

One in five US job cuts now cites AI. The labour data has not caught up

Challenger, Gray & Christmas reported on 1 October that US employers have cited artificial intelligence for 120,136 announced job cuts this year, 21% of the total and the most common stated reason. But 85% of those cuts were announced before July, AI's monthly share has fallen from 33% to 9%, and the whole tally equals under 1% of the layoffs the Bureau of Labor Statistics counts over the same months. The figure tracks what companies choose to say about job cuts more than what AI is doing to employment. Where AI shows up in the official data so far, it is in hiring and in workers' share of output, not in a wave of firings.

AUTHOR



Alicante Tech Vibes *Research Labs*

~8 MIN READ
DATED

ALL FIGURES SOURCED &

120,136 AI-CITED ANNOUNCED US JOB CUTS, JAN-SEP 2026 · CHALLENGER, 1 OCT 2026	21% AI SHARE OF ALL ANNOUNCED CUTS YEAR TO DATE · CHALLENGER, OCT 2026	33% → 9% AI SHARE OF MONTHLY CUTS, JULY TO SEPTEMBER · CHALLENGER, AUG-OCT 2026
1.6M US LAYOFFS AND DISCHARGES IN AUGUST ALONE · BLS JOLTS, 29 SEP 2026	4% NY-AREA SERVICE FIRMS LAYING OFF STAFF DUE TO AI · NY FED, SEP 2026	52.8% LABOUR SHARE OF OUTPUT, Q2 2026, A RECORD LOW · BLS, SEP 2026

I. The tally says AI. The trend says the wave has passed

On 1 October, Challenger, Gray & Christmas reported that US employers announced 43,281 job cuts in September, down 18% from August and 20% from a year earlier. AI was cited for 3,961 of them, fifth among stated reasons, behind market and economic conditions (8,789), closings, falling demand and restructuring. For the year to date, though, AI has been cited for 120,136 cuts, 21% of the total and more than any other reason.

Coverage of the release offered two different hiring figures, and both are right. Challenger's primary release puts September hiring plans at 90,787, 23% below the 117,313 of September 2025, while hiring plans for the year to date, at 210,612, are 3% above 2025. One figure covers a month and the other covers nine.

The 21% headline is a running total. Month by month, the picture is different. AI was the leading monthly reason for five months starting in March, but in August it fell to fourth place with 3,462 cuts, its lowest monthly total since December 2025. September was barely higher. The first half of the year accounted for 101,743 AI-cited cuts, about 85% of the year-to-date total.

II. AI went from footnote to leading reason in a year

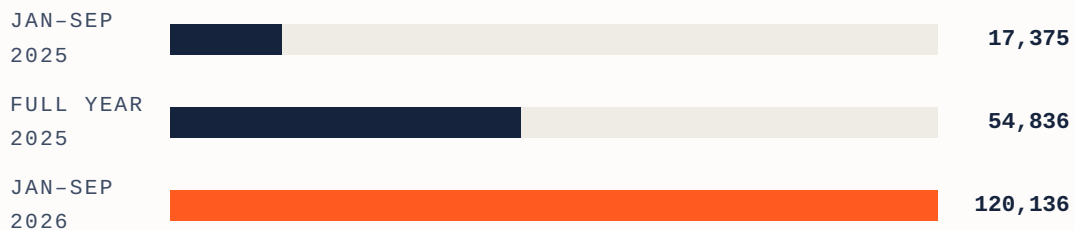
The jump is real. In the first nine months of 2025, Challenger counted 17,375 cuts explicitly tied to AI, plus 20,219 under the broader heading of technological updates. The full-year 2025 total was 54,836, and 71,825 since 2023. The first nine months of 2026 therefore show about seven times the same period of 2025, and more than twice all of last year.

The cuts are concentrated in one sector. Technology companies announced 165,925 cuts this year, 29% of the total and 54% more than in the same period of 2025. Fast Company counts roughly 3,300 roles at Uber among September's announcements.

The 21% share is also partly an effect of a smaller total. Year-to-date cuts are down 39%, to 573,195, mainly because 2025 included the federal workforce

reductions, which Challenger attributed to DOGE for 293,753 cuts over that year. Excluding government, cuts are down just 15%. Our own estimate: had 2026's total matched 2025's 946,426, the same 120,136 AI-cited cuts would be about 13% of it. The number of AI-cited cuts rose a lot, and the fall in total cuts makes the share look larger still.

