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Artificial Intelligence in the Public Workforce:

An In-Depth Study on Employee Perspectives and Retirement Planning Implications

MissionSquare RESEARCH INSTITUTE

This report was prepared by:

Eric Ludwig, Ph.D., CFP®, RICP®

Chet R. Bennetts, Ph.D., CFP®, RICP®

Zhikun Liu, Ph.D., CFP®

Executive Summary

As artificial intelligence tools become increasingly prevalent in state and local government workplaces, understanding employee perspectives on AI adoption is crucial for plan sponsors considering AI-enhanced retirement planning services. This study analyzes survey data from 2,000 state and local government employees collected in January 2025 to examine the relationships between employee comfort with AI and workplace morale and between their comfort with AI and retirement planning engagement.

Key Findings

AI Comfort Strongly Predicts Workplace Satisfaction. Nearly half (45.6%) of government employees currently use AI tools at work but adoption varies significantly by comfort level and preparedness. Employees who feel very prepared for AI integration show three times higher odds of positive workplace morale, while those concerned about AI replacing their jobs experience a dramatic decline in satisfaction (from 86% positive morale among unconcerned employees to 21% among extremely concerned). While many factors influence workplace satisfaction – including pay, benefits, organizational culture, and supervision quality – this relationship between AI attitudes and morale remains statistically significant when controlling for available demographic variables, suggesting that AI implementation approaches can meaningfully impact employee well-being and organizational effectiveness.

Workplace AI Creates a Retirement Planning Pipeline. Compared to employees who do not use AI at work, those who do are more than twice as likely to use AI for retirement planning (56.5% vs. 26.2%) and show stronger beliefs that AI enhances retirement preparedness. Building comfort with AI for financial applications emerges as the key driver of interest in employer-provided tools: very comfortable employees show 81.6% interest in employer-sponsored AI retirement resources compared to only 14.8% among those not at all comfortable, demonstrating that confidence-building directly translates to adoption.

Five Distinct Employee Segments Emerge. Advanced statistical analysis reveals five behaviorally defined groups with dramatically different AI adoption patterns: AI-Integrated Consumers (18.9%), Employer-Driven AI Users (27.7%), AI-Comfortable Minimalists (30.8%), Skeptical Adopters (13.5%), and Traditionalists (9.1%). Contrary to expectations, employees with the highest AI adoption rates also show the strongest engagement with traditional financial professionals (72% vs. 15%), suggesting that AI tools complement rather than replace human expertise.

Employees who feel very prepared for AI integration report over 90% positive morale, compared to just 52% among those unprepared.

Strategic Implications

These findings provide clear guidance for both employers and plan sponsors considering AI-enhanced retirement planning tools,

For employers:

- Invest in communication and training to address employee concerns about job security and build comfort with AI technologies, as preparedness directly correlates with workplace morale and higher comfort drives substantially higher interest in AI tools.
- Build AI comfort to increase demand rather than targeting hesitant users, as the data reveals a clear progression from 14.8% interest among uncomfortable employees to 81.6% interest among very comfortable employees.

For plan sponsors:

- Start with simple applications like income estimation and goal tracking, which show broad appeal (50-60% interest) across employee segments, before introducing complex features like investment advice, which show greater variation across segments.
- Position AI as complementary to existing financial services rather than replacement technology, leveraging the finding that AI adoption enhances rather than reduces engagement with human advisors.

The Opportunity

With 54% of employees expressing interest in employer-provided (or plan sponsor–provided) AI retirement tools and 45.6% already using AI at work, government employers have a significant opportunity to enhance both employee satisfaction and retirement planning outcomes. The research reveals that AI tools can democratize access to financial planning guidance, particularly for employees who show varying degrees of openness to technology-assisted planning but limited engagement with traditional financial professionals.

Success will depend on understanding that different employee segments require different approaches and that AI implementation is fundamentally a workforce engagement challenge. Plan sponsors who recognize the importance of building comfort and confidence — rather than assuming uniform adoption patterns — can improve both operational efficiency and workplace satisfaction. The data demonstrates that AI tools enhance rather than replace human expertise, creating opportunities to strengthen connections of underserved populations to professional financial guidance.

Nearly half (45.6%) of state and local government employees already use AI tools at work, signaling a major shift in public sector operations.

Background and Methodology

The integration of artificial intelligence into state and local government operations has accelerated rapidly over the past two years, with applications ranging from document processing and data analysis to customer service automation. While much attention has focused on the operational benefits and efficiency gains from AI implementation, less is understood about how employees experience this technological transformation and how their workplace AI interactions might influence their openness to AI-powered financial planning tools. As employers increasingly consider integrating AI-driven retirement planning resources into their benefit offerings, understanding employee perspectives becomes crucial for successful implementation and adoption.

This study was conducted by MissionSquare Research Institute in partnership with Morning Consult during January 3-6, 2025, surveying 2,000 state and local government employees across the United States. The sample was weighted by gender, race, education, age, census region, and employment sector to reflect the broader population of public sector workers. Unlike previous research that has focused primarily on AI capabilities and use cases (Wirtz et al, 2018), this analysis examines the employee experience with AI tools and explores how workplace AI familiarity translates into attitudes toward AI-assisted retirement planning. The methodology moves beyond simple descriptive statistics to examine relationships between AI comfort and workplace morale and between AI comfort and retirement planning engagement through bivariate analysis and multivariate modeling.

Table 1: Sample Demographics

Characteristic	Percentage
Age	
18-34	27.3%
35-44	23.6%
45-64	42.3%
65+	7.0%
Gender	
Female	61.4%
Male	38.7%
Education	
High school or less	17.9%
Some college/associate's degree	22.3%
Bachelor's degree	29.4%
Graduate/professional degree	30.3%
Race/Ethnicity	
White, non-Hispanic	77.0%
Black or African American	14.3%
Hispanic*	13.0%
Asian American	4.9%
Other	3.9%

Characteristic	Percentage
Household Income	
Under $50,000	24.5%
$50,000-$99,999	40.7%
$100,000+	34.8%
Government Level	
Local government	57.0%
State government	43.0%
Field of Work	
K-12 education	41.5%
Public safety	8.3%
Healthcare	7.8%
Administration/Management	6.0%
Other	36.4%

Note: Percentages may not sum to exactly 100% due to rounding and survey weighting adjustments.
*Total exceeds 100%, as Hispanic respondents may be of any race.

The sample characteristics shown in Table 1 reflect a diverse workforce representative of state and local government employment. Respondents skewed younger, with over three-quarters (76.3%) under age 45, and were predominantly female (62.4%), which aligns with the gender composition of many public sector organizations, particularly in education and social services. Educational attainment was notably high, with nearly two-thirds (63.9%) holding bachelor's degrees or higher, reflecting the professional nature of many government positions. The sample was racially diverse, with nearly a quarter identifying as non-white, and distributed across local (57%) and state (43%) government levels. K-12 education represented the largest employment sector at 42%, followed by public safety, health care, and administrative roles. Household income levels were broadly distributed, with over one-third earning $100,000 or more annually, indicating a financially stable workforce with meaningful retirement planning needs.

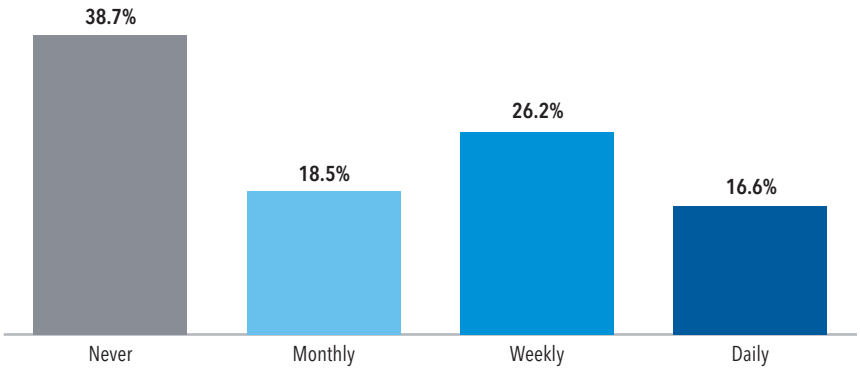
Daily AI users report over 80% positive workplace morale, compared to 57% among those who never use AI.

