



# Policy Voice full survey results February 2026

- Employment rights reforms
- Cloud systems
- Business confidence

Number of respondents: 545

Survey Dates: 13-26 February 2026



# Employment rights reforms



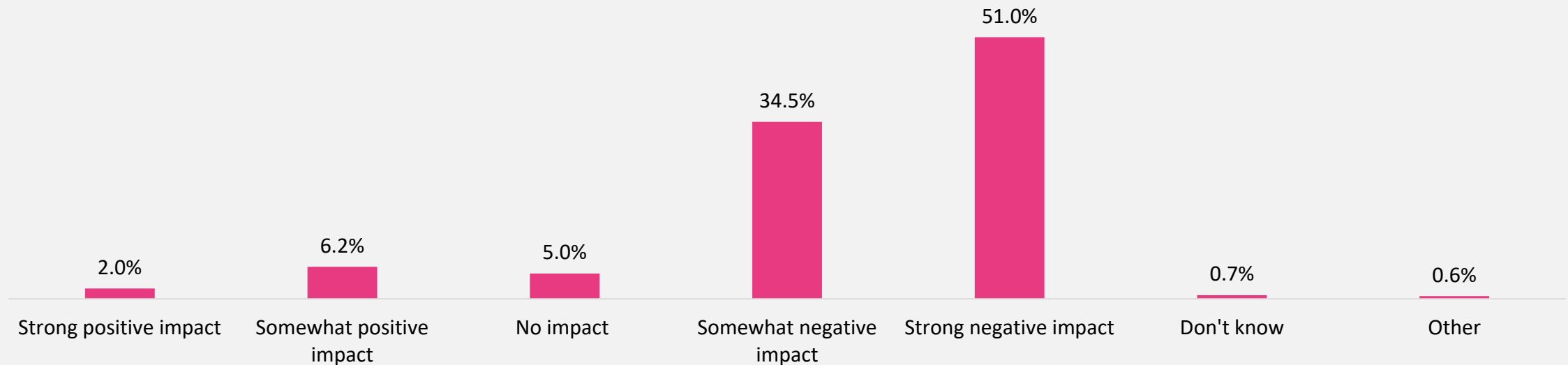


## Most firms fear Employment Rights Act will harm UK economic growth

In December 2025, the Employment Rights Act became law. Reforms include:

- Giving zero and low-hours workers the right to guaranteed hours
- Reduction in the qualifying period for protections against unfair dismissal from two years to six months
- Widening of statutory sick pay eligibility
- Right for trade unions to access workplaces and simplification of statutory union recognition
- Additional restrictions on 'fire and rehire'

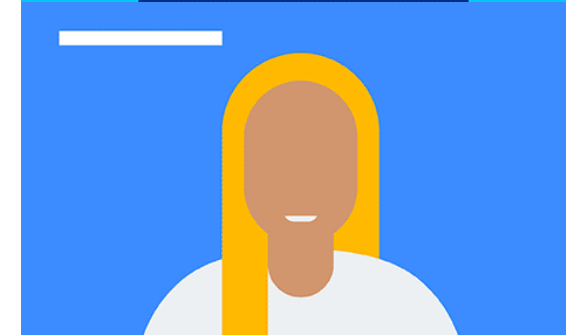
**What impact, if any, do you believe the Employment Rights Act will have on UK economic growth?**



## Employment Rights Act reforms push firms towards automation and away from hiring

What impact, if any, are these reforms having on your organisation's approach to the following:

	More likely	No impact	Less likely	Don't know
Hiring new staff	7.2%	27.2%	63.3%	2.4%
Investing in automation	56.5%	34.9%	4.2%	4.4%
Making redundancies	30.8%	58.2%	4.2%	6.8%
Outsourcing roles/operations to other countries	39.6%	47.3%	5.0%	8.1%





### Many business leaders reported taking steps to avoid hiring new staff as a direct result of the changes:

*“As we were aware of these proposals, we have already stopped hiring in the UK unless to replace critical staff. After 18 years of supporting apprentices, we have also decided to give that a break for a couple of years... the new laws mean we don't want to take the risks we used to.”* (100-249 employees, Information and communication, South East England)

*“Our business is now entering the commercialisation phase; and the implications of a return to the 1970s is now increasingly influencing our thinking and quite frankly we will deliberately limit the numbers of new employees, outsource more aggressively”* (2-9 employees, Other services, South East England)

*“We were on an employment drive, but the reforms have halted that and we are looking at alternative options that does not require the need to employ people directly.”* (10-49 employees, Professional, scientific and technical activities, South East England)

### A potentially positive impact of the reforms highlighted in responses was the push effect they will have on investment in AI and automation, although that will at the same time come at a cost to job creation:

*“Automation and the integration of AI become a must do rather than an optional benefit”* (50-99 employees, Administrative and support services, North West England)

*“We have signed a contract to invest more in automation to remove heads, if possible, which given its expense we probably wouldn't have done without this Act.”* (250+ employees, Transportation and storage, London)

There was a very strong consensus among members that the Employment Rights Act will be bad for the economy, with 86% of business leaders reporting that they believe the Act will have a negative impact on economic growth. This result represents a 14 pp increase from when we asked the same question in May 2025.

A common theme in responses was that the reforms will hit SMEs particularly hard:

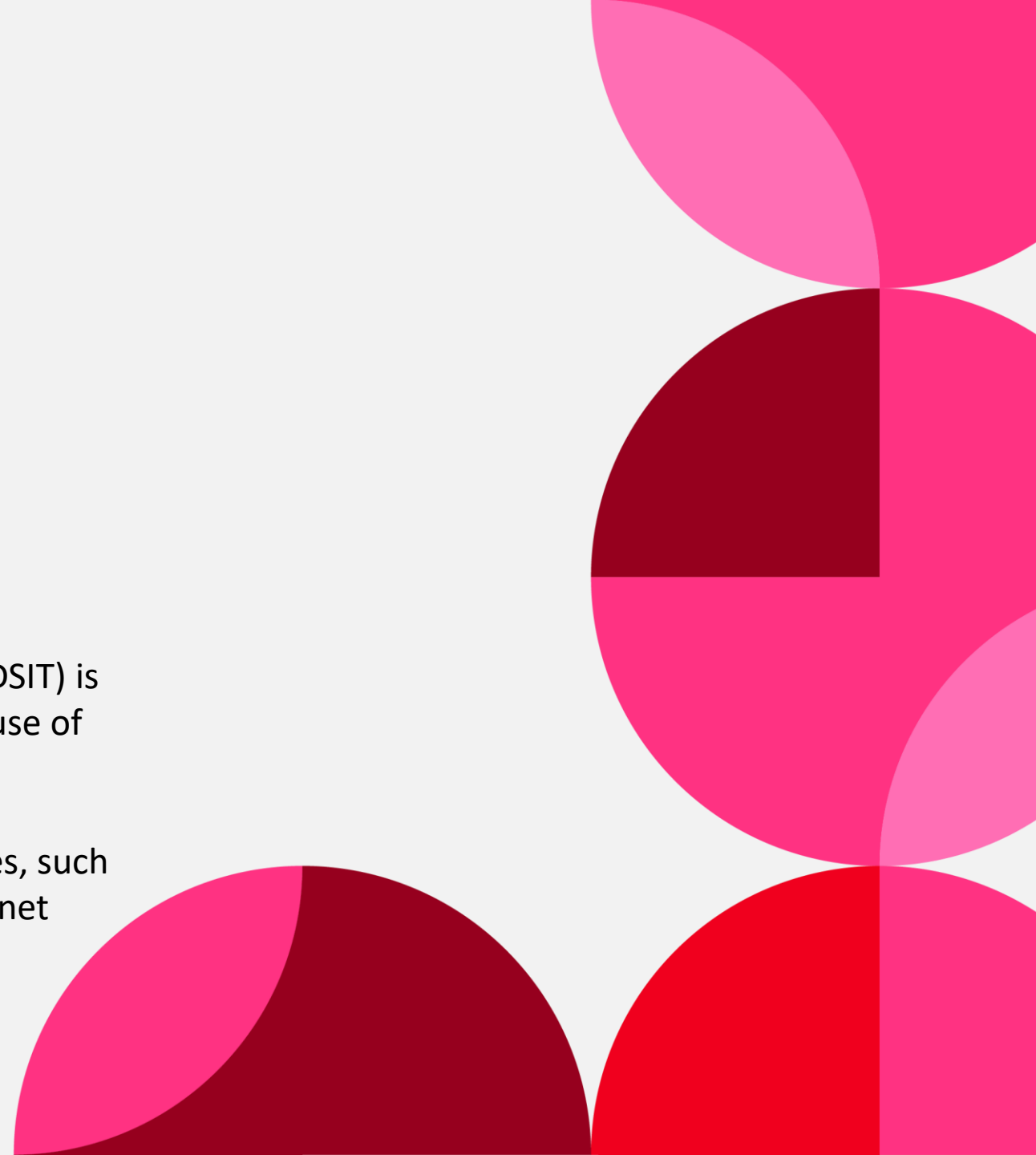
*“As a small company, the negative effect of one bad apple means we will be very cautious about taking on new staff.”* (2-9 employees, Arts, entertainment and recreation, South East England)

*“It will have a particularly negative impact on small businesses - who cannot absorb/accommodate (and will be scared by the risks created by) the changes in employee/employer relationship.”* (10-49 employees, Education, East Midlands)

# Cloud systems

The Department for Science, Innovation and Technology (DSIT) is interested in understanding our members' organisational use of cloud computing.

