The Scottish Parliament
Pàrlamaid na h-Alba

Economy and Fair Work Committee

Richard Lochhead
Minister for Business
Scottish Government

6 January 2026

Dear Richard,

Artificial Intelligence and the Scottish economy

Artificial Intelligence (AI), once the preserve of specialists, is now widely accessible and evolving at speed. This presents a transformative opportunity for Scotland's economy, enabling individuals and businesses to enhance productivity, innovate, and attract inward investment to provide sustainable and high-quality jobs. However, it also brings significant challenges that require urgent and coordinated action.

The Scottish Government's 2021 AI Strategy set the ambition for Scotland to become a leader in the development and use of trustworthy, ethical, and inclusive AI. Since its publication, technology has advanced rapidly, and the Committee welcomes the Scottish Government's commitment to publish a new AI strategy and action plan in the Spring of 2026.

To help inform this, the Committee held three evidence sessions in November with business leaders, innovators, and academics to explore how Scotland can harness the benefits of AI while managing the risks to the economy and labour market.

I attach a summary of the Committee's main findings, which I hope will assist the Scottish Government in shaping its new strategy. Details of each evidence session are also set out in the annexe, and I urge the Scottish Government to review these sessions closely.

Yours sincerely,

Daniel Johnson MSP
Convener

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Annexe A: Overview of Committee Findings - Artificial Intelligence and the Scottish economy

In her pre-budget evidence, the Deputy First Minister told the Committee that "investing in AI is not really a choice or a luxury; it is a question of keeping up with other people and competitors, because that is where other jurisdictions are going and have gone."[1]

Witnesses agreed that developing and supporting an AI industry in Scotland is essential if we are to compete, grow, and thrive. Heather Thomson (The Data Lab) warned that "the biggest risk is to do nothing; we need to act, and we need to act now."[2]

The Committee agrees that the biggest risk is inaction and welcomes the Scottish Government's commitment to publish a new AI strategy and action plan in the Spring of 2026.

Where to focus efforts

One of the most important decisions the new strategy needs to address is where to focus efforts. Witnesses stressed that we cannot be a global leader in every sector and that a clear focus is needed to ensure the best use of resources and achieve greatest impact.

Seth Finegan (Informed Solutions) suggested that the strategy should focus on Scotland's strengths, such as life sciences, healthcare, and clean energy, and that centres of excellence should be developed around these high-growth sectors.[3]

Steven Grier (Industry Adviser) went further, telling the Committee that we must decide what we want to achieve, "do we want to be an adapter, by which I mean one that simply encourages our businesses to adapt to AI and use it to remain competitive? Alternatively, will we be bolder and say that we will be a global AI centre?" He told us that this choice should shape priorities for investment, skills, and infrastructure, and determine which sectors become the focus for innovation.[2]

As already acknowledged, an area where Scotland could become a world leader is in responsible and ethical AI. Heather Thomson (The Data Lab) referenced the work of the Scottish AI Alliance, suggesting that the new strategy could build on this work and allow us to become leaders in creating "an ecosystem that works responsibly."[2]

Progress and pace of change

The Committee was struck by the recent pace of technological change. ChatGPT was only launched three years ago, and yet in that time, public awareness and use

[1] Official Report, 1 October 2025
[2] Official Report, 12 November 2025
[3] Official Report, 5 November 2025

of generative AI have rapidly expanded, while the technology itself has advanced significantly.

Dex Hunter-Torricke (Strategic Communications Adviser) told the Committee that, even with a world class strategy, it will be challenging to execute it at the scale and pace needed to remain competitive when the pace of change is so great.[4]

Professor Mark Schaffer (Heriot-Watt University) stressed that, given this rapid evolution, the new strategy cannot be static. It should be reviewed regularly to ensure its priorities remain relevant as technology changes, suggesting an annual review cycle.[2]

Witnesses also stressed that, when developing the AI strategy and reviewing progress, the Scottish Government should look internationally and learn from global leaders. Dex Hunter-Torricke (Strategic Communications Adviser) pointed to Estonia's leadership in e-government and South Korea's long-standing deployment of advanced technologies, telling the Committee it is "absolutely worth looking at how other ecosystems are transforming their systems to take AI into account."[4]

Colin Cook (Scottish Government) echoed this during pre-budget scrutiny, stating the Scottish Government is already benchmarking against initiatives such as AI Singapore because "the field is moving so quickly that we need to have continuous improvement in what we do."[1]

The Committee agrees that the new strategy must clearly set out what the Scottish Government wants to achieve. A key decision will be whether to take an adaptive approach, helping businesses integrate AI to remain competitive, or pursue a leadership role as a global centre of excellence.

