

Human Judgment Is Not a Line Item

The AI Rehiring Wave Is a Boardroom Governance Failure

Across industries and continents, organisations cut workers in anticipation of AI that was not ready. Now they are paying to bring those people back — at a cost no boardroom planned for. This paper argues that the rehiring wave is not a technology story. It is a governance failure story.

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AI Governance · Workforce Strategy · Boardroom Accountability

From complexity to clear action.

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A computer can never be held accountable.

Therefore a computer must never make a management decision.

IBM Training Manual, 1979

THE ARGUMENT

Forty-seven years after that IBM principle was written, it has been widely forgotten. In the rush to embrace artificial intelligence, organisations have made irreversible people decisions based on incomplete cost modelling — often with insufficient oversight, unclear accountability, and no consistent audit trail of how those decisions were made. The result is a wave of AI regret sweeping through organisations on both sides of the Atlantic.

THE GOVERNANCE FAILURE

This paper argues that the AI rehiring wave is not merely a technology story. It is a story about governance failure. Organisations cut workers without a framework for assessing what AI could and could not do, with no single executive accountable for the full round-trip cost — and no audit trail of who authorised what on what basis.

THE CONCLUSION

The solution is not less AI. It is better governance of AI — before the irreversible decision is made, not after.

The Scale of the Problem

55%

of employers now regret AI-driven workforce reductions

Forrester Research, 2026

2 in 3

companies that made AI redundancies are already rehiring

Careerminds UK, Feb 2026

1 in 3

spent more on restaffing than they saved through AI layoffs

Careerminds UK, Feb 2026

17%

of UK employers expect AI to shrink their workforce in 12 months

CIPD Labour Market Outlook, Nov 2025

The data is substantial, recent, and growing. A Robert Half study found that 32% of US hiring managers eliminated a role primarily due to AI, only to later rehire for the same or a similar position.¹ Forrester Research revealed that 55% of employers now regret laying off staff in anticipation of AI capabilities.² Gartner predicts that by 2027, half of companies that cut customer service staff due to AI will rehire for similar functions — often under different job titles.³

Perhaps most telling: one-third of employers actually spent more on restaffing than they saved through AI layoffs.⁴

A February 2026 CareerMinds survey of 600 HR professionals found that two in three employers who cut jobs due to AI are already rehiring — with more than half of those rehiring within six months of the original redundancies.⁵ Nine in ten HR leaders said they would approach their AI-driven restructuring differently if they had the chance again.⁶

This is not theory. It is happening now, in real organisations, at real cost.

The UK Picture

THIS IS NOT A US PROBLEM

The pattern is as visible in the UK as it is in the United States. The CIPD's 2025 Labour Market Outlook, which polled more than 2,000 UK employers, found that one in six (17%) expect AI to reduce their workforce over the next twelve months.⁹ Of those, 62% identified clerical, junior managerial, professional, and administrative roles as most likely to be eliminated — precisely the entry-level pipeline that organisations need to develop future capability.

BT has announced plans to cut up to 55,000 jobs by the end of this decade, with around 10,000 of those roles handed directly to AI.¹⁰ Against a backdrop of UK unemployment at 5.2% and job vacancies at their lowest level in five years, the implications of widespread AI-driven reductions in entry-level roles extend well beyond individual organisations.¹¹

The CareerMinds UK survey found that only 27% of UK organisations saw any financial benefit from AI-driven redundancies. Thirty-one percent were left worse off. And 55% discovered — after the fact — that AI needed more human oversight than they had initially assumed.¹²

CIPD — People Management, November 2025

“Companies should focus on creating the conditions for employees to feel encouraged to learn, try out new ways of working and develop an understanding of how AI can enable them to improve their performance. Organisations that carry out redundancies because of AI adoption risk creating a culture of fear and defensiveness.”

FORD MOTOR COMPANY

When AI Cannot Capture What Was Never Written Down

Ford recorded the most recalled vehicles of any mainstream automaker in 2025 — 12.9 million vehicles across 153 recall campaigns. AI-assisted camera technology failed to address quality control issues at its North American factories.

Ford subsequently rehired 350 veteran engineers — many of them former employees — whose institutional knowledge had never been documented and therefore could not be fed into any AI training dataset.