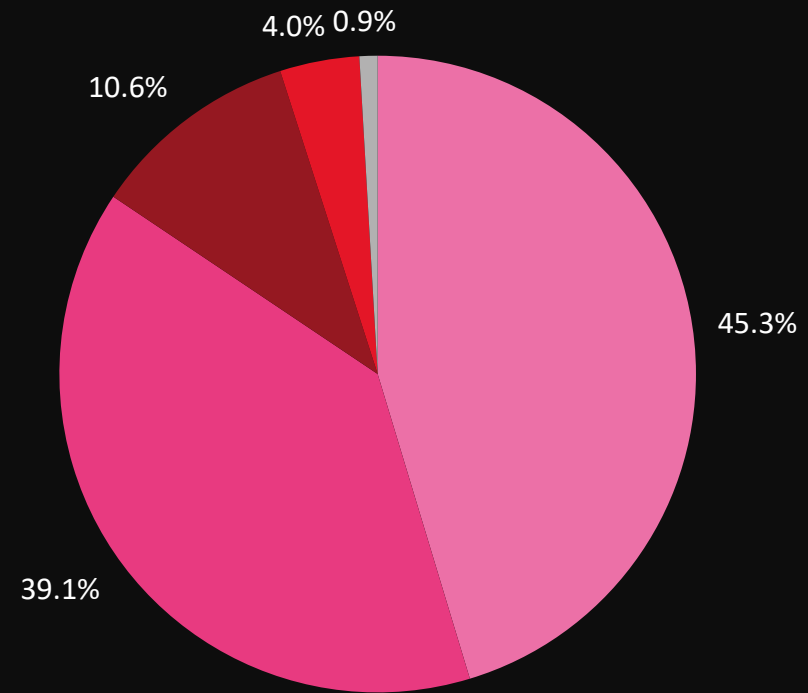
Cloud computing is a way of accessing computing resources, such as servers, storage, databases and software, over the internet without having to buy hardware.





## Most IoD members have a clear understanding of cloud computing

To what extent do you agree with the following statement: "I have a clear understanding of what cloud computing is and how it functions."



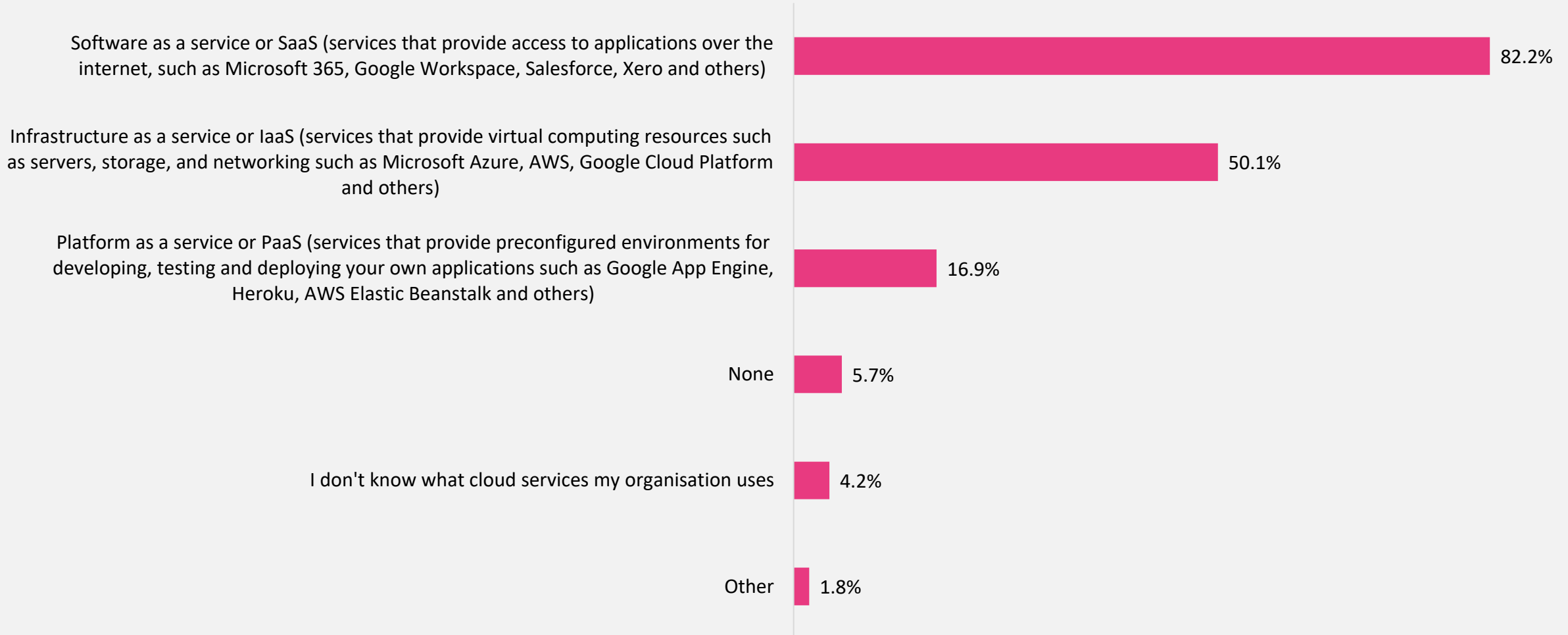
■ Strongly agree ■ Agree ■ Neither agree nor disagree ■ Disagree ■ Strongly disagree





## Most firms rely on SaaS, but infrastructure cloud services also widely used

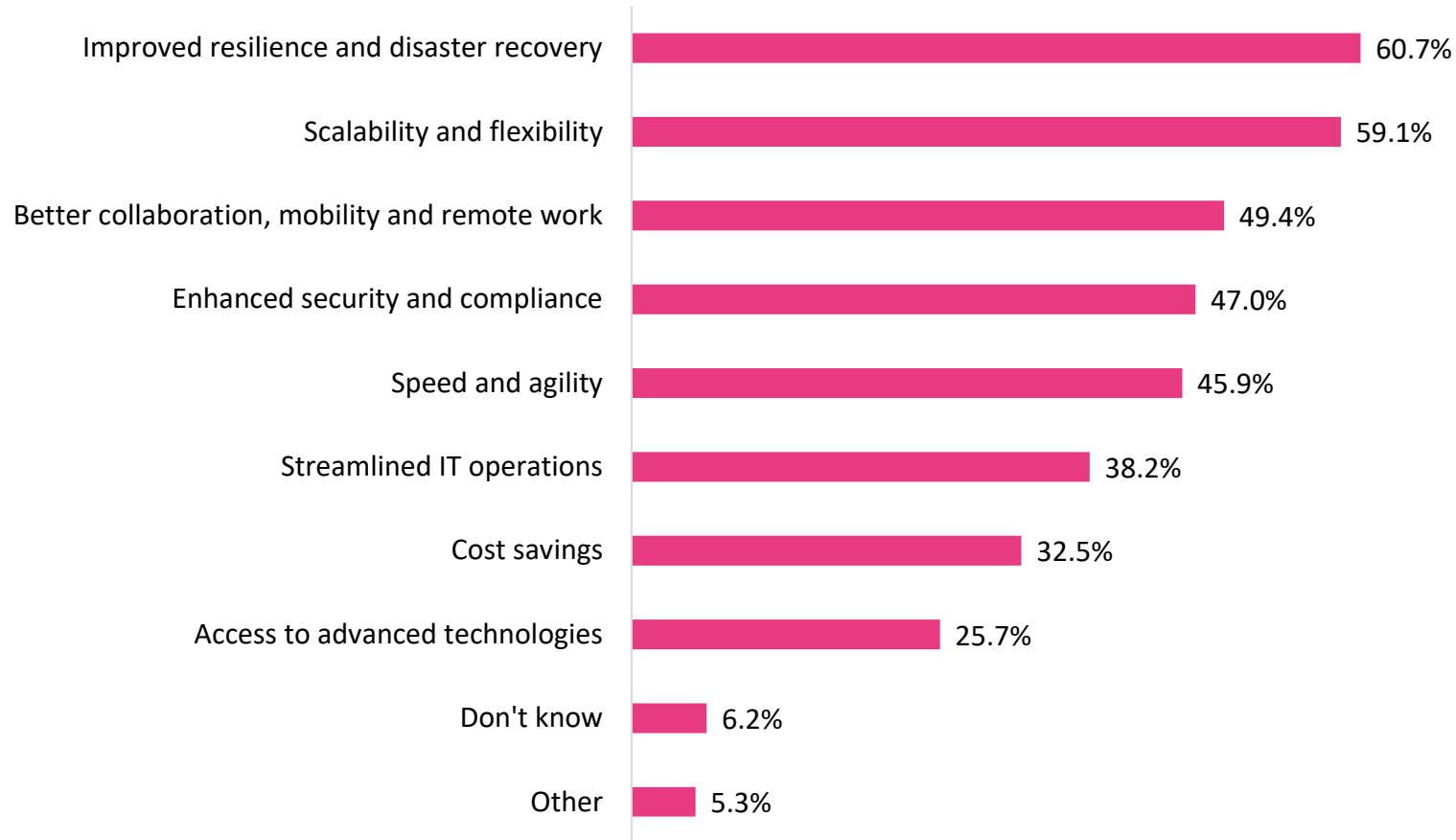
### Which types of cloud computing service does your organisation use?





