

Spotlight on AI: How AI is changing work in Scotland

October 2026

CBI Economics, the independent economic consultancy of the Confederation of British Industry and Skills Development Scotland (SDS) are working in partnership to strengthen understanding of how Artificial Intelligence (AI) is reshaping Scotland's labour market, workforce and skills needs.

Through employer engagement, labour market analysis and ongoing research, the collaborative research programme will generate the evidence Scotland's skills system needs to help understand and respond to the opportunities and challenges presented by AI.

This first issue shares early insights from Scottish employers and marks the beginning of the Spotlight on AI series and the development of SDS's AI Workforce Intelligence Hub.



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Headline findings

Drawing on evidence from 164 Scottish businesses and 22 targeted interviews.

	AI is currently being used in everyday business activity in Scotland with generative AI tools being used by almost nine in ten (87%) businesses already using AI.
	One third (34%) of organisations reported using AI across some business functions, while 12% were still planning its rollout, and 2% said it was fully embedded across most business functions.
	Almost half (46%) of employers reported informal or individual AI use with their organisation.
	AI appears to be altering working practices more than overall employment levels, with more than 70% of businesses reporting no material current change in headcount.

	Employment change is expected to become more visible over time, with just under a fifth (18%) of employers anticipating AI-related headcount reductions of at least 10% over the next three years, while around 6% expect AI to increase headcount.
	Expected reductions are highest for entry-level roles without formal qualifications, where 16% of employers anticipate a decrease.
	In interviews, employers emphasised that human skills remain essential in an AI-enabled workplace, particularly critical thinking, judgement and communication, which enable workers to evaluate AI outputs, apply them in context and retain human oversight.

Executive summary

This Spotlight on AI draws on engagement with Scottish businesses to explore how employers are using and adopting AI, the opportunities they see, and the challenges they face.

Findings indicate that more than a third of Scottish employers are already using AI across at least some business functions, with adoption levels showing little variation by business size.

Despite this positive momentum, organisation-wide adoption remains at an early stage, with most employers in the piloting, testing or planning stages. The findings suggest that Scotland is entering a critical phase of its AI adoption journey, presenting an opportunity for a collaborative effort to advance AI adoption in ways that are productive, responsible and aligned with workforce needs.

Employers that have adopted AI report that its impact is being felt more at task level and influencing how work is carried out, rather than affecting job numbers, with most reporting no material change in headcount currently. However, there are indications that the nature of work is changing because of AI, particularly around routine and administrative tasks, and employers expect workforce impacts to deepen over the next three years.

Alongside business-led adoption, employers are aware of more informal and individual AI use which, while offering potential benefits, needs to be monitored and managed as part of a wider organisational approach to AI adoption. Equipping workers with the skills to work alongside AI and supporting employers with the AI leadership capabilities to adopt it effectively, will help ensure a successful and inclusive AI transition.



Spotlight on AI

This is the first output from the Skills Development Scotland and the CBI Economics partnership. Future editions of Spotlight on AI will build on these findings and explore what AI could mean for jobs, skills and workforce resilience across Scotland.



Keeping Pace with AI: AI Workforce Intelligence Hub

The publication also announces the development of an AI Workforce Intelligence Hub, which will bring together employer insight, labour market analysis and wider evidence to provide practical intelligence on how AI is changing work, skills and workforce demand in Scotland. The hub will support SDS and partners to track emerging trends, identify where action may be needed, and inform coordinated responses to the opportunities and risks presented by AI. Find out more [here](#).

Introduction

Scotland is at an important point in its AI journey, with a window of opportunity to shape adoption across the economy, maximise the benefits for productivity and growth, and support individuals and businesses to understand and adapt to changing skills and workforce needs. Ensuring that AI is developed and deployed in ways that are ethical, human-centred and aligned with Scotland's values and Fair Work principles is critical to Scottish Government's ambition that everyone in Scotland can benefit from AI¹.

The ability of Scottish stakeholders to take collective ownership of understanding, guiding, monitoring, anticipating and responding to AI's economic and workforce impacts will be essential to Scotland's future success. Despite an increasing body of evidence about the impact of AI on the skills and labour market, specific insights for Scotland have been limited, leaving policy makers and learning providers to rely on UK and international findings. While many of these findings are relevant, Scotland's industrial and occupational profile differs from some of the economies that dominate the wider evidence base.

For these reasons SDS, in collaboration with CBI Economics, the independent economic consultancy of the CBI, are developing a Scotland-specific evidence base on how AI could affect the labour market and change workforce demands. The programme combines employer and stakeholder engagement with occupational and labour market analysis².

Alongside this first publication, SDS and CBI Economics are continuing to develop additional impact models, tools and evidence to understand how different jobs, sectors and groups of workers may experience AI-related disruption. This ongoing programme of in-depth intelligence gathering will be explored further in future issues of Spotlight on AI.

This first issue focuses on what employers are telling us now, and points to where Scotland must act to turn potential AI disruption into shared opportunity. However, this opportunity is not without risk. As we move further into this period of AI adjustment there is a critical moment for individuals and businesses to understand and develop the skills and resilience to engage with AI effectively and ethically.



The Spotlight on AI series builds on work to understand and respond to technological change, including the focus on the skills required for Scotland's changing labour market as illustrated in SDS's 2019 "A Human Future".

1 [Scotland's Artificial Intelligence strategy 2026-2031 - gov.scot](#)

2 Summary of methodology see Annex One

What does existing research tell us about AI and the labour market?

Research on the labour market impacts of AI continues to evolve at pace, with a growing body of evidence suggesting that AI is more likely to transform jobs than replace them entirely. The **International Labour Organisation (ILO 2025)** estimates that one in four workers globally are employed in occupations with some level of exposure to generative AI, although only a relatively small proportion are in occupations with the highest levels of exposure. The ILO concludes that the most likely outcome is widespread change to job tasks and working practices rather than large-scale job displacement.

