Transamerica Prescience 2026

Third report: Dynamics of the American workforce



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We are grateful to our panel of experts for participating in this third poll in the series and for sharing their much valued insight.

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The Prescience 2026 Council Initiative

Prescience \ ‘pre-sh(ē-)ən(t)s, ‘pr ē,-s(ē-) ən(t)s

Foreknowledge of events; human anticipation of the course of events; foresight.

The world is changing at an epic rate, and these changes continue to affect the way people work and what they expect from their employers. The time is right for another look downstream. That’s why, in partnership with EACH Enterprise, Transamerica initiated our Prescience 2026 Council.

Transamerica Prescience 2026 is a series of polls and brainstorming sessions conducted over a 12-month period, each focusing on a particular aspect of the employee/employer experience. In the first round of queries conducted in June 2022, experts were asked about their expectations for employee financial wellness offerings. In the second round, we asked about the economy, the workforce, the cost of that workforce, and related governmental policies.

In our third poll, fielded in January 2023, our panel was asked to share thoughts about the dynamics of the workforce with focus on:

1. Availability of workers
2. Possibility workers may seek to organize
3. Behavior of gig-economy employers
4. Employers unable to offer remote work opportunities
5. Employee engagement in the dynamic economic environment

Our experts shared their thoughts – some unexpected – about the American labor market and workforce in 2026.

Transamerica Prescience 2026 is a collection of thoughts and opinions expressed by members of the Prescience 2026 Council, and not necessarily those of Transamerica. This report was fielded in January 2023, so relevant legislation and/or regulatory proposals introduced afterwards may not have been considered by the Council.



Major findings

Availability of workers in 2026

It will not surprise most readers to hear there is a labor shortage in America. The U.S. Chamber of Commerce ("Chamber") reports 10 million current job openings with just 5.7 million workers available to fill them. That's almost 3 million fewer Americans in the labor force than were working before the pandemic and subsequent lockdowns.[1]

Some believe immigration will offset the discrepancy. Although the Prescience panelists forecast continued strong immigration numbers, that alone is unlikely to fill the gap between available jobs and available workers. Our panel overwhelmingly expects the immigrant population in the United States will have reached 50 million in 2026, with 81% agreeing or strongly agreeing with that thought. However, the panel does not expect the increase in the immigrant population to fully solve the nation's labor shortage. Seventy-eight percent agreed or strongly agreed that the labor shortage will continue to impact the economy through 2026.

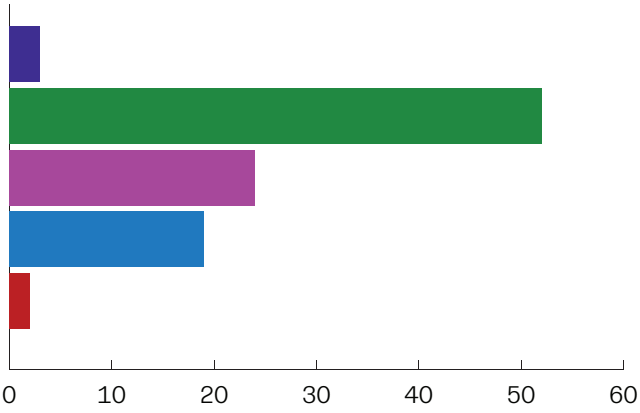
According to the Chamber, a number of factors contribute to today's labor shortage. They include a lack of affordable childcare, ill health, early retirements, and higher incomes from enhanced unemployment benefits – all of which can be traced to the pandemic or the response to it.

Of particular note is the Chamber's finding that labor force participation for working moms dropped from about 70% in the spring of 2020 to 55% in the early months of the lockdown. There has since been a rebound, but this population continues to participate at lower levels than they did before March 2020, likely due to the loss of some 370,000 jobs in the childcare industry early in the pandemic. As late as September 2021, employment in the childcare industry remained 10% lower than it was pre-pandemic, according to the Chamber.[1]

A segment of the population who were employed have taken the labor shortage as an opportunity to quit their job and find a new, better one. Our panel could not agree when asked whether the U.S. monthly job quit rate would reach the level currently seen in the Southeastern United States.

The national monthly job quit rate will have risen from a 17-year high of 2.4% in July 2022 to 3.0% (level in the Southeast U.S. today).