Analysis 1: AI Comfort Enhances Workplace Morale

The Foundation: Current AI Usage in Government

Artificial intelligence has already established a significant presence in state and local government workplaces. Nearly half (45.6%) of public sector employees report currently using AI tools in their work, with usage varying considerably by frequency and application. Figure 1 shows that while only 16.6% use AI tools daily, another 26.2% engage with these technologies weekly, and 19% use them monthly. The most common applications include writing assistance, document processing, meeting scheduling, and language translation, with more sophisticated uses emerging in data analysis and predictive modeling.

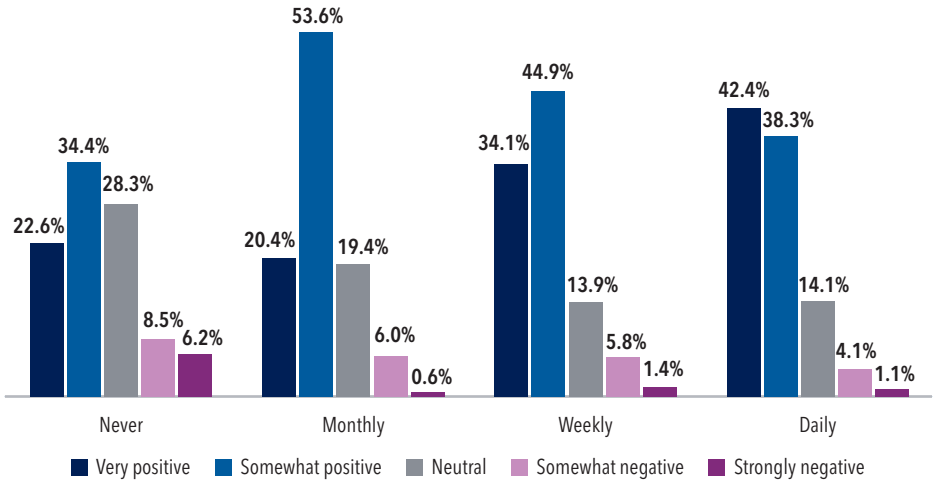
Figure 1: **Frequency of AI Use at Work**



The Connection: How AI Comfort Drives Job Satisfaction

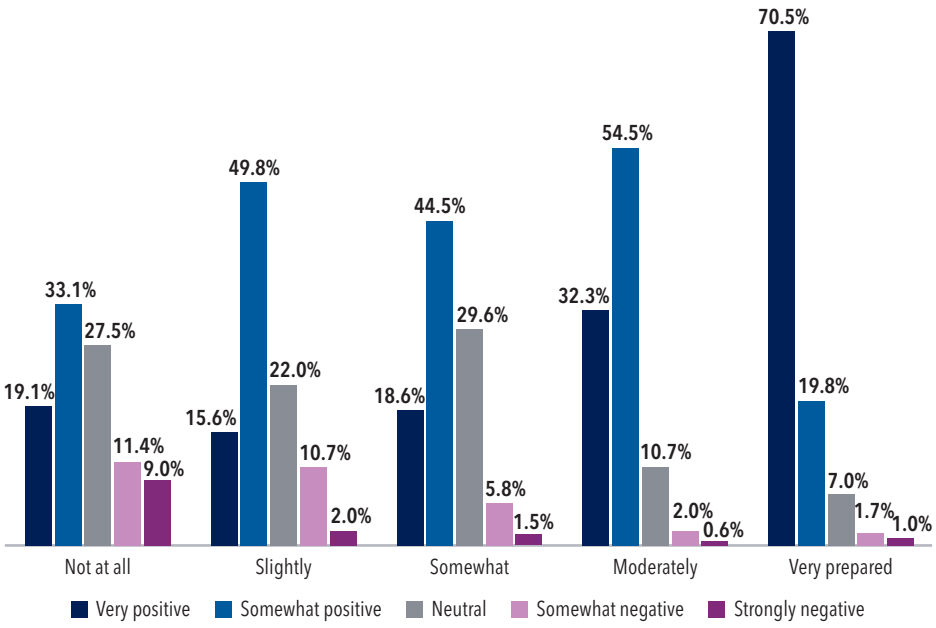
Moving beyond simple usage statistics reveals a compelling relationship between AI engagement and workplace morale. Employees who use AI tools frequently demonstrate markedly higher levels of job satisfaction compared to those who avoid these technologies entirely. As illustrated in Figure 2, among daily AI users, over 80% report positive workplace morale, while those who never engage with AI tools show notably lower satisfaction levels (57% positive morale).

Figure 2: **Morale Levels by Frequency of AI Use**



This pattern becomes even more pronounced when examining employees' preparedness for AI integration, as shown in Figure 3. Those who feel highly prepared for AI implementation in their workplace report overwhelmingly positive morale, with over 90% indicating positive job satisfaction (71% very positive, 20% somewhat positive). Conversely, employees who feel unprepared for AI integration show much lower satisfaction, with only 52% reporting positive morale compared to 48% experiencing neutral or negative workplace morale, suggesting that readiness and comfort with technological change directly influence overall job satisfaction.

Figure 3: **Morale Levels by AI Readiness**



Positive morale drops from 86% among employees unconcerned about AI job replacement to just 21% among those extremely concerned.

The Underlying Concerns: Job Security and Employee Well-being

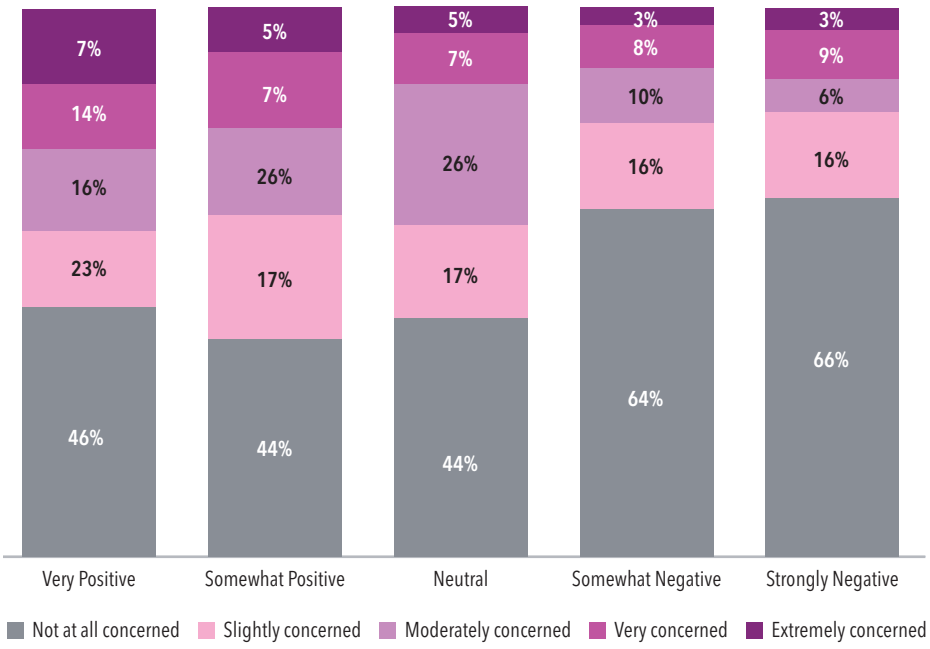
The relationship between AI comfort and morale becomes particularly important when considering employee concerns about job security. Analysis reveals a clear connection between fears about AI replacing jobs and decreased workplace satisfaction. Employees with no concern about AI job replacement show substantially higher positive morale (86%), while those with extreme concern show dramatically reduced positive workplace attitudes (21%). This represents a striking 65-percentage point difference in positive morale between the most and least concerned employees.

