



Policy Voice full survey results December 2025

- Boosting business confidence
- Bereavement leave
- Family leave

Number of respondents: 532

Survey Dates: 19 – 31 December 2025

Boosting business confidence

Throughout 2025, business confidence in UK economic prospects has stood at historically depressed levels.

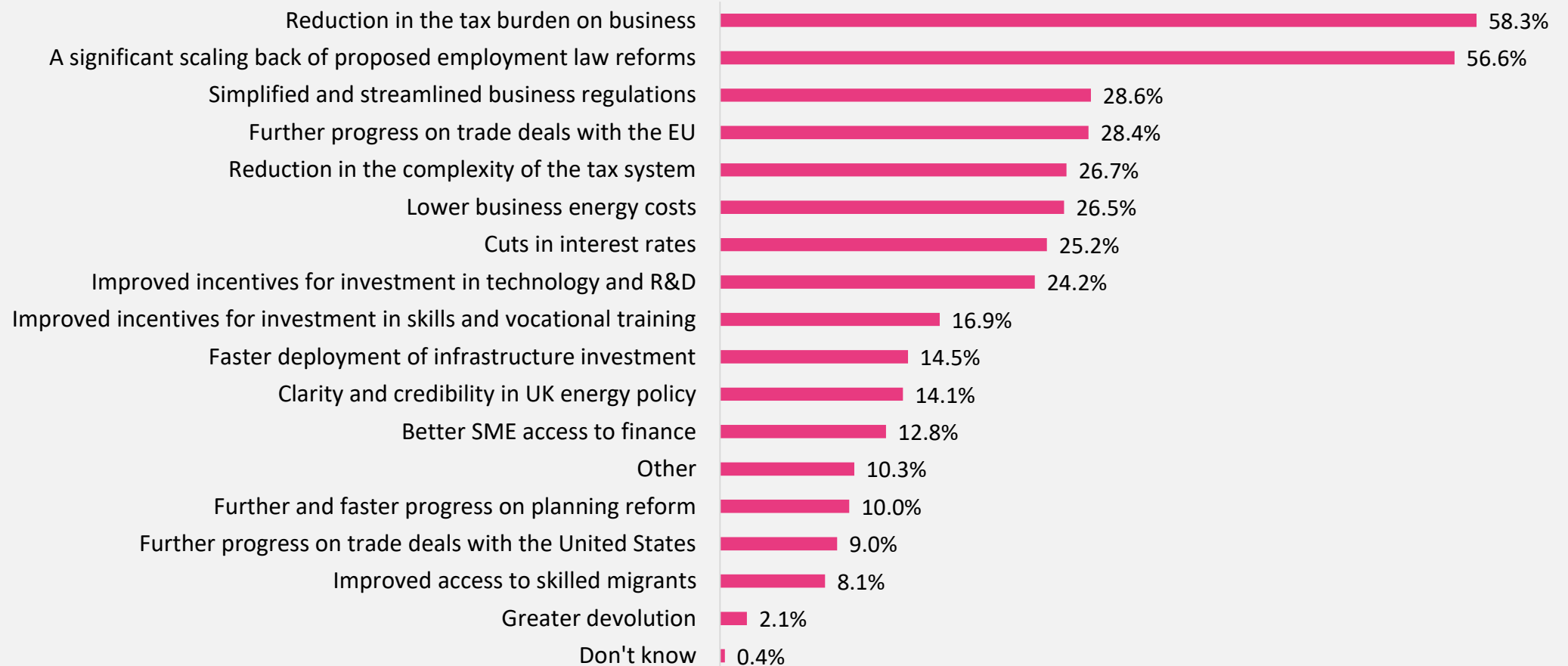
We wanted to know what business leaders thought the government could now do to best boost confidence. The data from this question will be used to shape our advocacy throughout 2026.



Tax burdens and employment reforms are hampering business confidence

Which of the following would do most to boost business confidence in 2026?

Please choose up to three.



If you could advocate for one single policy change that would have the biggest positive impact on growth for your organisation, what would it be?

There was an overwhelming consensus among IoD members that the current policy environment is actively constraining growth, rather than enabling it. Respondents most frequently cited the combined impact of high taxation, rising employment costs, and increasing regulatory burden, alongside a lack of policy certainty, as the principal barriers to investment, hiring, and entrepreneurial risk-taking.

Across sectors and firm sizes, members argued that growth will remain subdued unless government policy becomes simpler, more predictable, and more explicitly supportive of business - particularly SMEs.

The most prominent theme in the qualitative responses was the view that the cumulative tax burden on businesses - particularly employer National Insurance, corporation tax, and business rates - is directly suppressing growth and hiring. Many respondents argued that the current environment penalises success and discourages reinvestment, with firms increasingly unwilling to expand headcount or take on additional risk.

Several members explicitly linked tax pressure to cancelled recruitment plans or a reluctance to scale:

“Reduction in the tax burden on business. It’s simply not worth my taking risks to expand the business with the amount of tax we will pay.” (Wales, professional, scientific and technical activities, 50–99 employees)

“There is no incentive to grow a business as any profits are either taxed heavily or no profits are made due to increased employment costs.” (South West England, construction, 10–49 employees)



A second major theme was strong opposition to proposed employment law reforms, which many respondents described as overly rigid and disproportionately harmful to SMEs. Members argued that hiring has become a high-risk decision, particularly for smaller firms and for roles involving inexperienced staff, reducing willingness to create new jobs.

In several cases, respondents reported that growth plans had already been curtailed:

“The impending employment law reforms is the biggest disincentive to grow our business. Plans for four new roles have been scrapped.” (South East England, professional, scientific and technical activities, 10–49 employees)

“We are happy to employ and train people, but need an escape route if it does not work out. Currently we have a freeze on employment.” (East of England, professional, scientific and technical activities, 10–49 employees)





Respondents consistently emphasised that while fair treatment of employees is essential, further regulation risks reducing opportunities by discouraging hiring altogether.

Alongside tax and employment costs, respondents frequently highlighted regulatory burden and administrative complexity as a significant drag on productivity and growth. There was a strong preference for simplification and proportionality, particularly for SMEs that lack the capacity to absorb compliance costs.

Many members argued that excessive bureaucracy diverts time and resources away from innovation and expansion:

“We spend more on dealing with HMRC than we pay in tax.” (London, financial services, 2–9 employees)

“Simplifying reporting requirements would free up significant time and resources to focus on growth.” (London, construction, 10–49 employees)

Finally, many respondents stressed that policy instability and mixed messaging are themselves major constraints on growth. Frequent changes to tax and employment policy, alongside unclear long-term strategy, were seen as undermining confidence and discouraging investment.

Members highlighted the importance of government providing clear, consistent, and credible pro-business signalling:

“Business needs confidence to invest - recent policy uncertainty has dented that confidence.” (London, professional, scientific and technical activities, 50–99 employees)

“More clarity and consistency regarding economic policy would allow businesses to plan and invest.” (London, professional, scientific and technical activities, 100–249 employees)



Employment rights reforms: bereavement and family leave

The government is consulting on how to implement various measures in the Employment Rights Bill.

The Bill introduces a day-one right to unpaid bereavement leave for employees who experience the loss of a loved one, including pregnancy loss before 24 weeks.

The Bill also makes it unlawful to dismiss pregnant women, mothers on Maternity Leave, and mothers who return to work for at least a six-month period after they return – except in specific circumstances.

We wanted IoD member feedback on these measures.

