

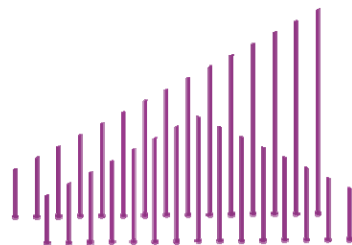
A Review of the Economic Impact of Employment Relations Services Delivered by Acas

by

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FOREWORD

Measuring and understanding the impact of their services on the wider economy is a key task for all public sector bodies. This is why Acas has commissioned the National Institute for Economic and Social Research (NIESR) to undertake this independent study.

I am delighted to see the analysis of Acas' services and how they contribute to UK productivity. The results are powerful, showing that Acas makes a significant contribution to businesses, employees and consumers and the UK economy more broadly. And they help to demonstrate the importance of investment in better workplace relations, both in improving managers' skills and in resolving disputes when they arise.

We are grateful to Pamela Meadows for her expertise in conducting the work and to her colleagues at NIESR for their contributions during a seminar held to discuss methodology and validation of the analysis.

I look forward to drawing on the evidence here as we build on this success and reach out to even more workplaces.

Ed Sweeney
Chair, Acas Council

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Particular thanks go to Gill Dix for being a helpful and supportive project manager, providing both data and insight into the work of Acas. Also at Acas I would like to thank Andrew Wareing and Fiona Neathey. At NIESR I would like to thank Martin Weale, John Forth, Hilary Metcalf and Justin van den Ven for their helpful comments.

A Review of the Economic Impact of Employment Relations Services Delivered by Acas

Summary

Activities included in the review

Acas aims to reduce the level and impact of conflict in the workplace, and to promote good relations at work. In order to achieve this it undertakes a range of activities, both those required by statute, and those which aim to support these wider aims. The activities undertaken by Acas have an impact on the employers and employees involved, on other businesses and individuals and on taxpayers. Many Acas interventions are aimed at promoting better relationships in the longer term. This report focuses only on the immediate first year economic impact of six key areas of Acas activity:

- Individual conciliation
- Collective conciliation
- The Acas Helpline
- The website, publications and communications activities
- Workplace projects
- Open access training.

For several reasons, it has only been possible to provide a partial estimate of the impact, so that overall, the impact is likely to be larger than that estimated here. This is because:

- Some of the Acas activities not included, either because of measurement difficulties, or because they are relatively small in scale. In addition central overhead costs have not been attributed to individual services. Overall around a quarter of Acas expenditure has been treated as having a zero impact, although it is likely that at least some of it, particularly workplace training, will also have an impact.
- As well as the positive impacts of Acas activities, there are some offsetting losses in the first year, most notably to employment lawyers and to competitors of organisations involved in industrial disputes. In the longer term these losses are eliminated as the economy adjusts and resources are shifted into new areas of activity. But the first year impact has to be reduced to take account of them.
- Only the initial impact on workplaces has been taken into account, whereas many outcomes (for example lower absenteeism or other indicators of improved relationships) are likely to continue into future years.
- In the case of some Acas services, most notably workplace training, there are some areas of likely impact where there are no current measures available Acas spends around £3½ million a year on workplace training, and an impact survey is due to take place in 2008/09.

- In the longer term there are likely to be dynamic impacts on the whole economy from the existence of more productive and harmonious workplaces, both through the potential it offers for a more relaxed macroeconomic policy, and through a greater level of confidence among investors, both domestic and international, in the UK as a place in which to risk their money. This higher investment in turn offers the potential for a higher growth rate, which provides benefits.

Overall impact of Acas activities

The six areas of activity covered by this report together generate economic benefits worth nearly £800 million a year. This is without taking into account any ongoing impact in future years. Acas net annual expenditure (that is expenditure after offsetting expenditure funded by fees and charges) in 2005/06, the year on which the estimates in this report are based, was around £49 million. Therefore, each pound spent by Acas (including expenditure on activities where no impact has been measured) generates around £16.10 of direct and immediate benefit to the UK economy. By way of comparison, the National Audit Office has a target of generating £8 worth of impact for each pound that it spends and in 2006/07 it actually generated savings worth £8.30.¹ In the private sector it would be more usual to consider the internal rate of return (IRR) rather than the benefit-cost ratio. Venture capital investors, who face high levels of risk, expect to see an IRR of around 50 per cent. More typically businesses would look for around 20 per cent. The value derived from Acas activities would approximate to an IRR of around 1500 per cent.²

In addition to these immediate impacts, there are likely to be longer-term effects from a better employment relations climate. In the individual workplace these are likely to manifest themselves in higher productivity, lower absenteeism and lower turnover. For example, a reduction in sickness absence of 10 per cent would yield economic benefits worth £2.8 billion. Independent research undertaken by the OECD suggests that around £437 million of GDP in 2006 can be attributed to better relationships at work leading to higher foreign direct investment. While Acas cannot take the whole of the credit for this, even a minor contribution would result in large economic benefits compared with the cost of Acas activities.

For each of the six service areas the economic impact in 2005/06 has been estimated on the employers and employees who have directly received Acas services, on other businesses (whether customers, competitors or those facing disruption), other individuals (either as consumers or as potential employees) and the public purse. Although they have been calculated separately from the bottom up, this approach does not consider the extent to which the boundaries

¹ National Audit Office *Annual Report 2007*;

http://www.nao.org.uk/publications/annual07/nao_annual_report_2007.pdf

² This is based on putting the costs in year 1 and the benefits in year 2, which is not strictly correct, but does give an indication of the orders of magnitude involved.

between different activities are sometimes blurred, and that the work of Acas is more of an integrated whole. In particular, the focus on the immediate short-term impact skews the benefit/cost ratios in favour of the service areas where the main impact is immediate (most notably collective conciliation), and away from the service areas where the main impact is likely to come through in the longer term (most notably training and workplace projects). The focus on the first year means that no account is taken of the impact over time on the prevention of conflicts which give rise to collective disputes as a result of improved relationships in the workplace.

The single year 2005/06 was chosen because it represents the most recent year for which complete data were available. It was a year with a relatively large number of individual disputes, but these have generally been on an upward trend, not least because the introduction of new rights at work such as age discrimination legislation provides more opportunities to make claims. In terms of collective disputes there were a number of transport strikes, both affecting airlines and airports, and affecting public transport in a number of major towns and cities, that were particularly disruptive. However, other years have their own disputes that have the potential to cause widespread disruption, for example fuel delivery drivers, the fire service or postal services. Thus although each year is unique, 2005/06 does not appear to be exceptional.

Summary of the Costs and Direct and Immediate Benefits of Acas Activities 2005/06

Acas activity	Net cost	Net economic benefits	Benefit/cost ratio
Individual conciliation	£ 24,000,000	£153,900,000	6.4
Acas Helpline	£ 6,655,000	£353,600,000	53.1
Website and publications	£ 1,200,000	£ 32,100,000	26.7
Collective conciliation	£ 1,605,000	£ 158,600,000	98.8
Workplace projects	£ 1,290,000	£ 71,300,000	55.3
Open access training	£ 1,050,000	£ 17,850,000	17.7
Other Acas expenditure not included	£ 13,240,000		
Total	£ 49,000,000	£787,000,000	16.1

The focus is on the net benefits, that is the benefits taking account of both gainers and losers in terms of the immediate impact. In the case of employers the main benefits relate to savings in management time in dealing with problems. They also have savings in legal and recruitment costs, but these represent a loss to lawyers and to organisations offering recruitment advertising and services, so have no impact on the economy as a whole. For employees the main benefits come in terms of avoiding loss of earnings. However, again there are offsetting short-term losses to the people who would have been employed in their place. In the longer term these offsetting losses would be avoided as the economy adjusted the use of resources.

The costs and the net economic impact of each of the six service areas are summarised in the table above. The highest benefit/cost ratio is for collective conciliation, where each pound spent in 2005/06 produced benefits to the economy of £98.80. The lowest is for individual conciliation (an area where Acas is under a statutory duty to provide a service) each pound spent yielded £6.40 worth of direct and immediate benefits.

Individual conciliation

The overall economic impact of Acas individual conciliation activities is £154 million. The intervention of Acas in individual disputes reduces employers' potential costs by £223 million. This is made up of £138 million in lower legal fees and recruitment costs in cases which are settled compared with those which proceed to a hearing. Compensation to employees is £6 million lower. Employers own costs in terms of management time spent on cases proceeding to a hearing compared with those which are settled are worth £79 million.

Employees gain just under £17 million, based on around £20 million more in earnings, £6 million less in compensation, and £3 million less in legal fees. Taxpayers save £71½ million in the cost of hearing days as a result of fewer cases proceeding to a hearing. Offsetting these gains, third parties (lawyers, organisations involved in recruitment services, services supporting claimants, and other individuals) lose around £158 million.

The Acas Helpline

The overall impact of the Acas Helpline is £354 million. Employers save just under £200 million as a result of calls that they or their employees make to the Acas Helpline. Employees themselves gain £135 million, and third parties around £650,000. Taxpayers save around £19 million as a result of fewer Employment Tribunal claims.

Although the savings attributed to each call are relatively small (around £390) the large volume of calls handled means that the net impact on the economy is very large.

This is one of the services where the main impact is likely to be immediate, in the days and weeks following the call, although in some cases, where employers improve their procedures as a result of calls, the impact will continue into the future.

Website, publications and communications

The overall impact of the website and publications activities is around £32 million. The main beneficiaries of the information provided in Acas publications, either those downloaded from the website, or those received in hard copy, are employers. Of the £32 million total benefits, £30 million comes from savings in management time in developing policies and procedures and by avoiding unnecessary mistakes as a result of having access to reliable information about their responsibilities. This enables them to avoid unnecessary grievances and ET claims. Employees gain £1.7 million as a result of making fewer ET claims, taxpayers save £260,000 as a result of not having to process or conciliate those claims and third parties save around £100,000 in not having to represent claimants.

The resolution of collective disputes

Acas collective conciliation activities generate benefits worth £159 million. The main beneficiaries of Acas collective conciliation activities are businesses and who have no connection with the disputes, but whose activities are disrupted by them. These account for £66 million of the overall impact of £158 million. Businesses more closely connected with the dispute, as customers of the organisations where the dispute takes place are also major beneficiaries at £56 million. Competitor businesses would have stood to gain around £10 million in the absence of Acas intervention. The employers and employees involved in disputes gain relatively small amounts in terms of immediate impact (£3 million and £1 million respectively).

This illustrates the importance of Acas's role in collective disputes in terms of mitigating the impact on third parties. The impact on the organisations directly involved is relatively small in the short term. However, over subsequent months, the impact of Acas involvement is much greater (around £45 million) in terms of improving employee morale, introducing changes in working practices and speeding up negotiations.

Workplace projects

The overall impact of workplace projects is around £71 million. The two key areas of impact are improved productivity (around £32 million) and improved quality of goods and services (£36 million). Lower absenteeism, fewer discipline cases and fewer grievances are together worth nearly £2.5 million.

Training

Acas open access training generates around £17½ million of net economic benefits. These training events aimed mainly at small and medium sized businesses generate benefits mainly as a result of lower absenteeism in 7 per cent of organisations. Because there is currently no information available about the impact of training events in individual workplaces, only a tentative minimum estimate has been calculated of £6½ million worth of savings, again largely in the form of lower absenteeism. However, this figure is not included in the total for the organisation because it is not based on firm evidence.

All these estimates are likely to underestimate the longer-term impact of training, because there are no available estimates for the impact of Acas training on productivity and quality, which as the estimates for workplace projects show, are likely to make up a large proportion of the benefits. Moreover, a key purpose of training is to reduce the potential for future conflict some of which might lead to industrial action (and therefore the need for collective conciliation). Thus, in many ways, collective conciliation and workplace training and projects are just two ends of the spectrum of the same activity. A reduction in the effort going into workplace projects might lead to higher levels of conflict in the longer term.

The challenge of estimating of the impact of preventative services is not unique to Acas, and is a common problem addressed by the evaluation literature, but without there necessarily being any clear consensus as to how it can be achieved. The standard problem is that measuring the absence of something is much more difficult than measuring its presence.

The wider economic aspects of good relationships at work

This review has not attempted to measure the wider economic aspects of good relationships at work, which in reality are likely to be more significant than the static and immediate benefits which have been identified. It has also not discussed the interdependencies between different areas of activity, and the way in which the common knowledge base of Acas staff is formed by the organisations involvement in the workplace in a variety of different ways.

Reducing the incidence of grievances from one for every 355 to one for every 400 employees would produce savings in management time of nearly £19 million. Reducing the incidence of disciplinary cases from one in every 158 to one in every 175 employees would produce £53 million savings in management time.

Poor relationships also manifest themselves in higher rates of labour turnover. On average, each non-managerial recruit costs an organisation around £5,000 in recruitment costs and lost output while the new recruit becomes familiar with

the job. A reduction in unnecessary labour turnover is therefore likely to have widespread benefits.

But perhaps most importantly, better relationships in the workplace have the potential to improve overall output and productivity without adding to inflationary pressure, leading to a less restrictive macroeconomic stance and higher tax revenues, with consequent benefits across all individuals and businesses.

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1. Introduction

The Acas mission statement states:

Acas aims to improve organisations and working life through better employment relations. We provide up to date information, independent advice, high quality training and we work with employers and employees to solve problems and improve performance. (Acas Annual Report 2005/06)

The emphasis on the improvement of the performance of organisations implies that having an economic impact is an important purpose for the existence of the organisation and its activities. This means that it is contributing towards the PSA target, shared by the Treasury and the Department Business, Enterprise and Regulatory Reform, to:

Demonstrate further progress by 2008 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness, and narrowing the gap with our major industrial competitors.

The purpose of this report is to consider the activities of Acas, both individually and as a whole, and, where possible, to provide estimates of the economic impact of those activities. Where quantified estimates are not readily available, it provides indicators of the likely scale and direction of the impact. It is largely based on activities undertaken in the financial year 2005/06 as that is the year for which complete data are available, although occasionally data from the calendar year 2006 are used.

Almost all the activities undertaken by Acas are one-off, in that they involve interventions in individual cases or in individual workplaces to deal with particular situations that have arisen. Thus, it cannot be stated definitively that 2005/06 was a "typical" year. However, the number of conciliations undertaken in individual disputes (known as individual conciliation) has been on an upward trajectory over some time as a result of the increase in Employment Tribunal claims launched against employers. This in part reflects the introduction of new jurisdictions (grounds on which cases can be brought), most recently the introduction of legislation covering age discrimination.

The nature of the collective conciliations undertaken depends on which disputes arise during the course of the year. In the year considered here there were a number of major disputes all of which resulted in widespread disruption in air, and local rail and bus transport systems. However, major disputes in preceding and succeeding years have involved the Fire Service and Royal Mail. Thus, it is not unusual for the disputes in which Acas has been involved to have effects that permeate well beyond the parties to the dispute.

