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Seizing Opportunity:
Navigating AI Adoption in Public Sector and K-12 Schools

Public Sector & K–12 Education

The rapid transformation of generative AI in the workplace continues apace, but the rate of adoption is lagging in the public sector & K-12 education. This is likely to prove a missed opportunity.

Applied to the right use cases, AI can automate repetitive tasks in the public sector and higher education, freeing up staff to focus on more value-adding work. The 2025 Gallagher Attitudes to AI Adoption and Risk Survey indicates that 76% of business leaders expect an increase in employee efficiency and productivity with access to the right tools and training.

Predictive analytics can help agencies anticipate challenges, allocate resources more efficiently and make relevant policy decisions. And across educational institutions, AI has the potential to offer more personalized education with continuous support for students, helping improve performance while also considering an individual's unique needs.

Yet challenges such as budget constraints, privacy concerns and lack of expertise have proven to be major roadblocks to large-scale AI implementation in the public sector and K-12 institutions. Concern over potential AI-related risks may also be behind some of the hesitation to adopt.

Rather than resisting AI's inevitable integration, public sector institutions are likely to have more success by focusing on responsible AI integration while mitigating risks, ensuring AI's capabilities as a tool for innovation and improved decision-making. The genie is already out of the bottle, and public sector workers are looking to their employers for guidance and training.

A brief history

AI's concept and capabilities have been theorized for decades. In the mid-20th century, pioneers like Alan Turing and John McCarthy began exploring the potential of machines to simulate human intelligence. However, owing to the rise of large language models (LLMs) such as ChatGPT, AI has experienced mainstream adoption.

AI milestones:

1950
Alan Turing introduces the "Turing Test" for machine intelligence.

1956
John McCarthy organizes the Dartmouth Conference, marking AI as a formal field of study.

1980s-90s
Expert systems and machine learning models gain popularity.

1997
IBM's Deep Blue defeats chess champion Garry Kasparov.

2011
IBM's Watson wins Jeopardy! Showcasing AI's natural language capabilities.

2023-Present
AI systems, including ChatGPT-4 and Google's Bard, understand language, grasp context, translate and generate dialogue.

2025
Chinese AI startup DeepSeek makes headlines — and sees tech stocks tumble — after it tops app download charts.

The need for guardrails and governance

The risk for employers is that AI is already being used by public sector employees and students, often without clear rules or policies. One reason why employers are behind the curve is the rapid rate of adoption since the launch of ChatGPT in 2023. However, a lack of guidance raises serious concerns about ethical violations, systemic biases and unregulated data use.

As Ben Warren, Head of Digital Transformation and AI, Communication Consulting, Gallagher notes, "What's different about this wave of technological change is that everyone now has access to these tools on phones or personal computers. These AI tools are literally in everyone's pockets."

The ease with which employees can tap into AI tools means these technologies are being widely used independently, often without proper guidance, regardless of the company's stance. This can lead to inadvertent breaches of sensitive information and the potential that workers could rely too much on AI-generated output.

Warren recommends employers and educators establish strong AI principles, building into governance frameworks that offer flexibility and guardrails. "At Gallagher, we have seen firsthand how organizations have been accidentally misusing AI tools, and the risks can be significant."

Generative AI: How it works

AI systems are designed to perform tasks like learning, reasoning, and problem-solving that call for human intellect. They process vast amounts of raw data from various sources using machine learning (ML) algorithms and neural networks, identifying patterns, learning from historical information and generating predictions. The final output provides insights, forecasts and recommendations based on user inputs.

AI development follows structured methodologies like CRISP-DM (Cross-Industry Standard Process for Data Mining), which were created for data mining. It is now widely used in AI and data science across industries, including government and education.

CRISP-DM consists of six key phases:

- Business/data understanding: Defining objectives and requirements.
- Data preparation: Cleaning and structuring data for analysis.
- Analytical approach and modeling: Applying ML algorithms to build predictive models.
- Evaluation: Assessing model performance and reliability.
- Deployment: Implementing the model for practical use and deriving actionable insights.

> "Although ChatGPT has recently introduced the concept of AI and machine learning to a global audience, the technology behind its success has been in use for many years. As a former risk manager and data analyst in the public sector, I used machine learning algorithms to identify root causes and perform predictive modeling. I then used these insights to make recommendations for operational improvements that reduced costs and increased efficiency."
>
> **— Shannon Gunderman**
> **Senior Consultant, ERM and Operations Director**
> **Public Sector & K-12 Education Practice**

AI in the public sector: Opportunities and hurdles

Opportunities:

- **Efficiency:** AI reduces administrative burdens by automating repetitive tasks, such as processing applications, reviewing legal documents and managing public inquiries.
- **Availability:** AI facilitates round-the-clock support through virtual assistants, chatbots and automated help desks, increasing accessibility and user experience by delivering quick resolutions.
- **Data analysis:** AI can process vast datasets within minutes, identifying trends in public health, crime and economic planning.
- **Automation:** Tasks like data entry, document redaction and report generation can be automated using AI, allowing employees to focus on their primary responsibilities.
- **Decision-making support:** AI helps policymakers analyze risks, detect inefficiencies and allocate resources based on data-driven insights.