The relationship appears distinctly progressive, where each increase in concern level corresponds with decreased positive morale. As concern levels escalate from "not at all" to "extremely concerned," positive morale drops systematically: 86% among those not concerned, 37% among those slightly concerned, 31% among moderately concerned, 26% among very concerned, and 21% among extremely concerned. This pattern indicates that job replacement anxiety exists on a spectrum, with workplace morale declining incrementally as fears intensify rather than showing simple binary effects.

This finding highlights a critical challenge for government employers. While employees with extreme job replacement concerns represent a relatively small portion of the workforce (8%), the broader impact is more substantial when considering that an additional 12% are very concerned, meaning 20% employees expressed high levels (very or extremely concerned) of job replacement anxiety. The broader impact extends further when considering a total of 37% of employees express at least moderate concern about AI replacing their jobs. These concerned employees consistently report lower morale levels, which can significantly affect productivity, retention, and overall organizational effectiveness during technological transitions.

The data suggests that addressing these concerns proactively is essential for maintaining positive workplace culture during AI implementation. Organizations should recognize that job security fears represent a fundamental barrier to successful AI integration and employee well-being, with effects that extend beyond individual satisfaction to broader organizational performance.

Figure 4: **Employee Morale by Level of Concern over AI Replacing Job Function**



Government employees who feel very prepared for AI integration show 3x higher odds of positive workplace morale, while those concerned about job replacement see morale drop from 86% to 21%.

The Deeper Relationship: Multivariate Analysis

When controlling for demographic factors, including age, gender, income, and education, the relationship between AI attitudes and workplace morale remains statistically significant and practically meaningful. Regression analysis reveals a clear pattern regarding AI preparedness: employees who feel very prepared for AI integration have dramatically higher odds of reporting positive workplace morale (OR = 3.05, $p<0.001$), while those who feel moderately prepared also show significantly elevated odds (OR = 2.60, $p<0.001$). This suggests that confidence and readiness for AI implementation are among the strongest predictors of employee satisfaction, with the effect intensifying as preparedness increases.

Perhaps most importantly, comfort with using AI for financial decisions emerges as a critical predictor of overall workplace morale, though in the opposite direction than preparedness. Employees who are somewhat comfortable (OR = 0.42, $p<0.001$), not too comfortable (OR = 0.24, $p<0.001$), or not at all comfortable (OR = 0.29, $p<0.001$) with AI for financial decisions all show significantly lower odds of positive morale compared to those who are very comfortable. This pattern indicates that high comfort with AI financial applications serves as a strong foundation for workplace satisfaction, while any level of discomfort substantially reduces the likelihood of positive morale.

Consistent with expectations, demographic variables show limited relationships with workplace morale after controlling for AI-related attitudes. Income and education demonstrate no significant association with workplace satisfaction, while most age groups show similar morale patterns. Notably, employees aged 65 and older actually report significantly higher odds of positive morale (OR = 2.46, $p<0.01$), challenging assumptions about older workers' adaptation to technological change. Gender shows no significant relationship with workplace morale in this analysis. (Complete regression findings can be found in Table A1 in the Appendix.)

Strategic Implications for Government Employers and Plan Sponsors

These findings provide guidance for both government employers and plan sponsors implementing AI technologies, with direct implications for employee benefits and retirement planning programs.

For Government Employers

Invest in Comprehensive AI Training and Communication. The dramatic relationship between AI preparedness and workplace morale — with very prepared employees showing three times higher odds of positive job satisfaction — underscores that training is not just a technical necessity but a critical driver of employee well-being. Communications should emphasize how AI technologies enhance job roles and create new opportunities rather than simply explaining functionality.

Address Job Security Concerns Proactively. The stark relationship between job replacement fears and decreased morale — ranging from 86% positive morale among unconcerned employees to just 21% among extremely concerned employees — demands immediate and transparent attention. Rather than avoiding discussions about AI's workplace impact, successful implementation requires honest communication about integration plans, concrete support commitments, and clear articulation of how human expertise remains central to organizational success. This transparency is particularly crucial for retirement plan communications, where employee trust and long-term confidence are fundamental to program effectiveness.

For Plan Sponsors

Leverage Employer AI-Training Efforts. Since AI preparedness correlates with workplace morale and comfort with AI technologies, plan sponsors should coordinate with employers to build on existing AI training initiatives. Transparency is particularly important for retirement plan communications, as employee trust and long-term confidence are fundamental to program effectiveness.

Target High-Comfort Employees for AI-Enhanced Tools. The finding that employees comfortable with AI for financial decisions show high interest in employer-provided retirement tools (81.6% vs 14.8%) identifies a strategic opportunity for plan sponsors. Employees who demonstrate confidence in AI financial applications represent an ideal early adopter population for AI-enhanced retirement planning tools. These employees can serve as internal advocates and success stories while plan sponsors develop broader implementation strategies for more hesitant segments of the workforce.

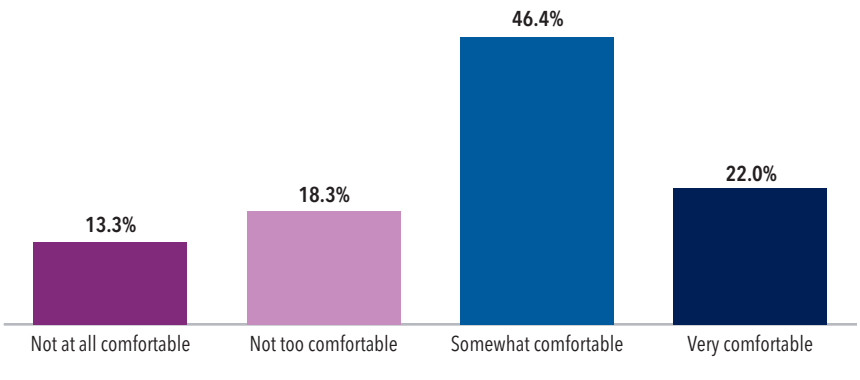
These insights demonstrate that AI implementation success depends fundamentally on employee psychological readiness rather than technological sophistication alone. For plan sponsors, this translates into recognizing that effective AI integration requires treating technology adoption as a change management challenge that directly impacts both workplace culture and retirement planning engagement outcomes.

Analysis 2: AI Familiarity Drives Retirement Planning Engagement

The Starting Point: Current Engagement with AI Financial Tools

While AI adoption in workplace tasks has reached nearly half of State and Local government employees (45.6%), engagement with AI for financial decision making shows substantial comfort levels among this workforce. Figure 5 shows that nearly half of employees (46.4%) express being "somewhat comfortable" with using AI for financial decisions, while an additional 22.0% report being "very comfortable," creating a combined comfort level of 68.4%. This combined comfort level suggests that roughly two-thirds of government employees are receptive to AI-enhanced financial planning tools, providing a strong foundation for implementing AI-assisted retirement planning resources. Resistance to AI financial tools appears relatively limited, with only

Figure 5: **Comfort Using AI for Financial Decision Making**



13.3% indicating they are "not at all comfortable" and 18.3% reporting being "not too comfortable" with AI for financial decisions.

Interest in employer-provided AI retirement tools shows promising potential, with 54% of employees expressing interest in such offerings. Notably, 23.5% remain unsure rather than explicitly opposed, indicating that a substantial portion of the workforce could be persuaded with appropriate education and implementation strategies.

From Workplace Experience to Personal Finance: The Familiarity Effect

Experience with AI at work strongly correlates to employees' willingness to use AI for retirement planning. As shown in Figure 6, employees who use AI at work are more than twice as likely to use AI for understanding retirement options: 56.5% of workplace AI users have tried AI for retirement planning, compared to only 26.2% of those who don't use AI in their jobs. This demonstrates that professional familiarity with AI tools is associated with confidence that extends to personal financial applications, though the direction of this relationship may be bidirectional – that is, employees comfortable with AI may seek out both workplace and personal applications, while workplace exposure may also build comfort for personal use.

