

## Policy Brief

# Managerial Capability – Minimising the Costs of Workplace Conflict in Northern Ireland

## 1. Introduction

Workplace conflict has a negative impact on organisational performance and the working experiences of those involved. Research undertaken in Northern Ireland suggests that disputes took up valuable time and eroded organisational culture.<sup>1</sup> These challenges have arguably become more acute in the wake of the Covid-19 pandemic with pressure on recruitment, retention, engagement and productivity. However, it can be difficult to persuade leaders and policymakers of the strategic importance of managing conflict at work. Conflict management is often unseen – taking place in the shadows and behind closed doors. Until recently, lack of visibility has been exacerbated by a lack of robust data. This policy brief draws on a recent analysis funded by the Labour Relations Agency (LRA) of the costs of workplace conflict in Northern Ireland which found that 37% of workers experience conflict each year at a total cost of £851m.<sup>2</sup> The policy brief explores the crucial role played by managers and argues that investing in developing the conflict capability of managers is central to successful organisational performance.

## 2. Productivity and the Employment Relationship

Policy debate and the focus of regulation across the UK has tended to revolve around the risk and costs of litigation. Our analysis shows that organisations in Northern Ireland spend an estimated £49.1m per year on defending employment tribunal claims – the largest component of which is almost £20m of management time. However, it is important to note that legal action is rare – of the 286,995 employees in Northern Ireland who experience conflict at work, just over 1% will make an employment tribunal claim and only one in ten of these claims will reach a hearing. Nonetheless, the perception of risk and potential for reputational damage shapes employer responses to conflict. In particular, there is a tendency to prioritise procedural compliance over collaborative and creative conflict management.

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<sup>1</sup> Nash, D. and Hann, D. 2021. Disputes and their management in the workplace: A survey of employers in Northern Ireland. Belfast: Labour Relations Agency. <https://www.lra.org.uk/sites/default/files/2021-03/Cardiff%20Report%20-%20FINAL.pdf>

<sup>2</sup> Urwin, P. and Saundry R. (2022) Estimating the Costs of Workplace Conflict in Northern Ireland. Labour Relations Agency. This report was based on a similar methodology to that used in a UK wide study previously undertaken for Acas. Further details can be found at: <https://www.acas.org.uk/estimating-the-costs-of-workplace-conflict-report>.

Nonetheless, safety-first approaches fail to consider the negative productivity impacts of unhealthy and broken employment relationships. While most conflicts at work have few legal implications, they have profound impacts on well-being and effectiveness. In Northern Ireland, over 160,000 workers, nearly 6 in 10 of those workers who experience conflict report suffering from stress, anxiety and/or depression as a direct result. For a minority, the result is time off work. We estimate that 446,852 days are lost per annum through sickness absence due to workplace conflict in Northern Ireland, at a cost of £66m to employers – far more than the annual cost of employment litigation.

However, the vast majority of workers who experience poor mental health due to workplace conflict (85%) continue to turn up to work. There is widespread acceptance that this ‘presenteeism’ has a negative impact on productivity. A conservative estimate of the costs to employers in Northern Ireland would be £15m if we only count the 26% who report reduced engagement. However, if we assume that all employees who experience presenteeism will be less productive, the total cost increases significantly to more than £55m.

### **3. Ending the employment relationship**

The ultimate consequence of conflict at work can also be the end of the employment relationship – 5% of workers in Northern Ireland (14,530 people) involved in workplace conflict resigned as a result. Importantly, workers were twice as likely to resign if they also experienced negative impacts on their mental health and/or have taken time-off work. Resignation may also be a function of a negotiated departure from the organisation – indeed, the focus on the minimisation of legal risk mentioned above can also lead to employees involved in conflict being ‘managed out’ of employment. Moreover, this action is often viewed by HR practitioners as an efficient solution to workplace conflict.

However, the idea of resignation as a quick and easy solution to conflict fails to take into account the costs associated with replacing staff. These costs can be estimated across two dimensions – the first is fairly visible and relates to the cost of recruiting and training a new member of staff. This cost amounts to £5,433 per employee and a total of £78m each year. The second dimension is more opaque – new recruits take time to get ‘up to speed’ and hit their expected level of productivity. This delay is estimated at an average of £25,181 per employee and a total of £361m. Overall, therefore, resignations in Northern Ireland, as a direct result of conflict, cost employers a total of £439m – almost ten times the cost of defending potential and actual litigation.

