

Paragon

BY RIVIERA PARTNERS

Europe AI landscape — UK and Portugal

Jan 2026





AI talent is scarce & costly and clients need clarity on Europe options

Problem Statement

Demand for AI talent is exploding, and US costs are unsustainable for scaling AI teams. Hence, multiple global clients want to set up AI hubs in Europe but lack clarity on:

- Talent pool size and mobility
- Costs/ productivity
- Ecosystems and risks

Information Gaps



1 Talent Pool

- How large is the AI workforce in key countries in Europe?
- Which cities have the densest, most scalable pools?



2 Talent Mobility

- What are the inflows/outflows of AI talent in each hub?
- Are local engineers leaving for the US, or is there net inflow?



3 Costs

- How do salaries for AI engineers compare across Europe and vs. the US?
- What about office costs/ operating costs?



4 Ecosystem

- Who are the main ecosystem anchors — universities, research institutes, corporate labs, accelerators, and investors in each hub?
- How integrated is the ecosystem?

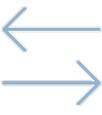


5 Risks

- What regulatory, political, and retention risks could disrupt scaling?
- How do Brexit, the EU AI Act, or economic volatility affect long-term plans?

Executive summary

While UK offers higher AI talent pool and productivity potential, Portugal delivers major cost benefits




United Kingdom

| Talent Pool | Talent Mobility | Costs | Ecosystem | Risks |
|--|--|--|--|--|
| <p>~11.6k AI talent pool</p> <p>Key AI Hubs: London, Greater Cambridge Area, Manchester Area, Greater Edinburgh Area</p> | <p>AI talent story has shifted from a one-way brain drain to the US toward a two-way flow; stronger funding, visa reforms, a vibrant ecosystem now attract global talent into London</p> | <p>UK has higher costs than Portugal both in terms of salaries (~70% higher for AI engineers) as well as office costs (4-6x Portugal)</p> | <p>The UK boasts an advanced AI ecosystem, powered by top universities, global labs, and strong public-private collaboration driving 3,800+ AI companies and continuous innovation</p> | <p>Regulatory uncertainty, Brexit effects, talent retention, infra & cost pressure remains key risks</p> |



Portugal

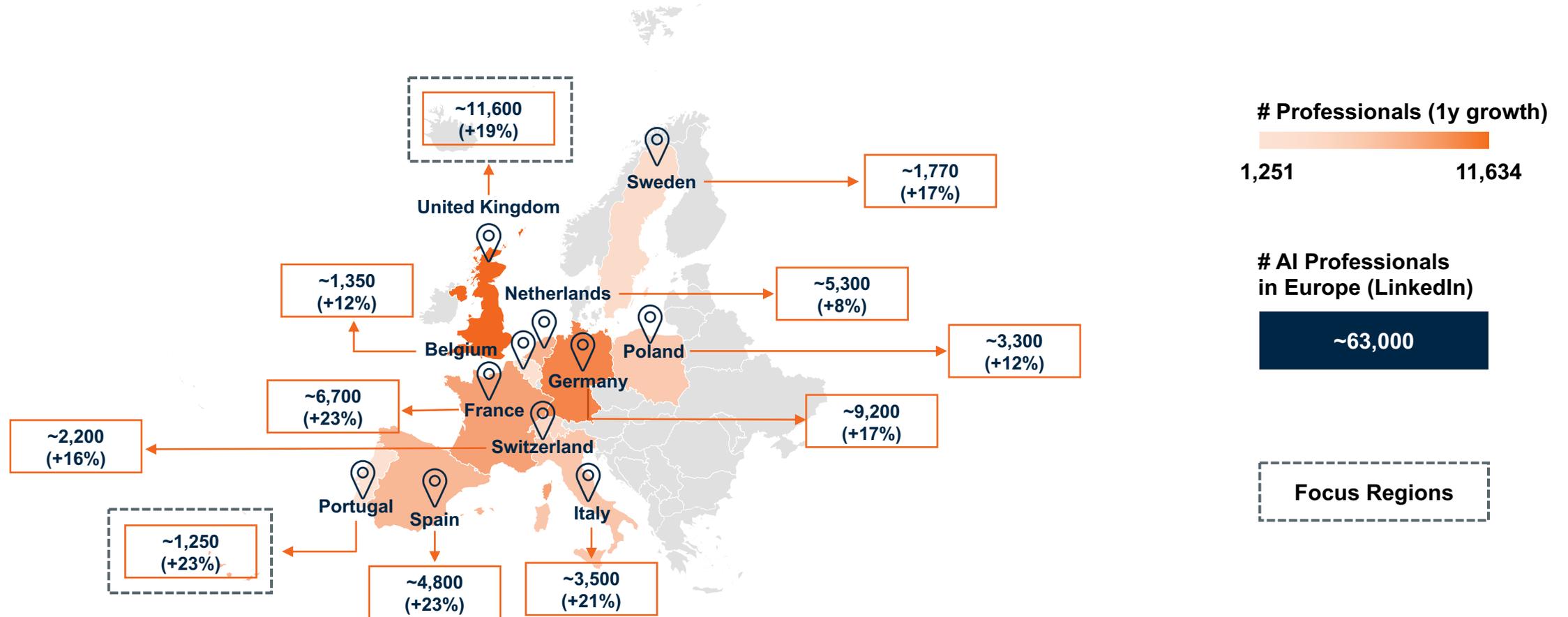
| | | | | |
|---|---|--|--|---|
| <p>~1.3k AI talent pool</p> <p>Key AI Hubs: Lisbon Metropolitan Area, Porto Metropolitan Area</p> | <p>Tech landscape is shifting from brain drain to two-way talent flow as new visa programs attract professionals; yet the net loss of local AI/ML engineers remains a key issue</p> | <p>Portugal has lower costs than UK both in terms of salaries (~40% lower for AI engineers) as well as office costs (0.2-0.3x UK)</p> | <p>Portugal's AI ecosystem is accelerating, powered by AI Portugal 2030, R&D investments, and strong university-industry collaboration centered mostly in Lisbon and Porto</p> | <p>Regulatory uncertainty, talent drain, infra & funding limitations, economic volatility remains key risks</p> |
|---|---|--|--|---|