This relationship extends beyond actual usage to attitudes about AI's value in financial planning, as shown in Figure 7. Employees who currently use AI at work express stronger agreement that AI tools enhance retirement preparedness compared to those who do not use AI at work. Workplace AI users are nearly twice as likely to strongly agree that AI improves retirement planning outcomes, indicating that hands-on professional experience builds trust in AI's capabilities for complex personal financial decisions.

Figure 6: **Using AI to Understand Retirement Options by AI Use at Work**

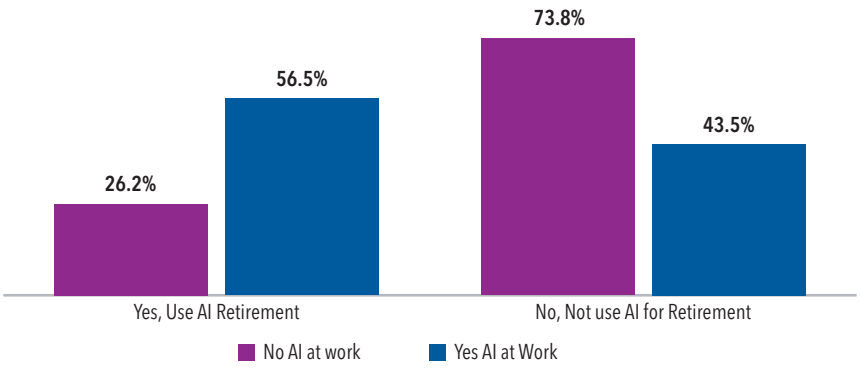
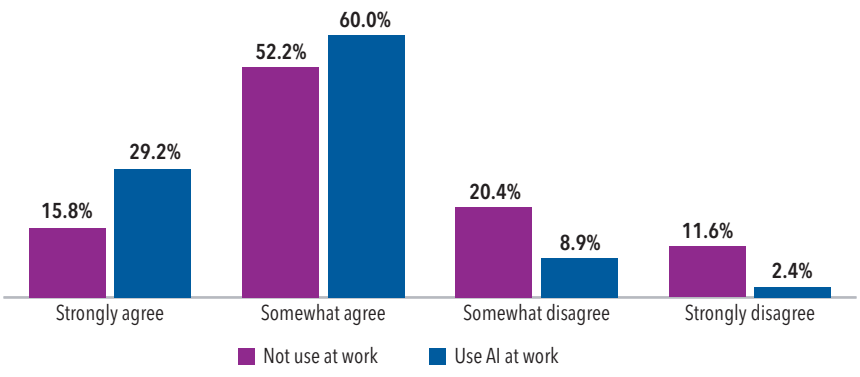


Figure 7: **Employee Agreement that AI Enhances Retirement Preparedness by AI Use at Work**



The pattern suggests that employees who regularly use AI for data analysis, forecasting, and problem solving at work recognize that these same capabilities could benefit their retirement planning. Professional experience provides concrete evidence of AI's reliability and usefulness, reducing skepticism about applying similar tools to personal financial decisions.

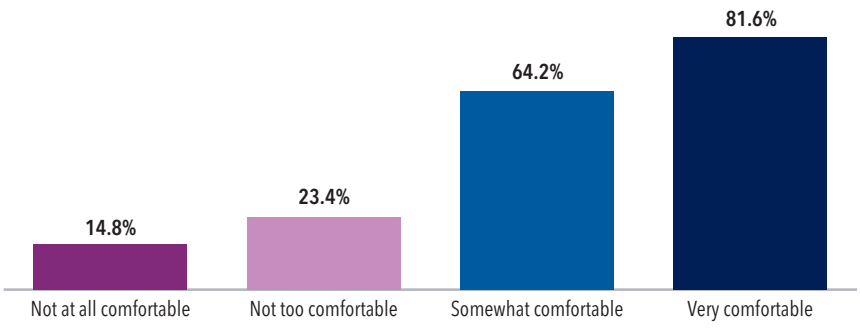
Building Comfort Drives Interest: The Value of Employer-Sponsored Tools

Higher comfort with AI for financial decisions is positively associated with greater interest in employer-sponsored retirement tools. As shown in Figure 8, employees who are "very comfortable" with AI for financial decisions express the highest interest in employer-provided tools (81.6%), while those who are "not at all comfortable" show the lowest interest (14.8%). This positive relationship demonstrates that AI comfort builds appreciation for additional high-quality resources.

The pattern is consistent across all comfort levels: employees who are "somewhat comfortable" express 64.2% interest, while those who are "not too comfortable" show 23.4% interest. This progression suggests that as employees become more familiar with AI capabilities, they increasingly recognize the value of employer-vetted applications for retirement planning.

This finding has important implications for the employer-plan sponsor relationship: employee comfort with AI tools directly correlates with demand for AI-enhanced retirement planning resources. Comfortable employees appear to value the credibility, security, and workplace integration that institutional solutions can provide. This suggests that plan sponsors should work with their employer clients to encourage AI education and comfort-building initiatives, as these employer-led efforts will likely increase employee interest in and adoption of AI-enhanced retirement planning tools offered through the plan.

Figure 8: **AI Retirement Tool Interest by Comfort in AI for Financial Decision Making**



Service Quality Perceptions: Finding the Implementation Sweet Spot

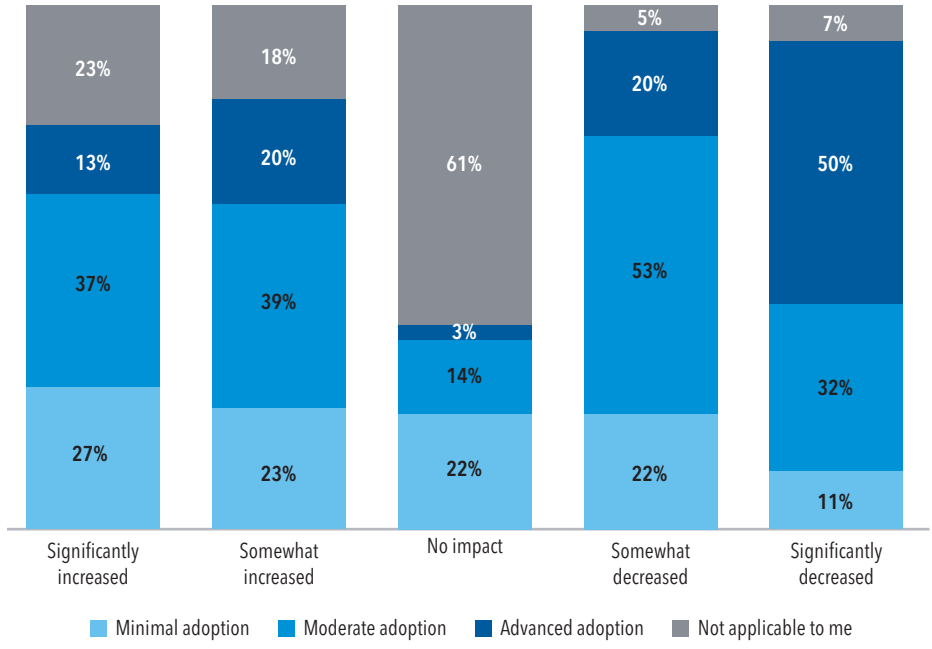
Analysis of how AI adoption levels affect perceived service quality reveals important considerations for effective implementation strategies. As shown in Figure 9, departments with moderate AI adoption levels report primarily positive impacts on service quality, with 76.2% of employees noting net positive improvements. However, advanced AI adoption shows more mixed results, with 69.8% reporting net negative impacts alongside some improvements, suggesting that aggressive implementation may create challenges that offset benefits.

The pattern suggests an optimal implementation pace for AI tools in government settings. Minimal adoption shows modest positive results (50.4% net positive), moderate adoption achieves the strongest positive outcomes (76.2% net positive), while advanced adoption creates significant challenges (69.8% net negative). This indicates that the complexity and customization of AI tools, rather than implementation speed, may be the critical factor for success.