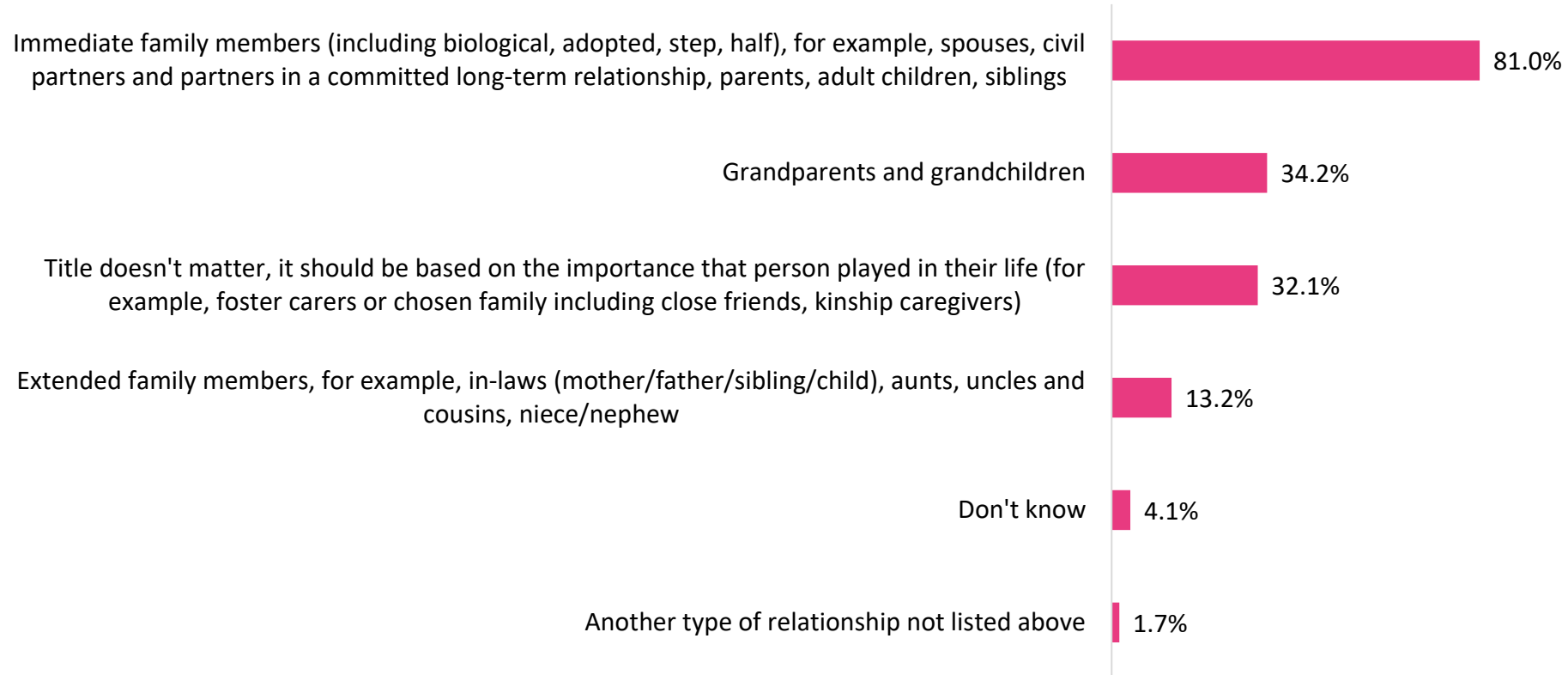




Firms would not extend bereavement leave much beyond immediate family members

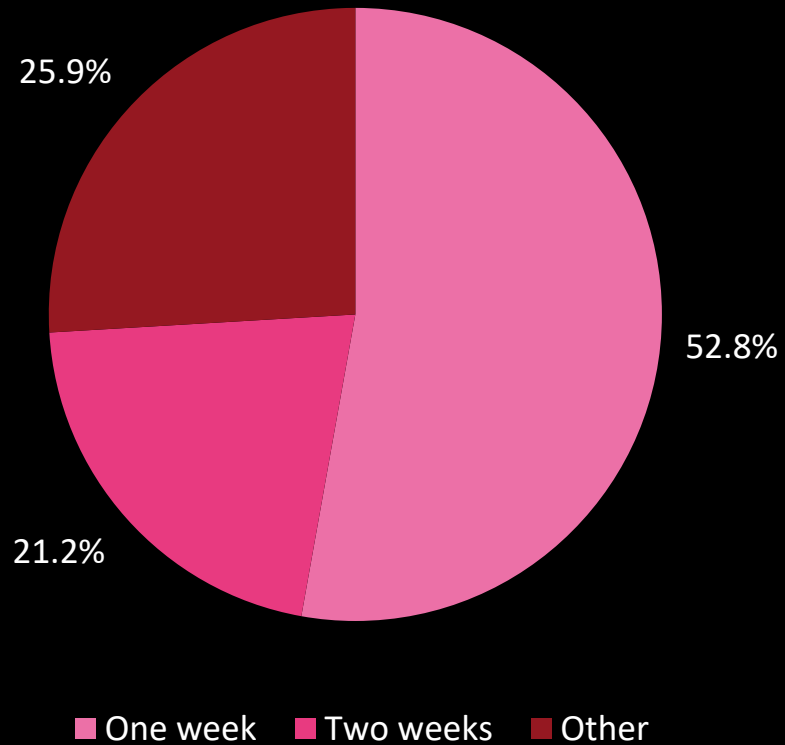
Which relationships between the employee and the person who has passed away should qualify for the bereavement leave entitlement?

Please select all that apply.



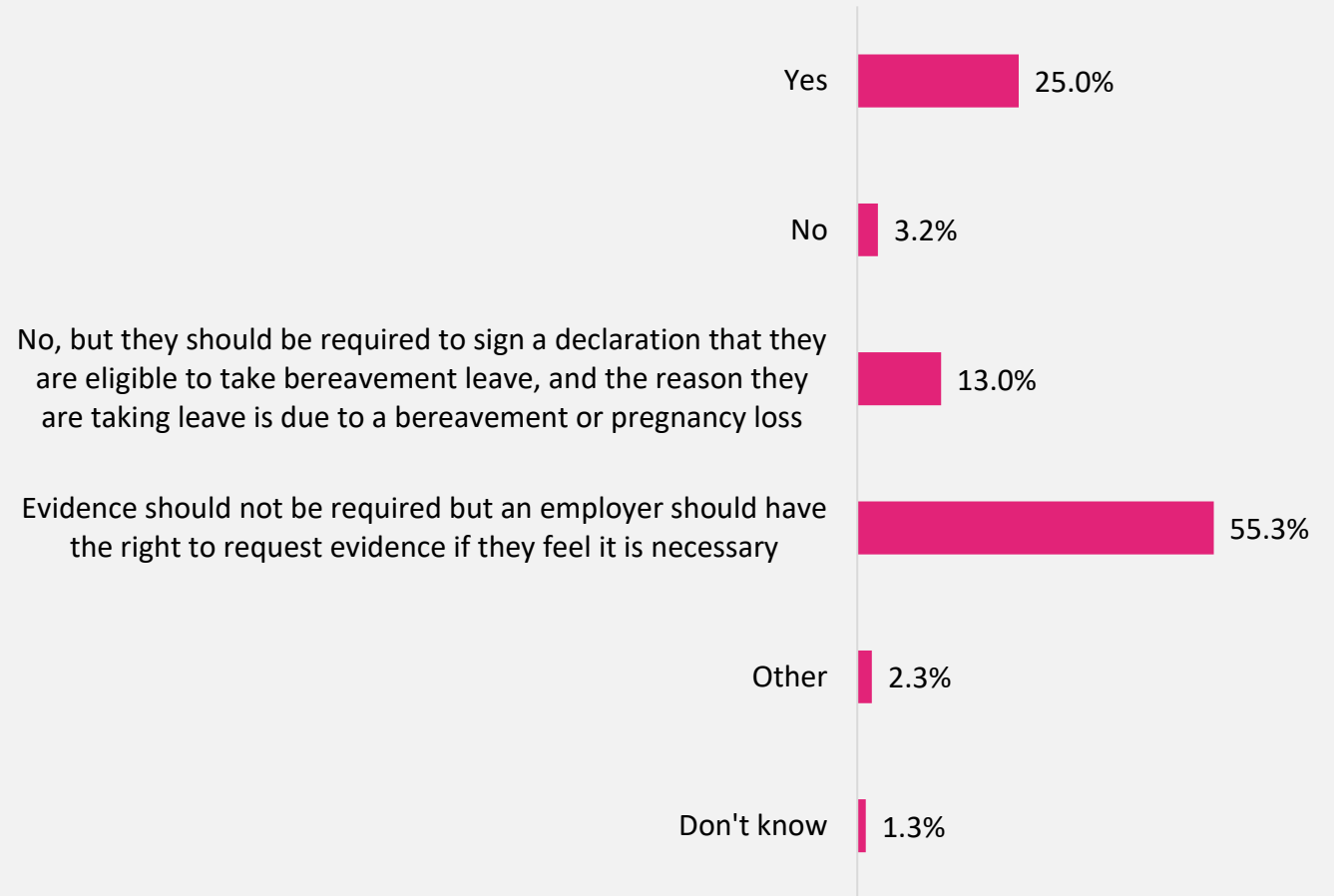
Firms prefer 1-week unpaid bereavement leave

How long do you think unpaid bereavement leave should be?



Most directors oppose mandatory bereavement evidence

Do you think that employees should be required to provide evidence of a bereavement to their employer?





There was a consensus from IoD members that the majority of employers already routinely treat bereavement leave requests with compassion and understanding. This is typically done on a discretionary basis, especially in smaller organisations, giving employers the flexibility to respond to the particular circumstances presented to them:

“A lot of organisations and managers are compassionate and already grant people ‘special leave’ in the event of a family ‘situation’... the formality of legislation will start to take away the goodwill and discretion that managers should be empowered to exercise.” (0-1 employees, Professional, scientific and technical activities, Wales)

“With 250 people and strong management, it is straightforward for us to judge the authenticity of bereavement, without being too formulaic” (100-249 employees, Manufacturing, South East England)



There was a strong feeling that bereavement leave is a topic which is fundamentally unsuitable for legislation because of the inherent difficulties in creating parameters around such an inherently subjective experience. Managers, on the other hand, are currently able to exercise discretion according to the needs of the situation presented:

“This should all be down to the employer and their relationship with the team member” (2-0 employees, Other services, South West England)

“Much of this should be at the discretion of the employer, not law. Relationships between employees and employers are being made worse by stripping this.” (2-9 employees, Financial services, South East England)

In relation to the specifics of policy implementation, respondents expressed a preference for regulations to be as minimal as possible so as to enable employers to retain some ability to exercise discretion:

“The law should set a modest floor, not attempt to replace judgement, goodwill and established employment practice.” (2-9 employees, Manufacturing, North East England)

A majority of respondents believed that employers should be able to request evidence if they wish to do so, primarily as a guardrail against potential abuse of the system:

