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**Estimating the Economic Impact of Acas Services**

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# Estimating the Economic Impact of Acas Services

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**UNIVERSITY OF  
WESTMINSTER** 

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## Executive summary

Acas (the Advisory, Conciliation and Arbitration Service) supports and improves workplace relations between employers and employees, in order to drive sustained organisational effectiveness and productivity in Great Britain. To achieve this, Acas provides a range of services offering practical advice and expert support, preventing and resolving workplace disputes. This report presents a review of the impact of these services delivered by Acas on the wider GB economy, based on activities delivered in 2014/15.

There is a clear need in the economy for a third party to work with the parties to disputes, to achieve speedier and more optimal dispute resolution. A key characteristic of such a third party, together with an obvious need for skills and experience in dispute resolution, is that it must be trusted by both parties. Early work considering the role of information in employment relations shows how important asymmetries of information are as drivers of costly industrial action. One of the key roles for third-party conciliators and arbiters is to overcome such asymmetries, using strategic approaches that encourage parties to offer up information in pursuit of more optimal outcomes. Acas, with its strong brand of independence, uniquely fulfils this role.

The main focus of this report is on the economic value of a year of Acas services delivered during the 2014/15 operational year. The starting point for the analysis in this report is the prior review of the economic impact of Acas in 2007 (Meadows<sup>1</sup>), which is based on Acas activities delivered in 2005/06. This has been updated in line with key principles of cost-benefit analysis and tackles a number of issues flagged in subsequent reviews with a particular focus on questions of the counterfactual, impacts beyond the first year of Acas intervention, and of displacement and substitution. In addition, new estimates have been provided in service areas that were not included in the 2007 study as well as in new areas of Acas activity, such as new digital channels of service delivery. Whereas previous economic impact analyses were estimated to account for around 70 per cent of Acas service delivery, this report considers approximately 90 per cent of Acas activities, which are grouped into the following categories:

- Dispute Resolution Services (*Collective Conciliation, Conciliation in Individual Employment Disputes, Joint Problem Solving Activities*)
- Training Services (*Open Access Training, Workplace Training, E-learning*)
- Helpline Services (*Telephone Helpline, Webchat*)
- Business Support Services (*Workplace Projects, In-depth Advisory Meetings & Telephone Calls*)
- Online Information and Guidance (*Online Publications, Advice, Guidance & Tools*)

The analysis presented in this report draws on data from the most recent independent evaluations of Acas services as well as economic data from other sources, to give an estimate of the economic benefits of each service considered. These are aggregated, to give an estimate of the overall benefits to the GB economy of Acas. In arriving at these estimates, a conservative approach is adopted throughout to ensure that the economic benefits are not overstated. The estimate presented for the economic impact of Acas and its services is further supported by an econometric analysis (Chapter 10), which provides compelling

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<sup>1</sup> Meadows, P. (2007), A Review of the Economic Impact of Employment Relations Services Delivered by Acas, *Acas Research paper*, Ref: NIESR/07

evidence of a causal impact from Acas intervention, overcoming issues flagged in previous analyses around the counterfactual. This provides a strong justification for the attributing of economic benefits to Acas intervention in various areas of the attendant analysis.

Building up from estimates calculated for each area of Acas services provides **an overall benefit-cost ratio of £13 for every £1 invested in Acas services delivered during the 2014/2015 operational year**. This is based on estimated benefits of £653 million, and an annual cost of £51.3 million.

The report provides detailed estimates of economic impact for each individual area of Acas services in Chapters 5 to 9. As in previous analyses, *Acas' Collective Conciliation* activities, resolving disputes between employers and groups of employees (represented by a trade union), generates a particularly high economic impact. This is largely due to the significant 'external' economic benefits which can be realised when disputes in particular sectors of the economy are resolved, particularly in transport disputes. Other services which deliver high ratios tend to be those which are able to reach large volumes of organisations and workers at a low marginal cost, which is the case for *Online Publications, Advice, Guidance & Tools, Open Access Training* and the *Telephone Helpline*.

These observations notwithstanding, it should be borne in mind that the estimate for each service area is underpinned by the strong Acas brand and its position in Acas' suite of services. The report gives consideration to the overall economic value of Acas, as reflected in the value of this brand of independence that has benefited from 40 years of intangible investment; it is speculated that the value of Acas brand equity lies between £25 and £40 million. It follows that caution needs to be exercised when considering any individual service ratio in isolation.

# 1. Introduction

In 1976 the Advisory, Conciliation and Arbitration Service (Acas) became a statutory body as part of the Employment Protection Act 1975. Though it is largely publicly funded (now by the Department for Business, Energy and Industrial Strategy, BEIS), Acas has always been demonstrably independent of government. It is run by a tripartite Council with equal numbers drawn from employer and employee backgrounds, alongside independent members. This structure has been important in building a brand of independence, with conciliation, advice and support roles working equally for all sides in the employment relationship.

Whilst this report gives some consideration to the economic value of the Acas brand that has benefited from 40 years of intangible investment, the main focus is on the economic value of a year of Acas services, delivered during the 2014-2015 operational year (the latest year for which figures are available). These services are designed to ensure that Acas fulfils its statutory duties and key functions, including:

- A general duty to promote the improvement of industrial relations, which in turn prevents employment disputes;
- A specific duty to offer conciliation, mediation or arbitration to help settle collective disputes;
- A duty to offer conciliation in the majority of claims submitted to an Employment Tribunal, including the appointment of individual conciliators. In April 2013, Acas introduced Early Conciliation (EC). Potential Employment Tribunal (ET) claimants must formally notify Acas before submitting an ET1 (Employment Tribunal form) and at this point they will be offered EC;
- The provision of advice (on request or otherwise) concerned with employment relations;
- The issue of Codes of Practice, and other documents that promote good practice, for the purposes of promoting the improvement of industrial relations.

## 1.1 Background to economic impact assessment of Acas

In 2007 a cost-benefit model was developed to capture the economic impact of Acas services delivered during the 2005/06 operational year (Meadows, 2007). This study reported that each pound spent by Acas generated around £16 of direct and immediate benefit to the UK economy.

