CAREER OPTIMISM INDEX®

University of Phoenix®

WHITE PAPER

The Retention Mandate: Bridging the AI Fluency Gap to Secure the 2026 Workforce

Dr. Wayne L. McCoy

Center for Educational and Instructional Technology Research
University of Phoenix

Abstract

As of early 2026, the United States labor market is defined by a profound artificial intelligence (AI) fluency gap, between rapid individual skill acquisition and institutional adaptation. While many workers are independently acquiring artificial intelligence (AI) skills, even more employers admit their organizational processes are being outpaced by this talent development. This white paper synthesizes the 2026 Career Optimism Index® with empirical research on the People, Processes, Technology, and Data (PPTD) model and workplace psychology. It argues that current labor stability, characterized as “job hugging,” is a temporary veneer masking a brewing retention crisis, as a substantial number of employers fear losing AI-literate staff. By examining the effect of productivity gains, and the nine Technology Readiness Levels (TRLs), this paper proposes a 4-step strategic roadmap. The findings suggest that retention depends on protecting worker psychological safety and professional identity while transitioning AI from a productivity tool into a foundational talent preservation strategy.

Table of Contents

1 Introduction: The 2026 Market Paradox

1 The AI Fluency Gap: Shadow Learning and Organizational Lag

1 The Rise of Shadow Learning

1 The Economics of AI Productivity: The Great Equalizer

3 Compression of the Skill Distribution

3 The Expert Paradox

4 The Socio-Technical Framework: People, Processes, Technology, Data, and Technology Readiness

4 The Tetrahedron of Adoption

5 The Valley of Death at TRL 7

5 Psychological Dimensions: Safety, Identity, and Well-being

5 AI as a Job Enrichment vs. Replacement

5 Gender-Specific and Cultural Findings

6 Psychological Safety and Depression

6 Coping Mechanisms: Preserving Professional Identity

6 1) Direct Resolution

7 2) Symbolic Self-Completion

7 3) Dissociation

7 4) Escapism

7 5) Fluid Compensation

8 Organizational Governance: 8 Key Decision Points

8 The Solution: A 4-Step Strategic Roadmap for Retention

8 Step 1: Define AI Career Pathways and Standards

8 Step 2: Establish Skills Assessment Systems

9 Step 3: Expand Training, Tools, and Structured Enablement

9 Step 4: Build AI Capability Among Managers

9 Conclusion: Cultivating a Resilient Workforce

10 References

Introduction: The 2026 Market Paradox

The 2026 labor market presents a deceptive landscape of stability. Macroeconomic indicators show turnover at a historical low of 5.8%, a phenomenon termed “job hugging,” where workers prioritize security over mobility due to economic uncertainty (University of Phoenix, 2026). However, this stability is not a reflection of organizational loyalty. Instead, AI has become a kind of confidence catalyst for the American workforce. 75% of workers report increased confidence due to AI, and 81% believe AI literacy reveals new ways to apply their skills for future progression (University of Phoenix, 2026). Perhaps most critically, 50% of workers feel more capable of pivoting into entirely new roles because of their independent AI literacy (University of Phoenix, 2026). For employers, this creates a kind of ticking clock scenario, where workers are currently “hugging” their positions while simultaneously building AI-powered exit strategies.

The AI Fluency Gap: Shadow Learning and Organizational Lag

The primary driver of the 2026 retention crisis appears to be the organizational lag in adapting to employee skill development. While 72% of employers recognize that AI-fluent workers will “go further” in their organizations, there is a systemic failure to provide the infrastructure required to leverage these skills (University of Phoenix, 2026).

The Rise of Shadow Learning

Due to lagging employer formal support, 50% of workers are learning AI tools independently (University of Phoenix, 2026). This “Shadow Learning” occurs in a vacuum of corporate policy, as a mere 26% of workers receive formal training from their company, and 25% report their organization has no clear policy for AI use (University of Phoenix, 2026).