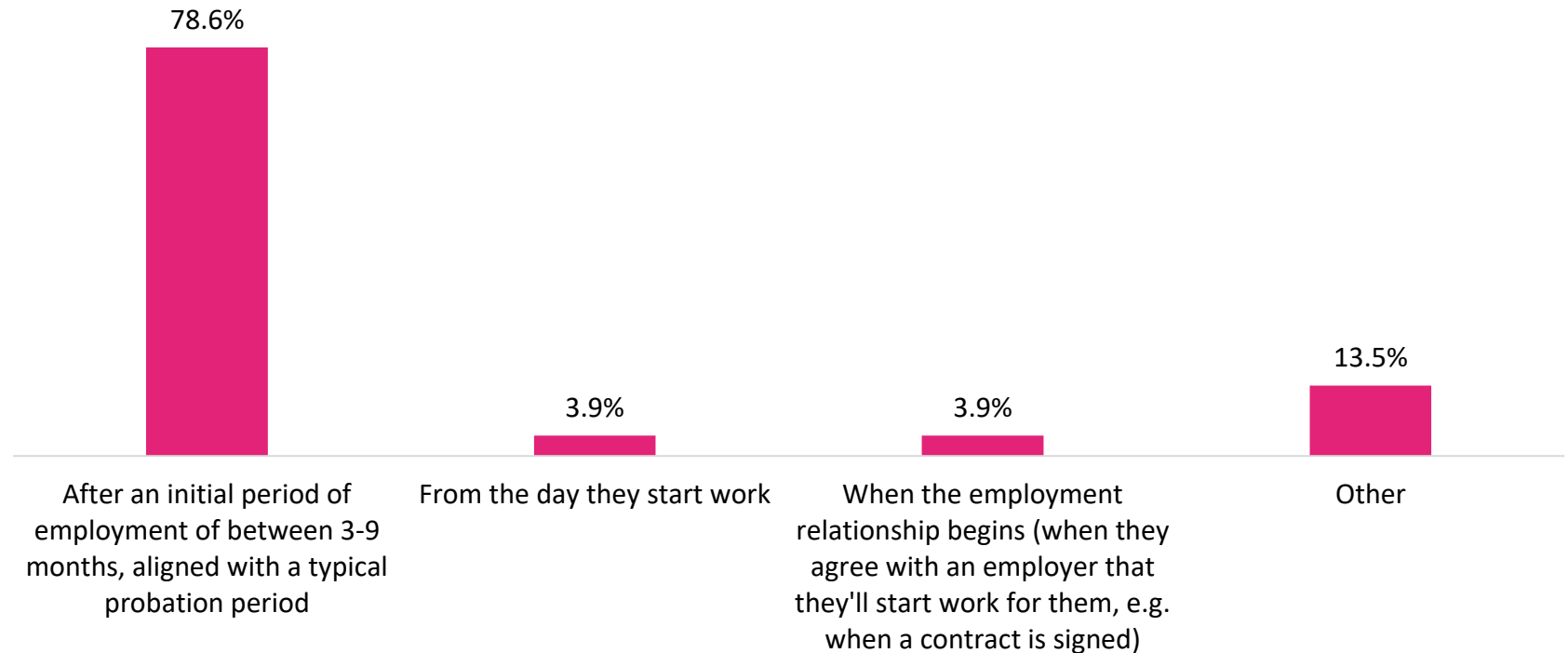
“While very few people would abuse this provision, there will be some and so evidence should be provided.” (2-9 employees, Professional, scientific and technical activities, London)



Business leaders want dismissal protections to align with probationary periods

The Bill also makes it unlawful to dismiss pregnant women, mothers on Maternity Leave, and mothers who return to work for at least a six-month period after they return – except in specific circumstances.

When do you think employees should be entitled to these enhanced dismissal protections?

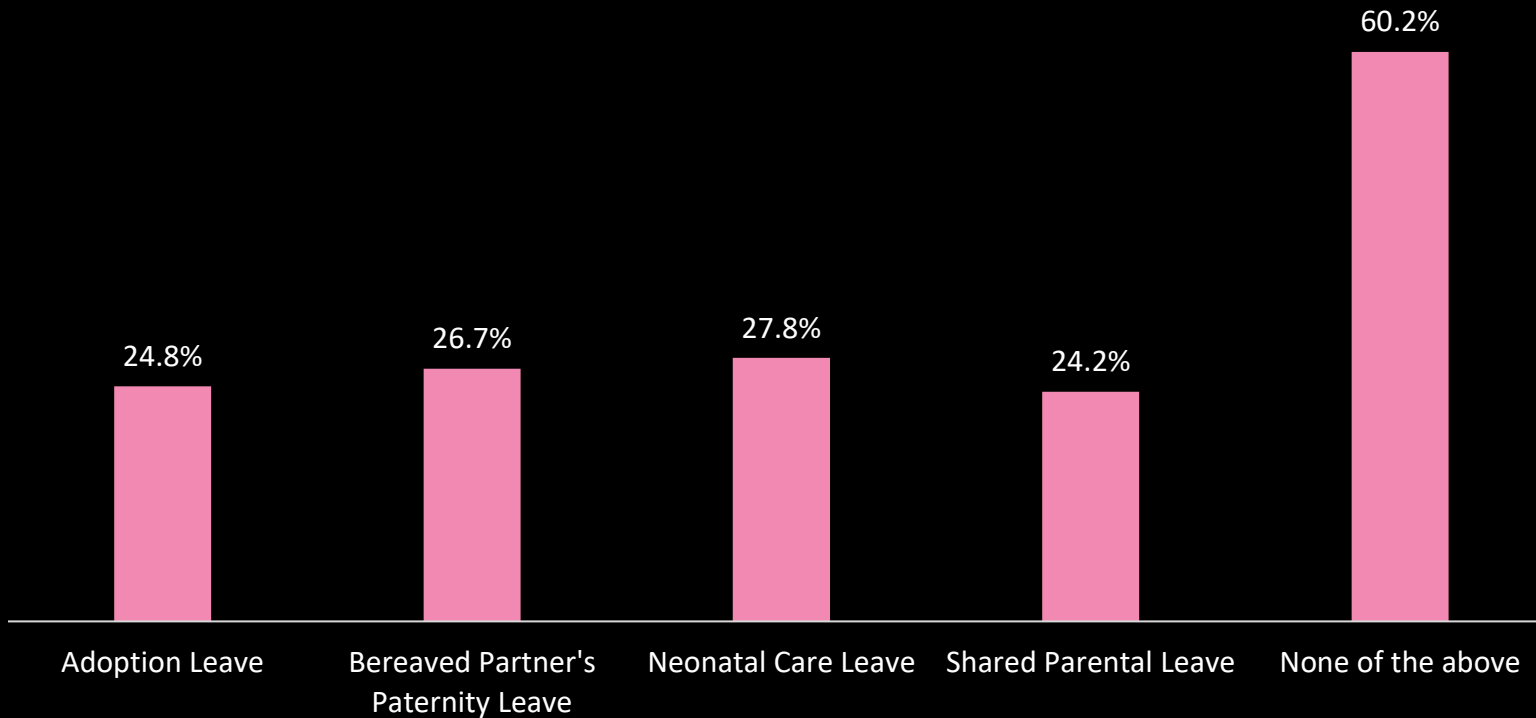




Most firms do not support extending dismissal protections

Do you think the enhanced dismissal protections should also cover employees taking these other types of long family leave?

Please select all that apply

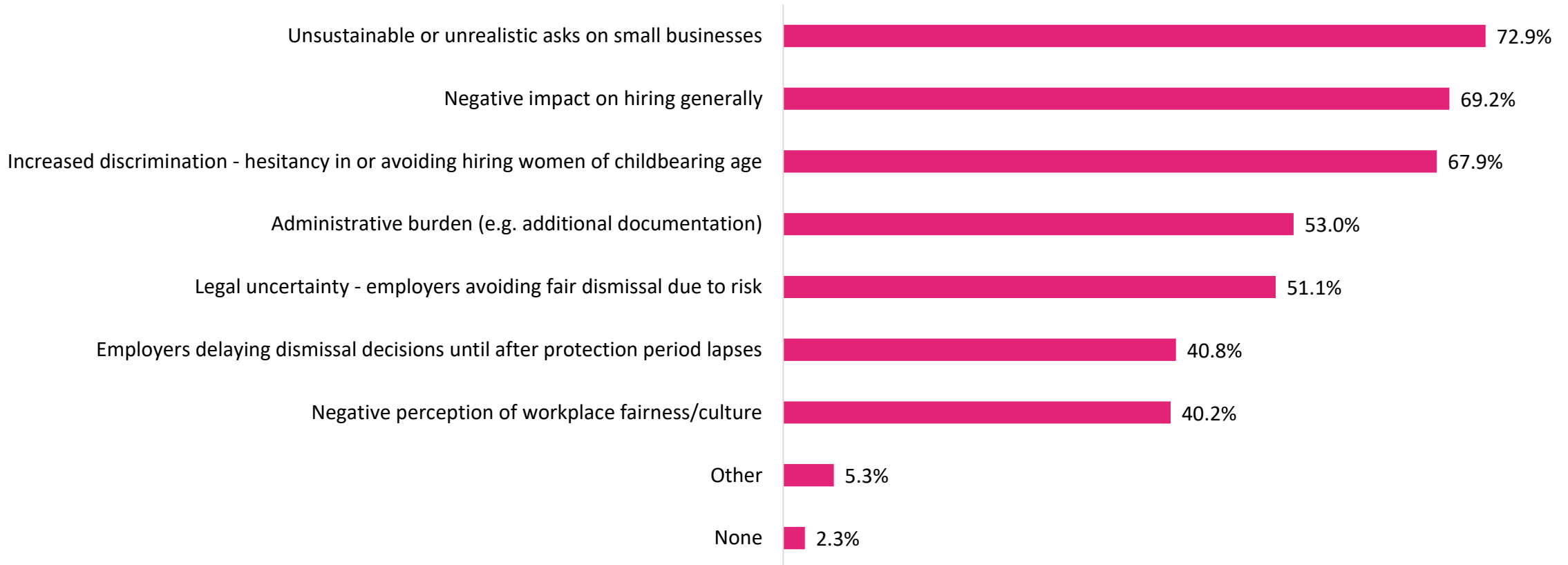




Directors are concerned about unrealistic asks on small businesses

What unintended consequences, if any, do you think could arise from the enhanced dismissal protections?

Please select all that apply





A clear majority of IoD members believe that additional protections should apply to employees after their probation period, and that they should not apply to other types of long family leave.

