APAC Special Report – Singapore AI Transition Window

FEBRUARY 2026

SUMMARY

AI adoption is accelerating rapidly, reshaping hiring, skills, and organisational expectations. At the same time, labour markets remain subdued, job competition is rising, and the AI gap between large firms and SMBs is widening. These shifts suggest that we are now in a transition period - a temporary period where technology is advancing faster than the systems designed to support workers and organisations. We see three clear patterns in Singapore:

1. AI talent demand is growing four times faster than workforce supply.
2. Workforce pressure today is driven more by macroeconomic slowdown than by AI-driven job displacement.
3. SMBs are falling behind large enterprises in AI readiness.

How these dynamics evolve will impact competitiveness, equity, and productivity as AI technology continues to mature and diffuse into more parts of the economy.

INTRODUCTION

The long-term outlook for AI is broadly optimistic. Over time, technology tends to create new roles, productivity gains, and more efficient organisations. But before the benefits become widespread, there is always a transition period, during which expectations and requirements move faster than infrastructure, skills, and institutions can adapt.

The next few years represent that transition for AI across most if not all countries, including Singapore. This report focuses on Singapore, and looks at the signals emerging from the data and what they collectively imply about the path ahead.

SIGNALS FROM THE DATA

AI Is accelerating fast

Demand for AI engineering talent outstrips supply. AI engineering roles make up 4.2% of all job postings on LinkedIn (+40% growth YOY) in Singapore, despite AI engineering talent being about 1.5% of LinkedIn's member base. The growth rate of AI engineering talent is also much lower at 10% YOY. These numbers contrast the intense demand for AI engineering talent against much lower supply.

AI talent spreading beyond tech. AI engineering talent has grown year-over-year in every industry. This diffusion across multiple industries shows that AI is moving towards general-purpose usage.

Industry	Share of Companies with Employees with AI Eng Skills	Share of Companies with Employees with AI Literacy Skills
Consumer Services	3.1%	36.0%
Education	6.3%	14.6%
Financial Services	5.9%	13.7%
Government Administration	3.8%	24.6%
Hospitals and Health Care	1.7%	15.1%
Manufacturing	3.4%	15.1%
Professional Services	5.4%	16.8%
Technology, Information and Media	9.0%	18.0%
Transportation, Logistics, Supply Chain	2.0%	15.5%
Wholesale	2.9%	13.8%

AI skill demands are changing fast. Within the AI domain, we see a shift from developing foundational models towards applications. Skills are moving from traditional techniques (like forecasting and pattern recognition) towards applications (like gesture recognition and 3D reconstruction). This reflects a shift in momentum from core model techniques to applied, generative, and agentic capabilities.

AI literacy expectations rising across more domains. When we look at AI literacy skills, we find that the demand for AI literacy skills has grown over 70% year-on-year, and is spreading into traditionally non-technical roles such as marketing. This rise of AI literacy skills across non-technical job descriptions reflects a fundamental shift: AI is becoming a baseline expectation across the organisation, not just in engineering teams.

Fastest-growing AI Skills of 2024 and 2025

2024	2025
Responsible AI	Knowledge Discovery
Time Series Forecasting	Responsible AI
Chatbots	Gesture Recognition
Knowledge Representation and Reasoning	Cognitive Computing
Computational Intelligence	3D Reconstruction
Automated Machine Learning (AutoML)	Model Training
Pattern Recognition	Computational Intelligence
Computational Linguistics	Association Rules
Generative Adversarial Networks (GANs)	Question Answering
Support Vector Machine (SVM)	Information Extraction

AI-complementary skills form slowly, creating a capability lag. Using LinkedIn's data, we identified over 800 skills which can currently only exclusively be performed by people, and they typically serve as complements to GAI technologies. The most frequently added skills among LinkedIn members include:

- Communication & media skills: Oral Presentations, Influencing
- Business & industry skills: Entrepreneurship
- Engineering skills: Software Innovation, Product Innovation
- People skills: Leadership, Teamwork, Negotiation, Problem-Solving, People Management, Relationship Building, Creativity, Emotional Intelligence

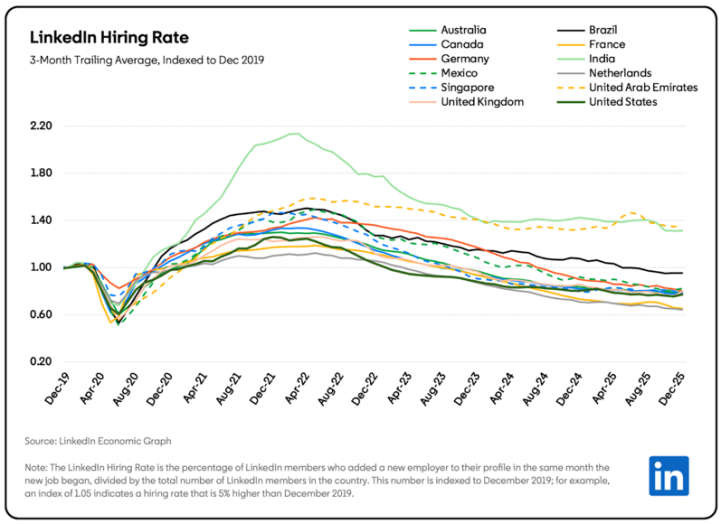
Many of these skills – including communication, creativity, problem-solving, domain expertise, and judgement – are built through experience and cannot be learnt through short-term training alone. As a result, even as AI tools become more widely available, the complementary skills required to use AI effectively in organisational settings are developing more slowly and can potentially constrain organisations' readiness to deploy AI at scale.

