Employee Engagement Trends

2026 - Q3 & Q4

Q3 & Q4 2026 Inspirus Semiannual HR Trends

As we move into the second half of 2026, the question facing HR leaders has changed. A year ago, we were talking about transformation and opportunity. Today, the workforce is telling us something more urgent: people are stretched thin, watching closely, and deciding whether their organizations can be trusted with what comes next. Six pressures are converging at once, and each one points back to the same place.

- Manager engagement has fallen to 22 percent globally, down nine points in three years. This is not just a dip. It signals a deeper break, and it is especially concerning among the younger and female managers organizations have worked hard to promote. When managers disengage, their teams often follow.
- Burnout has gone underground. Roughly a third of employees are now in what researchers call silent burnout: still showing up, still producing, and quietly considering their next move. It does not always appear in absenteeism data until it is too late to act.
- AI was supposed to lighten the load. For many employees, it has done the opposite, adding hours of review, verification, and tool-switching while focused work continues to decline. Employees are using AI more, but trusting it less.
- The compliance gap that comes with AI adoption is now a live legal exposure, not a future problem. Many HR professionals in states with AI employment laws are not fully aware of them, and few organizations have policies they would describe as clear or defensible.
- Our early-career pipeline is leaking before it fills. Sixty-five percent of Gen Z employees leave within their first year, and one of the clearest drivers is painfully simple: they no longer believe their manager cares about them as a person.
- And for the first time in a decade, employees have told researchers that confidence in leadership and how well change is handled matter more than feeling like they belong. Belonging and recognition have not become less important. They have lost some of the stable ground they used to stand on.

What ties these six themes together is trust, and the thing that builds or breaks trust every single day is recognition. Recognition is how a manager demonstrates care before a team disengages. It is an early signal that can surface burnout before it becomes a resignation. It is how an organization proves that AI is not quietly extracting more than it gives back. It is how an early-career employee sees that their contribution matters before they decide to leave. And it is one of the clearest ways a leadership team shows that what it says and what it rewards are aligned.

Recognition has always come first in how we approach this work, with rewards there to reinforce it, not replace it. The data in this report makes that case clearly. When recognition is inconsistent, organizations lose one of the simplest ways to build trust, strengthen manager relationships, and make employees feel seen.

The insights that follow are intended to help HR leaders read the signals behind the scores, understand where trust may be weakening, and take action before the impact shows up in retention, performance, or culture.

H. Benamram

Henry Benamram
Country Managing Director

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The Manager Engagement Collapse is now a Business Emergency

The numbers from Gallup's 2026 State of the Global Workplace report are stark.

Global employee engagement fell to 20% in 2025, the second consecutive year of decline and the lowest level since 2020. In the U.S., engagement stands at 31%, representing 8 million fewer engaged workers compared to 2020. **The cost: an estimated $10 trillion in lost productivity annually, equal to 9% of global GDP.**

The story behind the headline is the manager crisis.

Manager engagement globally dropped to 22% in 2025, down 9 percentage points since 2022.

That is a collapse, not a dip. Managers used to carry an engagement premium over individual contributors. That premium is gone. The decline is steepest among managers under 35 and female managers, two groups organizations have been actively promoting into leadership roles.

The downstream effect is predictable. When managers disengage, so do their teams. Only 26% of employees globally strongly agree they receive adequate recognition for their work (Gallup, 2026). In world-class organizations, 79% of managers are engaged, nearly quadruple the global average. The gap between average and best-in-class is not incremental. It is structural.

What HR Must do now

1. Audit manager workloads before adding any new responsibilities. The collapse correlates directly with the pace of organizational change since 2022.
2. Invest in manager-specific recognition and coaching programs. Gallup data shows participants in manager coaching programs see up to 22% higher engagement, and their teams see up to 18% higher engagement.
3. Build recognition into manager performance metrics. If managers are not giving recognition, measure it and address it.
4. Create upward feedback loops so senior leaders can detect manager disengagement early, before it spreads to the team.
5. Redesign manager spans of control. The scope of what managers are expected to handle has expanded beyond what most are equipped or compensated to absorb.

