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Career & Workplace

The other way AI is affecting layoffs? The blame game.



Artificial intelligence is being called a "smoke screen," masking the real reason companies are making job cuts.

JGI/JAMIE GRILL



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Story Highlights

- Companies blame AI for layoffs despite lacking productivity data supporting replacement.
- 59% of firms emphasize AI over financial constraints when explaining cuts.
- Only 9% of companies have replaced full roles with AI.

The potential for artificial intelligence to spark job cuts continues to be in the spotlight as high-profile layoffs have piled up over the past year.

But how many layoffs are really the result of AI's explosive growth?

A recent report by Challenger, Gray & Christmas found that companies announced 54,836 AI-related job cuts across 2025, and 71,825 total since the global outplacement and executive-coaching firm began tracking that reason in 2023.

But a new analysis finds AI may be getting blamed for layoffs in cases where it wasn't actually a major factor – at least based on subsequent productivity data.

Oxford Economics, in a Jan. 7 analysis, reports that some layoffs may simply be companies using AI as an investor-friendly way to cut staff and reduce costs without any real improvement in productivity.

“While a rising number of firms are pinning job losses on AI, other more traditional drivers of job layoffs are far more commonly cited," Oxford Economics said in its report. "What's more, we suspect some firms are trying to dress up layoffs as a good news story rather than bad news, such as past overhiring.”

If AI were already replacing jobs at scale, productivity growth should be accelerating, Oxford Economic noted. While that could still change, there is no evidence of that in the economic data. Additionally, overall AI-attributed job losses are still far fewer than the more than one million workers who simply change jobs every month.

The analysis also stressed that reports of college graduates finding the job market to be challenging are less likely because of AI than because of a broader, more cyclical downturn in the overall employment market, as downturns usually hurt new graduates the most.

“Still, we're skeptical that firms can quickly and seamlessly substitute workers with AI even in sectors where the potential for AI disruption is greatest,” Oxford Economics said in its report. “We suspect that the majority of productivity gains from AI at an economy-wide level are yet to occur."

How AI is linked to job cuts

A Resume.org survey found that 60% of companies are planing or expecting layoffs in 2026, with companies rebalancing their workforces amid budget constraints and changing priorities. That doesn’t mean they won’t cite AI as a reason for jobs cuts instead.

“AI has become an explanation because it sounds strategic and forward-looking,” said Kara Dennison, head of career advising at Resume.org, in a statement. “But when AI is used as a blanket explanation and workloads do not meaningfully change, trust erodes quickly.”

Resume.org's research found that only 9% of companies have replaced full roles with AI, while 45% of survey respondents said AI has partially reduced the need for new hires, and another 45% said it has had little impact on staffing levels.

Still, 59% of respondents admit they emphasize AI when explaining hiring freezes or layoffs because it plays better with stakeholders than citing financial constraints.

"I think companies are using AI as a smoke screen to reduce expenses," said Sheldon Arora, CEO at StaffDNA. "It's too early to see any substantial layoffs."

Instead, AI is shifting the work that people do, helping automate more tasks and replacing manual ones. Ideally, that helps companies grow faster, Arora said in an email. AI also is better at capturing and using data, and that helps companies grow too.

"Companies can take two paths: either lay off employees, or reorganize and retrain them to become skilled in AI tools," Arora said. "Some companies appear to be in the layoff stage, but I think we'll eventually see a pronounced shift back to hiring and re-skilling people to work alongside, not in place of, AI."

But Vistage Chief Research Officer Joe Galvin said that rather than broad layoffs, CEOs are managing costs by slowing hiring, delaying backfills and tightening role definitions – which is why wage growth will continue to slow, especially in roles easier to automate.

"AI is often framed as a near-term threat to jobs, but among small and midsize businesses, its impact remains incremental," Galvin said. "Productivity gains are being used primarily to manage attrition rather than replace workers outright."

How AI could change the employment market

Workers are worried regardless. A survey of 1,000 U.S. adults by edX found that 56% were concerned in some way about job losses due to AI, and that pecentage is even higher in white-collar professions. Even as they worry about job losses, 54% of surveyed adults believe the value of AI tools is overestimated.

Some AI company CEOs have publicly voiced concerns about various doomsday scenarios for entry-level workers because of the burgeoning technology. Among them, Anthropic CEO Dario Amodei said last year entry-level work in industries such as finance, consulting and tech will first be augmented by AI only to then be completely replaced by it. That could mean up to half of all entry-level jobs would vanish.

A MyPerfectResume analysis of data from the Burning Glass Institute found that between 2018 and 2024, the share of jobs requiring three years of experience or less dropped sharply in specific job categories. Software development entry-level jobs dropped from 43% of jobs to 28%, while entry level data analysis jobs fell from 35% to 22%, and consulting jobs fell from 41% to 26%.

A separate Goldman Sachs study last year said fears that generative AI will lead to widespread layoffs or mass unemployment are unfounded. Despite its widespread adoption in recent years, AI is expected to have only a "modest" and relatively temporary impact on employment levels, according to the report.

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