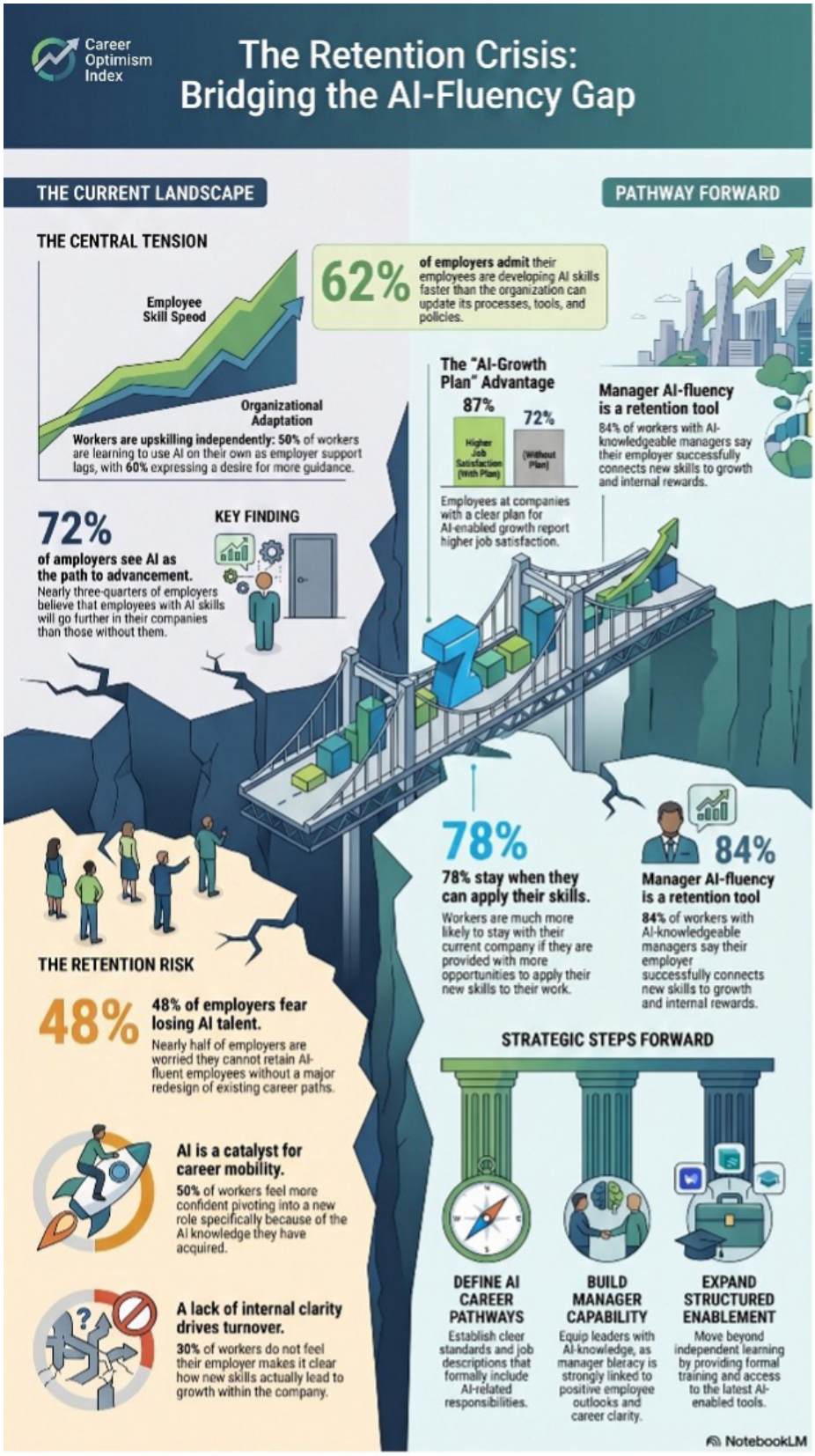
Underscoring this tension between recognition and readiness, is a stark disconnect between executive perception and operational reality. While 94% of employers consider themselves knowledgeable about AI, 71% admit they want to encourage its use but do not know where to begin (University of Phoenix, 2026). Consequently, 62% of employers admit their staff is developing AI skills faster than the company can update its processes, tools, and policies (University of Phoenix, 2026). This mismatch leads to the central tension of the Retention Crisis (see Figure 1, next page), where workers feel underutilized and employers feel outpaced.

