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State of Engagement Report 2026

Economic pressures, work/life balance, clarity and how organisations can adapt for success

This report uses data from UK organisations that prioritise Organisational Health, measured using the Best Companies b-Heard survey and insights. For workplaces without this focus, the challenges are even greater.

" For 25 years, Best Companies has been 'Helping to make the world a better workplace' by supporting organisations to understand their Organisational Health.

We provide the data-driven insights needed to identify successes and pinpoint areas for growth via Elevate and our targeted 1 + 3 Method™ (1 to Celebrate and 3 Opportunities to Improve).

This commitment is more critical now than ever.

The current economic climate has caused financial pressure to organisations and their people, resulting in a reduction in Organisational Health.

However, this period of challenge is also an opportunity for innovation. We are seeing exciting momentum, driven by two key factors.

First, the principles of **Industry 5.0** *[more on page 6]* are compelling Leaders to strategically marry people and new technologies to boost efficiency and relieve employee pressure. Second, the movement to help Managers to develop their People Leadership skills, accelerated by solutions such as **Elevate**, is actively creating more dynamic, resilient and performant teams. This report details how our clients are not just navigating this change, but leading it."

Jonathan Austin
Founder & CEO, Best Companies

" **The way to build a great company is to collect a group of people who are all heading in the same direction, and then give them the tools and the freedom to get there. It's about people who believe in the 'why' behind what they do.**"

Satya Nadella
CEO, Microsoft

Introduction

Our data shows significant signs of a gap in Organisational Clarity – particularly between companies that have high and low levels of employee engagement – reflecting a downturn in the number of employees *"who believe in the 'why' behind what they do"*.

Best Companies data, gathered from over **145,000** employees across the UK over the past 12 months, reveals that a lack of clarity from Leaders to Team Members. This combined with economic instability, rising financial pressure on business and the continued rise of AI, is leading to an increase in feelings of job insecurity, and a declining sense of Fair Deal, training and progression opportunities.

This sentiment is best supported by the fact that the four statements that saw the greatest deterioration over the past year were all financial and job security related.

"The economic climate makes me worried about my organisation's future" deteriorated by **5.06**pp*

"I feel my job is secure" deteriorated by **3.32**pp*

"My organisation puts profits ahead of its people" deteriorated by **2.46**pp*

"Profit/budget concerns are the only things driving this organisation" deteriorated by **2.11**pp*

* Percentage Points

www.b.co.uk

This signifies that employees are questioning whether they have a future at their organisation and whether they are being paid fairly.

Furthermore, these pressures are creating a further issue: a perceived lack of work/life balance.

- **"Most days I feel exhausted when I finish work"** was the lowest performing statement overall **(46.57%)** and saw a year-on-year deterioration in score.

- **"I'm spending too much time working"** was the sixth lowest performing statement **(56.95%)** and also saw a deterioration over the past year.

While current workplace conditions remain challenging, those Leaders fired up and prepared to address the challenges facing their organisation and their people, are creating a more resilient, sustainable and successful business.

This report will look at how employees are currently feeling about their working lives, including their sense of fairness, wellbeing and growth opportunities. Also, how Managers can help Leaders to address the decline in Employee Engagement and the strategies organisations have put in place that have helped them buck these general trends.

A Year in Review

In 2025, we marked the 80th anniversary of the end of World War II, a timely reminder of what resilience and togetherness can achieve in the face of hardship. The UK government also announced its latest Budget and the AI Opportunities Action Plan, both of which parallel current employee sentiment.

And, on first reading, this employee sentiment may seem concerning. Of the eight factors that make up the Best Companies Methodology, only one (Giving Something Back) saw its score increase over the past year. Furthermore, over half of all organisations declined in their Best Companies Index (BCI) score, by an average of **22.64 points**.

This is the second consecutive year that we have seen more than half of all organisations decline in BCI score (last year also saw 52% of organisations decline by 21.49 points).

Year	Companies Declined	Average BCI Decrease
2023	48%	23 Points
2024	52%	21 Points
2025	52%	23 Points

However, the positive for organisations is that there are strategies that you can implement *today* to stop the decline and start to improve employee engagement. And many organisations have already done so, bucking the average trend, creating more **Organisational Clarity** and seeing higher levels of **Employee Engagement** and, as a result, **Organisational Health**.

So, what are the solutions to employees' economic pressures, work/life balance concerns and AI uncertainty?

Contrary to popular belief, just increasing wages, benefits or bonuses will not solely fix the problem, particularly when, in the current climate, businesses are also feeling the pinch. That's not to say that ensuring fair pay and benefits isn't important, it absolutely is, but our research shows that this is a *hygiene factor*. In other words, not providing a fair wage is detrimental to your employee engagement, however only increasing pay, while paying no attention to the My Manager and Wellbeing factors, will also result in negative sentiment towards your organisation.

Instead, organisations need to focus on reducing pressure through other means, including training employees on the benefits of AI, enabling them to be more efficient and removing the stress of time-consuming administrative tasks and encouraging cross-team collaboration to streamline projects, reducing pressure on the individual through collective cooperation.

And how can this be achieved? Through effective, trained Managers who understand the importance of their role as a ***People Leader***. To drive progress, organisations must move beyond Managers who operate primarily in delivery mode, coordinating tasks, overseeing work and driving task completion, and instead **empower them to understand their role in shaping engagement, capability and culture**.

Doing so will have a monumental effect on productivity, performance and, as a result, Organisational Health. 2025 may have been the year of the Oasis comeback, but, in 2026, it's business' turn.

What's Coming in 2026? Introducing Industry 5.0

We have entered the age of Industry 5.0, which builds upon the efficiency-driven automation of Industry 4.0 - Industry 5.0 pivots toward a future centred on three core tenets:

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│Human-Centricity│ │Sustainability│ │Resilience│
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"In a world where employees are facing external pressures, anxiety about the economy and the rapid integration of AI, an Industry 5.0 strategy isn't a luxury, it's essential. By placing human-centricity at the heart of operations, we combat insecurity, making our organisations resilient and truly future-ready."

Jonathan Austin Founder & CEO, Best Companies

- **From 2020 - 2025**, Industry 4.0 focused on connecting devices and systems to drive automation and data exchange (Internet of Things, AI, etc.).

- **Industry 5.0** places the wellbeing and value of the human worker at the centre, advocating for people and machines to work in closer collaboration.

As such, organisations need to continue to support their community and environmental initiatives, but more focus needs to be put on their people strategies, particularly when it comes to focusing on their **employees' wellbeing, sense of fairness and training,** and *retraining*, **provision**.

Let's take a look at the challenges that companies are facing when it comes to implementing Industry 5.0 focused strategies.

The Challenge: The Pressure Problem

We're all fed up hearing about it, but, unfortunately, it's unavoidable; the cost-of-living crisis is having a dire effect on the pressures being felt by employees and employers alike.

Unsurprisingly, employees are feeling financially challenged and this stress point is just the first toppling domino in a chain of anxieties.

Fair Deal - employees' perception of being fairly compensated, supported and treated - saw the greatest decline of the Best Companies 8-Factors. Furthermore, **every Fair Deal statement deteriorated in score over the past 12 months**, and four of the ten lowest performing statements were from this factor.

Wellbeing - how employees feel about how their organisation cares for their mental, physical and financial health - has also been impacted by these same challenges.

This external economic pressure is exacerbating internal pressures such as concerns about job security, the financial stability of the employer, excessive workload and work/life balance.

The cause of declining Fair Deal scores is therefore less a simple compensation issue and more a symptom of a multitude of cascading concerns and a perceived lack of organisational support for wellbeing. Here, Organisational Clarity is key. **People Leaders** are more likely to see increases in Employee Engagement when they can:

- **Listen to, recognise and acknowledge employee stress points.**

- **Work with their people to devise strategies that support both individuals and the business.**

- **Communicate the pressures that the organisation is facing.**

As interconnected as the two factors are, the decline in Fair Deal has resulted in a similar drop in Wellbeing, with more than half of all surveyed organisations seeing their scores decrease by an average of **2.66pp***.

