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AI • NVIDIA

‘The cost of compute is far beyond the costs of the employee’: Nvidia executive says right now AI is more expensive than paying human workers

By Sasha Rogelberg
Reporter
June 14, 2026, 10:49 AM ET



Nvidia vice president of applied deep learning Bryan Catanzaro said right now, AI costs more than employees. BIG EVENT MEDIA—GETTY IMAGES FOR HUMANX CONFERENCE

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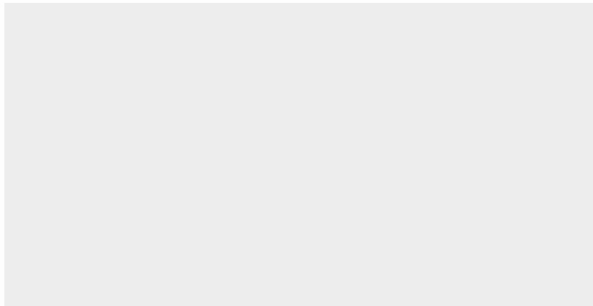
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Recent tech layoffs would initially appear to indicate the great labor shift from human workers to AI may already be happening.



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Meta announced in a memo earlier this year it plans to lay off 10% of its workforce, about 8,000 employees, as well as scrap plans to hire for 6,000 open positions. It’s part of an effort to “run the company more efficiently and to allow us to offset the other investments we’re making,” according to the memo. Microsoft has offered thousands of its own employees a voluntary buyout, the largest the company has ever offered.

Other tech headers, however, suggest that right now, AI isn’t saving companies money on labor; it’s actually costing them more than the humans they currently employ.

“For my team, the cost of compute is far beyond the costs of the employees,” Bryan Catanzaro, vice president of applied deep learning at Nvidia, told Axios in April.

An MIT study from 2024 backs up these executives’ experiences. Analyzing the technical requirements of AI models needed to perform jobs at a human level, researchers found that AI automation would be economically viable in only 23% of roles where vision is a primary part of the work. In the remaining 77% of the time, it was cheaper for humans to continue their work.

In other instances, AI has proved to be fallible, with one engineer saying an AI agent destroyed his

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database and network as a result of what he called “overuse.”

Take Control

Why are tech firms pouring money into AI despite financial pressures?

Despite [no clear evidence](#) of AI improving productivity and, according to the Yale Budget Lab, [no widespread data](#) to support the idea of AI displacing jobs, Big Tech firms have continued to pour money into AI, [announcing \\$740 billion in capital expenditures](#) this year so far, according to [Morgan Stanley](#), a 69% increase from 2025. The magnitude of spending has caused some companies to rethink their budget altogether.

“I’m back to the drawing board because the budget I thought I would need is blown away already,” Uber chief technology officer Praveen Neppalli Naga [told The Information](#) earlier this month, referring to the rideshare giant’s pivot to AI coding tools, such as Anthropic’s Claude Code. Naga said the company burnt through its entire 2026 AI coding tools budget by April after it incentivized adoption through leaderboards for employees adopting the tools.

Microsoft is also cancelling most of its direct Claude Code licenses, [The Verge reported](#) last month, instead pivoting to GitHub Copilot CLI. The technology essentially became [too popular too fast](#) as the tech firm pushed employees to integrate AI into their workflow.

This increase in spending has coincided with more layoffs in the tech sector. According to data from [Layoffs.fyi](#), there have been [more than 118,000 layoffs](#) in tech in 2026 so far across nearly 100 companies. The rate of these workforce reductions is already far outpacing that of last year, which saw about 120,000 layoffs in total.



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The continued AI spending and layoffs, even as human labor remains cheaper, expose a meaningful discrepancy in the economics of AI, said Keith Lee, an AI and finance professor at the Swiss Institute of Artificial Intelligence's Gordon School of Business.

“What we’re seeing is a short-term mismatch,” Lee told [Fortune](#).

When will there be an AI-labor cost balance?

According to Lee, the cost of using AI has remained less efficient than human labor owing to hardware and energy raising operating costs for providers. At its current pace, AI expenditures [may reach \\$5.2 trillion by 2030](#), with \$1.6 trillion from data center spending and \$3.3 trillion from IT equipment, according to McKinsey data. Spending could surge to \$7.9 trillion by 2030 at an accelerated pace. Meanwhile, fees for AI software have increased by [20% to 37%](#) over the past year, spending management firm Tropic noted in December 2025.