The Economics of AI Productivity: The Great Equalizer

An urgency to bridge the gap between AI skill development and AI use policy is underscored by the massive productivity shifts documented in recent National Bureau of Economic Research (NBER) and Harvard research. Brynjolfsson et al. (2025) found that access to generative AI tools has been shown to increase overall worker productivity by 14-15%, as measured by resolutions per hour (RPH). Thus, Gen AI access is leading to a significant change in the traditional distribution of worker skills.

Figure 1

The Retention Crisis



Note: Data derived from the 2026 Career Optimism Index. Infographic created with the assistance of NotebookLM

Compression of the Skill Distribution

Perhaps the most significant impact of AI is its role as a “Great Equalizer” within the workforce. Access to AI tools disproportionately benefits novice and low-skilled workers, who experience the largest relative productivity gains, often reaching improvements of up to 34% (Brynjolfsson et al., 2025). AI tools effectively compress the traditional learning curve by embedding guidance, pattern recognition, and domain knowledge directly into everyday tasks. Consequently, Castaneda et al. (2025) further asserted that workers are able to perform at levels that previously required substantially more experience. In practical terms, a worker with only two months of tenure and access to AI may perform comparably to a worker with six months of experience operating without such tools.

Importantly, this dynamic may represent more than a simple efficiency gain, signaling a fundamental shift in how expertise is developed, evaluated and applied. Historically, organizations have relied on tenure and accumulated experience as proxies for capability. AI disrupts this model by essentially decoupling performance from experience, enabling rapid skill acquisition and immediate application (Beier et al., 2025). For novice workers, this phenomenon may accelerate confidence, increase perceived competence, and expand their sense of career possibility.

However, this equalization effect may introduce new organizational tensions. As the performance gap between novice and experienced workers narrows, the relative value of experience may become distinct, creating ambiguity in performance evaluations, compensation structures, and promotion pathways. At the same time, experienced workers may perceive a reduction in the uniqueness of their expertise, particularly when AI systems can replicate or augment aspects of their developed knowledge. Clearly, absent deliberate organizational adaptation, this skill perception paradox might lead to disengagement at the top of the skill distribution, while simultaneously increasing expectations among newer employees.

In this context, the Great Equalizer effect is not inherently stabilizing. While it enhances overall productivity, it may simultaneously reshape internal labor dynamics and expectations. By accelerating capability development at the individual level, AI disruption may contribute to a workforce that is more confident, more adaptable, and ultimately more mobile, reinforcing the broader pattern of delayed but accumulating retention risk.

The Expert Paradox

Conversely, high-skilled workers may see minimal gains and, in some instances, a small decline in the quality of their output when following AI suggestions (Babashahi et al., 2024). This suggests that for experts in certain industries, AI can be a distraction or a de-skilling threat. If organizations fail to redesign career paths to account for this compression effect, they may risk alienating their most experienced talent while failing to capture the long-term loyalty of newly empowered novices, while for the broader workforce, it is a tool for rapid upskilling. Furthermore, the labor market is reacting to these shifts, as firms are reducing hiring for automation-prone roles by

