

The State of AI & Engineering in 2026

AI has transitioned from pilot to production. Here's what engineers, product managers, designers and technology leaders in Australia told us.

§1 What we heard

It was a good year that wore people out. Four in five had a positive year and almost everyone ships faster. But workload rose for two thirds, satisfaction fell for more people than it rose for, and most saw no change in pay.

80%

say AI's impact on their role this year was positive (7% negative)

92%

ship faster than a year ago — 55% say a lot faster

68%

report higher workload and pressure

45%

say code quality fell, against 33% who say it improved

57%

saw no change in their total pay package

EIGHT FINDINGS

01 A good year that wore people out

Ask for a rating and 80% say positive. Ask for a single word and "excited" and "empowered" top the list — but "exhausted", "tired" and "stressed" sit right behind, and **only 43% of the words chosen were positive**. Type 2 fun.

03 Code is cheap to write, not cheap to check

Speed and boilerplate moved exactly as expected. Quality is the exception: **45% say it fell, 33% say it improved**, and time in code review rose for 57%. Hours saved at the keyboard are partly repaid at review, by a human deciding whether machine output is shippable.

02 AI is no longer optional

Every leader interviewed said refusing to use AI is now disqualifying — the comparison we heard was refusing to use an IDE. The gains are real: **3× output per engineer, a six-month project delivered in two**. The default answer to a new idea is no longer "no", it's "let me check".

04 Everyone's a builder. Ownership didn't move

Not one respondent reported seeing no cross-role movement. Non-engineers ship working prototypes as PRs and 51% of engineering leaders are more hands-on than a year ago. But every leader drew the same line: engineering owns production — and the PMs who crossed it pulled back once shipping meant being on call.

EIGHT FINDINGS, CONTINUED

05 Juniors are the open question

17 of 22 interviews raised it unprompted. Entry-level work now sits below what a model does unsupervised, and nobody could describe the replacement on-ramp. Optimists think juniors learn faster because they aren't typing; early US labour data (a ~19% employment gap for 22–25s in AI-exposed jobs) sides with the pessimists for now.

07 The fear is deskilling, not displacement

35% named over-reliance and skill atrophy as AI's most significant downside. Job security got 10%. Thirteen interviews described something closer to mourning: a craft built over a career, changed in a year.

06 Tokens became a management question

The most common budget is **\$150–500 per engineer per month**, and 14% don't know theirs. Leaders believe usage is carefully managed; the people they lead don't see it that way. Most leaders think quotas are the wrong lever — and warned that the heaviest token users are not the best AI users.

08 Hiring is turning into an audition

60% changed their interview process, almost all of it landing on the take-home and live coding round. The new pattern: an hour in an unfamiliar codebase with your own tools, judged on framing and critique. Only 4% of leaders are hiring more engineers; a quarter are hiring fewer.

"There's AI years and there's normal years. There's an AI week, which is a normal year."



Tim Lucas
Cofounder, Amp

"On the tools is different to writing and committing production code. If you're diving in deep, my question is: who is waking up at 3am if stuff goes wrong?"



Wendy Glasgow
CTO, HotDoc

Core engineering teams are getting smaller, but that won't mean a smaller demand for engineers. Engineers will be dispersed across organisations rather than sitting in the silo of a dedicated product team — going into finance, ops and marketing as the adult supervision for the custom software every department can now build for itself.



Steve Gilles
Founder, Lookahead

§2 What changed, by the numbers

ROLES & LEADERS

51% of engineering leaders are **more hands-on** than a year ago; 23% much more

0 respondents saw **no cross-role movement** — engineers pick up product and design work more often than the reverse

Design is the only function named as **at risk** more often than expanding (an engineer's view — only 14 designers answered)

48 / 15 / 21 **Forward-deployed engineers:** 48% say they understand the role, 15% have it, 21% had never heard the term

1 of 22 leaders expects the **blurring of roles to reverse**

SKILLS & TOKENS

55% say **product thinking** grew in importance; 52% say **system design**. Nothing else came close.

Split **Code review and prompt engineering** appear near the top of both the "growing" and "declining" lists — two camps, same job

Falling What people volunteered as declining: **coding itself, and deep knowledge of one stack**. Testing and validation was a clear net loser.

46% v 12% share of 1–10 person vs 1,000+ person companies in the **\$150–500/month token band** — small companies spend more per head

14% of respondents **don't know their token budget**

HIRING & PAY

58 / 42 split on whether **coding tests are still relevant**. Managers rate them most relevant; the C-suite least.

4% of engineering leaders are **hiring more engineers**; 25% are hiring fewer. 36% of C-suite are cutting vs 12% of managers.

34% name **software engineering** the hardest role to fill; engineering leadership 28%, AI engineering 27%

+\$20k **median pay rise** among the 62 people whose package moved. 57% saw no change; rises concentrated at larger companies.

0% of leaders say the **premium for exceptional engineers** is falling significantly; 37% say it's rising

IF YOU'RE LOOKING FOR WORK

- 01 Ship something, then show it.** The single most common answer. One small thing you built beats a CV; a green-lit GitHub beats a portfolio page.
- 02 Spend real money on frontier tools.** Treat it as a retraining cost, not a subscription — "five bucks a day, a cup of coffee a day".
- 03 Bring an opinion, not a feature list.** "Tried Cursor, Claude Code and Codex — here's why I landed where I did" is the new interview currency.
- 04 Treat a gap as a reset, not a liability.** Most of what mattered six months ago isn't relevant now anyway. Use the time to restart ahead of it.

IF YOU'RE HIRING

- 01 Define the first ninety days before the job ad.** The most common complaint was undefined AI roles, not weak candidates. If it reads like a solutions architect, hire one.
- 02 Test the job as it actually exists.** Interviewing without the tools people use daily misrepresents the work. Judge framing and critique of the output, not typing.
- 03 Screen out the age shortcut.** Assuming younger candidates are "AI native" by default is a bias, not a strategy.
- 04 Recalibrate your gut on purpose.** The person best suited to how development now works may not look like what you pictured. Gut feel was trained on the old job.

ABOUT LOOKAHEAD

Every recruiter tells you they're different. Let us show you.

Lookahead is a technical recruitment agency helping Australia's best engineers find companies who care about building great software.

We'll hire anyone in a software team. We come from technical backgrounds ourselves, and we've been building our database of Australia's technology community for 14 years. We're reimagining what recruiting can be in an AI-first world. We run our own stack, we have a developer on the team, and part of our workflow is becoming a product. We're better at hiring because we're builders too.

WE'RE GOOD AT HIRING

Software Engineering

From junior to principal, front-end to back-end. Engineers who care about the craft, not just the code.

AI, ML & Data

Data engineers, machine learning specialists and AI practitioners for teams serious about building with data.

Executive & Leadership

CTOs, VPs, Engineering Managers and technical leaders who can build and scale great teams.

Design & Product

Product managers, designers and technical PMs who bridge the gap between engineering and the people using it.

2012

Founded in Sydney. 14 years of relationships with the people who build software in Australia.

Technical

Recruiters who have been in a dev team before, and have empathy for the work.

AI-first

This report, our tooling and our candidate experience are all built on our own stack.

Read the full report

40 pages and 20 exhibits, with the people running engineering in Australia in their own words. Free and openly available, no email gate.

lookahead.com.au/ai-engineering-whitepaper-2026 ➔

Hiring, or looking? hi@lookahead.com.au

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