A common theme in qualitative responses was a view that the additional dismissal protections will both dampen general hiring intentions and serve to increase the risk to employers of hiring women of childbearing age:

*“Disciplining and dismissing a wayward employee is already a high-risk activity. With odds seriously stacked against employers this will reduce employment opportunity and therefore UK productivity.”
(South West England, information and communication, 10-49 employees)*

“Businesses do not take decisions to dismiss lightly, sometimes it is necessary and forcing businesses to retain an employee/employees will only make them less willing to hire, particularly women of childbearing age” (East of England, professional, scientific and technical activities, 0-1 employees/sole trader)

“The easier you make it to let employees go, the more confident in hiring individuals that may not normally get a chance and therefore the more people employed” (London, manufacturing, 50-99 employees)

A few respondents emphasised that a better approach to tackling maternity discrimination would be to provide practical assistance to derisk the hiring of women of childbearing age:

“One way to help would be to make pregnancy of employees less onerous for businesses (especially small businesses) with a statutory insurance arrangement to support employers to pay for maternity cover” (London, professional, scientific and technical activities, 2-9 employees)



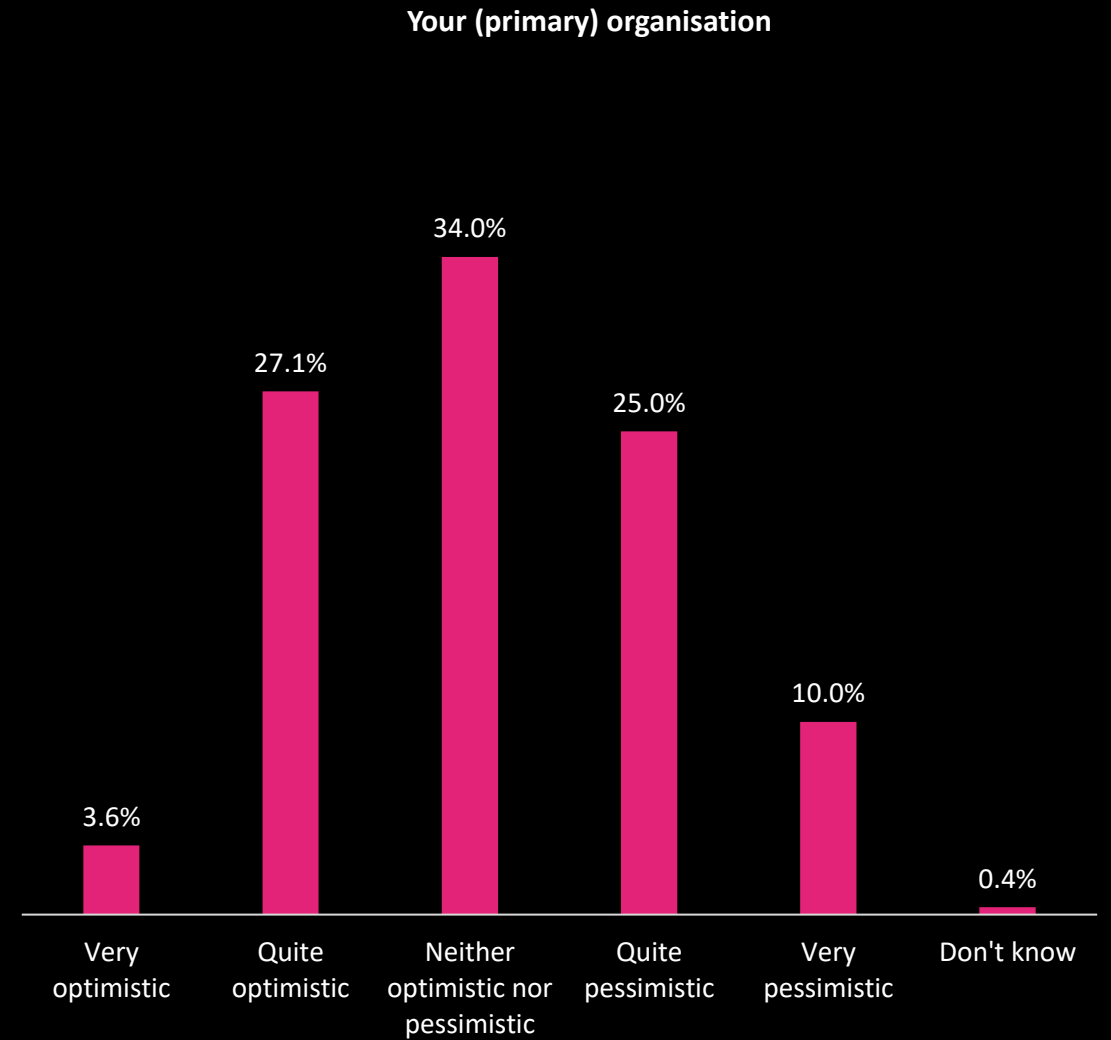
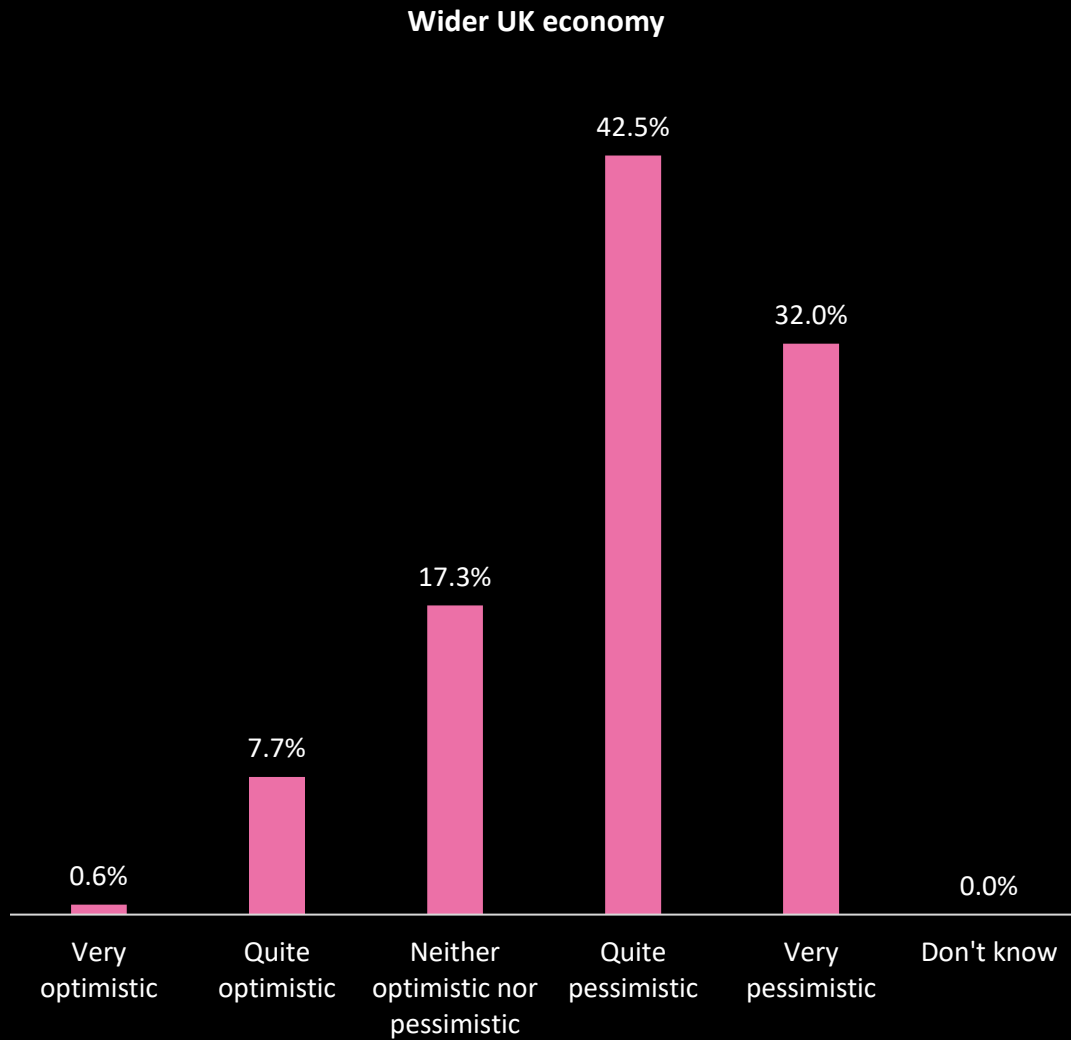
Economic Monitoring: data

The following data contributed to our [Director's Economic Confidence Index](#), which we send directly into the heart of government each month.

This data is widely reported in the national media.



How optimistic are you about both the wider UK economy and also your organisation over the next 12 months?





Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of:

	Much higher	Somewhat higher	No change	Somewhat lower	Much lower	N/A	Don't know
Business investment	2.3%	18.8%	34.0%	24.1%	18.2%	1.3%	1.3%
Costs	20.3%	66.5%	8.8%	2.4%	0.4%	1.1%	0.4%
Exports	2.1%	13.3%	28.6%	6.2%	4.5%	43.6%	1.7%
Headcount	0.8%	20.5%	42.3%	26.5%	8.3%	1.1%	0.6%
Revenue	4.1%	36.5%	25.2%	23.5%	9.2%	0.8%	0.8%
Wages	4.1%	43.0%	39.1%	9.0%	3.0%	1.1%	0.6%



IoD members report a challenging and uncertain economic environment, with many businesses struggling to maintain growth, manage rising costs, and respond to weaker demand. Rising employment costs, regulatory burdens, and taxation were frequently cited as key constraints, alongside broader macroeconomic uncertainty and energy price pressures. These factors are affecting investment decisions, hiring intentions, and overall confidence, with some businesses pausing growth or shifting operations overseas.

