

Estimating the costs of workplace conflict in Northern Ireland

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Executive summary

This report maps the incidence of workplace conflict across Northern Ireland, showing how this translates into impacts for individuals and their employers, and estimating the overall cost to employers in Northern Ireland.

Key Findings

Using findings from a 2018/19 CIPD study of the experiences of employees across the UK and taking account of the specific labour market structure of Northern Ireland, we estimate that 36.6% of employees, a total of 287,000, will experience workplace conflict each year.

The vast majority of employees who experience conflict will stay with the organisation with just 5% resigning as a result. A slightly higher proportion (9%) of respondents take time off as sickness absence, however this is significantly higher in the public sector (13%). Four in ten employees report less motivation and more than half (56%) will suffer stress, anxiety and/or depression as a direct result of being involved in workplace conflict.

We estimate that an average of 14,350 employees resign each year as a result of workplace conflict in Northern Ireland. The cost of recruiting replacement employees amounts to £78 million each year whilst the cost to employers of lost output as new employees get up to speed amounts to £361 million, an overall estimate of £439 million each year. A further 25,835 employees are estimated to take sickness absence each year as a result of conflict, at an estimated cost to organisations of £66 million.

The vast majority of those who suffer from stress, anxiety and/or depression due to conflict continue to work. This 'presenteeism' has a negative impact on productivity with an annual cost estimated between £14.5 million and £55.8 million.

One in five employees take no action in response to the workplace conflict in which they are involved, while around one-quarter discuss the issue with the other person involved in the conflict. Just over half of all employees discuss the matter with their manager, HR or union representative. In total, informal discussions cost organisations in Northern Ireland an estimated £6.3 million each year.

This report maps the incidence of workplace conflict across Northern Ireland, showing how this translates into impacts for individuals and their employers, and estimating the overall cost to employers in Northern Ireland. Five percent of respondents take part in some form of workplace mediation, whether internally or externally provided, at an estimated cost of £4.3 million. Nearly three-quarters of those who undergo mediation (74%) also report that their conflict had been fully or largely resolved.

We estimate that there are, on average, 10,586 formal grievances each year. The average cost in management time of a formal grievance is estimated at £955, giving a total cost across the economy of Northern Ireland of £10.1 million. In addition, there are estimated to be just under 50,000 formal disciplinary cases in organisations in Northern Ireland each year. The estimated average cost of each disciplinary case is approximately £1,146 – resulting in an economy-wide total cost of £56.3 million. In addition, our estimates suggest that an average of 12,076 employees are dismissed each year and replacing them costs UK organisations an estimated £296 million.

The total cost of management time spent dealing with potential and actual litigation is estimated at £19.8 million each year with a further £13.6 million spent on legal fees. In addition, we calculate that £15.7 million in compensation is awarded against employers per year.

The largest contributor to the costs of conflict are those associated with an ending of the employment relationship – either through resignation or dismissal. Costs in the early stages of workplace conflict are relatively low – these start to mount if employees continue to work while ill and/or take time off work through sickness absence. The use of formal processes pushes costs higher, however costs escalate very quickly as soon as employees either resign or are dismissed.

This analysis estimates the overall total annual cost of workplace conflict to Northern Ireland's employers (including management and resolution) at £851 million. This represents an average of £1,085 for every employee each year, and just under £3,000 annually for each individual involved in conflict.

It points to a clear link between the well-being of employees, the maintenance of employment relationships and organisational effectiveness.

Implications for policy and organisational practice

Investment in effective and early resolution designed to build positive employment relationships may have a very significant return. Organisations need to place much greater emphasis on repairing employment relationships in the event of conflict and taking early action to address issues of capability and poor performance. In addition, the analysis provides support for approaches to disciplinary issues that focus on learning and avoid blame.

The results provide strong arguments for a greater policy emphasis on the prevention, containment and resolution of workplace conflict within organisations. This requires a renewed focus on building organisational capacity to manage conflict through investment in managerial capability. Line managers are critical in minimising the costs of conflict as they are best placed to address and resolve issues before they escalate. Therefore, managers need to be provided with the core people skills to have quality interactions with their staff.

These findings are particularly important given the continuing impact of the COVID-19 pandemic on employment relationships and consequent challenges in terms of recruitment and retention. They provide clear support for policies that seek to preserve employment where viable in the longer-term.

1. Introduction

There is growing evidence of the negative impacts of workplace conflict on both organisational performance and the working experiences of those involved. A survey conducted prior to the pandemic by David Nash and Deborah Hann of Cardiff Business School (on behalf of the Labour Relations Agency)ⁱ found that a majority of employers in Northern Ireland agreed that disputes were not only time consuming but also eroded organisational culture. The challenges identified by Nash and Hann have arguably been exacerbated by the Covid-19 pandemic and subsequent challenges of staff recruitment, retention, engagement and productivity. In short, building and maintaining good employment relationships has become a key foundation of organisational survival and success.

However, even within this context, it can be difficult to convince organisational leaders of the need to view the management of conflict as a strategic imperative. While this is partly due to the negative connotations of workplace conflict, it is also a function of data, or more precisely a lack of data. This in turn makes it very difficult for practitioners and policymakers to build the business case for investment in conflict management capacity. In practice conflict even when it is managed effectively, takes place in the shadows and behind closed doors. We know that around 1 in 5 of all those who experience conflict do nothing about it, while two-thirds of those who resign as a result of being involved in conflict do so without first discussing it with their line manager. When managers, HR practitioners and union representatives successfully resolve workplace conflict, this tends to be achieved outside the glare of publicity.

This report begins to illuminate the real world implications of conflict at work. It builds on a UK wide study conducted by the authors on behalf of the Advisory Conciliation and Arbitration Service (Acas) who were the first to systematically map the incidence and estimate the cost of conflict across UK workplaces. We use the same methodology to provide a detailed analysis of the cost of individual workplace conflict within Northern Ireland, exploring both the formal and informal processes of conflict management and examining the potential trade-offs between various forms of conflict resolution. For example, disciplinary action may be considered necessary to set standards of behaviour with the goal of improving efficiency; but it can trigger

employee grievances and/or have negative impacts on employee well-being. By doing so, we provide crucial insights that will enable employers and policymakers to identify the potential returns to investment in conflict management capability and focus this investment on areas where it will have maximum impact.

1.1 Analytical approach

This study estimates the cost to employers of conflict in their workplaces, rather than the overall net cost to the economy as a whole. For instance, whilst an employer will incur the costs of staff turnover associated with advertising for a new position, a standard Cost Benefit Analysis (CBA) would not include such a cost. Payment by the employer to a recruitment/ advertising agency represents a gain to another economic agent - a monetary loss to the company experiencing conflict, is a gain to the recruitment/advertising agencies, netting to zero. The same would apply for payments of employers and claimants to lawyers and other representativesⁱⁱ. Our focus on the cost to employers is deliberate as the analysis seeks to primarily inform organisational responses to workplace conflict.

In arriving at our estimates, a purposively conservative approach is adopted throughout to better ensure that the costs to employers are not overstated. At each stage of our calculations we engage in a transparent discussion of estimates and the extent to which they can be attributed as an outcome of workplace conflict. Existing estimates of the cost of conflict lack this transparency and this limits their use as a basis for important debates over the impact of different organisational approaches. A good example is our discussion around estimates of dismissal, which form a useful starting point to consider the question of

*what proportion
of dismissals are
unavoidable?*

In addition to this cautious approach, it is important to note that the estimate of cost to employers misses many wider costs borne by employees and society. For instance, our discussion of sickness absence and 'presenteeism' considers the well-being impacts associated with workplace conflict, but our focus is on the extent to which these directly impact employers and we do not capture the additional cost to individuals and their families. As with many other studies of the workplace we are limited to consideration of employees, as the evidence base for self-employed workers is too limited to attempt estimation.

Our approach to defining and estimating conflict aims to be transparent and pragmatic. We utilise self-reported measures from employees who perceive negative impacts on their performance and working lives from workplace conflict. Thus we take a data-driven approach to the definition of conflict and when considering these self-reported measures, we are focused on capturing costs that could be avoided by organisations. Our calculations become more challenging when considering the costs of resignation and dismissal, as this pragmatism extends to an acceptance that some amount of turnover is inevitable - a key challenge is identifying the costs of conflict that could be avoided with more effective management and workplace processes. At each stage of the following calculations we flag where this is an issue and Section 3.5 summarises the decisions made.

There is no one source of data that allows the creation of estimates. We draw on survey data from the Chartered Institute of Personnel and Development collected in 2019ⁱⁱⁱ; 2017/2018 data from the Survey of Employment Tribunal Applications (SETA, 2018^{iv}); and for some of our parameters we draw on the Workplace Employment Relations Study (WERS), conducted in 2011 and published in 2014^v. We aim to provide an estimate of the 'usual' or average annual cost of conflict that is inherent in Northern Ireland's workplaces, which negatively impacts productivity each year.

