UNLOCKING THE UK'S AI POTENTIAL 2026

Artificial intelligence (AI) adoption continues to grow rapidly across the UK. As uptake becomes more widespread, and new, innovative AI technologies emerge, the next challenge is clear: it is no longer whether organisations are using AI, but how deeply they are using it. While adoption is already delivering real benefits, the scale of future productivity and growth gains for the UK will depend on how far organisations go beyond the basics.

New research among the UK's businesses — accompanied by a nationally representative survey of UK consumers — finds that nearly two-thirds of UK organisations (**64%**) now use AI, up from just over half (**52%**) last year — a growth rate of **23%** year-on-year, or the equivalent of one new business adopting AI every 40 seconds. That puts the UK well ahead of the European average AI adoption rate of **54%**. Among adopters, the benefits are clear: **68%** report productivity gains, **72%** expect AI to increase the growth of their business in the coming year, and **79%** say their innovation timeline has accelerated in the past two years.

But the headline figures mask a more nuanced challenge. Currently, most organisations are still using AI for basic purposes — speeding up routine tasks such as summarising documents, or answering simple queries through off-the-shelf chatbots. This is equivalent to owning a smartphone and only using it to make phone calls.

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The UK's long-term opportunity will depend on how quickly organisations move beyond these initial use cases. At present, the most transformative gains – automating entire workflows, compressing weeks of product development into days, building entirely new services – remain concentrated among a smaller group of advanced users. While adoption is surging, the share of organisations using AI's advanced functionality has risen by just one percentage point in the past year, from **23%** to **24%**. **At the current slow rate of progress, it would take until the end of the century for all UK AI adopters to reach the most advanced stage of use.**

£35 billion

The estimated productivity gains the UK could unlock by 2030 if basic AI adopters moved to advanced use. To put that in context, £35 billion is roughly equivalent to the entire annual economic output of a city the size of Manchester — and would represent a significant contribution to reversing the productivity slowdown that has held the UK economy back for over a decade.

The UK is facing a growing gap between widespread basic adoption of AI and the advanced use needed to drive meaningful productivity growth. Closing this gap will require action on three fronts: driving AI adoption through stronger incentives and support for organisations to move from experimentation to transformation, scaling AI across public sector services, and building workforce skills at pace.

Key findings at a glance

64%
of UK organisations have adopted AI, up from **52%** last year, well ahead of the European average of **54%**. This is equivalent to one new business adopting AI every 40 seconds.

24%
of UK AI adopters are using the technology at its most advanced levels, up just one percentage point from **23%** last year.

68%
average efficiency gains reported by advanced AI users, compared with **40%** among those limited to basic use cases.

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the year it would take for all UK AI adopters to reach advanced use at the current pace of progress.

40%
of UK AI startups say they would consider leaving the UK to scale, citing funding constraints, market access, and operating costs.

49%
of all UK organisations cite shortages of AI and digital skills as the single biggest challenge to expanding their use of AI.

78%
of organisations say they are more likely to adopt AI if the public sector integrates it into its own systems and services.

84%
of organisations expect AI skills to be important in their industry over the next five years, yet only **17%** say they have a strong AI skillset today.

58%
of public sector organisations say they have adopted AI – of which, **31%** have reached the most advanced stage of use.

67%
of workers say they are interested in learning new AI skills. However, access and awareness remain key challenges: **36%** say they do not know where to start with AI training.

AI adoption is on the rise — and the benefits are real

The UK is establishing itself as an AI leader in Europe, with AI adoption rates rising across the country. Nearly two-thirds (**64%**) of UK organisations now use AI, up from **52%** last year, a growth rate of **23%** year-on-year and **10%** above the European average. This is the equivalent of one new business adopting AI every 40 seconds, compared with an adoption rate of one every 60 seconds in 2025.

AI remains a strategic priority for UK organisations: two-thirds (**67%**) of organisations describe AI adoption as a top or high priority. **71%** of respondents say AI plays a critical or important role in their overall business strategy.

Among those who have adopted AI, the productivity benefits are increasingly evident:

68% report productivity gains.

44% cite improvements in decision-making.

47% are using AI to speed up business expansion.

Organisations also report a **29%** increase in investment in AI in the past 12 months, up from **21%** last year, demonstrating a growing financial commitment to the technology. Nearly three-quarters (**72%**) of AI adopters say they expect AI to increase their organisations' ability to grow in the coming year, while **62%** report that AI has already contributed to increased revenue.

Perhaps most strikingly, almost eight-in-ten (**79%**) of AI-adopting organisations say their innovation timelines have accelerated in the past two years, rising to **93%** among startups. AI is the single biggest driver of these changes, cited by **46%** of organisations, followed closely by rising competitive pressures in the marketplace (**44%**). A further **77%** anticipate that AI will accelerate their innovation timelines even further in the years ahead.

The innovation gap

Adoption is widespread — but transformation through advanced AI is stalling

While AI adoption in the UK is encouraging, it conceals a more cautious reality. Looking deeper into how organisations are implementing AI — from initial experimentation to full transformation — reveals that most organisations remain at the earliest stages.

More than half of AI-adopting organisations (**58%**) are still focused on basic use cases of AI adoption: using publicly available chatbots, scheduling assistants, or off-the-shelf AI solutions for routine tasks. This includes scheduling meetings, drafting correspondence or summarising documents. They are adopting AI, and reaping the benefits, but not yet using it to fundamentally change how their business operates. The gap between basic and advanced use matters because the economic value of AI scales dramatically with depth of integration.

