietly hold on to their best people.

03 Move people before the work disappears.

When a role's tasks start shrinking, move people into growing work while there's still time to train them. It also costs less: outside hires are paid about 18% more than internal promotions and perform worse for their first two years.[21]

04 Move fast, in steps you can reverse.

A hiring freeze or a new process in one team can start next week. Check each step: is the work still getting done as well, and did AI really free up the time? If yes, take the next step. If not, undo it.

05 Count the savings only once AI does the work.

Budget as if you still need today's team. Lower the payroll line only once the new process is live and AI is measurably doing those tasks.

06 Feed what you learn back into the yearly plan.

One unusual quarter shouldn't change the plan. Several quarters of the work moving faster or slower than assumed should, right away.

05 · STOP PLANNING IN A PANIC

The next time the work changes, your people are already moving

This year's AI layoffs follow a pattern every leadership team has seen before: wait, then decide big and fast, under pressure, based on a forecast.

ONCE A YEAR

Where is the company going?

Set the direction from your vision and talent philosophy, and start building the capabilities now.

EVERY QUARTER

How fast should we move?

Let the evidence decide. Shift people as the work changes, in steps you can reverse.

EVERY TIME

Did it work?

Count savings only once AI does the work, and feed what you learn back into the plan.

COMPANION WHITEPAPER

You're preparing for the wrong AI event

What task data from 1,496 enterprises says AI will change, and what it won't.

Read the whitepaper →

techwolf.ai/resources/whitepapers-playbooks/ai-role-redesign-whitepaper

COMPANION WHITEPAPER

AI is saving time everywhere and money nowhere

Why the returns come from redesigning the process, and how to do it in five steps.

Read the whitepaper →

techwolf.ai/resources/whitepapers-playbooks/ai-roi-whitepaper

ABOUT THE AUTHOR



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David is the author of TechWolf's research on AI and the redesign of work, based in New York. He spent nearly ten years at McKinsey & Company, most recently as a Research Science Expert leading the science behind its solutions on organizational health, employee experience and talent management. He then led workforce strategy and consulting at TalentNeuron. David holds a PhD in social-organizational psychology from Teachers College, Columbia University, and a bachelor's degree in psychology from Princeton.

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