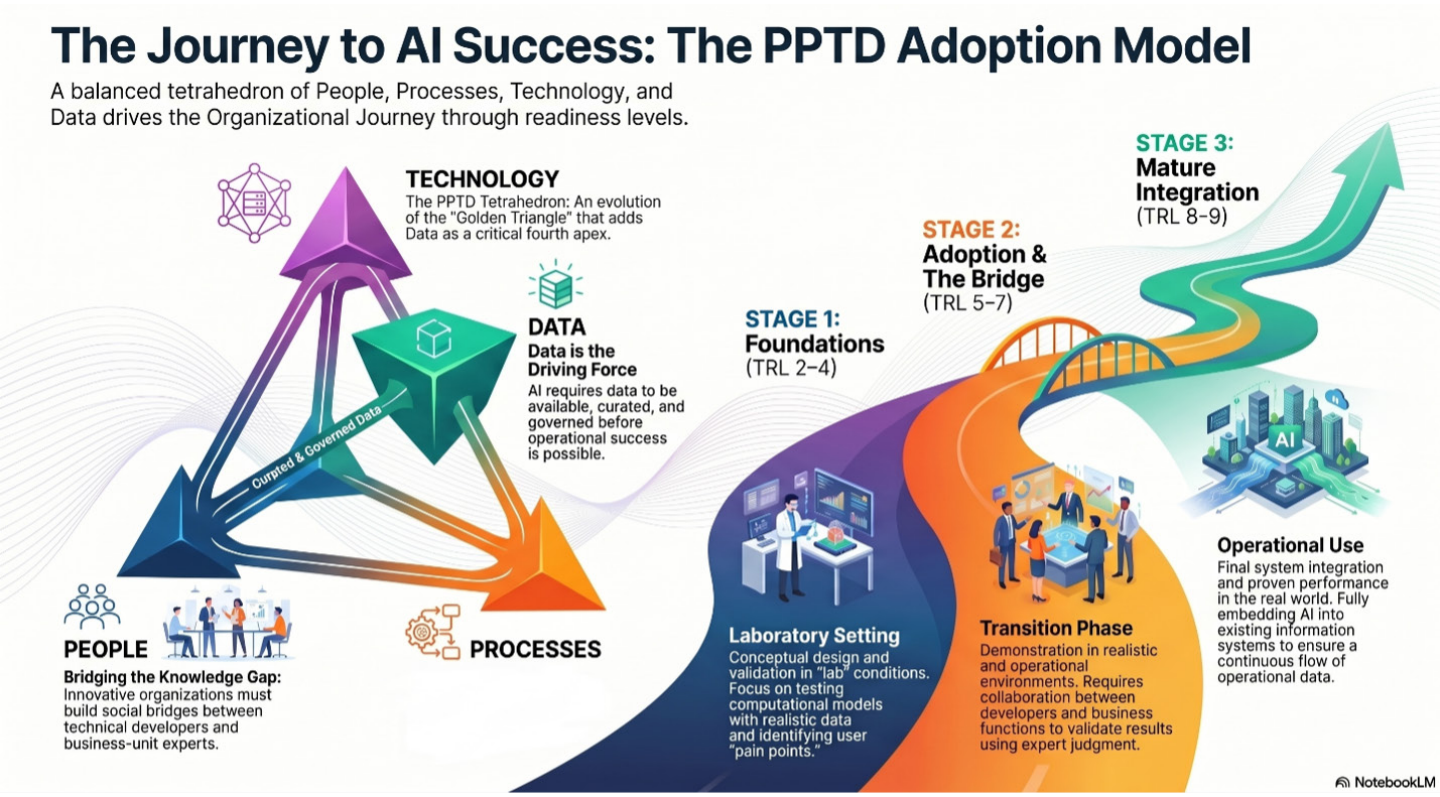
17% while increasing demand for augmentation-prone roles, which require human-AI collaboration, by 22% (Chen et al., 2024).

The Socio-Technical Framework: People, Processes, Technology, Data, and Technology Readiness

To move beyond the pilot project phase and secure the workforce, organizations would do well to adopt People, Processes, Technology, and Data (PPTD) model (Uren & Edwards, 2023). This framework treats AI adoption not as a technical purchase, but as a journey through nine Technology Readiness Levels (TRLs) (See Figure 2).