The labour market impacts of AI are likely to vary across occupations, industries and worker groups. The **National Bureau of Economic Research (NBER 2026)** found that, despite widespread adoption of AI tools by employers, there has so far been limited evidence of significant effects on wages or working hours. Instead, organisations appear to be adapting by redesigning tasks and integrating AI into existing workflows. Other research highlights that while AI may reduce demand for some tasks, productivity gains can help offset potential employment losses by supporting business growth, creating new opportunities and increasing demand in the economy (**NBER 2025**).

Evidence on productivity is generally positive. A large-scale workplace study found that AI assistance increased productivity by around 15% on average, with the greatest benefits observed among less experienced workers (**Brynjolfsson et al 2025**). At the same time, emerging evidence suggests that some groups, particularly younger workers entering AI-exposed occupations, may face increased challenges in accessing employment opportunities (**Brynjolfsson et al 2026**).

Overall, the emerging consensus across the literature is that AI is likely to reshape how work is organised and performed, with increasing adoption suggesting these changes are already beginning to emerge across workplaces. Although there is evidence of AI contributing to reductions in some roles (such as administrative roles), the dominant narrative consistently suggests that AI's impact is more likely to be seen in changes to tasks, skills requirements and job design than in widespread occupational replacement.

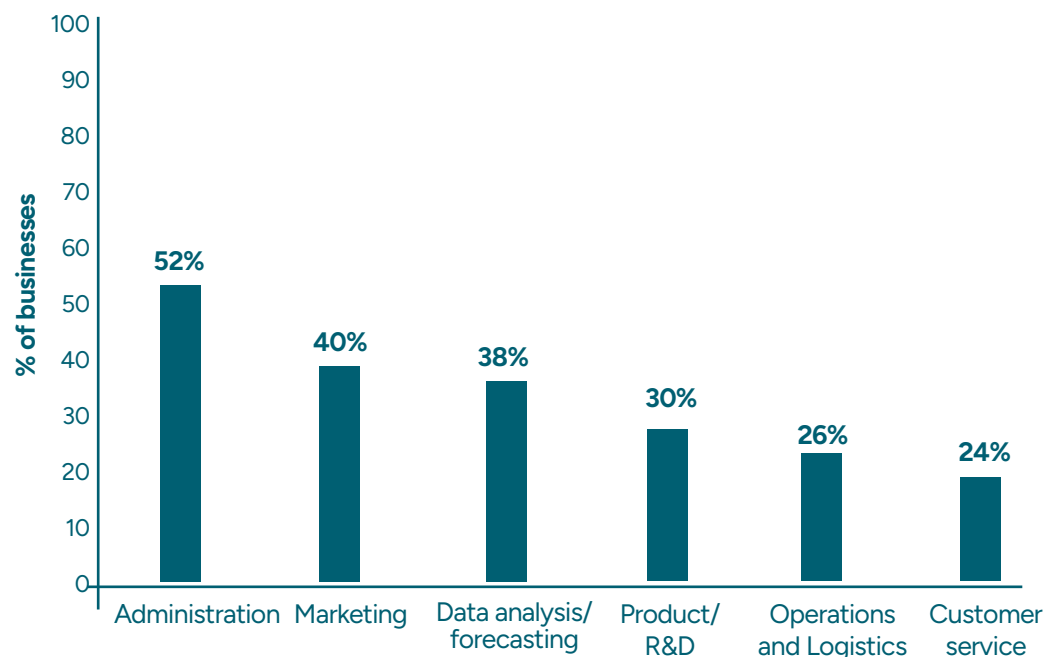


1. AI is becoming a part of everyday work in Scotland

AI is already beginning to change how work is carried out in Scotland. Employers report using AI most frequently to support administration (52%), followed by marketing (40%) and data analysis or forecasting (38%). Conversations with employers suggest that the greatest value is currently being realised in routine cognitive and repetitive tasks, while organisations remain more cautious about using AI for higher-responsibility decision-making. This is supported by recent evidence which shows for businesses in Scotland that use AI, 94% are using it for day-to-day tasks³.

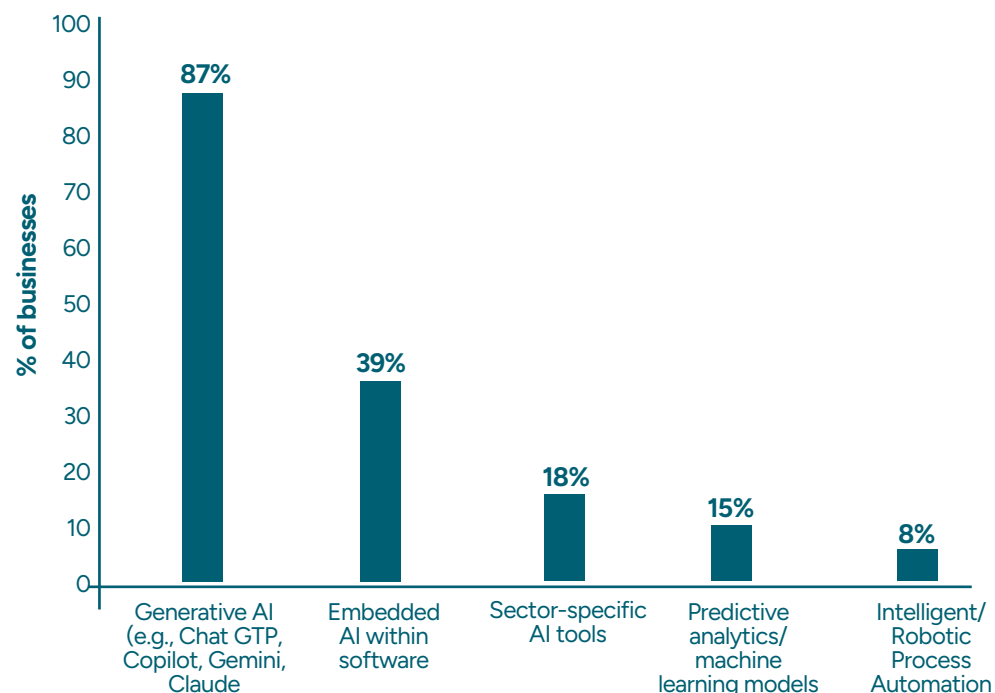
This pattern of use appears to be driven largely by generative AI. Among businesses using AI, almost nine in ten (87%) report using tools such as ChatGPT, Copilot, Gemini or Claude⁴. The widespread availability of these technologies means AI is no longer confined to specialist teams or large-scale digital transformation programmes. Instead, it is increasingly becoming part of everyday work across the workforce.