The first review of Meadows' analysis was carried out by HM Treasury and the then Department for Business, Innovation and Skills (BIS) in 2009/10 as part of the Public Value Programme (PVP), and focused particularly on issues of the counterfactual. BIS / HM Treasury viewed the PVP Cost Benefit Analysis (CBA) estimates to have 'built on' Meadows (2007), but ultimately recognised that their own adjustments to accommodate issues of the counterfactual were 'arbitrary' (simply, "reducing estimates where the counterfactual is uncertain by fifty percent"<sup>2</sup>; BIS PVP Report to Treasury, 2010). Based on the 2007/08 operational

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<sup>2</sup> The exception is the proportion of ET claims that are avoided as a result of employee calls to the helpline, which was reduced by a quarter. This was based on Acas helpline survey evidence, as reported in *Acas Research and Evaluation Section & BMRB Social Research* (2004), "Acas Telephone Helpline: Findings from the 2004 Customer Survey".

year, the PVP review calculated a benefit-cost ratio of between £9.2 and £15.8 for every £1 invested in Acas (with the lower estimate reflecting a more conservative '50 per cent' approach to the counterfactual).

The method for assessing economic impact in a subsequent 2013 Triennial Review was unchanged from the BIS PVP report to HM Treasury in 2010, and this produced estimated benefit-cost ratios (for the 2010-11 operational year) of between £11.8 and £21.6. The 16-to-1 benefit-cost ratio originally estimated by Meadows sits somewhere in the middle of this range calculated from the Triennial Review.

## 1.2 Updating the economic impact framework

Urwin (2012) provides a starting point for consideration of many issues raised as part of these subsequent reviews<sup>3</sup>. The author first details the market failures that motivate government intervention in aspects of the employment relationship; and then considers the role that Acas performs in tackling these market failures. This provides a framework for the categorisation of Acas services, which are broadly in line with strategic and operational realities, as well as market failure categories. Within each category of Acas services we can then consider the nature of hypothesised benefits arising from intervention and tackle the issues that have been flagged in studies of Acas' Economic Impact.

Essentially, the starting point for analysis in this report is very much in line with the original approach of Meadows. The approach draws on the 'top-down' approach of Urwin (2012); within which it locates the more 'bottom-up' approach of Meadows and subsequent reviews. The development of a clear economic framework, working down from arguments of market failure, to those of intervention and then to hypothesised benefits, mitigates the potentially subjective nature of CBA. As Boardman et. al. (2011) underline, CBA is a normative tool and in such a context we need clarity on motivations for intervention and the subsequent hypothesised benefits, if we are to avoid a form of Cost-Benefit arms race. This is especially true in the absence of clear evidence on causal inference, where '*additionality logic chain*' approaches<sup>4</sup> can result in very different outcomes, depending on which stakeholders are surveyed<sup>5</sup>.

Acas face particularly acute challenges when attempting to estimate the causal impact of its services. The statutory nature of Acas services and the voluntary nature of Alternative Dispute Resolution (ADR) make it particularly difficult to create comparable control (or comparison) groups which do not receive the intervention (and who therefore experience outcomes that may approximate the counterfactual<sup>6</sup>). As a result Acas have utilised alternative methods (including the

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<sup>3</sup> Urwin, P. (2012), *A framework for Estimating the Economic Impact of Acas Services*, informs much of the discussion in Acas Research and Evaluation Section (2014), *Measuring the Value and Impacts of Acas*, Ref: TRI/14

<sup>4</sup> See for instance, PA Consulting & SQW Ltd. (2006)

<sup>5</sup> In such approaches there is also the potential for only those with more favourable views on impact to feed into the process of development.

<sup>6</sup> For instance, taking the example of Employment Tribunal (ET) cases, we cannot assume that all ET cases resolved before a full hearing are attributable to Acas intervention. Some would have been resolved early even without the help of Acas. Previous studies of Acas' Economic Impact provide robust guidance on how to value the costs and benefits arising from early resolution of an ET case; but methods for estimating the proportion of early-



self-assessment approaches used by economics consultants and the then Department for Business, Innovation and Skills (BIS)<sup>7</sup>, now known as BEIS), and this report utilises a range of estimates from Acas-commissioned studies, alongside outcomes from an econometric analysis of Workplace Employment Relations Study (WERS) data in Section 10. The analysis in Section 10 should be seen as producing evidence that ‘complements’, rather than ‘substitutes’, the estimates of impact gleaned from Acas-commissioned studies – it provides evidence of a causal impact arising from Acas services that has been missing from previous studies.

The 2007 framework has subsequently been expanded and updated in line with key principles of CBA (Boardman, Greenberg, Vining and Weimer, 2011; HMT Green Book, 2011) and much of the work undertaken represents a further updating, based on data from recent Acas-commissioned evaluations carried out by independent researchers. In addition, this analysis extends to service areas that were not included in the 2007 study, such as *Workplace Training*, as well as new areas of Acas activity, such as *Helpline Online* (considered within the category of *Online Publications, Advice, Guidance & Tools*) and *Webchat*.

This analysis also tackles a number of issues flagged in reviews subsequent to Meadows, with a particular focus on questions of (i) the counterfactual, (ii) impacts beyond the first year of Acas intervention<sup>8</sup>; together with (iii) questions of displacement and substitution, as we scale impacts to a whole-economy level. More specifically:

***The Counterfactual:***

Using WERS 2004 and 2011, the analysis in this report follows 989 workplaces between 2004 and 2011. Using questions relating to the levels of dispute in a workplace and indicators of Acas engagement, a matching-with-difference-in-differences approach is adopted to identify possible causal impacts from Acas interventions. This has the potential to overcome unobservable and observable differences between the treatment and control groups described above, as long as the unobservable impacts are time invariant.

***Impacts beyond the first year of Acas intervention:***

The analysis of WERS may be taken as evidence that impacts are enduring beyond the first year. In previous studies of Acas’ Economic Impact, for the majority of services, only “proximal” impacts are captured, and there is a case for considering the inclusion of “intermediate” and more “distal” outcomes<sup>9</sup>. However, as with consideration of issues of the counterfactual, the lack of a clear point of Acas treatment (and specifics of that treatment) in our econometric analysis limit the extent to which we can directly draw on this analysis to create estimates of second and third round impacts. Therefore, in order to be conservative, we follow the approach of previous studies in only capturing immediate impacts.

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resolved cases that can be attributed to Acas have faced criticism from economists.

<sup>7</sup> See for instance, Collins, D. and Balarajan, M. (2011), “Survey questions for impact evaluations which rely on beneficiaries self-assessment: evidence and guidance”, Prepared for the *Department for Business Innovation and Skills*

<sup>8</sup> For the majority of services considered in previous studies, only “proximal” impacts are captured, and here we consider the case for inclusion of “intermediate” and more “distal” outcomes. For more detail see, Acas (2010), *Measuring the Economic Impact of Acas*, Oct.

<sup>9</sup> For more detail see, Acas (2010), *Measuring the Economic Impact of Acas*, Oct.