FIG. 1: ANNOUNCED US JOB CUTS ATTRIBUTED TO AI



BARS SCALED TO THE LARGEST VALUE (JAN-SEP 2026). THESE ARE ANNOUNCED PLANS TAGGED WITH THE EMPLOYER'S STATED REASON, NOT MEASURED SEPARATIONS. SOURCES: CHALLENGER, GRAY & CHRISTMAS REPORTS FOR SEPTEMBER 2025, DECEMBER 2025 AND SEPTEMBER 2026.

III. An announcement is not a displacement

Challenger counts announced plans and records the reason the employer gives. A plan to cut jobs is not the same as people losing them, and the firm's [December 2025 report](#) sets out no method for checking whether the stated reasons are true. Andy Challenger has been open about the incentive. In August he said that naming AI ["can win over investors"](#), and that company messaging had moved from hedging to openly citing it.

The case that firms are exaggerating AI's role has strong supporters. In January, [Oxford Economics](#) found AI accounted for about 4.5% of reported US job cuts in the first eleven months of 2025. It suggested companies were presenting ordinary cuts, including corrections for past over-hiring, as innovation.

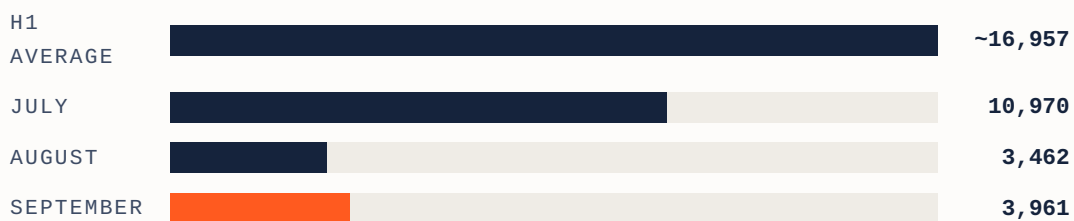
The more important point is scale. The BLS Job Openings and Labor Turnover Survey (JOLTS) recorded [1.6 million layoffs and discharges in August](#), a rate of 1.0%, alongside 5.2 million hires. Our estimate, assuming layoffs ran near that monthly level from January to August: about 13 million layoffs, of which the 120,136 AI-cited announcements would be under 1%. Most US layoffs are never announced as cuts, and the announced ones that cite AI are a small slice of those.

Studies that compare exposed and unexposed occupations find no effect so far. The [Budget Lab at Yale](#), writing in May, found no statistically significant

effect of AI on employment or real wages in AI-exposed occupations as of early 2026. The New York Fed's [September survey](#) of New York and northern New Jersey firms found 61% of service firms using AI, but only 4% had laid off workers because of it. A further 15% had reduced hiring, and 33% had retrained staff.

Two cautions apply. A finding of no significant effect does not show the effect is zero, and the New York Fed survey covers one region. Yale's own authors expect AI to leave its mark eventually. This site's August brief on the young-worker gap also found effects showing up first among entry-level workers. Both point the same way: the damage, where it exists, comes through jobs that are never posted rather than people who are let go.

FIG. 2: AI-CITED ANNOUNCED CUTS PER MONTH, 2026



BARS SCALED TO THE LARGEST VALUE (H1 AVERAGE, COMPUTED AS $101,743 \div 6$). AI'S SHARE OF MONTHLY CUTS FELL FROM 33% IN JULY TO 9% IN SEPTEMBER. SOURCES: CHALLENGER VIA HR DIVE (2 JUL 2026); CHALLENGER REPORTS FOR JULY, AUGUST AND SEPTEMBER 2026.

The AI layoff tally measures what companies are willing to say. What the official data shows is employers hiring less and workers getting a smaller share of output.

AI-CITED ANNOUNCEMENTS EQUAL UNDER 1% OF BLS-MEASURED LAYOFFS THIS YEAR (ESTIMATE), WHILE THE LABOUR SHARE HIT A RECORD LOW OF 52.8% IN Q2 2026.

IV. Where AI shows up: hiring, productivity and pay

Labour. The September jobs report showed payrolls up just 29,000, with unemployment at 4.2%, and July was revised to a loss of 10,000. Layoffs are not driving this. The layoff rate is 1.0%, and one analysis of JOLTS puts hires at 3.16 times layoffs, above the median since 2007. The weakness is in hiring.

Employers are hiring and firing little, which fits the New York Fed finding that nearly four times as many service firms cut hiring as cut staff.