## Resilience, scalability and collaboration top the cloud benefits firms value most

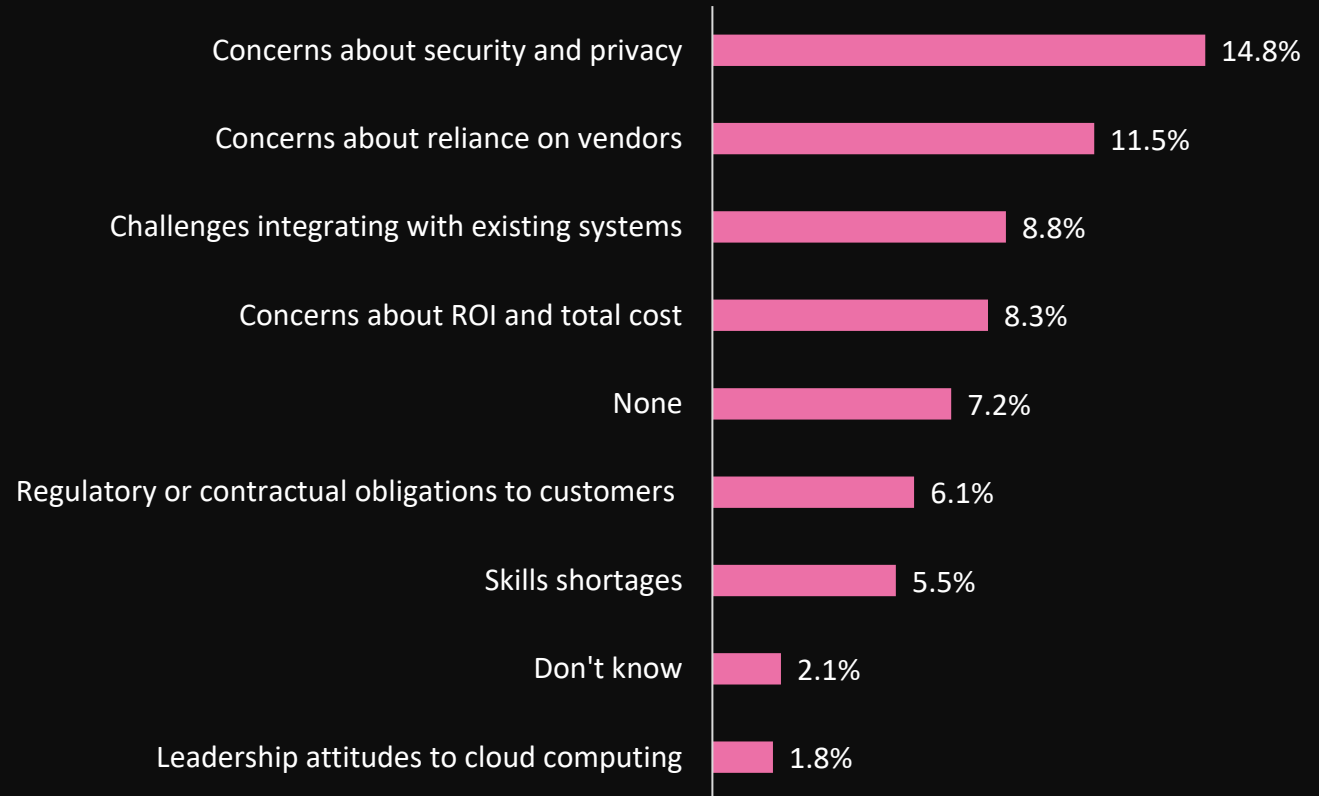
What are the main benefits that your organisation realises from the use of cloud services?





## Security concerns remain the biggest cloud barrier for business leaders

What barriers, if any, prevent you realising greater benefits from the use of cloud services?





## In the further comments, a number of themes emerged:

### 1. Vendor lock-in, and rising costs

*“One barrier is the dominance of only a small number of providers (limiting competition and leading to higher prices) and the other is price predictability (or lack thereof)”* (10–49 employees, Education, East Midlands)

*“Concern that over dependence on specific SAAS providers may lead them to ramp up charges excessively.”* (2–9 employees, Administrative and support services, South West England)

*“Transferring data between suppliers is difficult and costly: companies get locked in.”* (0–1 employees/sole trader, Electricity and/or gas supply, North West England)

*“We are concerned about the ability of key vendors to implement crippling price rises or withdraw services once customers have grown reliant on them.”* (2–9 employees, Information and communication, East of England)

*“The problem is the scaling of costs by SaaS providers when they get you locked in.”* (250+ employees, Real estate, London)

### 2. Over-dependence on US vendors, and rising costs

*“Cloud computing services are in the hands of effective US monopolies and, as such, the associated costs are far higher than they should be.”* (10–49 employees, Real estate, South East England)

*“Concerns about US based operations being driven by political pressure and potentially removing/degrading access.”* (2–9 employees, Information and communication, South East England)

*“The reliance on US ‘big tech’ providers is a huge concern. Time and again they've shown a disregard for ethics and principled decision making.”* (10–49 employees, Information and communication, London)

*“I really wish there were serious international Tech players from Europe as we are worried about all of them being based and from the USA.”* (250+ employees, Accommodation and food services, Yorkshire and the Humber)

*“We need and use UK-tenanted cloud solutions. Every UK business should think carefully about the implications of internationally-hosted cloud services.”* (250+ employees, Manufacturing, South West England)



### 3. Security, data sovereignty and server location concerns

*“Main concerns are heavily about security and privacy.”* (250+ employees, Professional, scientific and technical activities, London)

*“Main issues these days is the reliance on servers where the danger of malicious hacking or ransom is so prevalent.”* (50–99 employees, Health and social work, London)

*“Hacking or cyber attack [is my] single biggest fear.”* (100–249 employees, Construction, South East England)

*“We are... concerned about cyber security and location of cloud servers.”* (2–9 employees, Information and communication, London)

*“My belief is that cloud systems are far more likely to be hacked than property protected and isolated ‘home’ servers.”* (2–9 employees, Financial services, Yorkshire and the Humber)

*“Clearer guidance on data-sovereignty issues and support for SMEs in navigating procurement and compliance expectations would be beneficial.”* (10–49 employees, Professional, scientific and technical activities, Scotland)

### 4. Lack of control over infrastructure

*“Reliance on systems outside my control... which might fail [or be] unavailable.”* (0–1 employees/sole trader, Professional, scientific and technical activities, London)

*“We keep local backup in addition to cloud services. When the internet goes down, for any one of a variety of reasons, the company could lose everything if they are only reliant on the cloud.”* (50–99 employees, Manufacturing, London)

*“I always want to own permanently all my own data and software, to be able to access old and even obsolete information and capabilities at any time in the future even if we no longer subscribe.”* (0–1 employees/sole trader, Electricity and/or gas supply, North West England)



