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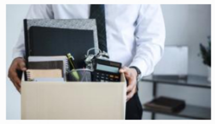

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Companies Fired Workers For AI. Now They Want Them Back

By TerDawn DeBoe, Contributor. ⓘ TerDawn DeBoe covers small business AI s... Follow Author

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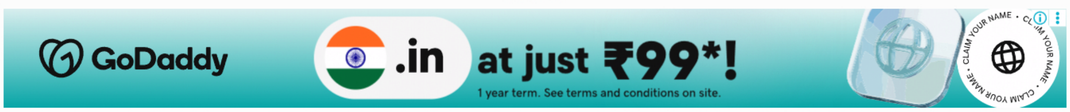

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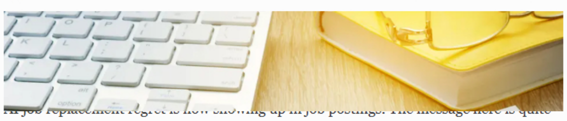

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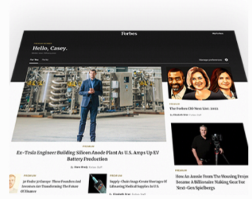
clear, AI and workforce development must be integrated.

What Companies Got Wrong About AI Replacement

The central error in replacing people with AI is thinking AI would replace people, rather than replace tasks. customer service representatives are responsible for much more than simply answering an inquiry. They can tell if someone has a serious issue or if they're simply mad at the world. When it comes to whether or not a customer qualifies for a refund, they have to use their own judgment. They will be able to recall how many times a high-value client has been placed on-hold and will usually take the time to escalate the issue to a supervisor. This is where AI fails. It is good at reading answers (the answering portion). However, it cannot understand when something should require human judgment. It cannot retain memory of past interactions or establish relationships with customers.

These artificial intelligence replacement errors are repetitive in their respective processes. For example, marketing teams eliminated their copywriters and discovered that content produced by AI was less effective with conversion due to lack of an understanding of what is the "voice" of the company and what customers were looking for. Similarly accounting teams eliminated positions and determined that AI could accomplish processing transactions however, the AI did not have the ability to identify anomalies as a bookkeeper's experience would provide through instinct. Additionally, sales teams removed support personnel and learned that while AI can assist in qualifying leads AI cannot create the relationship that closes a deal.



A study by Harvard economist David Deming found that AI does not replace social skills or judgment but enhances their value. While some jobs may be restored to former employees after they have been laid off due to the use of AI in the workplace, those jobs will often require significantly different skill sets. Former employees will likely need to develop new skills to be able to successfully work alongside an AI tool, while managing it. As such, when companies hire back former employees at a higher salary, there is a significant increase in the cost of hiring. When a company lays off a worker earning $55,000 per year, they are replacing that worker with one who earns $75,000 per year to perform the same task as well as managing the AI tools that have taken on much of the responsibility for performing that task.

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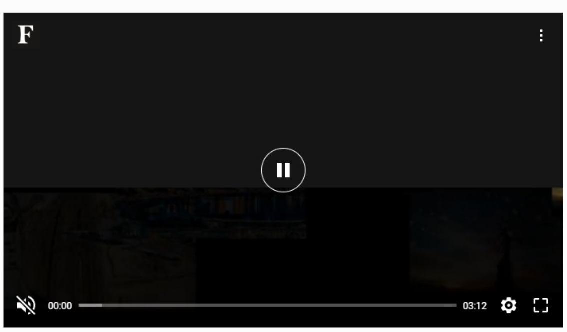
Why Small Businesses Should Pay Attention

Small businesses observed large corporations being impacted by an enterprise AI layoff wave and therefore concluded they could also use enterprise AI in their small business as long as they used fewer employees. In some cases, this was attempted. The outcome was similar. Routine tasks were successfully completed by the AI. Tasks requiring context, decision-making and interpersonal communication failed. Client satisfaction plummeted. Internal errors multiplied. Remaining staff members continued to exhaust themselves while attempting to fill the void. That's not a strategy.

The major differences are as follows: for a small business the margin for error is smaller. With a business having 500 people (and losing 5% of it's customers) will be able to weather this loss. On the other hand, if you have a 15 person business and lose 5% of your customers chances are you lost all or some of your most profitable customers. That is because many times the most profitable customers require the most human interaction. Therefore, the gap between spending on AI and results will show up faster in small businesses because of the shorter feedback loop. Small businesses know within weeks, not quarters, when something is wrong and the signal is fast.