Productivity. Nonfarm business productivity rose 2.2% over the year to Q2 2026, with output up 2.5% and hours up only 0.2%. That is what a labour-saving technology would produce. It is also what a cyclical hiring freeze produces. The productivity slowdown Oxford Economics pointed to in January has since faded, so that argument against AI-driven change is weaker now than it was.

Capital versus labour. In the same release, the labour share of output fell to 52.8%, the lowest since the series began in 1947, and real hourly compensation fell 0.1% over four quarters. Output is rising while workers' share of it shrinks. That gap is where AI's economic effect would show up first, before any wave of layoffs. The BLS data cannot separate AI from other causes, and we do not claim it does.

Market structure. AI-cited cuts are concentrated in large, investor-facing tech firms, which have the most to gain from presenting cost cuts as innovation. Rewarding that framing pushes firms to restructure around automation narratives before the technology is ready. That favours incumbents who can afford to restructure early.

Prices. With real pay roughly flat and September hiring plans 23% below a year earlier, the more likely near-term effect is weaker household demand, not faster wage inflation. This is our analytical estimate, not a measured effect.

v. Second-order: policy built on the label measures the narrative

If retraining money, disclosure rules or taxes are keyed to the reason a company gives for cuts, they will track how firms describe their cuts, not what AI is doing to jobs. Andy Challenger has already warned that as regulation takes shape, companies will be more careful in their announcements and the AI signal will become harder to read. A falling AI tally in 2027 could mean firms have stopped saying it, not that displacement has stopped.

Workers are also reacting to the headline. The New York Fed's August analysis notes that workers exposed to generative AI hold bleaker expectations for jobs and income. It also reports that firms expect to cut hiring further, particularly for college-educated workers. A widely repeated layoff

figure can change how people choose careers and how hard they bargain before it changes employment.

VI. Precedent: offshoring also looked small in the layoff counts

In the first quarter of 2004, when offshoring dominated US politics, BLS mass-layoff data attributed 4,633 of 239,361 separations to overseas relocation, about 1.9%. Years later, Autor, Dorn and Hanson showed that import competition from China caused large, lasting job losses in exposed local labour markets.

The lesson cuts both ways. Counts of stated reasons can exaggerate a shock, as AI's 21% may, or understate one, as offshoring's 2% did. In both cases the real effect showed up slowly, in particular places and among people who were never hired, more than in the headline layoff count.

VII. How it plays out: three scenarios

Probabilities are our analytical judgment, not model forecasts, and they sum to 100%.

1 · Baseline: steady label, slow hiring ~55% 6-18 MONTHS · GRADUAL

AI-cited cuts settle at a few thousand a month and AI finishes 2026 as the top stated reason on the strength of the first half. Measured layoffs stay near a 1.0% rate. Any displacement shows up in weak hiring, especially at entry level, and a falling labour share. Watch for: Challenger's monthly AI count staying under 8,000; the JOLTS hires rate holding near 3.3%; a labour share at or below 53% in Q3 productivity data.

2 · Acceleration: the data catches up ~20% 6-12 MONTHS · FAST

A second wave of AI-cited restructuring arrives with a measurable effect. The layoff rate rises, concentrated in information and professional services, and studies comparing exposed and unexposed occupations start finding significant employment losses. Watch for: AI back above 25% of monthly cuts; the JOLTS layoff rate above 1.2% for two months; a Yale Budget Lab or Fed update finding a statistically significant effect.

3 • Stall: the label fades ~25%

3-9 MONTHS • ABRUPT

Facing investor scepticism, backlash or disclosure rules, firms stop citing AI and cuts move to vaguer categories. The tally falls while the underlying trend is unchanged or simply unclear. Watch for: AI under 5% of monthly cuts for three months running; growth in the 'restructuring' and 'technological update' categories; new state or federal disclosure requirements that name AI.

WHAT WOULD FALSIFY THIS THESIS

The claim is that AI-cited layoff announcements mostly reflect how companies choose to describe cuts, while the measurable effect so far comes through hiring and the labour share. It fails if, by mid-2027, the JOLTS layoff rate rises clearly above 1.2%, concentrated in AI-exposed industries, while AI-cited announcements also rise. It also fails if a study comparing exposed and unexposed occupations, using 2026 data, finds statistically significant job losses in exposed occupations. A third test: the share of New York Fed-surveyed service firms reporting AI-driven layoffs rises from 4% into double digits. Any of these would mean the label was early, not inflated.