Even if we discount the overall cost by 20% (reflecting ONS estimates of ‘job changers’ – where new employees may be a poor match for the requirements of a job), the total annual cost of resignations due to workplace conflict in Northern Ireland is £351m.

**Graph 1: The Costs of Workplace Conflict in Northern Ireland**



Similar costs are also accrued when employers dismiss staff due to poor performance and/or misconduct. Of course, some dismissals are inevitable and unavoidable and may be an efficient response to a set of circumstances. However, it is also likely that some dismissals are avoidable – in particular, a substantial body of research has shown that line managers in the UK often avoid addressing the early signs of poor performance or behaviour due to a lack of personal confidence and/or skills. As a result, problems that could have been resolved can instead fester, escalate and ultimately create a situation where the employer ends the employment relationship. In addition, ‘hire and fire’ approaches to management can sometimes be used as a ‘low-cost’ alternative to proper recruitment and performance management practices. Overall, data from WERS 2011 estimates that there are 1.54 dismissals for every 100 employees per annum.<sup>3</sup> This figure translates to 12,076 disciplinary dismissals every year in Northern Ireland. In addition, those workers dismissed will normally need to be replaced, the same costs are incurred as when a worker resigns – an average of £30,614. Using the same discount of 20% as above, we estimate the annual cost of disciplinary dismissals in Northern Ireland is £296m.

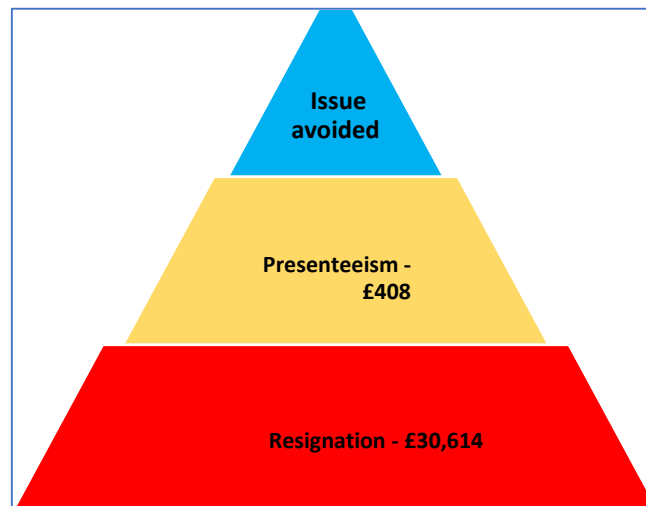
<sup>3</sup> Workplace Employment Relations Study (WERS) <https://www.gov.uk/government/collections/workplace-employment-relations-study-wers>

#### 4. Early resolution – the key to effective conflict management

Overall, ending the employment relationship alone costs employers in Northern Ireland just over £647m every year, more than three-quarters of the total annual cost of conflict. The key to minimizing the negative impacts of workplace conflict (for employees and employers) is to address and resolve issues before they undermine the employment relationship.

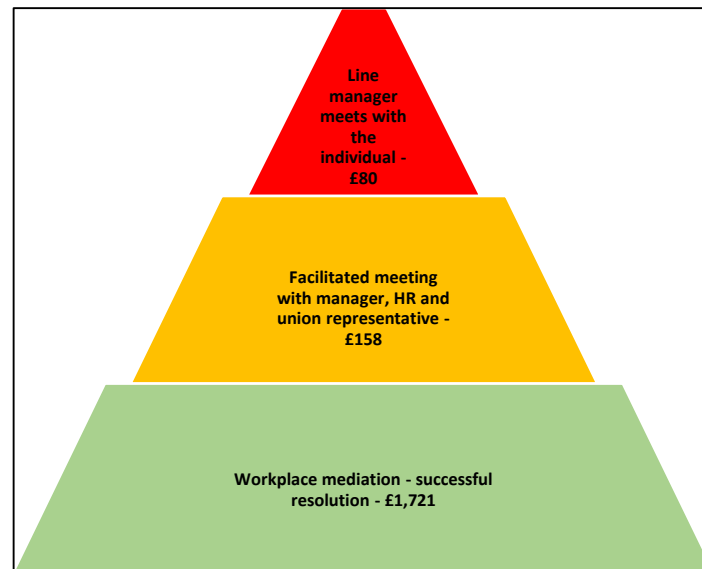
This prevention is reinforced if we consider the comparative costs of resolving conflict through informal discussion and situations where those discussions either fail or do not take place. One way of doing this is to examine a number of typical conflict resolution scenarios. In the analysis below we look at three different scenarios; in each case we set out different stages of the resolution process and costs that accrue to the organisation.