Commercially available tools like ChatGPT may benefit from extensive beta testing and ongoing refinement, while highly customized applications may lack this iterative improvement process. However, the choice between commercial and customized solutions should depend on specific organizational needs: a customized retirement planning tool might provide exactly the specialized guidance that participants need beyond what general internet searches could generate, even if it requires more careful implementation and ongoing support.

For plan sponsors, this finding emphasizes the importance of measured implementation rather than rapid execution. The data suggests that moderate, thoughtful adoption of AI retirement tools – with adequate training and support – will likely produce better employee experiences and service quality outcomes than advanced rollouts that may overwhelm both systems and users.

Figure 9: **Impact of AI Adoption on Change in Quality of Services Provided**



Workplace AI users are 2.35x more likely to want employer retirement tools, while income drives the strongest adoption: $100K+ earners show 116% higher odds of interest than lower-income employees.

Understanding the Drivers: Multivariate Analysis

Regression analysis reveals the key factors that predict employee interest in employer-provided AI retirement tools, controlling for demographic and workplace characteristics. The most striking finding is that employees who regularly use AI at work have significantly higher odds of expressing interest in employer-provided AI retirement tools (OR = 2.35, p<0.001), confirming a positive association between workplace familiarity and personal finance engagement.

The relationship between AI comfort and tool interest follows the same pattern observed in the bivariate analysis, with very comfortable employees serving as the reference group showing highest interest. Employees who are somewhat comfortable (OR = 0.63, p<0.01), not too comfortable (OR = 0.17, p<0.001), or not at all comfortable (OR = 0.14, p<0.001) all show significantly lower odds of interest compared to very comfortable employees. This suggests a strong association between comfort with AI financial tools and demand for employer-sponsored resources.

Preparedness for AI integration emerges as another strong predictor, with employees feeling more prepared showing significantly higher odds of tool interest. Those who are very prepared demonstrate particularly strong interest (OR = 3.05, p<0.001), while moderately prepared (OR = 2.59, p<0.001) and somewhat prepared (OR = 2.02, p<0.001) employees also show elevated interest compared to those not at all prepared. This suggests that general AI readiness, not just current usage, strongly influences openness to retirement planning applications.

Demographic patterns reveal that higher-income employees demonstrate substantially greater interest in AI retirement tools, with those earning $50,000-$99,999 showing 85% higher odds of interest (OR = 1.85, p<0.001) and those earning $100,000+ showing 116% higher odds (OR = 2.16, p<0.001) compared to lower-income employees. This may reflect both greater financial complexity and more resources to engage with sophisticated planning tools. Age, gender, education, and workplace morale show no significant relationships with AI tool interest when controlling for other factors.

Strategic Implications for Plan Sponsors

These findings provide a data-driven roadmap for implementing AI-enhanced retirement planning tools that maximize adoption and effectiveness, as described below.

Leverage Workplace AI Familiarity as a Gateway. The strong connection between workplace AI use and retirement planning engagement – with 56.5% of workplace AI users also using AI for retirement planning compared to only 26.2% of non-users – demonstrates that professional experience creates a clear pathway to personal finance adoption. Plan sponsors should actively promote connections between job-related AI tools and retirement planning benefits, explicitly linking employees' positive workplace AI experiences to the potential advantages of AI-assisted financial planning.

Build AI Comfort to Drive Demand. The linear relationship between AI comfort and tool interest – ranging from 14.8% interest among employees not at all comfortable with AI to 81.6% interest among very comfortable employees – indicates that building comfort is the most effective strategy for increasing adoption. Plan sponsors should invest in comprehensive AI education and hands-on experience programs that help employees move up the comfort spectrum, as each increase in comfort level substantially increases interest in employer-provided tools.

Target High-Comfort Employees as Early Adopters. With very comfortable employees showing 81.6% interest in employer-provided AI tools (*OR* = 2.35 for workplace users), these individuals represent the ideal early adopter population. Plan sponsors should prioritize engaging this group first, using their positive experiences and advocacy to build credibility and interest among less comfortable employees. Their success stories can serve as powerful evidence for the value of AI-enhanced retirement planning, assuming these tools prove effective in improving retirement outcomes.

Implement Gradual, Supported Rollouts. The service quality findings show that moderate AI adoption produces predominantly positive results (76.2% net positive), while advanced adoption creates significant challenges (69.8% net negative), demonstrating that measured implementation outperforms advanced deployment. For retirement planning tools, this translates to phased introductions with comprehensive training and ongoing support, allowing employees to build comfort gradually rather than overwhelming them with comprehensive launches that may undermine confidence and adoption.

Prioritize Higher-Income Segments Initially. The substantial income effects — with employees earning $50,000-$99,999 showing 85% higher odds of interest (*OR* = 1.85) and those earning $100,000+ showing 116% higher odds (*OR* = 2.16) — suggest focusing initial implementations on middle- and upper-income employees who demonstrate both interest and resources to engage with sophisticated tools. This approach can establish proof of concept and success metrics before expanding to broader populations.

These insights demonstrate that successful AI retirement tool implementation depends on building employee comfort through workplace familiarity, targeting early adopters strategically, and implementing at a complexity level that optimizes positive outcomes rather than pursuing highly advanced or customized deployment that may overwhelm users and systems.

Five distinct employee segments emerged, from AI-Integrated Consumers (18.9%) to Traditionalists (9.1%), challenging one-size-fits-all strategies.

Analysis 3: Five Distinct Employee Segments Drive Implementation Strategy

Beyond One Size Fits All: The Segmentation Foundation

While aggregate statistics show that 45.6% of government employees use AI tools at work, this broad average masks significant variation in how different groups of employees engage with artificial intelligence. Rather than treating all employees as having uniform attitudes and behaviors toward AI, advanced statistical analysis reveals five distinct segments within the government workforce, each with unique characteristics, preferences, and implementation needs.

Using latent class analysis — a technique that identifies naturally occurring groups based on patterns of responses — we can move beyond demographic generalizations to understand behaviorally defined segments that require different approaches to AI implementation and retirement planning engagement.

Five distinct employee segments emerged, challenging one-size-fits-all approaches: from AI-Integrated Consumers (18.9%) to Traditionalists (9.1%)

This segmentation approach is informed by Diffusion of Innovation Theory (Rogers, 1962, 2003), which predicts that populations naturally divide into distinct groups based on their propensity to adopt new technologies. The theory identifies five categories of adopters: Innovators (2.5%), Early Adopters (13.5%), Early Majority (34%), Late Majority (34%), and Laggards (16%). While we used latent class analysis to empirically identify segments based on actual behavior patterns rather than imposing theoretical categories, the five segments that emerged align conceptually with diffusion theory's core insight that technology adoption follows predictable behavioral patterns rather than random individual preferences

The Five Segments: Distinct Profiles Emerge

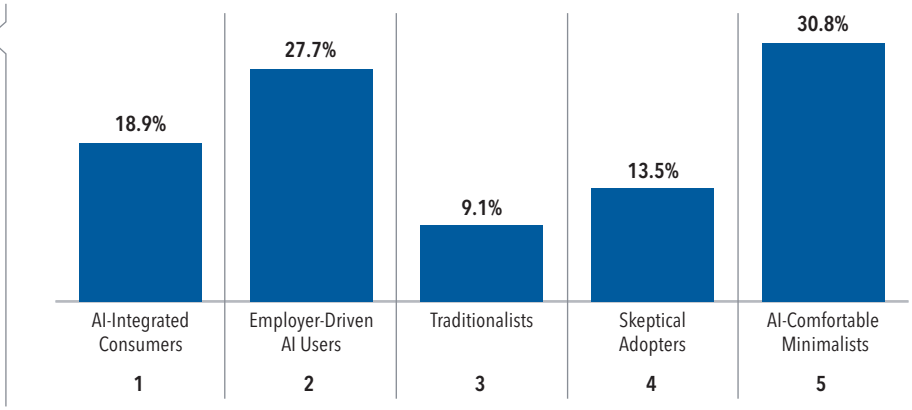
AI-Integrated Consumers (18.9%) represent the most AI-engaged segment, with 75% using AI at work and 95.5% leveraging AI for retirement planning. This group demonstrates the highest confidence in AI-generated decisions and feels most knowledgeable about AI compared to co-workers. They actively seek out AI applications across multiple domains and show strong comfort with technology-driven solutions, functioning as Innovators, Roger's diffusion model.