The nature and extent of the risks to the wider economy from disputes will inevitably vary from year to year. However, the capacity to deal with such disputes has the potential to make a major impact on the consequences. Looked at from this perspective, Acas plays a role with parallels to the fire service. Like Acas, a large proportion of the time of fire service personnel is spent in training and preventative work. The fire service undertakes inspections and provides advice to businesses and householders. Acas undertakes training and consultancy activity aimed at promoting more positive relationships at work as a means of preventing potentially costly conflicts, some of which might lead to disputes involving industrial action. Nevertheless, the organisation needs to have the skills and expertise available at short notice to resolve industrial disputes, in the same way that the fire service needs to have people available to fight fires.³

The economic impact of Acas activities is not the same as the financial impact on the parties that are the direct beneficiaries of Acas services. Acas services provide benefits to the parties using those services, and to third parties affected by conflicts. However, some businesses and individuals earn part or all of their income from conflicts. For example, employment lawyers gain fees from Employment Tribunal cases, and taxis and hotels benefit from public transport disruption, so the losses to these groups from the avoidance of or reduction in the impact of conflicts have to be offset against the gains to the parties who benefit.

However, there is also a difference when considering the short-term impact, when the use of resources in different ways is given, and the longer-term impact. In the short-term a reduction in business for employment lawyers would be a cost as the lawyers concerned would have reduced their output. However, over the longer-term the number of employment law specialists could fall and lawyers would move into other fields of work. Thus, resources across the economy would be used more productively and GDP would be higher.

³ In fact fires, like industrial disputes, are relatively rare. Firefighters spend only a small proportion of their time actively engaged in fighting fires. In 2005 in England and Wales the fire services employed a total of 54,000 staff and attended around 366,000 actual fires, (they also attended a similar number of false alarm calls and of non-fire incidents such as traffic accidents). If an average of ten firefighters attends each actual fire, each firefighter will attend around 67 fires a year, or a little more than one a week. Thus, a typical firefighter will spend less than 10 per cent of a working year attending fires. They engage in useful activity in the remainder of their time but the justification for the existence of the fire service lies in those occasional small bursts of activity.

Thus, over the longer-term these offsetting losses would be likely to disappear, although the positive gains would continue.

Similarly, an individual who brings an Employment Tribunal claim to a hearing has a higher probability of subsequently being out of work than someone who settles their case without a hearing. Thus, an Acas intervention that produces a settlement leads to an earnings gain for the individual involved in the dispute. However, in the case of the person who proceeds to a hearing, and who is subsequently out of work, it is likely that another individual who would otherwise be out of work would be employed in their place. Although in the longer term the number of jobs is not fixed, so there would not necessarily be a one-to-one relationship between one person's employment and another's, in the short-term there are such trade-offs, so again the overall benefit of the intervention to the individual has to be offset against the loss to someone else.

The focus in this report is on the immediate short-term impact rather than on the longer-term impact when adjustment processes have worked their way through. This is an important caveat, in that much of Acas activity is intended to have a long-term impact on organisations and the way in which they engage with their employees. The immediate short-term impact, which is the focus of this report, is therefore only a partial and minimum picture.

The central concept underpinning economic evaluation is that of opportunity cost. This can be defined as follows:

Opportunity cost ... is measured by reference to the opportunities foregone at the time an asset or resource is used, as distinct from the costs incurred at some time in the past to acquire the asset, or the payments which could be realised by an alternative use of a resource (e.g. the use of labour in a voluntary capacity being valued at the wages which could have been earned in a paid job).

Source: OECD *Glossary of Statistical Terms*

Thus, in the case of Acas, broadly speaking the opportunity costs of poor relationships in the workplace are:

- the management time spent in resolving conflicts or manifestations of poor morale such as grievances, resignations or absenteeism, which could otherwise be used in more productive ways
- the output lost as a result of low morale due to absenteeism and low productivity

and

- the output lost as a result of disputes.

These losses are incurred by employers, by the employees themselves (in terms of lower earnings) and by third parties and taxpayers generally (in terms

of the knock on impact of disputes and in terms of the cost of dealing with the outcomes of poor relationships).

This report aims to measure the scale of the reduction in opportunity costs as a result of Acas activities. Thus, although improved relationships at work might be desirable in themselves, it is the impact of improved relationships on the opportunity costs which arise as a result of poor relationships, which is the economic impact of Acas.

The structure of the report is as follows: Section 2 sets out the activities undertaken by Acas in support of its objectives. Section 3 provides more details about the overall framework for measuring the economic impact and Section 4 sets out the estimates for the economic impact of the different services. The details of the calculations used in Section 4 can be found in Appendices A, B and C. Section 5 provides a brief summary of the existing evidence related to dynamic impacts.

2. What does Acas do?

The main focus of Acas activity is improving relationships at work with a view to boosting business performance and efficiency. It has a statutory duty to offer conciliation in disputes between individuals and their employers, and it is permitted to offer conciliation in collective disputes. The emphasis of all its work, both in terms of conciliation and in terms of information, training and other activities, is to reduce the incidence of conflict in relationships between employers and employees. Although funded by government, it operates independently, and its governing Council includes representatives of employers and employees.

In 2005/06 the total cost of Acas's operations was around £49 million in grant-in-aid from the Government and a further £3 million funded by fees for services and other generated income.⁴

The organisation's activities can be divided into five main groups:

- The resolution of individual disputes including conciliation in employment tribunal cases (accounting for 50% of expenditure)
- The resolution of collective disputes (5% of expenditure)
- Free advisory services (20% of expenditure)
- Fee-based consultancy and training services (15% of expenditure)
- Publicity and partnership (10% of expenditure)

However, it needs to be stressed that the boundaries between categories can be blurred. Individual disputes (particularly, but not only, those involving trade union officials) can have collective implications. Where several people from the same workplace file similar employment tribunal claims this may relate to an underlying collective conflict, which manifests itself as a series of individual disputes. The boundary between dispute resolution and workplace projects can also be unclear. Sometimes a conflict which leads to a collective dispute may not be fully resolved, and an Acas workplace project might be appropriate as a means of tackling the underlying issues

Thus, although this report considers the different areas of activity separately, it needs to be recognised that there are high levels of interdependency between the different activities and types of intervention. In particular, there is the question of whether the advisory and preventive services would be able to achieve the same impact without the positive reputation generated by the conciliation services. But similarly, it is also likely to be the case that the helpline, the training activity and the workplace projects, as well as having value in themselves, give Acas staff up-to-date information about the kind of issues that are currently arising in the workplace, and the approaches adopted by employers and employees.

⁴ *Acas Annual Report 2005/06*

These interdependencies come about in three ways. First, there is a sharing of knowledge and expertise between Acas staff, both in terms of formal training, and in terms of the movement of staff between different types of work, bringing their previous experience with them. Second, there are cross-referrals from one area of Acas activity to another. For example 17 per cent of callers to the Helpline took up other Acas services. The ability of the person at the first point of contact to offer access to a different type of advice and support is an important part of the service available to employers and employees. Finally, there are interdependencies based on the reputation of Acas for impartiality and fairness.

People are coming to Acas for the very same reasons that they come for help when they are in dispute – they want to know that the advice that they are being given is independent and impartial. Crucial here has been Acas' staff extensive practical knowledge and experience of employment relations that comes from direct local involvement in workplaces across the country.⁵

Individual disputes

In 2005/06 Acas dealt with 141,000 cases of conflicts between individuals and their employers, of which 109,700 involved Employment Tribunal claims. Typically these claims involved cases under more than one jurisdiction (for example race discrimination and unfair dismissal). The average number of jurisdictions per claim is 1.8. The purpose of conciliation is to try and help the parties resolve their differences without the need for a tribunal hearing. The conciliator helps the parties to see the strengths and weaknesses of their case and the likely approach a tribunal would take. Tribunal hearings impose costs on the parties concerned and on the taxpayer, and the purpose of the intervention is to mitigate those costs. In 2006/07 claims were made by 84,039 individuals. In 2004/05 claims were made by 81,833 individuals and in 2003/04 by 102,559.⁶

In total 8 per cent of workplaces experienced at least one employment tribunal claim against them in the most recent year according to the 2004 Workplace Employment Relations Survey.⁷

A minority of individual conciliation cases have not actually started tribunal proceedings, but the circumstances are often similar to those in tribunal cases, and in the absence of conciliation, proceedings would be likely. Acas therefore

⁵ Sisson K and Taylor J (2006) The Advisory, Conciliation and Arbitration Service, in Neal A and Dickens L (eds) *The Changing Institutional Face of British Employment Relations*, Kluwer Law International

⁶ Acas Annual Reports 2005/06 and 2006/07

⁷ Kersley B, Alpin C, Forth J, Bryson A, Bewley H, Dix G, and Oxenbridge S (2006) *Inside the Workplace: First Findings from the 2004 Workplace Employment Relations Survey (WERS 2004)*, <http://www.dti.gov.uk/files/file11423.pdf>

acts to conciliate in these cases as if they were ET claims. The vast majority of cases where proceedings had not started in 2005/06 were equal pay cases where the issues were similar to a number of individual cases. Acas support in individual disputes can involve mediation or (in unfair dismissal and flexible working cases) arbitration. In practice few cases take the option of Acas arbitration rather than proceeding to a tribunal hearing.

A small, (currently around 40 a year) but increasing number of cases where there is no statutory duty to conciliate are being resolved by mediation in the workplace. Although take up of mediation is currently low, the benefits of mediation as a means of resolving issues that arise in the workplace are being increasingly recognised, and the use of mediators, both from Acas and others, is likely to increase. Acas currently provides externally accredited training for in-house mediators through its Certificate in Workplace Mediation courses. The CIPD has found that workplaces with trained mediators experienced a halving in the number of disciplinary cases and a reduction of more than a quarter in the number of grievances.⁸

Collective disputes

During 2005/06 Acas provided assistance to the parties involved in 952 collective disputes. The purpose of Acas involvement is to enable the parties to resolve their differences and come to a mutually acceptable settlement, although sometimes lower level objectives such as re-establishing a dialogue between the parties might be an appropriate outcome. Usually Acas only becomes involved when the parties have exhausted internal procedures but are still unable to resolve the issue. In a very small number of cases the dispute may be resolved by Acas arbitration. However, this activity will not be considered as part of the evaluation as the costs involved are very small with the number of cases annually typically around 50. More recently mediation has developed as an alternative to arbitration, but this is currently still on a very small scale.

According to the 2004 Workplace Employment Relations Survey (WERS) around 5 per cent of all workplaces had experienced some form of collective dispute during the previous year, of which 3 per cent had experienced industrial action and 4 per cent had experienced a threat of industrial action (some workplaces had more than one dispute).⁹

As well as the conciliation of immediate disputes, in some instances Acas becomes involved in follow-up work designed to improve systems and structures in the workplace and reduce the potential for conflict in the future. In reality this is similar to the charged for workplace projects discussed below, but because it arises out of disputes it is free of charge. In 2005/06 there were 182 follow-up projects of this kind.

⁸ CIPD (2004) *Managing Conflict at Work*

⁹ WERS (2006)

Free advisory services

A frequent first point of contact with Acas for both employers and employees is the Acas Helpline. In 2005/06 Acas advisers answered 908,553 calls to the Helpline. Most callers find that the answers given by Helpline staff enable them to know what action to take. For 17 per cent of callers (around 155,000 in total) the Helpline acts as a signpost to other Acas services.¹⁰ Although the Helpline deals with a vast array of issues, the most frequently asked questions were about discipline and dismissal issues.

Acas also acts pro-actively to promote better relationships at work. It offers advisory publications on relevant topics, mostly free, but some charged for, available both online and in hard copy through a mailing house. It also offers web-based e-learning resources to meet the needs of those who find it particularly difficult to attend training sessions or who wish to access information at a time and place which best suits them. Around 18,000 people or organisations a year register to undertake online training, and around 40,000 people take part during a year. In 2006 there were around 1,080,000 downloads of Acas publications from the website. In 2005/06 a further 127,000 publications were distributed as hard copies.

Fee-based services

Acas provides a range of fee-based services. The main ones are workplace projects, open access training and bespoke workplace training. The focus of the projects is consultancy work aimed at helping organisations and their employees to set up systems and procedures that improve relations in the workplace and reduce the potential for conflict. This can include the establishment of better communications, policies and procedures and new, more effective, bargaining and information and consultation arrangements. There were 319 such projects in 2006/07.

The purpose of Acas bespoke workplace training is to support the introduction of policies as well as improve skills and practices in the workplace as a means of improving organisational effectiveness and preventing conflict (both individual and collective). The training packages focus on all aspects of good practice in managing people including conflict management skills. They also cover topics such as absence management, equality, stress management and the development of employee representatives in their new role. They also include certificated training in mediation. In 2005/06 there were 1676 sessions. Typically bespoke workplace training sessions are attended by both managers and employee representatives working together.

¹⁰ Acas Evaluation Section and IFF Research (2005) *Acas telephone helpline: Findings from the 2005 customer survey*, Acas Research Paper 02/05

Open access sessions are designed for small and medium-sized (SME) businesses where there is little or no human resource expertise. In 2005/06 there were 791 events attended by 8701 delegates.

There is information about the outcomes of workplace projects and open access training, but not currently for workplace training (a survey is due in 2008/09). The estimates of the economic impact are therefore based only on the first two areas of activity.

Other specific paid for activities include workplace mediation and advice on equality and diversity policies and procedures

Other activities

Acas also undertakes advisory visits (around 1600 a year) to workplaces and conducts in-depth advisory telephone calls. Some of these visits lead to workplace projects. Finally, Acas undertakes a range of activities to promote equality and diversity at work. These include board briefings to influence senior managers to embrace equality and diversity, free health checks, assisting organisations to revise and develop policies and procedures designed to promote equality and diversity and work to assist organisations to monitor and assess the impact of their equality and diversity policies. In 2005/06 there were 5061 calls to the Equality Direct helpline, and Acas Equality Advisors worked with 135 new cases.

The impact of these services is not included in this paper. This means that the measured impact of Acas services is likely to be an underestimate.

3. What is the economic impact of Acas interventions?

There are two elements to measuring economic impact: static and dynamic. Most economic evaluations are conducted on a static basis: they add up the net benefits deriving from the activities of the organisation to all parties over a relevant period (often a year). However, measurement of the dynamic economic impact also takes account of the impact in subsequent years of actions and decisions that take place in earlier years, including the impact of adjustment processes that take place in the wider economy.

Measurement of the static impact involves the measurement of benefits net of costs to:

- Organisations which are direct recipients of Acas services
- Employees (and former employees) of the organisations who are the direct recipients of Acas services
- Other businesses and organisations that may be suppliers to or customers of the organisations directly receiving Acas services
- Employees of these suppliers and customers
- Other individuals in the labour market
- Consumers of the goods and services provided by the organisations who are the direct recipients of Acas services
- Taxpayers generally.