As we discussed earlier, ***"Most days I feel exhausted when I finish work"*** was the lowest performing statement overall **(46.57%)**, and ***"I'm spending too much time working"*** the sixth lowest **(56.95%)**, with both statements also seeing deterioration in their scores over the past year.

If this is how employees at culture-conscious organisations are feeling about their work/life balance, then what effect is it having on the average worker? One report found that **91% of adults experienced burnout in the past year**[1].

* Percentage Points
[1] https://mentalhealth-uk.org/burnout

This signifies that employees feel that they are having to sacrifice work/life balance to support the business, often affecting their mental health and without receiving what they feel is fair remuneration for their efforts.

This is evident through the fact that the statement **"I feel I receive fair pay for the responsibilities I have in my job"** was the seventh lowest performing statement **(57.23%)**, and saw a year-on-year deterioration of **1.46pp***.

This is further corroborated through external research, which shows that **three-quarters of employees are stressed because of the cost of living, and half feel they can't talk to work about it**[2].

Our data shows that even organisations that are focused on creating open conversations find this difficult, with the statement, **"I feel I can tell my manager when work is going badly"** seeing a small deterioration over the past two years.

These declines also have consequences for organisations' bottom lines. Studies show that through rising absenteeism and diminishing productivity brought on by this pressure crisis, **poor mental health costs UK employers £51 billion per year**[3].

Clearly, organisations need to focus on supporting their employees' wellbeing by minimising the number of internal pressures. This includes setting up safe spaces for employees to talk about their concerns without fear of judgement or repercussion and clear signposting to any wellbeing resources and/or benefits that the organisation might offer.

However, the solution doesn't always lie in large budgets for more hires or salary bumps. A key strategic driver of negative wellbeing is the feeling of constant upheaval and a reactive work environment.

The statement, **"This organisation is more reactive than proactive"** deteriorated by **1.66pp*** over the last year, making it the third lowest performing statement overall at **49.68%**. This deterioration is significant as a perceived environment where *"there is too much going on and change is happening too quickly"* directly contributes to increased employee stress, workload pressure and a decline in work/life balance.

Addressing this reactive culture is a cost-effective way for organisations to ease internal pressure and support employee wellbeing. It also creates a crucial connection to the strategic principle of **Organisational Clarity**.

Organisational Clarity

How well employees understand your organisation's purpose, direction and plan, and how their roles contribute to it.

Organisational Clarity **does not** mean creating certainty, it's about creating transparency and communicating honestly.

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* Percentage Points

[2] https://www.peoplemanagement.co.uk/article/1912832/three-quarters-employees-overwhelmed-rising-cost-living-yet-almost-half-fear-opening-work-study-finds

[3] https://www.deloitte.com/uk/en/about/press-room/poor-mental-health-costs-uk-employers-51-billion-a-year-for-employees

When employees lack clarity on priorities, the plan or their roles, the organisation is forced into a reactive cycle of crisis management and sudden changes, which exacerbates anxiety. By focusing on increasing clarity, employees can manage their work and stress more effectively.

But what other solutions are available to organisations looking to reverse the current trends?

The Solution: Clarity, Collaboration and Coaching

"Seek first to understand, then to be understood." Stephen R. Covey

Organisations must find ways to reduce pressures, this is the key to performance recovery, and a pay rise is often only a short-term fix, or not feasible from a business perspective.

As such, companies need to look at other means to help relieve employee stress points. This starts with a fundamental shift in how leadership reinforce the organisation's vision, plan and values, and how managers overcommunicate this, during times of uncertainty.

→ Clarity: Leading the Way

Whether you are the CEO, a member of the Senior Team or a Team Manager, it is your responsibility as a *People Leader* to ensure that your direct reports understand **'what we're here to do, how we get there and how we behave on the journey'**.

But your employees also need to understand the financial challenges the organisation is facing, particularly in these testing times.

Unfortunately, this is a challenge where there is currently a general lack of clarity. This, combined with the fact that employees are now turning to their employers (rather than government) to help them out during the cost of living crisis, has led to a drop in Leadership scores, with **56%** of organisations declining in this factor by an average of **4.16pp***. The reason is that many employees feel that their hard work is going unrewarded while having the perception that the organisation is financially healthy.

And this sentiment is most acutely reflected in two key statements:

- **"Senior Managers of this organisation do a lot of telling but not much listening"** scored **61.36%** making it the lowest performing Leadership statement.

- **"My organisation puts profits ahead of its people"** saw a deterioration of **2.46pp***, giving it a score of **61.21%**.

The impact of this is a loss of belief in, and connection with, Senior Leadership.

There is a direct correlation between a perceived lack of listening and declining employee confidence in leadership. This is evidenced by more than half of organisations seeing deteriorating scores for the statement: **"I have confidence in the leadership skills of the senior management team"**.

Furthermore, when employees feel profitability is being prioritised over their needs, they begin to become misaligned with leadership, and as a result the organisation's purpose and priorities. Again, more than half of all organisations also saw a deterioration in the statement, **"I am inspired by the person leading this organisation"**.

The data paints a clear picture: employees have the perception that their voices are not being heard, and their personal needs are not being prioritised over commercial gain.

Now, we know that this isn't necessarily the case. In fact, the companies within our dataset are ones who regularly use our b-Heard survey to actively listen to their employees. If these are the results that these organisations are seeing, then what is the impact on the average business? One survey found that **86% of employees feel that people in their workplace are not listened to**[4].

From this, we can conclude that the core issue is often actually a failure to reinforce and overcommunicate Organisational Clarity effectively, rather than a complete lack of it.

Leadership and management are not consistently articulating that they understand the struggles of their employees, nor the strategies they are implementing to respond to concerns. It further suggests that employees are not being made a part of the decision-making process when it comes to finding solutions to these issues, as they are unaware of, or misunderstanding, any policies being put in place to address their concerns.

It suggests that the current workplace culture is not meeting employee needs, rather than inspiring the resilience needed to face economic pressures and technological change.

Moreover, the employees' perception that their employer puts profits ahead of its people, indicates that Leaders and Managers are not doing an effective job of communicating and overcommunicating the organisation's financial situation.

* Percentage Points

[4] https://www.forbes.com/sites/carolinecenizalevine/2021/06/23/new-survey-shows -the-business-benefit-of-feeling-heard--5-ways-to-build-inclusive-teams

To repeat Stephen R. Covey's quote from the beginning of this section, *"Seek first to under-stand, then to be understood"*. **People Leaders** need to practice **active listening**. They need to be able to listen to, understand and acknowledge their employees' concerns, without necessarily being able to fix them.

They must then communicate Organisational Clarity by illustrating how team and individual contributions align with organisational goals and personal aspirations.

'You said, we listened, we improve together' advocates open communication and employee input into people strategy, and should be adopted by organisations looking to improve engagement.

To reverse this concerning trend, organisations must move beyond simply collecting feedback. They must provide unambiguous clarity through reinforcing and overcommunicating messaging on how they have listened to employee input, how they intend to act upon it, how they will work with their employees to find the solutions together.

People Leaders must:

- **Clearly and consistently communicate** the tangible actions being taken in response to employee concerns.

- **Actively demonstrate** that the long-term health and wellbeing of employees is inextricably linked to the organisation's strategy, embodying the Human-Centricity tenet of Industry 5.0.

- **Show a clear, visible commitment** to listening and adjusting strategy based on employee feedback.

This strategic focus on active listening and transparent follow-through is the essential first step in building employee confidence and creating a culture where people feel valued, heard and aligned with the organisation's direction.