How to Add AI Without Losing the People Who Matter

First, audit your employee's tasks. Don't audit their role (i.e., what they're called), audit the tasks he/she does on a weekly basis. There are usually 15-20 tasks an individual completes in a week. Determine which of those 15-20 tasks will be completed by an AI, and which will require Human Judgment. As stated most jobs contain both routine work and judgmental decisions. Assign the routine work to the AI, have the Human make the judgments. No one loses their job, everyone gains capacity.



Secondly, document exactly what they do now. Have every team member keep an activity log for two weeks. Determine which activities fall into the categories: routine/repeatable or context-dependent/judgment-based. The routine activities are those that can be automated with AI. Judgment activities are the ones where your employees get paid. Most entrepreneurs are shocked at the amount of time spent on judgment work by their teams. A lot of it is not listed anywhere in the job descriptions.

Thirdly, continue using your existing knowledge base. The eight year veteran of your organization is aware of what vendors are slow to invoice, which client will dispute every charge and what other expense needs to be closely evaluated during Q4. This information was built over an eight-year time frame. No AI system can duplicate this. Once you lose this individual you have lost the ability for them to identify patterns that could lead to errors. The fact that AI is being used to hire employees clearly indicates that the best candidates are those who possess knowledge of the company and its operations as well as the AI systems they operate. These individuals are the ones that are most difficult to replace.

A Simple AI Staffing Check For Small Businesses

Decision Area	Better Question To Ask	What It Protects
Role design	Which tasks can AI handle, and which tasks need human judgment?	Prevents full-role cuts based on partial automation
Client work	Which clients depend most on human context and trust?	Protects revenue tied to relationships
Cost planning	What will rehiring, training and lost productivity cost if the AI bet fails?	Shows the real ROI of AI automation and employees
Team morale	How will staff read this change six months from now?	Reduces retention risk after AI adoption

Institute for Business AI (IBAI) instituteofbusinessai.org

A simple AI staffin check for small businesses.
SOURCE: INSTITUTE OF BUSINESS AI

What Rehiring Costs After a Bad AI Bet

Gartner has forecasted that by 2027, at least 50% of those who had cut customer service jobs due to use of AI for automation would be hiring back employees with the same (or very similar) responsibilities – but likely as a new position. Rehiring the former employees can be costly. It isn't simply adding a line item to your budget. There are recruitment costs, onboarding costs and higher salaries because you have to hire someone who is both knowledgeable about your company's industry and also capable of managing an AI system. In addition to these costs there is also the loss of institutional memory. Although the newly hired employee may know how your current technology systems work, he/she will miss months of client interactions, internal company changes and corporate context. These things take time to learn – it takes much longer than a week to catch up.

Small businesses will be hit even harder by the Boomerang Cost. First, your former employee likely has moved on to another job they won't come back. Second, the replacement will cost more than they did. Third, replacing them could take up to six months to produce the same output as before. Fourth, instead of saving $55,000 in salary annually from using an AI for the most repetitive of their duties, the additional $30,000 (for recruitment, training and lost productivity) will eliminate what little money they would have saved.

It is simple math. With AI capable of doing 60% of someone's tasks at a cost of $55,000 annually, they will save you $33,000 worth of time. However, the person also has to perform the remaining 40%. As such, when you hire a full-time replacement for them to replace the 40%, you are hiring someone who will need to make judgments. Due to its more skilled nature, hiring someone to complete only the judgmental work will be done at a higher hourly rate. The dollars saved will then evaporate. The company will end up right back where it was with no trust.

There are costs to morale (that do not appear in financial statements). Employees at the surviving firm will have seen their co-workers depart. Those remaining employees will realize that the company chose an "automated" solution rather than keeping another employee. Six months from now when the same position is posted again, those that remained will perceive the decision to post the same job posting as evidence of poor planning. Employee trust has been reduced. In addition to the immediate loss due to the departure of employees in an AI lay-off, there may be additional retention issues that arise. It is possible for employees retained after an AI lay-off to begin looking for other employment opportunities, simply because they realized how quickly an employer was willing to replace employees with automation.

Businesses that are rehiring after the layoff of employees due to AI know something that smaller businesses also know (without having to pay as much): human judgment cannot be removed from AI decision-making. As a tool, AI completes tasks but it does not complete jobs. Use AI to add to your team's workflows and measure how much time you save. Protect the people that provide the context, the relationship building and the judgment needed for your business to operate. Businesses that understand this will continue to grow using AI and their people. Businesses that do not will spend the next year replacing the talent they lost.

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