A common theme in members' responses was the impact of escalating costs, particularly employment-related costs such as National Insurance, minimum wage increases, and broader overheads. These additional pressures were described as forcing businesses to reduce headcount, slow recruitment, and limit investment in staff development or new projects:

“Employment costs are unsustainable, cost of employment in the UK is making us uncompetitive against global competition.” (Northern Ireland, Other services, 250+ employees)

“The running costs of my business have increased significantly over the last 12 months... I am having to consider making staff redundant as this is the only cost I have control over.” (South East England, Real estate, 10-49 employees)

“Wages are only increasing due to the minimum wage requirements... contract staff hours will probably be cut unless there is an improvement in workload.” (South West England, Manufacturing, 250+ employees)

Many members also highlighted regulatory complexity and taxation as significant obstacles to growth. Businesses described a sense of being squeezed by overlapping legislation and an uncertain policy environment, which was slowing decision-making and constraining investment:

“As a SME we are being squeezed out by State Regulations which are easier for large Companies to comply with.” (South East England, Professional, scientific and technical activities, 10-49 employees)

“Costs increasing and revenue not keeping up; resulting in lower profits and less investment.” (East of England, Construction, 2-9 employees)

“Our businesses are struggling with poor regulation and I will curtail investment as a result and may offshore activities.” (South West England, Administrative and support services, 0-1 employees/sole trader)

The broader economic and geopolitical environment was another recurring concern. Members cited low confidence in the UK economy, uncertainty around government policy, and weak domestic demand as factors discouraging expansion or long-term planning:

“Clients have delayed decisions and projects due to uncertainty and all the mis-directions that have leaked from this government.” (London, Professional, scientific and technical activities, 2-9 employees)

“UK economy is contracting meanwhile we are paying higher taxes to support an ever-growing group of people who don't want to work.” (South West England, Information and communication, 2-9 employees)

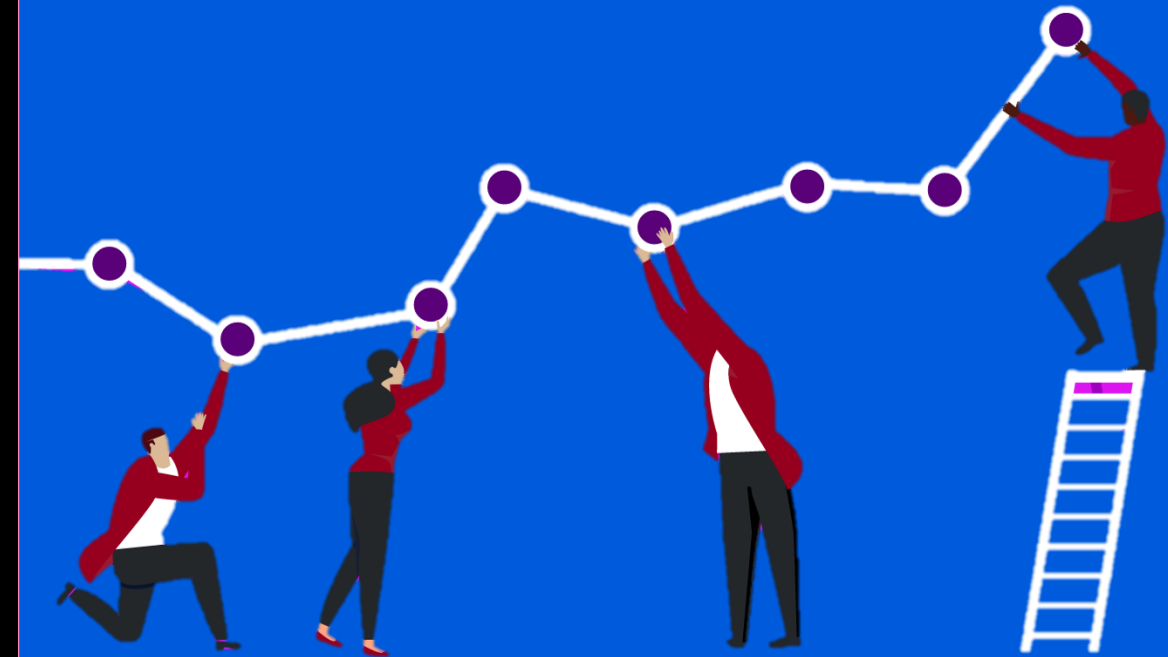


Despite these challenges, a smaller number of members noted areas of resilience or growth, often linked to international markets or niche sectors, though these were described as exceptions rather than the norm:

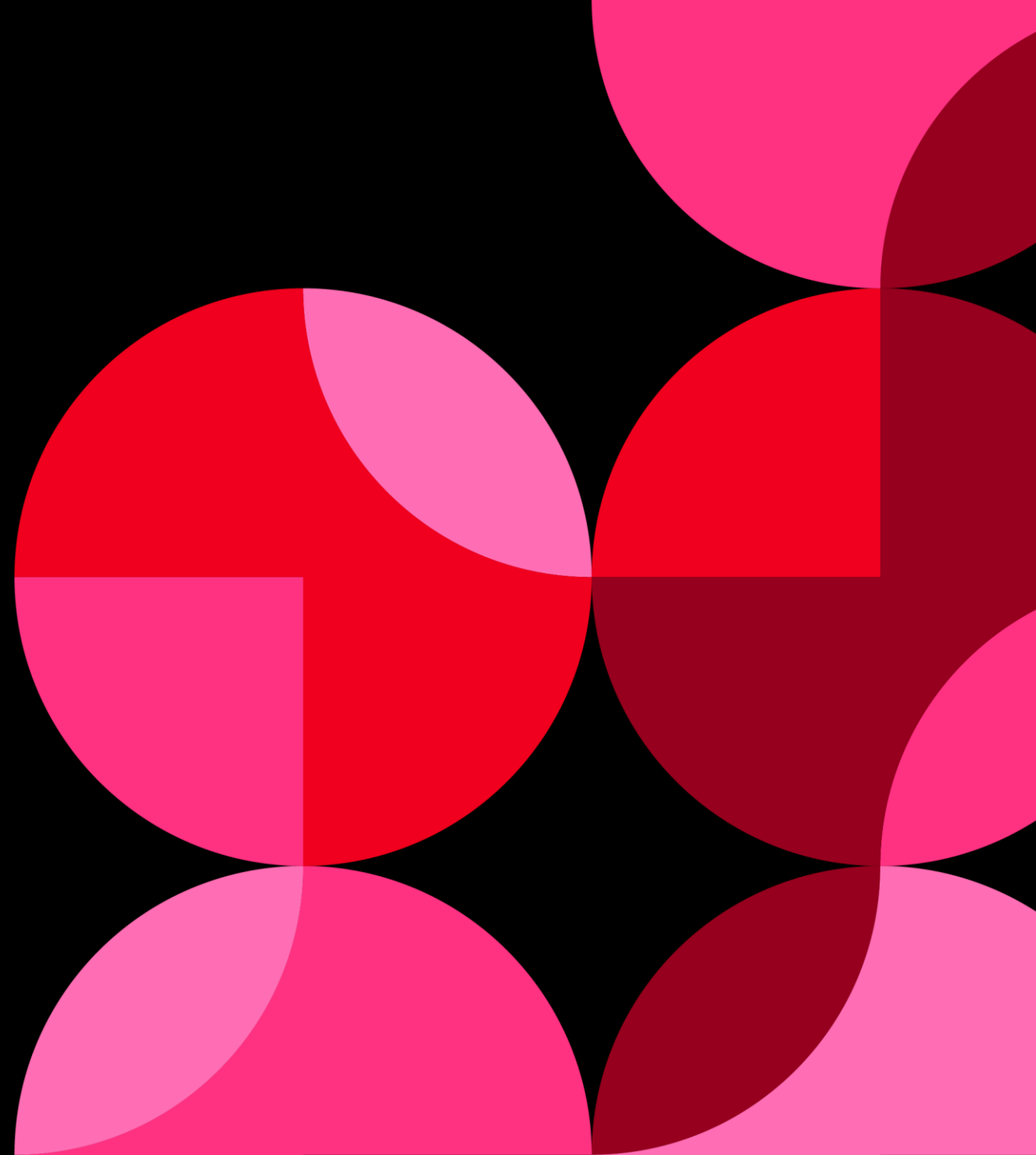
“Our business which principally is with non-UK clients has increased by over 20%.” (North East England, Professional, scientific and technical activities, 250+ employees)

“We are fortunate to be well insulated from the economic cycle and the changes announced in the last two Budgets means more people seeking out our help.” (Wales, Health and social work, 10-49 employees)

Overall, members’ comments convey a clear sense of pressure on UK businesses, driven by rising costs, regulatory complexity, and uncertainty in the broader economic environment. Many are taking defensive measures—reducing headcount, slowing investment, or seeking opportunities abroad—while only a minority report that the current environment has allowed growth or resilience.