While strategy sets the direction, the successful translation of these goals into daily practice relies heavily on the influence and capability of the organisation's **People Leaders**.

→ The People Leadership Index

People Leaders are the catalyst for implementing sustainable solutions: they are key to creating collaborative teams, identifying training opportunities, reinforcing and overcommunicating Organisational Clarity and, as a result, helping to reduce pressure and anxiety in Team Members.

They are the essential link connecting the high-level strategy to the individuals responsible for executing it on the ground.
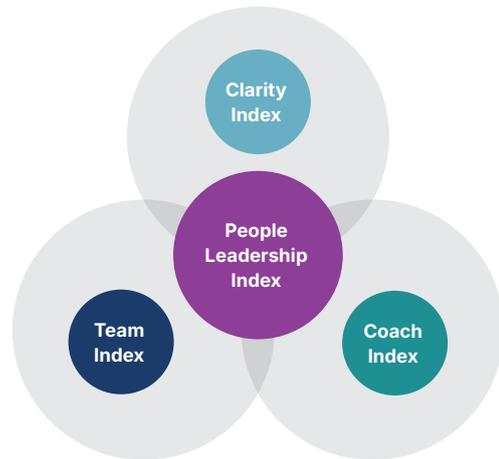
We can measure how effective *People Leaders* are in these roles through the **People Leadership Index (PLI)**. Developed by Best Companies, this index empowers Managers to identify their People Leadership strengths and opportunities for growth.

While many methodologies look at the company as a whole, the **People Leadership Index (PLI)** focuses in on the specific relationship between a Manager and their direct reports. It serves as a vital diagnostic tool because it quantifies the intangible elements of people leadership, allowing organisations to **identify exactly where People Leaders are excelling and where they can further develop their skills** to create stronger, more collaborative teams.

The **PLI** consists of three elements: the **Clarity Index**, **Team Index** *(more on page 19)* and **Coach Index** *(more on page 22)*.

Clarity Index

Organisational Clarity is how well employees understand their organisation's **purpose, principles, ambition** and **plan**, and how their roles contribute to it.

The Clarity Index consists of four elements:

- **Primary Purpose:** An organisation's reason for existing - beyond profit. A powerful Primary Purpose answers *"Why are we here?"*.

- **Core Principles:** The behavioural basis of your culture. Core Principles define the values that drive consistent, healthy behaviours across the organisation.

- **Outrageous Ambition:** A future event that affects your current behaviour. An Outrageous Ambition is time-bound and paints a vivid picture of where you're going and why it's worth striving for.

- **Ingenious Plan:** The roadmap from where we are now to where we are going. An Ingenious Plan connects the dots between your Primary Purpose, Core Principles and Outrageous Ambition.
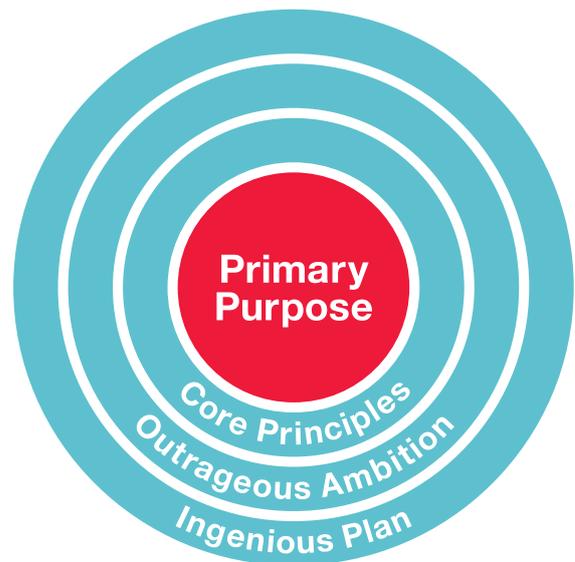
When employees truly understand this, they engage more, they make better decisions and their performance increases.

However, in order to achieve this, clarity begins at the top. Only once Leaders clearly reinforce messaging and provide Managers with the tools they need to overcommunicate it, true clarity can be achieved.

Best Companies Accreditation

Much like the prestigious Michelin Star system for fine dining, the Best Companies Recognition and Accreditation serves as a definitive benchmark for excellence in Employee Engagement.

Level	Best Companies	Michelin Guide
Ones to Watch Recognition	Good	Potential for a Star
1-Star Accreditation	Very Good	High Quality
2-Star Accreditation	Outstanding	Excellent
3-Star Accreditation	World Class	Exceptional

The data in the graph below demonstrates a clear cascade effect: when Directors provide high levels of Organisational Clarity to Managers, those Managers are better equipped to align their teams. The data shows a smaller score variance from the top to the bottom of 3-Star organisations, suggesting stronger alignment than what is found in Non-Accredited ones.

As Organisational Clarity improves, the alignment gap between the top and bottom of the organisation shrinks significantly, resulting in Team Members being more closely aligned with the Director's vision for the organisation. In 3-Star organisations, the variance between Directors and Team Members is only **11.81%**, compared to a much wider **20.01%** gap in Non-Accredited organisations.

Organisation Status	Directors vs. Managers Gap	Directors vs. Team Members Gap
3-Star Accredited	8.74%	11.81%
Accredited	12.43%	13.26%
Non-Accredited	21.36%	20.01%

Note on Percentages

Variance is calculated as the percentage difference between scores, rather than a percentage point deduction, to accurately reflect the relative gap in clarity.
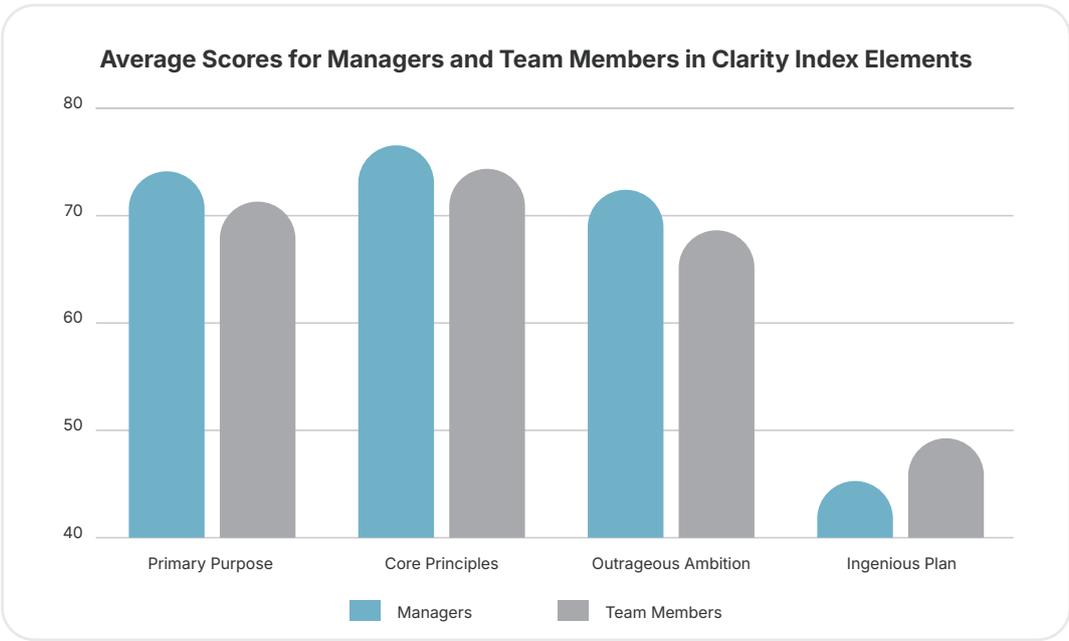
Clarity Index Scores by Job Grade