When organisations use AI to redesign workflows, accelerate decision-making, and build entirely new products and services, they report average efficiency gains of **68%**, compared with just **40%** among basic users. That is the difference between marginal improvement and genuine transformation.

Only **24%** of AI-adopting organisations in the UK are using AI at its most advanced levels. These organisations are combining multiple models, developing custom systems, or deploying agentic AI. This is up just one percentage point from **23%** last year. At the current rate, it would take until the end of the century for all UK AI adopters to reach this stage.

Among all AI adopters, **38%** say they have launched a new AI-driven product or service in the past year, a slight decrease compared to **40%** in 2025 – attesting that overall innovation with AI is not progressing as fast as it could be. This figure increases to **60%** among those organisations who are using AI at advanced levels, demonstrating just how important reaching this stage of adoption is for driving new revenue and lasting competitive advantage. The challenge now is to accelerate this trajectory and ensure that innovation and the benefits of innovation are spread across the UK economy.

Case study: Nationwide is using cloud and AI to enhance customer experience

Nationwide Building Society is using cloud and AI to accelerate digital innovation while delivering better outcomes for its 17 million customers. Nationwide is modernising its technology foundation to deliver more personalised services, improve operational resilience, and scale new capabilities more rapidly.

Nationwide launched the Call Checker service, powered by AWS's AI-powered cloud-based contact centre solution, Amazon Connect, to give customers confidence that they are speaking to a genuine Nationwide colleague, helping to prevent impersonation scams that account for **17%** of all scams reported at Nationwide during 2024 and 2025.

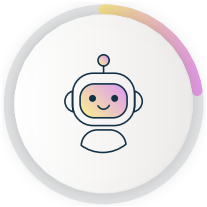
By using AWS, Nationwide can innovate faster while maintaining the high standards of security and compliance required in financial services. As part of the collaboration, Nationwide is also investing in colleague learning and development by providing access to AWS training covering cloud and AI capabilities.

Agentic AI has reimagined the art of the possible

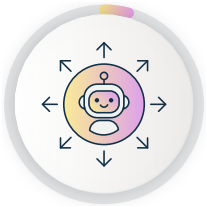
Over the last year, the advent of agentic AI has reimagined the art of the possible. Agentic AI marks the evolution from reactive assistants to proactive, autonomous systems that can understand, decide, and act with minimal oversight. AI agents aren't just better chatbots; they're digital teammates that plan, reason, and execute multi-step tasks that directly impact the bottom line. Technologies like physical AI and edge AI – AI embedded directly into machinery, production lines, and warehouse systems, capable of making real-time decisions without relying on cloud connectivity – are also opening up new applications for AI beyond the screen.

Together, these advances are compressing innovation cycles – the time it takes for new ideas to move from research to commercial application to widespread deployment. For organisations, this means the pace of competition is accelerating. Firms that adopt advanced AI can move from idea to product to scale far faster than those still relying on basic tools. The risk is that differences in capability and performance widen over time – not just within the UK, but globally as well.

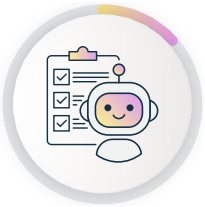
Awareness of agentic AI is growing, but the gap between familiarity and deployment remains significant:



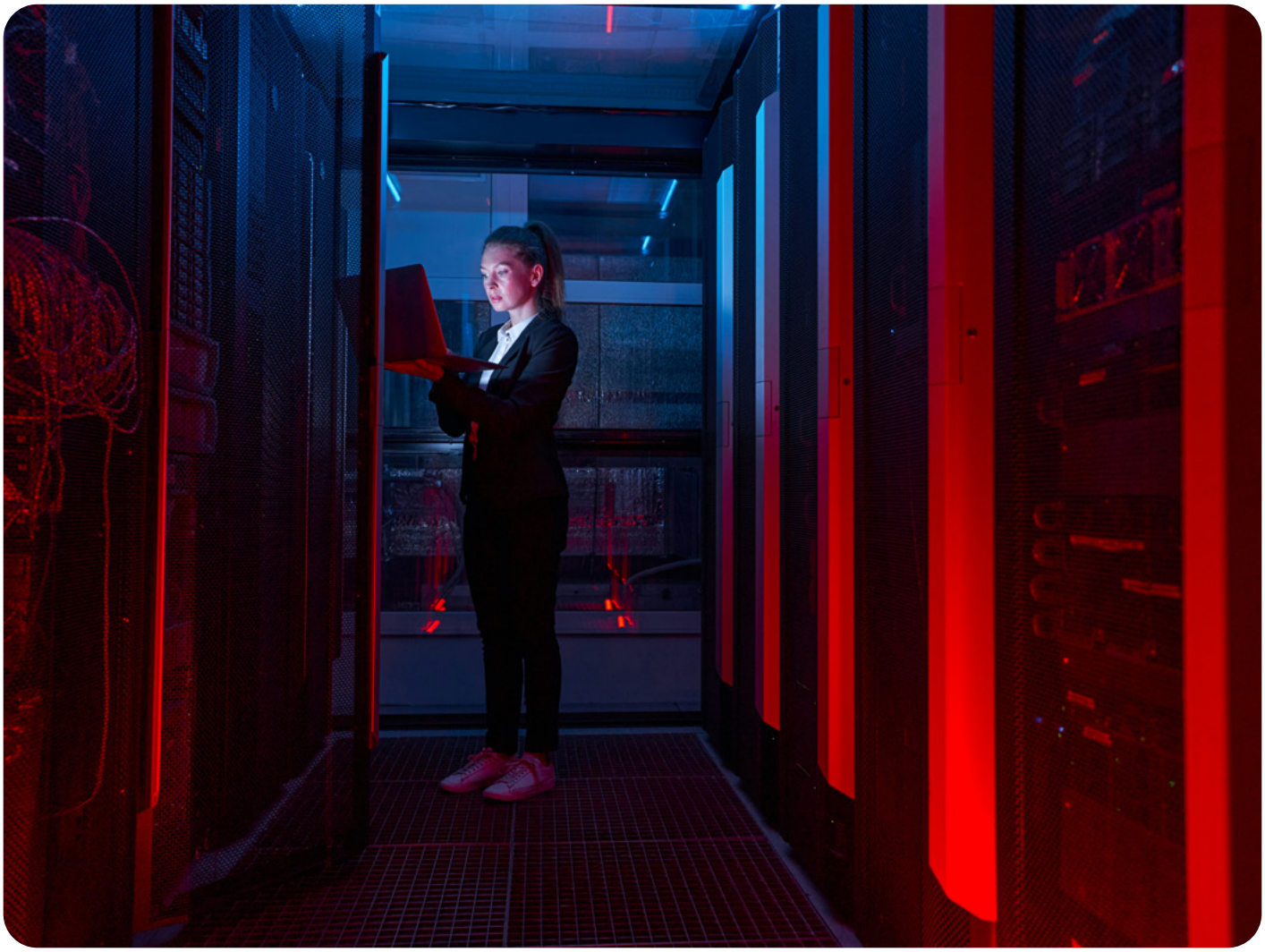
Less than a quarter of organisations (**22%**) say they have heard of agentic AI.