Hurdles:

- **Job displacement:** Automating processes may reduce the need for specific clerical and administrative roles. However, AI also promises to augment roles and create new opportunities.
- **Lack of emotional intelligence:** AI cannot replace human empathy, which is crucial in public sector functions like social work, education and law enforcement. As a result, it is important that employers consider job protection strategies to retain the human touch.
- **Inaccuracies and AI "hallucinations":** AI may occasionally generate incorrect information, which could lead to errors in legal, healthcare or public policy decisions. As a result, it is important to properly interrogate and fact-check AI output.
- **Dependence on technology:** Over-reliance on AI could impair human abilities like judgment and critical thinking.
- **Ethical issues:** AI models may amplify biases found in training data, leading to discriminatory outcomes — as seen in predictive policing and AI-powered hiring tools. Care and due diligence must be taken when selecting third-party vendors to understand how algorithms have been developed.

Use cases for AI in the public sector

Despite its challenges, AI can increase efficiency, enhance decision-making and automate repetitive tasks, allowing public sector employees to focus their time and energies on connecting with the public they serve. Gallagher's survey found that IT departments are most likely to have adopted AI (58%), followed by customer service (37%) and finance (34%). Other use cases within K-12 education and the public sector include:

- **Fraud detection and prevention:** AI-powered fraud detection systems leverage machine learning algorithms to analyze vast amounts of financial and transactional data to identify suspicious patterns and anomalies that can indicate fraudulent activity. AI integration in government procurement, social welfare and taxation can prevent the loss of public funds and protect public interest.
- **Intelligent virtual assistants:** Public sector agencies manage numerous citizen inquiries daily, leading to long waiting periods and inefficient service delivery. AI-powered virtual assistants and chatbots can facilitate effective communication and provide instant support while reducing administrative burdens, bringing government agencies closer to the public and improving responsiveness.
- **Public safety:** AI-powered surveillance systems and facial recognition technology assist law enforcement authorities in predicting and managing threats. However, addressing ethical concerns regarding bias and data privacy should be a priority, and robust regulatory oversight is crucial to ensure the responsible use of AI in law enforcement.
- **Traffic management:** AI-powered traffic management systems use real-time data from sensors, GPS and surveillance cameras to improve urban mobility, reduce congestion and enhance public transportation planning.
- **Document generation and analysis:** Government agencies can use AI-powered document processing systems for legal documents and responding to public records requests to significantly reduce administrative workload.

> There has been a lot of concern around AI taking jobs away from humans, but there are cases where it has actually done the opposite. I once attended a conference where an attorney discussed how his firm used AI to perform mundane, time-intensive tasks like medical records review. This freed up their attorneys so that they could focus more on the human-centric functions of meeting with clients, providing personalized legal support and improving case outcomes. The efficiencies created by their adoption and use of AI increased the firm's profitability and resulted in the hiring of additional staff."
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> **— Shannon Gunderman**
> **Senior Consultant, ERM and Operations Director, Public Sector & K-12 Education Practice**

The future of AI in the public sector & K–12 education

The plagiarism challenge in K-12 education

AI-generated content has raised ethical concerns in education. How can schools detect AI-written work while also preparing students for an AI-driven future?

Challenges:

- Some students submit AI-generated essays as their own work.
- AI detection tools are not foolproof and sometimes falsely flag original work.
- Banning AI entirely may not be realistic, as students will find ways around restrictions.

Solutions:

- Schools should focus on AI literacy rather than prohibition, teaching students how to use AI ethically and responsibly.
- AI can be a tool for brainstorming and refining ideas, but students must still develop their own analytical and reasoning skills.
- Educators should emphasize critical thinking and reasoning skills, ensuring students can engage deeply with study material.

Key takeaway: AI should enhance learning, not replace it. Schools must set clear AI policies to balance innovation with academic integrity.

AI's role in the public sector is expanding, enhancing data-driven decision-making, automation and efficiency. At a time when clients are focused on cost optimization and efficiency, there is significant potential to adopt and integrate AI across the organization, with some of the more compelling use cases relating to data analytics and customer service.

A significant hurdle to AI adoption is cost and the ability of public sector entities to invest in new tools. The democratization of the technology will continue to lower barriers to entry. In the meantime, one way that K-12 and public sector entities can differentiate themselves is in their expert guidance.

By adequately preparing public sector workers and educators to get the most from AI, employers can better position themselves in the race to automate. This involves providing guidance, training and clear governance so that workers are empowered to use and move forward with the tools and technology responsibly in a highly regulated sector.

The rewards should be observed via more streamlined processes, better service delivery and improved customer experience. By automating repetitive tasks, improving compliance processes and quicker response times, AI allows the workforce to focus on high-value work that directly benefits the public.

AI adoption:

Key concerns to address

Ethics: Transparency and accountability should be the primary focus during implementation to prevent bias in law enforcement, hiring and social services.

Increased regulation: With AI becoming mainstream, governments must ensure compliance with evolving rules on data privacy, bias mitigation and responsible AI use.

Automation and workforce sentiment: Employers need to implement effective change management programs to educate workers on how AI is likely to redefine and augment public sector roles rather than eliminate them.

AI and energy usage: AI can help optimize energy usage and reduce waste in supply chains, but training large AI models consumes significant computational power and vast energy-hungry data centers. Public institutions must learn to balance AI benefits with sustainability considerations.

At Gallagher, we understand the unique needs and challenges faced by the public sector & the K-12 education industry. Our deep knowledge and vast network of resources will help us guide you as you move forward on your AI adoption journey. Partner with Gallagher to navigate the AI frontier confidently.