Legend: Director | Managers | Team Members
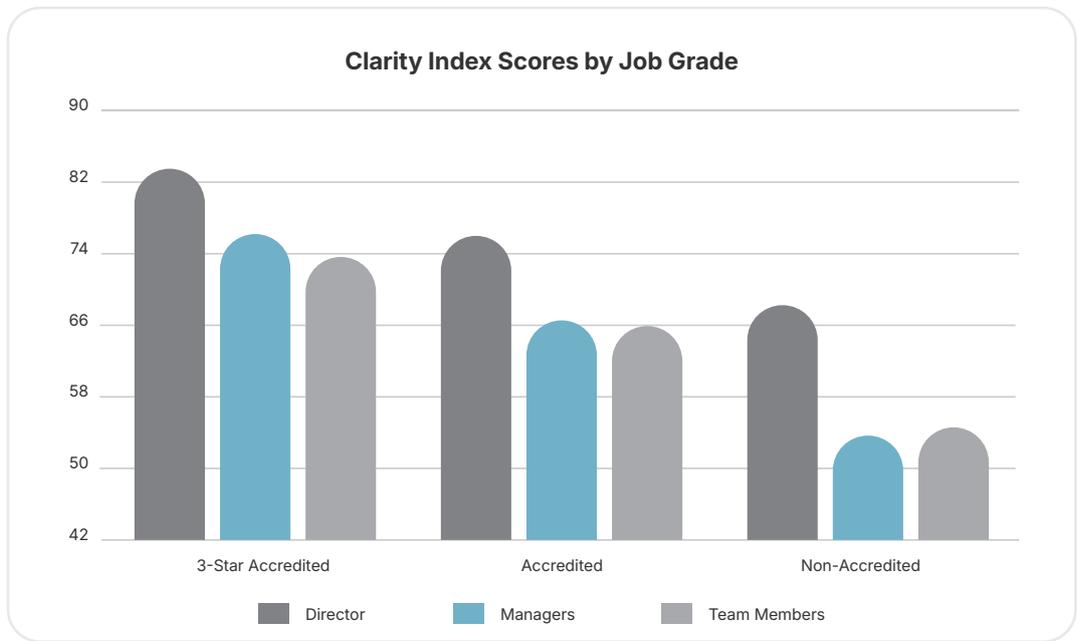
Notably, in Non-Accredited organisations, the variance between Directors and Managers **(21.36%)** is actually higher than the variance between Directors and Team Members **(20.01%)**. While this may seem unusual, it ultimately highlights the core issue: **Leaders can communicate Organisation Clarity to the whole organisation but Managers have the challenge of communicating these messages to their teams.**

Of greater significance, we can see that Directors in Non-Accredited organisations have an average Clarity Index score of **68.25%** which is lower than Team Members at 3-Star organisations **(73.64%)**. **If Leaders lack clarity, how can they expect their people to understand the organisation's purpose, goals and plans to get there?**

Where is the greatest opportunity for clarity improvement?

Our data shows that while Managers and Team Members generally have a good understanding of their organisation's purpose, principles and ambition, **where they struggle is understanding the plan of how they will achieve their goals.**

To improve Organisational Clarity, **People Leaders** need to focus on ensuring that they are not only communicating their organisation's goals but also showing their colleagues how they can achieve them.

Average Scores for Managers and Team Members in Clarity Index Elements

Chart showing average scores (y-axis from 40 to 80) across four Clarity Index Elements, comparing Managers (blue) and Team Members (grey):

- Primary Purpose: Managers ~74, Team Members ~71
- Core Principles: Managers ~76, Team Members ~74
- Outrageous Ambition: Managers ~72, Team Members ~68
- Ingenious Plan: Managers ~45, Team Members ~49

Legend: Managers (blue), Team Members (grey)

The 'Ingenious Plan' has to start with Leadership. They need to build it first, then cascade it down. If there's confusion, it's usually because Leaders haven't provided enough **Organisational Clarity** for Managers to actually explain the plan to their teams in a way that helps them to recognise how their role is vital to its success.

As such, **People Leaders** often need support to cascade these communications, tailoring the message to resonate specifically with their team's role and demographic (e.g., a Sales team needs a different focus than a Finance team).

This targeted approach ensures that every individual clearly understands their part in the overall strategy, leading to better decision-making, improved performance and a reduction in employee pressure as individuals recognise the impact that their work has on the shared vision of the business.

By clarifying the Ingenious Plan and their team's role within it, **People Leaders** directly combat job insecurity, transforming uncertainty into resilient, human-centric purpose as advocated by Industry 5.0.
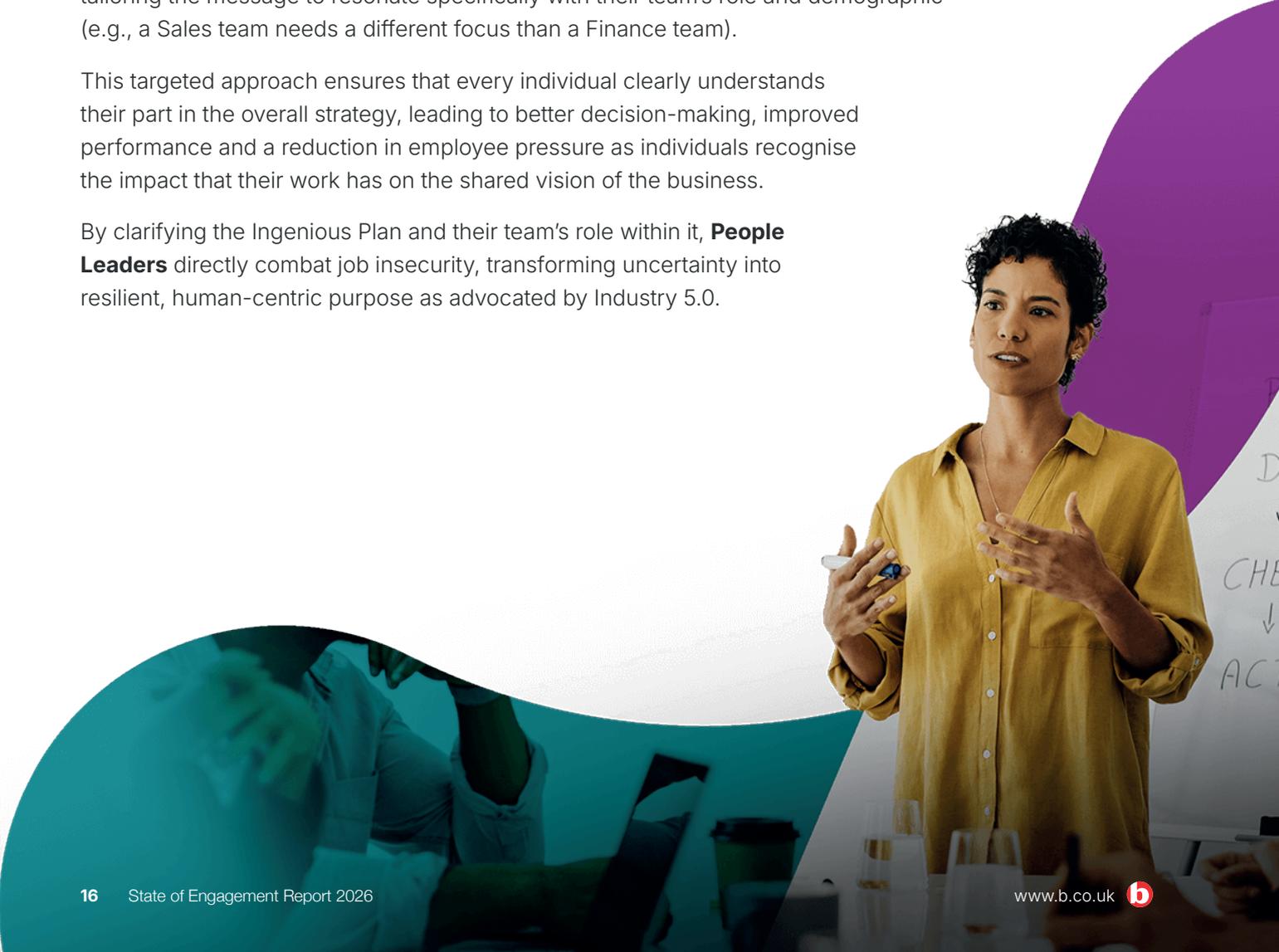
→ Collaboration: Building Teams That Win

Another way that organisations can reduce employee pressure and gain a competitive advantage is by creating cohesive teams that collaborate.