Of those who are familiar, only **4%** have fully deployed it within their organisations.



While **12%** are experimenting or undertaking pilot projects.



A blueprint for the wider economy

UK startups continue to be at the forefront of advanced AI adoption. They are not simply using AI, they are using it at the core of their business strategies, developing new products and services, and reinventing their industries. The vast majority (**88%**) of startups in the UK are using AI, above the European average of **76%**.

Almost all of AI-adopting businesses (**93%**) say that innovation timelines have accelerated in the past two years, and **82%** say they feel ready for next-generation AI technologies like agentic AI. These startups are going further and faster than any other segment of the economy - **75%** have reached the most advanced stage of AI adoption, compared with just **32%** of large enterprises and **22%** of small and medium-sized enterprises (SMEs).

93% of UK startups that have adopted AI say it has accelerated their innovation timelines over the past two years - a clear signal of AI's potential to unlock innovation across the wider economy.

What sets them apart is not just ambition — it is preparation. Three ingredients consistently distinguish startups from the wider business population:

1.

Startups have an AI strategy.

Three-quarters (**76%**) of startups have a formal and comprehensive AI strategy in place, compared with just **31%** of organisations overall. They are not experimenting and hoping for the best; they are making deliberate, company-wide decisions about where and how AI fits into their operations, products, and growth plans. **81%** say their entire business proposition is based around AI or heavily reliant on it for their core product or service.

2.

Startups are investing in AI talent.

71% of startups employ dedicated AI talent — data scientists, machine learning (ML) engineers, and AI product managers — giving them the in-house capability to build, not just buy.

3.

Startups have the infrastructure.

98% of startups report using cloud, giving them scalable, pay-as-you-go foundations to build, test, and deploy AI without prohibitive upfront costs. By building on cloud from day one, startups avoid the legacy system constraints and complex integration challenges that slow established organisations — and they can access the latest AI tools and services natively as they become available.

Together, these ingredients create a compounding advantage. Startups with a clear strategy attract talent with strong AI skills; this talent builds on modern infrastructure more effectively; and modern infrastructure enables faster iteration, which in turn sharpens the strategy. This flywheel is why the gap between startups and the rest of the economy is widening — and why understanding what startups are doing differently matters for every business trying to move beyond basic AI adoption.

Leading in Europe

The UK's startup landscape compares favourably with the rest of Europe. In Europe:

76% of startups have adopted AI.

Of those, **75%** are at the advanced stage.

This is more than three times the European business average (**22%**).

The UK has actively supported startup growth. When asked to rate the business environment, startups point to clear strengths: **72%** cite the quality of the UK's innovation landscape, including proximity to other startups, accelerators, and research institutions. **65%** cite the availability of early-stage talent. **59%** value the UK's access to international markets, and **55%** say the regulatory environment is a positive factor in their decision to base their business here.

Challenges to going further

Even among startups, scaling advanced AI is not without friction. The same speed that propels startups to the frontier also means they hit challenges sooner — to capital, to talent, to the infrastructure needed to take a proven product to scale.

When asked what is preventing them from scaling, startups cite three primary hurdles: limited access to funding or investment (**44%**), difficulty hiring the talent they need (**38%**), and insufficient access to data or digital infrastructure (**26%**).

44% of startups cite limited access to funding or investment as a challenge to scaling.

38% cite difficulty hiring the talent they need as a key constraint on growth.