Why This Matters for Engagement

Recognition is not a perk managers can opt out of. Gallup's Q12 engagement framework treats receiving recognition and having a supervisor who cares as foundational conditions, not enhancements. When 78% of the manager population is disengaged, those conditions are not being met at scale. The engagement crisis is, at its core, a manager enablement problem.

WHAT OUR EXPERTS ARE SAYING

Theresa Harkins-Schulz
Senior Vice President of Customer Experience and Products

"Global manager engagement has fallen sharply due to structural strain on the role. Flatter organizations have expanded managers' spans of control and piled on responsibilities—from leading digital transformations to sustaining employee well-being—without providing commensurate support or development. Many managers are stretched too thin and feel under-recognized themselves, leaving them stressed and disengaged.

Many companies still treat the manager engagement collapse as an HR issue rather than a core business risk. In reality, managers drive the majority of their team's engagement through everyday behaviors like recognition and coaching, so a disengaged manager quickly cascades into disengaged employees—draining productivity, driving up turnover, and weakening execution and customer experience. By underestimating this multiplier effect, organizations are missing a fundamental threat to performance.

Companies navigating this well are those treating manager engagement as a strategic imperative. They invest in making the manager role more sustainable—right-sizing team spans, improving training and tools, and embedding recognition and feedback into daily management—so managers feel supported and can focus on people and performance. In contrast, lagging companies leave managers to shoulder engagement without adequate support, still treating it as a program rather than a core business lever."