WHAT TO WATCH, IN ORDER

1. **Early November 2026:** the Challenger October report. Does AI's monthly share return above 10%, or stay near September's 9%?
2. **Early November 2026:** BLS jobs data for October and JOLTS for September. Does the layoff rate move off 1.0%, and does hiring weaken further?
3. **Early November 2026:** BLS preliminary Q3 2026 productivity and costs. Do productivity growth and a record-low labour share persist?
4. **Q4 2026:** the next New York Fed regional survey or Yale Budget Lab update. Does the share of firms laying off because of AI move off 4%, or do exposed occupations start to diverge?
5. **Early January 2027:** Challenger's full-year 2026 report. Does AI finish as the top reason for the year, and how much of it came after June?

SOURCES

1. Challenger, Gray & Christmas, "Job Cuts Fall in September; Hiring Plans Up 3% Over 2025 on Weak Early Seasonal Hiring," 1 October 2026 · challengergray.com
2. Challenger, Gray & Christmas, "August 2026 Challenger Report," September 2026 · challengergray.com
3. Challenger, Gray & Christmas, "Challenger Report: Layoffs Fall, Hiring Picks Up; AI Leads For Fifth Straight Month," 6 August 2026 · challengergray.com
4. HR Dive, "Tech accounts for nearly a third of US layoffs in the first half of 2026, Challenger finds," 2 July 2026 · hrdive.com
5. Challenger, Gray & Christmas, "Job Cut Announcement Report, December 2025," January 2026 · challengergray.com
6. CFO Dive, "AI tied to 7,000 job cuts in September: Challenger," 7 October 2025 · cfodive.com
7. Fast Company, "Tech layoffs: 165,925 jobs slashed in 2026 as September cuts rise," 1 October 2026 · fastcompany.com
8. U.S. Bureau of Labor Statistics, "Job Openings and Labor Turnover Summary, August 2026," 29 September 2026 · bls.gov
9. U.S. Bureau of Labor Statistics, "The Employment Situation, September 2026," 2 October 2026 · bls.gov
10. U.S. Bureau of Labor Statistics, "Productivity and Costs, Second Quarter 2026, Revised," 3 September 2026 · bls.gov
11. Fortune, "AI layoffs are looking more and more like corporate fiction, Oxford Economics suggests," 7 January 2026 · fortune.com
12. The Budget Lab at Yale, "AI Is Probably Not (Yet) the Reason for Labor Market Weakening," 7 May 2026 · budgetlab.yale.edu
13. Federal Reserve Bank of New York, Liberty Street Economics, "Businesses Are Using AI to Transform Work, Not Cut Jobs," 1 September 2026 · newyorkfed.org
14. Federal Reserve Bank of New York, Liberty Street Economics, "AI's Impact on Labor and Hiring," 5 August 2026 · newyorkfed.org
15. Macro4Micro, "JOLTS August 2026: Living Up to Low Hire, Low Fire," 29 September 2026 · macro4micro.com
16. U.S. Bureau of Labor Statistics, The Economics Daily, "Layoffs and relocations," 15 June 2004 · bls.gov
17. Autor, Dorn and Hanson, "The China Syndrome: Local Labor Market Effects of Import Competition in the United States," American Economic Review, October 2013 · aeaweb.org

METHOD NOTE: CHALLENGER FIGURES ARE ANNOUNCED JOB-CUT PLANS BY US-BASED EMPLOYERS, WITH THE REASON EACH EMPLOYER GIVES; THEY ARE NOT MEASURED SEPARATIONS, AND WE TREAT THE STATED REASON AS A DISCLOSURE, NOT A CAUSE. MONTHLY AI FIGURES ARE TAKEN FROM CHALLENGER'S MONTHLY REPORTS; THE H1

AVERAGE AND THE 13% COUNTERFACTUAL SHARE ARE OUR ARITHMETIC. THE COMPARISON WITH JOLTS ASSUMES LAYOFFS RAN NEAR AUGUST'S 1.6 MILLION A MONTH FROM JANUARY TO AUGUST AND IS LABELLED AS AN ESTIMATE. WHERE SOURCES DISAGREE, THE DISAGREEMENT IS REPORTED RATHER THAN AVERAGED. SCENARIO PROBABILITIES ARE ANALYTICAL JUDGMENT.

Built by the [Alicante Tech Vibes](#) community, a tope.

2026-10-04