##### Scenario 1: conflict avoided



A lack of managerial capability leads to cultures of avoidance. Managers will often fail to address issues, while insufficient channels of voice can mean that individuals don't feel comfortable raising concerns. In scenario 1 an individual feels that they have been treated unfairly at work by one of their colleagues. However, they do not feel able to make an informal or formal complaint and the manager does not want to get involved. Although the employee takes no action and they continue to work, their wellbeing is negatively impacted. The average cost of this presenteeism is £408. However, if they then leave the organisation as a result, there would be a further average cost of £30,614. Overall, this scenario would result in a cost of £31,022.

**Scenario 2: early informal resolution**



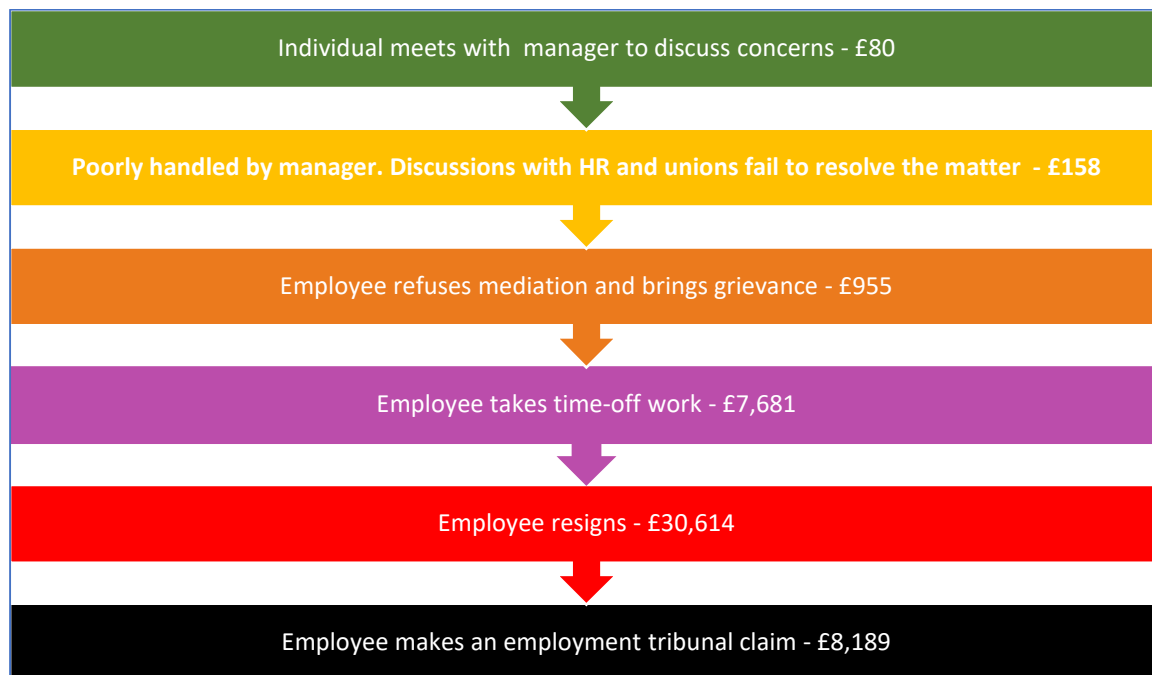
In scenario 2, the manager is more capable. They notice that a team member is unhappy and asks to meet them. We estimate the cost of a simple 1-2-1 at £80 – reflecting two hours of the manager’s and employee’s time. This figure underlines the low costs of early resolution. Given the seriousness of the situation, we assume that the line manager would seek advice from HR, and a union representative could also be involved. Taking into account the cost of their time, a facilitated meeting would cost an estimated £158. A possible outcome of this initial intervention could be a referral to workplace mediation. Here we assume that an external mediator is contracted at a cost of £1,500 with an additional cost of eight hours of the time of the two employees involved (£221). The total cost of mediation would be £1,721 and the overall cost of the resolution process would be £1,959 – just 6% of the cost of Scenario 1. Importantly, the rapid response of the manager in this case would make absenteeism or presenteeism less likely, keeping costs low.