Figure 2

PPTD Model for TRLs



Note: Visualization created with the assistance of NotebookLM

The Tetrahedron of Adoption

As shown in the model, innovative firms place Data at the apex of their adoption strategy, recognizing that data skills must be acquired by the workforce to ensure quality and curation (Uren & Edwards, 2023). The PPTD model emphasizes that technology alone cannot reach TRL 9 (actual system proven through operational use) without process readiness, the ability to sustain software use through organizational infrastructure, and people readiness. Thus, this tetrahedron of AI adoption highlights the inability of AI to progress through the TRLs without human interaction.

The Valley of Death at TRL 7

Research further identifies a dearth of progress at TRL 7, referred to my Uren and Edwards (2023) as a "Valley of Death," where AI projects often fail because organizations have not built the people readiness necessary to bridge the gap between technical developers and business stakeholders, further emphasizing the essential nature of human involvement in AI adoption. However, organizations that successfully navigate this stage often experience job enrichment. For example, building managers who use AI to optimize energy systems may transition from necessary overhead expenditures to strategic value creators. Moving beyond operational readiness and productivity outcomes, AI adoption also carries substantial psychological implications for workforce stability.

Psychological Dimensions: Safety, Identity, and Well-being

Successful employee retention requires addressing the profound psychological impacts of AI, as integrating AI is a socio-technical transformation that can either foster job autonomy or trigger identity threats (Hermann et al., 2025).

AI as a Job Enrichment vs. Replacement

The impact of AI on the workplace is not a simple binary of augmentation or replacement. Conversely, it often results in job enrichment by shifting human labor from repetitive, low-value duties toward higher-value activities. Empirical studies reveal that AI integration can significantly increase perceived job autonomy by automating mundane tasks and allowing workers greater discretion over high-level endeavors (Xavier et al., 2025). This transition allows workers greater discretion over high-level and creative endeavors that require human judgment and strategic thinking. For example, in sectors such as healthcare and facility management, building managers who leverage AI to optimize systems are often taken out of the basement and placed into strategic roles, becoming value creators rather than overhead (Uren & Edwards, 2023).

However, this enrichment is highly sensitive to the sequence and timing of technology introduction. Research indicates a contrast effect where workers who first master tasks manually and then transition to AI support perceive a much higher increase in autonomy than those who start with AI immediately (Xavier et al., 2025). Additionally, when AI is perceived as a human replacement that automates decision-making traditionally tied to professional competence, it can create an algorithmic cage of sorts, standardizing procedures and undermining the worker's sense of control (Hermann et al., 2025).

Gender-Specific and Cultural Findings

Further, gender-specific analyses reveal that the introduction of AI may have a differential impact on a worker's professional identity. Xavier et al. (2025) found that male participants experienced a marginal decrease in creative self-efficacy post-AI integration. This discrepancy is posited to stem from prevailing societal and gender norms that link control, independence, and

decision-making status more strongly to a male sense of professional competence. Male workers may view the automation of these tasks as a direct threat to their professional status, leading to decreased confidence in their innovative capabilities.

Moreover, Xavier further asserted that cultural orientation may also play a pivotal role in shaping how AI is received. Individuals from individualistic cultures, such as the United States and the United Kingdom, place a high value on personal achievements and individual discretion. Consequently, these workers reported a more pronounced decrease in job autonomy compared to those from collectivistic cultures, when AI systems reduce their individual discretion. Conversely, in collectivistic contexts, AI is often viewed more favorably as a tool that enhances group collaboration and collective creativity, leading to more substantial improvements in creative self-efficacy post-integration.