Chart 1: Top 5 business functions where AI is being used



Source: SDS and CBI Economics Survey (2026)

Chart 2: Types of AI tools used by businesses



Source: SDS and CBI Economics Survey (2026)

³ Fraser of Allander Institute 2026

⁴ See Annex Two for definition of Artificial Intelligence

The accessibility of generative AI means that workers can often begin experimenting with AI tools independently of formal business adoption. This can create risks around data protection, compliance and intellectual property losses. As AI use becomes more widespread, consultees highlighted that there is also a risk that informal adoption could create inequalities between those who are confident using digital and AI technologies and those who require additional support. Ensuring employees have access to appropriate guidance, training and opportunities to develop AI literacy will be important in ensuring the benefits of AI adoption can be shared more widely across the workforce.

However, the survey findings suggest that the skills to use this technology are currently being developed in Scotland's workforce, with employees demonstrating they can identify suitable AI tools and are integrating them into everyday tasks. If AI helps to speed up routine tasks, this has the potential to free up employees time to focus on human skills such as critical thinking, creativity and problem solving.

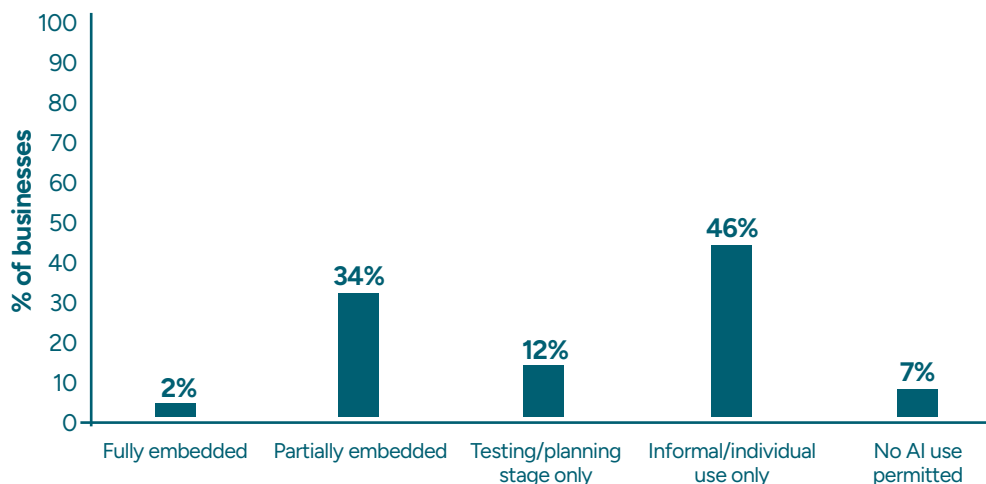


2. AI adoption in Scotland: Early momentum and future opportunity

AI is increasingly visible in Scottish workplaces, with around 36% of businesses reporting that they have either fully or partially embedded AI across their business functions. This is consistent with evidence from the Business Insights and Conditions Survey, showing that around 35% of businesses with ten or more employees who have a presence in Scotland reported using some form of AI⁵.

It is important not to conflate levels of AI integration with Scotland's wider digital maturity. AI is just one part of a broader digital and technology toolkit that Scottish businesses may engage with, and it will not be the right solution for every business or every business challenge.

Chart 3: Current levels of AI adoption in Scotland



Source: SDS and CBI Economics Survey (2026)

5 BICS (2026)

Businesses in West Central (48%) and East Central Scotland (41%) and Highlands & Islands (39%), show higher levels of having either fully or partially embedded AI across their business functions, in contrast to Southern Scotland (28%) and North Eastern Scotland (26%).

Only 7% of businesses reported that AI use was not permitted within the organisation, indicating that most Scottish businesses are already on their AI journey.



Businesses that have fully embedded AI remain very much in the minority at just 2%, which is unsurprising given that while AI has become ubiquitous, the widely accessible generative AI platforms that are driving current AI adoption are still relatively new.

While higher levels of AI adoption are associated with productivity gains, which will be important in an increasingly competitive marketplace, it is also encouraging that many employers remain at the planning, piloting and testing stage, suggesting they are taking a measured approach to their AI adoption.