The Committee agrees that the strategy should focus on Scotland's strengths rather than trying to compete on every front, prioritising investment in high-growth sectors where we can have the greatest impact.

The strategy must also ensure that a robust, responsible, and ethical framework is not only developed but actively observed by stakeholders. Stakeholders should be required to demonstrate how they have embraced and embedded this framework in practice.

The Committee believes it is also vital that a review cycle is built into the new strategy to ensure that priorities adapt to changing technology.

The Committee agrees that the new strategy must be benchmarked against international best practice and welcomes the Scottish Government's commitment to doing so.

[4] Official Report, 19 November 2025

Although the Committee did not hear evidence specifically on the environmental impacts of increased AI usage, it asks that the strategy address these impacts and set out how they will be mitigated.

Finally, the Committee asks the Scottish Government to reflect on these points and set out clearly in the new strategy what areas are being prioritised, where limited resources will be focused, and why.

Opportunities for the Public Sector

One of the biggest opportunities of AI identified in evidence was improving productivity in the public sector, which employs 598,700 people (around 22.3% of Scotland's workforce).[5]

Across the public sector, witnesses highlighted pockets of innovation. Seth Finegan (Informed Solutions), for example, talked about what success can look like. His organisation worked with NatureScot to analyse planning processes, identify AI interventions, and co-design a new AI and data platform. This collaboration delivered productivity gains of up to 50% and earned national recognition. He told us that this shows that, when implemented well, AI can transform services and deliver measurable benefits.[3]

The Committee also heard of promising NHS developments, where various projects have looked at how AI applications could improve efficiency and patient outcomes. Steven Grier (Industry Adviser) highlighted world-leading work by Dr Gerald Lip on breast cancer screening. Heather Thomson (The Data Lab) spoke about the success of NHS Highland's AI colonoscopy programme, which is less invasive and enables earlier detection. She noted, however, that a wider rollout of this programme has stalled.[2]

Barriers to Progress

The Committee heard that, while there are excellent innovative projects across the public sector, progress is fragmented. Steven Grier (Industry Adviser) suggested that this often stems from risk aversion, noting that many successful initiatives stall at pilot stage, with no consistent approach to scaling proven solutions. He warned that "pilots fail because we are not bold enough to roll them out across the whole country or across a whole business."[2]

Sarah Ronald (Nile) echoed this, stating that her company does not work with the public sector because "the velocity is so slow, and the risk aversion counteracts what you and we are trying to do in terms of change." She suggested that culturally, the public sector is reluctant to scale anything unless it is close to perfect, fearing intense scrutiny if things go wrong.[3]

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[5] Public Sector Employment in Scotland Statistics for 1st Quarter 2025

Peter Proud (Forrit) highlighted the difficulty in scaling successful pilots due to the complexity and fragmentation of the public sector, particularly the NHS. He told the Committee that, although funding sits with the Scottish Government, buy-in rests locally with each of the 14 NHS boards. This makes coordination much more difficult, creating what he described as "unbelievable" slowness in driving change. This has resulted in a system where "doing anything [is] difficult and slow," which is a major barrier to leveraging AI effectively.[3]

This fragmented approach and risk averse culture, stifles innovation and prevents progress, leaving significant productivity gains unrealised.