Employer-Driven AI Users (27.7%) show high AI engagement primarily through employer-provided tools rather than independent exploration. While 64% use AI at work, they rely more heavily on institutional guidance and show strong interest in employer-sponsored AI retirement tools (85%). This segment represents employees who need organizational support to embrace new technologies, characteristic of Early Adopters who adopt innovations with institutional endorsement.

AI-Comfortable Minimalists (30.8%) demonstrate moderate familiarity with AI but prefer managing their financial affairs independently. They show reasonable comfort with technology but lower engagement with both AI tools and traditional financial professionals, suggesting a preference for self-service approaches to financial planning., typical of the Early Majority.

Skeptical Adopters (13.5%) use AI tools infrequently but remain somewhat open to employer-sponsored AI applications. This segment represents employees who need significant support and reassurance before adopting new technologies, but who can be moved toward adoption with appropriate encouragement and training, representing the Late Majority who require social proof before adoption.

Figure 10: **Employee Segments Overview**



Traditionalists (9.1%) show the lowest engagement with both AI technologies and financial professionals. This segment prefers conventional approaches and expresses skepticism about technology-driven solutions, with 90% reporting no confidence in AI-based decisions, exhibiting classic Laggard characteristics with strong resistance to technological change.

Collectively, these five empirically-derived segments align closely with Rogers' Diffusion of Innovation Theory (1962, 2003), which predicts how populations adopt new technologies across predictable behavioral categories. This theoretical alignment validates our segmentation approach and suggests that AI adoption in government workplaces follows established patterns consistent with technology diffusion research, providing a framework for understanding implementation strategies that match each group's adoption readiness.

Contrary to expectations, employees with the highest AI adoption rates also show the strongest engagement with financial professionals (72% vs. 15%), suggesting AI tools complement rather than substitute for human guidance.

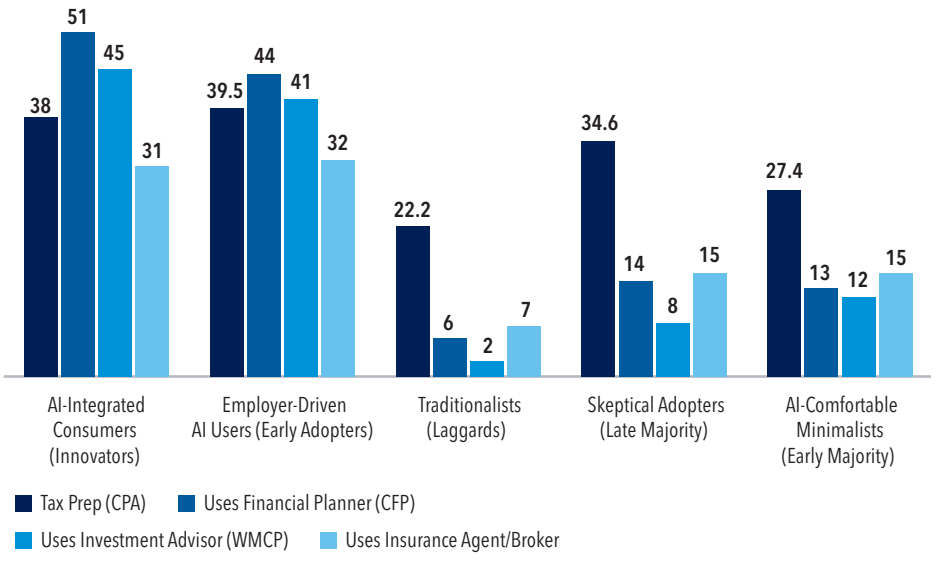
Surprising Finding: AI Enhances Rather Than Replaces Human Guidance

One of the most striking findings from the segmentation analysis challenges conventional assumptions about technology adoption. Rather than AI tools replacing human financial advisors, the data reveals a complementary relationship: employees with the highest AI adoption rates also demonstrate the strongest engagement with traditional financial professionals, as illustrated in Figure 11.

AI-Integrated Consumers show 72% engagement with financial professionals compared to only 15% among Traditionalists. This pattern holds across multiple types of financial services: AI-Integrated Consumers are more likely to work with financial planners (51% vs 6%), investment advisors (45% vs 2%), and even basic services like tax preparation (38% vs 22%). This suggests that comfort with AI tools correlates with overall engagement in financial planning activities rather than substituting for human expertise.

This finding has important implications for plan sponsors and financial service providers: rather than viewing AI as a threat to traditional advisory relationships, these tools appear to enhance overall financial engagement and may actually drive increased demand for professional services.

Figure 11: **Financial Professional Usage by Employee Segment**



Segment-Specific Tool Preferences: Implementation Insights

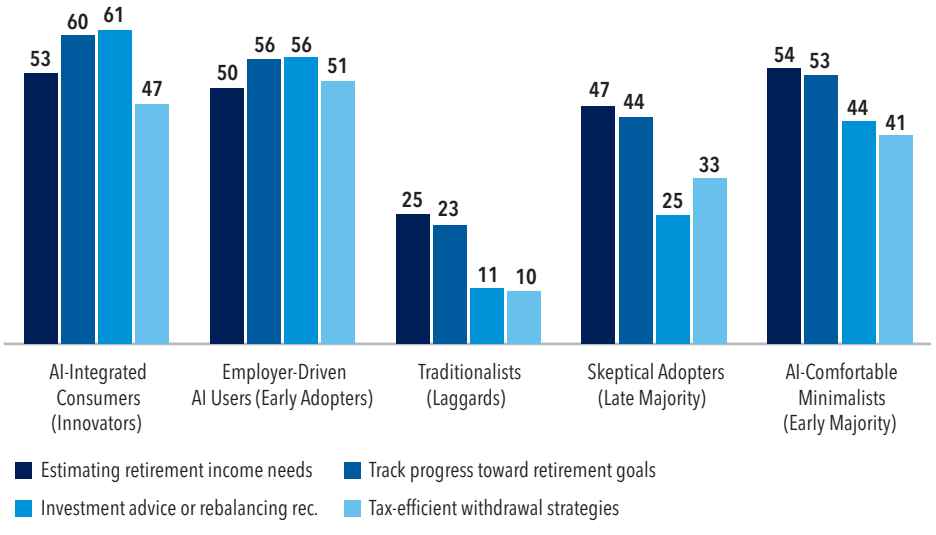
Analysis of retirement planning tool preferences across the five segments reveals clear patterns that can guide implementation strategies. As shown in Figure 12, simple tools like income estimation and goal tracking show broader appeal across segments, while complex functions like investment advice show larger variation.

Figure 12 shows that AI-Integrated Consumers and Employer-Driven AI Users demonstrate consistently high interest across all AI tool types, with investment advice generating the strongest preferences (61% and 56% respectively). However, Traditionalists show uniformly low interest across all tools, with investment advice and tax strategies being particularly unappealing (11% and 10%).

The most strategically important finding involves the middle segments: AI-Comfortable Minimalists show strong interest in basic tools like income estimation and goal tracking (above 50%) but more moderate interest in complex advisory functions. Skeptical Adopters demonstrate meaningful interest in simpler applications (47% for income estimation) but require more support for sophisticated features.

These patterns suggest a clear implementation strategy: start with basic, accessible tools that appeal to the broadest audience, then gradually introduce more sophisticated features for segments ready to adopt them.

Figure 12: **AI Tool Preferences by Employee Segment**



Skeptical Adopters show the highest graduate degree rate (35%) yet lowest AI adoption – education alone doesn't predict technology acceptance.