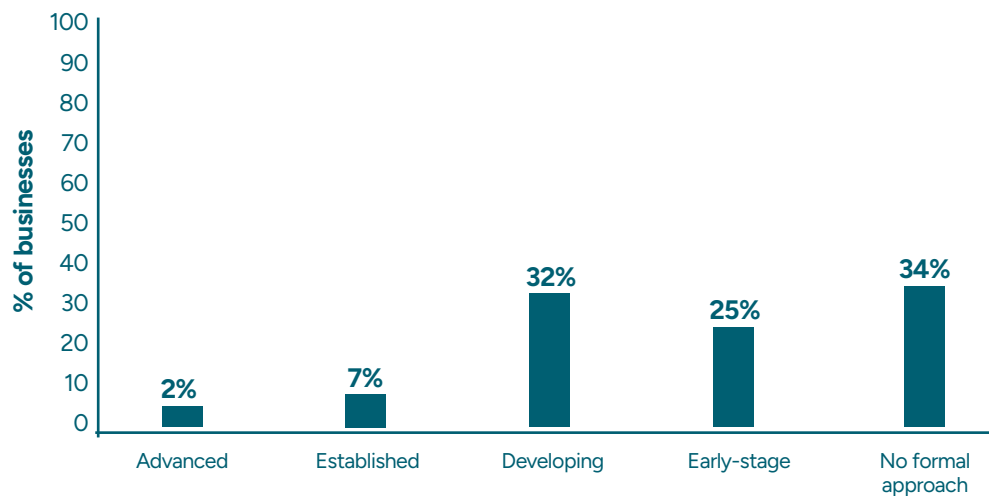
There is now an opportunity for collaboration to create the right conditions and to help employers move confidently through their AI adoption journey, helping them to realise the benefits of AI while adopting it in a responsible and sustainable way.

3. Early progress on AI governance

Encouragingly, 10% of businesses describe their approach to AI governance as established or advanced, with these more mature governance structures commonly found among larger firms. Around a third of businesses report they are developing organisation-wide AI principles, findings which are broadly in line with the proportion that have already begun embedding AI into some business functions.

These are positive indications that employers recognise the value of AI governance as an important part of responsible adoption.

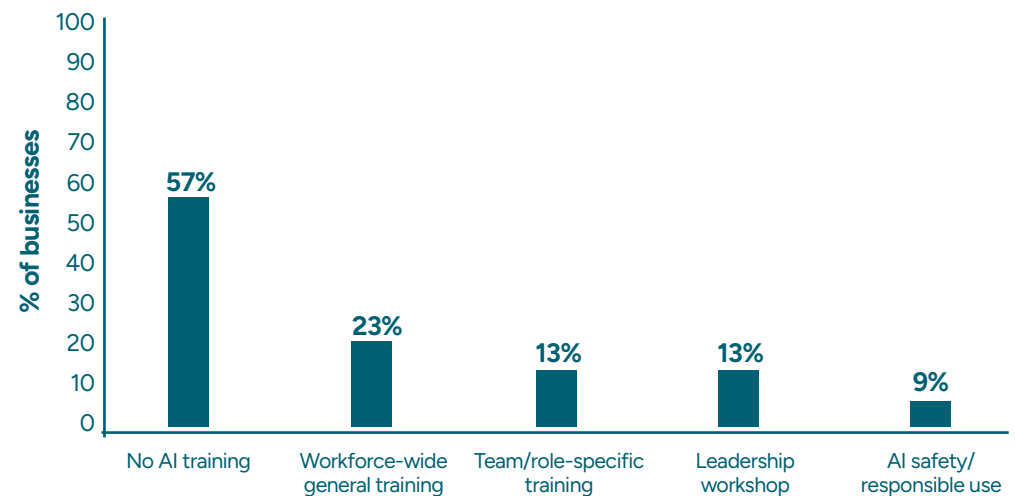
Chart 4: AI governance among Scottish businesses



Source: SDS and CBI Economics Survey (2026)

Reflecting the current levels of AI integration, around one in four employers have provided either business-wide or team-specific AI training. In contrast, almost 60% of employers have provided no AI-related training.

Chart 5: Provision of AI training across businesses



Source: SDS and CBI Economics Survey (2026)

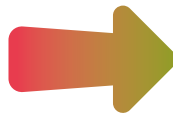
While the number of businesses engaged in AI training broadly aligns with current levels of AI adoption across Scottish businesses, this may mask significant challenges linked to the high level of informal and individual AI use.

Stakeholder interviews highlighted several challenges employers face in implementing AI-related training, including the fact that employees are progressing with AI at different speeds. Building basic AI literacy across the workforce could help address this by supporting more consistent and responsible use, while reducing risks around data protection, compliance and intellectual property, particularly linked to free consumer AI platforms. Other challenges included the rapid pace of change in AI, which makes it difficult for employers to keep up with evolving training requirements.

Importance of basic AI skills and where to seek support

The findings point to the importance of employers and employees having the skills and guidance to use AI safely and responsibly, particularly where reliance on free consumer AI platforms may create risks around data protection, compliance and intellectual property losses.

AI literacy combines the practical skills needed to use AI tools, with meta-skills such as curiosity and critical thinking, enabling people to use AI confidently, responsibly and effectively.



The Data Lab's Data and AI Skills Framework can help employers and individuals identify, assess and build the competencies needed to use data and AI effectively across the entire workforce.



We don't do additional separate training because it's not across the board and everybody's at a different level so it's difficult to pitch it at the right level.

Travel agency



You can't just go, oh, we're just gonna go and do AI training now ... when we don't know what we don't know.

Manufacturing business

4. From AI use to strategic AI leadership

The findings position AI leadership as an increasingly relevant business capability, including for organisations that are not yet formally adopting AI. Businesses have understandably prioritised workforce development to help staff use AI tools and realise their benefits, over investment in AI leadership. With only 13% of businesses engaging in AI leadership training, there is a risk that strategic capability will not keep pace with wider workforce use and potentially slowing further AI adoption.

AI leadership challenges are not unique to Scotland but could be amplified in a business base dominated by small firms, where resource constraints can make it harder to build AI leadership capability.

Effective AI leadership combines strategic judgement, workforce engagement, data confidence and ethical oversight.