Psychological Safety and Depression

The adoption of AI is a socio-technical transformation that can act as a multifaceted stressor, significantly impacting employee mental health. Rapid AI adoption without adequate institutional support is linked to a decrease in psychological safety, defined as the collective belief that a team environment is safe for interpersonal risk-taking (Kim et al., 2025). This perceived lack of safety was shown to be a primary driver of employee depression, as workers face increased uncertainty regarding their job roles, operational practices, and future employment. When employees feel that their expertise is being marginalized or that they no longer have the agency to voice concerns, they are more likely to experience technological stress and turnover intention (Kim et al., 2025; Zhang et al., 2025).

Coping Mechanisms: Preserving Professional Identity

The integration of AI into the workplace is not a neutral event. It can be a catalyst for significant psychological shifts. Hermann et al. (2025) found that when these tools challenge the fundamental needs of workers for competence, autonomy, and relatedness, they may create self-discrepancies, or a gap in the actual capabilities of workers and their desired professional identity. To manage the stress of these discrepancies and preserve their sense of self, Hermann further determined that workers adopt five distinct compensatory strategies, each carrying different implications for organizational engagement and long-term retention.

1) Direct Resolution

This is a proactive, approach-oriented strategy where individuals seek to resolve the source of the self-discrepancy directly. In this mode, workers view AI not as a replacement but as a skill to be mastered to regain a feeling of efficacy. Employees proactively enroll in training programs, upskill in prompt engineering, or adapt their workflows to maintain final decision-making authority over AI outputs. This behavior is often triggered by threats to intelligence. For example, a worker outperformed by AI on an analytical task may be motivated to enroll in data analytics courses to regain their competitive standing (Hermann et al., 2025).

2) Symbolic Self-Completion

Viewed as the least costly strategy for the worker, symbolic self-completion involves using symbols or signals to reinforce a threatened professional identity without necessarily changing their underlying skills. Workers may place increased emphasis on human titles, credentials, or achievements that AI cannot replicate or imitate. In digital communications, this might manifest as a heightened focus on human-driven contributions to a team to strengthen social recognition and professional status (Hermann et al., 2025).

3) Dissociation

Defined as an avoidance strategy where workers psychologically distance themselves from the specific domains where they feel threatened by AI. This allows them to protect their feelings of mastery by simply not engaging with the tool that highlights their skill gaps. An employee may avoid AI-dependent tasks entirely or express a strong preference for human-to-human communication over interactions involving AI agents. While this protects the worker's immediate ego, it can lead to missed opportunities for growth and a widening of the organizational fluency gap (Hermann et al., 2025).

4) Escapism

Potentially the most damaging strategy for organizational health, escapism involves a total mental withdrawal from the stressful AI transition. This is frequently triggered by a perceived loss of personal control or feelings of social rejection. Workers may disengage from high-challenge tasks, request reassignments, or take extended breaks to avoid feeling out of control. At the extreme, this manifests as spending work hours browsing unrelated online content or social media to distract from the stress of perceived self-discrepancies (Hermann et al., 2025).

5) Fluid Compensation

This strategy involves reinforcing alternative, unthreatened aspects of the self to offset the pain of a threat in a different domain. If a worker's technical skills feel marginalized by AI, they may shift their professional focus and identity toward uniquely human domains where AI currently lacks parity, such as empathy, ethical guidance, or complex strategy. For instance, a marketer might shift their identification from content creator (a threatened domain) to strategic advisor (an unthreatened domain) to maintain their professional value (Hermann et al., 2025).

Understanding and recognizing these varied compensatory strategies is critical for leadership because they can determine whether AI adoption leads to resilience or disengagement. Strategies like direct resolution and fluid compensation require more personal resources and time but can be highly effective if the organization provides necessary support, such as tailored training or co-skilling initiatives (Hermann et al., 2025; Zhang et al., 2025). Conversely, dissociation and escapism provide immediate relief for the worker but result in reduced engagement and lower morale. Leadership must transition from merely providing technology to actively channeling workers toward productive compensatory behaviors by fostering psychological safety and ensuring AI acts as a partner in meaningful work.