Talent pool



AI talent pool in Europe

UK has the highest number of AI professionals in Europe; Portugal, France, Spain are fast growing





AI talent pool in the UK

Within UK, London is a magnet for AI talent with 6k+ AI professionals

| Top 10 Areas* | # Professionals | Top Employers | | |
|--------------------------------------|-----------------|----------------------|----------------|--|
| London Area, United Kingdom | 6,172 | Meta | kubrick | Outlier |
| Greater Cambridge Area | 408 | AstraZeneca | arm | UNIVERSITY OF CAMBRIDGE |
| Manchester Area, United Kingdom | 395 | Outlier | Deloitte. | RIT Rochester Institute of Technology |
| Greater Edinburgh Area | 319 | NatWest Group | ROCKSTAR GAMES | Baillie Gifford™ |
| Greater Bristol Area, United Kingdom | 236 | LLOYDS BANK | GRAPHCORE | AIRBUS |
| Greater Oxford Area | 234 | UNIVERSITY OF OXFORD | mind FOUNDRY | Ministry of Planning Development & Special Initiatives |
| Greater Leeds Area | 168 | Outlier | Dedalus | GEL GUIDED LEARNING |
| Greater Glasgow Area | 159 | JPMorganChase | BARCLAYS | UWS UNIVERSITY OF THE WEST OF SCOTLAND |
| Birmingham, England, United Kingdom | 149 | HSBC | Outlier | Microsoft |
| Greater Reading Area | 108 | ORACLE | Microsoft | XPS Group |



AI talent pool in Portugal

Lisbon Metropolitan Area has the highest AI talent pool in Portugal with ~600 AI professionals

| Top 10 Areas* | # Professionals | Top Employers | | |
|---------------------------|-----------------|--------------------------|--|-------------------------------------|
| Lisbon Metropolitan Area | 599 | | | CREATING CREATORS |
| Porto Metropolitan Area | 247 | | | |
| Greater Braga Area | 54 | ICT Innovation Institute | | |
| Coimbra Metropolitan Area | 52 | INSTITUTO PEDRO NUNES | | |
| Greater Guimaraes Area | 19 | ICT Innovation Institute | | Association for Information Systems |
| Greater Aveiro Area | 17 | | | |
| Almada, Setúbal, Portugal | 16 | | | |
| Greater Funchal Area | 14 | | | |
| Maia, Porto, Portugal | 13 | | | |
| Leiria, Leiria, Portugal | 12 | | | |

Talent mobility

Talent mobility — UK

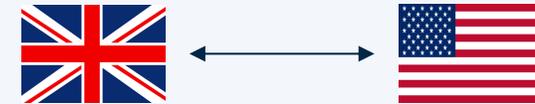
UK still feeds Silicon Valley but also attracts top U.S. & Global AI talent

Past: Brain Drain



- In the last 10 years, many **AI engineers left for opportunities in the US to work for Big tech firms** and **home-grown foundational AI companies have had to look overseas for funding and expansion opportunities**. This includes US-listed chip designer Arm and neural network model developer DeepMind, owned by Google since 2014
- A 2025 House of Lords report even warned that the **UK risks becoming an “incubator economy” for other nations**, as innovative British tech startups frequently relocate overseas to scale up

Present: Two-Way Flow



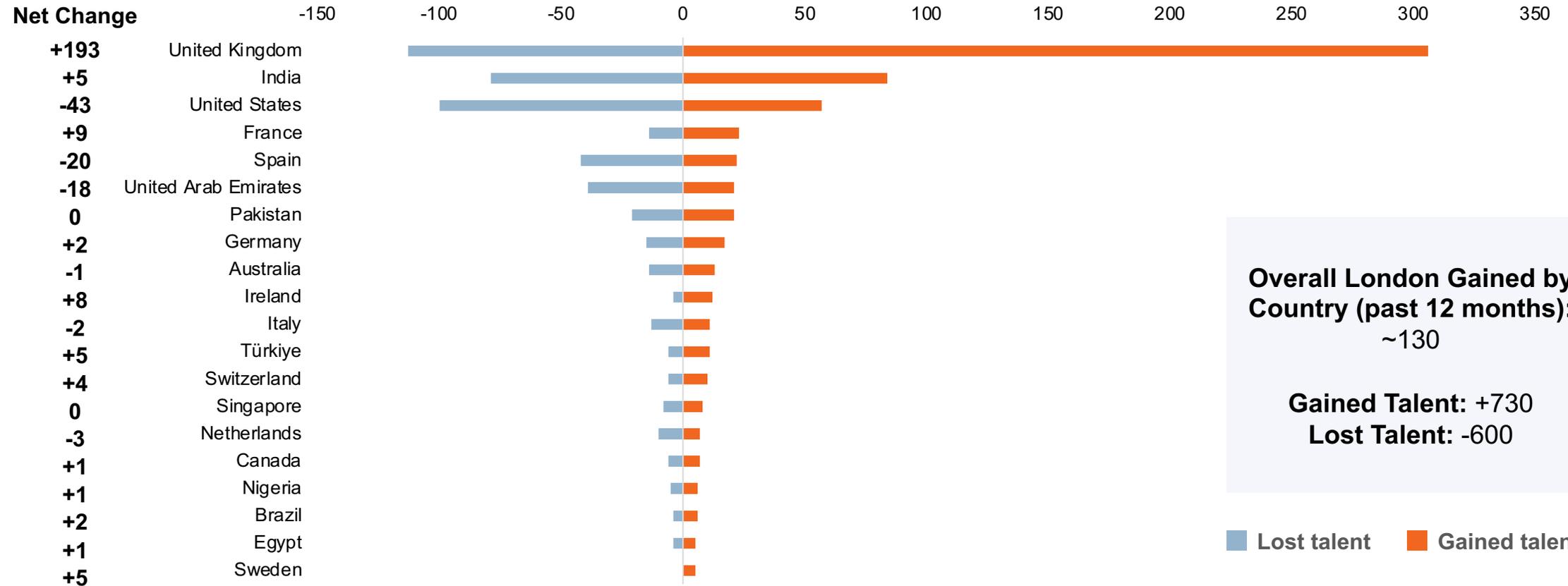
- Today, the UK’s position has evolved into a **mix of attracting international talent while still losing some locals to the US**
- UK has the **largest AI talent pool in Europe**, English-language advantages and strong universities help draw skilled workers from countries like India
- The **government has actively courted overseas experts** with initiatives like the **Global Talent Visa** and related programs
- These efforts, along with a **growing AI startup ecosystem** and **record funding** (London AI startups raised a record \$3.5 billion in 2024) have created a **net inflow of AI/ML talent at least into London** (LinkedIn) in recent years. On the other hand, the **brain drain has not vanished**, the US remains a powerful draw for British AI engineers and researchers