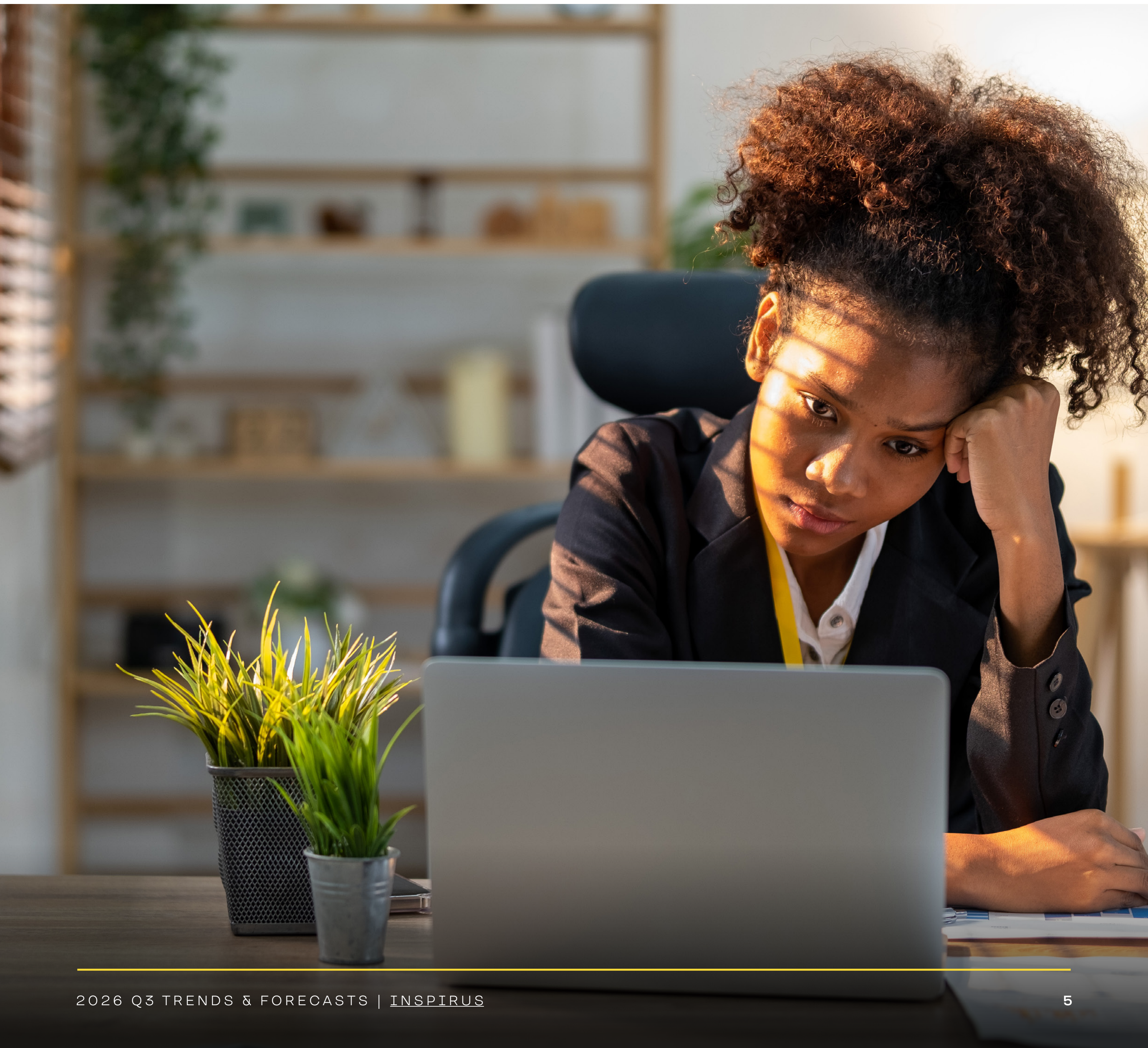
Burnout has Gone Underground

The burnout conversation has shifted. The 2026 Spring Health Workplace Mental Health Benchmarking Study, covering more than 500 HR professionals and 1,500 full-time employees, puts the scope in plain terms: 74% of employees report experiencing burnout at some point, and 61% of HR leaders say burnout increased in the past year.

The more alarming finding is what HR leaders cannot see.

An estimated 30% of employees are experiencing “silent burnout,” a slow, low-visibility form of exhaustion that does not show up in absenteeism data until it becomes acute. One in five HR leaders estimates that silent burnout affects more than half their workforce. These employees are still showing up. They are 40% more likely to experience presenteeism, 46% report productivity and focus struggles, and 27% are quietly considering a job change.

The clinical and financial consequences are compounding. Burned-out employees are 63% more likely to take a sick day (Spring Health, 2026), and 61% of HR leaders report that mental health leaves have increased in the past year. Employees without adequate mental health support are 69% more likely to report burnout than those who have it, making support programs a direct retention and productivity investment, not an optional benefit.



What HR Must do now

1. Stop measuring burnout only through absenteeism and formal leave data. Silent burnout does not trigger those signals. Use pulse surveys, recognition frequency data, and manager check-in cadence as early-warning indicators.

2. Normalize recovery time explicitly, not just rhetorically. Reset days, meeting-free afternoons, and protected focus blocks need to be policy, not suggestion.

3. Require HR leaders to segment mental health support usage by team, tenure, and function. Low utilization is not the same as low need. It is often the opposite.

4. Train managers to detect disengagement signals before they become formal leaves or resignations. Recognition is one of the clearest early signals: employees who stop engaging with recognition programs, or who are not receiving it regularly, are often the first to disengage fully.

5. Audit the gap between mental health benefits offered and mental health benefits actually accessible. Benefits that require extensive navigation or carry stigma do not buffer burnout.

Why This Matters for Engagement

The silent burnout pattern makes traditional engagement scoring unreliable. An employee can report neutral engagement while quietly disengaging for months before leaving. Organizations that embed recognition as a continuous signal, rather than an annual event, are building a live data layer that reflects what engagement scores cannot capture.

WHAT OUR EXPERTS ARE SAYING

Melissa Johnston
Director of Accounting and Human Resources

“Silent burnout is becoming much harder for organizations to detect, especially in hybrid and remote work environments where leaders are not interacting with employees face-to-face every day. The warning signs are easier to miss until the impact starts showing up in turnover, disengagement, declining collaboration, or increased mistakes caused by mental exhaustion and constant organizational change.