AI leadership should be recognised as an essential business capability for all, not just a requirement for AI adoption, because no organisation will be untouched by AI. Even where businesses are not formally deploying AI, leadership capability can help organisations recognise informal use, understand associated risks and establish the conditions for responsible and effective adoption.



5. AI and jobs: Indicators of early resilience

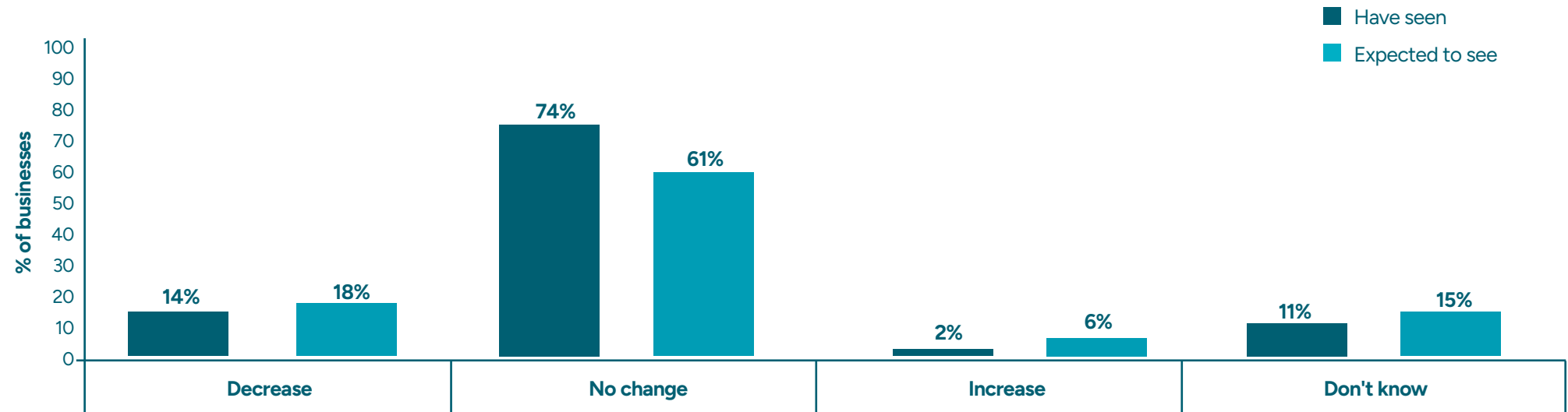
Consistent with UK and international evidence on AI-driven job displacement, most Scottish employers (74%) are not currently reporting major changes in overall headcount.

Looking ahead, most employers (61%) do not anticipate major headcount change over the next three years. However, the impact of AI on jobs is expected to become more visible over this period, with 18% anticipating decreases in headcount, 6% anticipating increases and 15% unsure. Entry-level and junior roles, which tend to consist of routine and administrative tasks, are thought to be most likely to experience disruption.



While rising unemployment and youth unemployment have coincided with growing AI adoption, the relationship is unlikely to be straightforward. Declining entry-level vacancies are being shaped by a range of factors, including economic conditions, employer cost pressures and wider technological change, of which AI is only one element.

Chart 6: Reported and expected changes in headcount



Source: SDS and CBI Economics Survey (2026)

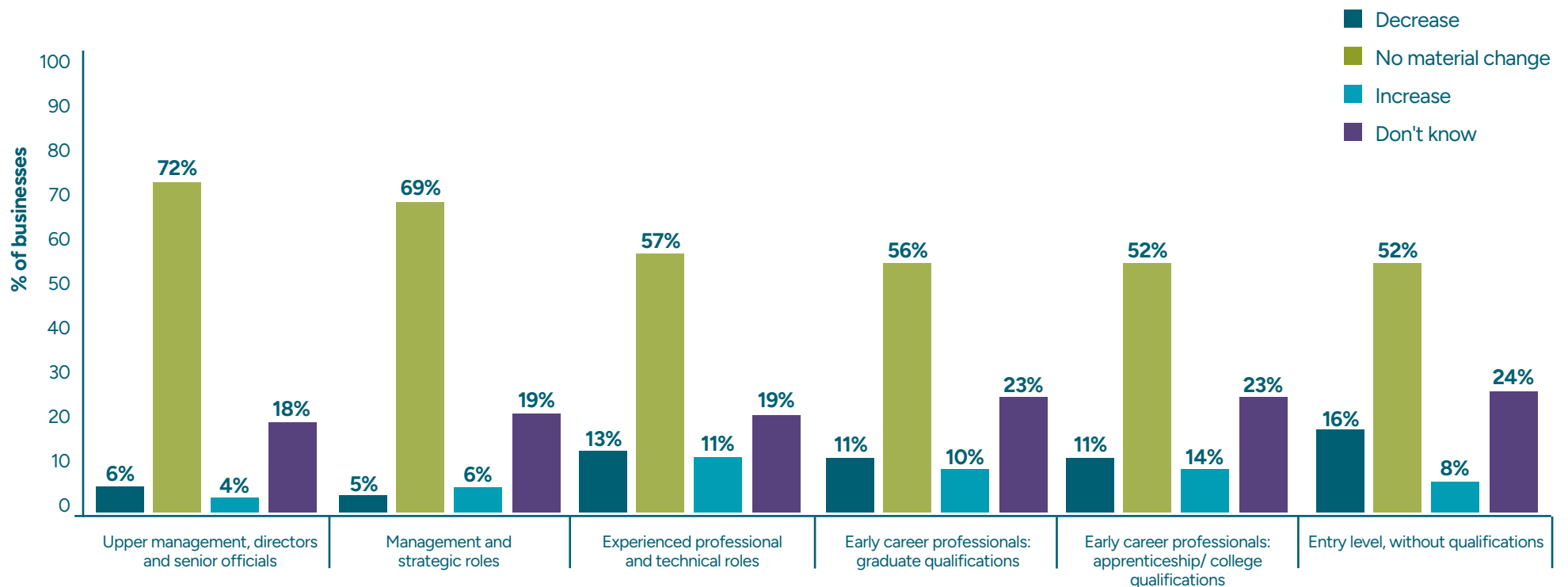
The limited evidence of job displacement to date should be viewed in context, as it may partly reflect the fact that AI is not yet fully integrated across many businesses in Scotland. Similarly, potential reductions in headcount over the next three years should be considered alongside the expected growth in AI integration across business functions.