Leadership

Witnesses suggested that leadership is key to scaling these successful pilots and unlocking the potential benefits, but that there is currently a lack of confidence among public sector leaders to embrace AI technology in a meaningful way. Steven Grier (Industry Adviser) suggested that the Scottish Government's strategy should be "proactive in building confident AI leadership in the public sector … to build on the amazing cases that we have so far and decide how we want leaders to think about the opportunity that AI presents in the public sector."[2]

Seth Finegan (Informed Solutions) suggested that this buy-in, not only from leaders in the public sector, but political leadership in Government, would lessen the risk averse culture and provide "cover" for organisations to be bolder and try new things without fear of failure.[3]

The Committee recommends that the new Scottish Government strategy should aim to scale successful AI pilots across the public sector, including within the Scottish Government itself, and especially in the NHS. It should include case studies of proven successes and include training and guidance for senior leaders to build confidence around AI adoption. The Committee also asks the Scottish Government to clarify the extent to which AI is already being used internally.

The Committee also suggests that the new strategy includes the creation of a national forum for sharing best practice to enable public bodies to learn from successes and replicate them nationally.

The Committee notes that the recent Life Science Strategy states that life Sciences will be a priority sector for AI Scotland, which it welcomes.

Data

A recurring theme in evidence was that Scotland cannot take advantage of the full potential of AI, particularly in the public sector, without addressing fundamental issues around data.

Witnesses stressed that fragmented data systems across the public sector limit what can currently be achieved. To maximise the benefits of AI, Scotland needs a

coordinated approach to link the public sector data that is currently held in different places and formats.

Sarah Ronald (Nile) told the Committee that the first step is to understand what data exists, what format it is in, and how long it will take to make it machine-readable. Then we can identify how best to use that data to deliver measurable benefits.[3]

Witnesses highlighted international examples such as Estonia's national data lake, which enables public sector bodies to draw on a single, integrated layer of citizen data. Peter Proud (Forrit) explained that adopting a "citizen approach", where all data for an individual is linked through a single identifier like a CHI or National Insurance number, would allow applications, such as those for diabetes care, to access relevant information seamlessly. He warned however that "the hard part is getting the data lake in the first place."[3] Steven Grier (Industry Adviser) stressed the implications of this for healthcare, stating "we cannot make national decisions on predictive healthcare if we do not have everyone's data."[2]

Without a national approach to data, Scotland will struggle to scale AI solutions or deliver the productivity and service improvements identified.

The Committee notes that the Scottish Government's health and social care data strategy aims to "improve the care and wellbeing of people in Scotland by making best use of data in the design and delivery of services." Although the Committee welcomes this, our data ambitions must be greater.

The Committee agrees that the new AI strategy must treat data infrastructure as a priority to facilitate AI adoption across the public sector and asks the Scottish Government to reflect on how best to do this within the new strategy, subject to the rules governing data access and use.

Funding

Witnesses stressed that the Scottish Government's ambitions for AI cannot be met with modest, short-term, single-year budgets. Sarah Ronald (Nile) and Peter Proud (Forrit) described the current £1 million in grant funding as "nothing" and called for investment to align with ambition.[3]

Peter Proud told the Committee that "one of the problems is single-year budget cycles. You need multiyear budget cycles for such things … Building a data lake is a multiyear project … You need to begin with the end in mind, work in an agile way and have a pretty flexible but well-defined project plan." He stressed the need to ring-fence funding and plan over several years to achieve the transformation required.[3]

The Committee recognises that multi-year funding can be difficult due to the way the Scottish Government receives its budget. However, modest short-term funding will not support the scale of transformation required. The strategy must be backed by sustained, multi-year investment, and the Committee asks the Scottish Government to reflect on how to achieve this when developing the new strategy.

Opportunities for the private sector

The Programme for Government commits to launching AI Scotland, a national programme based on a partnership between business, academia, agencies, and government. Its aim is to ensure businesses have the support and guidance they need to harness AI effectively and drive growth.

Most Scottish businesses are yet to embrace AI in their day-to-day operations. The ONS' Business Insights and Conditions Survey from December 2024 found that only 17.6% of Scottish businesses reported using some form of AI. It also found that of these, larger businesses (250+ employees) were nearly twice as likely to be using AI than SMEs.[6]

Witnesses stressed that this slow uptake is a major risk. Sarah Ronald (Nile) warned that "smaller businesses absolutely need to get on board, because, if they do not start now, the cost of the change will become greater and greater."[3]

The Committee heard that AI offers "extremely asymmetric advantages" to smaller businesses, allowing them to move quickly and compete at scale (Dex Hunter-Torricke), and that embracing AI could enable small companies to "do big things" and even disrupt larger incumbents (Peter Proud).[3]