Talent mobility — London (top countries)

London gains most talent from other parts of UK, and India

AI Talent Movement to/ from London — Top 20 Countries (past 12 months)



Overall London Gained by Country (past 12 months):
~130

Gained Talent: +730
Lost Talent: -600

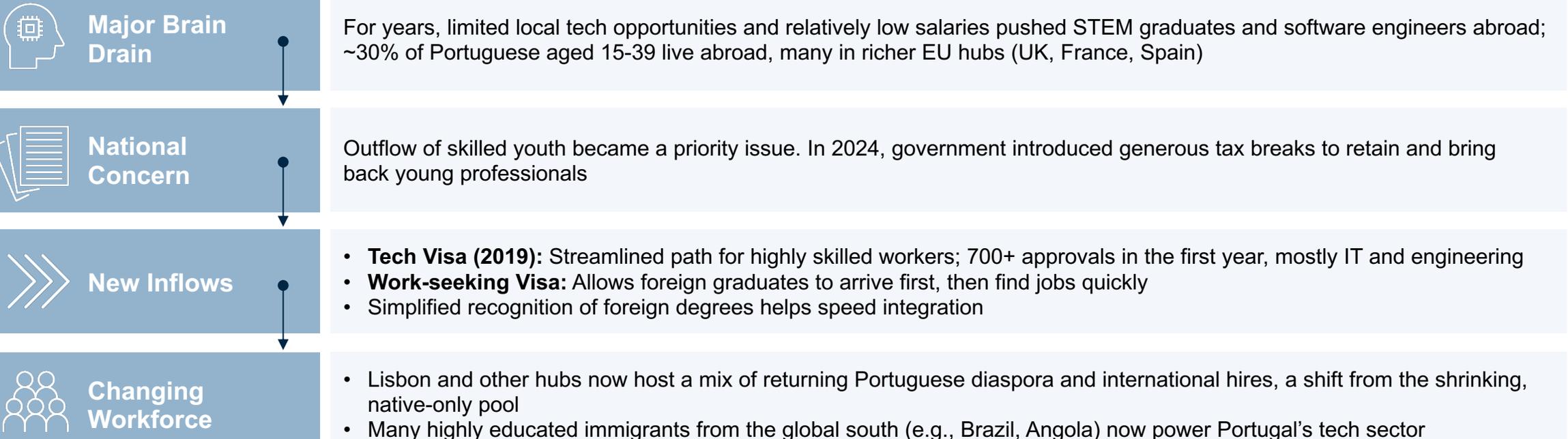
■ Lost talent ■ Gained talent



Talent mobility — Portugal

Retaining local talent remains a challenge; new policies are reshaping Portugal's tech workforce

Brain Drain to Two-Way Flow



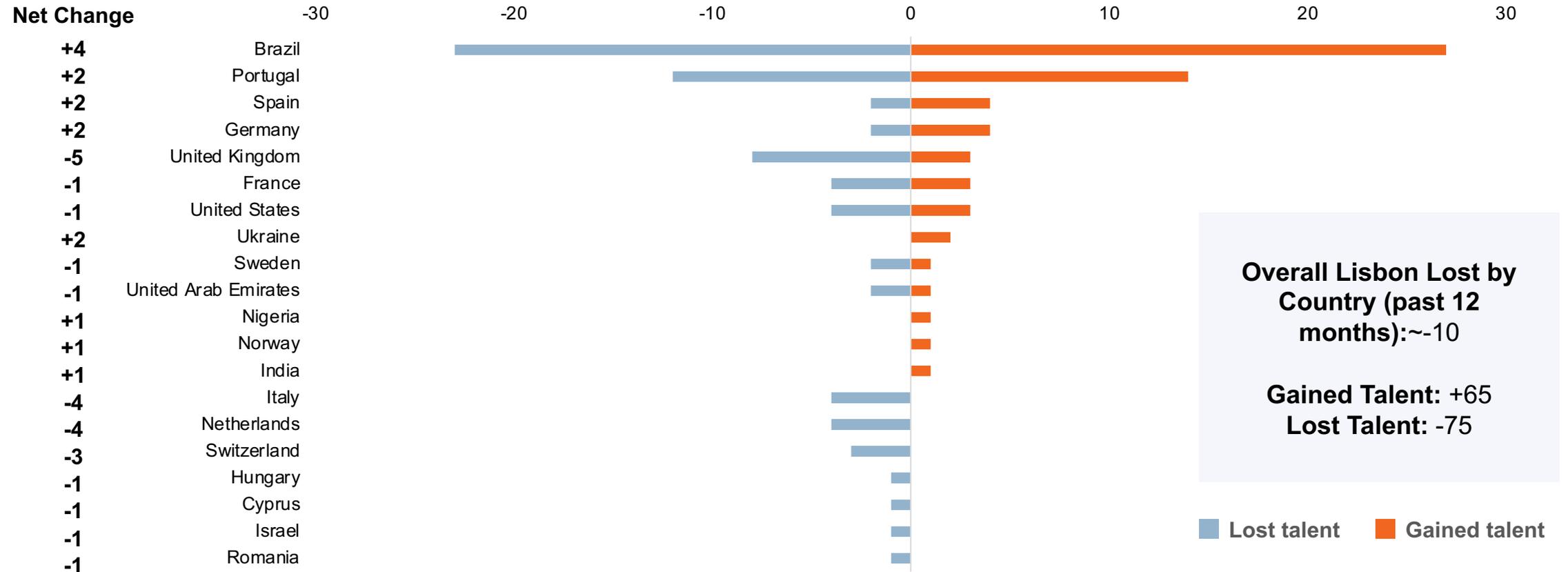
Current Challenge: Despite inflows, the **net outflow of local AI/ML engineers remains significant**, limiting availability of senior talent.