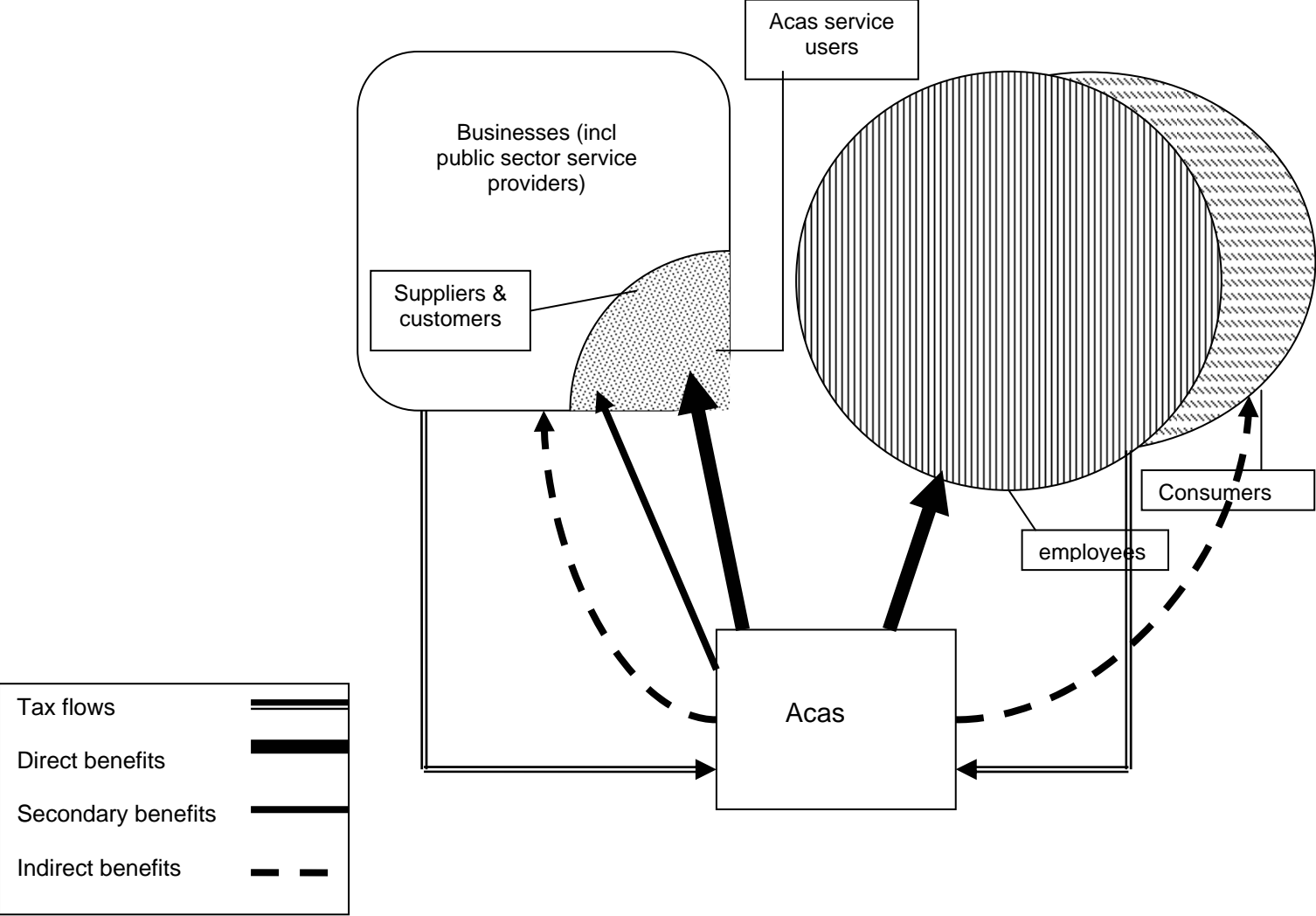
Measurement of the dynamic impact also involves taking into account subsequent impacts. Thus, in the case of Acas this would involve looking at the potential impact on the overall size of the economy in subsequent years. Thus, a better more stable employment relations climate might lead to higher levels of investment in the UK, both by UK-based firms and by international companies. The transfer of resources from intervening in conflicts (whether individual or collective) into more productive activities can also lead to higher national output as the process of adjustment works its way through.

While desirable in theory, the measurement of the dynamic impact is beyond the scope of the current exercise, and will not be the main focus of the evaluation. There have, however, been a small number of examples of estimates of the impact of better industrial relations on overall national economic performance and these are discussed in Section 5.¹¹

The conceptual framework for the evaluation of the economic impact is shown in figure 1. There are costs to businesses and individuals in general in that they pay taxes to fund Acas activities. The potential benefits of Acas interventions differ between different beneficiaries. The evaluation will use a triangulation approach to the estimation of the scale of the costs and benefits. The approaches will include:

¹¹ Feldmann H (2006) The quality of industrial relations and labour market performance, *Labour*, 20(3) pp 559-579

**Figure 1: ECONOMIC EVALUATION OF ACAS:
CONCEPTUAL FRAMEWORK**



- Estimates based on surveys of service users (eg Acas in-house surveys and the Survey of Employment Tribunal Applicants - SETA 2003) and surveys conducted by other relevant stakeholders (eg CIPD)
- Estimates based on secondary sources (eg the Workplace Employment Relations Surveys - WERS)
- Estimates derived from other published studies
- Estimates extrapolated from individual case studies.

Where the sources concerned do not provide estimates of costs, these will be inferred using national average figures (eg the cost of an hour of management time or the cost of a day's lost earnings).

Different beneficiaries are discussed below.

Organisations using Acas services

Organisations using Acas services face three kinds of issue:

- In the short term, the risks of diversion of management time and of losses of output where relationships are poor, particularly losses in respect of Employment Tribunal claims and industrial action. The latter is particularly important in sectors which are time sensitive so that lost production cannot be recovered. Most services are in this position.
- In the short-term the cost of services for which they pay, which are consequential to disputes, for example legal costs or the cost of advertising vacancies.
- In the longer term, impaired overall productivity due to inadequate relations with employees. This can manifest itself in high rates of absenteeism, labour turnover, difficulties in introducing new equipment or working practices, or a less productive approach to working in general. This can in turn lead to lower rates of investment which has an impact on future productivity.

Acas activities have the potential to address both the short-term and the long-term issues. Measurement of the impact has several dimensions but for many Acas services is relatively straightforward as there are independent estimates for the amount of time managers devote to issues arising from conflicts in the workplace. There are also standard procedures for estimating the economic impact of strikes and other forms of industrial action.

Employees (and former employees) of organisations using Acas services

In the case of collective conciliation activities, the economic value of Acas intervention to the employees involved in collective disputes is the earnings loss that is prevented by the aversion or shortening of industrial action.

For individual conciliation cases there is evidence of the impact of making a claim to an Employment Tribunal in terms of employment prospects, loss of earnings and time spent on the case. There is also evidence about compensation received, and legal costs.

Where other interventions (eg workplace projects) have an impact on productivity, they are likely to lead to higher earnings, which is also a potential source of benefit.

Businesses and organisations that are suppliers or customers of the organisation using Acas services

In the case of industrial disputes the impact on suppliers and customers can be far greater than the impact on the organisation itself. For example, in the 2005 Gate Gourmet dispute, the losses incurred by its airline customers were far greater than the losses incurred by the company itself. In turn, the airline disruption imposed losses on businesses whose staff were unable to travel, or who had to make alternative, more expensive arrangements. In the case of public transport disputes, organisations whose staff are unable to get to work generally suffer larger losses in total than the organisations providing the transport.

However, some suppliers have businesses that derive benefit from disputes, particularly employment lawyers or providers of recruitment advertising. Thus, any intervention by Acas that reduces the number of individual or collective disputes, or their intensity or duration, has a disadvantageous effect on these businesses, and these have to be taken into account in estimating the overall impact of Acas interventions.

The benefits and costs to all these organisations from Acas activities is the mitigation of the losses or benefits that they would otherwise have incurred. In addition, where companies switch their purchasing away from suppliers which have a poor employment relations track record, they might incur higher costs, so not having to do this is another potential source of gain.

Employees of suppliers and customers

Employees of suppliers and customers may experience loss of pay if they are unable to work due to industrial action. Acas intervention can mitigate this loss, as it can the losses to the employees of the organisations using the services directly.

Consumers of goods and services provided by Acas service users

Consumers of goods and services can indirectly benefit in several ways from Acas services. First, lower levels of industrial action or other forms of conflict make it more likely they will be able to purchase (or make use of in the case of public services) their preferred bundle of goods and services. This will provide them with higher levels of satisfaction than an alternative bundle. It might also be at lower cost, if the alternative (eg commuting by car rather than by underground) is more expensive.

Secondly, consumers may experience costs associated with industrial action, although some of these costs are transfers (for example the cost of a taxi where public transport is not available is a source of additional income to the taxi service).

Thirdly, to the extent that Acas intervention is one of the factors that enable workplaces to improve their overall performance, this is likely to mean a better experience for consumers. The staff they deal with are likely to be better motivated and they are likely to get a better quality of goods and services possibly at lower prices. These benefits are difficult to measure in practice, but may nevertheless be important.

Other individuals in the labour market

If those involved in individual disputes are less likely to be employed, in the short-term this provides an opportunity for someone else who would otherwise have been out of work (or in reality, the person at the end of a recruitment chain) to move into paid employment. Thus, the benefits to potential claimants from higher employment rates need to be offset by the losses to other individuals from lower employment rates.

Taxpayers generally and the wider economy

The impact of Acas interventions on taxpayers generally and the wider economy can be both positive and negative. For this reason it is important to bear in mind that the potential losses incurred by service users, their employees, suppliers and customers are not the sum total of the economic benefits.

This is because there are some beneficiaries from strikes and other forms of industrial action, particular competitor firms, and those providing goods and services that could replace those provided by the organisations affected by industrial action. Thus, taxi drivers and hotels benefit from transport strikes. Airlines benefit from train strikes and vice versa.

A study by McDonald and Bloch¹² of Australian firms found that strikes in competing firms within the same industry sector had a beneficial impact on the profits of other firms in the sector. The authors also cite US studies of strikes in particular sectors such as airlines where the same broad pattern is found. Clark¹³ (1996) also suggested that competitors gain market share so that the net loss to the economy is less than the gross loss to the firm.

However, in the longer term, and with a dynamic economy, the adjustment processes can also generate potential positive benefits (although as indicated above, the calculation of the longer-term effects is beyond the scope of this paper). A positive employment relations climate across the economy generally is likely to encourage higher rates of investment (both from domestic investors and from foreign direct investment) and this in turn means that the economy is likely to run at a higher level of output and employment. Similarly, the more effective use of existing productive capacity as a result of better employment relations makes it more likely that the economic policy stance operated by the government and the Bank of England is likely to lead to a higher overall employment rate given the rate of inflation. This in turn means that tax revenues are likely to be higher and the tax burden on any one individual lower.

The assessment of these potential macroeconomic benefits is likely to be feasible with macroeconomic model simulations, but the current evaluation will not include this.

Finally, there are areas of activity where Acas interventions result in savings to the public purse. First, there are the additional tax receipts generated by industrial disputes which are averted or reduced in duration. Second there are benefits from interventions where the service recipient is a public service organisation. Third, there is the potential for a better employment relations climate to lead to fewer grievance and disciplinary cases, leading in turn to fewer Employment Tribunal claims. Finally, they also include the individual conciliation activity where the number of days of tribunal hearings averted is a key performance indicator for Acas. In the absence of Acas intervention in individual disputes the taxpayer would have been obliged to fund a significantly larger number of tribunal days.

ET claimants whose case does not proceed to a tribunal generally have higher employment rates than those who cases do proceed to a hearing, and this is likely to generate higher tax receipts. However, the net effect of this is zero, as the higher employment rate of ET claimants is likely to lead to a lower employment rate for those who would otherwise have occupied their jobs.

¹² McDonald JT and Bloch H (1999) The spillover effects of industrial action on firm profitability, *Review of Industrial Organization*, 15 (2), pp 183-200

¹³ Clark, S (1996). Strike Behaviour When Market Share Matters, *Oxford Economic Papers*, 48(4), pp 618-39

4. Identification of costs and benefits by Acas service area

The range of the potential beneficiaries of Acas services are outlined in Section 3 above. This section provides detailed estimates of the net economic impact of different Acas service areas and relates that impact to the cost of providing the service, and, where feasible, a benefit-cost ratio.

Caveats

There are three important caveats attached to the estimates. These are:

- they are not based on an estimate of what would have happened if Acas did not exist
- they may wrongly attribute causality
- many of the estimates are based on outcomes reported by participants rather than on independently measured outcomes.

Lack of counterfactual

The estimates are not based on a robustly constructed counterfactual – that is what would have happened if Acas did not exist. To some extent this is justified. If Acas did not undertake dispute resolution then somebody else would do it on either a mutual or paid-for basis, and that alternative activity would probably consume much the same level of resources as Acas does. Thus measuring the impact of what does take place is not unreasonable.

Attribution of causality

The second important caveat relates to the attribution of causality. For example, in the case of individuals who make Employment Tribunal claims there are differences in subsequent outcomes between those who proceed to a hearing and those who do not. Going to a hearing may be disadvantageous (perhaps because the individual is treated even more warily by subsequent potential employers than those who just put a claim in) but there may be underlying differences between the two groups of claimants that mean that their outcomes are likely to differ anyway. Thus, attributing some of the gains in the case of the settlement of individual cases may overstate the impact.

Errors in measurement of outcomes

In the case of some activities (for example open-access training and workplace projects) participants have provided indicators of the impact on their organisations. These have been used in the estimation, but although they have been measured independently in that they have not been measured by Acas, they have not been measured by people who are unconnected with the parties themselves. The parties themselves may have been mistaken in their estimates of the impact, which would be less likely in the case of measurement by wholly independent third parties.

In addition, where estimates are based on surveys there are potential measurement errors.

For all these reasons, where there is a choice or range of indicators to use in the calculation, the first choice is to use an indicator from the most representative source. Where that source has a choice of indicators (or where there is a choice between sources, neither of which is prima facie more reliable than another), the lower figure or the bottom of the range have been used. The aim of these choices is to bias the estimates downwards so that they represent a minimum.