Hiring is slowing, but patterns do not suggest GAI is the culprit

The data suggests that the trends we are observing today are best understood as transitional friction interacting with a cyclical hiring slowdown, rather than widespread job displacement driven by AI.

Hiring weakness reflects cyclical slowdown, not AI-driven displacement. The current hiring slowdown appears broad-based and macro-driven, rather than the result of AI-led worker displacement. Across key markets, hiring momentum remains subdued heading into the final quarter of the year. In Singapore, recent hiring trends have been largely flat and remain below pre-pandemic levels – a pattern more consistent with cyclical weakness than with widespread job replacement by AI.

Hiring declines are not concentrated in AI-exposed occupations. Our analysis also finds that the slowdown is not concentrated in occupations most exposed to AI. Hiring in software engineering - a role with high AI exposure - is down around 7%, but hiring in less AI-exposed occupations such as nursing has declined even more sharply, by about 13%. This contrast indicates that current labour market pressures are being driven primarily by broader economic conditions, rather than by AI-driven displacement.



SMBs are falling behind in AI skills

Our deep dive into APAC's AI trends in SMBs found a structural imbalance in how AI capability is developing across the region. Although awareness and adoption are increasing, most SMBs remain significantly behind large enterprises in both technical AI expertise and workforce-level AI literacy. Crucially, the pace of AI engineering and literacy skill adoption among large organisations continues to outstrip that of SMBs, pointing to a widening readiness gap rather than convergence.

A large AI engineering capability gap persists between SMBs and large enterprises. The gap in AI engineering skills in small and medium-sized businesses (SMBs) and large enterprises remains substantial. AI engineering skill penetration currently stands at 7.7% among SMBs and 20% among large enterprises in Singapore. In practical terms, this means that SMBs are operating at roughly one-third of the AI capacity of larger companies, limiting their ability to build, deploy, and scale AI solutions internally.

The AI literacy gaps are even wider. The divide is even wider when it comes to AI literacy – the foundational skills needed to understand, evaluate, and work effectively with AI tools. AI literacy skill penetration is nearly five times lower in SMBs compared to large enterprises, pointing to a structural divergence, where many SMBs lack the baseline capabilities required to use AI meaningfully and at scale.

Growth trajectories show widening gaps in AI literacy. Recent growth trends suggest that these disparities are not closing, and may in fact be widening. While SMBs are making progress, large enterprises are advancing at a significantly faster pace. Over the past year, the prevalence of AI literacy skills in SMBs has grown 5 times slower than that of larger enterprises. As AI continues to spread across industries and roles, this divergence risks creating a growing AI readiness gap, with long-term implications for competitiveness, productivity, and workforce resilience among SMBs.

Company Size	Share of Companies with Employees with AI Eng Skills	Share of Companies with Employees with AI Literacy Skills
SMB (11-200)	7.7%	1.2%
Mid-Market Enterprise (201-1000)	8.9%	1.8%
Enterprise (1001-5000)	12.0%	2.6%
Large Enterprise (more than 5000)	20.0%	5.9%

SYNTHESIZING THE PATTERNS

Taken together, these signals suggest that we are currently in a transition window - a period where technology advances faster than skills, workflows, and institutions are adapting. Three dynamics define this window:

1. **AI Acceleration:** AI capability -- from engineering talent to agentic workflows to basic

literacy expectations -- is growing rapidly and spreading across industries.

2. **Adoption Friction:** Labour markets are soft, competition for roles is rising, and early-career workers face higher barriers. These cyclical pressures make adaptation harder even without AI-driven displacement.
3. **Divergence:** Large enterprises are advancing quickly in AI capability while SMBs lag behind, despite near-equal digital literacy. This divergence poses long-term competitiveness risks.

This adjustment window is temporary; markets and institutions will eventually stabilise around new norms. But the pace of change today creates conditions where mismatches may widen before they narrow, as labour markets recalibrate and organisations move at different speeds. Continuous monitoring of AI adoption, workforce mobility, and firm-level capability building will be essential to understanding whether this unfolds as a smooth transition, or as an uneven one.

KEY TAKEAWAYS FOR CHROs / CPOs

AI talent needs cannot be solved by hiring alone – capability segmentation is essential. With demand for AI engineering talent far outpacing supply, external hiring alone is increasingly fragile and unsustainable. At the same time, especially for SMBs, AI strategies cannot default fully to in-house. The practical shift is towards deliberate capability segmentation: buying or insourcing foundational AI where scale matters, while building internal capability in integration and oversight, and raising AI literacy across the broader workforce.

Workforce strategy must shift from training programmes to work redesign. AI tools are developing faster than complementary human skills such as judgement, problem-solving, communication, and leadership can develop. Raising AI readiness now requires embedding AI into day-to-day roles rather than relying on stand-alone AI training. This includes rotating talent through AI-enabled projects to build judgement and domain context through experience, and updating performance and progression criteria to reward effective human-AI collaboration. Organisations that treat AI capability as an add-on will struggle to scale beyond pilots, while those that redesign work strategically will deliver results.

Companies must find their balance between AI adoption and organisational readiness. Mismatches between skills, roles, and organisational readiness may widen before they narrow, as firms adopt AI at different speeds and with varying levels of workforce readiness. Organisations that delay capability building risk compounding gaps, while those that move too quickly without redesigning workflows risk under-utilising AI investments.

Bottom line for CHROs / CPOs: The question is not whether AI will reshape work, but whether organisations can align skills, roles, and capability-building fast enough to capture its value. Success will be shaped less by how fast organisations adopt new tools, and more by how well they align capability building, work redesign, and adoption pace. CHROs and CPOs play a central role in this transition by segmenting capabilities across the AI stack, embedding AI into how work is done, and managing the trade-offs between speed and readiness.