Talent mobility — Lisbon (top countries)

Lisbon gains most talent from Brazil, other parts of Portugal, Spain, and Germany

AI Talent Movement to/ from Lisbon — Top 20 Countries (past 12 months)

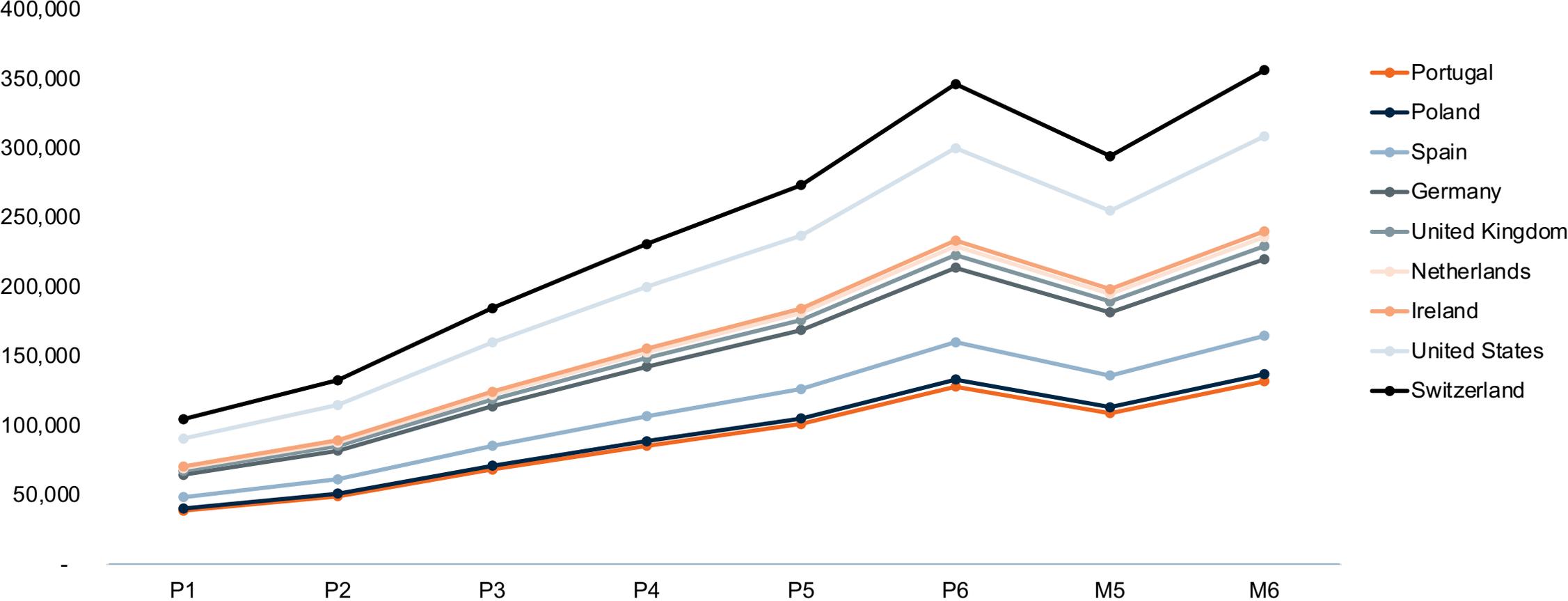


Costs



Base salary for AI engineers: US vs. Europe

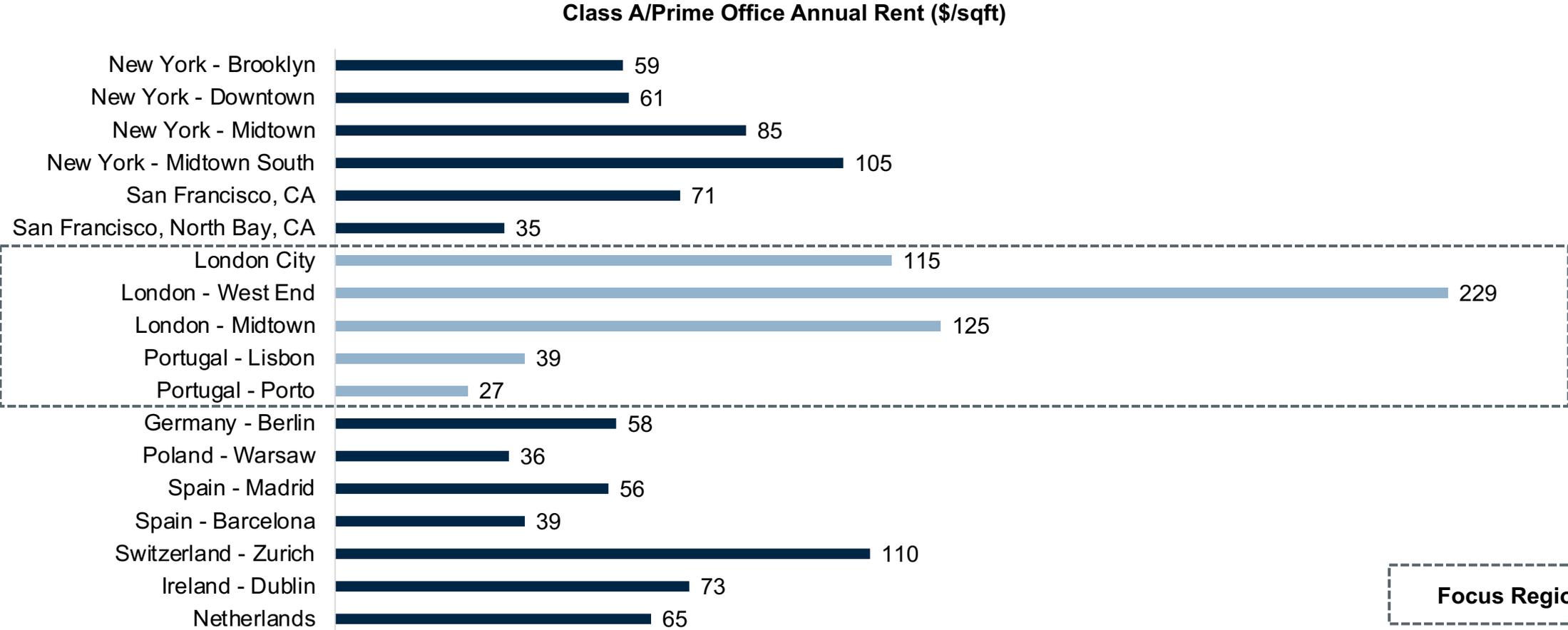
Switzerland in Europe and the U.S. are highest paying regions — the pay gap widens with seniority