- 7% Strongly agree
- 43% Agree
- 33% Neither agree nor disagree
- 16% Disagree
- 2% Strongly disagree



[1] "Understanding America's Labor Shortage," U.S. Chamber of Commerce, April 2023



"There seems to be a shift in the balance of power between employer and employee. And the employee seems to be aware of that shift. We could be seeing an increased number of people who are not fulfilled, not satisfied, in their jobs and are willing to express that feeling and, importantly, take action. Is it generational? I am not sure. But something does appear to be happening."

Ilene H. Ferenczy, J.D., APA, CPC
Ferenczy Benefits Law Center

New opportunities through and after COVID

Stimulus payments and enhanced unemployment benefits gave some Americans opportunities they hadn't had before, like acquiring more education or starting a business. The Chamber says more than 4 million new businesses started in the U.S. in 2020.[1] Those who joined or remained in the workforce also found new opportunities with the creation of pathways allowing them to work from home. The Prescience panelists predict that employers who are unable to provide a work-from-home or hybrid work environment may find it necessary to engage employees in other ways, such as by enhancing their benefits package.

Speculating about solutions to the labor shortage

Of course, understanding why workers are missing from the labor force and fixing the problem are two different things. Changing the dynamic will require effort from several directions, including employers. We asked our experts what might be in store for gig workers and employers who hire them. We also looked at employment sectors where virtual or hybrid work schedules aren't feasible. Finally, we examined employer engagement efforts as well as employee efforts to leverage this newfound power and influence through organizing.

The gig economy

As workers become increasingly comfortable with rejecting (or at least bending) established employment norms, employers seem to be responding. In fact, 83% of our panelists agreed or strongly agreed that at least 10% of employers involved in the gig economy will offer contract workers voluntary payroll-deduction retirement savings mechanisms, such as IRAs, solo 401(k)s, and HSAs by the end of 2026. This appears to validate the belief that gig economy employers want to attract and retain workers and are willing to provide attractive benefits packages to do so.

When asked whether at least 5% of employers in the gig economy will offer multiple employer retirement plans (MEPs) for their contract workers by the end of 2026, 64% agreed or strongly agreed. And 60% agreed or strongly agreed that by year-end 2026, at least 10% of employers in the gig economy will offer voluntary insurance benefits to their contract workers.

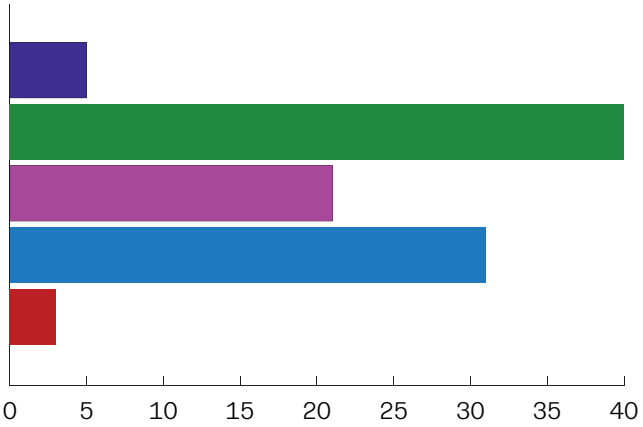
However, opinions from our experts began to diverge on topics like voluntary healthcare, voluntary savings programs for contract workers, and future legislation allowing contractors to participate in 401(k) plans.

"There is so much low-hanging fruit to address when it comes to the various coverages for full- and even part-time employees before we get to independent contractors that I don't see broad support for a legislative solution for independent contractors. However, there may be a demand from those individuals participating in the gig economy to have the benefits applied to them, including some type of voluntary savings mechanism. But that is about employers responding to demand as opposed to a legislative solution."

Craig Stanley, CPA, CPFA®
Lead Partner, Summit Group of Virginia, an Alera Group Company

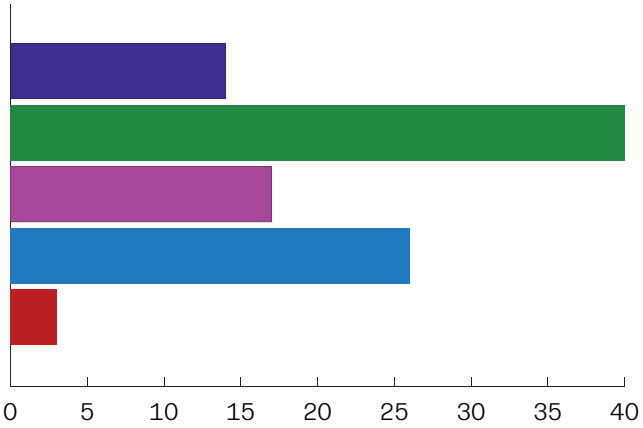
At least 30% of employers of the gig economy offering voluntary savings mechanisms will contribute to the retirement accounts of their contract workers.