Table 1: Summary of the Costs and Direct and Immediate Benefits of Acas Activities 2005/06

Acas activity	Net cost	Net economic benefits	Benefit/cost ratio
Individual conciliation	£ 24,000,000	£153,900,000	6.4
Acas Helpline	£ 6,655,000	£353,600,000	53.1
Website and publications	£ 1,200,000	£ 32,100,000	26.7
Collective conciliation	£ 1,605,000	£ 158,600,000	98.8
Workplace projects	£ 1,290,000	£ 71,300,000	55.3
Open access training	£ 1,050,000	£ 17,850,000	17.7
Other Acas expenditure not included	£ 13,240,000		
Total	£ 49,000,000	£787,000,000	16.1

Overall, the direct economic impact of the Acas services covered by this report is worth £787 million a year, with total costs (including the cost of activities where no benefits have been estimated) totalling £49 million, giving a benefit-cost ratio of 16.1. This means that each pound spent by Acas (including expenditure on activities where no impact has been measured) generates around £16.10 of direct and immediate benefit to the UK economy. By way of comparison, the National Audit Office has a target of generating £8 worth of impact for each pound that it spends and in 2006/07 it actually generated savings worth £8.30.¹⁴ In the private sector it would be more usual to consider the internal rate of return (IRR) rather than the benefit-cost ratio. Venture

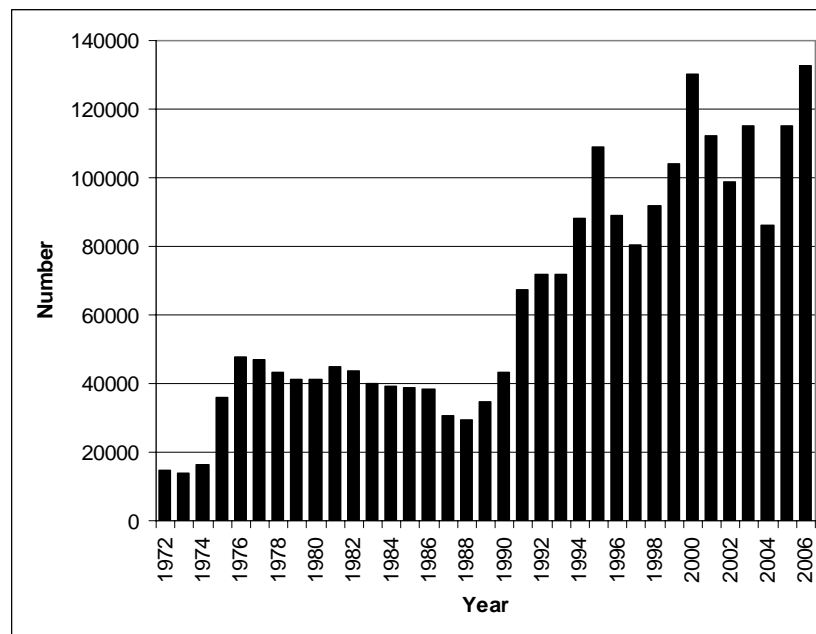
¹⁴ National Audit Office *Annual Report 2007*;
http://www.nao.org.uk/publications/annual07/nao_annual_report_2007.pdf

capital investors, who face high levels of risk, expect to see an IRR of around 50 per cent. At the other end of the scale PFI investors might settle for 10-15 per cent. More typically businesses would look for around 20 per cent. The value derived from Acas activities would approximate to an IRR of around 1500 per cent.¹⁵

4.1 The resolution of individual disputes

Around half the total budget of Acas (just under £24 million) is spent on the conciliation of individual workplace disputes (usually referred to as individual conciliation). In 2005/06 Acas received notification of actual or potential Employment Tribunal claims by 141,000 individuals, in some instances involving claims under more than one jurisdiction (for example race discrimination and unfair dismissal). Figure 2 illustrates the number of ET claims each year since 1972. The numbers in recent years are considerably larger than those in earlier years. Acas conciliators attempt to persuade the employee (or former employee) making the claim and the employer against whom the claim is made to come to a settlement of their differences before the case reaches the tribunal. Tribunal hearings impose costs on the parties concerned and on the taxpayer, and the purpose of the intervention is to mitigate those costs.

Figure 2: Employment Tribunal claims



Source: Employment Tribunal Service Statistics

¹⁵ This is based on putting the costs in year 1 and the benefits in year 2, which is not strictly correct, but does give an indication of the orders of magnitude involved.

Acas targets for this work are aimed at reducing the number of Employment Tribunal hearing days, so that priority is given to potentially the lengthiest cases.

Table 2¹⁶ sets out the net benefits and losses to the various parties with direct or indirect involvement in disputes between individuals and their employers. Overall, the expenditure of £24 million produces benefits worth £154 million, resulting in a benefit/cost ratio of 6.4.

Table 2
Economic impact of individual conciliation work¹⁷

	Net economic impact
ET claims	
Employers	£204,421,126
Employees (and former employees)	£ 16,825,751
Taxpayers	£ 66,838,192
Third parties	-£140,069,226
Total	£148,015,843
Non-ET claims	
Employers	£19,231,784
Taxpayers	£ 4,682,721
Third parties	-£18,010,193
Total	£ 5,904,312
Total (all claims)	£153,920,125
Cost of delivering service	£ 24,000,000
Benefit/cost ratio	6.4

In summary, Acas intervention in individual disputes reduces employers' potential costs by £223 million (£204 million for ET claims and a further £19 million for potential ET claims). This is made up of £138 million in lower legal fees and recruitment costs in cases which are settled compared with those which proceed to a hearing. Compensation to employees is £6 million lower. They pay £19.8 million less in wages to the employees who have made the

¹⁶ A more detailed table can be found in Appendix B.

¹⁷ A more detailed version of Table 2 setting out the flows between the potential parties can be found in Appendix B.

claims, but this is offset by the wages they would have paid to other individuals recruited in their places, so there is no net wage cost. Employers own costs in terms of management time spent on cases proceeding to a hearing compared with those which are settled are worth £79 million.

Claimants themselves receive net benefits worth £16.8 million. This is made up of £19.8 million more in wages, £6 million less in compensation payments from employers and £3 million less in legal fees

Taxpayers save £71½ million in the cost of hearing days as a result of fewer cases proceeding to a hearing (£66½ million from ET claims and £5 million from potential claims)

By contrast third parties taken together lose a total of £158 million (£140 million from ET claims and £18 million from potential claims). Businesses providing services to employers and claimants (lawyers and those providing recruitment advertising or services) receive £142 million less as a result of disputes being settled rather than proceeding to hearing. This mainly represents lower legal fees paid by employers. Those providing support to claimants (unions, CABs and employment rights advisers) save around £3.6 million by having cases settled rather than proceeding to a tribunal hearing. In reality these costs are likely to be shared (by union members generally) for example, but whoever ultimately bears them it is a use of resources and therefore a cost which is saved.

Individuals who would have been employed in the place of claimants have losses of £19.8 million, mirroring the gains in terms of wages received by claimants themselves. These sums are included in the losses to third parties and the gains to employees, but there is no effect on employers' gains or losses.

Basis for the estimates¹⁸

Employment Tribunal claims

The estimates are based on the proportion of cases recorded in the Acas Annual Report as having been settled via Acas conciliation, plus a third of cases that were recorded as privately settled or withdrawn, because Acas involvement has also made a contribution to the settlement of these cases. This is based on the 2004 Acas survey of individual conciliation cases.¹⁹ In fact more recent data suggests that the proportion of withdrawn cases to which Acas makes a contribution is nearer 60 per cent, but the lower figure has been used as it is the latest published information. For 2005/06 Acas conciliation led to 27,096 cases being settled and 26,879 cases were withdrawn or privately

¹⁸ Appendices A, B and C provides more details about the basis for the calculations

¹⁹ Acas/BMRB (2004) *Acas-wide Survey 2004 – Individual Conciliation Customers*
<http://www.acas.org.uk/index.aspx?articleid=408&submit=Next> report 06/04 Table 7.

settled.²⁰ A third of withdrawn cases total 8,959. This produces an initial total of 36,056 cases where a hearing was avoided

Given the emphasis in Acas targets for conciliators to focus their efforts on cases that are likely to consume the greatest number of hearing days, the estimated savings to taxpayers assume that these saved hearings would have taken 25 per cent more time than an average hearing.

Non-ET claims

During 2005/06 the individual conciliation workload of Acas included 31,576 cases where an ET claim had not actually been lodged, but where the individuals involved had a claim that they could lodge. Almost all of these were equal pay claims. In terms of economic impact, these cases are as likely to involve avoiding tribunal cases in the same way as actual ET claims.

The estimates are based on the assumption that many of these cases are multiple claims against a single employer. It is therefore assumed that one hearing would have been generated for every twenty cases, and that employers and third parties only spend a fifth of the time they spend on a typical case on each of these cases. However, the hearing time involved in equal pay cases is twice the average because of the complexity and detail involved in assessing the evidence. For this reason the savings to taxpayers from reduced hearings has been doubled.

Employers

Employers spend on average 8.5 days of management time on a claim settled by Acas and 13.8 days on a claim which proceeds to a tribunal hearing²¹. Thus, avoiding a tribunal hearing saves an average of 5.3 days of management time. In 2006 the average hourly pay of managers was £20.68.²² Employers' National Insurance, benefits in kind, pension costs and training increase this to £30.39.²³ Thus, a day of management time is worth approximately £210. The savings in management time from each case that does not proceed to a tribunal hearing are therefore £1,113.

In the case of non-ET cases the savings per case are likely to be smaller as many of these cases relate to groups of potential claimants. The savings in management time per case have therefore been divided by five, compared with ET claims cases.

²⁰ Acas Annual Report 2005/06

²¹ Hayward B, Peters M et al (2004) *Findings from the Survey of Employment Tribunal Applications 2003* (SETA 2003) DTI Employment Relations Research Series no 33 <http://www.berr.gov.uk/files/file11455.pdf>

²² Annual Survey of Hours and Earnings 2006 (ASHE 2006)

²³ Ratio of other costs to wage costs based on European Labour Costs Survey 2000

The estimates of the savings to employers do not include any savings in recruitment costs in respect of the individual claimant. This is because according to SETA 2003, only 5 per cent of tribunal applicants remain with the same employer. Thus, once a claim is lodged, employers are likely to have to replace the applicant at some point whether or not the claim proceeds to a tribunal hearing. However, a third of employers report that tribunal cases have an adverse effect on employee morale²⁴. This makes it likely that staff turnover will be higher in these cases. The estimate therefore includes a saving of £3,160 in the recruitment costs for one post for every three cases that would have been heard in the absence of Acas intervention. This figure excludes the cost of advertising the vacancy (which is a transfer to the provider of the advertisement) but is based on the disruption during the period in which a post remains vacant, the cost of induction and the loss of output during the time when the new recruit is learning. This is based on the average of the CIPD's most recent estimate of the cost of recruiting administrative, service and manual employees excluding advertising costs. (The costs of recruiting management and professional employees are considerably higher, but they constitute a relatively small proportion of tribunal applicants, so are excluded.)²⁵

Data from CIPD Surveys

CIPD surveys are generally biased towards larger employers, as they are typically based on CIPD members, who are mainly human resources professionals. However, where similar issues are covered both by CIPD surveys and by other sources, there are strong similarities in the evidence from both sources.

For Instance the Survey of Employment Tribunal Applicants 2003 found that where a case was settled the average amount paid by an employer was £4,011. The CIPD's 2007 Survey on Managing Conflict at Work found a figure of £4,442.

Similarly, SETA 2003 found that the average legal costs incurred by employers who paid for legal representation (81 per cent of all employers) were £4,360 (or an average of £3,531 across all employers including those who incurred no fees). The CIPD's 2007 Survey on Managing Conflict at Work found employers incurred an average of £3,136 per claim.

CIPD surveys find that the average time spent by employers on an ET case going to a hearing is 15 days, while the SETA estimate is for 13.8 days.

On compensation the CIPD figure is slightly higher than the SETA figure, and on fees it is slightly lower, but in both cases the broad order of magnitude is the same. This suggests strongly that the use of data from CIPD surveys where there is no other source available is likely to be a reasonable guide to the true picture, and, in particular, that the CIPD figures, at least in relation to issues related to conflict at work, do not generally seem to exaggerate this picture.

²⁴ SETA 2003. No allowance for recruitment costs is made in the case of non-ET claims cases, as the employment relationship has not actually broken down.

²⁵ CIPD (2006) *Recruitment Turnover and Retention*

Thus, the economic value of the savings to employers in terms of management time saved in dealing with claims and recruitment and in terms of lost production avoided as a result of lower turnover is £2,167 per case.

Employers also have savings in the costs they incur when cases are settled before reaching a tribunal hearing. The most important of these relates to legal fees. These are £2,837 higher in cases proceeding to a tribunal (compared with cases settled by Acas).²⁶ Compensation payments to claimants are £491 higher in cases where a tribunal award is made (compared with settled cases).²⁷ The advertising costs incurred by employers in recruitment are an average of £1,167 per non-managerial recruit.²⁸ Again, these savings have been divided by five for the non-ET cases.

Although these represent savings to employers involved in individual disputes, they also represent a loss of income to lawyers and to those providing recruitment advertising. Thus, from the perspective of the economy as a whole these are not net savings. In Table 2 these offsetting losses are identified in the column headed “businesses providing services”.

There is no impact on employers’ (both those who were originally employing claimants and others) overall employment costs. Although claimants who settle are more likely to be employed than those who take their cases to an employment tribunal the cost to employers of employing claimants is offset by their savings in employing other individuals in the same jobs.

Employees and former employees

Only 5 per cent of employees who lodge an employment tribunal claim remain in the same job.²⁹ Of the remainder, some leave paid employment and others move into other jobs. Of those who move into other jobs, around 40 per cent have higher earnings than in the old job and 40 per cent have lower earnings.³⁰

Thus, for an employee, it is essentially lodging the claim itself that represents the breakdown of the employment relationship. Even if the case is resolved without proceeding to a tribunal, it is unlikely that the employee will avoid having to change jobs. The issue is therefore essentially to what extent Acas intervention mitigates post-claim worklessness, perhaps by giving the employee more control over the timing of their exit and more opportunities to find alternative employment while still working.

Of those whose claim was settled by Acas conciliation 80 per cent were in paid employment at the time of the follow-up survey, whereas only 76.5 per cent of

²⁶ SETA 2003

²⁷ SETA 2003

²⁸ CIPD (2006) *Recruitment Turnover and Retention*

²⁹ SETA 2003

³⁰ SETA 2003

those whose claim went to a tribunal were³¹. Thus those whose claim goes to tribunal have a 3.5 percent lower probability of being in paid employment, which represents an average loss over a year of £459 per claimant. This is based on taking 3.5 per cent of the average earnings of ET claimants from SETA 2003 (£17,500) less 25 per cent to take account of income tax and National Insurance. This amounts to a total loss avoided of £16.5 million.