The funding challenge is particularly acute as startups move from early-stage to growth-stage. The UK's seed and early-stage landscape is strong, but the availability of later-stage capital to scale AI-intensive organisations — which often require sustained investment in compute, data, and specialist talent before reaching profitability — remains a bottleneck. Of the **40%** of startups that would consider leaving the UK to scale, the most commonly cited destination is the United States. The top reasons are revealing: greater availability of funding (**65%**), increased access to global markets (**52%**), and lower operational costs (**43%**).

When asked what would help them scale faster, the picture broadens: more accessible venture capital and funding options (**52%**), and better access to large, high-quality datasets for AI training and development (**31%**) such as anonymised industry benchmarks, performance data, or sector-level statistics that allow startups to train and validate models against real-world conditions. In addition, over a third of startups (**35%**) cite public sector adoption as one of the most important factors supporting their ability to scale — reinforcing the link between government leadership on AI and the health of the startup landscape.

The message is consistent. The UK is a strong place to start an AI business. The challenge is making it an equally strong place to scale one.

Case study: Motorway is scaling engineering productivity with AI while maintaining quality and trust

Motorway, the UK's fastest-growing used car marketplace, is using AI and cloud-based development tools to scale its engineering output while maintaining the quality and reliability critical to its platform. Operating in a £100 billion market, the company connects car sellers with over 7,500 verified dealers in real time, where trust and performance are central to every transaction.

To support rapid growth, Motorway has utilised AWS AI services across its software development lifecycle. By adopting AWS AI-powered coding tools, such as Kiro, the company has standardised how engineers plan, build, and review code – improving consistency while reducing reliance on individual knowledge and legacy documentation.

This approach has enabled significant gains in productivity and collaboration. Motorway has seen a **250%** increase in deployments and a 4x increase in output per engineer, while more than **80%** of engineers now use AI tools daily. By combining AI with structured engineering practices, Motorway is accelerating innovation while maintaining the high standards required to build customer trust at scale.

Regional strengths: Beyond London

London leads — but the UK's AI future won't be won in one city

London continues to lead in AI deployment, talent density, startup formation[1], and access to capital in the UK. AI adoption among London-headquartered organisations stands at **72%**, compared with the national average of **64%**. Some **44%** of London-headquartered organisations have used AI to launch a new product or service, versus **31%** elsewhere, and **78%** say AI plays a critical or important role in their business strategy, compared with **65%** in other regions.

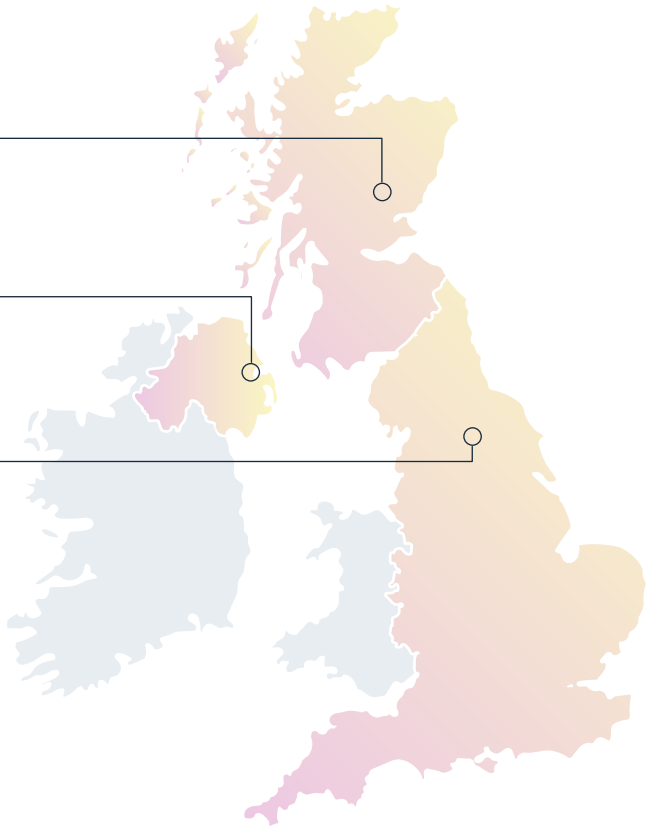
Outside London, however, distinct regional AI strengths are emerging, shaped by existing sector specialisms, university networks, and industrial clusters. Regions across the UK are increasingly developing their own AI identities, suggesting that the UK's long-term competitive advantage will come from these regional strengths, not from a single model of adoption.

Regional AI strengths are emerging:

58% AI adoption in Scotland, where **71%** believe AI will transform their business within five years

49% AI adoption in Northern Ireland, where **63%** of AI adopters report productivity gains

63% AI adoption in the North West of England, where **66%** of adopters report AI productivity gains



Regional growth is accelerating

While London's AI adoption rate grew **16%** year-on-year (from **62%** to **72%**), several regions outside the capital are growing significantly faster. The North West (**28%** growth), North East (**26%** growth), and Wales (**25%** growth) are all outpacing London, suggesting that the distribution of AI use across the UK is beginning to broaden. The South East (**21%**) and Scotland (**19%**) are growing at a pace closer to the national average of **23%**.

1. The South East

67% AI adoption in the South East, the second highest rate nationally, driven by proximity to London's talent pipeline and a strong base of technology and professional services firms. **70%** of South East AI adopters report productivity gains.