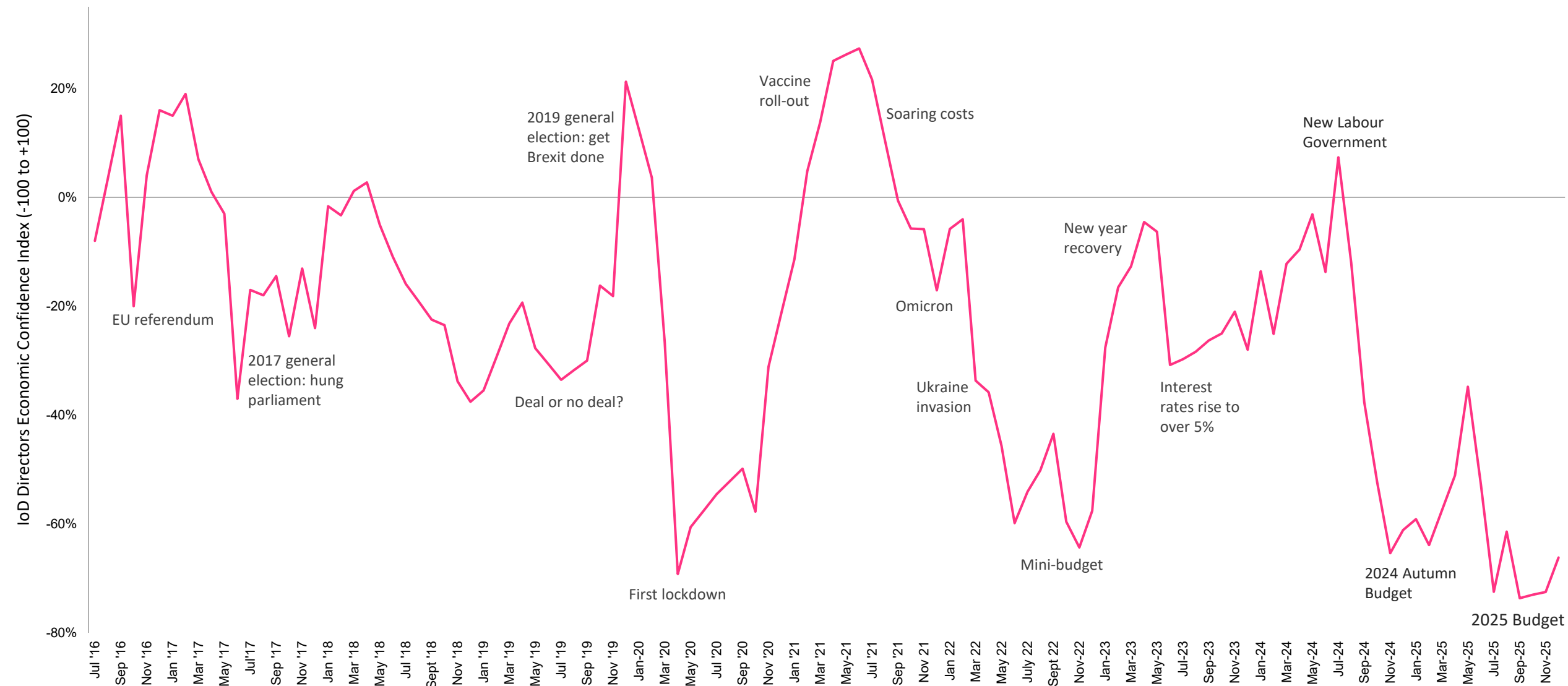


Economic Monitoring: trends





Economic confidence in the wider UK economy improved in December 2025

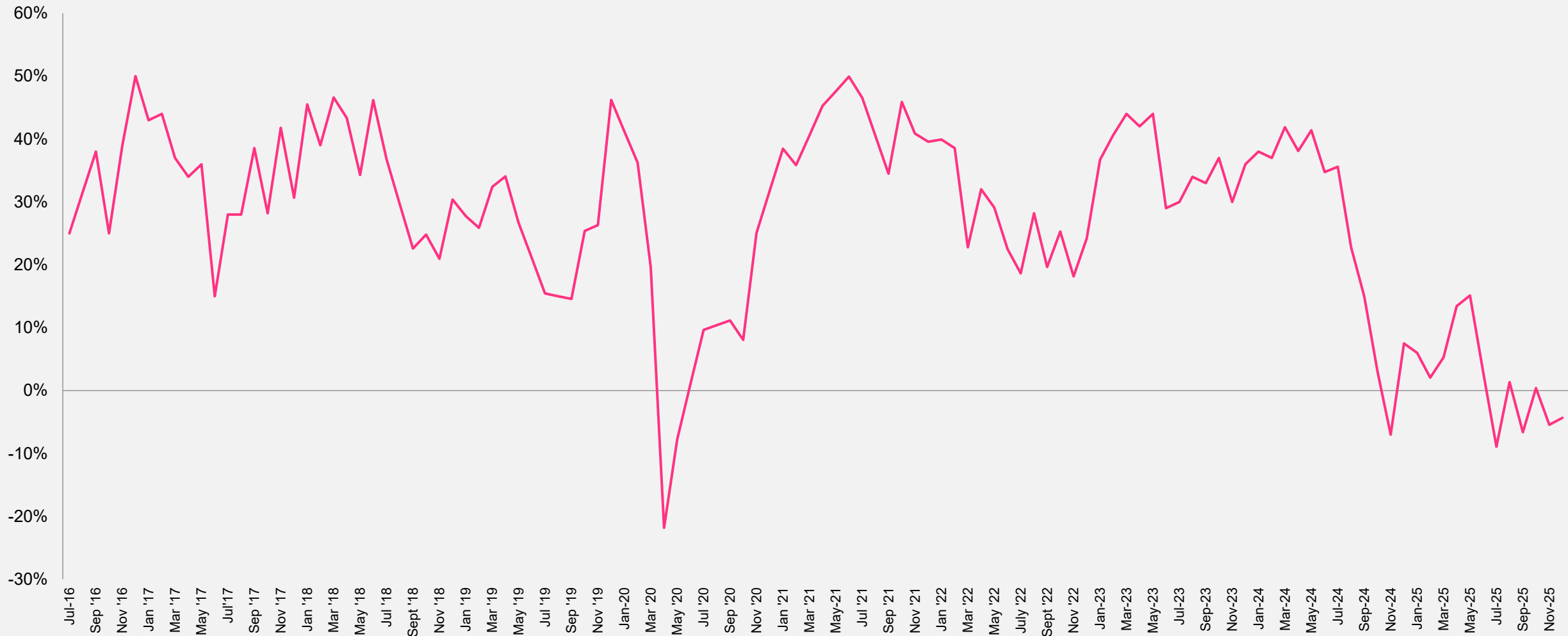




Business leader confidence in their own organisations remained largely unchanged

How optimistic are you about your own organisation over the next 12 months?

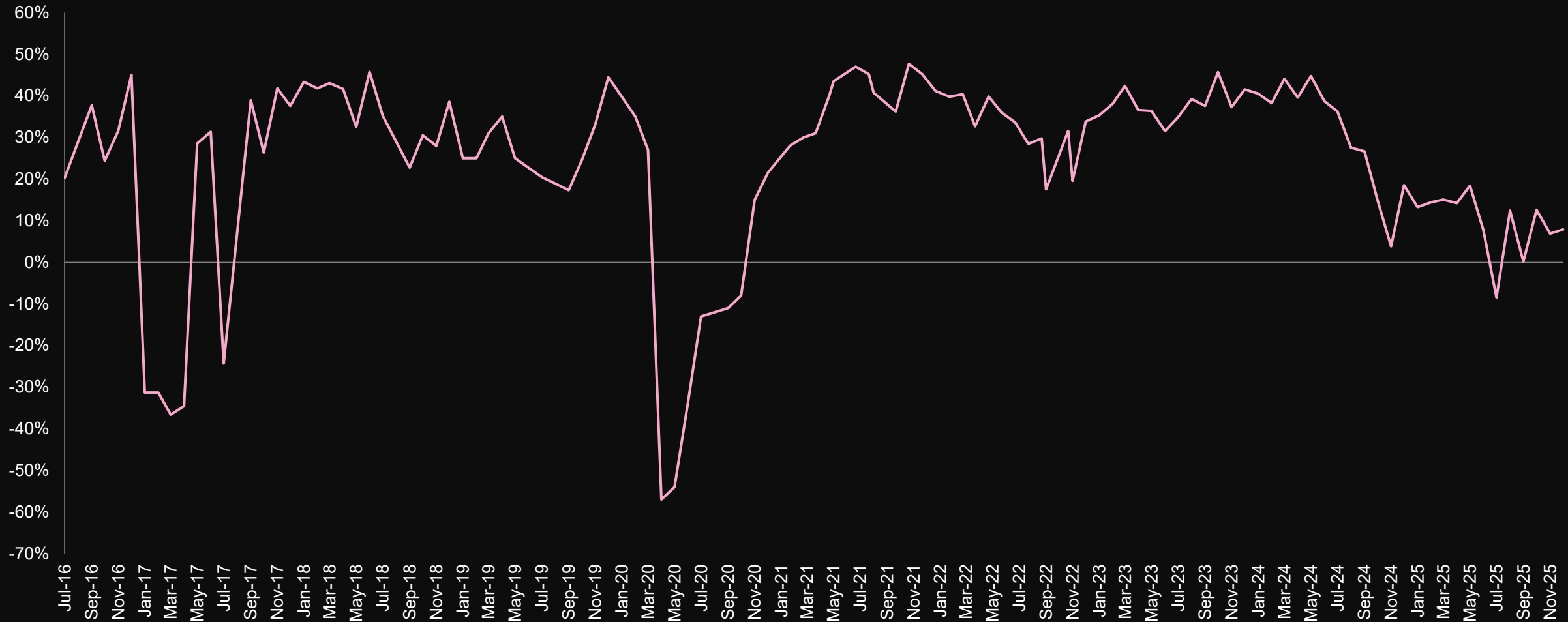
5-point scale from very optimistic to very pessimistic, net optimistic % Source: IoD monthly Policy Voice surveys