Nonetheless, the findings point to a gradual pattern of workforce impact rather than immediate large-scale displacement, providing individuals, government, skills and education stakeholders time to help develop the skills needed for an evolving workforce.

The impact of AI on employment needs ongoing monitoring, particularly as adoption moves from informal use to deeper integration across multiple business functions.



Chart 7: Expected changes in headcount by organisational level



Source: SDS and CBI Economics Survey (2026)

6. Valuing human skills in an AI-enabled workplace

As discussed earlier, the survey findings and employer conversations suggest that labour market change is more likely to involve AI augmenting roles than replacing them. Organisations consistently reported using AI to improve efficiency and manage workloads, rather than replace existing staff, and emphasised the continued importance of human skills and oversight across core functions.

“Use of AI within software has reduced routine tasks but people still have to be able to think and analyse the data produced.

Financial and insurance activities

Employers cited multiple examples of intentionally maintaining human-led customer interactions, even where automation may be feasible, viewing this as an important part of both their business model and customer experience. In many roles, the ability to interpret nuance, ask the right questions and build relationships with clients or colleagues was seen as becoming more, rather than less, important as AI becomes more widely adopted.

This emphasis on human skills extended beyond communication and relationship-building. Employers also highlighted the continuing importance of judgement and critical thinking. While AI can make it easier to access information, generate content and support decision-making, the findings highlight the value of employees having the knowledge and confidence to question AI outputs, identify errors, assess credibility and apply information appropriately in context. AI can support decisions, but responsibility for understanding, justifying and ultimately making those decisions remains with humans.

Together, these findings suggest that the value of AI lies not simply in automating tasks, but in how effectively it is combined with human expertise. As AI becomes more integrated into everyday work, organisations will continue to rely on workers who can apply judgement, context and accountability alongside technological capabilities. This points towards a future in which people and AI increasingly work together, with the balance between human and technological contribution likely to vary across occupations. Understanding these differences will be explored further in a forthcoming publication within the Spotlight on AI series to look at how AI is expected to shape work across the labour market.

The research identifies three broad skill needs for an AI-enabled workplace: the technical skills to use AI tools effectively; human cognitive skills such as critical thinking, curiosity and communication to interpret and apply AI outputs; and distinctly human qualities such as empathy, compassion and emotional intelligence, which remain essential to effective, inclusive and resilient workplaces.

It is clear however that individuals will need to be prepared for change and be supported to develop AI skills.

“Our business is built on relationships with our clients. It's built on the reputation that we have. It's built on our integrity as people to manage sites.

Construction business

Across all sectors, demand is growing fastest, for the skills needed to use AI tools effectively and govern their use responsibly, rather than for advanced AI development skills.

Workforce skills for the AI shift

Employers consistently reported increasing importance of meta skills like critical thinking, judgement, communication and specifically the ability to evaluate AI-generated outputs.

Consistent evidence showing the protective power of practical, interpersonal and human skills.

“There won't be jobs for people that can't think. However much the internet thinks for them.

Creative sector business



7. Building employer confidence and capability for AI adoption

The survey findings show a clear appetite for practical support to help employers understand and make more effective use of AI within their organisations.

Funding assistance for AI implementation and external advice on effective AI use were the most frequently selected forms of support, each identified by around 40% of businesses. Employers also highlighted the value of evidence on sector or role-specific use cases and subsidised workforce training.

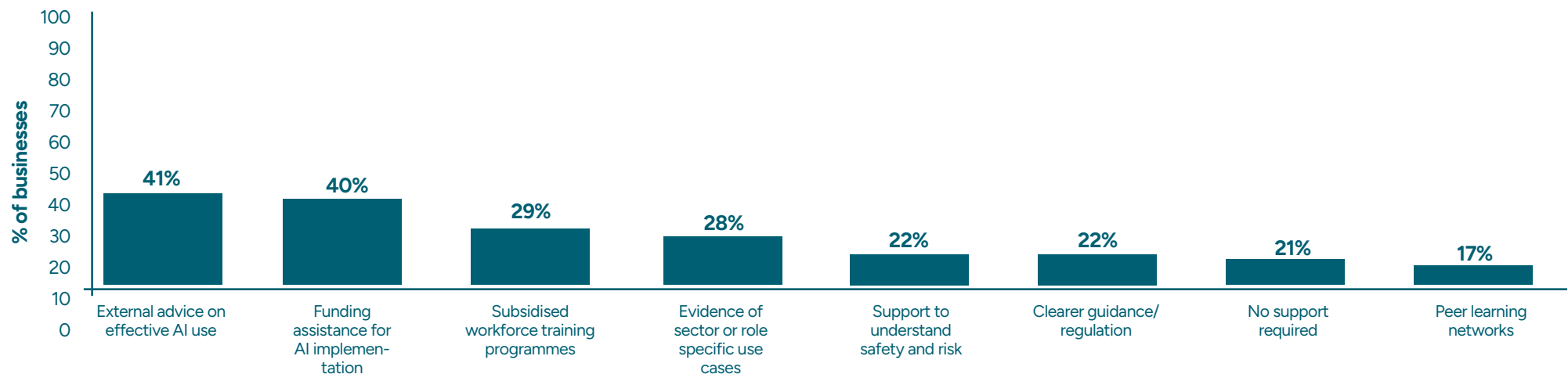
The range of support needs also suggests that a single intervention will not be enough to realise the benefits of AI adoption. Some businesses may need advice on where AI could support

productivity or service improvement; others may need help with workforce training, leadership confidence, safety, risk or regulation. The findings indicate demand for support that enables employers to make informed choices about AI, embed its use deliberately where it can add value, and ensure that workers and leaders have the confidence and capability to use it effectively and safely.