### **Displacement and substitution:**

When scaling impacts to the whole GB economy, the analysis looks to limit concerns over displacement and substitution. For instance, only cases where there is some degree of natural monopoly are considered when estimating the external impacts of *Collective Conciliation*, so that the productive output lost to a day of strikes is truly 'lost'. Avoidance of a strike in these cases has a clear impact on the overall productive capacity of the economy (the 'Production Possibility Frontier').

Finally, this report flags concerns over possible double counting when considering certain aspects of Acas online delivery such as Acas online guidance, *E-Learning*, *Helpline Online* and the *Acas Model Workplace Tool* and discounts impacts in this area substantially to counter such concerns.

Furthermore, in order to remain cautious, the analysis focuses solely on 'active' rather than 'passive' online activities – for instance, metrics such as the number of users/followers on social media platforms are not considered – but for the future it is recommended that Acas commission specific research to (i) better capture the full range of impacts associated with online and digital delivery and (ii) shed light on the sort of end-to-end online journeys that employees and employers take when engaging with Acas online content. Being able to fully capture and monetise the economic benefits of the suite of online services becomes increasingly important as Acas adopts a 'Digital First' strategy to service development.

## **1.3 Structure of the report**

Having introduced the study, Section 2 sets out the activities undertaken by Acas which are considered in this report and flags a number of additional issues that have been raised in reviews subsequent to the 2007 study.

Section 3 sets out the market failures that motivate government intervention in workplace employment relations, and describes the role that Acas plays in tackling these. Central to this role in tackling market failure is Acas' brand of independence and the value of the integrated business model of services which is also considered in this section.

Section 4 provides a summary overview of the estimated impacts identified across all Acas services during the 2014-2015 operational year, as a result of the analyses described in Section 5 (Dispute Resolution Services); Section 6 (Training Services); Section 7 (Helpline Services); Section 8 (Business Support Services) and Section 9 (Online Information and Guidance). More detail on the figures underpinning calculations in Sections 5 to 9 can be found in the Appendix.

Section 10 then provides an outline of the findings from an econometric analysis of the 2004-2011 panel of organisations from WERS<sup>10</sup>.

Section 11 concludes with a discussion of the overall impact estimate, alongside consideration of issues such as the counterfactual and dynamic (second and third round) impacts.

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<sup>10</sup> This utilises a *matching with difference-in-differences* approach to identify the causal impact of Acas interventions using the 989 panel of organisations for whom we have responses to the WERS Management Questionnaire between 2004 and 2011.

## 2. Updating the Analysis of Acas Services

Since 1994, Acas has maintained an ongoing programme of monitoring and evaluation, exploring its services from the perspectives of customers, in terms of satisfaction, perceived efficiency, responsiveness, effectiveness and impacts. This report draws extensively on this evidence base, which comprises regular quantitative surveys, in-depth qualitative explorations, case studies and analysis of management information (MI) data.

Acas currently employs around 800 (full-time-equivalent) staff, who work across a range of services, to meet its various duties. The integrated nature of Acas, as a business approach, offers the potential for 'spillover' benefits. The one-stop-shop nature of Acas means that users can move seamlessly between services, referred quickly to those most appropriate to their needs; it better reflects the realities of workplace conflict, where the duties of Acas are often overlapping and distinctions blurred; and it allows flexibility of staffing and knowledge transfer across functions.

These potential spillover benefits are another aspect of economic value that are considered in this report, not least because this business integration benefits from, and further re-enforces, the Acas brand. However, as with the question of Brand, the integrated business model is something explicitly considered when focusing on the value of Acas in Section 3.2.

### 2.1 Overview of Acas services

The majority of the report, from Section 5 to Section 9, is focused on development of a cost-benefit model that estimates the value of Acas activity delivered over the 2014-2015 operational year. The approach here is to disaggregate Acas activities into constituent parts, considering each service separately, rather than as part of a whole integrated business model. More specifically, Acas services are considered within the following five broad clusters of activity for the purposes of this cost-benefit analysis.

#### ***(A) Dispute Resolution Services***

##### **Collective Conciliation:**

The purpose of Acas' *Collective Conciliation* service is to help resolve disputes between employers and groups of employees (represented by a trade union) to improve employment relations and avoid industrial action, such as strikes. Often Acas become involved when the parties have exhausted internal procedures and are still unable to resolve the issue or when there has been a breakdown in communication between the parties. No charge is levied on the parties for use of this service.

In the 2014/2015 operational year, Acas received 1,371 requests for *Collective Conciliation*. As part of the calculations, the 858 requests for collective conciliation received in 2013/2014 are also considered; creating average annual impacts in cases where both years are considered. This mitigates against variability in the nature of collective disputes from one year to the next.

##### **Conciliation in individual employment disputes:**

Those considering submitting an Employment Tribunal (ET) claim must first notify Acas of their intention to do so by lodging an Early Conciliation (EC) notification.

Acas then offers to conciliate to try to resolve the matter. Where a case is not resolved at EC, the claimant is able to submit an ET claim after which Acas has a statutory duty to offer conciliation to the parties to try to resolve the matter to prevent a full ET hearing. Throughout this report this whole process is referred to as '*Conciliation in Individual Employment Disputes*'. No charge is levied on the parties for use of this service.

In the 2014/2015 operational year, 83,423 EC notifications were received by Acas and 18,830 ET claims were copied to Acas for individual conciliation.

### **Joint Problem Solving Activities:**

*Joint Problem Solving Activities* describes fee-waived projects carried out by Acas Senior Advisers that look to find solutions to workplace problems. These interventions are directly linked to disputes and are often agreed as part of the settlement to a collective conciliation. *Joint Problem Solving Activities* are delivered inside workplaces involving management and employee representatives with the aim of improving employment relations.

In the 2014/15 operational year, Acas delivered 104 Joint Problem Solving Activities.

### **(B) Training Services**

#### **Open Access Training:**

Acas runs a series of charged-for *Open Access Training* events on a range of employment relations topics. These events train managers and employee representatives to increase confidence, knowledge and skills to promote / enable effective employment relations.

In the 2014/15 operational year, Acas delivered 1,286 *Open Access Training* events reaching a total of 11,995 delegates.

#### **Workplace Training:**

Acas delivers charged-for training on a range of employment relations topics. *Workplace Training* is tailored to meet the specific needs of individual workplaces: it trains managers, employees and employee representatives from the same organisation to increase confidence, knowledge and skills to promote / enable effective employment relations.

In the 2014/2015 operational year, Acas delivered 1,078 *Workplace Training* courses reaching a total of 19,937 trainees.