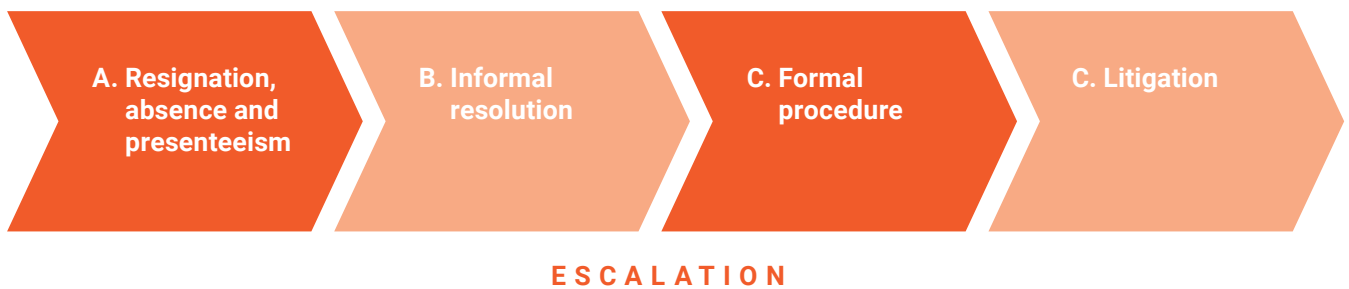
It is important to briefly explain the rationale for drawing on figures across years. The aim of this report is to provide an estimate of the cost of workplace conflict that employers in Northern Ireland can expect during a typical year. In Saundry and Urwin (2021)^{vi} (S&U) we use a number of indicators pre-Covid, as at the time of writing there were fewer post-Covid figures. In this report we draw on post-Covid figures where they are reflective of the sort of magnitudes observed in the historical series prior to Covid. This aims to give a forward-looking estimate of the cost of workplace conflict that Northern Ireland's employers can expect in a typical year rather than one distorted by impacts arising from the pandemic.



2. Framework for Estimation

We estimate the costs of individual workplace conflict across four dimensions (see Figure 1 below):

- [A]** The organisational costs incurred through impacts on the individuals involved in an isolated conflict or relationship breakdown between two employees, or a manager and a member of their team. These costs include the costs of resignation, absence and presenteeism, where individuals continue to work despite being unwell as a direct result of conflict at work.
- [B]** The costs of attempts to resolve issues through informal discussion – issues may be brought to the attention of a manager, HR practitioner and/ or trade union representative. The time they spend dealing with the conflict will represent a cost to the organisation.
- [C]** The costs of formal process and procedure - if conflict cannot be resolved through informal discussion, formal processes or procedures can be activated. These include disciplinary action, grievance processes and workplace mediation, which all incur costs.
- [D]** The costs of litigation - if the issue is still not resolved, the employee may escalate the issue by submitting an Early Conciliation



Estimating the cost of workplace conflict is challenging due to the limitation of existing data sources. The most authoritative source we draw on to populate the majority of estimates at **[C]** is the Workplace Employment Relations Study (WERS), most recently conducted in 2011 and published in 2014. Whilst this study is dated, it remains the most respected large-scale survey of employment relations in the UK; providing measures of the incidence of visible, formal manifestations of conflict in the workplace including grievances, disciplinary cases and dismissals. WERS also provides some detail on Employment Tribunal (ET) applications, but for the majority of estimates relating to this level of escalation **[D]** we draw on the 2018 Survey of Employment Tribunal Applications. Unfortunately, neither of these series provide information on **[A and B]**, the less visible

‘relationship problems’ and low-level interpersonal. Estimating the costs of workplace conflict in Northern Ireland 9 conflicts where no action is taken, or informal approaches are adopted. Many of these issues do not escalate to the level of formalised workplace processes, but as we shall see they have the potential for large productivity impacts.

To estimate these impacts, we draw on an online survey conducted by YouGov for the Chartered Institute of Personnel and Development (CIPD) in 2019, using a sample of individuals from the YouGov GB panel, selected and weighted to be representative of the UK workforce. In 2019 the achieved sample for the employee survey was 2,211 adults, with fieldwork undertaken between 16 August and 3 September 2019.

These sources provide estimates for the whole of the UK and alternative sources that focus solely on Northern Ireland are scarce. The CIPD survey only includes 33 respondents (1.3%) from Northern Ireland. Therefore, in this report we use UK wide data on workplace conflict, workplace relations and other key indicators to estimate the costs of conflict for Northern Ireland. For instance, rather than calculating the impacts for the implied 9.7m (35%) of all UK employees who report experiencing conflict in the workplace; the implication is that we would apply this 35% to the total 784,000 employees in Northern Ireland^{vii}.

In doing so we make two implicit assumptions, that the extent of workplace conflict in Northern Ireland reflects that seen across the UK; and that Northern Ireland's economy is comparable to that of the rest of the UK. It is debatable whether the extent of workplace conflict in Northern Ireland is comparable to that in the rest of the UK, but most importantly for this study, there would seem few arguments to suggest it is lower. Therefore, taking figures from the CIPD survey and applying them to Northern Ireland seems unlikely to over state the costs of conflict.

However, we do wish to account for the different structure of the economy of Northern Ireland, and the fact it is not directly comparable. For instance, reported instances of conflict are higher in the public sector (something confirmed by the CIPD survey); and Northern Ireland has a higher proportion of public sector employees (27% compared to 17% across the UK as a whole^{viii}). As the calculations below suggest, if we take this into account, the implied proportion of employees who experience conflict in Northern Ireland rises to 36.6%. We therefore utilise this figure when calculating rates of resignation, absence and presenteeism.

Clearly this increase to 36.6% will push up estimates of the cost of conflict, but counter to this we make two further adjustments that tend to work in the opposite direction. First, we use earnings data from ASHE that reflects the situation of employees in Northern Ireland. Lower median earnings mean that estimates of the cost of time spent by employees resolving conflict will be lower and this acts to reduce estimates. Second, there is also a suggestion in the CIPD study that employees in larger companies report higher levels of workplace conflict, but this is also closely linked to the public/private split and to avoid double-counting we do not adjust further for this.

Making the above adjustments, we estimate that an average of 287 thousand employees experience workplace conflict each year in Northern Ireland (36.6% of 784,000).



3. Conflict in the Workplace

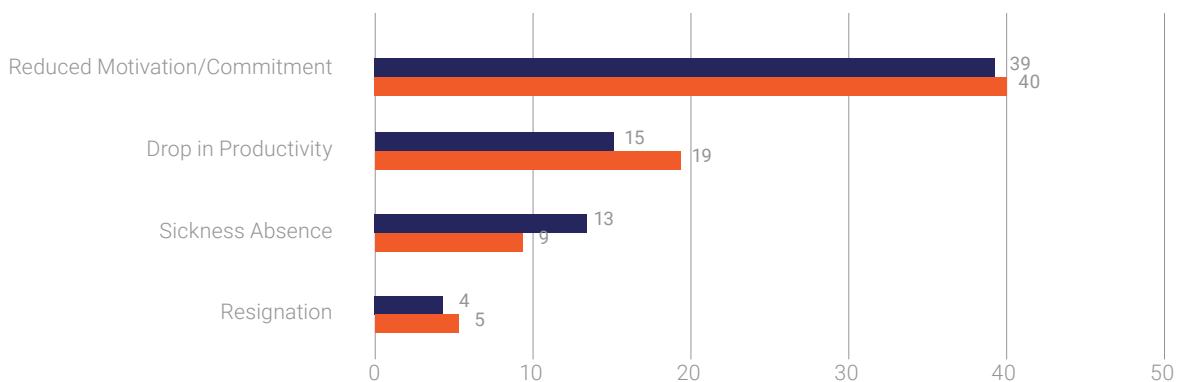
This section sets out our approach to estimation of the costs of workplace conflict in Northern Ireland, in relation to the four stages of Figure 1, utilising the CIPD Workplace Conflict Survey (2019), WERS (2011) and SETA (2018); alongside information from the Northern Ireland Statistics and Research Agency (NISRA) and the Annual Survey of Hours and Earnings.

3.1 Absence, resignation and presenteeism

We know from 2019 CIPD survey data that, considering the whole of the UK, just over one-third (35%) of respondents reported having experienced either (i) an isolated dispute or incident of conflict (26%); and/or (ii) an ongoing difficult relationship (24%) (including conflict with parties external to the organisation) over the last 12 months - the proportion for the public sector alone is very similar (36%). If one narrows this to only include conflict with another member of the organisation, the overall incidence falls to 29%. For the purposes of this paper we use the definition of workplace conflict which includes work-related conflicts with those outside the organisation^x.

If we utilise figures from just before the pandemic, the Northern Ireland Statistics and Research Agency (Labour Market Report, March 2020) provides a figure of 784,140 employees in Northern Ireland. On this basis, **we estimate that 286,995 employees experience workplace conflict each year.** Although some of these individuals may have been involved in the same conflict, they are potentially impacted in different ways with discrete implications for organisational cost and this represents the average or expected level of conflict in Northern Ireland’s workplaces each year.