An excellent example of the importance of team cohesion is the U.S.A. men's Olympic 4×100 metre relay team.

While most nations have a relay team set before the Olympics to allow plenty of time to practice, the US prefers to make a later decision based on the most in-form runners, leaving less time for building team cohesion.

The result? In the five Olympics since 2008, individual US runners have earned six medals in the 100m event. However, they won *no medals* as a team in the 4×100m relay during the same time period.

And if this is the impact of team cohesion when the objective is to simply pass a baton between runners, what can the impact be in a working environment where objectives are much more complex?

In one study, aligned and high-performing teams resulted in a **78% decrease in absenteeism and increases of 14% in productivity and 23% in profitability**[5].

Further studies show that employees who feel that they are part of a supportive team are **80% more likely to have an increased sense of wellbeing and lowered stress levels**[6].

[5] https://www.gallup.com/workplace/236366/right-culture-not-employee-satisfaction.aspx

[6] https://www.atlassian.com/blog/teamwork/the-importance-of-teamwork

That's a pretty significant impact, yet our data shows that employee sentiment about their team relationships is declining, particularly when it comes to inter-departmental collaboration and breaking down organisational silos.

- **My Team saw the second greatest fall** of all the 8-Factors.

- **Almost two-thirds of organisations declined** in this area and did so by an average of **2.67pp***.

- **"Some departments/teams in this organisation don't work well with each other"** was the second lowest performing statement overall, with a score of **46.69%**. This signals a lack of cross-functional alignment and communication.

- **"People are afraid to express their true feelings in team meetings"** had a low performing score of **65.46%**, indicating a low degree of Psychological Safety, which is essential for honest communication and streamlining decision-making.

Psychological Safety

As defined by Amy Edmondson, Psychological Safety is *"a belief that one will not be punished or humiliated for speaking up with ideas, questions, concerns or mistakes, and that the team is safe for interpersonal risk-taking."* [7]

Evidently, organisations need to focus their energy not just on bringing individual teams together, but on ensuring different departments are aligned on priorities to reverse the negative team trend that has become apparent over the past few years.

A more focused approach requires:

- **Breaking down silos and overcoming the friction** that occurs when departments have competing or different targets and agendas.

- **Enhancing communication and collaboration between teams** to create streamlined decision-making processes.

- **Empowering People Leaders to actively foster Psychological Safety** in cross-functional settings, thereby encouraging teams to express true concerns, debate conflicting priorities and eliminate inefficiencies caused by a lack of honest communication.

* Percentage Points

[7] https://amycedmondson.com/psychological-safety

Team Index

Best Companies' 25 years of research shows that there are four key elements that **People Leaders** must embody to ensure that their teams are **engaged, productive** and **aligned with the organisation's values and goals**. **We call this the Team Index Model.**
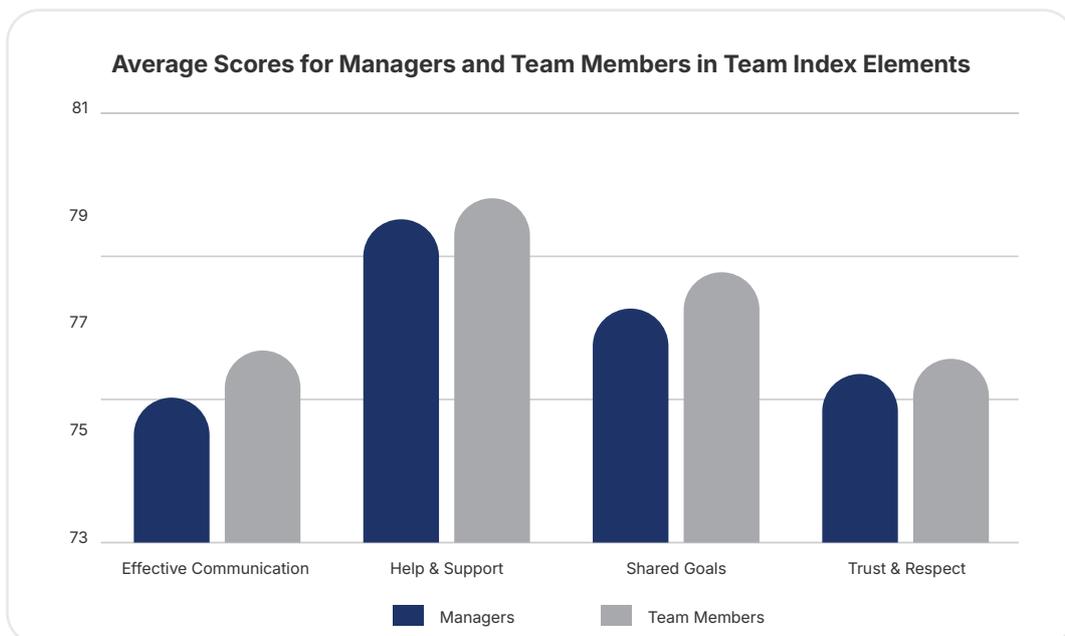
Where is the greatest opportunity for team improvement?

In particular, **People Leaders** need to focus on building **Trust & Respect**, and on their **Effective Communication** techniques.

Trust & Respect is vital for any team. When employees feel as though they are able to be open and honest about their work and how they feel, they are more likely to perform well.

External research into the importance of Psychological Safety suggests that organisations that practice this as a part of their culture can benefit from a **27% reduction in turnover**[8], **76% more engagement**[9], **a 50% increase in productivity** and **a decrease of 74% in stress levels**[10].

According to Best Companies data, Trust & Respect and Effective Communication are the two lowest performing elements of the Team Index. Furthermore, the data suggests that Managers lead their own teams more effectively than they are being led by their Senior Management.

Average Scores for Managers and Team Members in Team Index Elements

[8] https://www.gallup.com/workplace/236198/create-culture-psychological-safety.aspx

[9] https://www.gallup.com/workplace/238085/state-american-workplace-report-2017.aspx

[10] https://hbr.org/2017/01/the-neuroscience-of-trust

While communication is a broad topic, the data suggests that **People Leaders** need to be clear about objectives and how to achieve them. This includes ensuring team meetings are leveraged as efficient forums for decision-making, and fostering an environment where Team Members feel genuinely empowered to express their concerns without fear of reprisal.

This deliberate focus on honest, open communication is critical because it underpins the other **PLI** elements and the ability to build Trust & Respect. When **People Leaders** are proactive about truly listening and acting on feedback, they demonstrate that the team environment is **psychologically safe**. The data shows that this is something that organisations need to focus on, with the statement **"People are afraid to express their true feelings in team meetings"** being the lowest performing for the Effective Communication element.

Focusing on Trust & Respect and Effective Communication directly enables the creation of high-performing teams. This has the benefit of reducing employee pressure. **Furthermore, a trusting team environment provides the Psychological Safety necessary for effective introductions to new technologies, without the anxiety often associated with AI initiatives.**

→ Coaching: Embracing Development, AI and Becoming Future-Ready

While AI can greatly benefit employees by taking away the monotonous nature of completing menial tasks, freeing up time for high-value ones, organisations must be conscious of how this technological shift is being managed. **External research shows that half of all employees are worried about how AI might be utilised in their workplace[11] and only a quarter say that they have received training on how to use AI[12].**

Consequently, organisations need to equip employees with the proper training on *how to use AI effectively to reduce pressure*, rather than simply automate their job.