Organizations that are proactively addressing burnout are creating environments where employees feel empowered to set boundaries, speak up about workload capacity, and take time off without guilt. They are also training managers to recognize early signs of burnout and building healthier expectations around responsiveness and productivity before employees reach a breaking point.”

AI is Increasing Workload—Not Reducing it

The productivity promise of AI is not delivering for most employees. New research from ActivTrak, analyzing data from 10,584 workers across 35 million work sessions, found that tasks involving AI tools are taking 27% to 346% more time than before AI adoption. Time spent on email increased 104%. Messaging and collaboration tool usage increased 145%. Business management overhead increased 94%. AI promised supreme productivity, but it's actually straining workloads for employees—time spent emailing has doubled, and focused work sessions fell by 9%.

The deeper problem is what AI is doing to focused work.

Uninterrupted work sessions fell by **9%**.

Focused work hours dropped an additional **2%**.

Deep work as a share of the workday declined to **60%** in 2025, continuing a three-year downward trend.

Meanwhile, ManpowerGroup's 2026 Global Talent Barometer found that while regular AI usage jumped 13% to reach 45% of workers, confidence in using that technology fell sharply by 18%. **Employees are using AI more and trusting it less.**

Boston Consulting Group's 2026 research identifies the threshold at which AI stops helping and starts harming. Workers using three or fewer AI tools reported improved efficiency. Workers using four or more AI tools experienced a productivity collapse alongside what BCG researchers are calling "AI brain fry": the mental fatigue that comes from overseeing, reviewing, and correcting AI output at volume. As BCG Managing Director Julie Bedard described it, workers were "getting a lot more done, but also feeling like they were reaching the limits of their brain power." Workday's 2026 research found that 37% to 40% of time supposedly saved by AI gets consumed by reviewing and verifying AI-generated output.

The organizational math tells the same story.

The National Bureau of Economic Research found that **89%** of managers saw no change in productivity despite AI adoption rising from 61% to 71% of firms between early 2025 and early 2026.

Only **8%** of the time savings generated by AI is being reinvested in ways that actually benefit the worker. The rest is absorbed as increased output demands.

What HR Must do now

1. Audit actual AI tool usage before deploying more. Organizations running four or more AI tools without a consolidation strategy are likely creating the problem they set out to solve.
2. Protect focused work time explicitly. Meeting-free blocks, async-first communication norms, and workload monitoring are not productivity perks. They are baseline conditions for knowledge work.
3. Measure AI's impact on employee workload, not just organizational efficiency. If time-to-complete is rising and focused work is falling, efficiency gains at the business level are coming at a direct cost to employees.
4. Give employees agency over which AI tools they adopt. Forced adoption without training or context is the fastest path to the "AI brain fry" threshold BCG identified.
5. Build regular feedback loops between HR, IT, and employees about how AI tools are actually being used, where they help, and where they add friction. The gap between organizational assumptions and daily employee experience is wide.

Why This Matters for Engagement

Employees who feel overburdened by the tools meant to help them experience a specific form of disillusionment: the organization promised AI would make their work easier, and it made it harder. That gap between promise and reality is a trust issue. Recognition that explicitly acknowledges the burden employees are absorbing, and the discretionary effort it takes to navigate constant change, becomes a meaningful counterweight.

WHAT OUR EXPERTS ARE SAYING

Allen Holman
Chief Information Officer and Chief Security Officer

"Jensen Huang (Nvidia CEO - whose hardware powers almost all AI) pushed back against organizations that are using AI as an excuse to lay off workers, describing executives who shrink their teams as lacking imagination and vision. The best organizations are using AI as an opportunity to empower creation and innovation in faster cycles and not trying to shoe-horn AI tech into legacy command and control systems.

Science fiction writer and digital rights advocate Cory Doctorow describes this decision as the best organizations creating digital centaurs combining the brightest brains in the organizations with the automation and scale AI provides, while the worst organizations are using AI as an excuse to create liability sinks of "reverse centaurs" where AI is in control of decision making and workers just exist to be the person to blame in the loop when something goes wrong."

