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SPECIAL REPORT

The Great Flattening:

How Artificial Intelligence Is Dismantling Middle Management

Gartner: 20% of companies will use AI to eliminate more than half of middle management by the end of 2026. Amazon cut 30,000, Meta 8,000, Oracle 30,000 positions. This isn't a trend; it's a doctrine.

20%

Companies flattening their org by 2026

30,000

Amazon's total corporate layoffs

12.1

Average manager team size (2025)

September 2026 | Sources: Gartner, Gallup, Korn Ferry, Deloitte, Bloomberg, CoinDesk

OPENING NOTE

The Pyramid Is Flattening: Where Does Middle Management Go?

A new term entered corporate circulation in 2025-2026: The Great Flattening. Gartner's forecast is unambiguous: by the end of 2026, 20% of companies will use artificial intelligence to flatten their organizational structure and eliminate more than half of their existing middle management positions. This is no longer a forecast; it's a process already underway.

Amazon, after an initial wave of 14,000 cuts, moved toward a total corporate downsizing approaching 30,000. Meta laid off 8,000 people while shifting 7,000 into AI-focused roles. Oracle cut 18% of its workforce, primarily middle managers, to fund data center investments. These companies share the same underlying logic: if AI can handle coordination, why keep paying for the management layer that exists to coordinate?

But this isn't just a cost-cutting story. Gallup data shows that managers themselves are quietly cracking too: the average team size has nearly doubled since 2013. Korn Ferry and Deloitte raise an even deeper question: could the companies eliminating middle management today also be dismantling the pipeline that would produce 2028's leaders?

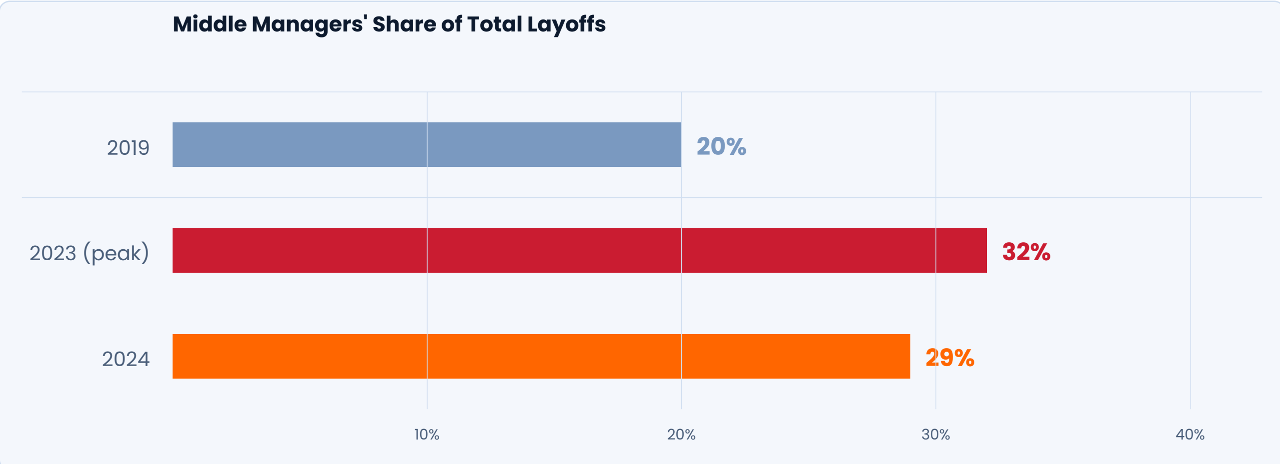
Facing Cuts	Span of Control	Feel Directionless
78%	**12.1**	**37%**
Share of middle-management functions affected by AI	Average direct reports per manager (Gallup, 2025)	Employee share at flattened companies (Korn Ferry)

SECTION 1

What Is the Great Flattening?

The Great Flattening describes the corporate restructuring wave of 2025-2026, in which middle management layers are being dismantled on a mass scale. Gartner's forecast: by the end of 2026, 20% of companies will use artificial intelligence to flatten their organizational structure and eliminate more than half of existing middle management positions.

This trend isn't new, but it's accelerating. Middle managers' share of total layoffs rose from 20% in 2019 to 32% in 2023: a 60% increase. In 2024 the figure stood at 29%. Target's CEO Michael Fiddelke acknowledged that the company had accumulated "too many layers and overlapping work," slowing down decision-making. Walmart, meanwhile, decided to hold total headcount at 2.1 million for three years; while integrating AI into nearly every role, it is targeting white-collar jobs first.