#### **E-learning:**

Acas has developed a suite of free, online training modules known as *E-learning* on a range of employment relations topics. As with *Open Access Training*, these online modules are designed to help train managers and employees to increase confidence, knowledge and skills to promote / enable effective employment relations.

In the 2014/15 operational year, there were 14,750 registrations to use Acas' *E-learning* modules.

### ***(C) Helpline Services***

#### **Telephone Helpline:**

The Acas national *Telephone Helpline* provides free and impartial advice to employers, employees and their representatives on employment relations issues to help prevent and resolve workplace problems.

In the 2014/15 operational year, the Acas Helpline answered 903,679 calls.

#### **Webchat:**

*Webchat* is an online service accessed by employers, employees and their representatives which offers free and impartial advice on employment relations issues to help prevent and resolve workplace problems. Acas advisers respond in real time via a text-based digital platform to deal with employment relations enquiries.

In the 2014/15 operational year, Acas piloted the use of *Webchat* allowing 2,672 real time text-based conversations.

### ***(D) Business Support Services***

#### **Workplace projects:**

*Workplace Projects* describe interventions carried out by Acas Senior Advisers that look to find solutions to workplace problems. As with *Joint Problem Solving Activities*, *Workplace Projects* are delivered inside workplaces and involve both management and employee representatives. They cover a range of topics related to improving employment relations, such as building trust and developing capability of management / employees / representatives.

In the 2014/15 operational year, Acas delivered 135 *Workplace Projects* which were offered on a charged-for (cost recovered) basis.

#### **In-depth Advisory Meetings & Calls:**

*In-depth Advisory Meetings & Calls* is a service accessed by employers which offers advice and guidance to address employment relations issues within the workplace. The service is delivered primarily on a fee-waived basis, via a combination of telephone and face-to-face meetings, depending on the particular issues being considered.

In the 2014/15 operational year, Acas undertook 1,628 *In-depth Advisory Meetings* and 3,549 *In-depth Advisory Calls*.

### ***(E) Online Information and Guidance:***

#### **Online Publications:**

Many individuals access the Acas website to download publications / codes of practice or access other information and guidance hosted on the website. During the 2014/2015 operational year, there were 1,016,371 downloads of Acas *Online Publications* which offer guidance on employment relations.

### **Helpline Online:**

*Helpline Online* is an online service accessed by employers, employees and their representatives which offers free and impartial advice on employment relations issues to help prevent and resolve workplace problems. *Helpline Online* uses search algorithms to match individuals to the employment relations information they require. In the 2014/15 operational year, there were 531,712 *Helpline Online* user sessions.

### **Acas Model Workplace (AMWP) tool:**

The *Acas Model Workplace Tool* is a free, easy-to-use online tool which can be used to check the employment relations 'health' of an organisation. During the 2014/2015 operational year there were 1,789 *AMWP* registrations.

In the calculations that focus on *Online Information and Guidance*, it is important not to double-count impacts, as a visit to the Acas website holding information and guidance may also be associated with the downloading of a related *Online Publication*, a use of the *AMWP* tool or *Helpline Online*. For instance, the way the *AMWP* tool is used, seems more closely aligned to publications, codes of practice and general information/guidance (Berry-Lound and Holland, 2014).

More generally, when considering each of the Acas services, there is necessarily some overlap. For instance, *In-depth Advisory Meetings & Calls* focus predominantly on provision of expert advice and guidance, and might at first be considered as a form of 'dispute prevention'. However, it is also possible that any advice will relate to an ongoing collective dispute and therefore the focus is partly on resolution. Meadows drew on the analogy of the Fire Service to distinguish *prevention* (improving fire safety), from *resolution* (putting out fires); and emphasised the particular challenges faced when estimating impacts from preventative activities.

## **2.2 Notes on analysis**

This report has already considered a number of issues arising from previous estimates of Acas' economic impact, including questions of the counterfactual and second/third round impacts. This section notes additional issues that have been flagged at various points in the review process, together with the action taken to tackle them:

- a. HM Treasury and BIS in 2009/2010 as part of the Public Value Programme (PVP) flagged (a) the need to produce a range of estimates<sup>11</sup> (b) to use appropriate trend productivity<sup>12</sup>/labour cost estimates<sup>13</sup> and (c) to only include

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<sup>11</sup> The only service where sensitivity analysis has not been previously applied, is Collective Conciliation. This was deemed appropriate as the size and impact of large scale industrial disputes varies a great deal from year to year. We estimate impacts across two years, and take the average, further mitigating any concerns over estimated impacts in this area.

<sup>12</sup> Self-reporting of trend productivity in Acas surveys used in the 2007 model, was considered high [at 7%]. The recommendation was to adjust this to 2.5% and, in line with subsequent reviews, we adopt this change.

<sup>13</sup> Non-wage labour costs have been reduced from 28 to 20 per cent, to bring the study into line with the levels used by BEIS and other government departments in impact assessments.

in-scope helpline calls<sup>14</sup>; and these are all recommendations incorporated into our analysis.

- b. In previous estimates of Acas' economic impact, there is an assumption that improvements brought about by Acas Services have effectively been achieved without any resource costs. For instance, the direct and opportunity costs to management and employee representatives of engaging with Acas as part of *Joint Problem Solving Activities* that aim to improve employment relations, are not accounted for. For those cases where Acas intervention does not secure resolution, it is perhaps easier to see why there may be a concern over omission of costs arising from engagement with Acas. But even in those cases where Acas does secure resolution, there is still an offsetting cost of engagement (though it is likely to be relatively small, compared to the staff time saved from avoidance of an ET Claim)<sup>15</sup>.
- c. Counteracting this, there is extensive evidence that even when an Acas intervention does not result in, for instance, the avoidance of an ET claim, there is a high probability that Acas intervention will move the parties closer to resolution from their initial positions, and/or provide them with a clearer idea of their position (reducing the time and costs associated with subsequent ET discussions). For instance, Downer, Harding, Ghezelayagh, Fu and Gkiza (2015) find that 60 per cent [of those who fully engage with the EC stage of *Conciliation in Individual Employment Disputes*] reported that Acas had been important in bringing parties together, even though they did not reach a settlement<sup>16</sup>. As the authors find, this "shows that in the majority of cases, participation in EC brought parties closer together, regardless of the final outcome".