2. The North West

63% AI adoption in the North West, the highest outside southern England, where a combination of advanced manufacturing, a growing digital sector, and strong university networks are fuelling uptake. **66%** of North West organisations report AI productivity gains, and AI adoption has grown **28%** year-on-year — the fastest regional growth rate in the country.

3. The North East

61% AI adoption in the North East, where AI adoption has grown **26%** year-on-year, up from **48%** last year, and **65%** of AI adopters report productivity gains.

Manufacturing is a particular regional strength outside London:

34% of organisations in the North and Midlands operate in manufacturing-related sectors, compared with **12%** in London.

58% of manufacturing organisations report using AI for process optimisation or automation, compared with **37%** in services-heavy sectors.

74% of manufacturing AI adopters report productivity gains, above the **68%** average across all adopters.

This figure is likely to rise sharply as physical AI and edge AI technologies mature, as these advances are purpose-built for the kinds of environments where manufacturing operates. As these technologies move from pilot to production, manufacturing stands to benefit earlier and more deeply than almost any other sector.

Healthcare and pharmaceuticals represent one of the UK's largest untapped opportunities. Adoption stands at **69%**, and **83%** say AI has accelerated innovation, but advanced adoption is growing at only **2%** year-on-year. The UK's combination of world-class health data, NHS delivery pathways, and research-led innovation gives the sector a genuine competitive advantage — one that greater AI adoption could translate into faster growth, better outcomes, and stronger global leadership.

Case study: Proximie is turning operating room data into AI-powered insights to improve efficiency and expand surgical capacity

Proximie, headquartered in London, is a surgical intelligence platform designed to connect operating rooms and turn surgical data into real-time, actionable intelligence. Built by a surgeon nearly 10 years ago, the company deploys its platform into any operating room, from the most sophisticated to the most remote.

Proximie collects and collates data via sensors placed in operating rooms to drive efficiency and help alleviate pressure on healthcare systems. Through its Intelligence Suite, the platform captures data from live surgical activity using ambient computer vision, providing a unified, Electronic Patient Record (EPR) integrated view of operations and delivering AI-powered insights that support in-the-moment decision making.

The platform can save surgeons nearly a quarter of the time in operating rooms, translating to an estimated 297 additional surgeries per year and roughly £600,000 in extra revenue per department, while reducing delays for patients.

Proximie works with leading medical device partners across the surgical ecosystem and captures more operating room data points ambiently than any other solution on the market. Through AWS, the platform supports real-time data processing, model training, and secure data management across operating environments.

Examples of other tech used include the use of dynamic provisioning of hardware from AWS to scale infrastructure efficiently without maintaining excess compute capacity. AWS also enables Proximie to track the AI models it is running against the problems they are designed to solve, and to deploy AI agents that help legacy healthcare systems share information more effectively ensuring clinicians have the context they need to do their job.

In partnership with AWS, Proximie is also delivering the Global Health Project, a multi-year programme currently deployed across six countries in East Africa for a range of surgeries, including cleft lip and palate care, neurosurgery, and obstetrics.

Case study: Evri is embracing AI with AWS to further enhance customer experience

Parcel delivery company Evri, based in Leeds, is using AWS AI and cloud technology to transform its operations and enhance delivery quality across its UK network. Working with AWS, the company is integrating advanced AI into its systems to manage more than 900 million parcels annually with greater accuracy and efficiency.

One innovation is VeriSnap AI, an evolution of Evri's existing Parcel Vision technology. Powered by Amazon Nova Lite via Amazon Bedrock, a service that simplifies building and scaling generative AI applications, the system automatically analyses the 90 million delivery photos taken each month by couriers. It identifies parcels, assesses delivery locations, and checks whether deliveries meet compliance standards — enabling more consistent, high-quality service.

Following a successful trial analysing over 20 million images, Evri is now deploying the technology across its entire network. The system supports teams in identifying issues proactively and provides insights that help improve courier training and performance.

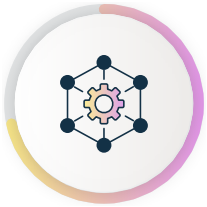
By embracing AI, Evri is transforming its operations and improving customer satisfaction across the board.

The public sector: A catalyst for the wider economy

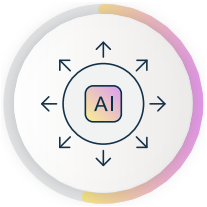
AI adoption in the UK's public sector is beginning to gather momentum. **58%** of public sector organisations say they have adopted AI, and where the technology has been deployed, early productivity benefits are emerging — including streamlined administration (**64%**) and faster processing of routine tasks (**59%**). Current use cases range from drafting policy documents and analysing large administrative datasets to fraud and anomaly detection in public services.

Notably, among those public sector organisations that have adopted AI, the depth of use is more advanced than in the wider economy.

31% of public sector AI adopters have reached the most advanced stage of use — combining multiple models, developing custom solutions, or deploying agentic and autonomous AI — compared with **24%** among all UK businesses.



71% report significant or transformative productivity gains.



52% say AI has already improved decision-making in their organisation.

The public sector is not, as is sometimes assumed, trailing the private sector on the use of the technology. Where it has adopted, it is going deeper.