The opportunity is now: shaping AI for Scotland's future workforce

The findings in this first Spotlight on AI point to a clear and positive message for Scotland - AI is already being used across workplaces with widespread, formal and organisation-wide adoption at an early stage. This means Scotland has not missed the opportunity to shape

Chart 8: Support businesses need to adopt AI effectively



Source: SDS and CBI Economics Survey (2026)

how AI is embedded in the labour market. Instead, there is a valuable window to support employers and the workforce to move from experimentation to confident, responsible and purposeful adoption.

This is an important moment to act. Employers are already recognising the potential of AI to improve productivity, support routine tasks and enable people to focus on higher-value work. At the same time, the findings show that governance, leadership capability and workforce training are not yet consistently in place. Taking action now can help ensure that AI is adopted in ways that are ethical, human-centred and inclusive, so that its benefits are shared widely and do not deepen existing inequalities.

Scotland is well placed to take forward this opportunity. The current evidence suggests a labour market that is still adapting rather than facing immediate large-scale disruption. This creates opportunities for employers, workers, government and the skills system to work collaboratively to build the capabilities needed for an AI-enabled economy. By focusing on practical support, AI literacy, responsible leadership and the continued value of human skills, Scotland can help businesses realise the benefits of AI.

Through the ongoing Spotlight on AI series and the development of the AI Workforce Intelligence Hub, SDS will continue to build the evidence base on how AI is changing jobs, skills and workforce needs in Scotland. This intelligence is intended to support partners across Scotland to respond collectively and help ensure that Scotland's AI transition is one of shared opportunity.

Future issues of Spotlight on AI will build on this first publication by exploring ongoing work to understand how AI could affect different jobs, sectors and groups of workers, and what this means for skills demand and workforce resilience in Scotland.

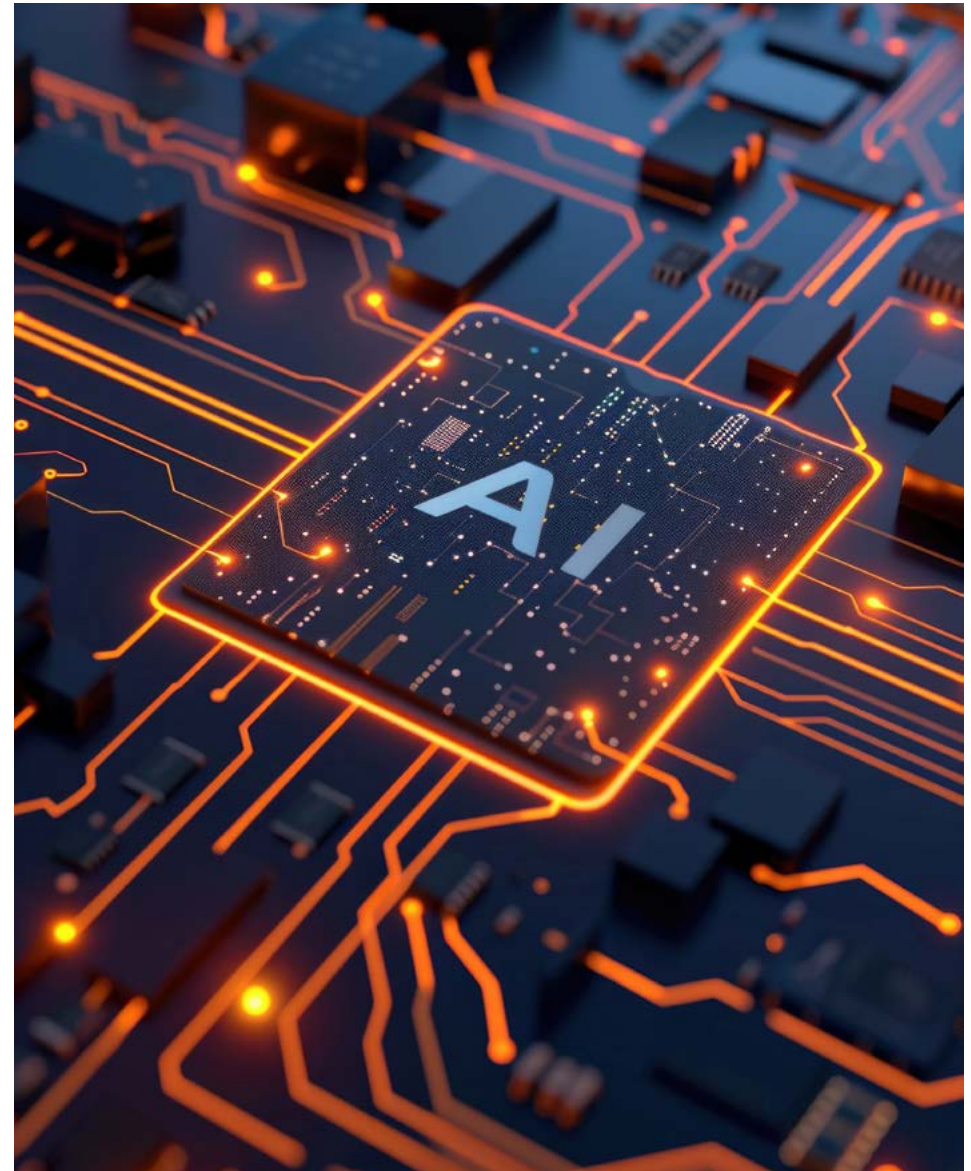


Annex one – summary methodology

This publication draws on primary research with employers and learning providers in Scotland. The business survey gathered responses from 164 organisations with operations in Scotland across the public, private and third sectors. The survey was designed to understand how organisations are currently using AI, how embedded that use is, what impacts they are seeing on jobs and skills, and what support they may need in future.