Prime office rent: US vs. Europe

London West End is far pricier than other areas across Europe and the US



Ecosystem



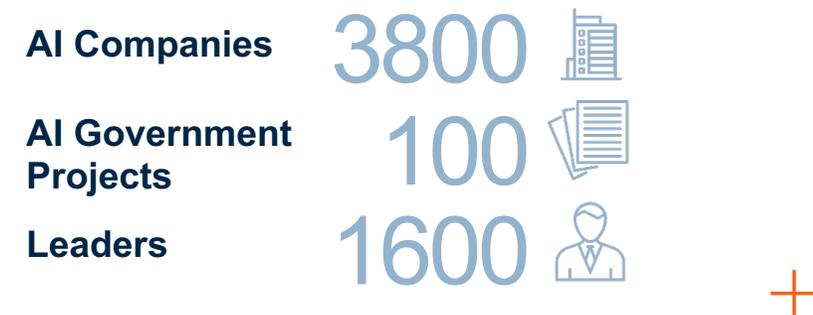
UK AI community

UK has Europe’s deepest AI talent pool, anchored by world- class research and Big Tech labs



- The **United Kingdom** boasts one of the world’s most robust AI ecosystems, with strengths in both foundational research and applied innovation
- Key AI hubs span **London, Cambridge, Manchester, Edinburgh, and Oxford** each fostering vibrant clusters of startups, corporate labs, and research centers
- The UK government actively supports AI through national strategies (e.g., the **AI Sector Deal**) and funding, helping maintain the country’s global leadership in AI **R&D** and industry

| | |
|---|---|
|  Leading Universities | Oxford, Cambridge, Imperial, UCL, Edinburgh (Bayes): ML/ NLP/ Robotics leadership & steady PhD pipeline |
|  Institutes | Alan Turing Institute, Ada Lovelace, GovAI |
|  Corporate Labs | Google DeepMind (London), Microsoft Research Cambridge, IBM Research UK, Meta, Samsung AI Cambridge |
|  Key Startups | Graphcore, Stability AI, BenevolentAI, Tractable, Darktrace, Ocado Tech |



“ The United Kingdom is in a Goldilocks moment, where world-class universities, bold startups, leading researchers and cutting-edge supercomputing converge. There has never been a better time to invest in the U.K. — AI is unlocking new science and sparking entirely new industries. With new capital and advanced infrastructure, we are doubling down to empower the U.K. to lead the next wave of AI innovation. ”

Jensen Huang, Founder & CEO, NVIDIA

UK AI community

Leading accelerators, deep research partnerships, and AI institutes are driving AI innovation

Startups Accelerators and Incubators

- **Google for Startups Accelerator: AI First (UK):** Supports Seed to Series A AI-first startups in the UK, providing equity-free support and Google Cloud Platform (GCP) credits
- **Innovate UK Bridge AI High Growth AI Accelerator:** offers workshops, mentorship, and computational credits to help SMEs develop AI and ML solutions for industry challenges
- **Conception X:** A UK-based program focused on converting PhD research into deeptech and AI spinout
- **Bethnal Green Ventures (BGV):** London-based accelerator supports early-stage technology companies with a social impact, making it a key player in the European tech-for-good ecosystem, including those developing AI solutions
- **Entrepreneur First:** A talent-first accelerator program for individuals and small teams building frontier AI companies
- **Techstars AI (Montreal):** While not exclusively UK-based, this dedicated AI accelerator offers global access to mentors and investors



University — Industry Partnerships

- **University of Cambridge and Google (including Google DeepMind)** signed a multi-year research collaboration to jointly advance “human-inspired” AI research (Google funds research at Cambridge)
- **Microsoft and Cambridge University launched a joint Machine Learning Initiative** to counter the ‘brain drain’ of AI experts, by funding visiting researchers, postdocs, and PhD students
- **UCL partnered with Facebook AI Research (FAIR)** to deliver a doctoral training program in AI.
- **Imperial College London** launched an AI innovation hub in partnership with **Fetch.ai** (a Cambridge-based startup)

National and Independent AI Institutes

- **The Alan Turing Institute** (the UK’s national institute for data science and AI) was founded as a **collaborative hub** connecting universities, industry, and government
- **Ada Lovelace Institute is an independent research institute** (funded by the Nuffield Foundation) focused on AI research, practice and policy engagement



Portugal AI community

Portugal is an emerging AI hub with Lisbon and Porto rising as startup and R&D hotspots



- In **Portugal**, the AI ecosystem is newer but growing dynamically, bridging strong academic foundations with an increasingly vibrant startup scene
- The country has a **national AI strategy (“AI Portugal 2030”)** aiming to boost research, skills, and adoption of AI across sectors
- Over the past few years, Portugal has seen a surge in AI activity, for instance, **international VC investment in Portuguese AI startups rose sharply in 2024–25**, especially in **Lisbon and Porto**
- **Lisbon** has emerged as the focal point: it was ranked among the **top 10 European cities for AI startup activity** by Sifted and EU-Startups