**We assume that the costs not included under b. are more-than-offset by the benefits under c. and take a cautious approach by omitting both.**

- d. The Survey of Employment Tribunal Applications (SETA) is used extensively to provide estimates in the cost-benefit model. SETA provides both mean and median values for some of the quantitative survey results used. In some cases there is a large discrepancy between the two, suggesting a skewed distribution. Taking either measure as a representative figure carries risks. To reflect this uncertainty, the difference between SETA means and medians are reflected in the higher and lower estimates (mean in higher, median in lower) where appropriate.

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<sup>14</sup> The number of calls to the telephone Helpline was reduced by 3% from the total in subsequent reviews (and by 3.8% in the 2012/2013 refresh), to correct for out-of-scope calls that do not have any impact. We use a figure of 3.7%, taken from the 2015 Acas Management Information, and go further in ensuring that only 'relevant' calls are counted.

<sup>15</sup> Our approach to *Conciliation in Individual Employment Disputes* may be considered as taking into account some of the costs of engagement, but this is driven by data availability. We take into account the cost of managers engaging with *Early Conciliation*, when calculating the savings from cases avoided at the EC stage, as some of these cases would have been resolved by Acas post-claim. For instance, to calculate the savings from cases avoided at the EC stage, we estimate what proportion of these avoided cases would otherwise have been cleared by Acas post-claim. The management time saved, by resolution of one of these cases at EC, is calculated as the average management time spent on an ET claim, minus the management time on a claim settled at EC. Ultimately, this is a data issue, as we simply do not have estimates of the management time spent on ET cases, in the EC context.

<sup>16</sup> See for instance, the evaluation of Early Conciliation by Downer, Harding, Ghezelayagh, Fu and Gkiza (2015) and TNS BMRB (2012), "Why Pre-Claim Conciliation referrals become Employment Tribunal claims", *Acas Research Paper 14/12*,

- e. There has already been some mention that the 2007 cost-benefit model included around 70 per cent of Acas services. The analysis in this report is expanded to consider a number of new services; some of these existed in 2007 but were excluded due to a dearth of available evaluation data on the particular service's impact (since collected), and others which are new areas of service delivery. More specifically, this analysis includes: (i) an expanded approach to evaluate *Conciliation in Individual Employment Disputes* to incorporate *Early Conciliation*, (ii) *Joint Problem Solving Activities*, which were previously considered as part of *Workplace Projects*, (iii) *Workplace Training*, (iv) *E-learning*, (v) *Webchat*, (vi) *In-depth Advisory Meetings & Telephone Calls*, (vii) *Helpline Online*, which is considered within the category of *Online Publications, Advice, Guidance & Tools*, (viii) *Acas Model Workplace Tool*, which too is considered within the category of *Online Publications, Advice, Guidance & Tools*. It is estimated that the approach in this analysis accounts for approximately 90 per cent of the service delivery in 2014-2015.
- f. Finally, in all studies to date, there is a focus on capturing benefits that derive from the opportunity cost of time. For instance, management time is saved if Acas conciliation resolves a dispute earlier than would otherwise have been the case. The value of this time saved is estimated using the hourly wages of managers, as this is taken as a good estimate of the opportunity costs of their time. Some studies find that the productivity of an individual is a multiple of their wage – for instance, the analysis of Dearden, Reed and Van Reenen (2005)<sup>17</sup> implies that it could be twice the value of an individual's wage. However, evidence on productivity impacts is limited and therefore in this analysis a cautious approach is retained, estimating benefits according to the time saved - as reflected in the average wage of the individual, rather than their productive capacity, which is a multiple of their wage.

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<sup>17</sup> Dearden, L., Reed, H., and Van Reenen, J. (2005), "Estimated Effect of Training on Earnings and Productivity, 1983-99", *CEP Discussion Papers*, LSE.



### 3. Market Failure and Acas' Brand of Independence

To tackle some of the key issues flagged in the introduction and provide a clear justification for decisions made in the estimation of costs and benefits, this section describes the overall economic framework for the analysis which follows (drawing on Urwin, 2012) and also considers the role that Acas' brand of independence plays in tackling these market failures.

#### 3.1 Market Failure

One of the key economic criteria influencing a government's decision of whether to intervene in the economy is the extent to which we observe market failure. Market failure generally occurs where individuals, organisations and other economic agents make decisions that are not 'optimal' (in an economic sense), when left to their own devices. This tends to happen because in certain areas of social and economic activity, the market does not do an effective job of communicating the correct information to these economic agents.

The situation is best explained with an example. Government intervenes in the area of health and medicine because left to its own devices the market does not allocate resources efficiently. In most cases where we talk of 'efficiency' we are looking for a situation where individuals and organisations are making well-informed decisions on their purchasing and production activities because they are taking into account all of the relevant costs and benefits of their actions. In the case of health care, the market mechanism would likely result in individuals purchasing too little because they only consider the costs (paying for the service) and benefits (curing their ills) to themselves. They do not take into account the positive benefits which 'spillover' to others in society when they decide to receive some form of treatment - for instance, a vaccine against flu, which benefits the individual, but also lowers the probability that others will get flu (a benefit that spills over to others, or an 'externality' in the terminology of economists).

A variety of market failures are observed in the area of employment disputes. For instance, as Urwin (2012) details, left to their own devices it is likely that parties to a conflict will arrive at a solution, but in many cases the journey to such a solution will be costly and protracted. The final outcome may only come about after long periods of industrial action and/or the withholding of pay. Also, any 'solution' is potentially short-lived, as resolution through conflict will not necessarily tackle issues at the heart of the conflict (and they are therefore likely to resurface). More specifically, when applying the lessons from Game Theory, there is extensive evidence that, left to their own devices, two (seemingly rational) parties to a dispute will arrive at outcomes that are sub-optimal<sup>18</sup>.

This game theoretical approach provides insights into the strategic barriers that exist to successful negotiation and resolution of conflict, alongside the psychological, organisational and institutional barriers that are also likely to impact. Left to their own devices, both parties pursue strategies that are seemingly optimal (from the individual perspective), but which result in outcomes that are worse than those achieved under cooperation.

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<sup>18</sup> See for example, Ross, L., Tversky, A., Arrow, K., Mnookin, R. and Wilson, R. (1995), *Barriers to Conflict Resolution*, W.W. Norton & Co.

There is a clear role here for a third party to work with the parties to a dispute, to achieve speedier and more optimal resolutions. A key characteristic of such a third party, together with an obvious need for skills and experience in dispute resolution, is that it must be trusted by both parties. Early work considering the role of information in employment relations<sup>19</sup> shows how important asymmetries of information are as drivers of costly industrial action. One of the key roles for third-party arbiters and conciliators is to overcome such asymmetries, using strategic approaches that encourage parties to offer up information in pursuit of more optimal outcomes. **Only a body with a strong brand of independence (trusted by both sides) will have any chance of fulfilling such a role**<sup>20</sup>.