In addition to this there were 913 cases³² where Acas intervention secured the reinstatement of a dismissed employee. It has been assumed that in these cases the employee avoided the average of 14 weeks unemployment experienced on average by ET claimants who get a new job.³³ The average loss of earnings avoided in these cases is £3,533.³⁴ The total benefit to these employees is £3.2 million.

These savings represent a benefit to the individuals. However, in a well-functioning labour market if one individual is out of work, someone else will have a job. Thus, any benefits from lower worklessness for claimants are likely to be mirrored in higher worklessness among other members of the population. Thus, in Table 2 there are offsetting losses in the column headed "other individuals" and the net impact across the economy as a whole is zero.

As with employers, the other potential source of avoided costs for employees is their own time spent on preparing their case. However, according to SETA 2003, employees spent a similar amount of time on both Acas-conciliated cases and on cases that went to a tribunal hearing. If anything, Acas conciliated cases took slightly more time. Thus, the value of savings from this source has been estimated to be zero, and may even be negative. This is likely to be related to the fact that Acas conciliated cases are likely to be more complex than other cases.³⁵

Employees do save in legal fees as a result of Acas intervention. Around 18 per cent of claimants used a lawyer during the course of their claim. Legal fees were £2,500 in cases going to a tribunal hearing and £1,827 in cases settled by Acas.³⁶ However, compensation payments awarded by tribunals were higher (£4,502) compared with those reached in settlements (£4,011).³⁷ Travel and other out of pocket costs were similar in both Acas conciliated and tribunal cases.

³¹ SETA 2003

³² ETS *Annual Report* 2005/06

³³ SETA 2003

³⁴ Based on £17,500 average earnings of ET claimants (SETA 2003) less 25% tax and National Insurance

³⁵ The mean for Acas conciliated cases was 25 days and the median was 3.75. The mean for cases proceeding to a tribunal hearing was 19.4 and the median was 3.75 in successful cases and 7 in unsuccessful ones.

³⁶ SETA 2003

³⁷ SETA 2003

For non-ET cases it has been assumed that potential claimants are no more likely to be workless if their cases proceed to a hearing than if they are settled. This reflects the group nature of these claims and the likelihood that the employment relationship has not broken down. Similarly, it has been suggested that these potential claimants are disproportionately likely to be represented by no-win no-fee lawyers³⁸ who charge a percentage of the settlement as a fee, rather than vary the fee by the amount of time spent on a case. Thus, this group is assumed to have no savings in legal fees.

Taxpayers

There are two kinds of costs involved in running the tribunal system: administrative processing costs which apply to all claims, and hearing costs, which only apply to cases where there is a tribunal hearing. In 2005/06 the average administrative processing cost was £175 for each case that was disposed of during the year. Hearing costs amounted to £1,483 per case where there was a hearing.³⁹

The starting point for the estimate of the savings to the taxpayer is therefore £1,483 per case saved. However, Acas conciliation focuses on more complex cases, which are likely to have longer hearings, and therefore to impose higher costs on the Employment Tribunals Service. The estimate of the savings in tribunal costs has therefore been increased by 25 per cent to £1,854 per case. This results in total savings to taxpayers of £66 million.

For non-ET cases which largely represent groups of claimants, it is assumed that only one in twenty cases would result in a hearing by an employment tribunal, but that the hearing would have been twice the typical length. This adds a further £4.7 million to the savings to taxpayers.

Other third parties

Apart from lawyers, providers of recruitment services and other potential employees, the main third parties where there are likely to be economic impacts from individual conciliation are those involved in advising employees and former employees without charge. In 2003 around 14 per cent of applicants were represented during the course of their claim by a trade union official and 18 per cent by an employment rights adviser or Citizen's Advice Bureau.⁴⁰ The estimate of the potential savings to these third parties is two days for each case that they represent valued at average earnings for all employees (£133 per day).⁴¹ Thus the savings are based on £266 in 32 per cent of the cases where hearings are avoided.

³⁸ Gibbons M (2007) *Better Dispute Resolution: A review of employment dispute resolution in Great Britain*, DTI, <http://www.berr.gov.uk/files/file38516.pdf>, p 17

³⁹ These estimates are based on the number of cases and the programme and non-programme expenditure in the ETS *Annual Report 2005/06*

⁴⁰ SETA 2003

⁴¹ Based on average hourly earnings for all employees (£13.00) from ASHE 2006 adjusted to take account of non-wage costs based on European Labour Costs Survey 2000

These advisors are the only group of third parties where there are net benefits rather than net losses. These benefits therefore offset some of the losses to businesses providing services to employers and employees who would benefit from hearings. The total for third parties in Table 2 covers all these groups combined, although the actual breakdown is in Annex B.

4.2 The Acas Helpline

In 2005/06 the Acas helpline took 908,553 calls. Each call cost around £7.33. The callers were roughly evenly divided between employers and their representatives and employees and their representatives.

Overall, the helpline delivered economic benefits worth more than £353 million, giving a benefit/cost ratio of 53.1.

Table 3
Economic impact of Acas helpline

	Net economic impact	
	Employer calls	Employee calls
Employers	£ 69,411,269	£128,762,150
Employees (and former employees)	£ 12,437,204	£123,384,963
Taxpayers	£ 1,895,420	£ 17,037,135
Third parties	£ 215,827	£ 419,575
Total	£353,563,542	
Cost of delivering service	£6,655,000	
Benefit/cost ratio	53.1	

See Appendix C for details underpinning this table

Basis for the estimates⁴²

Calls from employers

Impact on employers

Eight out of ten employers or their representatives making a call to the Acas helpline said that the information resolved the issue or enabled them to decide what to do next.⁴³ All the calculations related to the impact of calls from employers therefore exclude 20 per cent of calls on the grounds that the call did not influence the outcome for those callers.

⁴² More details about the basis for the calculations are set out in Appendix C

⁴³ Acas/IFF Survey of Helpline callers 2005

Of the remaining 80 per cent of calls, it is assumed that each one saves around two hours of management time. This is based on the estimate for an earlier evaluation of the Equality Direct helpline.⁴⁴ At £30.39 an hour this produces a net benefit of £22 million.

Again, taking 80 per cent of calls as the basis, it is assumed that in 5 per cent of cases a formal grievance is avoided. A formal grievance takes an average of 9 days of management time.⁴⁵ Thus, for each grievance avoided there is a saving of 9 days of management time. The total value of this is £34 million.

On average 14 per cent of grievance cases proceed to an Employment Tribunal claim.⁴⁶ Thus, there are also savings from these cases, based on the fact that on average a tribunal claim, whether or not it proceeds to a hearing, costs ten days of management time.⁴⁷ This results in savings of a further £5.3 million. Moreover, 95 per cent of claimants go on to leave their jobs,⁴⁸ so these additional tribunal claims would be associated with turnover costs of £7½ million.

Taken together this means that helpline calls by employers or their representatives produce resource savings to employers of around £69 million.

Impact on employees

The main impact of employer calls on employees comes on the avoidance of Employment Tribunal claims. It has been assumed (see above) that 5 per cent of calls lead to the avoidance of one grievance claim. On average 14 per cent of grievance claims lead to an Employment Tribunal claim.⁴⁹ Since 95 per cent of claimants leave their jobs, and the 73 per cent of claimants who secure new jobs spend an average of 14 weeks unemployed,⁵⁰ there are potential savings in terms of earnings losses avoided, both for those temporarily unemployed between jobs and for those who fail to secure a new job, or who leave the labour force altogether. These earnings losses avoided amount to around £7½ million.

In addition, employees spend an average of 25 days working on their tribunal cases⁵¹, so the value of avoiding spending this time in this way is £4.7 million. Thus, total employee gains from employer calls are around £12½ million

⁴⁴ CSES 2003

⁴⁵ CIPD *Managing Conflict at Work* 2007

⁴⁶ CIPD *Managing Conflict at Work* 2007

⁴⁷ SETA 2003

⁴⁸ SETA 2003

⁴⁹ CIPD *Managing Conflict at Work*

⁵⁰ SETA 2003

⁵¹ SETA 2003

Impact on taxpayers

The avoidance of employment tribunal claims has an impact on the Employment Tribunal Service: a saving of £175 for every claim not lodged and a saving of £1,483 for the 29 per cent of those claims that would have gone on to a hearing.⁵² These savings amount to £450,000 and £1 million respectively. There would also be additional costs to Acas in conciliating half the cases. These savings amount to £350,000. Thus total savings to the taxpayer from employer calls are around £1.9 million.

Impact on third parties

Trade unions represent employees in a quarter of grievance cases.⁵³ Assuming each grievance case takes two hours of an official's time, the savings to trade unions from avoiding grievances is £173,000. The savings for trade unions, employment rights advisers and Citizen's Advice Bureaux from avoiding ET claims amounts to a further £42,000 (assuming two hours on average per claim). Thus, the total benefit to third parties of employer calls is around £215,000.

Calls from employees

Around a quarter of employee callers to the Acas helpline were considering making an Employment Tribunal claim. As a result of the call a third decided not to make a claim.⁵⁴ In some of these cases, the caller might have reached the same conclusion anyway. The estimates of the impact on based on the assumption that one-third of deterred callers would have changed their mind about lodging a claim without their call to the Helpline.⁵⁵ Thus 25,237 is the estimated number of claims avoided on which the estimate of impact is based.

Impact on employers

Employers spend an average of 10 days of management time on each claim,⁵⁶ and the savings from this amount to £53 million. In addition 95 per cent of claimants leave their jobs,⁵⁷ so that avoiding claims avoids unnecessary turnover costs of £72 million. Thus the benefits to employers from employee calls amount to £129 million.

Impact on employees

The employees who decide not to make claims avoid the transitional unemployment between jobs (£65 million) and loss of earnings through ongoing worklessness (£11 million). They also avoid spending 25 days of their own

⁵² ETS *Annual Report 2005/06*

⁵³ DTI *Regulatory Impact Assessment of Statutory Dispute Resolution Procedures 2004*

⁵⁴ Acas/IFF *Survey of Helpline callers 2005*

⁵⁵ In fact more recent survey data suggests that of those callers who decide against pursuing a claim, 90% in part attribute their decision to information received from Acas, but the lower figure has been used as it is the latest published information. See Hooker H, Usher T and Robinson D (2007) *Acas helpline survey 2007*, Acas Research Report 03/07.

⁵⁶ SETA 2003

⁵⁷ SETA 2003

time on their tribunal case (£46½ million). This means that they avoid losses worth £123 million as a result of their own calls.

Impact on taxpayers

Taxpayers gain from the reduction in ET claims, in terms of administrative processing costs (£4½ million), hearing costs for 29 per cent of claims (£11 million), and Acas conciliation costs (£1.8 million). Total taxpayer benefits from employee claims are around £17 million.

Impact on third parties

Third party savings for trade unions, employment rights advisers and Citizens Advice Bureaux who would otherwise be involved in representation of employees during their tribunal claim total £419,000.

4.3 Website, publications and communications

In 2006 more than a million copies of Acas publications were downloaded from the Acas website. The cost of Acas communications activities, including the website, publications, newsletters and other promotional and informational activities is around £1.2 million a year.

The main focus of the estimation of impact is on Acas advisory publications. This is because the estimation of the impact of these is relatively straightforward and could be done on the same basis as the calculations in the rest of this report. However, the other communications activities are also likely to have some impact. For example, the newsletter goes to 400,000 readers, many of whom take action as a result. As with other areas of activity, this means that the estimates for the impact of this area of activity should be regarded as a minimum.

Ten publications account for 70 per cent of all website downloads, and the estimate of impact is based on these publications. In addition to the 750,000 downloaded copies of these publications, a further 53,000 were distributed as hard copies. Some of these downloads and copies will be for use by researchers and others wanting copies purely for reference purposes. The estimates of impact are based on 20 per cent of publications being used for these purposes.

The ten most frequently used publications in 2006 were:

- *Disciplinary and Grievance Procedures*
- *Discipline at Work*
- *Producing Discipline and Grievance Procedures*
- *Producing a Written Statement*
- *Managing Attendance and Turnover*
- *Recruitment and Induction*

- *Employee Appraisal*
- *Redundancy Handling*
- *Age and the Workplace : a guide for employers*
- *Age and the Workplace: a guide for individuals*

There is no direct evidence about the impact of these publications on the behaviour of employers and employees though research in 2003 on publications relating to discipline and grievance received positive feedback on the quality and utility of the publications. This means that to a greater extent than the rest of the report, the estimates of the impact have therefore had to be based on assumptions.

Table 4
Economic impact of Acas publications

	Net economic impact
Employers	£ 30,018,591
Employees (and former employees)	£ 1,710,342
Taxpayers	£ 260,655
Third parties	£ 108,820
Total	£ 32,098,408
Cost of delivering service	£ 1,200,000
Benefit/cost ratio	26.7

See Appendix C for further details of the calculations underlying this table

The economic benefits of Acas publications are estimated to be £32 million, or 26.7 times the cost of running the website and other communications activities.

Basis for the estimates⁵⁸

The first assumption is that downloads by employees give them information about their rights but do not have an impact on their time or their decisions. In practice the former assumption may not be valid, as without access to clear information from the Acas website, they might need to visit a CAB or other source of information about rights at work. But it is unlikely that more accurate information about rights and procedures at work would lead to fewer grievances or tribunal claims.

Although *Disciplinary and Grievance Procedures* is the most frequently downloaded publication, it is likely that its impact on its own is limited, in that it

⁵⁸ More detail for the basis for the calculations is given in Appendix C.

is typically downloaded together with *Discipline at Work* and it has therefore been excluded from the calculation of impact. For many employers formal disciplinary and grievance procedures are relatively new, and it is likely that the how-to guide *Producing Discipline and Grievance Procedures* will have a greater impact.

The estimates are based on the following assumptions:

- The identity of the readers of publications downloaded from the website is unknown (although there is some information available about the identity of those ordering hard copies). The estimates are based on the assumption that (after taking out 20 per cent of all publications for researchers and other neutral interested parties) 80 per cent of the readers of publications aimed primarily at employers (*Producing Discipline and Grievance Procedures*, *Producing a Written Statement*, *Managing Attendance and Turnover*, *Recruitment and Induction*, *Employee Appraisal* and *Age and the Workplace: a guide for employers*) are employers, and the remainder are employees. Half the readers of *Discipline at Work* and *Redundancy Handling* are assumed to be employers and the remainder employees. Eight out of ten of the readers of *Age and the Workplace: a guide for individuals* are assumed to be employees.
- Each employer download or hard copy of *Discipline at Work*, *Producing a Written Statement*, *Managing Attendance and Turnover*, *Recruitment and Induction*, *Employee Appraisal*, *Redundancy Handling* and *Age and the Workplace: a guide for employers* saves two hours of management time gathering the same information.
- Each employer download or hard copy of *Producing Discipline and Grievance Procedures* saves on average a day of management time. This is because many employers will have been developing discipline and grievance procedures for the first time following the introduction of compulsory procedures in 2004, and in the absence of the Acas guidelines the production of such procedures would be much more time-consuming.
- As employers are better informed and have better procedures, they are less likely to face employee grievances. It is therefore assumed that for every 100 employer downloads or hard copies of *Discipline at Work*, *Producing a Written Statement*, *Managing Attendance and Turnover*, *Recruitment and Induction*, *Employee Appraisal*, *Redundancy Handling* and *Age and the Workplace : a guide for employers* there is one fewer grievance. And as 14 per cent of grievances lead to employment tribunal claims, there is an associated reduction in tribunal claims as well.