Leading Universities

Instituto Superior Técnico (Lisbon), NOVA FCT, University of Porto (FEUP/INESC TEC), University of Coimbra (CISUC)



Institutes

Center for Responsible AI (€78m consortium led by Unbabel), INESC-ID, Fraunhofer Portugal AICOS, Champalimaud Foundation (AI in neuroscience/health), AIR Centre



Corporate Labs

Google, Amazon, Volkswagen hubs in Lisbon, Bosch R&D, Siemens, Huawei



Key Startups

Feedzai (fintech AI), Sword Health (digital therapy), Unbabel (AI translation), Talkdesk, Defined.ai, OutSystems

“The Center for Responsible AI will be of great importance for Portugal. The impact of Artificial Intelligence in our lives is increasing, and the Center for Responsible AI will develop next generation AI products, based on the technologies and principles of Responsible Artificial Intelligence. The Center will create a virtuous circle between startups, research centers and industry leaders in this area at a unique scale in Portugal.”

Jose Manuel Fonseca de Moura, Chair – General Council

“The scale of the investment allocated to the Center for Responsible AI, 78 million euros, composed of funds from the PRR and the members themselves, will have a very positive impact on the competitiveness of the country compared to others that are also betting on Artificial Intelligence.”

Vasco Pedro, Co-founder and CEO of Unbabel

Portugal AI community

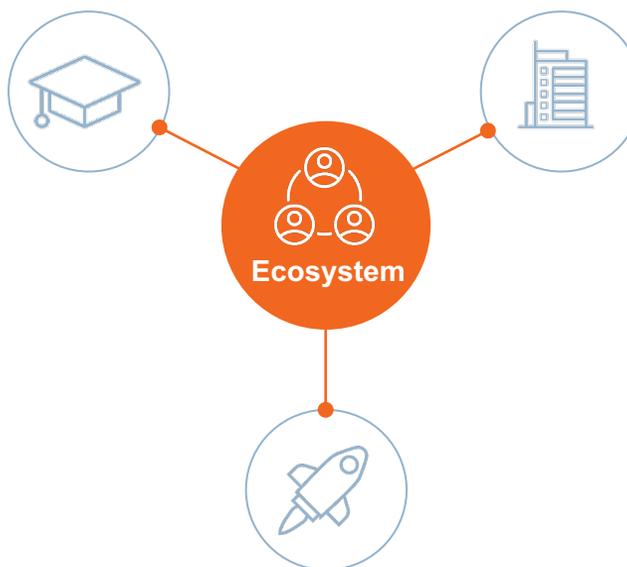
Universities, startups accelerators, and institutes jointly power Portugal's AI growth story

University — Industry Partnerships

- **Bosch and University of Minho:** 'Factory of the Future' program developing AI-driven manufacturing systems, data analytics, and predictive maintenance
- **Bosch and University of Aveiro** have partnered to develop AI solutions for smart and energy-efficient homes
- **Feedzai and University of Coimbra** have a research partnership on **machine learning for financial crime detection**, fairness, and model interpretability

Startups Accelerators and Incubators

- **Unicorn Factory (Startup Lisboa):** Provides mentorship, co-working space, and networking to early-stage startups across sectors
- **Beta-i:** Beta-i has a track record of accelerating 500+ startups through various programs. It focuses on **early-stage tech ventures** and runs themed accelerators often in partnership with corporations (for example, programs on fintech, smart cities, or data). Beta-i provides not just mentorship and training but also **seed investments** to promising startups
- **Lisbon Challenge:** Runs a 10-week long business acceleration program and accepts startups working on sectors like AI, Big Data, Cloud, FinTech, etc.
- **Techstars Lisbon:** This program offers support to startups with a strong tech focus, including those in AI



National and Independent AI Institutes

- **Center for Responsible AI** (led by Unbabel) is investing Euro 78 million to **advance responsible AI** through a consortium of startups, research centers, and industry leaders that are collaborating to develop 21 AI products
- **INESC-ID (Lisbon) & INESC TEC (Porto)** are independent non-profit **R&D institutes** associated with Instituto Superior Tecnico (IST) and University of Porto respectively. They are focused on **Computer Science and Engineering, AI, Bioengineering, Robotics**, etc.
- **Atlantic International Research Center (AIR Centre)** is an international research network focused on Atlantic and climate science. The AIR Centre leverages **AI for marine and environmental research**
- **Fraunhofer Portugal (AICOS)** focuses on **user-centred AI solutions in health, aging, and inclusion**
- **Champalimaud Foundation** is a private **biomedical research** institute known for neuroscience and cancer research that **extensively uses AI**

Risks

Local challenges — UK

Regulatory uncertainty, Brexit effects, talent retention, infra & cost pressure remains key risks

| | |
|---|---|
|  Regulatory Uncertainty | <ul style="list-style-type: none">• No comprehensive AI Act yet; UK favors a “pro-innovation” approach• However, recent signals suggest change: in July 2024, the govt. announced plans for “<i>binding measures</i>” on AI, implying that new obligations (e.g., licensing/safety requirements for powerful AI systems) could emerge in the next year or two. This shifting policy could mean future compliance costs for companies may rise quickly and unpredictably |
|  Brexit Effects | <ul style="list-style-type: none">• Loss of EU market alignment; UK firms selling into EU still must comply with the EU AI Act which would lead to dual compliance burden• There’s also a data protection angle: the UK continues to enforce a GDPR-mirroring law, but it has considered reforms to ease certain provisions. If the UK diverges significantly on data privacy, it risks losing its EU ‘adequacy’ status, which would make EU-UK data transfers more legally complex |
|  Talent Risks | <ul style="list-style-type: none">• Post-Brexit visa barriers make hiring EU talent harder; immigration rules are tightening (higher salary thresholds)• Talent in the UK also faces retention risks: the cost of living (especially housing in London) is high, and there’s intense competition from Big Tech companies (DeepMind/Google, Microsoft, etc. have a strong presence in the UK). These firms can drive salary inflation and pull talent away from startups or research hubs |
|  Infrastructure & Cost Pressures | <ul style="list-style-type: none">• Very high energy prices and congested power grid create risks for scaling compute-intensive AI hubs. If energy prices remain structurally high or volatile, it could erode the cost competitiveness of UK- based AI operations• Also, obtaining planning permission for large facilities was historically slow (though policies were updated in 2024 to explicitly support data center expansion). The risk remains that local community opposition or bureaucratic holdups could delay new AI infrastructure projects |
|  Political/ Economic Volatility | <ul style="list-style-type: none">• Policy shifts around AI, immigration, or R&D funding can change with elections• Additionally, economic factors like high inflation and interest rates in the UK have cooled venture funding in 2023- 2024, potentially limiting capital available for AI initiatives in the immediate future |