AI companies may also be losing money as a result of their flat subscription model, Lee noted, with fixed subscription fees failing to cover operating costs for heavy AI users.

“As a result, some firms are beginning to reevaluate AI not as a clear cost-saving substitute for labor, but as a complementary tool—at least until the cost structure stabilizes,” he said.

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While AI may cost more than human labor today, there will be warning signs of a tipping point toward

AI's economic viability. For one, Lee indicated, the cost of using AI will become significantly lower, with performing inference—how AI analyzes data—for a large language model with 1 trillion parameters **plummeting by more than 90%** over the next four years, according to a report last month from analyst firm **Gartner**. AI infrastructure will likely improve, and model designs and hardware supply will follow. AI companies will also likely change how they price their tools, switching from a flat subscription to usage-based pricing, Lee predicted.

But the future of AI's economic viability will also depend on whether the technology proves its worth. It will have to prove itself reliable, with fewer hallucinations and a reduced need for human oversight, effectively integrating into a company's infrastructure, according to Lee. Federal Reserve data shows **about 18% of companies** had adopted AI tools as of the end of 2025, a 68% growth in the adoption rate since September 2025.

"It's not just about AI becoming cheaper than humans," Lee said. "It's about becoming both cheaper and more predictable at scale."

A version of this story was published on Fortune.com on April 28, 2026.

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Reporter



Sasha Rogelberg is a reporter and former editorial fellow on the news desk at *Fortune*, covering retail and the intersection of business and popular culture.

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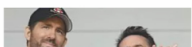
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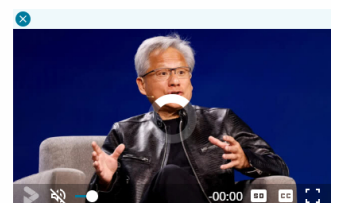
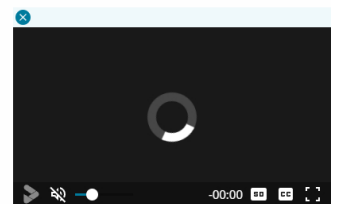
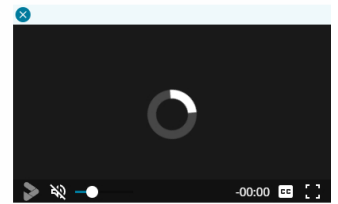
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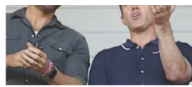
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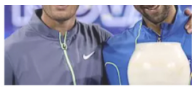






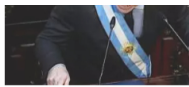
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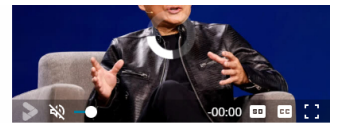
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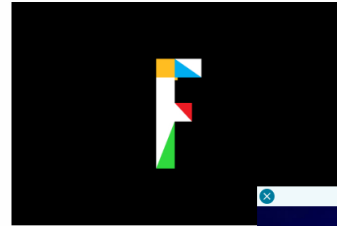
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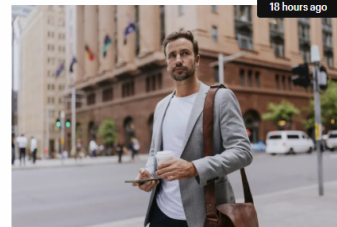
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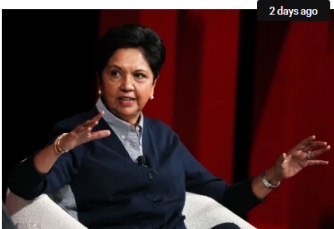


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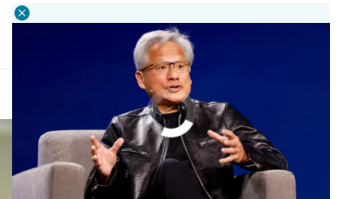
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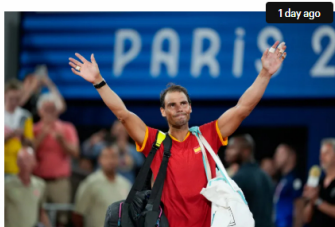
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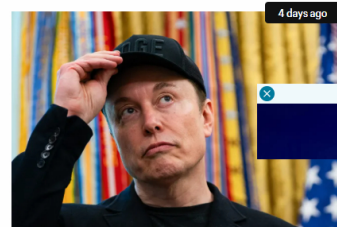
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