Organizational Governance: 8 Key Decision Points

To secure the AI-fluent workforce, leadership must move from fragmented departmental efforts to a centralized governance model. Research identifies eight key decision points for institutional AI adoption (Kim et al., 2023)

- Identify and Prioritize Problems: Engaging end users from the start to identify pain points.
- Identify Requirements: Assessing the build vs. buy decision and aligning affected parties.
- Develop Success Measures: Reconciling different definitions of success across departments.
- Design Optimal Workflows: Involving end users to ensure the tool fits daily tasks.
- Evaluate Safety and Equity: Conducting trials to validate the AI before routine use.
- Execute Rollout: Providing bi-directional communication to respect end-user agency.
- Monitor and Maintain: Creating roles dedicated to operational monitoring and managing staff turnover.
- Update or Decommission: Establishing ownership for the lifecycle of the AI model.

By customizing and institutionalizing these eight key decision points, leadership can transform AI adoption from a fragmented technical implementation into a comprehensive socio-technical governance strategy that secures the workforce.

The Solution: A 4-Step Strategic Roadmap for Retention

To bridge the AI fluency gap and solve the retention crisis, employers should follow a structured 4-step strategic roadmap that transforms AI integration from an organizational stressor into a talent preservation strategy.

Step 1: Define AI Career Pathways and Standards

Organizations must formalize AI's role. Currently, 51% of workers lack AI responsibilities in their job descriptions, and 73% of employers believe better standards for AI career pathways are needed (University of Phoenix, 2026). Thus, organizations should establish universal standards for AI skills and redesign job descriptions to explicitly include human-in-the-loop AI responsibilities (Kim et al., 2023).

Step 2: Establish Skills Assessment Systems

A robust system for talent management is the foundation of internal mobility. Since 51% of workers want to develop AI skills but do not know where to begin (University of Phoenix, 2026), implementing clear assessment frameworks that show workers how acquiring AI skills leads to organizational rewards addresses this. Establishing AI skills assessments targets the 78% of workers who would stay if given more opportunities to apply new skills (Kim et al., 2023).

Step 3: Expand Training, Tools, and Structured Enablement

Move beyond “Shadow Learning” toward formal enablement. 60% of workers explicitly need support in learning AI tools (University of Phoenix, 2026). By providing access to the newest relevant AI-enabled tools and task-specific training, employers transition to co-skilling, a collaborative, team-based learning that uses peer support to build collective confidence (Zhang et al., 2025).

Step 4: Build AI Capability Among Managers

Managers are the linchpin of career optimism. Workers with AI-knowledgeable managers are significantly more positive about their careers (79% vs. 61%) (University of Phoenix, 2026). Organizations should prioritize the upskilling of leadership. Managers must also be trained in ethical leadership in relation to AI, as those who prioritize fairness and transparency can better moderate the negative impact of AI on psychological safety (Kim et al., 2023).

Ultimately, solving the AI retention crisis requires organizations to move beyond reactive technology adoption and toward intentional workforce transformation. By implementing the strategic roadmap of establishing clear AI career pathways, creating transparent skills development systems, expanding structured learning opportunities, and equipping managers to lead through change, employers can strengthen employee confidence, engagement, and long-term commitment. Organizations that invest in both AI capability and human development will be better positioned to retain talent, foster adaptability, and build a resilient workforce prepared for the future of work.

Conclusion: Cultivating a Resilient Workforce

The AI economy is reshaping not only productivity, but also the relationship between workers, expertise, and organizational loyalty. As employees independently develop AI fluency, organizations that fail to evolve alongside their workforce risk creating environments where talent outpaces opportunity. In this emerging landscape, retention increasingly depends on whether institutions can provide meaningful pathways for growth, adaptability, and psychological security.