Local challenges — Portugal

Regulatory uncertainty, talent drain, infra & funding limitations, economic volatility remains key risks



Regulatory Burden

- The European Parliament adopted the **Artificial Intelligence Act in March 2024** and will become fully applicable roughly two years after entry into force, meaning companies in Portugal will soon need to start preparing for stringent compliance. **Strict compliance** will be required for **high-risk AI systems** (documentation, audits, registration)
- This will add **significant costs and limits flexibility** for startups vs. lighter regimes like the UK



Talent Drain

- Portugal is currently grappling with a **'brain drain' of young professionals seeking better pay abroad**. This is an acute issue right now, roughly **40% of Portuguese graduates emigrate each year**, often to wealthier EU countries
- So, in the immediate term, a company setting up in Portugal may find it challenging to hire enough experienced AI engineers or data scientists, as many leave for higher salaries and larger R&D hubs



Infrastructure & Funding Limitations

- Another structural risk lies in **Portugal's smaller capital markets and funding ecosystem**. Local venture capital availability, though growing, remains limited compared to the UK or larger EU economies. Portuguese startups often struggle to access late-stage capital and may relocate to where investors are more plentiful
- **Concentration of cutting-edge data centers in Portugal is currently low**. Portugal's largest AI-ready data center (SIN01, 26MW) only came online in 2025, scaling still depends heavily on EU cloud hubs until more capacity is built



Political/ Economic Volatility

- Portugal has experienced **frequent government changes in recent years** (the 2024 elections brought in a new coalition). While the country is broadly pro-EU and democratic, coalition politics can cause delays in passing tech-friendly reforms or incentives
- Portugal carries one of the **highest public-debt-to-GDP ratios in the EU** (~94.9% in 2024). This makes it **vulnerable to EU fiscal tightening** and **interest rate shocks**, which could reduce govt. spending on R&D, education, startup support

Our recommendation

Adopt a dual-hub strategy with AI leadership and research in the UK, and scale operations in Portugal. If one hub is to be chosen, choose UK for innovation depth and Portugal for cost benefits

| Scenario | Best Choice | Reasons |
|---|--|--|
|  <p>Large AI Talent Pool</p> |  <p>United Kingdom</p> | <p>Largest AI workforce in Europe (~11.6k as per LinkedIn) with key AI hubs in London, Greater Cambridge Area, Manchester Area, and Greater Edinburgh Area</p> |
|  <p>Low Labor Costs</p> |  <p>Portugal</p> | <p>Portugal has lower labor costs than UK with ~40% lower salaries for AI engineers</p> |
|  <p>Low Operating Costs</p> |  <p>Portugal</p> | <p>Portugal has lower operating costs than UK with office costs only ~0.2-0.3x of UK</p> |
|  <p>Mature AI Ecosystem</p> |  <p>United Kingdom</p> | <p>Mature R&D ecosystem powered by top universities, global labs (Google DeepMind, Microsoft Research Cambridge, IBM Research UK, Meta), and strong public-private collaboration driving 3,800+ AI companies and continuous innovation</p> |

Why Paragon?

Technology driven, transformative solutions



| | | | | | | |
|--------------------------|--|--|---|---|------------|--------|
| Engagement Models | Large team build outs & transformation (10+ FTEs) | | | On-demand niche IC recruitment (< 5 FTEs) | | |
| Company Stages |  VC-Backed |  PE-Backed |  Public | | | |
| Functions | Engineering | Product | Technology | Data / AI / ML | Security | Design |
| Industry | Technology | FBS | Consumer | Industrials | Healthcare | GEMS |

Paragon — your global talent partner

From large-scale team build outs to niche IC hiring, the Paragon Team collaborates closely with strategic partners to deliver top technical talent

Paragon's partners

| | | | | | |
|---|--|---|--|---|---|
|  |  |  |  |  |  |
| <p>Executive Search firm focused on leadership placements in Product, Engineering, Security, IT, Design, and Data / AI / ML</p> | <p>APAC search partner with strong local footprint in Japan, China, Singapore, India, South Korea, and Australia</p> | <p>Temporary and contingency staffing solutions partner, while Paragon builds candidate hiring pipeline</p> | <p>Technical assessment platform to evaluate experienced software engineers through real-world scenarios</p> | <p>Global site strategy partner leveraging proprietary data to identify office locations and accelerate expansions.</p> | <p>Market advisor partnering with Tech Leaders to source innovation, refine strategy, and drive early adoption.</p> |