What the technology is doing isn't just automating tasks; it's eliminating a specific kind of coordination need. When an employee requested software approval, a manager used to assess the risk, check policy, and grant access. Now most of that chain has been handed off to automated workflows; and the human in the middle of the chain becomes unnecessary.

KEY FINDING: Middle management's share rose 60% in 3 years; this isn't a cycle, it's a structural shift.

In 2019, 1 in 5 layoffs was a middle manager. By 2023, that ratio approached 1 in 3.

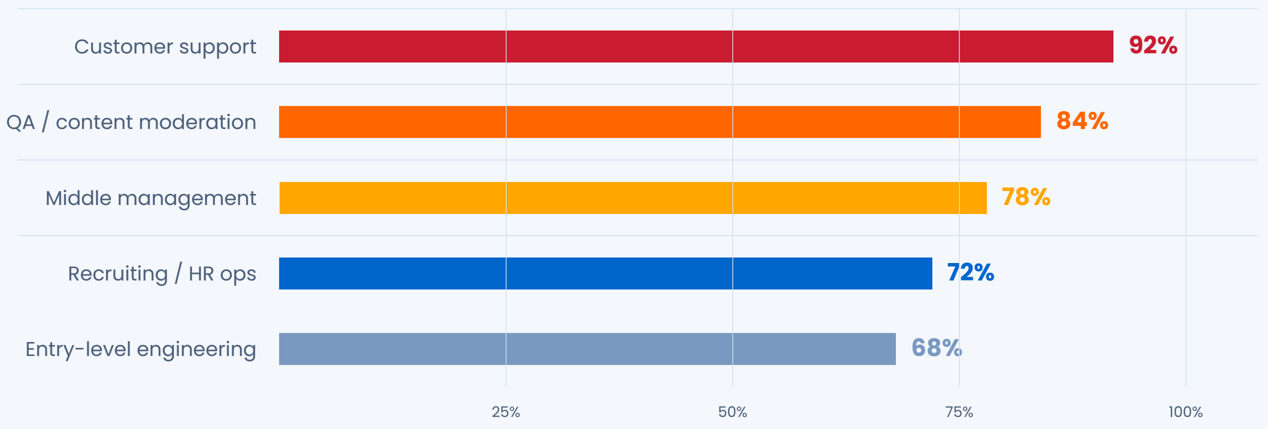
SECTION 2

Who's Getting Cut? Five Functions, One Pattern

The cuts aren't distributed randomly. According to data compiled by Warman Notes, the five function clusters most exposed to AI follow a clear pattern: customer support 92%, QA and content moderation 84%, middle management 78%, recruiting and HR operations 72%, and entry-level engineering 68%. The common thread is that most of this work involves coordination, information transfer, and standardized decision-making.

On Meta's AI team, the ratio is 50 employees per manager; far above the rest of the company. Amazon CEO Andy Jassy said, ahead of the cuts, that the company was targeting managers who were "well-intentioned but wanted a hand in everything," and that removing them would give employees more speed and ownership.

Five Function Clusters, Ranked by Exposure (Warman Notes, 2026)



The overlap between these five clusters is especially risky for middle managers: not only are their own roles directly targeted, but most of the teams they manage (support, moderation, HR operations) are shrinking independently too. As the number of people to manage falls, the management layer itself becomes redundant.

KEY FINDING: Middle management ranks second in exposure, right behind customer support.

A 78% exposure rate is higher than even recruiting and engineering: this isn't random, it's structural.

SECTION 3

Follow the Money: Four Companies, One Doctrine

According to Morgan Stanley's analysis, the annual cost per manager at Amazon runs between $200,000 and $350,000. Cutting 14,000 positions translates to roughly $3 billion in annual savings. That's just Amazon's math; but the underlying logic behind four major companies' cuts is strikingly similar.

Amazon cut 14,000 jobs in October 2025 and another 16,000 in January 2026, approaching a total of 30,000. Meta laid off 8,000 people in May 2026 while shifting 7,000 into AI-focused roles. Oracle cut 18% of its workforce, primarily middle managers, to fund data center investments. Block announced that its 4,000-person cut, shrinking its workforce by 40%, had eliminated the permanent middle-management layer entirely.