However, our data shows that employees feel that their training opportunities have stagnated, particularly in AI-intensive sectors.

Comparing **Personal Growth** scores from 2024 to 2025 across all sectors, **more than half of all organisations have declined in this Factor by an average of 3.06pp***. This is a continued trend from the previous year where 57% of organisations declined by an average of 2.99pp*.

Of even greater concern is when we look only at the sectors that are most likely to use AI regularly *(Accountancy, Business Services, Consultancy, Education & Training, Financial Services, Marketing & Media Agency and Technology)*, there is a steeper decline:

- **More companies in these sectors saw their Personal Growth scores decline over the past year compared to the overall average.**

- **The drop in their scores was deeper than the overall average decline.**

* Percentage Points

[11] https://www.pewresearch.org/social-trends/2025/02/25/workers-views-of-ai-use-in-the-workplace

[12] https://kpmg.com/uk/en/insights/ai/uk-attitudes-to-ai.html

Analysing each of these sectors in comparison to the overall average, only Education & Training and Financial Services have a lower percentage of declining organisations compared to the overall average.

More than three-quarters of Technology organisations declined in Personal Growth, making it the worst performing sector in this regard.

% of Organisations That Declined in Personal Growth by Sector
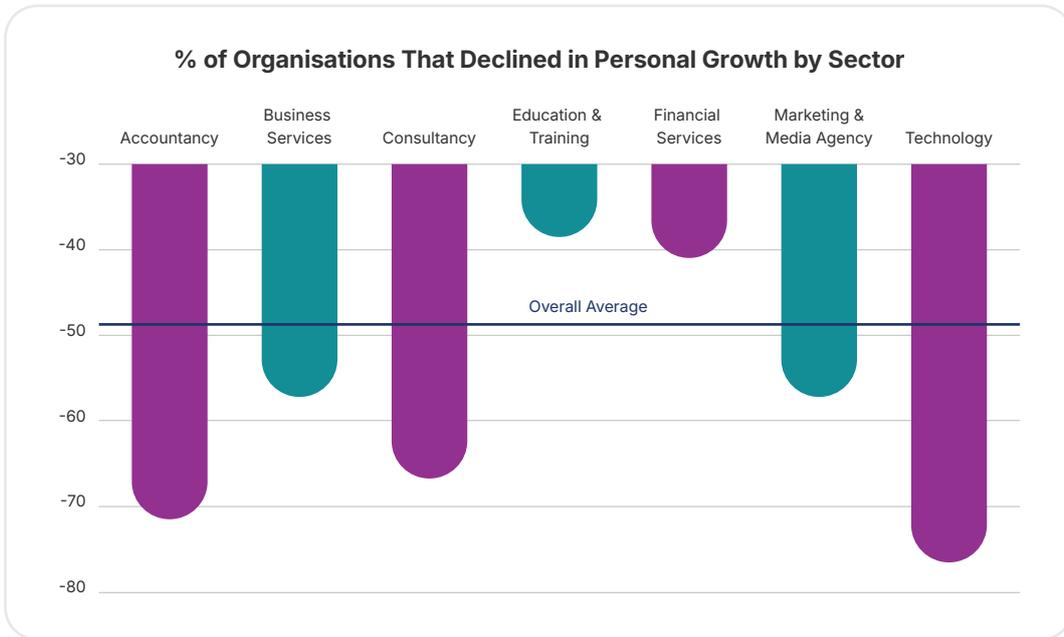
Furthermore, when we break this down into how much each sector's scores have declined by, we see a similar pattern.

On this occasion, it is the Accountancy and Education & Training sectors that have less of a decline than the overall average.

Technology is again the worst performing sector, with a score decline more than twice as great as the average.

% of Personal Growth Score Decline (Declining Organisations Only)

All sectors (with the exception of Education & Training) have seen greater declines than the average in at least one of two ways:

- **They have a higher percentage of companies in decline.**

- **Their Personal Growth scores have dropped more sharply.**

The decline in **Personal Growth** scores reflects a mounting trend of employee dissatisfaction regarding professional development. While this trend is broad, a significant driver is the lack of specific support for emerging technologies; employees feel increasingly unprepared for the AI-driven shifts currently reshaping their roles.

Organisations that prioritise growth and development opportunities do more than just boost productivity; they actively foster a culture of resilience and human-centricity; two core tenets of **Industry 5.0**. Central to this evolution is encouraging employees to embrace AI as a collaborative partner rather than a replacement. By integrating AI to automate mundane administrative tasks, companies can alleviate daily pressure on their workforce, allowing employees to redirect their energy toward high-value initiatives.

Furthermore, employees who have the opportunity to learn and grow feel more valued, and the skills that they develop mean that they are more capable of adapting to changing strategies and technologies, giving organisations a competitive edge.
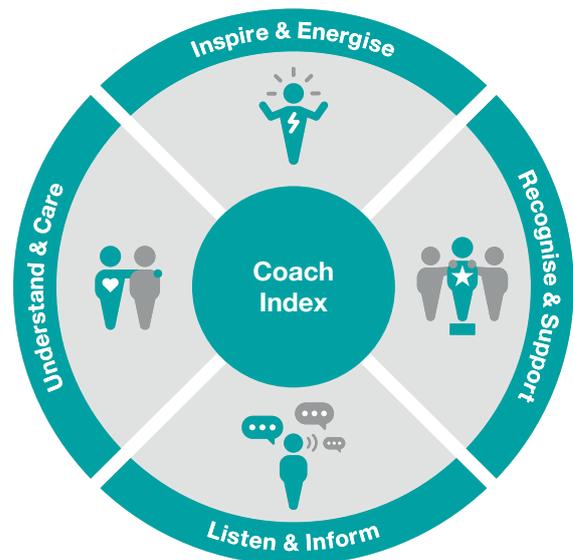
Coach Index

Being a Manager means much more than just ensuring that your team's targets are being hit. It's also about helping your people to grow personally and professionally. This is being a **People Leader**, and this is vital to building teams that drive success. Unfortunately, one external report suggests that **Managers are only spending a quarter of their time being People Leaders**, and twice as much time on administrative and individual-contributor work[13].

Research shows that while Managers are adept at setting targets and deadlines and delegating tasks, where they are currently struggling is providing the more human-centric **People Leader** approach needed for Industry 5.0.

Best Companies research has identified four elements that are key to the coaching aspect of People Leadership. These are: **Inspire & Energise, Recognise & Support, Listen & Inform,** and **Understand & Care**.

Again, the Best Companies data shows that when **People Leaders** focus on inspiring, listening, supporting and caring, engagement increases.

[13] https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/stop-wasting-your-most-precious-resource-middle-managers

The graph below illustrates a clear positive correlation between intentional relationship-building and overall workforce engagement. Organisations that prioritise the quality of the connection between **People Leaders** and their direct reports consistently see higher levels of engagement.