AI Compliance is a Legal Liability—Not a Future Problem

SHRM's 2026 State of AI in HR Report documents a compliance gap that should concern every HR leader operating in the United States. As of February 2026, 19 of the most populous states have enacted AI laws or regulations governing employer use of AI in employment decisions. The requirements vary but converge on transparency, bias auditing, and human oversight for high-stakes decisions including hiring, promotion, and termination.

The compliance reality is alarming.

57% of HR professionals working in states with AI employment regulations report they are not aware of those laws.

Among those who are aware, only **12%** have implemented compliant policies. An additional **19%** have not addressed compliance at all.

Organizationally, **49%** of companies using AI have policies governing that use, but only **25%** of those with policies consider them "clear and future-proof" (SHRM, 2026).

AI adoption in HR continues to accelerate regardless.

39% of organizations have adopted AI in their HR functions, with another **23%** intending to do so in 2026. Recruiting and HR technology are the primary use cases.

But **52%** of organizations do not involve HR directly in the organization's overall AI strategy, which means the people most responsible for compliance are frequently the last to know what tools are being deployed.

There is a related workforce readiness crisis.

82% of enterprise leaders say their organization provides some form of AI training, yet **59%** still report an AI skills gap (DataCamp, 2026).

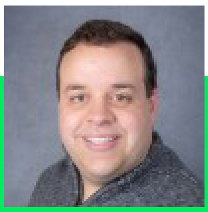
Gartner projects that **80%** of the engineering workforce will need upskilling by 2027. IDC estimates that sustained skills **gaps could cost the global economy $5.5 trillion in lost market performance**.

What HR Must do now

1. Build a complete inventory of every AI tool in use across the employee lifecycle, including tools adopted by individual departments without HR involvement.
2. Assign clear ownership of AI compliance tracking. In most organizations, legal and compliance teams are currently leading AI governance, but they lack the HR-specific context to evaluate employment risk.
3. Commission an external bias audit for any AI tool used in hiring, promotion, or performance management. This is not optional in states with AI employment laws.
4. Update job postings and employee communications to disclose AI use and the process for requesting human review.
5. Formalize AI training that is role-specific, not just organization-wide awareness. Generic AI 101 training does not close the gap that leads to the 59% skills shortage.
6. Establish a cross-functional AI governance committee that includes HR, legal, IT, and a senior business leader with authority over vendor decisions.

Why This Matters for Engagement

AI governance is an employee trust issue as much as a legal one. Employees who do not understand how AI is influencing their career outcomes will not trust those outcomes. Organizations that build transparent, human-overseen AI programs demonstrate the kind of ethical leadership that research consistently links to belonging and commitment. The compliance posture an organization takes on AI is visible to employees. It signals whether stated values and operational decisions are actually aligned.



WHAT OUR EXPERTS ARE SAYING

Brad Nolet
Country General Counsel

"One of the biggest risks organizations are underestimating with AI in HR is the false sense of confidence these tools can create. Generative AI can produce highly convincing policy language, legal references, or compliance guidance that may be inaccurate or entirely fabricated. In hiring, accommodations, or disciplinary decisions, an unverified AI-generated output can quickly become part of a process that organizations may later have to defend legally.

Another major challenge is that most AI tools are not built to navigate the complexity of state and local employment regulations. They may handle broad federal frameworks reasonably well, but often miss the patchwork of requirements around bias audits, candidate disclosures, automated decision systems, and pay transparency that increasingly shape day-to-day compliance obligations.

Many organizations also mistake having an AI policy for having real governance. Adoption is moving faster than oversight, and companies often lack the internal expertise needed to bridge employment law, privacy law, and the realities of how these systems actually function.

Responsible AI implementation requires organizations to approach risk proportionally. Using AI to draft a job description is very different from using it to score candidates or influence termination decisions. Companies also need stronger vendor accountability, clearer audit rights, and targeted training that helps employees understand where human review and documented oversight are still essential."