Impact on employers

The saving of management time from having the information available in one accessible place is £17 million. The time saved in producing discipline and grievance procedures is worth £7½ million. The time saved in avoiding

grievances (at 9 days per grievance⁵⁹) is worth £4.7 million. The time saved in avoiding the ET claims that would have arisen out of those grievances (at 10 days per claim) is worth £735,000. In total, employers have savings of time worth £30 million.

Impact on employees

Employees whose employers use Acas publications are less likely to bring grievances which lead to ET claims. The reduction in ET claims (98) leads to a saving of loss of earnings both between jobs and as a result of worklessness of around £1 million. In addition time saved from not making a tribunal claim is worth £650,000. Employees therefore gain £1.7 million from employer downloads.

Impact on taxpayers

The Employment Tribunal Service saves £211,000 from having fewer ET claims to process and Acas saves £49,000 in conciliation costs. The taxpayer therefore gains £260,000.

Impact on third parties

Trade unions have fewer grievance to support, saving them £95,000 and trade unions, employment rights advisers and CABx have fewer ET claims to support, saving them £13,000. Third party savings are therefore £109,000 in total.

4.4 The resolution of collective disputes

Although strikes have become less common, around 5 per cent of workplaces had some sort of collective dispute in 2004, 3 per cent had some sort of industrial action and 4 per cent a threat of action.⁶⁰ There is therefore potentially an important gain to the economy to be had from even a marginal reduction either in the incidence of threatened or actual industrial action, or in its impact.

In 2005/06 Acas was involved in the conciliation of 952 collective disputes. They also kept in touch with organisations where there were conflicts that might in time turn into disputes (referred to as “running alongside”). These activities together cost a total of £1.6 million.⁶¹

It is more or less inevitable that most disputes will have limited impact, other than on the parties directly concerned, but a small number of disputes will have

⁵⁹ CIPD (2007) *Managing Conflict at Work*

⁶⁰ WERS 2004

⁶¹ In fact the management information system has 968 disputes entered, but this is likely to reflect some differences in linking related disputes with the same employer. Sometimes these are treated as one dispute and sometimes as separate disputes.

a major impact on other businesses and on members of the public. In order to have both the capacity and the reputation that enables Acas to intervene in these crisis cases, Acas conciliators need to be involved in the more limited disputes that constitute the majority of their work.

The cost of Acas intervention in a collective dispute is an average of £1,873 per case, and the cost of an arbitration hearing is similar. The number of collective disputes involving arbitration or mediation is very small.⁶² As a means of resolving the immediate dispute mediation and arbitration are a useful way of drawing a line. However, given the small number of cases, there is no clear evidence that in terms of longer term outcomes mediation and arbitration are more successful than conciliation, although it is possible that they are because they require more positive engagement and agreement on the part of the parties involved.

In nearly a third of conciliation cases listed on the Acas management information system there is no detailed information about the nature of the dispute or the stage that it had reached prior to conciliation. The estimation of impact was therefore based on the remaining two-thirds of disputes.

In these cases the *referral* to Acas fell into one of three categories:

- Failure to agree during negotiation and a reference to Acas was written into the procedure at this point
- Claims for trade union recognition where the employer was unwilling to agree, but where the statutory process needed to be followed through
- Failure to agree against a background of poor relationships or inexperienced negotiators, but where there was little immediate threat of industrial action

Although in these cases, particularly the last group, it is likely that Acas involvement will have produced benefits for the parties involved, and may in some cases averted strike action further into the negotiation process, in reality these cases are likely to be similar in their potential impacts to workplace projects (discussed below).

In 8 per cent of cases, the dispute centred around one or more employment tribunal claims. These had collective implications because they involve a number of employees submitting multiple claims on the same issue, and are likely to involve trade union representation. Many (but not all) of these were equal pay cases. Although the collective conciliation process had an impact in many of these cases, in practice the impact will already have been counted in the measurement of individual conciliation. These are therefore excluded from the impact assessment.

In 14 per cent of cases the conciliation was unsuccessful, so that no impact can be claimed from Acas involvement.

⁶² Acas Annual Report 2005/06

Table 5
Economic impact of Acas collective conciliation activities

	Net economic impact
Immediate impact of intervention in 8 key disputes	
Employers of those involved in the disputes	£ 3,161,939
Employees involved in the dispute	£ 1,163,891
Taxpayers	-
Direct business customers of organisation experiencing dispute	£ 55,830,387
Competitor businesses	-£ 9,824,751
Other businesses indirectly affected by dispute	£ 65,796,833
Individuals affected by dispute	-£ 2,406,061
Total	£113,722,237
Impact of longer-term improvements reported by the parties in other disputes	
Improved employee morale	£ 15,272,296
Changes in working practices	£ 22,214,249
Improved communication	£ 6,768,404
Speeding up negotiation process	£ 659,736
Total	£ 44,914,685
Overall impact	
Total	£ 158,636,912
Cost of delivering service	£ 1,605,000
Benefit/cost ratio	98.8

See Appendix C for the more detailed calculations underpinning this table.

There are therefore two elements to the impact assessment. In the first element the focus is on eight of the 75⁶³ cases (12 per cent) where industrial

⁶³ There were 77 such cases but two were duplicate entries related to the same dispute where more than one conciliator had been involved

action was already in progress, where a ballot had taken place or where an offer had been rejected by a large majority and a ballot called for. These are the “crisis” cases.

The second element was based on the typical outcomes from Acas involvement in collective disputes as reported by Acas follow-up surveys of participants.

Table 5 sets out the net benefits derived from both the crisis cases, and from the impact on the general health of the organisations concerned. Overall the benefit of intervening in the eight cases where there was already actual or planned industrial action with widespread potential for disruption was nearly £114 million. The impact on the remaining cases where either there was an underlying conflict but no immediate plan for industrial action or where the impact of any action was unlikely to be widespread or long-lasting was a further £45 million. Both these estimates should be regarded as minima, not least because they do not include “missing” cases.

In total the estimated economic impact of this activity is £158 million, giving a benefit/cost ratio of 98.8.

The role of key disputes

This focus of impact measurement on a small proportion of disputes is not unique to the UK. The US evaluation of the Federal Mediation and Conciliation Service (FMCS) based its impact assessment on conciliations that took place in just 7 per cent of cases, where both the parties to the dispute agreed that industrial action would have taken place in the absence of FMCS intervention.⁶⁴

For these disputes the potential benefits to the parties to the dispute, and to their suppliers and customers have been estimated using broadly standard methodologies. There are some offsetting losses to be taken into account (where competitors would benefit from strikes, for example). In many cases, even though industrial action was in progress, or was averted by Acas intervention, the overall impact will have been limited. For example, one dispute involved four employees of a small organisation who were striking at weekends. Many others involved small numbers of employees in relatively small organisations, where there will have been some minor inconvenience to customers in terms of the timing of deliveries, but alternatives will generally have been available.

Several were disputes at local authorities where efforts had been made to avoid an impact on members of the public. Another group were disputes in educational institutions where a new pay structure was being put into place and

⁶⁴ Employment Policy Institute (2005) *Impact Measures of Federal Mediation and Conciliation Service Activities 1999-2004*. Although similar information was included in the 2007 Acas survey of the parties involved in collective conciliation, it has not been possible in the timescale of this project to match that information with the details on the management information system, although it will be possible to do so at a later stage.

the action involved was aimed at inconveniencing college managers rather than disrupting students. In a further group of cases the exact outcome was not clear from the case record. Thus, the eight cases used for the calculations represent those where it is clear that the impact of the dispute was (or was likely to be) widespread, and not largely confined to the organisation involved and its immediate employees. Thus, the estimates of impact are therefore based on eight disputes (1 per cent of the total) where there was sufficient information to make an estimate and where there was (or could have been) an impact beyond the immediate parties. Because of the incompleteness of the information, this estimate has to represent a minimum estimate of the value of the impact of Acas collective conciliation.

The second element of the assessment of the economic impact of Acas is to build on the results of the Acas survey⁶⁵ of the parties to collective conciliation, and the case studies that add further information to that collected in the survey. The relevant findings from the survey are that 66 per cent said that Acas involvement speeded up the dispute resolution process, 32 per cent reported changes in working practices, and 22 per cent reported improved employee morale and 39 per cent improved communication with employees. The most recent survey conducted by Acas in 2007 has not yet been fully analysed and published, but overall the proportions reporting positive outcomes are slightly higher than the 2004 survey: 69 per cent agreed that Acas involvement speeded up the dispute resolution process and 27 per cent reported improved employee morale.

Basis for the estimates

Key disputes

The individual disputes included in the estimation of impact are those where the greatest potential impact on third parties is likely to have occurred. Of the eight disputes, four involved employees of public transport operators, three were in organisations providing support services to transport operations, and one was in construction. (In fact in the latter case it was not possible to identify any immediate impact on third parties, although there would almost certainly have been an impact if any industrial action had lasted more than a few days, so the estimates in this case are based on the impact on the employers and employees only.)

In transport disputes the impact on third parties tends to be larger than the impact on the parties themselves. This is because passengers (and their employers) incur losses when travel is disrupted, and the impact is immediate in that it takes place even if the dispute lasts for only a few hours. Generally speaking, services which permeate the whole economy are more disruptive in their impact than services which are more focused in their customer base. It is also the case that disputes of very short duration tend to present more of an inconvenience than a major cost. Traditionally disputes in the docks, coal

⁶⁵ Dix G and Oxenbridge S (2004) *Coming to the table: The role of Acas in collective disputes and improving workplace relationships*, Acas Research Paper no 01/04

mining and railways were the most disruptive. Nowadays, with the emphasis on just-in-time deliveries, road transport, particularly fuel and food would be expected to have a significant impact if a dispute lasted for longer than a few days. The same might be true of postal, telecommunications or banking services.

Fuller details of the calculations are set out in Appendix C, but the underlying approach with public transport disputes⁶⁶ is to estimate the impact of the disputes on work-related journeys and use that as the basis of estimating the resulting loss in output. In air travel-related disputes, account also has to be taken of the impact on leisure journeys and whether or not the potential traveller is resident in the UK or elsewhere.

The transport operators face a loss of fare revenue, but competitors (including both direct competitors and taxis and hotels) generally benefit from strikes and other disputes.

In the non-transport related dispute included in the estimation it was not possible to identify the potential benefits to third parties from the short strikes that were averted, but there would have been an impact in the longer term if a major construction project were to have been disrupted or delayed.

Other disputes

The most recent (2004) published Acas survey of the parties to collective conciliation⁶⁷ has been used as the basis for estimating the overall impact on the output of the organisations concerned of the improvements in employment relations and working practices reported by survey and case study respondents. The 2007 survey, which has not yet been published, suggests that the impact of Acas interventions is now larger it was 2004. Thus, these estimates are again likely to represent an underestimate of the overall impact.

It has been assumed that each collective conciliation case involves a workplace with 100 employees and they add an average amount to national output per year (£36,459).⁶⁸ In fact most of the workplaces are larger than this, but many of the disputes involve only a proportion of employees. Nevertheless, poor relationships with a small group of employees can be symptomatic of deeper problems, and can have a knock-on effect on the morale and performance of other staff.

⁶⁶ The assumptions used in this report are considerably more conservative than those used by Maurice Fitzpatrick of Grant Thornton, whose estimates are widely quoted in the press, but the essential approach is the same. For example, his assumptions produced an estimate for the economic impact on the local economy of the city concerned of one dispute included here of £3 million a day, while the approach adopted here produced an estimate of £297,000 by taking greater account of mitigating factors, including the availability of other forms of public transport, and recognising that many journeys are not work-related.

⁶⁷ Dix G and Oxenbridge S (2004) *Coming to the table: The role of Acas in collective disputes and improving workplace relationships*, Acas Research Paper no 01/04

⁶⁸ Based on total GVA for 2006 £1,145,167 million divided by 31,409,000 workforce jobs.

Two-thirds of the parties to disputes which involved Acas conciliation said that the Acas involvement had speeded up the dispute resolution process. This has been estimated at 5 days of management time saved in 628 workplaces (a total of £659,000).

More than a fifth (22 per cent) of workplaces involved in Acas conciliation reported improved employee morale. Although there is widespread consensus that improvements in employee morale are likely to lead to improvements in productivity, there are no estimates for the average scale of the impact. Improved morale is likely to work through four routes: reduced absenteeism, improved punctuality, lower turnover, more collaborative relationships with colleagues and greater effort. The estimate is based on a one-off 1 per cent improvement in output per employee in 209 workplaces. The impact of this is estimated to be £15 million.

One-third of the parties to collective conciliation (32 per cent) reported changes in working practices following the Acas intervention. The estimate is based on a one-off 2 per cent improvement in output per employee in 305 organisations. The impact of this is estimated to be £22 million.

Nearly four out of ten (39 per cent) of organisations involved with collective conciliation reported improved communication with employees. This has been estimated as having a one-off 0.5 per cent improvement in output per employee in 371 organisations. There is evidence from several sources⁶⁹ that improved communications lead to higher productivity in the short term, and to fewer disputes with consequent savings in the longer term. However, the cautious estimate of the impact used here is based on the assumption that in some of the workplaces involved in disputes the parties had not been speaking to each other at all, so that improved communication could simply mean a resumption of dialogue. The estimate for the impact of improved communication is £6.7 million.

No estimate has been made of the distribution of the benefit of the improved output between employers, employees and taxpayers, because the aim here is to establish the likely scale of the overall economic impact.

⁶⁹ Dix and Oxenbridge (2004); Fernie S and Metcalf D (1995). Participation, contingent pay, representation and workplace performance: Evidence from Great Britain. *British Journal of Industrial Relations* 33; Addison JT and Belfield CR (2001). Updating the Determinants of Firm Performance: Estimation using the 1998 UK Workplace Employee Relations Survey *British Journal of Industrial Relations* 39 (3), 341–366; Turner N (2005) *Cracking the Performance Code*, Work Foundation, <http://www.theworkfoundation.com/products/publications/azpublications/crackingtheperformancereview.aspx>

4.5 Workplace projects

Some Acas workplace projects are charged for, while others are a continuation of collective conciliation cases after the resolution of the immediate dispute. It is common practice to value fee-based consultancy services at the market price i.e. the fee paid. However, the issue is also whether Acas interventions have a wider value over and above the value to the paying party (not least the value to the employees if the employer is paying), and there is a need to establish the impact of non-charged for projects.