Dex Hunter-Torricke (Strategic Communications Adviser) told the Committee however that the pace of technological change is "unprecedented" and adaptation remains too slow.[4] Steve Aitken (Intelligent Plant) summed up the choice facing Scottish businesses as "Do this or do not survive."[4]

Developing skills and confidence

A recent report by the Data Lab stated that 60% of jobs in developed nations will be affected by AI, yet 56% of Scottish business leaders rate their organisations' data and AI literacy as "moderate to low". Many organisations provide no data or AI training, with a lack of time, resources, or funding cited as barriers.[7]

Steven Grier (Industry Adviser) told the Committee that SMEs don't necessarily need to have the skills to build AI tools, but they do need easy, and preferably free, access to training in using AI tools to make their businesses more competitive. Without this, they risk falling behind larger companies with more resources. He suggested that a strong talent pipeline and reskilling programmes are essential so employees can identify areas where AI tools can improve productivity. Acting quickly will reduce inequality and enable businesses to grow and innovate.[2]

Sarah Ronald (Nile) highlighted the need for a plan for those workers that will be negatively impacted by the proliferation of AI, urging organisations to identify and report roles at risk to support better skills planning.[3] Heather Thomson (The Data

[6] Artificial Intelligence - BICS weighted Scotland estimates - gov.scot
[7] Whitepaper setting out the route to Scotland's data and AI success - The Data Lab

Lab) suggested that the Scottish Government should implement upskilling and retraining programmes for displaced workers.[2]

Witnesses noted, however, that even in roles that are increasingly automated, some form of human oversight remains essential. Kayla-Megan Burns (RSNO), for example, said that while AI can autonomously code, a qualified human is still needed to review its output. Such roles are typically senior, reducing the opportunities for entry-level staff.[4] Kayla-Megan Burns stressed the need for closer links between education and industry, with flexible pathways and practical experience to prepare graduates for an AI-driven job market.[4]

To unlock the full potential of AI and drive transformative change, the Committee calls for the new AI strategy to set out a bold, actionable plan for accelerating adoption by businesses throughout Scotland. This plan should go beyond awareness and training and outline concrete steps to help businesses use AI to increase productivity, innovation, and growth.

Witnesses suggested measures that could form part of this approach, including—

- **Scaling up free, accessible training for SMEs to integrate AI tools and deliver productivity gains.**
- **Developing leadership programmes to build confidence and overcome resistance.**
- **Launch campaigns to highlight the benefits of AI and the risk of inaction.**
- **Encouraging businesses to identify and report roles likely to be impacted by AI, enabling better workforce planning and reskilling.**

The Committee welcomes the introduction of AI Scotland as part of the wider AI strategy and urges the Scottish Government to embed these measures within the new strategy to shift the dial on adoption.

AI literacy in the education system

Closely linked to business skills, is the need to teach AI literacy in schools, colleges, and universities. Several witnesses highlighted the worrying shortage of computing specialists in schools, while Heather Thomson (The Data Lab) and Professor Mark Schaffer (Heriot-Watt University) emphasised the importance of equipping all teachers with the necessary AI literacy to prepare pupils effectively.[2]

Stephen Grier, Professor Mark Schaffer, and Heather Thomson called for AI literacy to be embedded throughout the education system. They stressed that this must go hand in hand with teaching critical thinking and ethics to prevent over-reliance on automation and to ensure pupils can demonstrate genuine understanding rather than relying solely on AI output.[2]

Although the Committee's primary focus was on opportunities for business and the public sector, it draws the Scottish Government's attention to

witnesses' comments on AI literacy in education and recommends that the following be considered when developing the new strategy—

- **Embed AI and data literacy across all levels of education, with a focus on critical thinking and ethics.**
- **Strengthen partnerships between schools, colleges, universities, and industry to align the curriculum with future skills needs.**
- **Urgently address the shortage of computing specialist in schools and equip all teachers, not just specialists, with AI literacy.**