Ultimately, the market failure described here is one that is closely related to incomplete or asymmetric 'information'. Returning to the original consideration of market failure, it is hopefully clear that if information is in some way restricted or incomplete, then the market mechanism is less able to achieve efficient outcomes. However, it is important to note that within the context of dispute resolution, simply overcoming such informational barriers does not solve the problem. Two parties to a dispute with full information (for instance, on the other side's position) still have the potential to arrive at sub-optimal outcomes<sup>21</sup>. The skill of conciliation is the use and strategic deployment of such information, to arrive at enhanced (pareto-improved) outcomes; rather than simply the provision of unfettered access to such information.

Within the context just described it is quite possible to imagine that parties to a dispute will recognise the potential benefits from employing an independent third party (especially in repeated 'games'). However, we would be unlikely to observe the creation of organisations providing such 'third party' services within a free-market context, again because of problems of information. Unfortunately, markets are not good at creating 'demonstrably' independent bodies, trusted by both sides to a dispute. This can be seen as an example of the Principle-Agent problem<sup>22</sup>, with both parties to a dispute wishing to employ a third party only if it acts in their own interests. Even if there were some way of doing this contractually (i.e. aligning the principle's interests with the agent's incentives) they would simply transfer all the problems inherent in our previous game theoretic situation to this new context. This is a market failure that was apparent in the recent financial crisis, with seemingly independent ratings agencies providing ratings for organisations (at a price), which have subsequently turned out to be biased upwards<sup>23</sup>.

To summarise, there is a clear market failure here, in that left to their own devices parties to a dispute will take longer to arrive at resolutions and many outcomes will be sub-optimal (for both the parties and wider society). When we consider the

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<sup>19</sup> Hayes, B. (1984), "Unions and Strikes with Asymmetric Information", *Journal of Labor Economics*, Vol. 2, No. 1; pp 57–83.

<sup>20</sup> It is important to note that such 'demonstrable' independence is also key in overcoming psychological, institutional and organisational barriers to conflict resolution.

<sup>21</sup> In fact, full information of the other party's 'position' has the potential to worsen the situation (ibid.).

<sup>22</sup> For more detail, see for instance, Sappington, D. (1991), "Incentives in Principal-Agent Relationships", *Journal of Economic Perspectives*, Volume 5, No. 2; pp 45-66.

<sup>23</sup> Credit rating agencies have tended to rely on business models where ratings are either provided only to 'subscribers' (those paying a fee) or one where the organisation in question pays for the rating. In both models there is a conflict of interest, as the incentive is to provide more favourable ratings to those who pay (directly or indirectly).

creation of bodies that would be able to fulfil a 'third-party' role to improve outcomes, we cannot turn to the market mechanism to create such 'demonstrably' independent bodies. For similar reasons the creation of a government department can be seen as insufficient, as demonstrable independence includes the need for independence from Ministers; and outsourcing to commercial bodies similarly has the potential to undermine confidence in the Acas brand of independence. Delivery of dispute resolution services (whether Collective or Individual) through Acas stands out as the only option amongst alternatives, as it has the required brand of independence, developed over forty years.

This discussion continues in Section 3.2, which considers the importance (and economic value) of this Acas brand and the related issue of the integrated business model. Also, Section 5 draws on this initial discussion when constructing estimates of economic impact in the areas of Collective and Individual *Dispute Resolution Services*.

### 3.2 The Acas Brand and Integrated Business Model

Research commissioned by Acas<sup>24</sup> shows that awareness of Acas amongst employers and employees is high. In a representative survey, 70 per cent of employers suggested they knew at least a little about Acas, and this figure makes Acas "better known amongst this group than Investors in People (IIP), the Chartered Institute of Personnel and Development (CIPD), and the Department of Business, Innovation and Skills (BIS)". The figure for awareness amongst employees is 56 per cent and taken together this suggests a high level of brand recognition amongst the relevant client groups.

Furthermore, as a paper from the Acas Research and Evaluation Section underlines (ibid.), other work undertaken on behalf of Acas<sup>25</sup> has established that (unprompted) keywords associated with Acas are *neutral, impartial, reliable, reputable, helpful, knowledgeable, worthy, trustworthy, and positive*. It would seem that communication of the messages above has been effective in the past, as impartiality is seen as a key characteristic associated with the Acas brand. For instance, Downer et. al. (2015) report that, "nearly three quarters (73 per cent) of claimants (and their representatives) felt that the Acas conciliator had been 'even handed' in the way they dealt with the case" at the EC stage; and when parties to a collective dispute were asked the extent to which they agreed that the *conciliator had remained impartial*, an average score of 4.64 was recorded (with 5=strongly agree, and 1=strongly disagree).

Brand is a 'reputational asset'<sup>26</sup> which has been 'developed over time so as to embrace a set of values and attributes'<sup>27</sup>, resulting in a 'powerfully held set of

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<sup>24</sup> Cameron, D., Charlton, A. and Clemence, M. (2014), "Researching the current and potential reach of Acas services: employer and employee tracker surveys", *Acas Research Paper* Ref: 11/14.

<sup>25</sup> Involving ten focus groups convened and analysed for Acas by Cragg Ross Dawson.

<sup>26</sup> Giorgio Marrano, Haskel and Wallis (2007). For some of their analysis of brand, Giorgio Marrano et. al. (2007) draw on the work of Corrado, Hulten and Sichel (2005).

<sup>27</sup> John Murphy founder of *Interbrand*, as quoted in British Brands Group (2004).

beliefs by the consumer [client]' and a range of other stakeholders<sup>28</sup>. There have been many academic studies estimating the financial value of brand to companies operating in the private sector (Feldwick, 1996; Biel, 1997; Sexton, 2000; Hupp and Powaga, 2004; Argyriou et. al., 2006; White, 2007; Gerzema et. al. 2007). For instance, *Forbes* estimate the value of the Apple brand at \$145 billion, the most valuable in the world; with Microsoft (\$69 bn) and Google (\$65 bn) in second and third place. The values placed on these reputational assets, are often much larger than the values of traditional physical assets found on organisational balance sheets.

According to the information economics literature, a strong brand name works as a signal of quality for imperfectly informed buyers and generates premiums that are a return to brand investments undertaken by the firm<sup>29</sup>. The valuation of brand equity may include market share, profit margins, and various measures of consumer recognition (including quality associated with the brand). The Acas brand is recognised and trusted – as such it has a value that can be viewed as the outcome of intangible investment over many years. For instance, every year Acas receives free advertising in its role as a conciliator in high profile collective disputes. The ability of Acas to be 'in the news, but not the news' has helped to build a brand of independence and impartiality over 40 years.