Revenue expectations were little changed at +8 in December, from +7

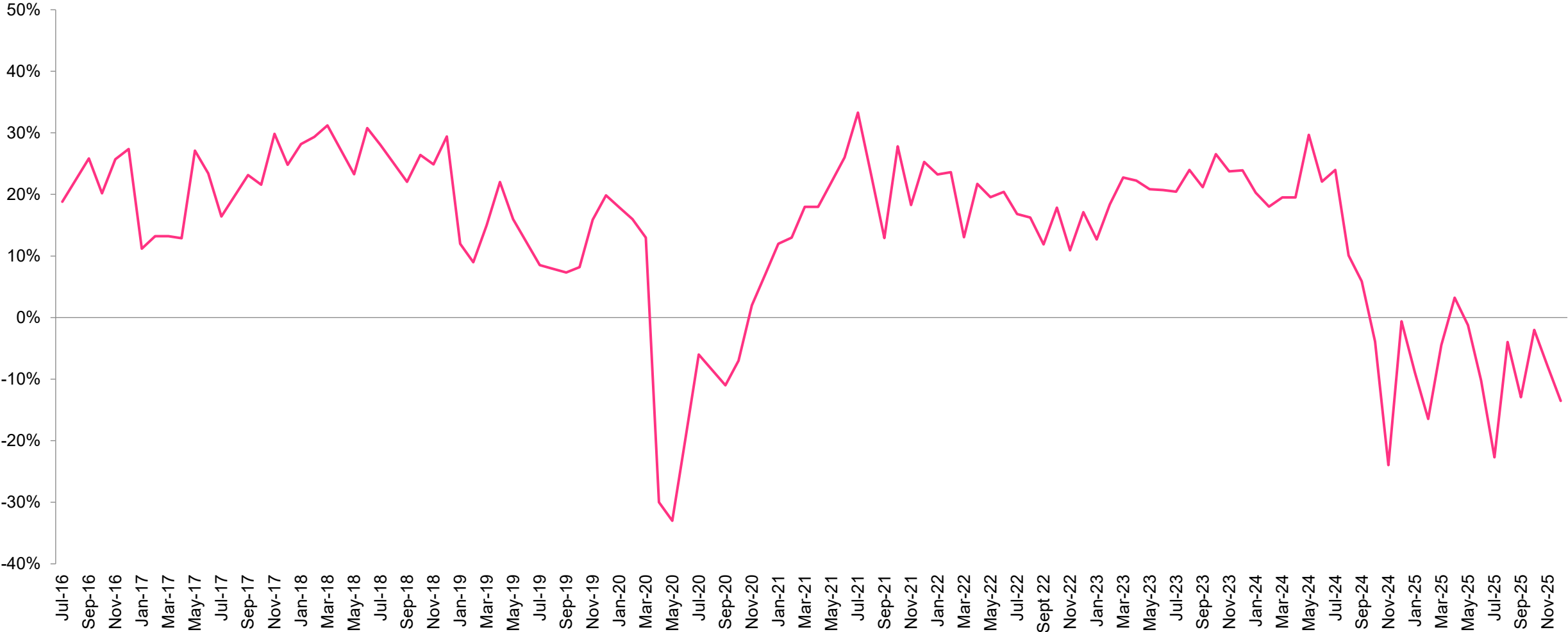
Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: REVENUE.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys





Headcount expectations dropped to -14, from -8 in November

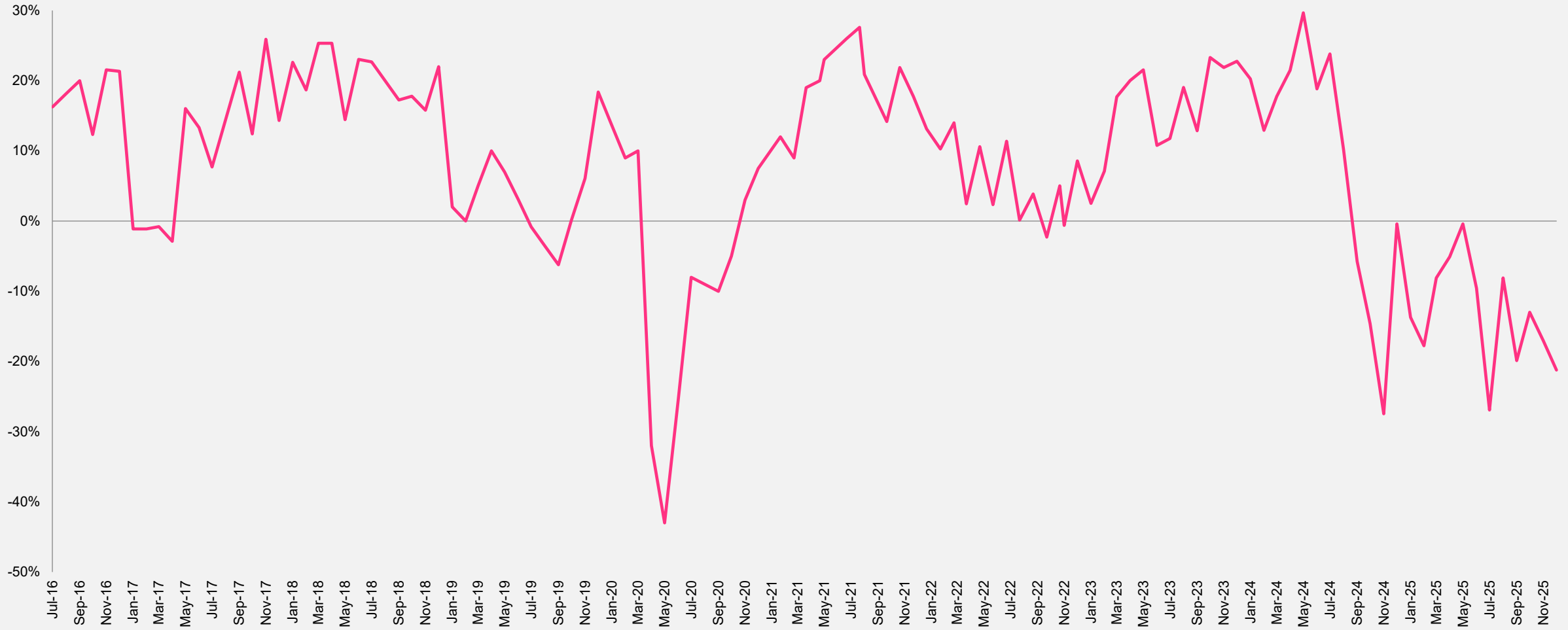
Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: HEADCOUNT.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys





Investment intentions dropped to -21 in December, from -17

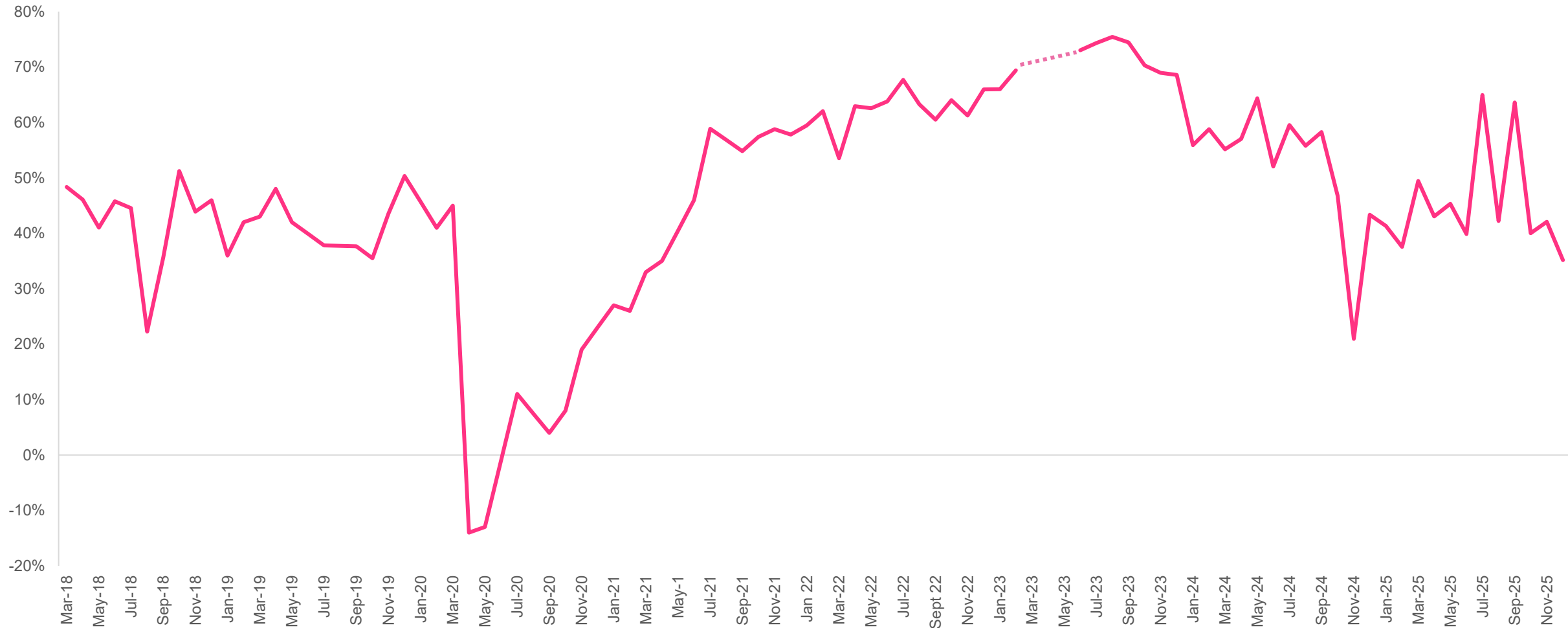
Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: INVESTMENT.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys





Wage expectations declined slightly

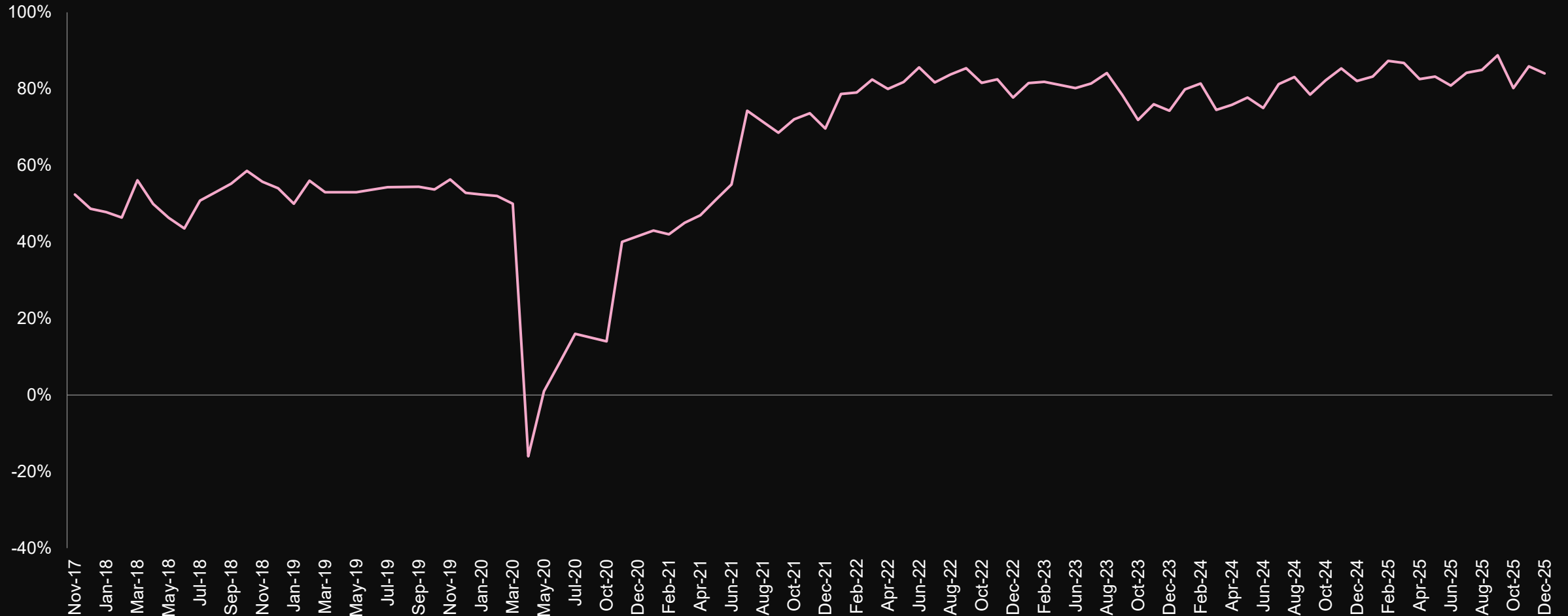
Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: WAGES.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys





Cost expectations fell marginally to +84, from +86

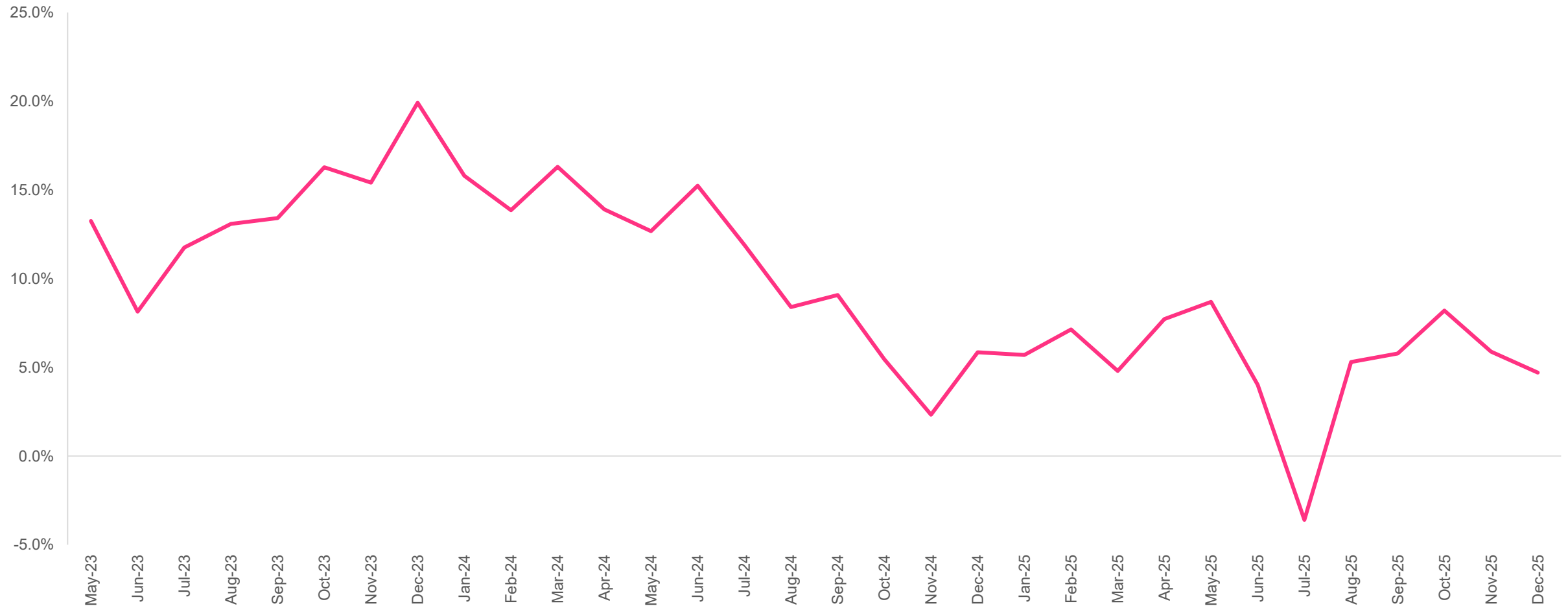
Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: COSTS.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys





Export expectations were little changed at +5 from +6

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: EXPORTS
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys. Question first asked in April 2023.





Economic Monitoring: sectoral breakdown



Wider UK economy

	Accommodation and food services	Administrative and support services	Agriculture, Forestry and Fishing	Arts, entertainment and recreation	Civil service/public administration	Construction	Education	Electricity and/or gas supply	Financial services
Very optimistic	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.8%	0.0%	0.0%
Quite optimistic	16.7%	7.7%	0.0%	14.3%	50.0%	0.0%	14.3%	11.1%	4.0%
Neither optimistic nor pessimistic	8.3%	15.4%	25.0%	14.3%	0.0%	11.8%	19.0%	33.3%	18.0%
Quite pessimistic	41.7%	46.2%	25.0%	42.9%	50.0%	29.4%	28.6%	44.4%	48.0%
Very pessimistic	33.3%	30.8%	50.0%	28.6%	0.0%	58.8%	33.3%	11.1%	30.0%
Don't know	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total number of respondents	12	13	8	7	2	34	21	9	50

	Health and social work	Information and communication	Manufacturing	Mining and quarrying	Other services	Professional, scientific and technical activities	Real estate	Transportation and storage	Water supply, sewerage and waste management	Wholesale and retail trade (including motor repair)
Very optimistic	3.3%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Quite optimistic	13.3%	13.2%	1.6%	0.0%	1.8%	9.4%	5.9%	22.2%	25.0%	5.6%
Neither optimistic nor pessimistic	20.0%	15.1%	21.3%	0.0%	17.5%	18.1%	17.6%	11.1%	0.0%	11.1%
Quite pessimistic	26.7%	43.4%	45.9%	0.0%	52.6%	43.3%	35.3%	44.4%	50.0%	50.0%
Very pessimistic	36.7%	26.4%	31.1%	0.0%	28.1%	29.1%	41.2%	22.2%	25.0%	33.3%
Don't know	3.3%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total number of respondents	30	53	61	0	57	127	17	9	4	18



Your (primary) organisation

	Accommodation and food services	Administrative and support services	Agriculture, Forestry and Fishing	Arts, entertainment and recreation	Civil service/public administration	Construction	Education	Electricity and/or gas supply	Financial services
Very optimistic	8.3%	0.0%	0.0%	14.3%	0.0%	5.9%	4.8%	0.0%	0.0%
Quite optimistic	16.7%	23.1%	12.5%	28.6%	100.0%	2.9%	33.3%	33.3%	40.0%
Neither optimistic nor pessimistic	50.0%	30.8%	50.0%	57.1%	0.0%	47.1%	23.8%	33.3%	24.0%
Quite pessimistic	0.0%	30.8%	12.5%	0.0%	0.0%	23.5%	14.3%	33.3%	28.0%
Very pessimistic	25.0%	7.7%	25.0%	0.0%	0.0%	20.6%	23.8%	0.0%	8.0%
Don't know	0.0%	7.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total number of respondents	12	13	8	7	2	34	21	9	50

	Health and social work	Information and communication	Manufacturing	Mining and quarrying	Other services	Professional, scientific and technical activities	Real estate	Transportation and storage	Water supply, sewerage and waste management	Wholesale and retail trade (including motor repair)
Very optimistic	6.7%	5.7%	3.3%	0.0%	1.8%	4.7%	0.0%	0.0%	0.0%	0.0%
Quite optimistic	26.7%	37.7%	29.5%	0.0%	28.1%	27.6%	11.8%	22.2%	0.0%	11.1%
Neither optimistic nor pessimistic	23.3%	24.5%	34.4%	0.0%	38.6%	35.4%	17.6%	44.4%	75.0%	50.0%
Quite pessimistic	26.7%	26.4%	27.9%	0.0%	28.1%	22.8%	35.3%	22.2%	25.0%	38.9%
Very pessimistic	16.7%	5.7%	4.9%	0.0%	3.5%	9.4%	29.4%	11.1%	0.0%	0.0%
Don't know	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.9%	0.0%	0.0%	0.0%
Total number of respondents	30	53	61	0	57	127	17	9	4	18

Objects of the Institute of Directors' Royal Charter



To promote for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors, and equivalent office holders however described, of companies and other organisations.

To promote the study, research and development of the law and practice of Corporate Governance, and to publish, disseminate or otherwise make available the useful results of such study or research.

To represent the interests of members and of the business community to government and in the public arena, and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation.

To advance the interests of members of the Institute, and to provide facilities, services and benefits for them.