Support for innovative home-grown companies to scale

Peter Proud (Forrit) told the Committee that Scotland's strong education ecosystem, with more top universities per-capita than anywhere else in the world, has encouraged many innovative start-ups, particularly in the tech sector. Yet, in many cases, it is difficult for these companies to scale and compete internationally. All too often, innovative home-grown companies are acquired by larger overseas players.[3]

As Seth Finegan stated, "just having start-ups is not enough; they need to be taken to the scale-up stage as well, to the point where they are real challengers of the existing marketplace."[3]

Witnesses acknowledged the temptation for founders to sell but stressed the importance of retaining home-grown successes and helping them scale. Steve Aitken told the Committee that "building a company is not just about earning a lot of money but is about doing a good thing."[4]

The Committee calls on the Scottish Government to make retaining and scaling home-grown businesses a priority in the new AI strategy and to explain why scaling remains challenging. The strategy should set out specific actions to address these barriers and enable Scottish companies to grow without relocating.

Although not highlighted directly in the Committee's AI evidence sessions, access to finance has consistently been identified across the Committee's work this Session as one of the biggest barriers to scaling successful start-ups. The Committee reiterates the importance of investment and access to finance to drive growth and asks that this be addressed in the new strategy.

Implications for the creative industries

A significant part of the Committee's discussion focused on the impact of AI on Scotland's creative industries.

Kayla-Megan Burns (RSNO) described AI as "a double-edged sword", noting that many new entrants are using AI in innovative ways. They also spoke, however, of the negative impacts on traditional artists, who often struggle to compete with those producing AI-generated work that can be produced much faster and at a lower cost.[4]

The impact on musicians was a particular concern. Members and witnesses noted

how easily AI can imitate, or use, an artists' music, voice, or style. Kayla-Megan Burns warned that up to 24% of music creators' revenues could be at risk by 2028 due to AI-generated content.

However, whilst noting the risks of AI for the creative industries, Kayla-Megan Burns witnesses told the Committee that they believe AI will transform how we perceive art and its value, creating new opportunities for innovation rather than replacing creativity. Leo Fakhrul (XYNQ) also suggested that AI can help to limit fraud and prevent bad actors from misusing artists' intellectual property.[4]

Witnesses agreed that there will always be artists, and that there will always be a place for human creativity and protecting them is critical. Several important safeguards were recommended by witnesses, including—

- Protections for individuals' likeness, face, and voice to prevent misuse and impersonation.
- Requirements to maintain searchable registries of the data used to train AI.
- Audit access for creators to verify whether their work has been used.
- A centralised licensing infrastructure for independent creators, not just major labels.
- Consideration of a statutory licensing pool where creators opt in and receive allocations proportional to their content's use in AI training.
- A statutory right to small claims and copyright adjudication for infringement cases under a set threshold.
- An enforcement capacity that does not require individual litigation.
- A one-time remediation mechanism, such as a statutory fund financed by AI companies, to compensate creators whose works were used in past AI training without consent.[4]

The Committee notes that many of these measures fall outside the Scottish Government's influence but nevertheless urges the Government to reflect on the points raised during all three evidence sessions.

The Committee also encourages collaboration with other jurisdictions to consider and protect Scotland's creative industries, whilst ensuring the new strategy maximises benefits and mitigates risks for Scottish artists.

Annexe B: Evidence gathered

This annexe provides links to—

- oral evidence taken (links to the Official Report of relevant meetings); and
- follow-up correspondence.

Oral evidence (and associated submissions and correspondence)

Session 1: Wednesday 5 November 2025

- Seth Finegan (Informed Solutions)
- Peter Proud (Forrit)
- Sarah Ronald (Nile)

- Official Report, 5 November 2025

Session 2: Wednesday 12 November 2025

- Steven Grier (Industry Adviser)
- Professor Mark Schaffer (Heriot-Watt University)
- Heather Thomson (The Data Lab)

- Official Report, 12 November 2025

Session 3: Wednesday 19 November 2025

- Steve Aitken (Intelligent Plant)
- Kayla-Megan Burns (RSNO)
- Leo Fakhrul (XYNQ)
- Dex Hunter-Torricke (Strategic Communications Adviser)

- Official Report, 19 November 2025
- Follow-up evidence from Steve Aitken (Intelligent Plant)
- Follow-up evidence from Kayla-Megan Burns (RSNO)