“Mistakenly, we thought that by just introducing artificial intelligence and ingesting the design requirements that we had, that would produce a high-quality product. Over prior years, we didn’t pay as much attention as we should have to the experience of our most knowledgeable engineers.”

— Charles Poon, VP Vehicle Hardware Engineering, Ford

LESSON

AI cannot replace institutional knowledge that was never documented. The round-trip cost — rehiring 350 specialists — saved Ford hundreds of millions in warranty and recall costs.

IBM

The Long Game vs. False Value

IBM deployed AI for its HR function, handling 94% of routine requests efficiently. But it failed on the remaining 6% — the cases requiring ethical judgment, emotional sensitivity, and contextual nuance. IBM cut thousands of HR roles.

In early 2026, IBM reversed course — announcing plans to triple its US entry-level hiring across all business units, with a deliberate focus on bringing in AI-literate talent that could work alongside the technology.

“If we don’t continue to invest in entry-level hires, what happens in three to five years? There’s no pipeline. The well simply dries up.”

— Nickle LaMoreaux, CHRO, IBM

LESSON

Applying AI primarily to cut existing headcount amounts to “false value” that will not generate long-term benefits. IBM’s pivot was strategic, not reactive.

KLARNA

The Canonical Cautionary Tale

Klarna's CEO publicly declared the company had not hired a human in a year because AI was doing the work of 700 full-time agents. The workforce fell from 7,400 to 3,400 over three years.

Then customer satisfaction collapsed. Complaints mounted. By mid-2025, Klarna was rehiring human agents. The situation became so acute that software engineers and marketers were moved into call centre roles to fill the gap.

"We want to become the best at offering a human to speak to."

— Sebastian Siemiatkowski, CEO, Klarna

LESSON

AI excels at high-volume transactional tasks. It fails — visibly and expensively — in situations requiring human trust, empathy, and contextual judgment.

These three cases share a common thread. The technology did not fail. The governance did.

When companies cut workers and then rehire, the round-trip cost is rarely visible in a single place. Severance appears in one quarter's P&L. Recruitment fees show up months later in a different budget. The productivity gap during transition is distributed across departments. The loss of institutional knowledge is never quantified at all.

The original AI savings remain on the leadership slide deck. The reversal costs are scattered across budgets, owned by no one, accountable to no one. **No single executive can answer the question: what was the total cost of that AI-driven workforce decision?** That is the governance failure.

COST ELEMENT	WHERE IT HIDES	WHO IS ACCOUNTABLE
Severance payments	One quarter's P&L — buried in restructuring charges	Finance Director
Recruitment fees (15–20% of salary via agencies)	Different budget, months later — often a new financial year	HR Director
Productivity gap during transition	Distributed across departments — never consolidated	Nobody
Permanent loss of institutional knowledge	Never quantified. Does not appear on any balance sheet.	Nobody
Retraining costs for replacement hires	HR/L&D budget — separate from the original decision	L&D Manager
Customer service damage and revenue impact	Revenue reporting — hard to attribute directly	Commercial Director

In most organisations, no mechanism exists to consolidate these figures into a single line item. The accountability vacuum is structural — and it is costly.

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A computer can never be held accountable.

Therefore a computer must never make a management decision.

IBM Training Manual, 1979 — a principle that has not aged. It has simply been ignored.

The AI rehiring wave is not the result of AI being bad technology. It is the result of governance structures that were not designed for AI-era decisions. Three failures recur across every case studied.

01

No Framework for Assessing AI Capability

Organisations made irreversible people decisions based on the future promise of AI — not its present operational reality. Even advanced AI agents currently achieve only a 58% success rate on single-step tasks.¹³ Yet staff were cut as if AI could already handle complex, multi-faceted roles requiring judgment, empathy, and contextual awareness.

Ford's VP of Vehicle Hardware Engineering admitted the company mistakenly believed that "just introducing artificial intelligence" would produce high-quality outcomes. The failure to conduct a rigorous capability assessment before making irreversible decisions is governance failure at the most fundamental level.