More than three-quarters of those who reported conflict also reported a demonstrable impact. Importantly, this includes the 22% who did ‘nothing’ in response to being involved in conflict, but nonetheless experienced negative impacts in terms of well-being and workplace engagement. Figure 2 sets out the main reported impacts of workplace conflict at [A] of Figure 1. Figure 2 suggests that the vast majority of employees who experience conflict stay with the employer, with just 5% resigning as a result. A slightly higher proportion of respondents reported taking time off as sickness absence (9%). The most widely felt impacts were less tangible, with one-in-five being less productive, 40% less engaged and more than half (56%) reporting stress, anxiety or depression. These percentages add to more than one hundred, as each employee can report that conflict led to stress, anxiety or depression that impacted their workplace productivity; this became worse and led to increased sickness absence; and eventually resignation. Such cases are relatively rare, but there are significant numbers who report for instance, both reduced motivation; and stress, anxiety and depression. Each stage of the following discussions makes clear how we include relevant impacts and avoid double-counting.



Source: CIPD Workplace Conflict Survey (2019)
 Base: All respondents who report impacts from conflict (n=644)
 Note: Respondents could select more than one impact so percentages sum to more than 100%

These are the basis for Saundry and Urwin (2021) and for our estimates of the cost of workplace conflict in Northern Ireland. As suggested above, we make some further adjustments to account for earnings differences but the main change when considering the experience of employees in Northern Ireland is the adjustment for a very different balance of public and private sector employment. Data from the Labour Force Survey (NISRA and ONS) suggest that the proportion of employment accounted for by the public sector is 17% in the UK as a whole and 27% in Northern Ireland.

Therefore, for comparison we also provide comparative data in respect of public sector respondents. As can be seen from Figure 2, the overall profile of reported impacts of conflict are similar within the public sector and the overall sample. Perhaps the most significant difference is the likelihood of conflict resulting in sickness absence which is much higher in the public sector (13%) than among all workplaces (9%). In contrast a smaller proportion of public sector respondents report a drop in productivity (15% compared to 19%). This may reflect that private sector workers may feel less able to take time off work (due to sick pay arrangements or management attitudes).

Many of these differences tend to offset each other, when comparing private and public sector impacts – in the above case, higher sickness absence in the public sector is countered by a smaller proportion reporting reduced productivity. However, overall the CIPD (2019) survey shows that self-reported conflict is much more common in the public sector on a number of metrics. For instance, 37% of employees in the public sector agree that workplace conflict is a common occurrence; compared to only 24% in the private sector. Making adjustments to account for this, we arrive at a figure of 36.6% as the economy-wide estimate of employees experiencing either an isolated dispute/ incident of conflict and/or ongoing difficult relationship in Northern Ireland workplaces. All estimates presented in this report relate to the geographical area of Northern Ireland for all 784,000 employees (omitting self employed individuals).

3.1.1 Resignation

It is relatively straightforward to estimate the cost to the organisation of resignation^{xi}. Using the 2019 CIPD data we estimate that 14,350 employees resign each year, as a result of workplace conflict in Northern Ireland.

Work conducted by Oxford Economics^{xii} suggests the cost of staff turnover can be measured across two dimensions. First, average costs of recruitment (and some, 'replacement costs' such as induction training) are estimated at £5,433 per employee; whilst lost productivity, as new recruits 'get up to speed', is estimated at £25,181 per employee. Consequently, we estimate **the cost of recruiting replacement employees amounts to £78m each year** whilst **the cost to employers of lost productivity as new employees get up to speed amounts to £361m**, an overall **total of £439m each year**. As suggested in Section 1.1 some amount of turnover is inevitable and even in the absence of workplace conflict, some resignations would be observed amongst these employees. In Section 3.5 we attribute a proportion of this cost and detail our reasoning in S&U.

3.1.2 Sickness absence

Estimating the cost of absence due to workplace conflict is less straightforward. According to the CIPD survey, 9% of those who experience conflict report taking sickness absence as a result. However, we do not have estimates of the average amount of additional time taken as absence by these 25,830 employees, as a direct result of this conflict. The approach we take when faced with this limitation (a common challenge in CBA) is to create estimates that provide us with orders of magnitude for the relevant impact. More detail is provided in S&U (pages 9-10).

In the 2019 CIPD conflict survey, 91% of employees who took sickness absence due to workplace conflict also reported suffering from stress, anxiety and/or depression. According to the Labour Force Survey 2019/2020, amongst workers who report sickness absence due to work-related stress, anxiety and/or depression, the average number of working days lost was 21.6 days^{xiii}. From these various discussions we estimate that 25,830 employees (i) take an average of 21.6 days absence as a result of the reported workplace conflict; and (ii) assume that in the absence of this conflict, they would have taken 4.3 days, which is the average number of days lost through sickness absence per worker in Northern Ireland in 2021^{xiv}. Taking the difference (17.3 days) as the estimate of additional sickness absence attributable to conflict, we estimate that 446,852 days per year are lost through sickness absence as a result of conflict in Northern Ireland workplaces.

We earlier outlined the reasoning for drawing on data across different years. In the above calculations we use a figure of 4.3 days of sickness absence taken from 2021, as the figure from 2018 [which is the pre-covid figure we used for the whole of the UK analysis] which was unusually low during that year [3.4] in Northern Ireland. In order to estimate the cost of each day lost, we follow the methodology adopted by the Sainsbury Centre for Mental Health^{xv} detailed further in S&U [page 10]. Applying the most recent estimate from these calculations^{xvi} of £148 for the cost of a working day lost due to sickness absence, we produce an **overall figure of £66m.**

3.1.3 Presenteeism

In addition to the costs of staff turnover and/or sickness absence related to workplace conflict, Figure 2 suggests that large proportions of employees experiencing conflict report negative productivity impacts, reduced well-being [through stress, anxiety and depression] and/or reduced engagement [motivation/commitment]. How do we attribute a cost to these potentially overlapping impacts in a way that does not double-count?

The international literature that attempts to assess the productivity impacts of reduced well-being and poor health provides guidance in this respect; as it suggests that in addition to absence/resignation, working while ill (or 'presenteeism') is associated with reduced productivity^{xvii}. There have been a number of attempts to assess the costs of presenteeism using a variety of tools including the Work Limitations Questionnaire (WLQ) and the Health and Work Performance Questionnaire (HPQ). According to the CIPD 2019 survey, of the 56% of employees involved in conflict who reported that they experienced stress, anxiety or depression as a consequence, 85% have the potential to exhibit 'presenteeism' as they did not take any time off work.

However, 43% of this group reported neither reduced engagement nor negative productivity impacts, while 31% reported only reduced engagement. In the discussion below, we deliberately adopt a cautious approach and, in order to avoid double counting, we only include the 26% of employees who specifically reported reduced productivity. This figure is substantially lower for public sector workplaces at 19%, which is likely to reflect more generous attitudes to sickness absence.

Nonetheless, it may be that CIPD survey respondents who report reduced engagement or negative well-being as a result of conflict, understate performance impacts. This is not an unreasonable suggestion, as these questions ask respondents to compare their performance in the counterfactual state of the world, where they are not subject to conflict, with their actual performance in a conflictual setting. Thus, we may consider that impacts on well-being and engagement are ongoing, that there is a continual feedback loop, and this conflictual context can become the new normal for the workplace. Employees begin to expect poor management capability and when asked, cannot perceive the impact on productivity, because they do not have experience of the counterfactual (i.e. working outside of the conflictual context, with better mental health and higher levels of engagement). However, speculation over issues of the counterfactual apply more generally and could be argued to drive estimates up or down. In S&U pages 11-12 we consider the extent to which the academic literature provides guidance.

Based on this review we estimate that the average drop in productivity per employee would be 12%, while the duration of this loss is likely to vary considerably, it would seem cautious to proxy the average duration by the same 17.3 days we estimate as the average number of sick days attributable to conflict amongst workers who respond by taking a period of absence for stress, anxiety or depression. This produces an equivalent productivity loss per employee of 2.08 days, at an average cost of £196.83 per day^{xviii} and therefore a **total estimated cost in lost productivity due to presenteeism of £14.5m each year.** At the other end of the scale, if one argued that all employees experiencing presenteeism see the same fall in productivity, this would represent a total cost of £55.8m each year.

3.2 The cost of informal resolution

Good practice generally advocates the use of informal resolution, resolving workplace conflict through discussion (stage [B] of Figure 2). In recent years, there has been a notable emphasis in public policy to encourage and promote this type of early intervention, as it has the potential to defuse difficult issues, minimise negative impacts and preserve employment relations. These are positive actions taken to avoid escalation of conflict, but they do incur some cost to the organisation and here we provide estimates of these.

Again, it is worth noting our approach to avoidance of double counting. In the previous section we have focused on reported impacts from conflict, independent of whether individuals report that the issue driving conflict has or has not been resolved. To some extent this reflects data limitations, in that we do not have a clear timeline of conflict. For instance, we are not able to say if reported impacts occurred prior to a reported resolution; whether impacts from conflict continue to be reported, even after resolution is reported; or any combination of these. Thus, Section 3.1.2 treats impacts from an individual reporting increased sickness absence [not resolved] in the same way as an individual reporting increased sickness absence [resolved].