In 2005/06 there were 319 workplace projects delivered at a cost of £1.3 million or £4044 per project

Table 6
Economic impact of Acas workplace projects

	Net economic impact
Impacts reported by those involved in projects	
Improved productivity	£32,427,521
Improved quality of goods or services	£36,398,237
Fewer discipline cases	£ 784,059
Fewer grievances	£ 241,589
Lower absenteeism	£ 1,440,834
Total	£71,292,240
Cost to Acas of delivering service	£ 1,290,000
Benefit/cost ratio	55.3

See Appendix C for details underpinning these calculations

The evaluation of the impact of preventative work is generally difficult because of the challenge of establishing any link between the intervention and the outcome. This is a standard methodological issue for interventions such as health promotion activities, crime prevention initiatives and early childhood interventions.⁷⁰ There is no universally accepted standard evaluation procedure in these cases. Epidemiological approaches have the disadvantage that they may not identify the true direction of causality: are people healthier because

⁷⁰ See Meadows P (2007) The methodologies for the evaluation of complex interventions: an ongoing debate in Belsky J, Melhuish E and Barnes J (eds) *The National Evaluation of Sure Start*, Bristol: Policy Press, for a fuller discussion of this issue.

they take exercise or are healthier people more likely to exercise as it is more enjoyable for them than it is for those who are less fit; do crime prevention programmes reduce the level of offences, or are those who volunteer to take part in them less likely to become offenders (or, if they have already committed a crime, to become persistent offenders) in any case?

In the case of workplace indicators, there is evidence associating better outcomes in terms of productivity and performance with the kind of practices encouraged in the Acas Model Workplace⁷¹ (particularly consultation, communication and trust). However, it has to be acknowledged that though there are clear statistical associations between practices associated with better relationships and higher performance, there is no clear evidence as to the direction of causality. In other words, are better performing workplaces more likely to lead to higher levels of trust and consultation or do higher levels of trust and better communications lead to better outcomes?

The approach adopted here is to use the evidence derived from both from Acas surveys and from case studies of the users of Acas services, and to extrapolate from this into estimating the economic impact. This is essentially similar to the approach adopted in estimating the impact of Acas collective conciliation activity on the non-key cases. Again, the estimates have been based on cautious assumptions about impact, and are therefore likely to represent an underestimate.

The estimated impact on the organisations concerned (taking no account of any potential impact on third parties) is valued at around £71 million. Thus, the benefit/cost ratio for this area of work is estimated to be 55.

Basis for the estimates

The average workplace involved in workplace projects has 569 employees. It is assumed that output per head is at the national average.

The following findings from the Acas Survey of Workplace Projects and case study data are used in deriving the estimates:

- Improved productivity reported by 7 per cent of workplaces
- Reduction in discipline cases
- Reduction in grievances
- Lower absenteeism, reported in 7 per cent of workplaces
- Higher quality of goods or services reported in 11 per cent of workplaces

The case studies of workplace projects show that where productivity is reported to have increased following changes made as a result of Acas projects it has done so by up to 20 per cent. The estimate is based on an average increase in productivity of 7 per cent in 7 per cent of workplaces. Using average Gross value Added (GVA) per employee £36,459 an increase of 7 per cent would

⁷¹ Acas: *The Acas Model Workplace*

represent £2,552 of extra output per employee. This extra output is worth £32.4 million across all 319 projects.

The improvements in quality of goods and services reported in 11 per cent of workplaces also essentially represent an increase in productivity, as a higher level of service (or a lower incidence of faulty goods) is being delivered for the same level of input resource. These have been estimated as equivalent to a 5 per cent increase in productivity in 11 per cent of workplaces. The value of this additional output, calculated in the same way as the productivity estimate above is £36.4 million.

Across the economy as a whole there is one grievance per 355 employees.⁷² Thus a workplace with 569 employees would expect to have 1.6 grievances per year. It is assumed that there is a reduction of 25% in the incidence of grievance cases across the organisations involved in workplace projects. Each grievance case takes 9 days of management time, so the value of the impact is £242,000.

There is on average one disciplinary case for every 158 employees.⁷³ Thus, a workplace with 569 employees is likely to have around 3.6 cases per year. The estimate is based on the assumption of an average reduction of 25% in the incidence of disciplinary cases at a saving of 13 days of management time per case: a total saving of £784,000.

Finally, 7 per cent of workplaces report lower absenteeism. Average sickness absence is 7 days per worker per year.⁷⁴ Each day not worked results in lost output worth £162, based on average GVA per employee. The case study evidence reveals that the workplaces that experienced a reduction in absenteeism did so by between 10 per cent and 50 per cent. The lower figure has been used as the basis of the estimate. Thus 7 per cent of workplaces are estimated each to have 10 per cent fewer days of absence (ie 0.7 fewer days per worker on average). The value of the extra output as a result of these days being worked rather than absent is estimated to be £1.4 million.

There is likely to be an impact on staff turnover, but the main impact of this is likely to be reflected in the productivity and quality estimates. Thus, in order to avoid double counting no further estimate has been made.

⁷² CIPD (2007) *Managing Conflict at Work*

⁷³ CIPD (2007) *Managing Conflict at Work*

⁷⁴ CBI estimate March 2007

4.6 Training

Acas undertakes three main types of training:

- open access training events aimed mainly at small and medium-sized businesses
- bespoke training is typically undertaken jointly by managers and employees in particular organisations
- web-based e-learning

This report covers the first in detail, and provides some illustrations related to the second. In the case of e-learning, registrations are high (around 2,000 a month), there are very few deregistrations so that the number of active users is difficult to estimate. Moreover, not all those who register actually take a full course. Many appear to use the learning modules as a way of finding information. Overall, therefore, although there is feedback information suggesting users found the learning modules useful, there is insufficient information to use this to estimate the economic impact.

The estimate of the economic impact of Acas training is therefore only partial. Not only, as with other areas of activity, do the estimates not include any likely impact on the incidence of future conflict, particularly conflict leading to disputes; they also do not take account of the immediate impact of either bespoke training or e-learning.

Open access training

In 2005/06 there were 791 open access training events, attended by a total of 8,701 delegates of whom 7,309 were managers or small business owners. On average each organisation represented at these events employed 226 people. Open access events therefore engage with a much larger number of organisations than the activities that take place within individual workplaces. The workplaces represented at open access training employ a total of nearly 1.7 million people.

The cost to Acas of this activity is just over £1 million a year.

There is some information about impact from Acas surveys of delegates, both at the events themselves and later follow-up. Four out of ten had a specific situation in mind when deciding to attend, while the rest were motivated by a desire for greater knowledge, wishing to comply with the law or wanting to better understand good practice. More than a third (37 per cent) wanted to review a policy or procedure. One in twenty delegates reported that as a result of attending the course they had avoided a tribunal claim; 7 per cent reported that they had improved attendance and 4 per cent reported that they had had a reduction in discipline cases.⁷⁵

⁷⁵ Acas Research and Evaluation data – available on request

Table 7: Economic impact of Acas open-access training

	Net economic impact
Impacts reported by those involved in training	
Fewer ET claims	£1,292,203
Fewer discipline cases	£ 950,149
Lower absenteeism	£15,609,490
Total	£17,851,842
Cost of delivering service	£ 1,050,000
Benefit/cost ratio	17.7

See Appendix C for details of the calculations underpinning this table.

The benefits of open access training are £17 million, of which more than £15 million relates to a reduction in absenteeism. The expenditure is just over £1 million so the benefit-cost ratio is 17.7

Bespoke training

In 2005/06 there were 1,676 bespoke training events, each one of which took place within an individual organisation. They were attended by 15,290 delegates, both managers and employees. Each organisation involved in bespoke training had an average of 437 employees. The workplaces involved in bespoke training employ a total of 732,000 people.

Acas is currently developing a survey to measure the impact of bespoke training in terms of actual outcomes achieved, and this will take place in 2008/09. In many ways the impact of bespoke training is likely to be similar to workplace projects since both are aimed at helping organisations improve and manage relationships in the workplace. In the case of workplace projects 96 per cent of the major economic impact was through improved productivity in a minority of workplaces. However, for bespoke training there is currently no indication for the proportion of workplaces where productivity improvements have occurred, so it is not feasible to make a true estimate of the immediate impact.

By way of a partial illustration, estimates of possible outcomes have been calculated based on information for open access training, scaled up to take account of the larger number of employees in the workplaces participating in bespoke training sessions, compared with the number in organisations taking part in open access sessions. However, it needs to be recognised that the approach can not identify any benefits which flow from joint (management and employee representatives) attendance at bespoke training events. These may include greater opportunity for integrating practice as a result of a joint learning

experience, and ultimately, the potential for reduced levels of conflict in relationships in the workplace and thus the avoidance of disputes over the long term.

Calculated on this basis, the immediate benefits of bespoke training amount to £6½ million compared with costs of around £3½ million. However, this should be treated purely as an illustrative lower band. For this reason it has not been included in the estimate of the overall impact of Acas as an organisation.

Basis for the estimates

Open access training

The estimates of impact of open access training are based on the three findings from the delegate survey related to improved attendance (7 per cent of organisations), ET claims (5 per cent of organisations) and discipline cases (4 per cent of organisations), although there may have been other impacts in addition to these. They are calculated in the same way as the estimates for workplace projects and the helpline. Each ET case avoided saves 10 days of management time, each discipline case avoided saves 13 days of management time. The reduction in absenteeism is based on an average rate of absence of 7 days per employee, and a reduction of 10 per cent (based on the minimum outcome for workplace projects reporting lower absenteeism) across the organisations reporting a reduction.

Bespoke training

In view of the limited information available about the impact of bespoke training, the partial impact estimate is based on the outcomes recorded for open access training.

One in ten (9.7 per cent) organisations avoid an Employment Tribunal claim (based on the 5 per cent reduction in claims for organisations involved in open access training scaled by the ratio of the number of employees involved⁷⁶ reflecting the impact of a larger potential pool of employees.) The proportion of organisations experiencing a reduction in discipline cases (7.7 per cent) is also based on the 4 per cent recorded for open access scaled by the number of employees. The assumption that 7 per cent of organisations have a reduction in absenteeism of 10 per cent remains the same as for open access training. Otherwise the calculations are the same as for open access training.

⁷⁶ Organisations involved in open access training employ an average of 226 employees, while those involved in bespoke training employ an average of 437. The benefits have therefore been scaled by 437/226.

5. The wider economic aspects of good relationships at work

Taking the individual services and adding them together produces an overall economic impact of £787 million, and an overall benefit/cost ratio for the organisation as a whole of 16.1.

But there is a further issue that needs to be considered. The purpose of Acas is not just to provide services to individual users, valuable though that activity is. It also aims to promote good relationships at work across the whole economy. An important element of its effectiveness in that wider role is the trust that both employers and employees have in the Acas brand and its impartiality.

Moreover, although this report has dealt separately with most of the individual areas of Acas work, there are also likely to be synergies. Both preventative and problem solving work build on the knowledge base shared by Acas staff. This includes:

- the legal framework
- what constitutes good practice in relations at work
- the kind of problems that tend to arise in the workplace both in terms of workplace policies and procedures and in terms of practice
- the different perspectives of employers, employees and their representatives on those policies and practices
- the methods for dealing with these problems, both in terms of resolving immediate issues and in terms of developing the kind of structures and relationships which can prevent conflict in the longer term.

The value of the work of Acas in any one of these areas enhances their ability to deal with the others.

There are examples of such interdependencies from the private sector. For example General Motors makes virtually no profits out of making cars. It makes its profits out of lending money to people who want to buy the cars.⁷⁷ Looking at the different parts of the business separately would suggest that given the benefit-cost ratios it should abandon car making, which accounts for a large proportion of costs but yields only a small proportion of the benefit, and concentrate on financing, where the costs are low, and the benefits high. Yet its profitable financing business would not exist without the production of cars that consumers want to buy. Thus, the high cost-low benefit part of the business is actually an essential component of the low cost-high benefit part. Thus, some of the savings attributed to one part of Acas work, may in reality be supported by some of the other parts as well.

⁷⁷ http://business.timesonline.co.uk/tol/business/industry_sectors/engineering/article579665.ece

There are particularly likely to be overlaps between workplace projects and collective conciliation. Although workplace projects may have an immediate impact, which is what has been measured in this report, they also have a longer-term aim of reducing conflict and, in particular, reducing the probability of collective and individual disputes. Thus, although the benefit/cost ratio for workplace projects may be lower than those for the other areas of Acas activity reviewed here, this may only represent part of the story. The real benefit is likely to accrue from reduced industrial action and fewer Employment Tribunal cases in future years.

Finally, there is the question of the general impact of promoting better relationships at work: something that happens indirectly as lessons learned in one place are put into practice in another as well as being a direct result of receiving Acas services. The estimate of the impact of the Acas Helpline and publications, for example, has only taken account of the immediate savings in time for managers, not on the consequential impact on relationships in the workplace, nor of the impact of those relationships on the performance of the organisation and the economy more generally.

Currently there is on average one grievance for every 355 employees.⁷⁸ If this could be reduced to one for every 400 there would be nearly 10,000 fewer cases each year, and the savings in management time across the economy would amount to nearly £19 million without taking into account any reduction in employment tribunal cases, which would add another £3 million.

There is currently one disciplinary case for every 158 employees.⁷⁹ Reducing this to one in every 175 would result in 19,000 fewer cases and produce £53 million savings in management time across the whole economy.

One of the manifestations of poor relationships at work is absenteeism. Currently, 175 million days are lost to sickness absence across the whole economy.⁸⁰ In fact this has generally been improving in recent years, and part of the improvement is likely to be attributable to the work of Acas. Nevertheless, reducing this by a further 10 per cent to 157 million would add £2.8 billion to national output.

Poor relationships also manifest themselves in higher rates of labour turnover. On average, each non-managerial recruit costs an organisation around £5,000. This includes £2,000 to advertise a vacancy or pay a recruitment agency fee and £3,167 in lost output representing management time, the time a post is unfilled, and the new recruit's below average productivity as he or she gets up to speed.⁸¹

⁷⁸ CIPD (2007) *Managing Conflict at Work*

⁷⁹ CIPD (2007) *Managing Conflict at Work*

⁸⁰ CBI press release, 10 April 2007

⁸¹ CIPD (2006) *Recruitment, Retention and Turnover*

In addition, any improvement in relationships at work is likely to have a cumulative effect. In the first year the impact may be on savings in management time, but in subsequent years, building on the foundations of the year of the Acas intervention, there may be further benefits: in the form of higher productivity, changes in working practices, improved customer service, lower absenteeism or employee-initiated innovations. Because these cannot be linked to previous interventions (nor to managers and employees being better informed by means of Acas publications) it is not strictly possible to attribute these general improvements in economic performance to the work of Acas, but it seems certain that Acas has contributed to the performance of the UK economy in recent years.