Paragon's differentiators

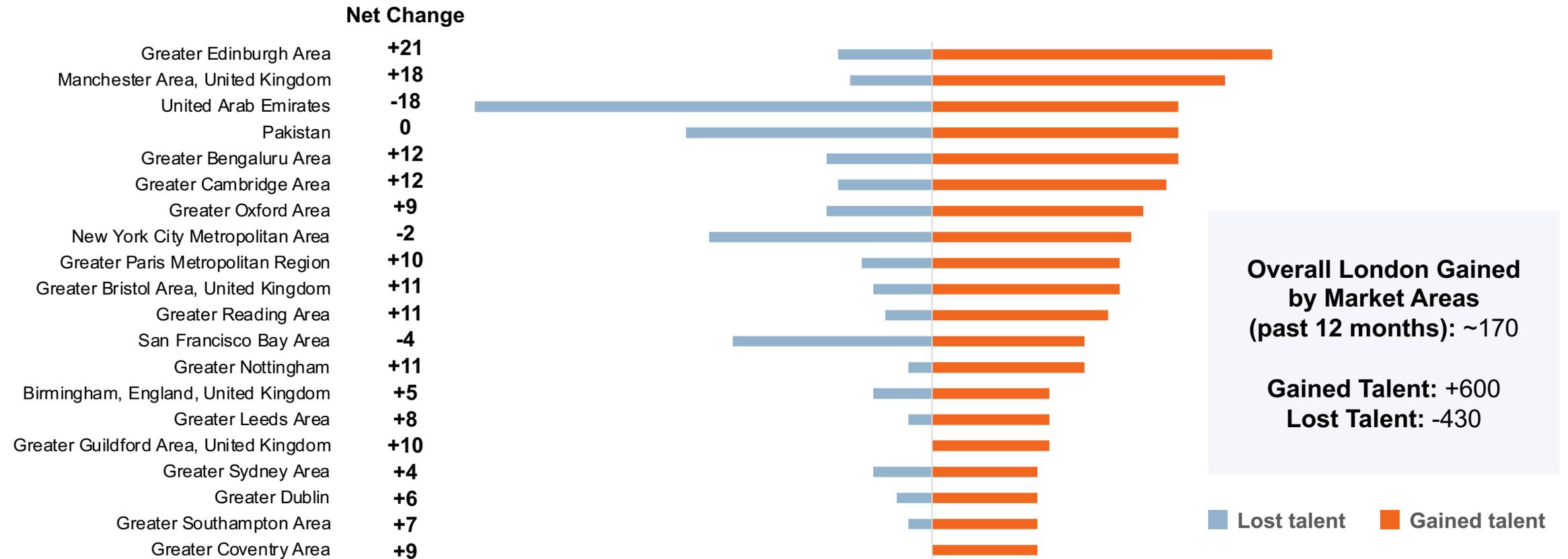
| | | | | |
|--|--|--|---|---|
| <p>Unmatched access</p> <p>Expansive network to engage the best tech talent</p> | <p>Scalable hiring expertise</p> <p>Individual contributors (ics) to mid-level managers</p> | <p>Flexible resources</p> <p>Augment internal ta capacity to achieve hiring goals</p> | <p>Proven process</p> <p>Market mapping & tailored messaging to attract talent</p> | <p>Transformational outcomes</p> <p>Lasting organizational impact through strategic hiring</p> |
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Appendix

Talent mobility — London (top market areas)

London gains most talent from Greater Edinburgh Area, and Manchester Area in the UK

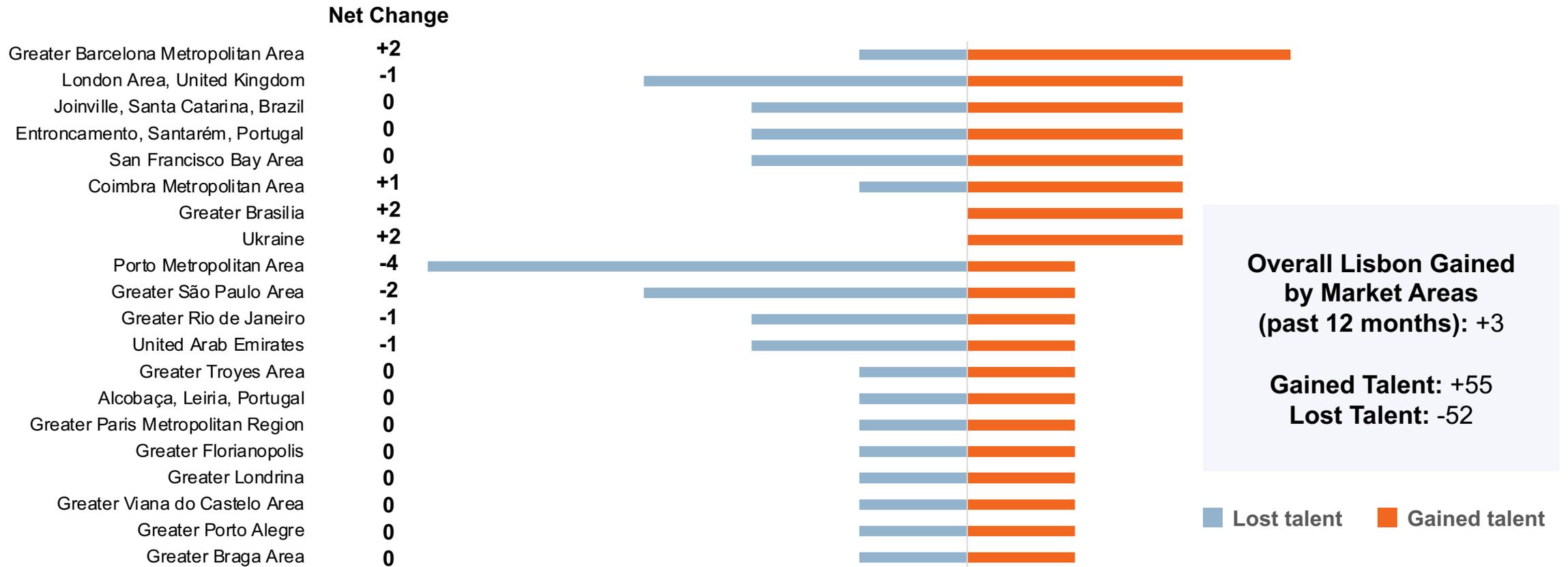
AI Talent Movement to/ from London — Top 20 Market Areas (past 12 months)



Talent mobility — Lisbon (top market areas)

Lisbon gains most talent from Greater Barcelona Metropolitan Area

AI Talent Movement to/ from Lisbon — Top 20 Market Areas (past 12 months)



Paragon

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Thank you!



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