Given that the analysis does not include any multipliers, we argue this is a cautious approach; if a conflict leads to sickness absence in the current period and is reported as unresolved, there is an argument for including similar impacts accruing in subsequent years. In contrast, one may consider that reported sickness absences associated with resolution may be less substantial than those who do not report resolution.



3.2.1 Informal discussion with the other party

The initial response of those involved in conflict would ideally be to discuss the matter informally with the other person or persons - reflecting the advice provided by the Northern Ireland Labour Relations Agency. The CIPD survey suggests that nearly one quarter (23%) of all respondents experiencing conflict do this – an estimated 66,000 discussions. Interestingly, public sector employees are less likely to discuss the issue with the other party (18%) possibly reflecting more formal approaches to conflict. We assume that each of these informal discussions takes an average of 30 minutes and that the cost of this time is equivalent to the Median Gross Hourly Pay for UK Administrative Occupations (NI ASHE, 2021). This is a very conservative approach – we are only counting the time of one party to the discussion and using a relatively modest median wage for the cost of time. This is to reflect the potential for these informal discussions to be held outside of working hours, therefore having a lesser impact on output. Under these assumptions the estimated annual cost would only be **£455,461**.

There is tentative evidence that this process has a positive impact in terms of resolution. Fifty-five per cent of those who had discussed the matter with the other party reported that the conflict was largely or fully resolved compared to 40% who had not entered into discussions. However, whether this had any cost benefits is less clear as there was no statistically significant association with any of the main impacts – resignation, absence, well-being, engagement or productivity. Similarly, we are not able to account for the possibility that individuals selecting to attempt informal resolution, are tackling different types of conflict, when compared to those who adopt alternative responses. We are not attempting to identify causal relationships, so this is not a particular limitation of our study. However, it is worth noting that we are taking average impacts across a variety of different types of conflict and forms of resolution.



3.2.2 Informal discussion with line manager, HR and employee representatives

More than half (54%) of employees who attempted to discuss their conflict with the other person(s) also engaged with either their line manager, HR and/or an employee representative. This category is particularly important as it involves some type of organisational response and potential attempt at informal resolution. Once again this would generally be viewed as a positive attempt at early intervention.

The most common reported response was discussion of the issue with a line manager (40%); discussion with HR (11%); or with an employee representative (6%). Public sector employees were more likely to discuss the matter with HR (13%) and consult an employee representative (12%). Assuming that each one of these different discussions takes an average of one hour; that the cost of that one hour includes the employee's time and manager's time (estimated using median gross hourly pay from ASHE, 2019); we arrive at cost estimates of **£4.5m**, **£1.2m** and **£0.5m** respectively. These three separate components of **in-house informal resolution** give rise to a **total cost of £6.3m**.

Perhaps more notable than this cost of informal resolution, is the fact that 49% did not attempt any informal in-house resolution. Also, of respondents who discussed their problem with their manager, union representative or HR only 43% also stated that the problem had been fully or largely resolved. Moreover, there is little difference in the proportions who report their conflict as resolved, when comparing respondents who discussed issues with line managers, HR or trade union representatives.

In fact, impacts were generally more likely to be negative where such discussions had taken place. For example, 62% of those who engaged in informal discussions also reported that the conflict had a negative impact on well-being; compared to 50% who did not discuss the issue with HR, managers or trade union representatives. There may be two possible reasons for this. First managerial or union intervention is likely to be more necessary in relatively serious cases. Secondly, the involvement of managers, union representations and/or HR representatives may itself increase the stress and anxiety involved in the resolution process. However, it is worth noting that respondents were less likely to report resignation, in cases where attempts at informal resolution had been reported. This possibly points to the role of such interventions in repairing employment relationships.

3.2.3 Workplace mediation

Workplace mediation is not (in a strict sense) an informal process; even if performed by internal staff mediators, it follows a specific structure, requires trained, qualified mediators and is a challenging experience for participants. However, it has been included here as it is (ideally) an early intervention and an alternative to formal grievance procedures. Furthermore, within policy debates, mediation is seen as part and parcel of a desired shift towards informal resolution. Whether mediation is seen as an alternative or an addition to formal procedure is unclear from the CIPD data, as there is a suggestion that 43% of those taking part in mediation had also gone through a formal grievance or disciplinary procedure.

According to the CIPD survey, 5% of respondents took part in some form of workplace mediation, whether internal or externally provided, but this seems an over-estimate and may be explained by respondents assuming that formal, facilitated discussions with managers and HR represent 'mediation'. There was also little difference between public and private sectors. Therefore, applying the same approach as that in S&U [page 14] we use a figure of 120 mediations, assuming that the LRA carry out approximately one quarter of all external mediations at an average cost of £1,500. This suggests that the bulk of mediations are conducted by internal mediators (whether trained or not), and in these instances, we would suggest the cost is 1.5 days of a mediator's time. This is a conservative estimate, as it does not include the cost of training internal mediators, operating an internal mediation service, or the costs of parties engaging with mediation. However, given we suspect that many respondents may be referring to facilitated management discussions when they think of 'mediation', this seems like a more reasonable assumption. **On this basis, the total cost of mediation [internal and external] is £4.3m.**

In terms of the impact of mediation, it is notable that nearly three-quarters of those who underwent mediation (74%) also reported that their conflict had been fully or largely resolved. While this points to potential efficacy of the process in terms of resolution, the wider impacts were more mixed, as we discuss in more detail below.

3.3 The cost of formal procedure

Where issues cannot be resolved informally, formal procedures may be initiated. For our purposes we include grievance and disciplinary processes in this category. The CIPD survey suggests that 12% of respondents who report workplace conflict either initiate, or are subject to, grievance or disciplinary proceedings. Importantly, this can be triggered by the employee bringing a grievance, by management through disciplinary action or a mutually agreed decision to engage in mediation. There is also a stark sectoral distinction here as 18% of public sector employees who reported conflict found themselves in a formal process compared with just under 10% in the private sector.

The CIPD survey suggests that more than two-thirds of cases that were subject to formal procedures had also been discussed with managers, HR practitioners and/or employee representatives. Nonetheless, that leaves just over 30% that bypassed informal resolution processes. Formal processes represent a significant cost to organisations, mainly in terms of managerial time but also in the costs associated with dismissal.

This is the point in our framework [Figure 1] where we move from consideration of stages [A] and [B] to those of [C] and, as a result, we now rely on evidence from WERS (2011), which measures the incidence of disciplinary sanctions and formal employee grievances. There are a number of advantages of the WERS data, not least that it avoids conflating disciplinary and grievance proceedings as a response to workplace conflict. Disciplinary sanctions are a management action, while grievance processes are triggered by employees.

3.3.1 Employee grievances

First considering grievances, WERS2011 found there were 1.35 formal grievances per 100 employees (1.47 in the public sector), which translates into an estimated 10,586 formal employee grievances in Northern Ireland. The CIPD estimate that each grievance takes an average of 5 days of management time. The cost burden of grievance (and disciplinary) procedures will undoubtedly vary a great deal depending on organisation size and sector, but using the CIPD average of 5 days and *Managers, Directors and Senior Officials* median hourly labour cost (derived from NI ASHE 2021), the average **cost in management time of a formal grievance** is approximately £955 and the total **cost to employers is £10.1m**.

3.3.2 Disciplinary cases

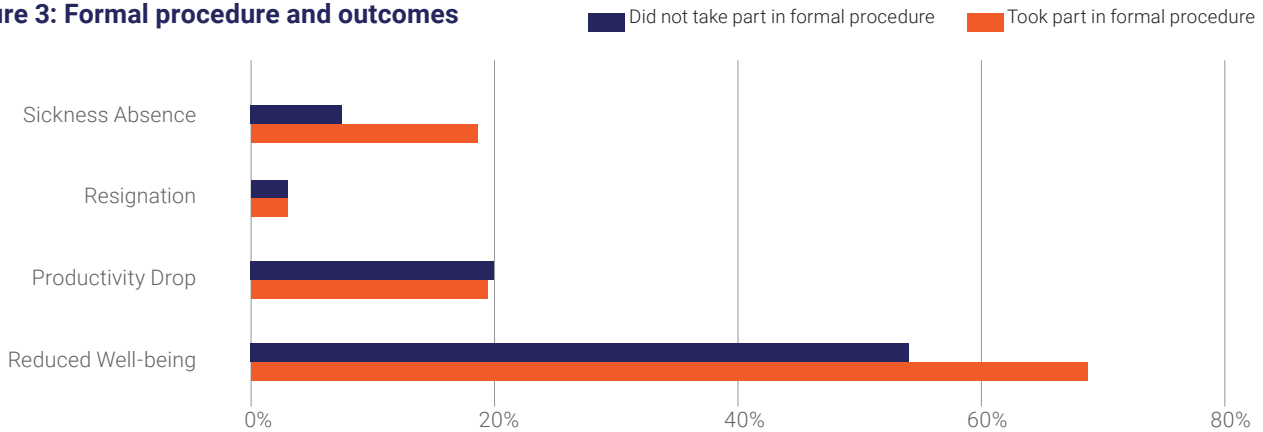
In terms of disciplinary cases, WERS2011 provides separate data on the incidence of sanctions and dismissals. We make the assumption that each sanction, and each dismissal, represents one individual disciplinary case. This does not include formal disciplinary cases that do not result in a sanction, so it is likely to be something of an underestimate.