# Economic Monitoring: data

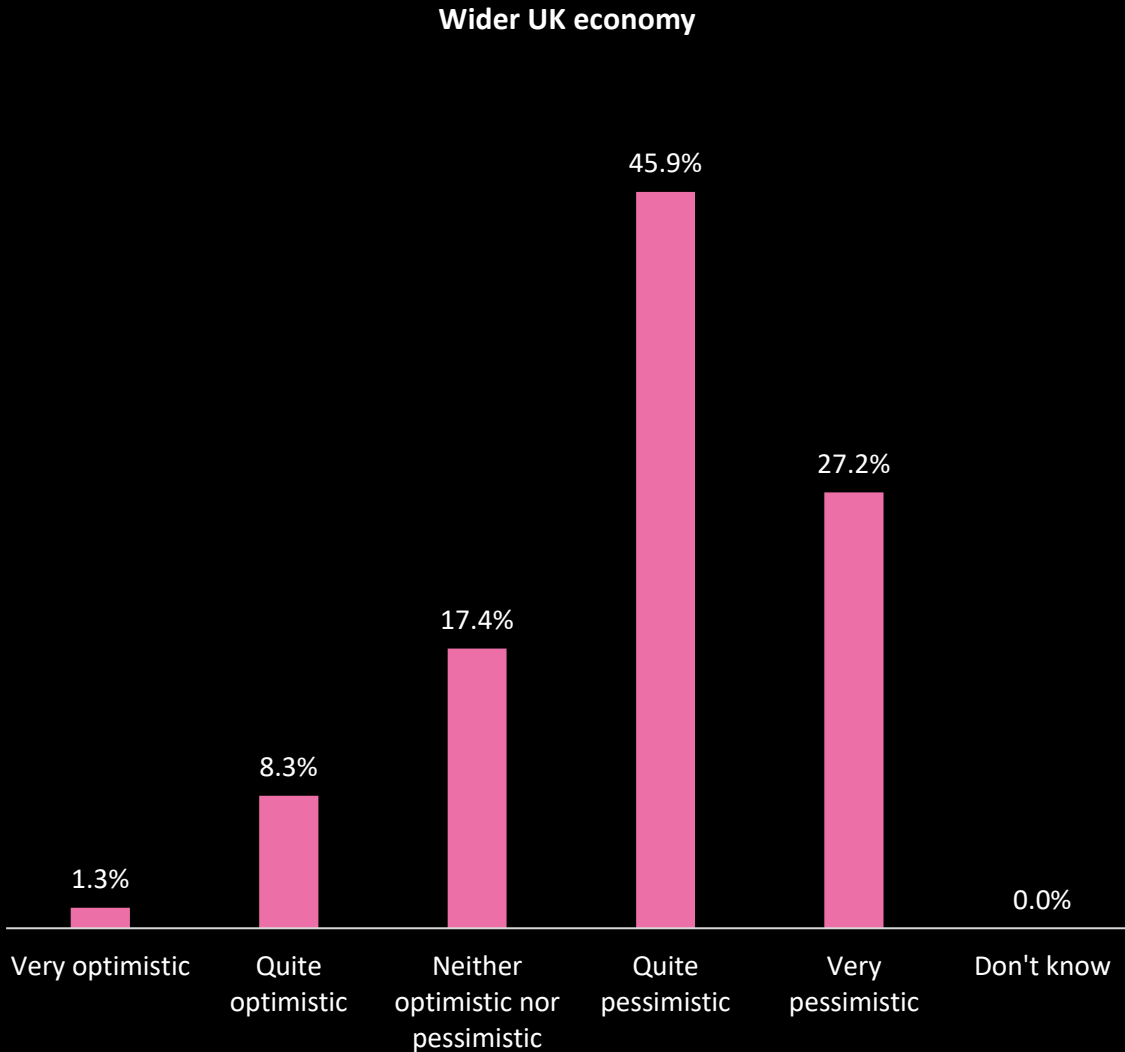
The following data contributed to our [Director's Economic Confidence Index](#), which we send directly into the heart of government each month.

This data is widely reported in the national media.

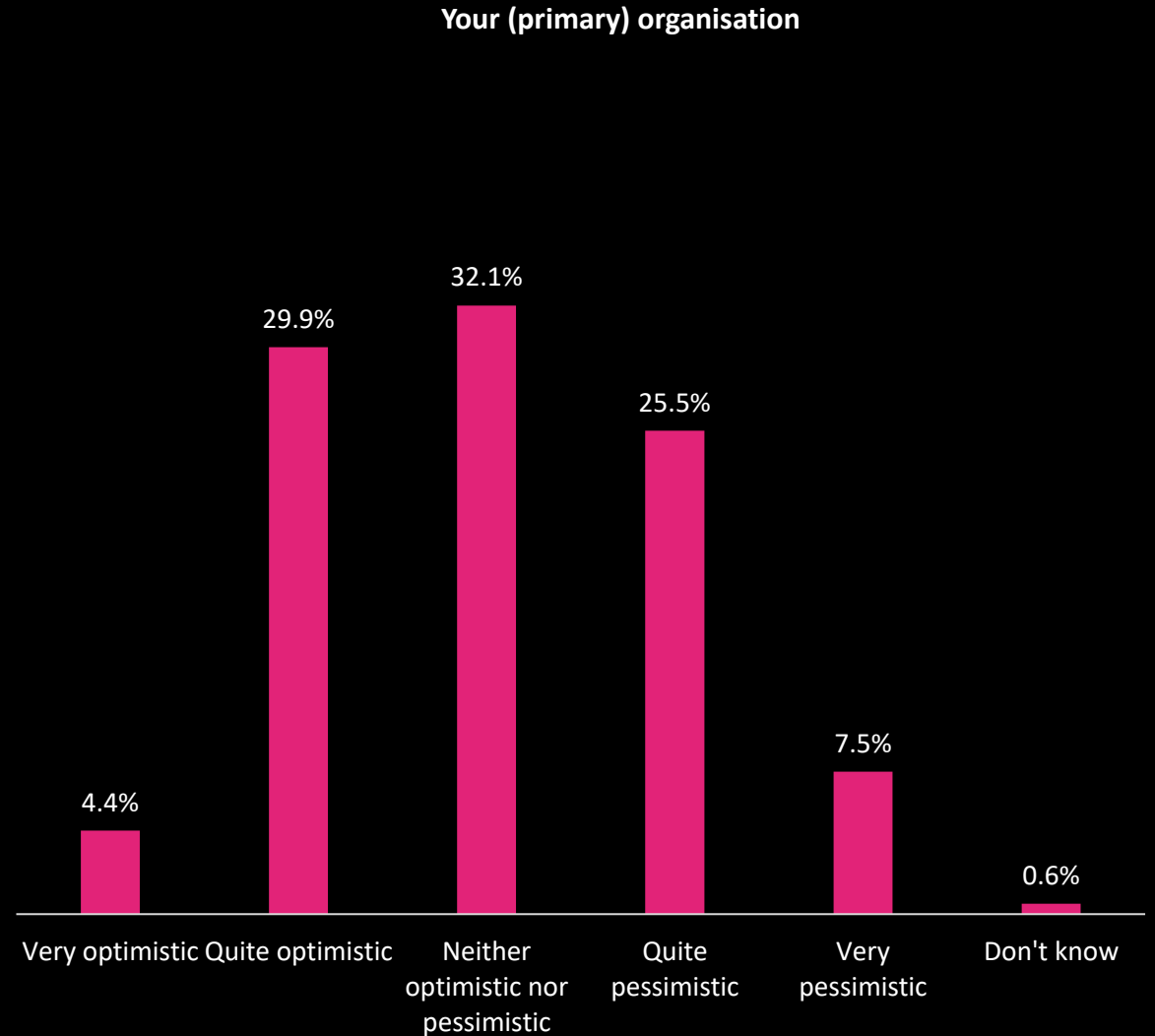


## How optimistic are you about both the wider UK economy and also your organisation over the next 12 months?

Wider UK economy



Your (primary) organisation





**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	3.5%	22.6%	40.6%	21.1%	10.8%	0.9%	0.6%
Costs	19.8%	67.9%	7.9%	2.9%	0.6%	0.6%	0.4%
Exports	2.2%	14.1%	30.5%	7.7%	3.5%	40.6%	1.5%
Headcount	1.5%	20.0%	44.2%	25.0%	7.5%	0.9%	0.9%
Revenue	4.4%	39.3%	26.8%	22.2%	6.1%	0.9%	0.4%
Wages	6.1%	49.9%	31.2%	7.7%	2.9%	1.5%	0.7%



**There was widespread pessimism about the economic outlook, reflecting the survey's quantitative findings. Many respondents highlighted rising costs, policy uncertainty and subdued demand, which were affecting investment and hiring.**

**A key theme was the growing expense and risk of employing staff, driven by higher National Insurance, increased minimum wages and anticipated employment rights reforms, leading some businesses to reduce recruitment, pause apprenticeships, or turn to outsourcing and automation.**

*"National Insurance changes have cost us £750,000. With new minimum wage levels, we have had to put hiring and internships on hold." (250+ employees, Manufacturing, Wales)*

*"The cost of employment has soared beyond our ability to price." (250+ employees, Health and social work, London)*

*"Increasing employment costs are outstripping profit margin growth." (2–9 employees, Information and communication, South West England)*

*"As per my comments... I have stopped hiring young people and apprentices. I now for the first time in 38 years outsource one third of my resource needs to South Africa." (50–99 employees, Information and communication, London)*

*"When we understood the implications of the employment law changes... we made all five staff redundant and we're now a lifestyle business instead of a growth company." (2–9 employees, Other services, London)*

**Wider policy and regulatory uncertainty also featured strongly in responses:**

*"Our business is holding position however changes to NI and new legislation will affect our hiring and investment strategies." (50–99 employees, Construction, London)*