Demographic Patterns: Beyond Traditional Assumptions

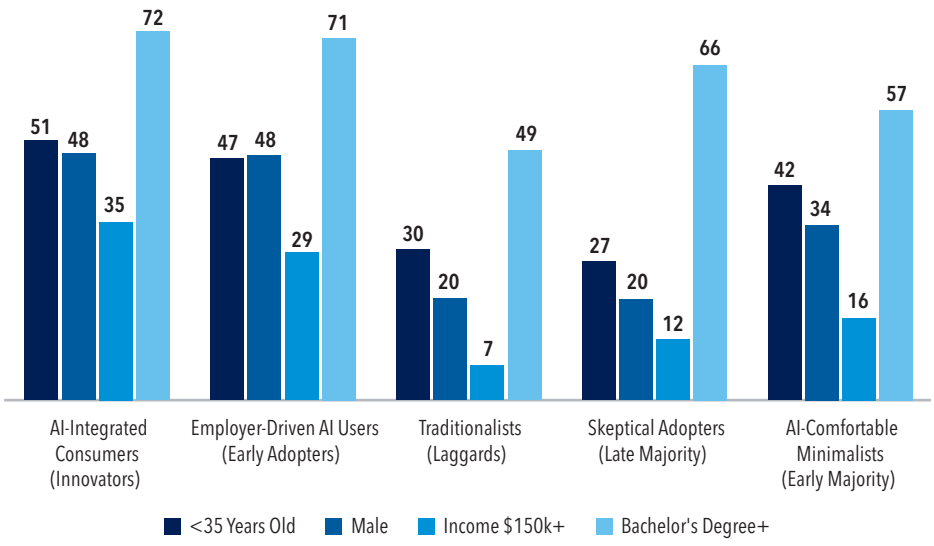
The demographic composition of these segments reveals both expected and surprising patterns that challenge conventional targeting approaches.

As expected, AI-Integrated Consumers and Employer-Driven AI Users skew younger and higher-income, with over 70% holding bachelor's degrees or higher. However, as shown in Figure 13, gender distribution challenges traditional technology adoption stereotypes: these early adopter segments show nearly equal gender representation (roughly 48-50% male), while Skeptical Adopters and Traditionalists show much lower male representation (approximately 20% male).

Perhaps most intriguingly, Skeptical Adopters show the highest proportion of graduate degree holders (35%) among the more hesitant segments, yet demonstrate low AI adoption. This "education paradox" suggests that traditional demographic targeting based on education levels may be insufficient for predicting AI tool acceptance. Instead, behavioral and attitudinal factors appear to be stronger predictors than educational credentials alone.

Income patterns align more predictably with adoption, as Figure 13 shows AI-Integrated Consumers report the highest earnings (35% above $150,000) while Traditionalists show the most financial constraints. However, the substantial presence of middle-income employees across all segments indicates that targeting should not rely solely on economic factors.

Figure 13: **Key Demographics by Employee Segment**



Strategic Segmentation: Multivariate Insights

Advanced statistical modeling confirms that these five segments represent fundamentally different approaches to AI adoption that persist even when controlling for demographic characteristics. Latent class analysis reveals that behavioral and attitudinal factors – not traditional demographics – drive segment membership, providing plan sponsors with more actionable targeting strategies than age- or income-based approaches.

Behavioral factors — not demographics — drive AI adoption. Comfort and confidence predict engagement far better than age or education.

The segmentation model identifies distinct patterns in how employees combine AI comfort, workplace usage, and financial planning engagement. AI-Integrated Consumers demonstrate high engagement across all behavioral indicators: 75% use AI at work, 96% apply AI to retirement planning, and 72% work with financial professionals. In contrast, Traditionalists show consistently low engagement: only 20% use workplace AI, 2% apply AI to retirement planning, and 15% work with financial advisors. The middle segments — representing 57% of the workforce — show mixed patterns that create specific opportunities for targeted interventions.

Demographic variables show limited predictive power for segment membership when behavioral factors are considered. While income and education correlate with some segments, the strongest predictors include confidence in AI decision-making, comfort with AI for financial applications, and current workplace AI usage patterns. This finding challenges conventional wisdom about technology adoption and suggests that plan sponsors should focus on building AI comfort and confidence rather than targeting based on age or income alone.

The distribution of segments reveals significant strategic implications: nearly half (47%) of employees fall into the two most AI-receptive categories, suggesting that sophisticated AI-enhanced retirement planning tools may be approaching mainstream viability among government employees. However, the substantial portion in hesitant categories (23% combined Skeptical Adopters and Traditionalists) indicates the need for parallel implementation approaches that respect diverse comfort levels and preferences.

Strategic Implementation Framework for Plan Sponsors

The convergence of segmentation findings creates a compelling case for strategic AI implementation in government retirement plans that moves beyond one-size-fits-all approaches. The data reveals that successful AI adoption is fundamentally a workforce engagement challenge requiring targeted strategies that match each segment's distinct characteristics and preferences.

Develop Segment-Specific Communication Strategies. The five segments require dramatically different messaging approaches based on their behavioral profiles. AI-Integrated Consumers (18.9% of workforce) demonstrate 87% interest in employer tools and should receive communications emphasizing innovation, advanced features, and integration with their existing financial planning activities. Employer-Driven AI Users (27.7% of workforce) show 83% interest in employer tools despite moderate AI comfort, indicating they need messaging that emphasizes institutional endorsement, security, and organizational support rather than technical sophistication.

AI-Comfortable Minimalists (30.8% of workforce) prefer self-directed approaches with 64% showing interest in employer tools but only 32% using financial professionals. Communications should emphasize simplicity, user control, and minimal guidance requirements. Skeptical Adopters (13.5% of workforce) require extensive education and reassurance, with 38% showing interest despite low AI comfort. Traditionalists (9.1% of workforce) show only 12% interest in employer tools, suggesting alternative non-AI pathways remain essential.

Implement Phased Rollouts Targeting High-Adoption Segments First. As demonstrated in Figure 12, tool complexity significantly affects adoption patterns across segments. AI-Integrated Consumers and Employer-Driven AI Users — representing 46.6% of the workforce — show consistently high interest across all tool types, making them ideal early adopter populations. Simple tools like retirement income estimation

Moderate AI adoption delivers the best outcomes: 76.2% report improved service quality, while advanced adoption often creates challenges.

and goal tracking should be introduced first, as they generate 50-60% interest even among hesitant segments, while complex features like AI-driven investment advice should target the most receptive segments initially before broader rollout.

Leverage Behavioral Indicators Over Demographics. The education paradox revealed in Figure 13 – where Skeptical Adopters show high educational attainment (65% with bachelor's degrees) yet low AI adoption – demonstrates that traditional demographic targeting may mislead implementation efforts. Instead, focus on behavioral indicators such as current workplace AI usage, comfort levels with AI for financial decisions, and expressed interest in employer-provided tools. These factors show stronger predictive power than age, income, or education alone.

Position AI as Complementary to Human Expertise. Figure 11 reveals a striking complementary relationship: AI-Integrated Consumers show 72% engagement with financial professionals compared to only 15% among Traditionalists. This pattern suggests positioning AI tools as enhancements that support rather than replace human advisory relationships. Communications should emphasize how AI tools can help improve the quality and accessibility of professional financial guidance rather than substituting for it, appealing to the 47% of employees who fall into high-adoption segments while maintaining trust among more hesitant groups.

Capitalize on Workplace-to-Retirement AI Pathways. The substantial Employer-Driven AI Users segment (27.7% of employees) represents employees who rely on institutional guidance but show high interest in AI applications. This segment demonstrates that workplace-sponsored AI initiatives can reach populations who might resist independent AI exploration. Plan sponsors may benefit from connecting workplace AI success stories to retirement planning benefits, creating clear pathways from professional AI experience to personal financial applications.