The use cases demonstrate this. **61%** of public sector AI users deploy AI for analysing large administrative datasets, **43%** for fraud and anomaly detection, and **38%** for predictive analytics and forecasting — applications that go well beyond the chatbot-and-summarisation stage that still dominates much of the private sector. **57%** use AI to optimise internal processes such as case management, workflow automation, and resource allocation. These are not marginal efficiency gains — they are the building blocks of a fundamentally different operating model for public services.

AI deployment within citizen-facing services is in the early stages but is accelerating. **34%** of public sector organisations report using AI in at least one public-facing service, and **18%** say AI is already used across multiple services — from digital triage systems and automated eligibility checks to citizen-facing chatbots and personalised service portals. A further **22%** are actively piloting new use cases.

The immediate opportunity, though, extends beyond directly deploying AI in the services citizens interface with, to include improvements behind the scenes: freeing up staff time, reducing casework backlogs, and enabling the kind of responsive, data-informed delivery that citizens increasingly expect.

Public sector organisations are adopting AI through a mix of in-house development and external procurement. Only **24%** of public sector organisations have internal teams for their AI capabilities and expertise, while others rely on external providers (**45%**) and **30%** rely on both. This makes procurement, alongside skills, a key factor in how quickly AI can be scaled across public services.

We are already seeing standout examples of public sector organisations using AI to increase productivity and drive new product development to enhance citizens' experiences. The Department for Work and Pensions (DWP) receives 25,000 letters a day, all of which need to be opened, scanned, categorised, and actioned – a process which previously took five weeks. To address this, DWP used generative AI to spot the most vulnerable cases on the day, and ensure they're put higher on case workers' agendas. DWP has seen a **91%** success rate since the launch of the solution in June 2024.

Government as a force multiplier

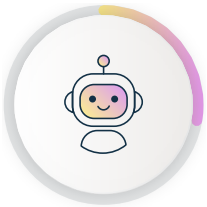
78% of organisations across the economy say they are more likely to adopt AI if the public sector integrates it into its own systems and services. Over a third of startups (**35%**) cite public sector adoption and innovation-friendly procurement as one of the most important factors supporting their ability to scale. In health and life sciences — where **78%** of organisations say government sales opportunities are crucial or very important — the link between public sector demand and commercial AI growth is especially direct.

This is the multiplier effect. When government adopts AI visibly and effectively, not only does it improve public sector efficiency, but it also builds public confidence that the technology works and stimulates job creation and growth in the tech sector by creating market demand for AI solutions.

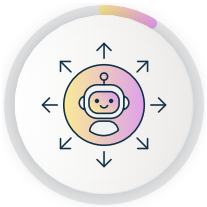
Ahead on ambition — and greater readiness for what's next

The public sector's advanced position is not limited to current use cases. Public sector organisations also report significantly higher readiness for next-generation AI technologies than amongst other organisations. **29%** of public sector organisations say they feel fully or very ready to adopt next-generation AI technologies, such as agentic AI or physical AI, compared with **21%** across all organisations.

Awareness of agentic AI among public sector organisations is growing:



27% say they have heard of the technology.



Of those, **9%** have already deployed or are piloting it.

A further **41%** say they are considering or planning to adopt it.

The potential applications within government are clear — multi-step casework that currently passes through several teams and systems, procurement workflows, cross-departmental coordination, benefits administration — precisely the kinds of complex, sequential processes that agentic AI is designed to handle.

This combination of advanced current use and high stated readiness sets the public sector apart. The risk is not that the public lacks the appetite for next-generation AI — it is that structural constraints prevent it from acting on that appetite at the pace the technology demands.

Structural challenges need to be addressed

The constraints are structural, not attitudinal. Public sector leaders are clear about AI's potential and ambitious about deploying AI. However, they too often run into organisational challenges which hold back investment in AI, with their organisation's processes not set up to support technological transformation.

Only **19%** of public sector organisations have a formal, comprehensive AI strategy. **58%** have no dedicated AI or digital transformation budget, meaning every AI project must fight for space within existing allocations against competing service pressures. **47%** cite funding structures and annual budgeting cycles as a direct challenge — a problem that is particularly acute for AI, which typically requires sustained, iterative investment before it delivers returns.

The evidence from this survey is clear: the public sector's appetite for AI is strong, and where it has been adopted, the results are encouraging — with the public sector already leading the way on advanced use. Ensuring that funding structures, procurement processes, and strategic planning keep pace with that ambition will be essential not only to realise the full benefits of AI within public services, but also to unlock the multiplier effect that government adoption can have across the wider economy.

Tackling the challenges to deeper adoption

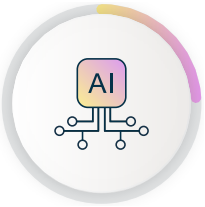
The digital skills gap

Skills shortages remain the most commonly cited challenge to AI adoption and expansion by businesses across the UK. But what should concern policymakers and business leaders alike is that these challenges are growing, not shrinking — even as adoption accelerates.

Half (**49%**) of organisations now cite shortages of AI and digital skills, up from **46%** last year. **41%** cite insufficient internal workforce capacity, up from **38%**. In other words, the faster organisations adopt AI, the more acutely they feel the absence of the skills needed to use it well. The UK is running into the limits of its own success.

Only **17%** of organisations say they currently have a strong AI skillset.

55% say they have some skills but need improvement.



24% say they are only just beginning to develop AI capabilities.

84% expect AI skills to be important in their industry over the next five years.

Yet only **27%** feel adequately prepared — a figure that has not moved in twelve months.