*"The 25% corporation tax rate has taken money out of the business we would have used for international sales development and an increase in headcount." (2–9 employees, Other services, South East England)*

*"Like all businesses in the UK, we are struggling with the amount and complexity of regulations governing taxes, employment and the like." (10–49 employees, Professional, scientific and technical activities, South East England)*





**Many respondents also described a cautious demand environment, with clients delaying projects, reducing spending or holding back on investment. This uncertainty was reported to be feeding through into slower revenue growth and reduced forward visibility for many businesses:**

*“Clients are delaying or cancelling projects and reducing investment, which impacts the work we do.”* (2–9 employees, Financial services, South East England)

*“Our business is now running below capacity, where for the last 10 years we’ve been over capacity. This is due to our customers holding back on projects and reducing their staff count.”* (100–249 employees, Information and communication, South East England)

*“It is a bit of a slog at the moment due to clients feeling uncertain about the future.”* (10–49 employees, Information and communication, South East England)

**Finally, some members highlighted the influence of global uncertainty and structural challenges, including geopolitical tensions, trade conditions and skills shortages. These factors were seen as compounding domestic pressures and making long-term planning more difficult:**

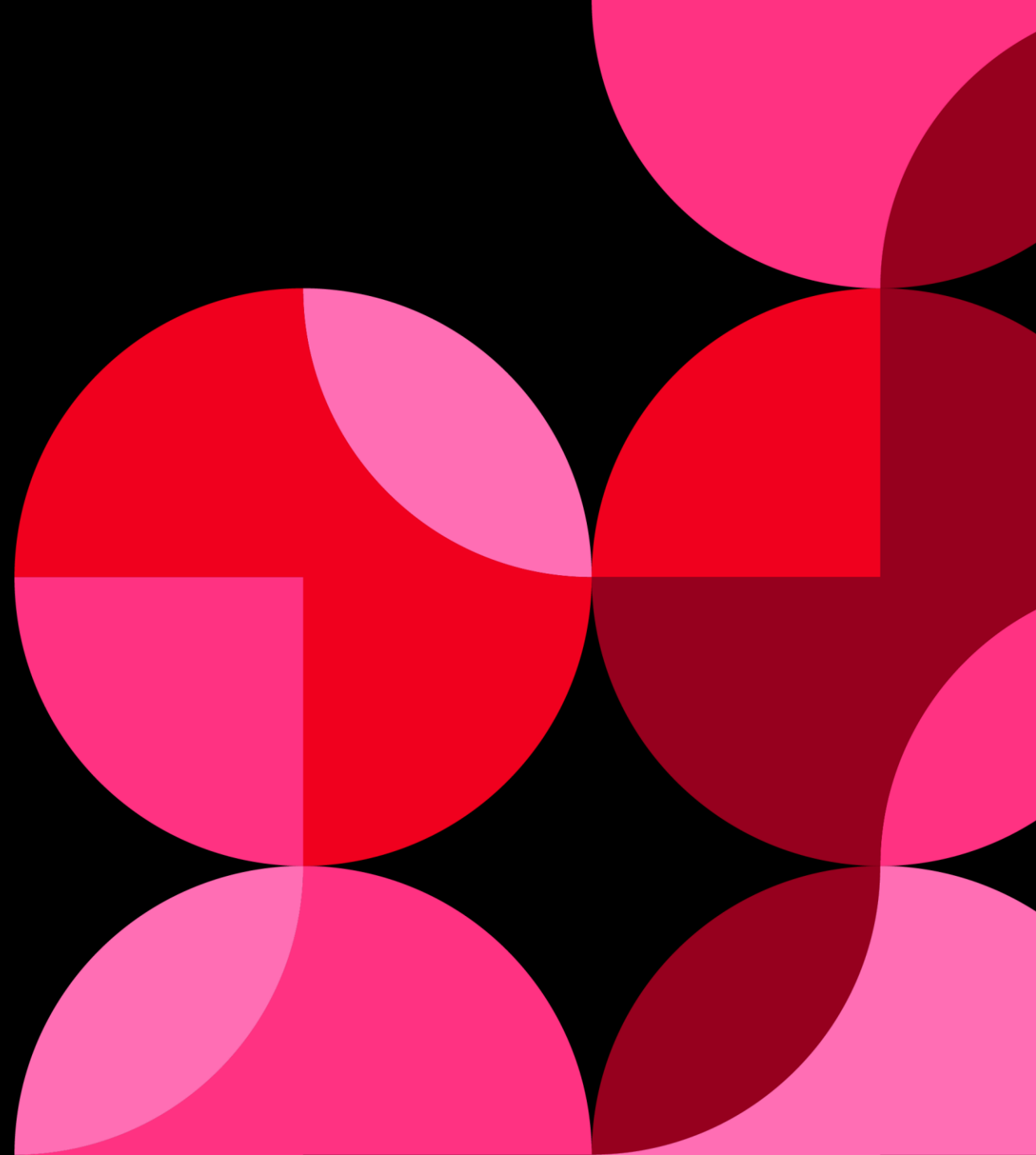
*“The trade war is impacting our ability to plan and start development for the mid to long term.”* (250+ employees, Wholesale and retail trade (including motor repair), West Midlands)

*“US/GBP FX rate instability is a major concern as most of our revenues are in USD.”* (2–9 employees, Professional, scientific and technical activities, East Midlands)

**Overall, while some businesses reported resilience or growth in specific markets, the dominant tone of responses was one of caution. Many respondents indicated that persistent cost pressures, policy uncertainty and weak demand were constraining growth and shaping more defensive business strategies over the year ahead.**