The evidence suggests that successful AI adoption requires more than technological implementation alone. Organizations that combine structured learning, ethical leadership, workforce participation, and clear governance strategies are better positioned to sustain employee trust and long-term engagement. Conversely, organizations that prioritize efficiency without supporting human adaptation may unintentionally accelerate disengagement and workforce mobility.

Ultimately, the challenge facing organizations is not whether AI will transform work, but whether leadership can guide that transformation in ways that preserve human capital alongside technological advancement. Institutions that align innovation with employee development will be better prepared to build resilient and sustainable workforces for the future.

References

Babashahi, L., Barbosa, C. E., Lima, Y., Lyra, A., Salazar, H., Argôlo, M., Almeida, M. A. d., & Souza, J. M. d. (2024). AI in the Workplace: A Systematic Review of Skill Transformation in the Industry. *Administrative Sciences, 14*(6), 127. https://doi.org/10.3390/admsci14060127

Beier, M. E., Saxena, M., Kraiger, K., Costanza, D. P., Rudolph, C. W., Cadiz, D. M., Petery, G. A., Fisher, G. G. (2025). Workplace learning and the future of work. *Industrial and Organizational Psychology, 18*(1), 84–109. https://doi:10.1017/iop.2024.57

Brynjolfsson, E., Li, D., & Raymond, L. R. (2025). Generative AI at work. *The Quarterly Journal of Economics, 140*(2), 889–942. https://doi.org/10.1093/qje/qjae044

Castaneda, A. R., Surachartkumtonkun, J., Maseeh, H. I., Thaichon, P., & Shao, W. (2025). Frontline employees in an AI driven workplace. *Journal of Service Theory and Practice, 35*(7), 30–60. https://doi.org/10.1108/JSTP-04-2024-0099

Chen, W. X., Srinivasan, S., & Zakerinia, S. (2024). Displacement or complementarity? The labor market impact of generative AI (Working Paper 25-039). Harvard Business School.

Hermann, E., Puntoni, S., & Morewedge, C. K. (2025). GenAI and the psychology of work. *Trends in Cognitive Sciences, 29*(9), 802-812. https://doi.org/10.1016/j.tics.2025.04.009

Kim, B.-J., Kim, M.-J., & Lee, J. (2025). The dark side of artificial intelligence adoption: Linking artificial intelligence adoption to employee depression via psychological safety and ethical leadership. *Humanities & Social Sciences Communications, 12*(1). https://doi.org/10.1057/s41599-025-05040-2

Kim, J. Y., Boag, W., Gulamali, F., Hasan, A., Hogg, H. D. J., Lifson, M., Mulligan, D., Patel, M., Raji, I. D., Sehgal, A., Shaw, K., Tobey, D., Valladares, A., Vidal, D., Balu, S., & Sendak, M. (2023). Organizational governance of emerging technologies: AI adoption in healthcare. *FAccT*, 517–531. https://doi.org/10.1145/3593013.3594089

University of Phoenix. (2026). Career Optimism Index® 2026: Survey of U.S. workers and employers. University of Phoenix Career Institute. https://www.phoenix.edu/career-institute/career-optimism-index.html.

Uren, V., & Edwards, J. S. (2023). Technology readiness and the organizational journey towards AI adoption: An empirical study. *International Journal of Information Management, 68*, 102588. https://doi.org/10.1016/j.ijinfomgt.2022.102588

Xavier, D. F., Korunka, C., & Reiter-Palmon, R. (2025). AI integration and workforce development: Exploring job autonomy and creative self-efficacy in a global context. *PLOS One, 20*(6), e0319556. https://doi.org/10.1371/journal.pone.0319556

Zhang, Y., Liu, X., Yan, Q., & Na, M. (2025). Empowering workforces in AI-driven environments: Co-skilling, organizational support, and mitigating job insecurity. *Frontiers in Psychology, 16*, 1700129. https://doi.org/10.3389/fpsyg.2025.1700129