Tailor Implementation Pace to Segment Readiness. The 23% of employees in hesitant categories (Skeptical Adopters and Traditionalists) require parallel implementation approaches that respect their preferences while building confidence over time. Rather than excluding these segments, successful implementation should provide alternative pathways and gradually introduce AI concepts through education and voluntary participation, recognizing that adoption patterns may evolve as comfort and familiarity increase.

These insights demonstrate that successful AI integration in retirement planning depends on understanding and responding to diverse employee needs rather than assuming uniform adoption patterns. By recognizing these natural behavioral groupings and tailoring implementation strategies accordingly, plan sponsors can maximize both adoption rates and positive outcomes across their entire workforce while ensuring that AI tools help enhance rather than complicate the retirement planning experience.

Conclusion: Key Takeaways for State and Local Government Employers and Plan Sponsors

This analysis of 2,000 state and local government employees reveals three fundamental insights that provide guidance for plan sponsors considering AI-enhanced retirement planning tools.

AI Comfort Stimulates Both Employee Well-Being and Retirement Tool Adoption

The relationship between AI attitudes and workplace satisfaction is both strong and multifaceted. Employees who feel very prepared for AI integration show three times higher odds of positive workplace morale, while those concerned about AI replacing their jobs experience a 65-point drop in positive morale (from 86% among unconcerned to 21% among extremely concerned). This relationship persists when controlling for demographics, indicating that AI implementation success directly impacts organizational effectiveness and employee retention.

Simultaneously, higher AI comfort translates directly into greater interest in AI retirement planning tools. Very comfortable employees show 81.6% interest in employer-provided AI tools compared to only 14.8% among those not at all comfortable, creating a clear pathway from confidence-building to tool adoption.

Employees with the highest AI adoption rates also show the strongest engagement with financial professionals – 72% vs. 15% among Traditionalists.

Workplace AI Experience Creates Retirement Planning Engagement

The workplace-to-retirement connection is substantial: 56.5% of employees who use AI at work also use AI for retirement planning, compared to only 26.2% of those who don't use workplace AI. This represents a critical opportunity for plan sponsors to leverage existing familiarity to drive retirement planning engagement.

The service quality findings reinforce the importance of measured implementation. As shown in Figure 9, moderate AI adoption produces 76.2% net positive service quality impacts (combining significantly and somewhat increased ratings) while advanced adoption creates substantial negative impacts, suggesting that moderate-complexity AI implementations with adequate support optimize employee experiences compared to highly advanced or customized deployments that may overwhelm users and systems.

Five Distinct Behavioral Segments Demand Targeted Strategies

Employees naturally segment into five behaviorally-defined groups with dramatically different characteristics and needs. The most AI-engaged segments – AI-Integrated Consumers (18.9%) and Employer-Driven AI Users (27.7%) – represent 46.6% of the workforce and show consistently high interest across all tool types. However, 23% fall into hesitant categories requiring substantially different approaches.

The most significant finding challenges assumptions about technology displacement: employees with the highest AI adoption rates also demonstrate the strongest engagement with financial professionals (72% vs. 15% among Traditionalists). This complementary relationship indicates that AI tools enhance rather than replace human expertise, creating opportunities to expand access while strengthening professional connections.

With 45.6% of employees using AI at work and 54% expressing interest in employer-provided AI retirement tools, the opportunity for adoption is substantial.

The Strategic Opportunity

These findings reveal a substantial implementation opportunity grounded in behavioral understanding rather than demographic assumptions. With 45.6% of government employees already using AI at work and 54% expressing interest in employer-provided AI retirement tools, the foundation exists for meaningful adoption.

The segmentation analysis identifies specific populations for targeted engagement: Employer-Driven AI Users (27.7%) represent a bridge population receptive to institutional guidance, while AI-Comfortable Minimalists (30.8%) prefer self-directed tools with minimal oversight. Understanding these preferences enables resource allocation that maximizes both adoption rates and positive outcomes.

Most importantly, this research demonstrates that successful AI implementation depends on recognizing the complementary relationship between technology and human expertise. Plan sponsors who implement AI tools thoughtfully – with attention to behavioral segmentation, comfort-building strategies, and measured rollout approaches – can improve both employee satisfaction and retirement planning outcomes while serving previously underserved populations.

The opportunity ahead is not about replacing existing services but about enhancing employee engagement and expanding access to financial guidance across the entire workforce through strategically implemented, behaviorally informed AI solutions.

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Appendix

Table A1. **Logistic Regression of AI Retirement Tool Interest**

Predictor		Odds ratio	SE
Comfort with AI Financial Decisions (ref: Very comfortable)	Somewhat comfortable	0.627***	0.098
	Not too comfortable	0.167***	0.033
	Not at all comfortable	0.136***	0.034
AI Use at Work (ref: No)	Yes	2.347***	0.269
Preparedness for AI Integration (ref: Not at all prepared)	Slightly prepared	1.592*	0.313
	Somewhat prepared	2.021***	0.395
	Moderately prepared	2.599***	0.55
	Very prepared	3.052***	0.778
Morale at Work (ref: Strongly negative)	Somewhat negative	1.054	0.462
	Neutral	0.780	0.313
	Somewhat positive	1.233	0.486
	Strongly positive	1.419	0.570
Age Category (ref: 18–34)	35–44	1.105	0.145
	45–64	1.069	0.159
	65+	1.257	0.596
Gender (ref: Male)	Female	0.936	0.11
Income Category (ref: <50K)	50K–99K	1.852***	0.281
	100K+	2.16***	0.369
Education (ref: High School or less)	Some College	1.117	0.209
	Bachelor's or higher	1.334	0.24
Constant		0.6	0.171

Note: * p < .05, ** p < .01, *** p < .001. Pseudo R-squared 0.247

Table A2. **Latent Class Model Fit Statistics**

Classes	AIC	BIC	Entropy	Selected
2	22,824.41	22,964.44	0.817	
3	22,455.58	22,668.42	0.768	
4	22,322.11	22,607.76	0.758	
5	22,283.92	22,642.38	0.714	☑

Note: *N = 2,000*. Lower AIC and BIC values indicate better model fit. The five-class solution was selected based on optimal fit statistics and theoretical interpretability consistent with Diffusion of Innovations theory.

Table A3. **Conditional Probabilities by Employee Segment**

Variable		AI-Integrated Consumers	Employer-Driven AI Users	AI-Comfortable Minimalists	Skeptical Adopters	Traditionalists
Segment Size		18.9%	27.7%	30.8%	13.5%	9.1%
AI Use at Work	Yes	74.6%	46.7%	100.0%	9.3%	20.2%
Comfort with AI for Financial Decisions	Very comfortable	63.9%	18.6%	3.6%	15.4%	0.0%
	Somewhat comfortable	35.6%	78.9%	66.5%	58.3%	9.4%
	Not too comfortable	0.5%	2.4%	24.8%	22.8%	40.7%
	Not at all comfortable	0.0%	0.0%	5.0%	3.5%	49.9%
Use AI for Retirement Planning	Yes	93.6%	81.0%	26.2%	8.4%	2.4%
Interest in Employer AI Tools	Yes	87.9%	83.2%	64.4%	38.0%	12.1%
	No	9.4%	16.3%	13.2%	26.0%	43.0%
	Unsure	2.7%	0.5%	22.4%	36.0%	45.0%
Use Financial Professional	Yes	69.6%	70.8%	32.4%	14.7%	21.1%
AI Confidence for Decisions	High	85.4%	14.0%	15.3%	20.1%	0.6%
	Medium	11.8%	50.3%	56.5%	48.6%	8.4%
	Low	2.7%	35.8%	28.1%	31.3%	91.0%
AI Knowledge vs. Co-workers	More knowledgeable	88.1%	46.2%	44.9%	27.8%	8.6%
	About the same	10.8%	33.2%	44.6%	57.6%	45.6%
	Less knowledgeable	1.1%	20.6%	10.5%	14.6%	45.8%

Note: *N = 2,000*. Values represent conditional probabilities (percentages) of each response within each latent class. Segments ordered by AI adoption level from highest to lowest.

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