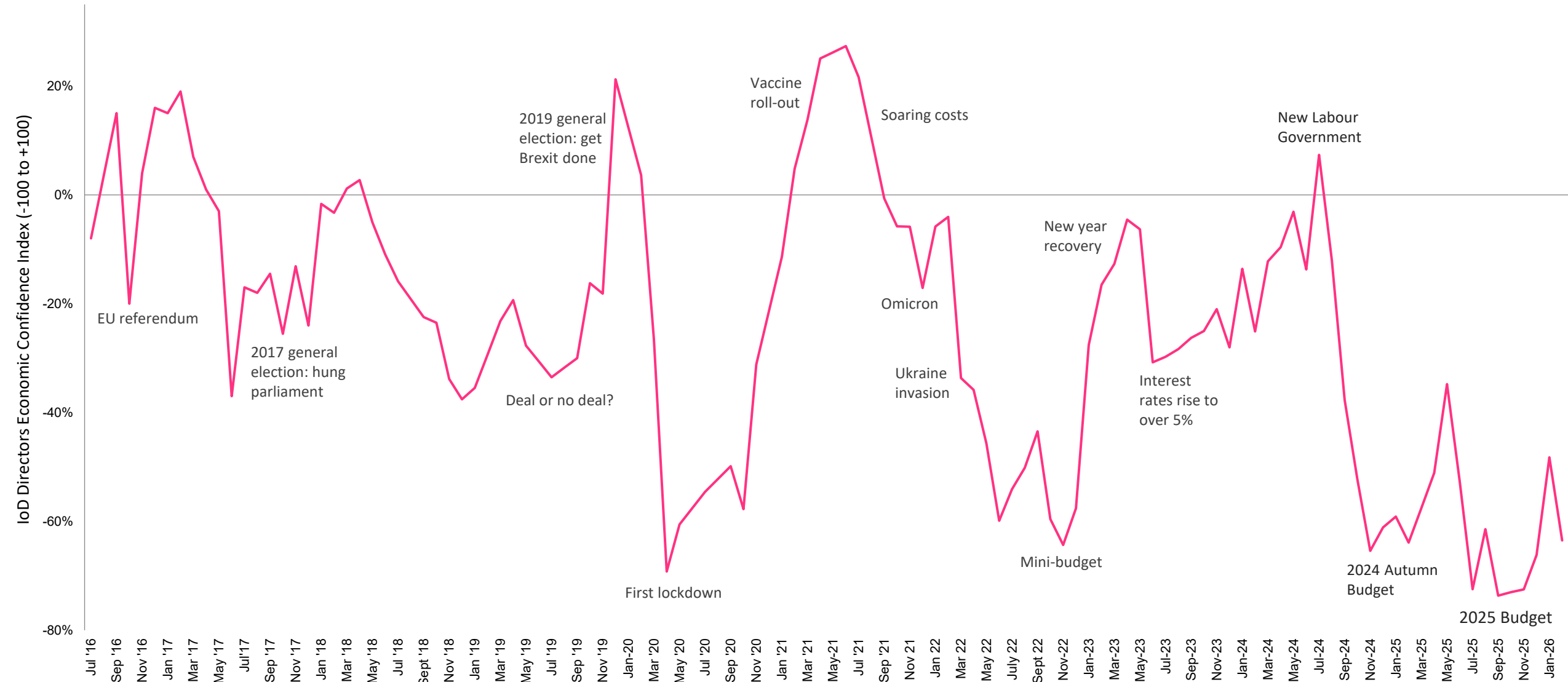


# Economic Monitoring: trends





# Business leaders' confidence in economic outlook remains fragile

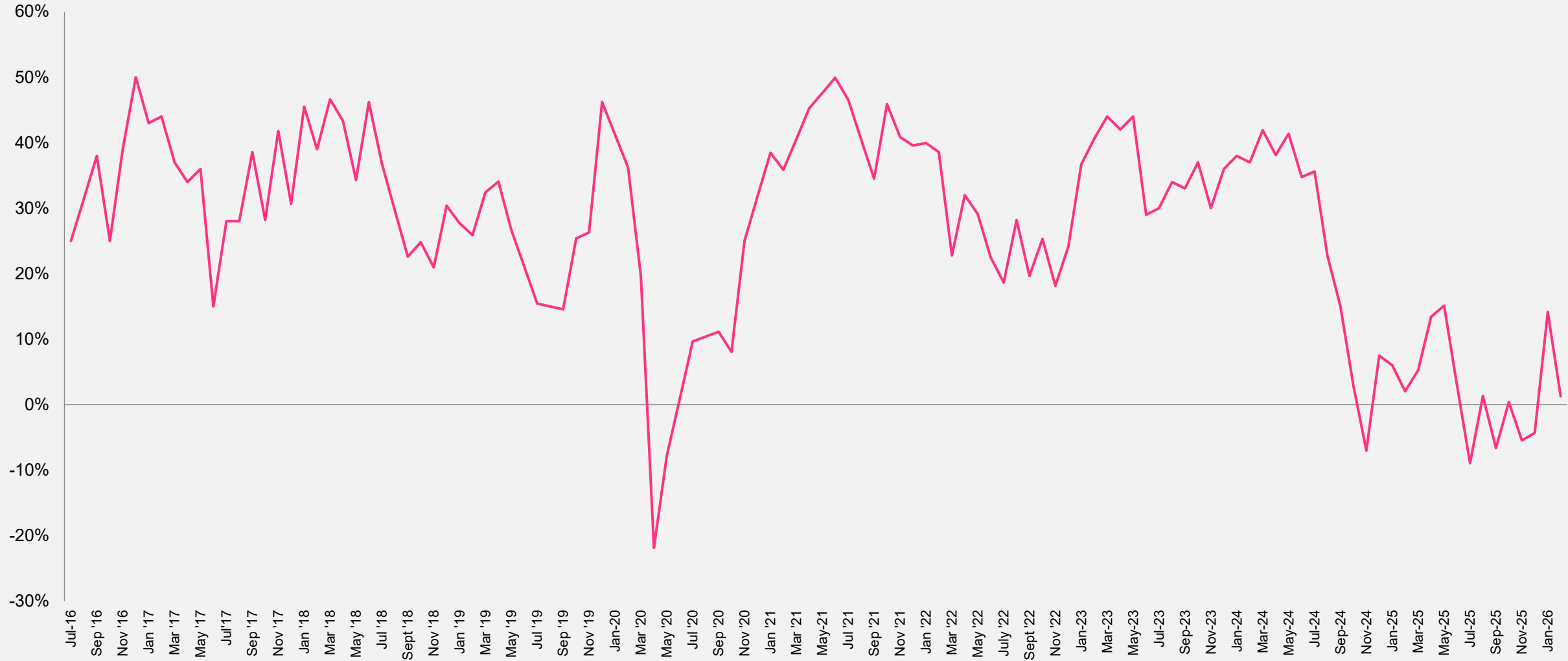




## Business leader confidence in their own organisations fell, to +1 in February

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

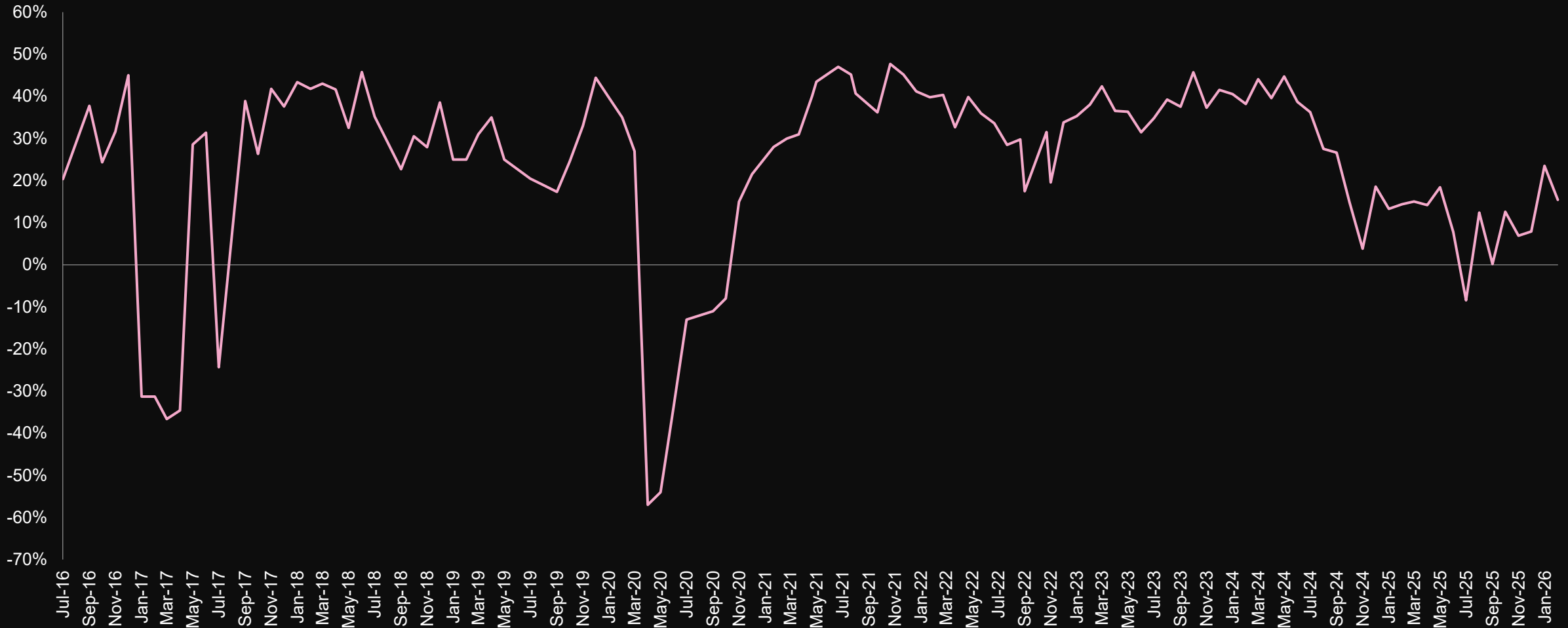
*5-point scale from very optimistic to very pessimistic, net optimistic % Source: IoD monthly Policy Voice surveys*





## Revenue expectations fell to +15 in February from +23 in January

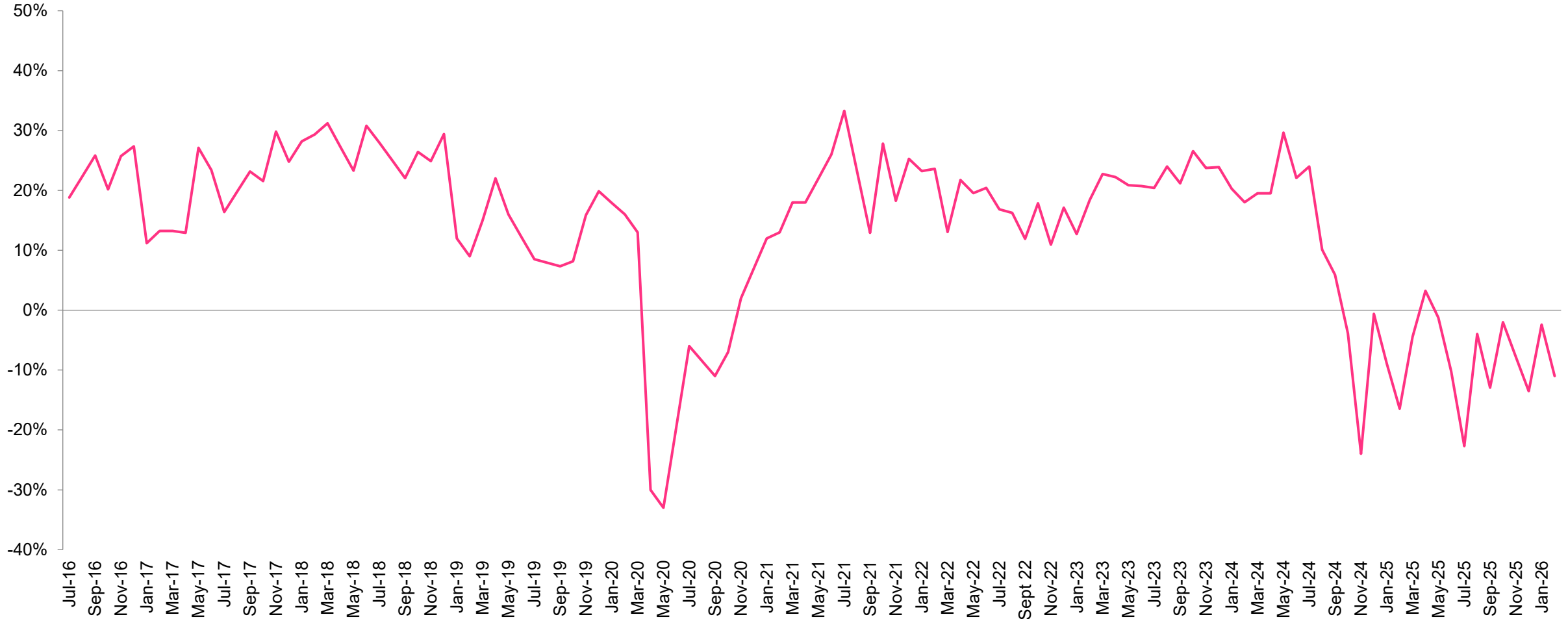
Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: REVENUE.  
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys





## Headcount expectations fell to -11 from -2

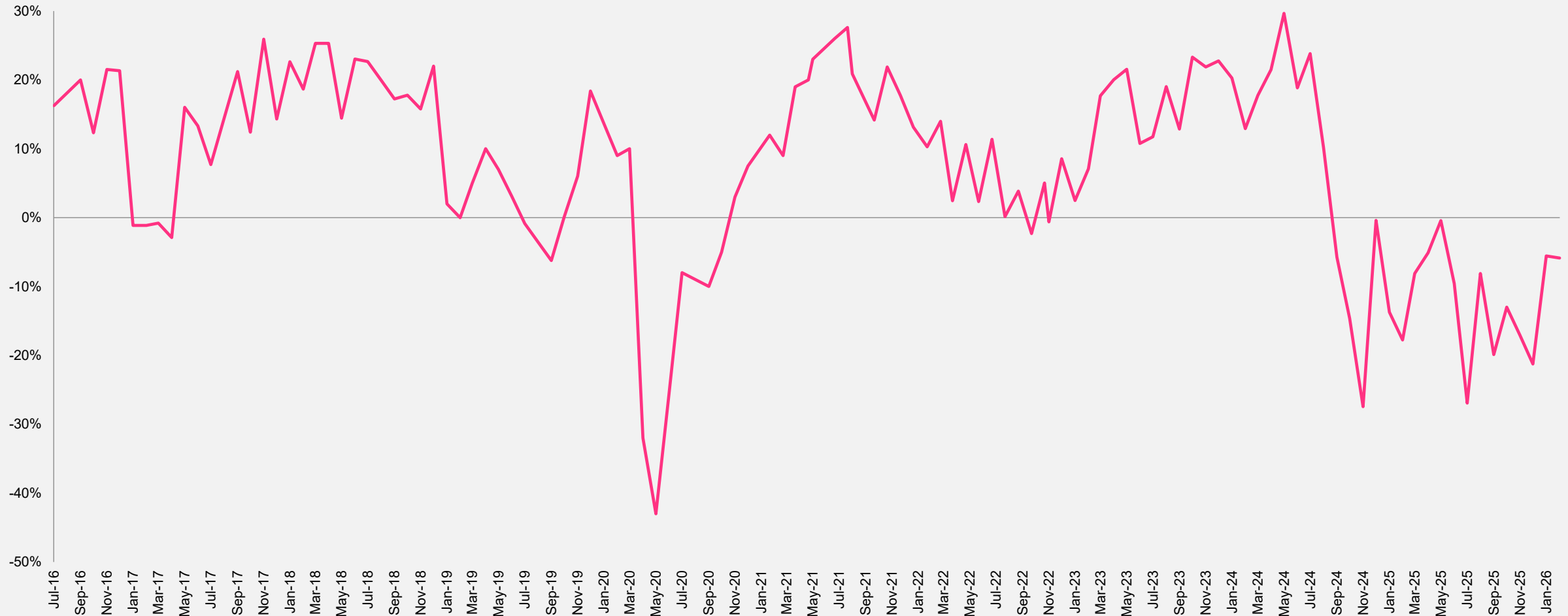
*Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: HEADCOUNT.  
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys*





## Investment intentions remained the same

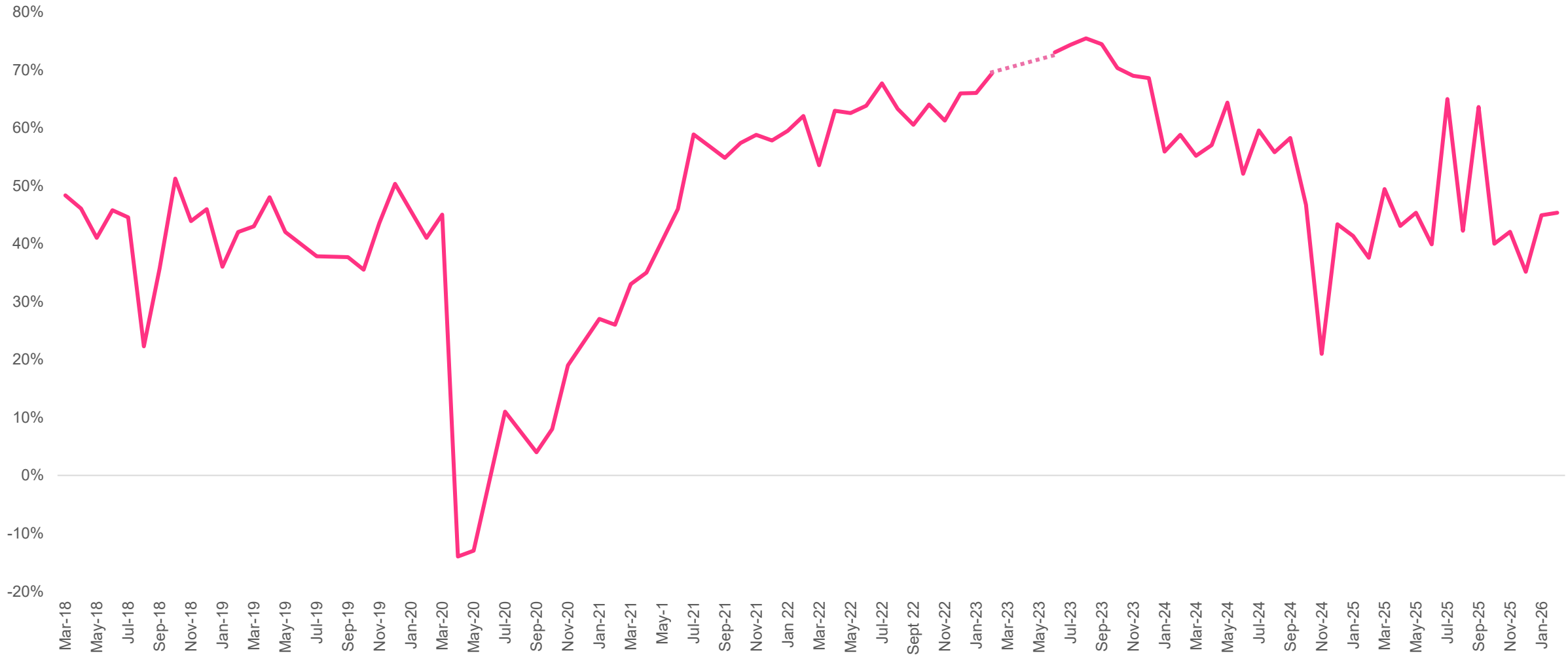
*Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: INVESTMENT.  
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys*