- 5% Strongly agree
- 40% Agree
- 21% Neither agree nor disagree
- 31% Disagree
- 3% Strongly disagree



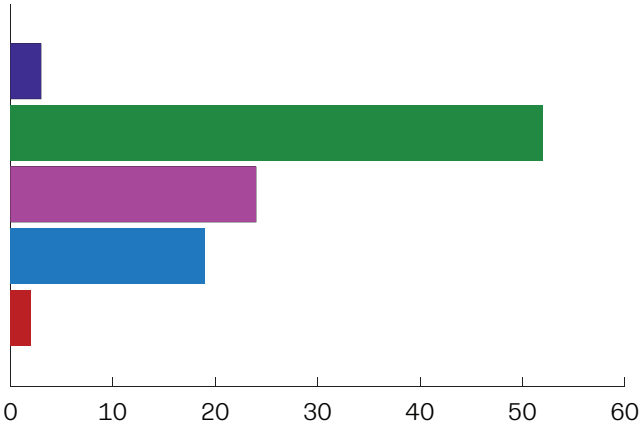
Legislation will have passed allowing independent contractors to participate in 401(k) plans.

- 14% Strongly agree
- 40% Agree
- 17% Neither agree nor disagree
- 26% Disagree
- 3% Strongly disagree



At least 10% of employers of the gig economy will offer voluntary healthcare coverage to their contract workers.

- 3% Strongly agree
- 52% Agree
- 24% Neither agree nor disagree
- 19% Disagree
- 2% Strongly disagree



"I don't believe the gig economy will ultimately be a satisfying long-term strategy for workers. There is a limited sense of shared community and purpose. And as the workers mature, start families, acquire property, and make longer-term financial plans, they likely will opt to re-engage in more traditional workforces."

Robin M. Green, President and Head of Research
WinMore Plans

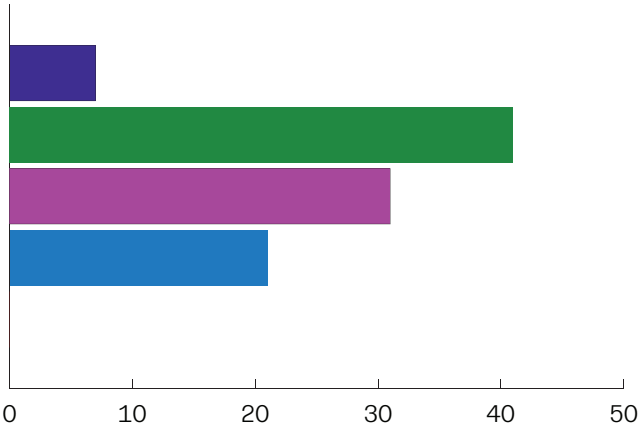
When work-from-home doesn't work

Our experts acknowledged that the pressures on employers who cannot or will not offer work-from-home arrangements will continue and increase. Employees seem to have some leverage in this area. Among our panelists, 76% agreed or strongly agreed that, in 2026, more employers in this situation will offer a flexible total rewards package allowing employees to exchange compensation and employer-paid benefits to better meet their needs. This is not surprising, considering that 74% of respondents agreed or strongly agreed with the statement that by year-end 2026, attracting talent to work where work-from-home is unavailable will be even more difficult than in other segments. Our experts also predict that the cost of labor for these employers will have risen faster in comparison to other employers; 71% agreed or strongly agreed with that thought.

There was less agreement on the rising costs of employee benefits in relation to the cost of labor for these employers, with less than half in agreement with the statement:

Employee benefits budgets in this segment will have risen faster than the cost of labor.

- 7% Strongly agree
- 41% Agree
- 31% Neither agree nor disagree
- 21% Disagree
- 0% Strongly disagree



Organization of labor

Our experts did not reach consensus on the topic of workers' efforts to unionize or form cooperatives. In fact, 72% of respondents were neutral on the statement that worker co-op membership will have more than tripled by 2026. They stayed neutral when asked whether the number of non-union worker co-ops will have more than doubled by 2026, with 71% neither agreeing nor disagreeing. This is intriguing considering the influence workers seem to wield in today's job market, and employer efforts to attract and retain talent.