Gen Z is Leaving Before They Have a Chance to Stay

The early-career retention crisis has quantified data behind it. Research published in the Journal of General Management, conducted across 650 new employees at a global firm, found that

65% of Gen Z workers leave their jobs within the first year.

On average, Gen Z spends just 1.1 years in their first role, compared to 1.8 years for Millennials at the same career stage.

The engagement decline among this cohort is not anecdotal. Gallup's data shows that Gen Z and younger Millennials experienced an 8-point drop in engagement between 2020 and 2025, the steepest generational decline recorded. The specific driver is revealing: these workers were 13 percentage points less likely in 2025 than in 2020 to strongly agree that their supervisor cared about them as a person. Opportunities to learn and grow at work fell from 48% to 37% among younger workers over the same period (Gallup, 2026).

The research also identifies a contagion effect.

When one early-career employee begins exploring other opportunities, peers in the same cohort become measurably more likely to follow. Losing one Gen Z employee in the first year is not a single departure. It is a risk that cascades through the cohort. 75% of Gen Z employees say a bad manager would motivate them to look for a new job. Nearly half say they would leave within two years if they cannot see a clear path forward.

What HR Must do now

1. Extend onboarding programs to 12 to 18 months. Research from the University of South Florida and University of Cincinnati found that structured longer-term onboarding, including shadowing and skill development, significantly improves early-career retention.

2. Build early recognition moments into the first 90 days of every role. Recognition that connects current work to future growth anchors early-career employees to a visible trajectory.

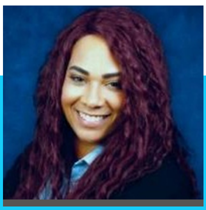
3. Create cohort-based development programs. Strong cohort dynamics reduce contagion-driven exits. Employees who feel socially embedded in a peer group are less likely to leave when a colleague does.

4. Give managers explicit guidance on early-career coaching, not just performance management. The relationship between a first-time professional and their manager is the single most influential factor in that person's first-year experience.

5. Communicate career paths continuously, not just during reviews. Transparency about skill development and advancement criteria reduces the "no path forward" perception that drives early exits.

Why This Matters for Engagement

Every early-career exit carries two costs: the direct cost of replacement, typically 50% to 200% of annual salary, and the employer brand cost that follows the departed employee onto LinkedIn and review sites. Organizations that invest in recognition and development in the first year do not just retain one employee. They build the proof point that attracts the next one.



WHAT OUR EXPERTS ARE SAYING

Laci Jenkins
Director of Solution Architects & Implementation

Organizations often invest heavily in hiring and onboarding, but not enough in what happens after employees arrive. For Gen Z employees especially, long-term growth, connection, and feeling that their work matters are critical drivers of engagement and retention.

Front-line managers play an outsized role in this experience. Even with increasing workloads, organizations that prioritize day-to-day connection, manager training, communication, and mentoring for younger employees are far more likely to retain and develop talent successfully. The difference between a disengaged employee and one that thrives often comes down to whether they feel seen, supported, and invested in during those first few years.

Companies also need to recognize that one size does not fit all. Tailored development plans, personalized growth opportunities, open communication around company goals, and creating space for new ideas all matter deeply to this generation. Frequent recognition and meaningful feedback, particularly in years one through three, can have a significant impact on long-term retention."

Trust in Leadership has Replaced Belonging as the Primary Engagement Driver

For nearly a decade, the same two factors topped the list of what drove employee engagement: feeling like they belonged, and feeling valued at work. That is no longer true.

Perceptyx analyzed over 20 million global employee survey responses across a ten-year longitudinal benchmark, and the 2025 findings represent what their researchers describe as the biggest shift in engagement drivers ever recorded.

"Change is handled effectively in my company" rose to the number one engagement driver in 2025, the highest position it has ever held.

Confidence in senior leadership rose to number two. It was not in the top five before 2021.