The survey findings were complemented by 22 targeted interviews with employers and education and training providers. These interviews were used to explore the survey findings in more depth, test emerging themes, and understand how AI is affecting different types of organisations in practice.

Together, the survey and interviews provide an important baseline for understanding employer experience and expectations at this early stage of AI adoption. This baseline will allow SDS and partners to track change over time, including how AI use, workforce impacts, skills needs and support requirements develop as use becomes more widespread and embedded. The survey will be repeated in early 2027 to monitor how employer practice and perceptions are changing, and to build a stronger evidence base on the longer-term implications of AI for Scotland's labour market.



Annex two – Artificial Intelligence definition



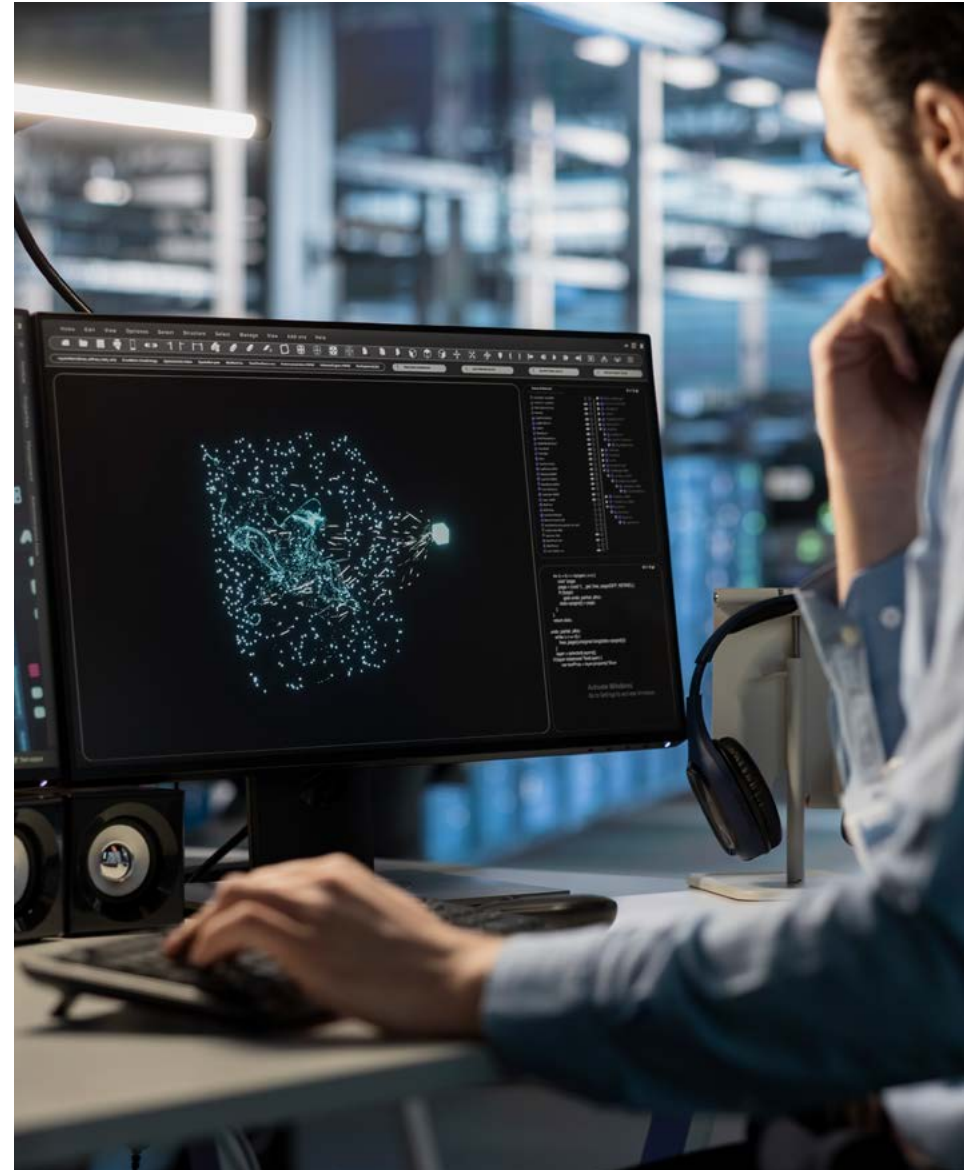
Artificial intelligence (AI) is a machine-based system that infers from its inputs how to produce outputs such as predictions, content, recommendations or decisions.



Machine learning is a type of AI that learns patterns from data rather than following hand-written rules.



Generative AI is a category of AI that creates new content such as text, images, audio, code or video from prompts. Its output can appear convincing and fluent but may still be inaccurate.



Annex three – further resources

[The Data Lab](#)

[Business Gateway Artificial Intelligence Guidance](#)

[Scotland's AI Strategy 2026-2031](#)

[Scottish AI Register](#)

[AI Scotland](#)

Skills Development Scotland

Monteith House
11 George Square
Glasgow G2 1DY

www.sds.co.uk



For further information or queries about Spotlight on AI, or the SDS and CBI
Economics research programme, please contact workforceintelligence@sds.co.uk