Four Companies, One Playbook: Cut Numbers (2025-2026)

Amazon: ~30,000

~10% of corporate workforce cut across two waves

Management headcount fell from 105,770 to 91,936.

Meta: 8,000 + 7,000

8,000 laid off, 7,000 shifted into AI roles

Hit hardest: Reality Labs, social, recruiting, sales.

Oracle: 20-30,000

18% of workforce, primarily middle management

Cuts are funding data center investments.

Block: 4,000

~40% of workforce; shift to a "three-role" model

Permanent middle-management layer eliminated entirely.

The language itself has shifted too. A year ago these cuts were framed as "discipline"; now they're described as "AI reallocation." The four major hyperscalers' combined AI capital expenditure reached $725 billion in 2026: a 77% increase year over year. The capital that funded engineer hiring in 2021 now funds GPU clusters.

KEY FINDING: Cutting 14,000 managers saves Amazon roughly $3 billion a year.

Each of the four companies tells a different story, but the underlying math is the same.

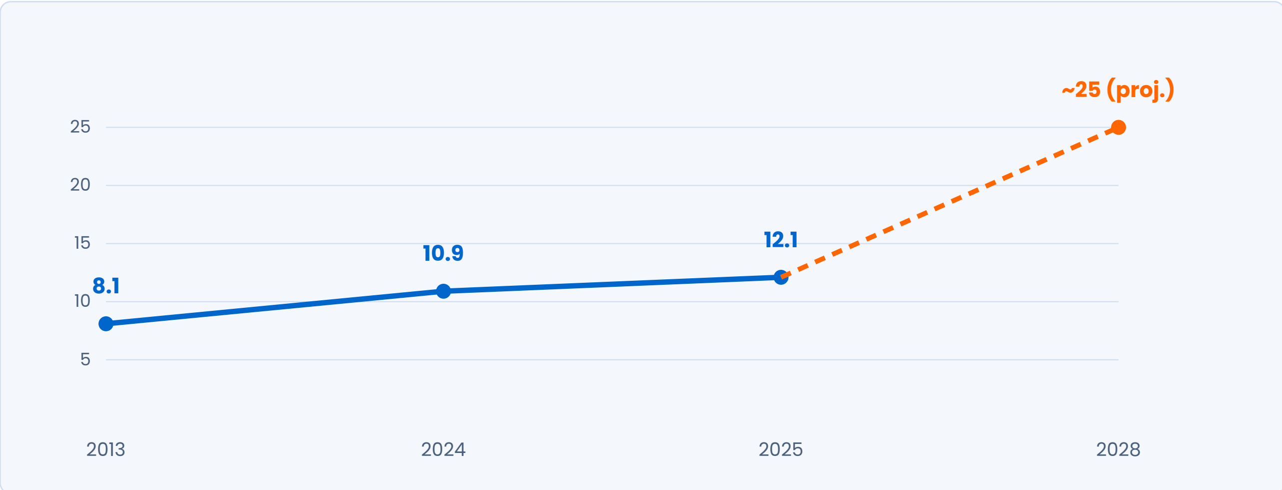
SECTION 4

The Mechanism: Span of Control Is Nearly Tripling

The mechanism behind the cuts comes down to a single number: span of control, the number of employees who report directly to a manager. This metric, which Gallup has tracked since 2013, rose from 8.1 in 2013 to 10.9 in 2024 and 12.1 in 2025: roughly a 50% increase since 2013. The rise is even more striking among small and mid-sized businesses: the average number of direct reports doubled from 3 to 6 between 2019 and 2025.

According to Warman Notes' projection, if this trend continues, span of control could reach an average of ~25 direct reports by 2028. The pyramid is flattening; the director, manager, and team-lead layers are compressing into a single leadership role; that leader manages a team of 25 alongside a persistent AI agent.

Average Direct Reports per Manager, 2013-2028



McKinsey's archetype model suggests that span of control should vary with the nature of the work: Player/Coach (3-5 reports), Coach (6-7), Supervisor (8-10), Facilitator (11-15), Coordinator (15 and above). The problem is that 2025's average of 12.1 already falls into the Facilitator band; and Gallup's own data shows manager engagement peaking at exactly 8-9 direct reports, then dropping sharply above 10.

KEY FINDING: The average span of control already sits above Gallup's engagement peak of 8-9.

The 2028 projection (~25) could make today's concept of "manager" unrecognizable.