Feelings of belonging fell from the top position, where they had held for most of the prior decade. Feeling valued fell from number two. The shift does not mean belonging and recognition became less important to employees. It means that in an environment of economic uncertainty, layoffs, AI disruption, and constant organizational restructuring, employees have a more fundamental question: do I believe this company will succeed, and will I succeed with it? When employees cannot answer yes to that question, belonging and recognition have no stable ground to stand on.

The data on influence is equally direct.

Employees with meaningful input into workplace decisions were 3.5 times more likely to stay (Perceptyx, 2025).

Employees who feel shut out of decisions and kept in the dark on organizational direction are not neutral. They are pre-disengaged.

What HR Must do now

1. Build change communication into every major initiative before the rumor mill does it first. The number one engagement driver in 2025 is the perception that change is handled well. That perception starts forming the moment employees hear about a change, not when HR sends the formal announcement.
2. Create visible, regular channels for senior leaders to communicate organizational direction. Town halls, recorded updates, and candid Q&A sessions are not soft leadership activities. They are now tier-one engagement levers.
3. Redesign recognition programs to reflect the organizational values and decisions employees actually observe. Recognition that acknowledges contribution to strategic goals reinforces that leadership's stated priorities and lived priorities are aligned.
4. Build feedback mechanisms that give employees genuine influence, not the appearance of it. Pulse surveys that are never acted on accelerate distrust. Surveys followed by transparent reporting on what changed build exactly the kind of confidence that is now predicting retention.
5. Train managers to translate organizational change into team-level context. Most employees do not distrust the organization in the abstract. They distrust their understanding of what it means for them specifically. Managers who communicate clearly and honestly are the organization's primary trust infrastructure.

Why This Matters for Engagement

The shift from "feeling valued" to "confidence in leadership" as the primary engagement driver does not diminish recognition. It raises the bar for what recognition must do. Recognition that is arbitrary, inconsistent, or disconnected from what the organization actually values will not move the needle on trust. Recognition that is transparent, tied to real contribution, and reinforced by leaders who model what they reward is one of the clearest signals an organization can send that its leadership can be trusted.

WHAT OUR EXPERTS ARE SAYING

Henry Benamram
Country Managing Director

"The biggest shift we're seeing in workforce engagement is that employees are no longer looking only for culture and connection. They're looking for confidence. In periods of uncertainty, people want to know where the organization is headed, whether leadership has a clear plan, and whether they have a future within it.

Belonging and recognition still matter deeply, but employees cannot fully engage if they feel disconnected from decision-making or unsure about organizational stability. Trust in leadership and transparency around change have become foundational.

Organizations that communicate clearly, involve employees in the process, and create a sense of shared direction will build stronger engagement and retention than those that leave employees guessing. In today's environment, people do not just want to feel included. They want to feel informed, heard, and confident about what comes next."

About Inspirus

Employees play a large part in defining a company's culture: their everyday experiences create the foundational structure that drives an organization to be strong, high-performing, and ultimately successful. Inspirus helps organizations harness the power of their greatest resource — their people — ensuring they feel valued and connected, fostering greater loyalty, performance, productivity and success. Through a SaaS-based technology platform and the support of tenured customer success experts, Inspirus' recognition, communication, and community building solutions foster engagement to help workplace culture evolve and thrive.

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About Pluxee

Pluxee is the global leading employee benefits and engagement partner that opens up a world of opportunities to help everyone enjoy more of what really matters for them. Through a full range of innovative and digital solutions deployed in 31 countries, PLUXEE creates meaningful, engaging and personalized experiences to contribute to the well-being of individuals at work and beyond. From meal and food, culture, gifts to wellness and mobility, PLUXEE's products and services are designed to bring more value to people. PLUXEE supports the purchasing power and promotes the well-being of more than 36 million consumers. PLUXEE accompanies 500,000 clients to develop more meaningful relationships with their employees and improve their engagement. PLUXEE simplifies the life of 1.7 million merchants every day. Strengthened by its historical ties with Sodexo, PLUXEE with its 5,000 employees is committed to increase its influence as a CSR leader by giving its clients, partners and consumers the means to make more sustainable choices every day.

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