According to WERS2011, the rate of disciplinary sanctions across all workplaces was 4.73 per 100 employees and the rate of dismissals was 1.54 per 100 employees; with disciplinary action much less prevalent in the public than the private sector. Assuming that each sanction and/or dismissal represents a disciplinary case, this translates into an estimate of just under 50,000 disciplinary cases per year in Northern Ireland. The CIPD estimate that on average a disciplinary case takes up 6 days of management time – a figure that does not include the cost of facility time in unionised establishments or the cost of engagement by the parties to a dispute. Overall, the estimated average cost of each disciplinary case is approximately £1,146, resulting in an economy wide total cost of £56.3m. The average number of days taken for a disciplinary case seems high, but the rate of grievances and disciplinary sanctions is significantly higher in large public sector organisations, where processes are relatively complex and costly and we specifically consider the costs of public sector disputes in Section 4.

3.3.3 Disciplinary outcomes

It is useful to consider differences in the reported impacts of workplace conflict according to whether an employee engaged in formal or informal procedures, the majority of which are captured in Section 3.2. Figure 3 suggests that respondents who went through either grievance or disciplinary [formal] procedures also reported a range of negative well-being and productivity impacts, together with resignation and absence. In particular, more than two-thirds also report reduced well-being. Whilst we must again take care when comparing conflicts that may not be of the same nature, 19% of respondents took time off work, compared to just 8% of those who had not been subject to formal procedure. Furthermore, the negative impacts associated with formal procedures were greater within the public sector.

Figure 3: Formal procedure and outcomes



Source: CIPD (2019) Base: All respondents who report impacts from conflict (n=644)
 Note: Respondents could select more than one impact so percentages sum to more than 100%

Assuming that a disciplinary dismissal (as opposed to a redundancy dismissal) will create a vacancy, we can take a similar approach to the estimation of costs, as in Section 3.1.1 when considering resignation. Using the same figures from Oxford Economics (2014), the estimate of costs incurred filling this vacancy will be £5,433 for recruitment and £25,181 in lost earnings and output, as new recruits get up to speed. However, there is greater uncertainty over the estimated number of dismissals than when considering resignation.

The CIPD survey does provide us with an estimate of employees who report dismissal as a result of workplace conflict. This figure of 1% is the same in both the CIPD (2019) and CIPD (2014) surveys. Unfortunately, such a small percentage means we are certainly relying on responses from less than 20 employees and more likely less than 15, across both surveys combined. If we were to use a 1% figure, the estimated number of dismissals due to workplace conflict would be 2,870. The estimate from WERS 2011 that dismissals average 1.54 for every 100 employees implies an upper bound of 12,076 dismissals. Section 3.5 discusses this issue further, detailing the point at which we locate between these two magnitudes (the Technical Appendix in S&U provides additional contextual information).

Our challenge is that disciplinary action and even dismissal may be taken as evidence of both effective and ineffective management. An individual’s performance or conduct may not be acceptable simply because they are a poor match to a job – even in an ideal world, some amount of mismatch is ‘unavoidable’, as productivity is observed with error on appointment of a

new hire^{xxv}. Dealing with a number of poor job matches may be considered a standard task of management. An effective manager may be able to resolve an issue at an early point, for example by helping individuals to improve skills; and if this is unsuccessful, there may be recourse to capability processes and ultimately dismissal. In contrast, if a poor manager does not tackle the issue, it spills over into ‘avoidable’ conflict amongst other staff. To aid transparency, the discussion in Section 3.5 sets out a rationale for our choice of estimate for **the cost of conflict related to dismissal of £296m**.

3.4 The cost of litigation

If conflict is not resolved in the workplace, either through informal discussion and/or formal procedure, employees can decide to make a complaint against their employer through the employment tribunal. This is rare and according to the CIPD survey only 1.4% of conflicts involve an employment tribunal claim being filed. From the employers’ perspective, WERS data found that in 2011, just four out of every one hundred employers are subject to an employment tribunal claim^{xxvi}. Nonetheless, perceptions of the risk of litigation and the potential reputational costs to employers, have been a major factor in shaping dispute resolution policy.

Covid had a substantial impact on tribunal case volumes, so it is harder to identify figures that reflect a 'typical' year of activity for the LRA in terms of conciliation in individual employment disputes. Approximately 6,000 cases were cleared by the LRA in 2021-2022 and 3,128 EC certificates were issued. We use these figures to justify 6,000 as the basis for the volume of EC notifications and a suggestion that 48% did not progress further. This gives an estimate of 3,128 cases that did progress to ET and of these, 10% are estimated to progress to a full Hearing [313 cases].

3.4.1 Management time

Management time costs are calculated by obtaining an estimate of the time spent by managers and other staff on a case that gets to different stages of escalation; then using NI ASHE 2021 to calculate the cost of this time for each case; and finally multiplying by the number of cases. Specifically, we estimate the following costs of managers and other staff time, taken up by cases:

- **Cost of management time on all EC cases that do not progress to ET1** is estimated at £3.2m, between submission of EC notice and the end of conciliation.
- **Cost of management time on all cases that go through EC, progress to ET1 and are then settled (4)** is estimated at £12.9m, between submission of EC notice and the ET settlement.
- **Cost of management time on all cases that go through EC, progresses to ET1 and are then Heard (5)** is estimated at £3.7m, between submission of EC notice and the ET Hearing.

Overall, the total estimated cost of management time in relation to litigation is £19.8m.

3.4.2 Legal and Other Costs of Representation:

There are a variety of estimates of the legal costs associated with employment tribunal applications. The most robust of these is drawn from SETA 2018, which shows that 70% of respondents had day-to-day representation and 81% of these respondents paid wholly or partly for this assistance. For the purposes of this report, we use the median cost of £5,000 to estimate the legal costs incurred by employers. We cannot assume that SETA figures relating to representation at ETs, apply across all those cases for which an EC notification is

received, as representation is less prevalent at the EC stage (33%). Therefore, we use a figure of 33% for the 48% of EC notifications that do not progress to the ET stage and 70% (multiplied by 81%) for the remaining 52% that do progress. **In total the estimated cost of this legal representation to organisations in Northern Ireland is £13.6m each year.**

Overall, we believe this is a conservative estimate as it does not include those employers who receive 'free' legal representation through insurance or membership of employers' associations. Moreover, between 6% and 18% of employers use HR practitioners and 5% to 10% use in-house legal services to provide representation at various stages of the employment tribunal process [though one may speculate that some of this may already be captured in our cost estimates of Section 3.4.1].

3.4.3 Compensation Payments

Compensation payments made by employers to employees are 'transfers' of resource between economic agents and would be excluded in standard CBA estimates of impact to the whole economy. However, they are included here, as they are a cost to those employers subject to conflict. Compensation includes sums agreed as part of the settlements reached in approximately 2,400 of the 6,000 clearances. The median settlement in SETA 2018 was £5,000. This produces a total for settlements of approximately £12m. In addition, 10% of cases are dealt with by a tribunal and we use the median award for unfair dismissal cases in SETA 2018 of £6,243. This produces an estimate of approximately £3.8m and therefore the total cost of settlements and compensation to employers is estimated at £15.7m.

3.5 Overall Costs of Workplace Conflict

Table 1 provides a summary of all cost estimates calculated in this Section of the report. The **overall total yearly cost of workplace conflict to employers (including management and resolution) is estimated as £851 million**. This represents an average of £1,085 for every employee in Northern Ireland each year, and just under £3,000 (£2,965) annually for each individual involved in workplace conflict.

As suggested in Section 1.1 some amount of turnover, sickness absence and resignation/dismissal is inevitable, even in the absence of workplace conflict, so Table 1 only attributes a proportion of some of the costs we have detailed between Sections 3.1 to 3.4.3. Under the

sub-heading *Costs of Informal Resolution*, we omit the £455,461 of estimated costs associated with informal discussion between the persons involved in conflict; and only half the £6.3m cost of informal discussions with HR, line manager and/or unions is included.

To account for the fact that even in the absence of workplace conflict, labour markets operate with some amount of market failure (mainly driven by information failures) and are dynamic in nature, we discount the estimates presented in Sections 3.1.1 and 3.4.3 by 20%. This is driven by ASHE data that indicate an average of 20% of all employees can be considered as 'job changers' in more recent years^{xxxi}. *The Technical Appendix* in S&U provides more background discussion on the pros and cons of our approaches.