Moreover, the effects of better relationships at work go beyond the individual workplace. A recent study by economists at the OECD found that foreign direct investment in the UK over the period 1985-2000 was 2 per cent higher than it would have been based on the experience in other countries. This was due to the more positive relationships at work found in the UK.⁸² Acas has played a significant role in helping organisations work towards those more positive relationships. Foreign direct investment supports around 40,000 additional jobs each year in the UK.⁸³ Over a fifteen-year period, an additional 2 per cent of inward investment would lead cumulatively to an additional 12,000 jobs. Between them these jobs are likely to contribute around £437 million of national output⁸⁴.

Thus, in addition to a short-term direct impact of its activities worth nearly £800 million, Acas activities have contributed to a reduction in absenteeism and an increase in foreign direct investment, both of which add hundreds of millions of pounds to national output.

⁸² Ham H and Kleiner MM (2007). Do Industrial Relations Institutions Influence Foreign Direct Investment? Evidence from OECD Nations. *Industrial Relations* 46 (2), pp 305–328.

⁸³ UK Inward Investment 2005/06 Report (http://www.ukinvest.gov.uk/10355/en_GB/0.pdf)

⁸⁴ Average GVA per worker in 2006 was £36,460

Appendix A

Calculations underpinning multiple tables

Earnings

	hourly earnings	contributions to savings schemes*	benefits in kind*	employers NI*	pension etc*	training costs*	total labour costs	overheads	hourly cost	daily cost	cost used
corporate managers	£20.68	£0.17	£0.46	£2.10	£1.40	£0.51	£25.32	£5.06	£30.39	£212.70	£210
All employees	£13.00	£0.11	£0.29	£1.32	£0.88	£0.32	£15.92	£3.18	£19.10	£133.71	£130
ET claimants	£8.86	£0.00	£0.00	£0.00	£0.00	£0.00	£8.86	£1.77	£10.63	£ 74.39	£74

Sources:

ET claimants' earnings from SETA 2003

Other hourly earnings from ASHE 2006

Non-pay wage costs (marked *) as a proportion of pay costs from European Labour Costs Survey 2000

Non-managerial recruitment costs

	advertising etc	total	opportunity costs
service	£1,000	£9,000	£8,000
secretarial etc	£2,000	£2,000	£0
manual	£500	£2,000	£1,500
Figure used	£1,167		£3,167

Source: Based on CIPD *Recruitment, Retention and Turnover* 2006

Appendix B

More detailed version of Table 2: The Impact of Individual Conciliation

	Employers	Claimants	Businesses providing services	Other individuals	Taxpayers	Other third Parties	Net social benefit
ET Claims							
Net benefits	£204,421,126	£16,825,751	-£123,349,167	-£19,789,118	£66,838,192	£3,069,058	£148,015,843
derived from:							
Employers' own costs	£78,108,593						
Employers' wage payments		£19,789,118		-£19,789,118			
Employers' compensation payments	£6,391,386	- £ 6,391,386					
Employers' legal fees	£105,895,493		- £105,895,493				
Employers' other outgoings	£14,025,654		-£14,025,654				
Employees' legal fees		£3,428,020	- £ 3,428,020				
Non-ET Claims							
Net benefits	£19,231,784		-£18,547,742		£4,682,721	£537,550	£5,904,312
derived from:							
Employers' own costs	£684,041						
Employers' legal fees	£18,547,742		-£18,547,742				
All claims							
Net benefits							£153,920,155
Cost of delivering service							£ 24,000,000
Benefit-cost ratio							6.4

Appendix C

Sources on which table calculations are based

Table 2

Item		Source	Note
number of days spent by managers on ET cases proceeding to a hearing	13.8	SETA 2003	CIPD Managing Conflict at Work 2007 says 15 days
number of days spent by managers on ET cases not proceeding to a hearing	8.5	SETA 2003	
Extra days of management time involved in hearing cases	5.3		
Weeks of unemployment between jobs	14	SETA 2003	
Ratio of post-tax to pre-tax earnings	0.75		
Proportion in paid employment: ET claimants who proceed to hearing	80%	SETA 2003	
Proportion in paid employment: ET claimants who do not proceed to hearing	76.5 %	SETA 2003	
Difference in probability of being in paid employment	3.5%		
Average earnings of ET claimants	£17,500	SETA 2003	
Lost net earnings per claimant as a result of lower probability of being in paid employment	£459.37		$(£17,500 \times 0.75) \times 0.035$
Gain in net earnings per reinstated claimant	£3533		$(£17,500 \times 0.75) \times (14/52)$
Processing cost to ETS of non-hearing cases	£175	ETS Annual Report 2005/06	Running costs (£28.17 million) ÷ 160,567 disposed of cases
Cost to ETS of heard cases (processing and hearing costs)	£1,659	ETS Annual Report 2005/06	Running costs (£8.2 million) + hearing costs (£69.7 million) ÷ 46,996 heard cases
Extra cost to ETS of heard cases	£1,483		
Proportion of claimants represented by TU, CAB or employment rights advisor	32%	SETA 2003	

Table 3⁸⁵

Item		Source	Note
Proportion of calls from employees (and their representatives)	50%	Acas/IFF2005 Helpline survey	
Proportion of employee callers who planned to make an ET claim	25%	Acas/IFF2005 Helpline survey	
Proportion of employee callers planning to make a claim who decided not to do so after call	33%	Acas/IFF2005 Helpline survey	
Proportion of those who decided not to make a claim who would have made this choice anyway	33%		
ET costs to employers, employees, third parties and ETS	see Table 2		
Acas conciliation costs per case	£280	Acas Annual Report	
Proportion of employer callers who found the call useful	80%	Acas/IFF2005 Helpline survey	
Number of hours of management time saved as a result of each employer call that was useful	2		
Proportion of employer calls that avoid a grievance case	5%		
Days of management time spent on each grievance cases	9	CIPD Managing Conflict at Work	
Proportion of grievance cases that lead to ET claims	14%	CIPD Managing Conflict at Work	
Proportion of employer calls that prevent the loss of one employee	5%		
Number of days an employee spends on an ET case (heard or unheard)	25	SETA 2003	
Proportion of grievance cases accompanied by a companion	25%	DTI RIA 2004	
Hours taken by companion on each grievance case	2		
Proportion of ET claims where help is provided	25%	SETA 2003	
Time taken by helping organisation for each ET claim	0.5 days		

⁸⁵ Some relevant items are the same as those in Table 2 and are not repeated

Table 4⁸⁶*Publication readers assumptions*Number of readers

Publication	downloads	hard copy	employer	employee
Discipline and Grievance	147495	8520	62406	62406
Discipline at work	158631	16044	69870	69870
Producing discipline and grievance procedures	51427	5578	36483	9121
Producing a written statement	46433	4190	32399	8100
Managing attendance & turnover	54779	6272	39073	9768
Recruitment & induction	37400	6601	28161	7040
Employee appraisal	29053	2948	20481	5120
Redundancy handling	107655	2783	44175	44175
Age and the workplace (employers)	68575		43888	10972
Age and the workplace (individuals)	51906		8305	33220
	753354	52936	385240	259792
All publications		1079473		

Other assumptions

Proportion of readers who are neither employers nor employees	20%
Management time saved as a result of download of <i>Producing Discipline and Grievance Procedures</i>	1 day
Management time saved as a result of downloading other publications aimed at employers	2 hours
Proportion of employer downloads that result in one fewer grievance	1%

⁸⁶ Some relevant items are the same as those in Tables 2 and 3 and are not repeated

Table 5*Summary of collective conciliation cases on Acas Management Information System*

	No of cases	% of total	% of known
industrial action in progress	17	2%	3%
ballot held	33	3%	5%
ballot called for	27	3%	4%
multiple ET claims	45	5%	7%
other cases	450	46%	68%
unsuccessful	90	9%	14%
no information	304	31%	
Total	968	664	

Method for calculating the impact of transport disputes

1. Identify the proportion of those journeys that are work-related
2. Eliminate double counting of the same individual by assuming that each business related journey represents one half of the daily travel by that person (ie they go to and from work). This will tend to underestimate the impact as some work-related journeys will in practice be single or triangular trips
3. Assume an average level of working time lost per disrupted work-related traveller. This will depend on the availability of other transport operators. The average level is intended to take account of late arrivals and early departures, together with some people who do not manage to work at all, and others who manage to work at home, or otherwise do a full day. In most of the commuting transport disputes this has been estimated at one hour per person, but in one it has been estimated at half an hour as the operator concerned provided only part of the bus market in the city involved, and there were also rail alternatives.
4. In air travel-related disputes, estimate the proportion of disrupted passengers who are leisure or business travellers, and whether the traveller is resident in the UK or elsewhere. UK-based business travellers are assumed to lose four hours of working time as a result of the disruption of their plans. Half of UK leisure travellers are assumed to lose a day's worth of holiday as a result of disruption. Five per cent of overseas business travellers are assumed to cancel their trips altogether (because they would be unable to attend their planned meeting for example, and this was the main purpose of the trip) and the loss to the UK economy is what they would have spent while they were here. This is based on the average expenditure of overseas business visitors from the Travel and Tourism statistics.
5. Estimate the losses to the transport operators through losses of fares. Estimate the offset to this by increases in the revenue received by competitors or by hotel and hotel and catering operators in the case of airlines. In disputes where the employer is a supplier of services to transport operators (three of the eight included in the estimation).
6. Take account of the fact that individuals who do not travel will save a sum equivalent to the lost revenue of the transport operator less any additional sums they spend on services provided by competitors.

Table 5 (cont.) *Summary of gains and losses in eight key disputes*

	revenue lost by employer	pay lost by employees	revenue lost by direct business customers	revenue gained by UK competitors	losses by other businesses	gains/ losses by consumers	Net losses avoided
A		£399,000	£8,000,000	-£1,600,000	£46,038,720	-£7,200,000	£45,637,720
B	£2,000,000	£399,000	£45,000,000	-£8,000,000	£1,557,673	£2,840,471	£43,797,143
C		£110,723					£110,723
D	£326,299	£17,400		-£32,632	£2,672,390	-£293,667	£2,689,790
E	£700,000	£182,700		-£233,333	£5,733,000	-£466,667	£5,915,700
F	£123,644	£16,758		£41,215	£1,191,285	-£164,859	£1,208,043
G	£11,995	£26,100			£49,121	-£11,995	£75,221
H		£12,210	£2,830,387		£8,554,644	£2,890,656	£14,287,897
Total	£3,161,939	£1,163,891	£55,830,387	-£9,824,751	£65,796,833	-£2,406,061	£113,722,237

Table 5 (cont.) Sources for calculations related to individual disputes

Dispute	Sector	Information/assumption	Source	Note
A	transport support services	passenger journeys per weekday 3.4 million	transport operator press release 24/03/07	
		62% of passengers travelling to or from work or work-related	local travel report 2006	
		Each passenger makes 2 journeys (one to work and one home again)		
		1 hour lost per work-related passenger per day		
		transport operator revenue per day £4,000,000	transport operator annual report	
		Strike days averted 2	Acas MIS	Based on ballot information on Acas MIS
B	transport support services	70,000 passengers disrupted	press reports	
		proportion of UK air journeys by overseas passengers 28%	Overseas Travel and Tourism Statistics 2005 Q2	
		Proportion of overseas air journeys on business 28%	Overseas Travel and Tourism Statistics 2005 Q2	
		Spending in the UK per overseas business traveller: £647.88	Overseas Travel and Tourism Statistics 2005 Q2	
		Proportion of affected overseas business journeys cancelled 5%		Assumes rest use other carriers
		Proportion of UK air journeys on business 15%	Overseas Travel and Tourism Statistics 2005 Q2	
		Hours wasted per affected business journey 4		
		Half of UK leisure travellers affected lose a day's holiday		
		Losses to transport operator less gains to other operators and hotels £38 million		transport operator announced losses of £45 million to stock market
		Losses to employer in dispute £2 million	press reports	
		No of strike days avoided 3	Acas MIS	based on ballot

Dispute	Sector	Information/assumption	Source	Note
C	construction project	No impact on other site operations	Acas MIS	
		No of strike days avoided 3	Acas MIS	based on ballot
D	public transport	23% of adults resident in city use buses on an average day	local transport statistics	
		75% of adult journeys are for work purposes		
		1 hour of working time lost per adult who normally travels by bus		
		Bus operator lost revenue based on 75p per lost journey		
		No of strike days avoided 8	Acas MIS	Based on ballot
E	public transport	1 hour of working time lost per adult who normally travels by bus		
		75% of adult journeys are for work purposes		
		Each work-related passenger makes two journeys (to and from work)		
		Transport operator loses £1 in revenue from each missed journey		
		100,000 journeys per day	press reports	
		No of strike days avoided 7		Based on ballot
F	public transport	36,364 journeys per day	regional transport statistics	
		Work-related journeys 75%		
		Each work-related passenger makes two journeys (to and from work)		
		1 hour of working time lost per adult who normally travels by metro		
		No of strike days avoided 4		based on ballot
		Potential daily revenue loss by operator £30,911	regional transport statistics	

Dispute	Sector	Information/assumption	Source	Note
G	public transport	12,000 journeys per day by operator	local PT statistics	
		Work-related journeys 75%		
		Each work-related passenger makes two journeys (to and from work)		
		½ hour of working time lost per adult who normally travels by bus operator		
		No of strike days avoided 1	Acas MIS	based on ballot
		Revenue lost by operator 75 p per journey		
H	transport infrastructure	283,040 passengers per day	national transport statistics	
		90% of passengers UK based		Estimate starting from Overseas Travel and Tourism Statistics
		7% of UK passengers travelling on business		Estimate starting from Overseas Travel and Tourism Statistic
		Hours wasted per affected business journey 4		
		UK leisure travellers lose 1 day's holiday		
		5% of overseas passengers cancel		Rest are assumed to travel via alternative routes
		Revenue lost by airlines £10 per missed journey		
		No of strike days avoided 1	Acas MIS	based on ballot

Tables 6, 7 and 8

Item		Source	Note
Average number of days of sickness absence per employee	7	CBI	
Cost of each day's absence	£162	GVA per head	
ET costs to employers, employees, third parties and ETS	see Table 2		
Acas conciliation costs per case	£280	Acas Annual Report	
Days of management time spent on each grievance case	9	CIPD Managing Conflict at Work	
Days of management time spent on each discipline case	13	CIPD Managing Conflict at Work	

Note: Some items are the same as in tables 2 or 3 and are not repeated here.