This stock of brand equity provides a return each year, via the activities of Acas advisers - the signal of 'independence' that it communicates better ensures economic impact from the activities of individual Acas conciliators, mediators and advisers, as they carry out their duties. The parties to a dispute need to be convinced that conciliators are independent, as this is required to overcome some key market failures highlighted in Section 3.1 - the Acas brand is an essential signal of this demonstrable independence. This section does not consider the technical detail required to estimate a specific value for the Acas brand, but we can get some idea of its potential magnitude by considering existing brand valuations.

Consider, for instance, some of the *Forbes* estimates from 2015 for companies that may be seen to deliver 'consulting' services in a similar way to Acas. For instance, *Accenture's* brand equity is estimated at \$12 bn, and this sits alongside a market capitalisation of \$63.5 bn; annual sales of \$32.8 bn and 323,000 employees. *Thomson Reuters* has an estimated value of \$7.8 bn for its brand equity; a market capitalisation of \$33.2 bn; \$12.6 bn in sales and 53,000 employees. As Moore and Craig (2008) find, "for companies with consumer products or services, the value of all their brands is typically 50 to 70 per cent of the firm's market capitalization (i.e. the organisations net worth). For companies with industrial products or services, [it is] about 10 to 20 per cent of market capitalisation". Unfortunately, we do not have a market capitalisation for Acas from which to speculate on a possible value for Acas' brand equity.

However, the value of the *Accenture* brand is approximately 37 per cent of annual sales, whilst for *Thomson Reuters* the value of brand is around 62 per cent of sales. Fifty per cent is almost exactly in the middle of these two proportions and therefore we might suggest that the value of Acas brand equity is not less than £25.5 million

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<sup>28</sup> Frank Auton, *The Marketing Council* (2000).

<sup>29</sup> Urwin, P., Karuk, V., Hedges, P. and Auton, F. (2008), "The Role of Brands in UK Economy and Society", Commissioned by the British Brands Group

(around half of the £51 million Acas annual expenditure). This is likely to be a lower bound, as we are only working from a cost-base (of £51 million), rather than the actual value of sales; the level of brand recognition is clearly very high (as suggested by the research detailed above) and the Acas brand has benefited from around 40 years of development, around the same core values (of independence and impartiality). We could therefore reasonably speculate that the value of Acas brand equity lies between £25 and £40 million.

In creating brand, which is a reputational asset, it can be argued that everyone in an organisation has a part to play in protecting and shaping that reputation. This not only includes the extent to which a service delivers the promised benefits to its customers, but also how the telephonist answers the phone and how staff interact with clients. In many institutions such as Acas, brand serves as a guiding principle aligning corporate, business and operational strategy – any deviation from ‘impartiality’, on the part of any employee, will begin to undermine the value of this brand equity.

In this section of the report our consideration of value associated with the Acas brand, underlines the value of Acas as an institution; in addition to the value it generates each year as part of its activities, which we detail in Sections 5 to 9. As already suggested, we do not have a market capitalisation to consider, but discussions in this section attempt to capture some aspects that would contribute to such a market capitalisation. For instance, in addition to the Acas brand, Section 2 mentions the integrated nature of the Acas business model. The integrated service model essentially ensures that people (i) get to the relevant person/service quickest (because all services are under one roof and all those delivering services are aware of the full Acas offering); (ii) that any change in the nature of service required, can draw in relevant additional services and (iii) it allows a much more efficient staffing (and staff development) model.

The integrated business model that underpins Acas can be seen to feed through into impacts arising from yearly service delivery in a similar way to brand equity. The strong Acas brand better ensures an ‘impact’ premium, as there is a value from demonstrable independence in conflict resolution (to overcome the market failures outlined in Section 3.1); and such an impact premium is also more likely to arise, because of better targeted services, delivered more efficiently and flexibly (as a result of the Acas business model). Including these aspects in Sections 5 to 9 would be wrong, because it would amount to double-counting. The economic impact of Acas services over one year are partly a return on investment in an integrated service model, together with the brand equity built up over 40 years. However, omitting these aspects from our discussions would miss an important part of the value of Acas.

A similar concern applies when considering the contribution of Acas policy, research and evaluation outputs, which, whilst aimed at improving employment relations as a whole as well as improving Acas services, also help build brand and support the integrated business model (for instance, research findings may be used in marketing content). Similarly, whilst the main body of our report does not evaluate the impact of Acas Arbitration activities<sup>30</sup>, we can clearly see the role of brand here, as parties agree to be bound by the decisions of an arbiter, because they have confidence in the brand of independence.

Ultimately, we may consider value of the Acas brand as being equal to what a

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<sup>30</sup> Arbitration was excluded from the benefit cost model due to a lack of evaluation data required to estimate its impact.

private company would be willing to pay to own the brand and use it to enter the market for dispute resolution. This is a useful thought experiment, not least because we can (i) perhaps better see the sort of opportunities for profit that this might allow, but it also (ii) underlines the fact that the brand would immediately be undermined, as services delivered by a private or public-sector organisation would not be associated with the required demonstrable independence. Conversely, Acas can be seen as unaffected by the inherent constraints of delivery from *inside* government or provision by the market, both of which it is independent from (demonstrably so, through its brand of independence). As such, Acas may be seen as uniquely positioned to provide the dispute resolution 'solution' in this case.

## 4. Estimating the Economic Impact of Acas Services

In Sections 5 to 9 we set out the approach to evaluation of Acas activities over the 2014-2015 operational year, in each area of service delivery (with the Appendix containing more detail on the figures underpinning calculations). These calculations feed into a cost-benefit model and in each of the main service areas we include a brief discussion of:

- The method used to estimate a benefit-cost ratio, including key assumptions.
- Responses to any relevant issues raised in previous estimates of Acas' economic impact.
- An estimate of the benefit/cost ratio and comparison with previous estimates.