Table 1: Annual Costs of Workplace Conflict in Northern Ireland

Estimated Costs of Workplace conflict	Annual Cost (£m)
Cost of Resignation, Absence and Presenteeism	
Resignations	351.4
Sickness Absence	66.1
Presenteeism	14.6
Total	£432.1
Cost of Informal Resolution	
Informal Discussion with HR, Line Manager and/or Unions	3.1
Workplace Mediation	4.3
Total	£7.4
Cost of Formal Procedure	
Employee Grievances	10.1
Disciplinary Cases	56.3
Disciplinary Dismissals	295.7
Total	£362.1
Cost of Litigation	
Management Time	19.8
Legal Representation	13.6
Compensation	15.7
Total	£49.1
TOTAL COST OF CONFLICT	£851 million

£851 million is our estimate of the cost of workplace conflict that employers could reasonably avoid with more effective management and workplace processes. To give some idea of the sensitivity of this estimate to alternative approaches, we have made clear the range of potential values where there is debate. Conflict, and its effective management, is a critical issue for debate in organisations. The estimates presented in this report have strengths and limitations. The transparency of discussion around our estimates provides a useful platform for key aspects of this critical debate. For instance, the question of when dismissals are possibly warranted is one that needs to consider a variety of offsetting costs and in the following section these are considered using various scenarios.

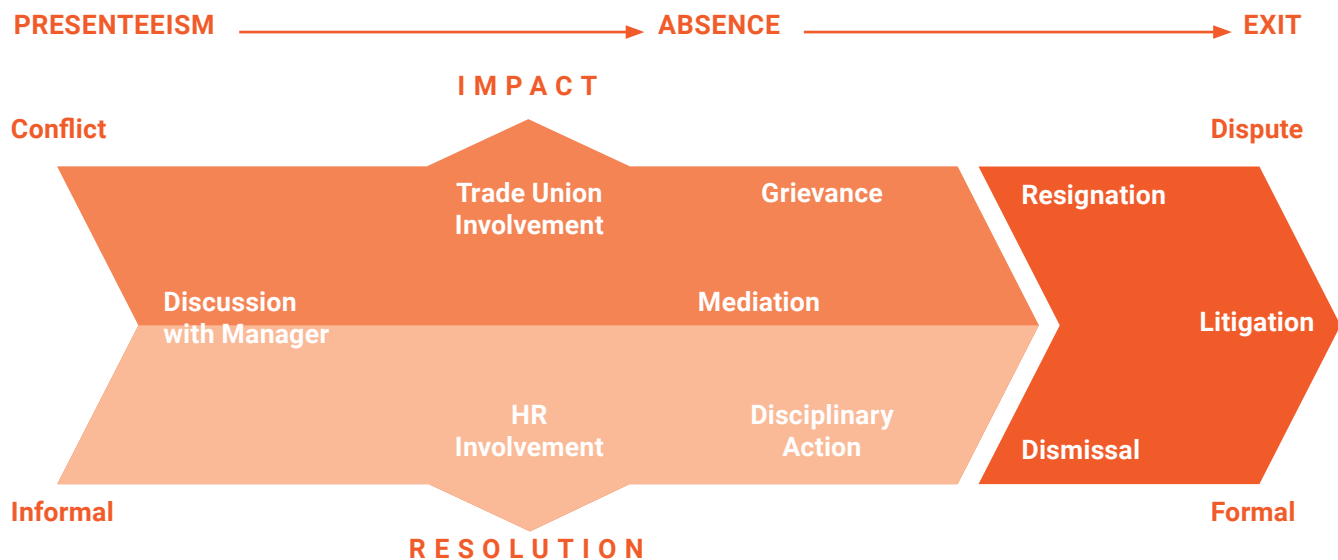


4. Workplace conflict escalation and early intervention

4.1 The escalation of conflict

The analysis to date has estimated different elements of cost. However, it is possible to locate these different elements (and different types of conflict) within a process of escalation. A simplified model of escalation and impact is provided in Figure 4 (below).

Figure 4 - Workplace conflict escalation and impact

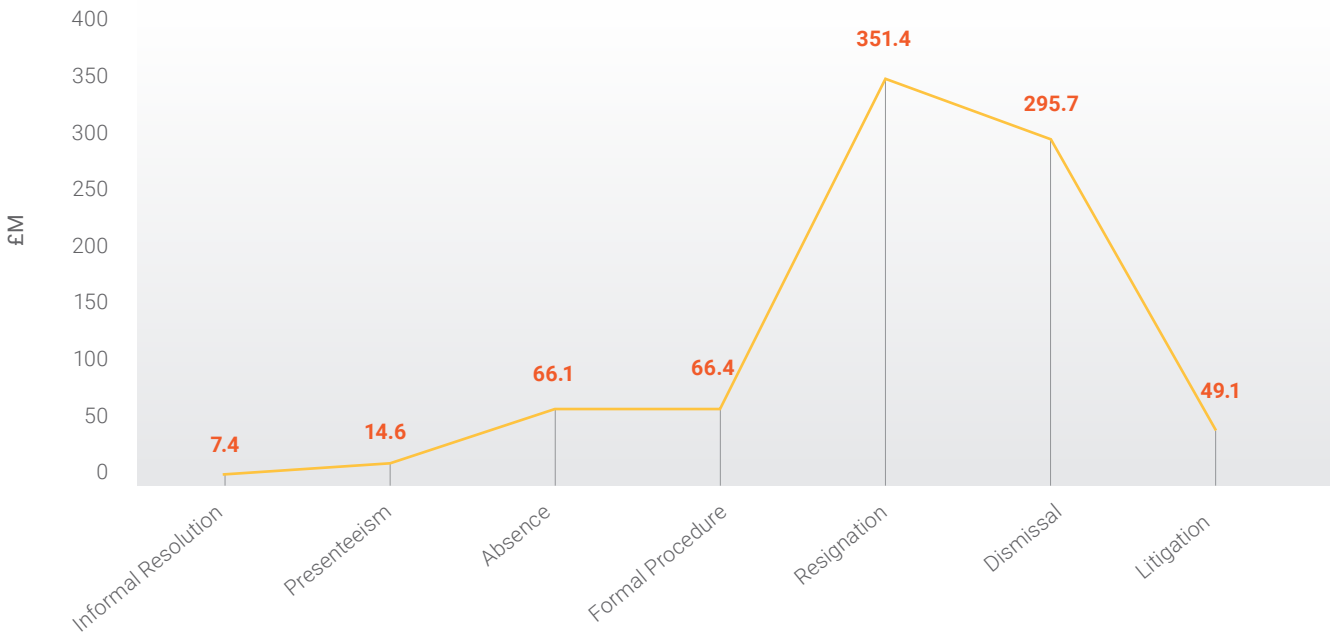


In basic terms, most workplace problems start as a clash of interests or a disagreement. At this point, they can often be resolved informally through discussion with the manager. If this is not possible or they are more serious, it may be necessary to involve other parties such as HR or representatives. This inevitably formalises the issue and it becomes more likely that there will be negative impacts in the form of presenteeism or possibly absence. If the conflict is not resolved, semi-formal mechanisms such as mediation may be considered. The next stage of escalation would see the conflict become manifest as a dispute, with formal mechanisms such as disciplinary or grievance procedures enacted. This also implies more serious impacts and ultimately the potential for exit through resignation or dismissal. Outside the workplace, the final stage in this process would be litigation. While this model is inevitably stylised, it does allow us to see how costs may begin to mount as conflict escalates.

4.2 The escalating costs of workplace conflict

This is clearly illustrated if we use this model to organise individual components of the cost of conflict summarised in Table 1. Figure 5 suggests that costs in the early stages of conflict are relatively low; these start to mount if employees continue to work while ill and take time off work, and the use of formal processes can push costs higher. However, costs escalate very quickly as soon as employees either resign or are dismissed - this 'hump' is where the bulk of costs are contained.

Figure 4 - Workplace conflict escalation and impact



It is important to note that the development of conflict is not linear and we cannot precisely allocate costs along the timeline. In Figure 5 for example, absence and presenteeism can occur at any point and employees can resign before there is any opportunity to resolve conflict. In addition, we have been transparent in our discussion of how costs are estimated, as it is possible that some amount of the difference between for instance Presenteeism and Resignation in Figure 5, reflects the extent to which costs at these two stages are more or less easily observed. Resignation is a distinct point in the employment relationship when the employer incurs clear costs – any estimates of the impacts stemming from Presenteeism are harder to observe and have the potential to be compounded over many years. However, this representation is broadly reflective of workplace practice and is valuable in highlighting the cost implications of allowing the employment relationship to deteriorate and ultimately collapse.

4.3 Formality, informality and the outcomes of workplace conflict

We can also try to develop a more precise idea of the outcomes at different stages of conflict management and resolution by using two slightly different approaches. First, we separate the respondents to the 2019 CIPD survey into three categories: those that did

not take part in organisational processes of resolution (either informal or formal); those who engaged in informal processes of resolution, but took no further action; and finally those who were involved in formal disciplinary or grievance procedures.

The results of this analysis are telling – the first category involves almost half of those who experience conflict (45%, approximately 129,000 people every year), which suggests that organisational responses are failing to reach a significant number of those with workplace problems. Workers in the public sector are less likely to do nothing – possibly due to the awareness of processes and access to representation. While a proportion of those that do nothing claim not to be affected by the conflict, 46% experience presenteeism, 5% take time off work and 7% resign. Under half feel that their issue has been fully or partly resolved and less than a third are satisfied with the way it was handled, suggesting a lack of confidence in employers to respond effectively to conflict.