## Wage expectations remained the same at +45

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

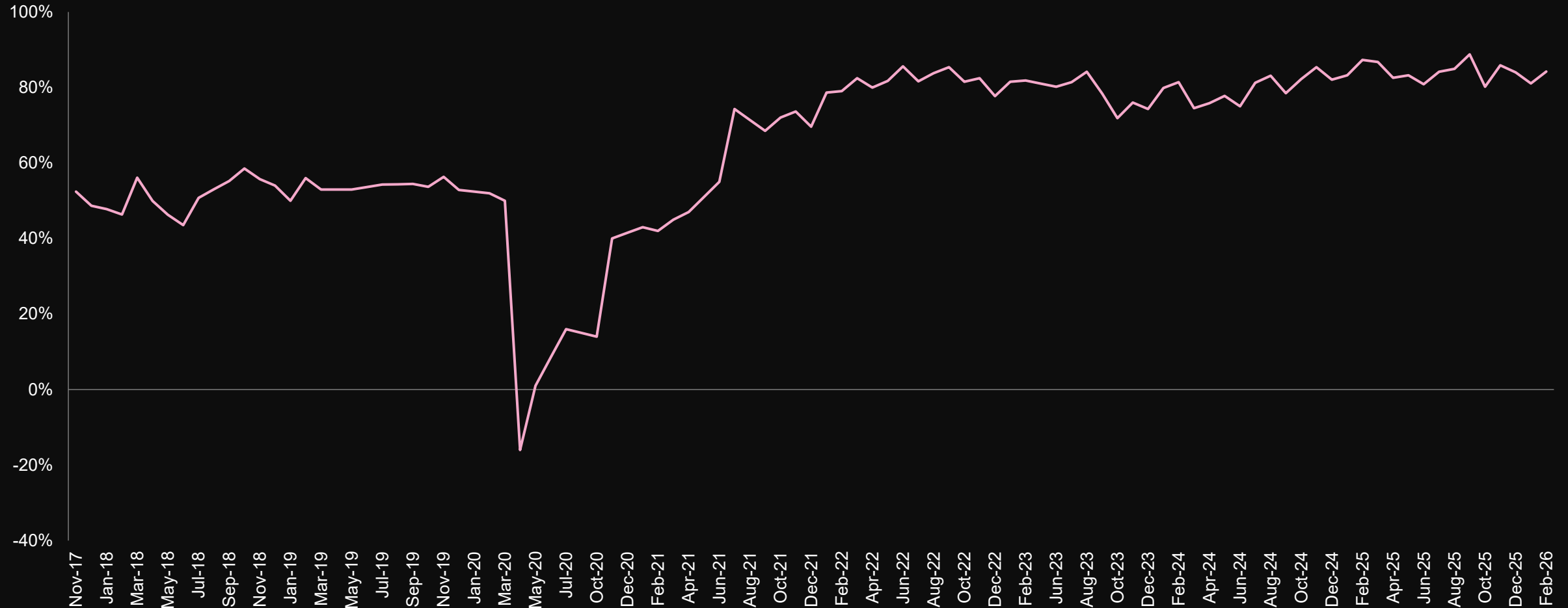


..... = question not asked



## Cost expectations rose marginally to +84 from +81

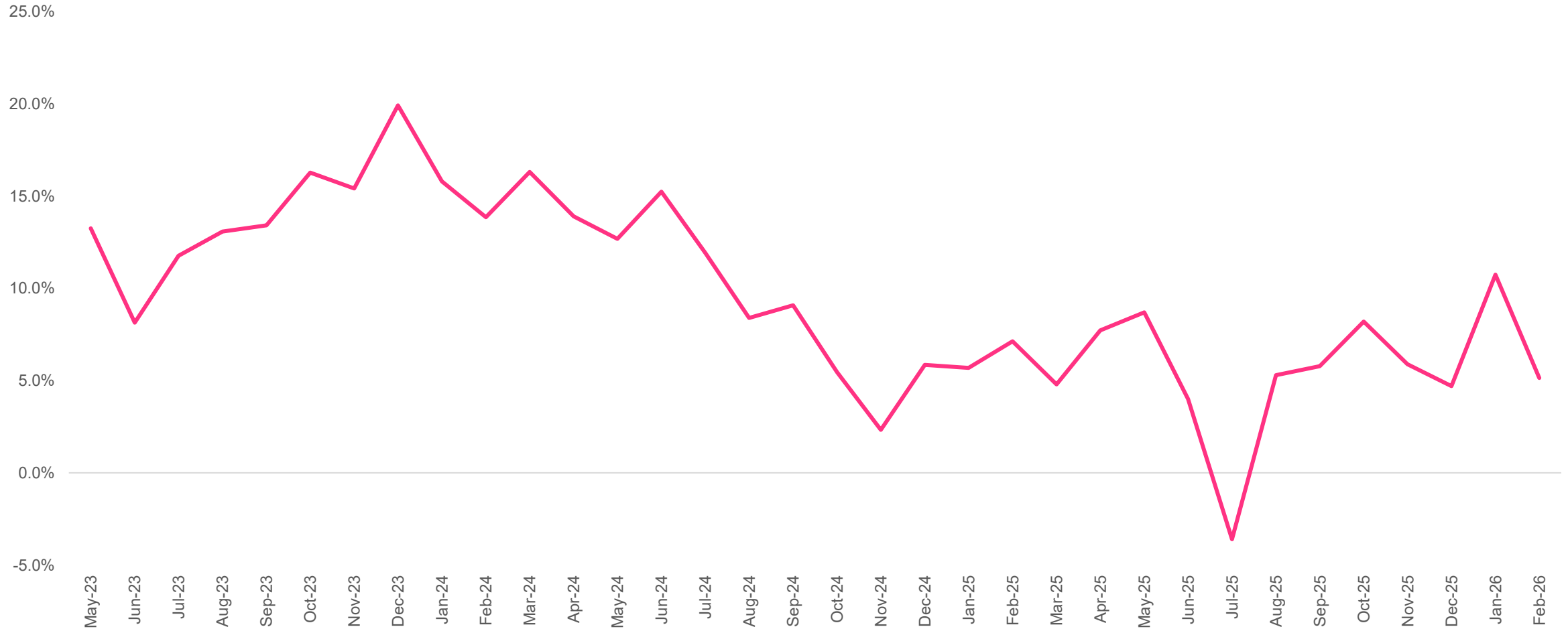
Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: COSTS.  
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys





## Export expectations fell back to +5 from +11

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%	2.5%	0.0%	0.0%	6.1%
Quite optimistic	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	17.4%	16.7%	8.2%
Neither optimistic nor pessimistic	7.1%	17.6%	0.0%	27.3%	0.0%	15.0%	13.0%	0.0%	14.3%
Quite pessimistic	42.9%	70.6%	33.3%	45.5%	33.3%	37.5%	52.2%	50.0%	49.0%
Very pessimistic	50.0%	11.8%	66.7%	27.3%	66.7%	40.0%	17.4%	33.3%	22.4%
Don't know	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%	0.0%	0.0%	6.1%
Total number of respondents	<b>14</b>	<b>17</b>	<b>6</b>	<b>11</b>	<b>3</b>	<b>40</b>	<b>23</b>	<b>6</b>	<b>49</b>

	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	0.0%	0.0%	1.5%	0.0%	0.0%	1.6%	0.0%	0.0%	0.0%	0.0%
Quite optimistic	7.7%	11.9%	4.6%	0.0%	9.6%	9.4%	14.3%	9.1%	0.0%	11.8%
Neither optimistic nor pessimistic	15.4%	15.3%	29.2%	0.0%	15.4%	18.0%	7.1%	27.3%	0.0%	29.4%
Quite pessimistic	38.5%	42.4%	44.6%	0.0%	55.8%	47.7%	35.7%	45.5%	33.3%	29.4%
Very pessimistic	38.5%	30.5%	20.0%	100.0%	19.2%	23.4%	42.9%	18.2%	66.7%	29.4%
Don't know	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total number of respondents	<b>26</b>	<b>59</b>	<b>65</b>	<b>1</b>	<b>52</b>	<b>128</b>	<b>14</b>	<b>11</b>	<b>3</b>	<b>17</b>



## 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	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%	0.0%	0.0%	8.2%
Quite optimistic	7.1%	11.8%	16.7%	27.3%	33.3%	20.0%	43.5%	66.7%	30.6%
Neither optimistic nor pessimistic	42.9%	47.1%	16.7%	18.2%	33.3%	32.5%	17.4%	16.7%	46.9%
Quite pessimistic	21.4%	29.4%	50.0%	36.4%	33.3%	35.0%	21.7%	0.0%	8.2%
Very pessimistic	28.6%	5.9%	16.7%	18.2%	0.0%	10.0%	17.4%	16.7%	6.1%
Don't know	0.0%	5.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total number of respondents	14	17	6	11	3	40	23	6	49

	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	0.0%	6.8%	9.2%	0.0%	3.8%	5.5%	0.0%	0.0%	0.0%	0.0%
Quite optimistic	34.6%	28.8%	36.9%	100.0%	28.8%	32.0%	21.4%	27.3%	0.0%	29.4%
Neither optimistic nor pessimistic	15.4%	33.9%	23.1%	0.0%	34.6%	32.0%	28.6%	36.4%	66.7%	47.1%
Quite pessimistic	42.3%	23.7%	27.7%	0.0%	25.0%	25.0%	28.6%	27.3%	33.3%	23.5%
Very pessimistic	7.7%	6.8%	3.1%	0.0%	3.8%	5.5%	21.4%	9.1%	0.0%	0.0%
Don't know	0.0%	0.0%	0.0%	0.0%	3.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Total number of respondents	26	59	65	1	52	128	14	11	3	17

### **Objects of the Institute of Directors' Royal Charter**



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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.

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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.

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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.

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