SECTION 5

The Dorsey Doctrine: Three Roles, No Permanent Middle

Block founder Jack Dorsey, shortly after the company's 4,000-person cut (40% of its workforce), published an essay titled "From Hierarchy to Intelligence" together with Sequoia Capital managing partner Roelof Botha. The argument is blunt: "There is no need for a permanent middle management layer." Drawing a historical arc from the command structure of the Roman army to the modern functional pyramid, they argue that today's companies still rely on hierarchical structures that are centuries old.

Under the model, employees are reduced to three roles: the system-building IC (Individual Contributor), the DRI (Directly Responsible Individual) who owns an outcome end to end, and the Player-Coach, who both does hands-on work and develops the team. Coordination itself is handled by two AI "world models" that unify code, decisions, workflow, and performance data.

Five Layers to Three Roles: Block's "From Hierarchy to Intelligence" Model

Traditional Hierarchy	Block's Model (2026)
Director	IC: Individual Contributor
Senior manager	DRI: Directly Responsible Individual
Manager	Player-Coach (does the work, develops others)
Team lead	Two AI "world models" (coordination)
Individual contributor	

But current and former Block employees interviewed by The Guardian paint a different picture: they say roughly 95% of AI-generated code changes still require human intervention, and that AI tools cannot yet take the lead in regulated areas like banking and money transfer. Applied Methods' dataset, covering 114 AI companies, shows that the share of job postings with a manager title still stands at 14.5%; in operations functions that figure rises to 37.4%.

KEY FINDING: Dorsey says "no permanent middle layer is needed"; yet 95% of AI code still needs a human hand. That gap between claim and practice raises real questions about how universal the model is.

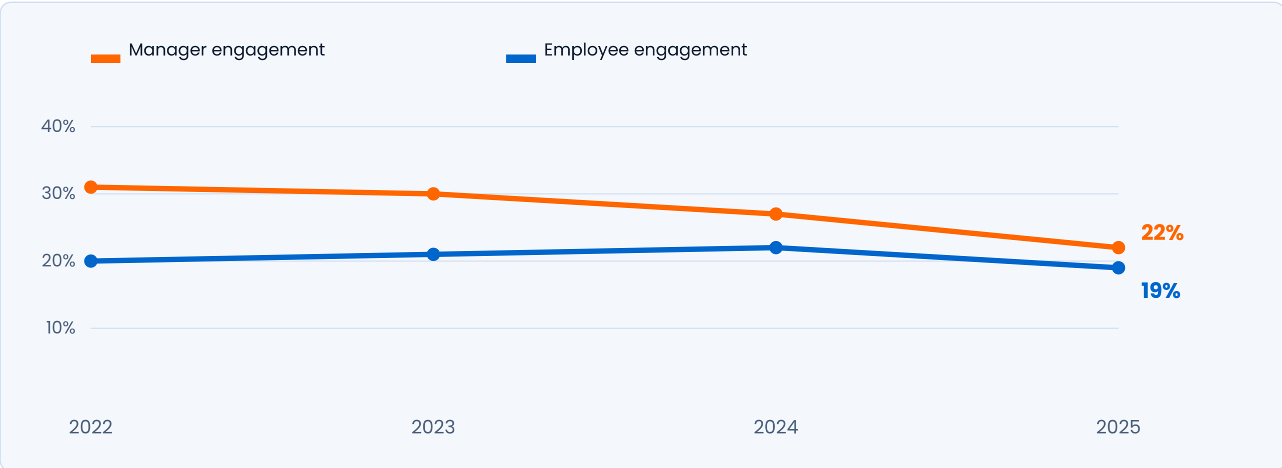
SECTION 6

The Human Cost: Manager Engagement Is Collapsing

The group absorbing the biggest hit from flattening is exactly the group expected to manage the process: managers themselves. Gallup's data is stark: manager engagement fell from 31% in 2022 to 22% in 2025: a 9-point drop in three years. Employee engagement, over the same period, stayed relatively flat. The result is that the gap between manager and employee engagement narrowed from 11 points in 2022 to 3 points in 2025; managers are cracking faster than the people they manage.

This decline isn't evenly distributed geographically either. South Asia saw the steepest single-year drop: 8 points. Gallup attributes part of this regional gap to organizational flattening; the falling share of employees who hold a manager role in the same period is one of the marks flattening has left in the data.