Just over half of those involved in workplace conflict engage to some extent with attempts to resolve the issue informally – again public sector employees (60%) are more likely to do this than their private sector counterparts (49%). Less than half of this group feel that the conflict has been fully or partly resolved and satisfaction rates are still relatively low.

Presenteeism and absence are higher in this group, perhaps suggesting that these cases may involve more complex issues. However, there is a much lower level of resignation, which tentatively points towards a link between informal discussion and repair of the employment relationship and implies a significant cost saving.

The third category comprises all those cases that are dealt with through formal procedure. Among these cases absence (21%) and termination of employment (12%) are much higher and while this includes the additional costs

of the procedures themselves and legal action (in 7% of cases), it is the end of the employment relationship that primarily incurs significant cost. Overall, we estimate that the average cost of conflict per employee for those that are involved in formal procedures is more than three times that of conflict handled solely through informal discussion. Table 2 provides a summary of the differences in outcomes and impacts across these three categories; and shows how the proportions of employees within these three categories varies across the public and private sectors.

Table 2 – Formality, informality and the cost of workplace conflict

	<i>Neither informal or resolution nor formal procedure</i>			<i>Informal resolution</i>			<i>Disciplinary/ grievance procedure</i>		
	All	Public	Private	All	Public	Private	All	Public	Private
	45%	35%	48%	52%	60%	49%	11%	18%	10%
Outcome									
Fully or partly resolved	43%			46%			49%		
Satisfied with handling of issue	32%			40%			46%		
Impacts									
Presenteeism	46%			50%			49%		
Absence	5%			12%			21%		
Resignation	7%			4%			7%		
Legal Dispute	1%			2%			7%		

4.4 Conflict management resolution and cost

An alternative approach is to examine a number of typical conflict resolution illustrative scenarios. In the analysis below we look at three different scenarios; in each case we set out different stages of the resolution process and cumulative costs to the organisation.

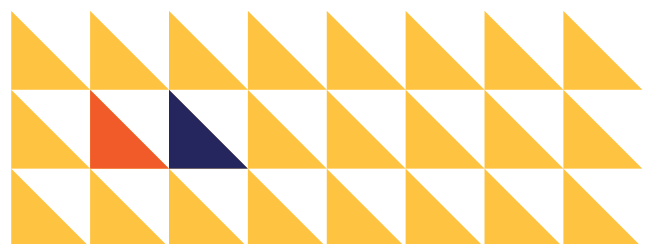


Figure 6 - Scenario 1: conflict unseen



Scenario 1 is fairly typical of the dynamics of workplace conflict, particularly in an organisation with insufficient channels of voice and where individuals don't feel comfortable raising difficult issues. Here an individual feels that they have been treated unfairly at work by one of their colleagues. However, they do not feel able to make an informal or formal complaint. As a consequence of this conflict, the individual suffers from anxiety and depression, but continues to work (presenteeism). On the basis of the analysis above, this would incur an average cost of £408.47. If they then left the organisation as the situation remains unresolved, there would be a further average cost of £30,614 in costs of replacement and lost productivity. **Overall, this scenario would result in an average cost of £31,022.47.**

Figure 7 - Scenario 2: early informal resolution



A realistic counterfactual is set out in Scenario 2 in which there is a more effective organisational response. In this case, the individual feels able to raise the issue with their line manager. Alternatively, a line manager could identify that the employee has a problem and encourage them to try to resolve it through discussion. Given the seriousness of the situation, we assume that the line manager would seek advice from HR and a union representative could also be involved. A conservative estimate of the time needed to explore a complex situation would be two hours each of line manager time (@£25.74 per hour), HR practitioner time (@£25.74), union representative time (@£13.80) and the two employees involved (@£13.80) – a total of £158.16. A reasonable outcome of this initial intervention would be a referral to workplace mediation. Here we assume that an external mediator is contracted at a cost of £1500 with an additional cost of eight hours of the time of the two employees involved (£220.80). The total cost of mediation would be £1,720.80 and the **overall cost of the resolution process would be £1,878.96.**

It is important to note that this assumes no impact of either absence or presenteeism, which in turn implies that the issue has been managed quickly and efficiently. Of course, the longer this resolution process takes, the more likely it is that the employees involved will suffer negative impacts with consequential costs for the organisation. Furthermore, this scenario reflects good practice by engaging mediation at an early stage, when success is more likely. If mediation is employed as a last resort, not only will costs have already escalated but it is much less likely to be effective^{xxxii}.

Figure 8 - Scenario 3: effective procedures



Figure 8 sets out scenario 3 where the issue is poorly handled by the manager. As research evidence has suggested, this is not uncommon in UK workplaces, where levels of skill and confidence are such that managers often struggle to deal with complex and challenging personnel issues. The initial costs are relatively low, assuming a similar level of managerial and union intervention as scenario 2. However, the failure to resolve this has negative implications. The employee refuses workplace mediation and instead decides to make a formal complaint through the grievance procedure. The employee then takes time-off due to stress, anxiety and depression - a common feature of a) disputes involving bullying and harassment and b) those that escalate into formal procedure. In the analysis above we estimated the cost of absence as a result of conflict, on the basis that each employee was absent due to conflict at work would take an average of 17.3 days. It is reasonable to assume that, given the aggravating nature of this conflict and the triggering of a formal grievance procedure, this would be significantly longer here. We therefore multiply this by three to provide a total absence of 51.9 days at a cost of £148 per day – a total of £7,681.20. The grievance procedure itself adds a further £955 to the overall cost. **However, in this scenario, the formal procedure results in a resolution, so the overall cost to the organisation is £8,794.36.**

While this is significantly more than the cost of successful and early informal resolution, it is less than the cost of scenario 1. This suggests that there are cost advantages to providing channels of employee voice (even when these are not well managed) as it has the potential to avoid exit and the significant costs attached to this. Nonetheless, this is predicated on the fact that formal procedure will generate a sustainable resolution. If this is not the case, then costs will escalate as envisaged in scenario 4 (Figure 9). This follows the same path as scenario 3, but the grievance procedure results in the individual resigning and making an Employment Tribunal claim for unfair constructive dismissal.

Figure 9 - Scenario 4: the worst case?



As in scenario 1, it is when the employee resigns that costs begin to escalate rapidly. This adds an additional £30,614 and if the individual then pursues an employment tribunal claim, average costs would increase by a further £8,189 resulting in a total overall cost of £47,597.36

5. Conclusions and Implications

Our analysis estimates the overall total annual cost of workplace conflict to employers in Northern Ireland (including management and resolution) at £851 million. This represents an annual average cost of £1,085 for every employee and £2,965 for each individual involved in conflict. It is important to treat this figure with some caution as it is based on a number of assumptions. Nonetheless, we have been careful to adopt a relatively conservative approach and therefore, in our view, this is, if anything, an under-estimation. It should also be noted that in the absence of sufficient individual data, this analysis draws on a UK wide sample which we assume is broadly indicative of experiences and attitudes among the workforce in Northern Ireland. Nonetheless, the analysis clearly demonstrates that workplace conflict, and its effective management, is a critical issue for organisations in maximising productivity and efficiency. Moreover, it cements the links between employee well-being, the maintenance of employment relationships and organisational effectiveness.

It is also important to understand that some of the costs included in our estimates are unavoidable and, indeed, are arguably consistent with effective management. Even early and informal resolution inevitably involves management time and effort. In addition, some dismissals may be necessary in cases of gross misconduct in order to maintain standards and establish clear expectations regarding appropriate behaviours. In this context, these costs of conflict may provide a positive rate of return as they may reduce the incidence and longer-term negative impacts of workplace conflict. While we make some adjustments to account for these 'unavoidable' costs of conflict, the transparency of our approach allows policymakers and organisational leaders to assess the potential trade-offs and implications of different strategies and approaches.

Despite these caveats, our analysis has a number of important implications for organisational practice. First and foremost, the data reveals that the end of the employment relationship, whether through redundancy or dismissal is (by far) the largest component of the cost of workplace conflict. Consequently, organisations need to place much greater emphasis on repairing employment relationships in the event of conflict and taking action at early points to address issues of capability and poor performance. They should also

rigorously stress-test any decision related to terminating employment. Too often, 'exiting' individuals from the organisation is seen as a quick and painless way to resolve a difficult situation. However, this is because the real costs of such an approach are opaque or deferred. Therefore, there is a strong business case for developing sound recruitment and performance management strategies to avoid such problems in the first place.

Second, our analysis supports approaches to disciplinary issues that focus on learning and avoid blame. Existing LRA advice and guidance makes it clear that disciplinary procedures should aim to improve behaviour rather than punish. However, it could be argued that the latter often predominates with a focus on legal compliance. Our analysis shows that formal procedures are associated with high levels of resignation, dismissals and sickness absence. Therefore, they should be the exception rather than the rule. There will be rare occasions when swift and decisive action may be needed to establish clear red lines around unacceptable behaviours; for example bullying and harassment. Moreover, this can help to shape more positive organisational cultures and reduce the cost of conflict in the longer-term.