02

No Accountability for the Full Cost

As the table on the previous page shows, the costs of an AI-driven workforce decision are distributed across departments, time periods, and budgets. No board member, CEO, or CHRO can consolidate them into a single figure.

The 1979 IBM principle stated that a computer must never make a management decision because it can never be held accountable. Today, the accountability vacuum has simply migrated: it becomes easier to say 'the system flagged this' than to say 'I am making this difficult choice' — and accountability quietly migrates from the decision-maker to the tool. The result is decisions without owners — and costs without accountability.

03

No Audit Trail

When AI-driven layoffs are made, who reviews the decision? Who questions the assumptions? Who tracks the outcomes against the original projections?

Forrester's research suggests that some organisations used AI as a convenient justification for workforce reductions that were actually driven by broader economic pressures.¹⁴ The absence of a governance audit trail allows decisions to be made without scrutiny — and without learning. The same mistakes will be repeated, in the next cycle, by the same leadership teams.

Ford is rehiring 350 engineers. IBM is tripling entry-level hiring. Klarna is putting software engineers on the phones. Across the UK, organisations are quietly restaffing roles they eliminated six months ago, absorbing costs that never appeared in the original business case.

These are the costs of governance failure — not technology failure. The AI worked as designed. It was the decision-making framework around the AI that failed: no capability assessment, no accountability structure, no audit trail.

The question for every board and leadership team is direct:
**Who in your organisation is accountable for the full cost
of an AI-driven workforce decision?**

If the answer is “no one” or “I am not sure,” your organisation is exposed to the same pattern — and the same costs.

The winners in this transition are not the organisations that moved fastest to cut. They are the ones that understood a fundamental distinction before they acted: AI is a tool for expanding what people can do — not a strategy for eliminating people altogether. That distinction requires governance. Not after the decision. Before it.

THREE THINGS TO DO THIS QUARTER

Put AI on the board agenda

Add AI governance as a standing item.
Assign a named board member to lead it.
Make it a priority, not an afterthought.

Commission an AI inventory

List every AI tool in use across your organisation. You cannot govern what you cannot see — and you cannot cost what you have not mapped.

Demand a full round-trip cost model

Before any AI-driven workforce decision, require a consolidated cost model covering severance, recruitment, productivity gap, and knowledge loss.

- 1 Robert Half (2026). US Hiring Manager Survey on AI-driven workforce decisions. Reported by CNBC, July 2026.
- 2 Forrester Research (2026). Future of Work Report. 55% employer regret figure. HR Executive, December 2025.
- 3 Gartner (2026). Enterprise AI adoption research, 350 global executives. Prediction: 50% will rehire by 2027.
- 4 CareerMinds (2026). AI Redundancy Regret: Survey of 600 HR Professionals, February 2026. [careerminds.co.uk](https://www.careerminds.co.uk)
- 5 CareerMinds UK (2026). Op. cit. Two-thirds rehiring; 52% within six months of original redundancies.
- 6 People Management / CareerMinds UK (2026). "Restructuring regrets." [peoplemanagement.co.uk](https://www.peoplemanagement.co.uk), March 2026.
- 7 Ford Motor Company / CNBC (2026). Ford rehires veteran engineers; JD Power quality ranking. CNBC, July 2026.
- 8 IBM / Charter AI Summit (2026). Nickle LaMoreaux, CHRO IBM. CNBC and PYMNTS.com, July 2026.
- 9 CIPD Labour Market Outlook (November 2025). Survey of 2,000+ UK employers. People Management, November 2025.
- 10 BT Group. Plans to reduce workforce by up to 55,000 by end of decade; ~10,000 roles to AI. CareerMinds UK blog, March 2026.
- 11 ONS (2026). UK unemployment rate 5.2%; 1.87 million unemployed Nov 2025–Jan 2026. Job vacancies 721,000. Office for National Statistics, [ons.gov.uk](https://www.ons.gov.uk).
- 12 CareerMinds UK / People Management (2026). Op. cit. 27% saw benefit; 31% worse off; 55% needed more oversight.
- 13 AI agent capability benchmarks (2026). 58% single-step task success rate. AI2Work.blog, April 2026.
- 14 Forrester Research (2026). Op. cit. AI used as justification for economically-driven redundancies.

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