"I have worked in professional services and financial services for several years and unionization and co-ops have yet to be on the radar. While we see stories in the news about a few high-profile companies that have dealt with this issue in the last few years, I have not seen it creep back into HR narratives for the industries I have worked for."

Ira Finn, PHR, SHRM-CP. CPSP
Ryan Specialty Group

Employee engagement

Engaging employees has concerned employers and the benefits community – including advisors and service providers – for years. The SECURE 2.0 Act gave employers a new tool, allowing them to offer small financial incentives (e.g., low-dollar gift cards) to help boost employee retirement plan participation. We asked our experts to speculate about how employee engagement might look by the end of 2026 in light of worker expectations and employer need.

Not surprisingly, 60% of our experts agreed or strongly agreed that all major human capital management (HCM) suites will report employee engagement metrics, including employee engagement with the benefits platform. The ability to measure and report on activity is critical to evaluating success. The fact that we didn't find greater agreement from the panelists may speak more about finding the right metric than it does about whether or not reporting would occur.

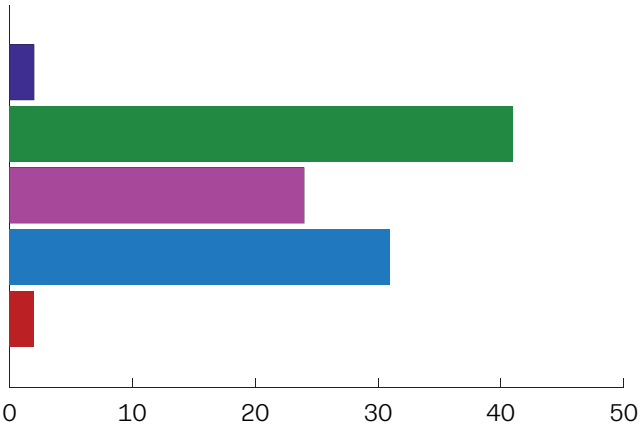
We asked about the impact of financial coaching on employees by the end of 2026. Nearly 60% of our experts agreed or strongly agreed evidence that financial coaching contributes to employee engagement will be abundant. If this holds true, it would certainly inform employer choices when it comes to employee engagement programs.

It was reassuring that many of our experts disagreed or strongly disagreed that employee engagement levels will be declining in 2026. However, the panel had no clear consensus on this point.

Panelists were split on the topic of funding for employee engagement programs that specialize in financial coaching, even among larger employers.

Most (more than 50%) of employers with 200-20,000 employees will have a budget to subsidize the cost of employee financial coaching.

- 2% Strongly agree
- 41% Agree
- 24% Neither agree nor disagree
- 31% Disagree
- 2% Strongly disagree





Drawing conclusions from these findings is challenging. We understand that employee engagement is critical for organizations of all sizes. But identifying specific engagement opportunities is less clear. In part, that's because employees define job satisfaction differently, a conclusion that once again suggests flexibility in workplace culture and benefits will continue to play an important role. Questions remain. For example:

- How is workplace community being defined?
- How well are managers and supervisors in these organizations performing their management roles, and how are they themselves faring?
- How do employers measure engagement?

More predictions to come from our panel of experts

Future Prescience 2026 polls will cover other important topics for the future of work, including:

- Meeting the needs of employers with fewer than 100 employees
- Reaping the most reward for benefit dollars and effort expended
- Financial coaching and advice
- Employee responsibility, accountability, and engagement

What does the future hold? Who can predict it? Will your view of the future match that of the Prescience 2026 Council? Watch for future releases, including combined results of all polls when Prescience 2026 concludes. We predict it will be useful for shaping benefits policies going forward for your organization.

"I expect to see some type of generally accepted metric developed to help verify we are doing a good job within our organizations and to allow for some degree of industry-level comparison."

Stig Nybo
Strategic Retirement Partners

About Transamerica

With a history that dates back more than 100 years, Transamerica is recognized as a leading provider of life insurance, retirement, employee benefits, and investment solutions, serving millions of customers throughout the United States. Recognizing the challenge — and opportunities — of increased longevity, Transamerica's dedicated professionals work to help people take the steps necessary to live their best lives.

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