Third, previous research has identified the importance of good relationships between key stakeholders in providing a context in which effective resolution is encouraged. The data suggests that in economies like Northern Ireland with a high proportion of public sector work, workers have greater access to HR, employee representatives and also formal processes. However, our analysis also suggests that those workers who find themselves involved in disciplinary and grievance procedures are more likely to experience negative impacts on their well-being with consequent cost implications for their organisations. Therefore, it is crucial that key stakeholders work together to foreground early and informal resolution. Strong relationships between employee representatives and HR practitioners are critical in helping to facilitate these approaches.

Fourth, the findings also have implications for dispute resolution policy. Often policy is driven by the perception of burdens imposed by the threat of litigation. However, as we can see, the total organisational cost of litigation is one quarter of the cost of absence as a result of workplace conflict, significantly less than the cost of reduced productivity and a fraction of the cost of staff exits through resignation and dismissal. Therefore, there is a strong argument to place a much greater emphasis on conflict prevention and resolution within organisations as opposed to the resolution of disputes through the legal system.

Finally, and perhaps most importantly, this analysis underlines the crucial role played by line managers in minimising the cost of conflict. Managers are not only best placed to identify and address issues at an early stage, but poor management is also a major cause of

conflict at work. Therefore, investment in the conflict competence and confidence of management may have a very significant return. Early and effective managerial intervention can avoid unnecessary resignations, and issues with conduct and performance are less likely to escalate to the point of dismissal. This is only possible where line managers have the skills needed to 'nip issues in the bud'. This is why initiatives such as the LRA's Certificate in Effective Line Management Practice is so crucial. In addition, managers also require space and support to resolve issues through informal discussion. Investment in management training will be wasted if managers do not have a realistic opportunity to practice their new-found skills. Giving managers the time to have high quality conversations with their staff needs to be seen as a sound investment rather than an operational burden.



End Notes

- i Nash, D. and Hann, D. 2021. Disputes and their management in the workplace: A survey of employers in Northern Ireland. Belfast: Labour Relations Agency. Available at: <https://www.lra.org.uk/sites/default/files/2021-03/Cardiff%20Report%20-%20FINAL.pdf>
- ii HM Treasury (2020) The Green Book - <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2020>.
- iii CIPD (2020) Managing conflict in the modern workplace -<https://www.cipd.co.uk/knowledge/fundamentals/relations/disputes/managing-workplace-conflict-report>.
- iv Department for Business, Energy and Industrial Strategy (2020) Survey of Employment Tribunal Applications - Findings from the 2018 Survey, BEIS Research Paper Number 2020/007.
- v Van Wanrooy, B., Bewley, H., Bryson, A., Forth, J., Freeth, S., Stokes, L. and Wood, S. (2013) Employment Relations in the Shadow of Recession – Findings from the 2011 Workplace Employment Relations Study, London: Palgrave Macmillan.
- vi Saundry, R. and Urwin, P. (2021) Estimating the costs of workplace conflict. London: Acas. Available at <https://www.acas.org.uk/estimating-the-costs-of-workplace-conflict-report>.
- vii We use this figure for the total number of seasonally adjusted employee jobs in December 2019 (NISRA, 2020) as we wish to arrive at calculations for the cost of conflict that are not impacted by Covid. The figure (NISRA, 2022) is 797,840 employee jobs in June 2022.
- viii NISRA (2020), Labour Market report, March.
- ix CIPD (2020) Managing conflict in the modern workplace <https://www.cipd.co.uk/knowledge/fundamentals/relations/disputes/managing-workplace-conflict-report>
- x Organisations have a duty of care to manage the tensions that may exist between employees and customers. It seems reasonable to include in the remit of managers, the effective support of staff in situations where for example airlines have to cancel flights; schools have to deal with troubled students, etc.
- xi The costs relating to constructive dismissal claims arising post resignation are estimated in section 3.4.
- xii Oxford Economics (2014) The cost of brain drain: understanding the financial impact of staff turnover [Online] Available at: www.oxfordeconomics.com/my-oxford/projects/264283.
- xiii Also see Health and Safety Executive (2020), Work-related stress, anxiety or depression statistics in Great Britain, 2020. This uses 2019/2020 LFS Annual Estimates [data up to March 2020].
- xiv <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/sicknessabsenceinthelabourmarket>
- xv The Sainsbury Centre for Mental Health (2007) Mental Health at Work: Developing the business case, Policy Paper 8.
- xvi Parsonage, M. and Saini, G. (2017) Mental health at work: The business costs ten years on, Centre for Mental Health.
- xvii Johns, G. (2010) Presenteeism in the workplace: a review and research agenda. *Journal of Organizational Behaviour*, 31, 519-542.
- xviii GVA per employee per hour for UK is £31.96 [ONS Labour Market Statistics March 2020] and in a typical year Northern Ireland GVA is on average 83% of the UK figure. We also assume an average 7.42 hours worked per day.
- xix Saundry, R. (2019) Fairness, justice and capability - repositioning conflict management, Acas Policy Paper.

xx This uses a combination of two questions: (i) whether the respondent reports engaging in (internal) mediation with a trained mediator provided by the employer; and (ii) a question relating to a trained mediator not provided by the employer (possibly commissioned from an external provider).

xxi The LRA Annual Report & Accounts 2020-21 suggests that 30 mediations were carried out by the agency in 2019-2020 [a more typical year].

xxii This estimate is supported by Acas internal financial and operational calculations. Also, in Hann and Nash [Hann, D. and Nash, D. 2020. Disputes and their management in the workplace. Advisory Conciliation and Advisory Service (Acas). Available at: <https://www.acas.org.uk/disputes-and-their-management-in-the-workplace>] - responses to questions that relate to the use of various third parties in disputes (in addition to whether that third party is mentioned in the organisation's policy) show, for individual disputes, 10.7% of organisations had used Acas mediation at least once in the previous three years, compared to 17.8% using non-Acas mediation. The figures for inter-employee disputes were 3% for Acas mediation and 9.4% for non-Acas.

xxiii Gifford J., Gould M., Latreille P., Urwin P. (2016) Workplace Conflict: Who, Where, When, and Why?. In: Saundry R., Latreille P., Ashman I. (eds) Reframing Resolution. Palgrave Macmillan, London. https://doi.org/10.1057/978-1-137-51560-5_4; Wood, S., Saundry, R. and Latreille, P. (2014) Analysis of the nature, extent and impact of grievance and disciplinary procedures and workplace mediation using WERS2011, Acas Research Papers, 10/14.

xxiv There is also concern over potential bias in responses around such a sensitive topic. To be clear, our use of the CIPD (2019) study to estimate the proportion of resignations is on the boundary of acceptability, with the 5% figure reflecting a number just above our cell size cut-off of 30 respondents.

xxv It is a standard of labour economics that, a "combination of (i) variable effort and (ii) the difficulty of monitoring, means labour is not bought and sold like ordinary goods and services" (Carlin and Soskice, 2013). As a result, we have a situation of Incomplete Contracts, where asymmetry of information and administrative/transaction costs mean that firms cannot monitor worker effort without incurring excessive costs; and cannot observe these factors without error on appointment of an individual.

xxvi Van Wanrooy, B., Bewley, H., Bryson, A., Forth, J., Freeth, S., Stokes, L. and Wood, S. (2013) Employment Relations in the Shadow of Recession – Findings from the 2011 Workplace Employment Relations Study, London: Palgrave Macmillan.

xxvii The figures for Northern Ireland are based on case outcomes for 2021-2022 (to avoid inflation from 'bulk' cases). Specifically, the Annual Report and Accounts 2021-2022 [Page 16] suggests 'approximately 6,000 cases were cleared in 2021-2022' and 3,128 EC certificates were issued as a result of these cases.

xxviii Utilising SETA, 2018; Pedley, K., Clemence, M., Writer-Davies, R. and Spielman, D. (2020), "Evaluation of Acas Individual Conciliation 2019", Acas Research Paper; ACAS annual report 2018/2019 and the Annual Survey of Hours and Earnings, 2019

xxix <https://www.acas.org.uk/sites/default/files/2020-09/IC-evaluation-2019-Final-accessible.pdf>

xxx "Transfers pass purchasing power from one person to another....they benefit the recipient and are a cost to the donor and therefore do not make society as a whole better or worse off" [HM Treasury Green Book, 2020].

xxxi <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/adhocs/010314/annualsurveyofhoursandearningsashenonlongitudinalanalysisofjobchangersandstayers>

xxxii Saundry, R., Bennett, A. and Wibberley, G. (2016) 'Inside the mediation room - efficiency, voice and equity in workplace mediation', International Journal of Human Resource Management, DOI: 10.1080/09585192.2016.1180314

xxxiii Saundry, R., Wibberley, G. and Jones, C. (2015) 'The Challenge of Managing Informally', Employee Relations, 37(4), 428 - 441.

xxxiv Saundry, R., Adam, D., Ashman, I., Forde, C., Wibberley, G. and Wright, S. (2016) Managing individual conflict in the contemporary British workplace, Acas Research Papers, 02/16.

xxxv <https://www.lra.org.uk/events/certificate-effective-line-management-practice-0#:~:text=In%20recognising%20the%20fundamental%20role%20of%20the%20modern,positive%20employment%20relations%20environment.%20Who%20is%20this%20for%3F>

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