This gap is reflected at the individual level. While **38%** of UK workers report using AI tools regularly at work, only **22%** say they feel confident using them effectively. A further **31%** rate their overall AI skills as poor, rising to **47%** among older workers and **52%** among those currently not in employment, education or training (NEETs).

Despite this, demand for AI skills is both widespread and urgent. **67%** of workers say they are interested in learning new AI skills, with **41%** describing this need as urgent. However, access and awareness remain key challenges:

36% say they do not know where to start with AI training.

29% say they lack access to appropriate learning opportunities.

The pressure is showing most visibly in the labour market. UK organisations report that they are prepared to pay a salary premium averaging **41%** for employees with strong AI skills, up from **39%** last year. Applied to the UK median full-time salary of £39,000[2], that premium is worth an additional **£16,000** per year — a tangible incentive for workers to invest in building AI capabilities. It now takes on average 8 months to fill a role requiring the right level of digital capability, up from 5.5 months in 2025 — a **45%** increase in hiring timelines in a single year. **52%** of organisations say they are struggling to hire people with the necessary digital skills, up from **41%** last year, the sharpest year-on-year increase (**27%**) of any challenge measured in this study.

Workers themselves recognise the potential impact of AI, but also the risks of falling behind. **58%** believe AI could save them at least one to two hours per day, and **44%** say it could eliminate a significant share of repetitive tasks in their role. At the same time, **39%** say they are concerned about not having the AI skills they will need for their future career, highlighting a growing mismatch between opportunity and preparedness.

Training provision remains uneven. **54%** of workers say they have never received any formal AI training, while only **16%** report that their employer has provided substantial support. Among those who have received training, the most common routes are informal or self-directed learning, suggesting a lack of structured pathways to build AI capability at scale.

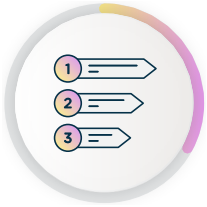
Left unaddressed, the skills gap risks becoming the single biggest constraint on the UK's ability to convert widespread AI adoption into genuine economic transformation.

Innovation without incentives

Organisations report that limited external support and complex procurement processes make it harder to justify the risk and investment required to scale AI across operations or develop new AI-driven products.

61% say government support, such as grants and tax incentives, is crucial or very important in their decision to adopt AI and expand its use.

26% say a lack of incentives actively discourages AI investment.



33% say other business priorities take precedence.

Public sector demand can help accelerate diffusion, but procurement remains a consistent friction point: more than a third (**37%**) cite complex or slow public procurement processes as a challenge to scaling AI solutions, and **34%** say opportunities to sell to the government are crucial or very important in their decision to adopt AI. Some frameworks require detailed specifications before a contract is awarded — a model that works for buying equipment but is poorly suited to AI, where the most effective approach is usually to start small, learn, and iterate. Without clearer demand signals and streamlined, harmonised processes, many organisations lack the confidence to move from pilot to production.

AWS is committed to supporting the UK's digital ambitions

In April 2025, AWS announced the introduction of the Skills to Jobs Tech Alliance in the UK, with the goal to provide 100,000 people with AI skills by 2030. Working in collaboration with educational institutions, government leaders, and enterprises across the country, the programme will help learners get ready for entry-level technical careers. The programme aims to address a growing need for AI skills and tech job readiness across the UK, combining industry-validated content, hands-on experience, and direct connections to employers, to give learners both the technical competencies and practical exposure they need to succeed.

In addition, AWS has invested in broader digital skills programmes, for example, the AWS re/Start programme, which is helping to build an inclusive, diverse global pipeline of new cloud talent. The programme is free to the learner and focused on helping unemployed or underemployed individuals launching a new career. First piloted in the UK in 2017, AWS re/Start is now available in 30 locations across all regions and nations in the UK, and around the world. Other programmes include AWS Skill Builder, AWS Educate, and AWS Academy. Amazon also announced that it is creating more than 1,000 new apprenticeships across the country in 2025 in Amazon businesses including AWS, spanning more than 40 different programmes including cybersecurity, data centre operations, and engineering.

Beyond skills, AWS is also supporting organisations at every stage of their AI journey. For example, AWS is investing $100 million in the AWS Generative AI Innovation Center, which helps customers successfully build and deploy generative AI solutions. The aim of this programme is to connect AWS AI and ML experts with customers and partners worldwide, to help them envision, design, and launch new generative AI products, services, and processes.

Recommendations: Unlocking the UK's AI potential

1. Move organisations from adoption to transformation

For the majority of organisations, the challenge is no longer whether to adopt AI, but how to use it more effectively, deeply and at scale. Governments, industry bodies, and organisations all have a role in enabling wider use. Cloud technologies play an important role in enabling use, offering scalable, pay-as-you-go infrastructure that enables organisations to experiment and innovate without prohibitive upfront costs. By empowering organisations to move beyond basic use cases and use AI across operations, products, and services, the UK can unlock the productivity gains that headline adoption figures alone will not deliver.

2. Scale AI across public services

The UK Government is positioning itself as a digital leader. Taking the lead by using AI, agentic AI, and next-generation AI tools across public services can catalyse adoption in the wider economy, demonstrate what the technology can achieve, and generate the demand signals that help AI organisations — particularly startups — grow. Accelerating the digitisation of public services is key to the UK's competitiveness, given the productivity-boosting benefits and the Government's own analysis indicating over £45 billion per year[3] in unrealised savings from full digitisation.