Furthermore, the graph highlights a critical *'top-down'* effect. **When Senior Leaders manage their Middle Managers effectively, those Managers are significantly better equipped to lead their own Team Members.**

Coach Index Scores by Job Grade
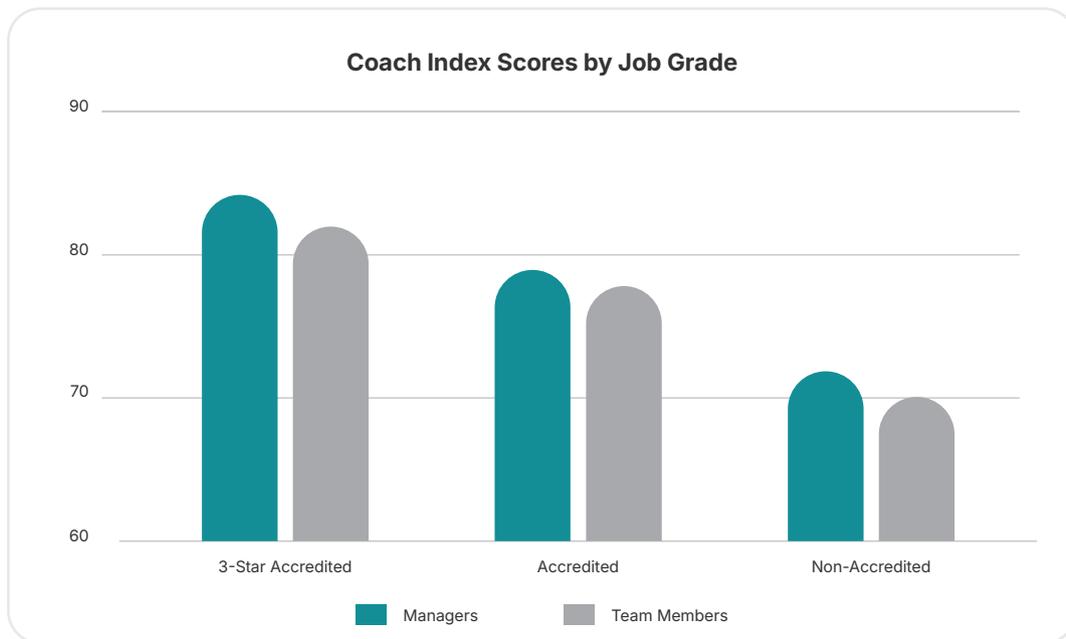
This is further backed by the fact that Team Members in Accredited organisations score **11% higher** for the statement *"**My Manager cares about me as an individual"*** and **12% higher** for the statement ***"My Manager takes an active interest in my wellbeing"*** over Non-Accredited organisation Team Members.

Where is the greatest opportunity for People Leader improvement?

Of the three indexes that make up **PLI**, the Coach Index has the strongest overall performance. However, that doesn't mean that there aren't areas that could be improved further.

While Recognise & Support is the closest aligned between Managers and Team Members, it also has the lowest average score when combining the two scores from each element together. As such, this is an area where **People Leaders** can look to improve on by providing more help where needed and acknowledging good work with positive affirmations.

Strong performance in this index, particularly in **"Understand & Care"**, is crucial for supporting employee Wellbeing and work/life balance. **People Leaders** can practice **Radical Candor** - care personally, challenge directly - rather than challenging performance without demonstrating care for the people they manage, which equates to **Obnoxious Aggression**.

Average Scores for Managers and Team Members in Coach Index Elements
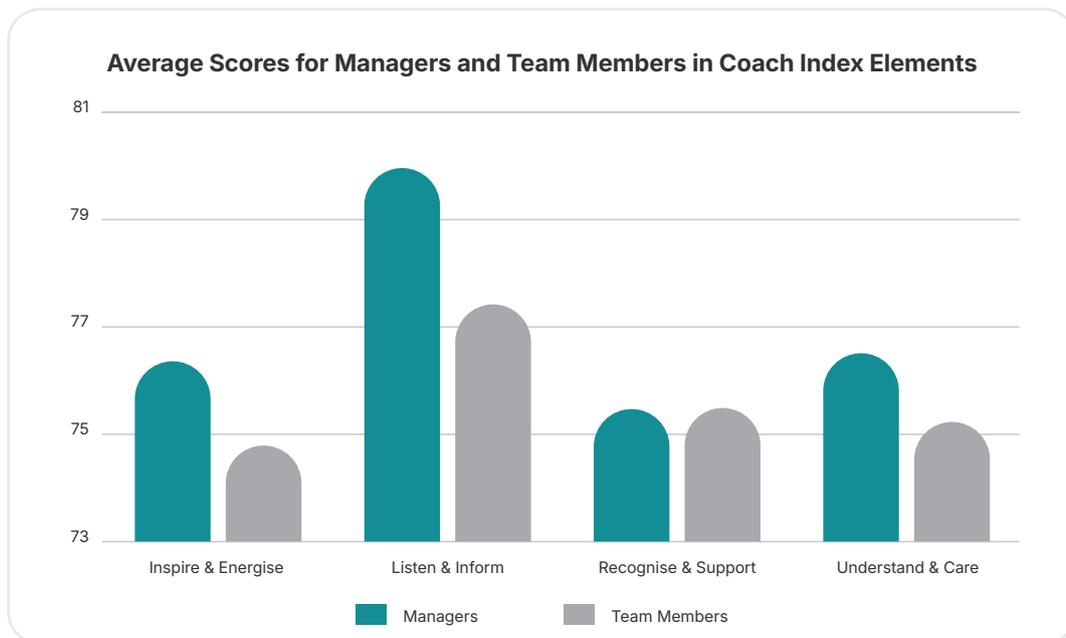

Radical Candor

As defined by Kim Scott, Radical Candor is *"Caring Personally while Challenging Directly"*. It is a communication framework for specific and sincere praise and kind and clear criticism[14].

Section Summary

Organisations are looking to drive success through cohesive and collaborative teams, and effective **People Leaders** who enable employees to connect with the business and its strategy. This can only be achieved by ensuring employees have growth opportunities, Fair Deal, good levels of Wellbeing and that the organisation is making efforts to support its wider community and the environment.

The big question is: *how* **have other organisations achieved this strategic alignment, alongside prioritising these employee requirements?**

[14] https://www.radicalcandor.com/our-approach
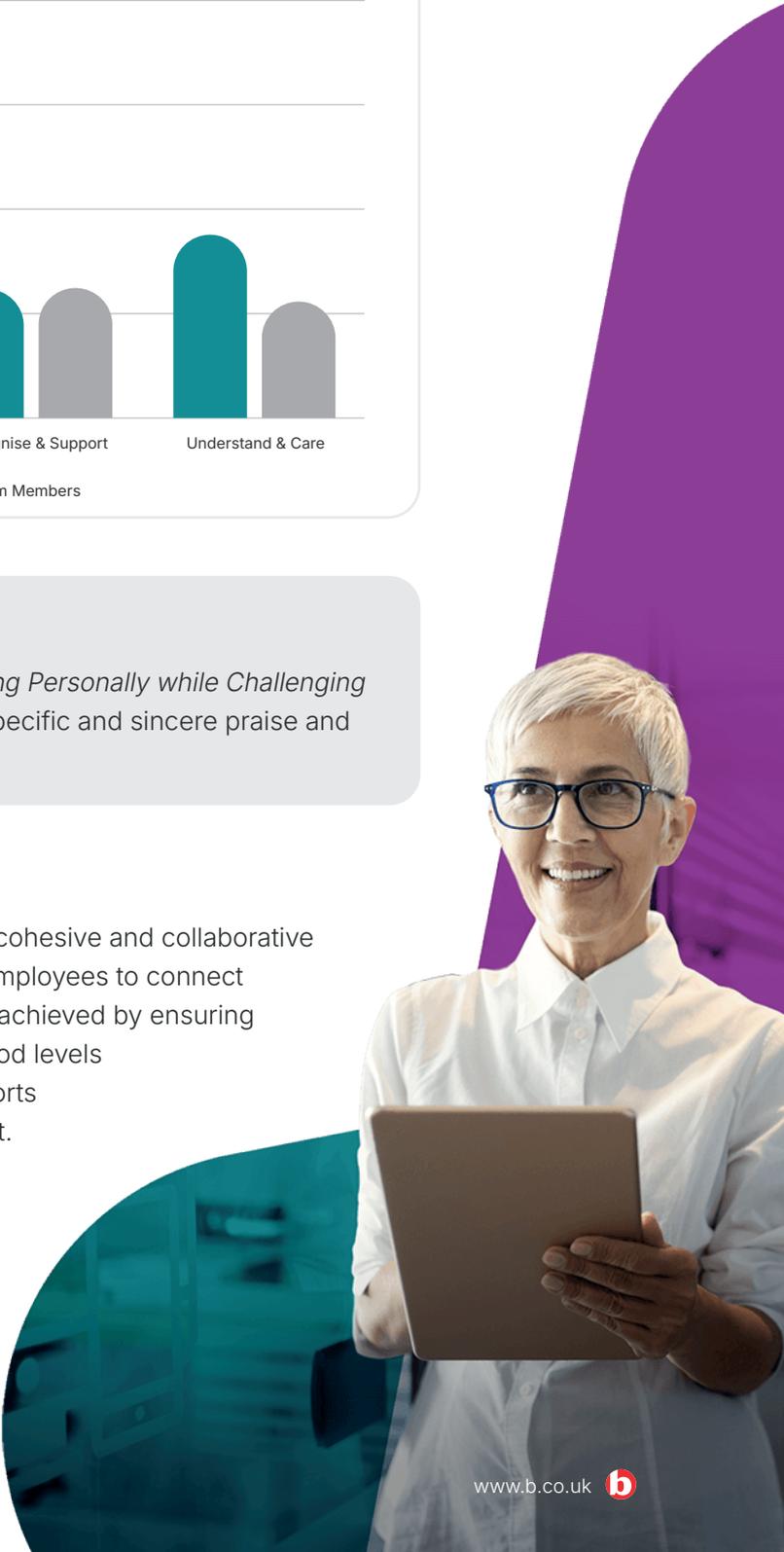
→ Organisations Bucking the Trend