Manager vs. Employee Engagement: A Narrowing Gap, 2022-2025 (Gallup)



The reason is exactly the span-of-control expansion covered in Section 4. A manager who oversaw four teams before the weekend can find themselves managing nine come Monday; the title doesn't grow, the responsibility does. The one thing automation hasn't been able to take over is giving one person time that belongs to them alone; and that's precisely the first thing lost as span of control expands.

KEY FINDING: Manager engagement fell 9 points in 3 years; far faster than employee engagement.

Flattening doesn't leave those who remain with less work, but with a wider, more exhausting responsibility.

SECTION 7

The 2028 Problem: Who Will Develop the Next Leaders?

Middle management wasn't just handling today's coordination work; it was also developing tomorrow's leaders. According to Korn Ferry's research, 37% of employees at flattened organizations feel "directionless." Deloitte's Gen Z and millennial survey offers an even more striking data point: only 6% of Gen Z aspires to senior leadership.

Read together, these two figures reveal a structural contradiction. Companies eliminating middle management in 2026 are, at the same time, removing the experience rungs that would develop 2028's senior leaders. The next generation is left both without those rungs and, increasingly, without any desire for the leadership role in the first place. The pipeline is thinning from both directions at once: the people who would have grown into it are gone, and the people who might have wanted to grow into it have given up on it.

Feel Directionless	Want Leadership	Expect Cuts
37%	**6%**	**99%**
Employee share at flattened organizations (Korn Ferry, 2025)	Gen Z share targeting senior leadership (Deloitte, 2025)	CEOs expecting AI-driven headcount reduction (Mercer, 2026)

As Warman Notes puts it: the most aggressive flatteners are betting they can buy back depth through external hiring when they need it. That bet assumes the labor market can produce senior leaders without a development pipeline behind them. That assumption won't hold.

KEY FINDING: The company eliminating middle management today is also removing the rung that would develop 2028's leader. Gen Z already doesn't want leadership; the remaining rungs keep shrinking too.

OVERALL ASSESSMENT

Managing the Flattening Well: Datassist's Perspective

Reading The Great Flattening as purely a cost-cutting wave would be incomplete. There's also a skepticism story here: Bloomberg estimates that roughly half of layoffs attributed to AI result in the same role being refilled offshore or at a lower pay band within 12 months. Intuit's CEO said a 3,000-person cut "wasn't about AI," even as the company signed new deals with Anthropic and OpenAI in the same period. At Meta, an internal plan called "Project OT" that projected shrinking some teams by as much as 60% triggered employee backlash, and the first wave of the plan stalled.

Cost Pressure

77% increase

Year-over-year rise in the four big hyperscalers' 2026 AI capital expenditure

Skepticism Factor

~50%

Estimated share of AI-attributed cuts refilled offshore or at lower pay

CEO Expectations

99%

Share of CEOs expecting AI-driven workforce cuts in the near term (Mercer, 12,000+ respondents)

Turkey's Reflection

Multiple companies

Multinationals including Amazon, Citi, BAT, and LinkedIn have also cut headcount in the TR market

Datassist's Perspective: What Can HR and Payroll Leaders Do?

- Review your span of control. Measure the gap between Gallup's 8-9 direct-report engagement peak and your organization's current average. For teams above 12, track engagement and performance data together.
- Treat flattening as a design task, not just a cut. Draw a clear line between which coordination work can genuinely be automated and which parts still require human judgment.
- Protect the leadership pipeline starting now. As middle management shrinks, giving remaining employees targeted development opportunities, mentorship, and clear career visibility is the only way to close 2028's leadership gap.

How to Read The Great Flattening

- Look at the mechanism, not just the numbers.
The expansion of span of control is the real engine behind the cuts.

- Don't credit every cut to AI.
Bloomberg says roughly half of the cuts get refilled offshore or at lower pay.

- Don't lose sight of the managers who remain.
Manager engagement is falling far faster than employee engagement.

- Protect the leadership pipeline today.
The middle management eliminated in 2026 is also shrinking 2028's leadership pool.

- Don't copy the Dorsey model wholesale.
95% of AI code still needs human intervention; there's a gap between claim and practice.

- Treat flattening as a design problem.
Separate what coordination can be automated from what still needs a human.

About Datassist

26+	500+	1.5M+	100+
Years	Active Clients	Annual Payrolls	Experts

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About This Report

This report was prepared by Datassist for HR and payroll professionals.

Content is based on publicly available research and industry sources.

Charts are based on published data ranges.

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