3. Close the digital and AI skills gap

UK organisations consistently identify a lack of digital skills as the single biggest brake on their AI ambitions. Governments and organisations must work together to close this gap at pace — investing in training for those already in the workforce and for the workforce of the future, enabling stronger collaborations with external experts and independent software vendors, and ensuring that every part of the economy has access to the capabilities needed to innovate and compete in an AI-driven world.

Conclusion

The UK enters the next phase of the AI revolution with genuine strengths: world-class research and universities, deep technical talent, a vibrant startup landscape, and rising adoption across the economy. These are real advantages. But adoption alone is not enough.

The biggest gains – an estimated £35 billion in productivity improvements by 2030 – remain untapped, concentrated among a small group of advanced users while the majority of organisations stay at the basic level. At the current slow rate of progress, it will take until the end of the century for all AI adopters to reach the most advanced stage. In a global race increasingly defined by speed, that is a gap the UK cannot afford.

Closing the innovation gap requires action on multiple fronts: addressing the digital skills gap, using AI across public services to catalyse wider adoption, and ensuring organisations of all sizes have the support and incentives to move from experimentation to transformation.

The UK has a head start. The challenge now is making the most of it.

Appendix

Glossary of Terms:

- **Adopted AI**: Currently consistently use at least one artificial intelligence tool.
- **Startup**: A business founded in the last 2 years which provides a new product/service or innovation and is aiming for rapid growth in terms of employees and turnover.
- **SME**: A small or medium-sized enterprise employing fewer than 250 people.
- **Large enterprise**: A large enterprise (also referred to as a large business or established enterprise) is a business with 500 or more employees, founded 10 years ago or more.
- **Basic AI adoption**: These organisations are using AI primarily for incremental improvements such as efficiency gains and process streamlining rather than for innovation. They rely on publicly available chatbots for routine tasks or purchasing ready-made AI solutions.
- **Advanced AI adoption**: These firms are integrating the most advanced use cases of AI, combining multiple models, developing custom AI solutions, or using agentic and autonomous AI. At this stage, organisations are rapidly innovating with AI and, in turn, disrupting their industry.
- **Next-generation AI technologies**: Emerging AI capabilities such as agentic AI, physical AI, and advanced robotics that extend beyond traditional predictive or generative models.
- **Agentic AI**: AI systems capable of autonomously planning, executing, and optimising tasks or workflows with limited human intervention.
- **Physical AI**: AI embedded directly into physical equipment, machinery, and real-world systems — such as production lines, robots, and vehicles — enabling them to perceive their environment, make real-time decisions, and act autonomously without relying on cloud connectivity.
- **AI readiness**: A measure of how prepared a business is to adopt advanced and next-generation AI technologies, considering skills, infrastructure, governance, and financial capacity.
- **Digital skills gap**: The mismatch between the digital and AI-related skills organisations require and the skills currently available within the workforce.

Methodology

The fieldwork for this study was undertaken by Strand Partners' research team for AWS. This research has followed the guidance set forth by the UK Market Research Society and ESOMAR. For the purposes of this study, business leaders are defined as founders, CEOs, or members of the C-suite in organisations. 'Citizens' are nationally representative members of the public based on the latest available census.

Sample

We conducted a survey targeting 1,000 business leaders and 1,000 nationally representative members of the public in the UK. The business sample ensured representation by business size, sector, and region. The public sample ensured representation based on age, gender, and region.

Supplementary workforce survey

To complement the primary business and citizen surveys, Strand Partners conducted an additional online survey of 1,000 workers in the UK, focusing specifically on AI skills, confidence, usage patterns, and challenges to development. The sample was representative by gender and region. The survey covered five areas: AI use and familiarity, perceived impact and value, challenges to skills development, training provision, and preferred routes to upskilling.

Public sector survey

An additional survey of 500 public sector organisations was conducted to provide a dedicated evidence base on AI adoption, use cases, and challenges within the UK's public sector. Public sector organisations are defined as those that are primarily funded by and accountable to government, including departments and agencies of central government, local authorities, NHS trusts and health bodies, police and emergency services, and publicly funded educational institutions. The sample ensured representation by organisation size, function, and region. Respondents were senior decision-makers within their public sector organisations.

Sampling

Our sampling process used a mix of online panels that are recognised for their validity and reliability. These panels are carefully curated to ensure diverse representation across various demographics. For business leaders, the panels are selected with consideration for organisational size, sector, and position within the company. Our objective with the sampling strategy is to achieve an optimal mix that mirrors the actual distribution of our target populations.

Weighting

Post-data collection, we applied iterative proportional weighting to correct any discrepancies or over-representations in the sample.

Survey scope

The survey examined four areas: usage patterns, gauging the evolving patterns of AI and digital technology adoption; perceptions and attitudes towards AI and its potential benefits and challenges; opportunities organisations anticipate on their digital trajectory; and the 'size of the prize', examining the economic impact and growth prospects linked with AI transformation.
For inquiries regarding our methodology, please direct your questions to: polling@strandpartners.com.

References:

1. DSIT, Artificial Intelligence Sector Study 2024 (September 2025). London and the South East account for approximately **75%** of all UK AI company locations and over **70%** of AI investment.
2. Employee earnings in the UK - Office for National Statistics
3. January 2025. Department for Science, Innovation & Technology, 'State of digital government review'