The challenges outlined in this report are not insurmountable. Some inspiring organisations have managed to buck the trend. These companies are just some of the exemplars in the Best Companies community who are already prepared for **Industry 5.0**.

They are proving that by placing human-centricity at the core of their strategy, businesses can not only mitigate the external pressures but actually improve Employee Engagement and foster greater Organisational Health.

National Status: **Large**
Sector: **Leisure & Hospitality**
Accreditation: **1-Star** (Increased from Ones To Watch)

↑ **Leadership score increased by 13.61%**

↑ ***"I have confidence in the leadership skills of the senior management team"*** **improved by 16.7%**

Improved Leadership by:

- **Leadership visited all 37 UK sites** to speak with employees in person.

- **Created the Co-Owner Council, made up of nominated and elected employees** from all areas and levels, providing feedback from Team Members to Leadership which shapes the organisation's strategies.

- **Provided employees with access to an "Adventure Kit" (free-to-use equipment)**, an "Adventure Fund" (financial support for charity event entry fees) and "Adventure Trips" (highly subsidised adventure in the UK and abroad).

National Status: **Big**
Sector: **Insurance**
Accreditation: **3-Star**

↑ **Leadership score increased by 5.63%**

↑ *"Senior managers of this organisation do a lot of telling but not much listening"* improved by 5.6%

Climbing to the top with Organisational Clarity that connects everyone:

- Named **Best Big Company** to work for and Best Improver in 2025 - Big Companies.

- **Improved Organisational Clarity through the Four Cs Model:** *Colleague > Customers > Company > Community.*

- This created a golden thread through everything that Hastings Direct does.

National Status: **Mid-Sized**
Sector: **Marketing & Media Agency**
Accreditation: **2-Star**

↑ **My Company score increased by 19.66%**

↑ *"I would leave tomorrow if I had another job"* improved by 20.96%

Improving Organisational Clarity through conversation: Trust, Truth and Togetherness:

- **Established "Round Tables" to enable open conversations across all levels** - from CEO to Team Members - building trust as a consistent source of truth and ensuring employee feedback directly shapes agency decisions.

- **Connected employees to the organisation's vision,** helping them to see a sense of purpose, clear progression plans and create growth opportunities.

- Mandated office days to **build genuine relationships** between colleagues.

National Status: **Large**
Sector: **Consultancy**
Accreditation: **3-Star**

↑ **My Team score increased by 2.28%**

↑ *"Some departments/teams in this organisation don't work well with each other"* **improved by 3.23%**

To improve team relationships in a Fully Remote workplace:

- **Introduced four behaviours:** Be Present, Make Someone's Day, Choose Your Attitude and Have Fun.

- **Liaison Move:** Rented office spaces across the UK, enabling its people to meet up with their colleagues face-to-face.

- **Liaison Latte:** Team Members meeting up for a coffee and having a chat, whether in person or on a call but away from the desk.

Watch the full interviews to learn more. www.b.co.uk/clientstories

Next Steps: Moving Into Industry 5.0

The data presented in this report reveals clear signs of stress - financial anxiety, job insecurity, work/life balance and uncertainty surrounding AI - all contributing to a decline in Employee Engagement across the UK.

These issues have been further exacerbated by the fact that employees feel that their organisation is failing to communicate plans that address their concerns. As such, this focus on **People Leaders providing Organisational Clarity** is key in reversing the trends that we have seen over the past few years.

However, the true lesson behind these employee concerns is not one of crisis, but one of opportunity. For Leaders who are ready to adapt, these challenges are the catalyst for building a more resilient, human-centric and ultimately more successful organisation, aligning with the principles of Industry 5.0.

The path forward is not a quick fix of increased compensation, but a strategic focus on three core areas to alleviate pressure: **clarity, collaboration and coaching, all enabled by effective People Leaders.**

→ Key Action Areas for 2026

To reverse the negative trends in Leadership, Fair Deal, Wellbeing, My Team and Personal Growth, organisations must take decisive action focusing on:

1. **Elevating Managers' People Leadership Skills:**

   - **Improve clarity:** Leaders need to ensure that they are reinforcing Organisational Clarity thereby enabling **People Leaders** to overcommunicate this to their teams. This messaging must consist of the organisation's Primary Purpose and Ingenious Plan, whilst being open about the challenges that the organisation is facing.

   - **Boost support and recognition:** Focus on improving the **Recognise & Support** element of the Coach Index, acknowledging good work and actively demonstrating **Understand & Care** to create safe spaces for employees to discuss pressures.

   - **Build trusting teams:** Prioritise training **People Leaders** in **Effective Communication** and fostering **Trust & Respect** to establish the **Psychological Safety** necessary for collaborative, high-performing teams.

2. **Strategic Use of AI and Focused Training:**

   - **Invest in growth:** Address the stagnation in **Personal Growth** by actively providing training opportunities, specifically on the effective and ethical use of AI. This not only reduces pressure and increases productivity but also combats job insecurity by upskilling the workforce for the future.

3. **Proactive Team Alignment:**

   - **Foster high-performing teams: People Leaders** must actively facilitate cross-departmental alignment and honest communication to eliminate inefficiencies caused by silos and competing priorities. By fostering **Psychological Safety**, **People Leaders** encourage teams to express true concerns, debate conflicting priorities productively and streamline complex decision-making processes.

→ Driving Organisational Success Through People Leaders

While Employee Engagement has declined, this is an opportunity for organisations to reassess how they approach **Organisational Clarity**. By placing human-centricity at the core of the Industry 5.0 strategy, leveraging the power of **People Leaders** through performance management solutions such as **Elevate** and focusing on people-first solutions, businesses can transform today's challenges into tomorrow's success stories.

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For over 25 years, Best Companies has been Recognising and Accrediting organisations as the UK's leading authority on **Organisational Health**.

With our proven 8-Factor Methodology, we help **Measure** and **Improve** how employees feel about their working lives, supporting organisations to become better places to work, boosting performance, productivity and profitability.

We provide actionable insights that enable **People Leaders** and Senior HR teams to identify opportunities for growth and drive meaningful change, supported by next-generation tools such as **Elevate**.

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