**Scenario 3: bad management**

Although Scenario 2 illustrates the cost benefits of quick and effective managerial intervention, managers often lack the capability in terms of confidence and skills to contain and resolve conflict. In fact, mismanagement can make matters worse. CIPD survey data in 2019 found that 1 in 3 of those involved in conflict felt that the actions of their line manager had made the problem worse.<sup>4</sup> In scenario 3, the employee raises the issue with the manager, who responds by minimizing their concerns. This approach hardens the attitude of the employee who refuses to engage with attempts

<sup>4</sup> CIPD (2020) Managing conflict in the modern workplace - <https://www.cipd.co.uk/knowledge/fundamentals/relations/disputes/managing-workplace-conflict-report>

at informal resolution and brings a formal grievance. The costs of the grievance procedure amount to £955 in management and employee time.



The employee takes time off work due to stress and anxiety – an average cost of £7,681. Eventually, they resign and claim unfair constructive dismissal. The resignation costs total £30,614 and if the individual then pursues an employment tribunal claim, average costs increase by a further £8,189 resulting in an overall cost of £47,677.

## 5. Policy Implications and recommendations

Our analysis estimates that the annual average cost of conflict to employers in Northern Ireland is £1,085 for every employee. However, the scenarios we outline in section 4 show how these costs can be minimised with early and effective managerial action. Managers are at the crux of conflict resolution. They are best-placed to spot emerging issues but poor managerial behaviours are also the most common cause of workplace conflict.<sup>5</sup> It is worrying, therefore, that the evidence continues to point to a lack of systematic training. What training managers do get tends to focus on procedure, compliance and risk rather than resolution. Moreover, this problem also extends to senior leaders who often fail to recognise the importance of conflict management and prioritise notions of leadership over core relational skills that are vital

<sup>5</sup> CIPD (2020) Managing conflict in the modern workplace - <https://www.cipd.co.uk/knowledge/fundamentals/relations/disputes/managing-workplace-conflict-report>.



to building and maintaining healthy employment relationships.<sup>6</sup> In addition, managers require space and support to resolve issues through informal discussion. Giving managers the time to have high-quality conversations with their staff needs to be seen as a sound investment rather than an operational burden.

A number of recommendations follow from our analysis:

1. Northern Ireland employers need to move their focus away from process, procedure and compliance towards encouraging early and informal resolution.
2. The effective management of workplace conflict should be seen as a core element of organisational strategy and central to increasing productivity and improving employee wellbeing in Northern Ireland.
3. Employers in Northern Ireland should prioritise the development of the fundamental management skills needed to prevent, contain and resolve conflict at work.
4. Government in Northern Ireland can also play a key role in highlighting the importance of managerial capability and promoting initiatives such as the LRA's Certificate in Effective Line Management Practice.

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### About the Authors

This policy brief was authored for ReWAGE by Professor Richard Saundry and was based on research undertaken with Professor Peter Urwin at the University of Westminster. The research was funded by the [Labour Relations Agency](#) and [Acas](#). Additional input and comments were provided by Professor Chris Warhurst, Director of the Institute for Employment Research at the University of Warwick, and co-chair of ReWAGE.

This paper represents the views of the authors based on the available research. It is not intended to represent the views of all [ReWAGE members](#).

### About ReWAGE

ReWAGE is an independent expert advisory group modelled on SAGE that is co-chaired by the Universities of Warwick and Leeds. It analyses the latest work and employment research to advise the government on addressing the challenges facing the UK's productivity and prosperity, such as Covid-19, the cost-of-living crisis and labour shortages.

For more information visit: <https://warwick.ac.uk/fac/soc/ier/rewage/>

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<sup>6</sup> Saundry, R. (2019) Fairness, justice and capability -repositioning conflict management, Acas Policy Paper, October.