Creating estimates for each area of Acas services provides us with an **overall benefit-to-cost ratio of 12.7**, for Acas services delivered during the 2014/2015 operational year. This is based on **estimated benefits of £653m** and costs of £51.3m. **Thus, this analysis estimates that Acas services return approximately £13 to the GB economy for every £1 invested.**

The figures for Net Economic Benefit presented in Table 1 are calculated on a broadly comparable basis to previous headline estimates. Whilst the approach followed to arrive at an overall benefit-to-cost ratio of 12.7 is on the whole conservative and so should be considered as the main estimate rather than an upper bound, each of the analyses in Sections 5 to 9 also present an 'extreme lower bound' ratio in order to provide additional context. These lower bound estimates are necessarily extreme and are presented in order to help frame the key estimates; they are calculated using an amalgam of less favourable assumptions – for instance using estimates of the median time spent on ET cases (rather than the mean); halving some of the parameters used in the models, where the research evidence is less extensive; and adopting more 'severe' assumptions in our approaches to the counterfactual, double counting and other issues. In many cases the extreme lower bound estimates are less than half of the main estimate, but even in these cases, the benefit-to-cost ratio does not drop below 2. Summing the benefits of all the extreme lower bound estimates would yield an overall benefit-cost ratio of 8.9, relating to £458m total benefits. For completeness, it can also be observed that the benefit-to-cost ratio rises to 14.1 if we only count the £46.4m of costs associated with the services reviewed. However, the main overall benefit-to-cost ratio of 12.7 should be viewed as taking primacy over both this and the 'extreme lower bound' estimate.

The 2014/15 costs attributed have been provided by Acas Finance, to the most detailed level of disaggregation possible using activity codes for each staff member which correspond to Acas services (including the split of the staff members' time between services). Clearly, when considering different areas of Acas activity there are questions over the allocation of costs – it is straightforward to allocate direct expenditures for each service area, but accommodation and overhead costs must be incorporated as a proportion of each service area. Here we attribute overhead costs to each service area based on the staff hours accounted for by the specific activity, but there is obviously some amount of overlap. In the case of some of the digitally delivered services, apportioning costs which 'cut across' different areas of organisational spend can be particularly difficult and this is particularly noticeable with E-learning where a very low cost base leads to a very high benefit-to-cost ratio. This ratio should thus be considered with some caution, but it is important to note that this service area does not have a significant impact on the overall economic benefits of Acas (contributing only 0.6 of a percentage point).

Furthermore, it should be noted that whilst the table below presents disaggregated costs, the nature of the integrated service delivery model and the method by which fixed costs are allocated across the piece, means that abolishing one service would not generate cost savings equal to the cost of the service.

**Table 1: Estimated economic benefits and costs of Acas service delivery for the 2014/2015 operational year**

<b>ACAS ACTIVITY</b>	<b>Net economic benefits</b>	<b>Net cost</b>	<b>Benefit/cost ratio</b>
<b>DISPUTE RESOLUTION SERVICES:</b>			
<b>Collective Conciliation</b>	£147.8 million	£1.8 million	<b>81.4</b>
<b>Conciliation in Individual Employment Disputes</b>	£127.1 million	£24.4 million	<b>5.2</b>
<b>Joint Problem Solving Activities</b>	£3.5 million	£0.2 million	<b>18.3</b>
<b>TRAINING SERVICES:</b>			
<b>Open Access Training</b>	£40.7 million	£1.6 million	<b>25.4</b>
<b>Workplace Training</b>	£7.3 million	£1.6 million	<b>4.6</b>
<b>E-learning</b>	£3.9 million	£0.03 million	<b>136</b>
<b>HELPLINE SERVICES:</b>			
<b>Telephone Helpline</b>	£265.1 million	£12.8 million	<b>20.7</b>
<b>Webchat</b>	£2.0 million	£0.2 million	<b>12.5</b>
<b>BUSINESS SUPPORT SERVICES:</b>			
<b>Workplace Projects</b>	£8.3 million	£0.5 million	<b>17.7</b>
<b>In-depth Advisory Meetings &amp; Calls</b>	£7.2 million	£0.9 million	<b>8.4</b>
<b>ONLINE INFORMATION AND GUIDANCE:</b>			
<b>Online publications, advice, guidance &amp; tools</b>	£40 million	£1.5 million	<b>27.2</b>
<b>OTHER ACAS EXPENDITURE</b>		£5.0 million	
<b>TOTAL</b>	<b>£653 million</b>	<b>£50.6 million</b>	<b>12.7</b>



# 5 DISPUTE RESOLUTION SERVICES

## 5.1 Collective Conciliation

Collective Conciliation is the one area of Acas economic impact that had not previously been updated since 2007, when estimates were created from Acas intervention by evaluating impacts in 8 ('crisis') *Collective Conciliation* cases, which represented 12 per cent of the total where "industrial 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" (Meadows, 2007).

These crisis case studies provided estimated impacts of disruption that would be caused externally to the organisation, if a strike were to take place – for instance, when a tube strike disrupts commuters. In addition, one-off benefits were estimated arising from productivity boosts from improved internal workplace practices when collective disputes are resolved; with this latter estimate including all workplaces subject to Acas conciliation.

### ***Estimation of External Impacts:***

Acas conciliated in 1,371 collective industrial disputes to prevent strikes and other collective action during the 2014-2015 operational year; and in 2013-2014, 858 collective disputes were subject to Acas conciliation. These 2,229 cases form the focus of our analysis for impacts external to the workplace, with the overall impact halved to provide an average annual figure. This approach 'across years', is closer to that used in the recent government *Ballot Thresholds Consultation*<sup>31</sup>, and mitigates variability in the nature of Collective disputes from one year to the next.

It is possible to differentiate amongst these 2,229 cases in the Acas MI according to whether (i) Industrial action has taken place and/or (ii) whether there has been a ballot for industrial action. Filtering on (i) and (ii) gives 109 cases, each of which were considered in turn, using the following criteria to focus down on those where Acas intervention will have produced significant economic benefits - by avoiding strike action that causes economic disruption external to the organisation. **Of the 109 cases:**

Firstly, we identify **16 cases** that relate to organisations engaged in (i) *Delivery*, (ii) *Transport* or (iii) *Energy supply*.

Second, we identify **one dispute** related to the role of civilian workers in a Police force and **one dispute** relating to hospital Pathologists.

Third, we identify 12 schools in dispute with staff and limit this to **10 in dispute** with teaching staff (the 2 disputes that are removed, involve non-teaching staff, and in these cases the MI data suggest that there was no immediate threat of school closure).

**These 28 cases are our starting point for analysis**, as in each case we have situations where the organisation subject to dispute has some amount of monopoly power and/or customers have very limited alternative options in the event of strike action. In these situations, Acas intervention that avoids industrial action will result in substantial economic impacts as there are few competitors who can step in to

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<sup>31</sup> In this respect we are in line with government guidance [suggested in BIS (2015), *Ballot Thresholds in Important Public Services: Consultation Impact Assessment*], as we consider two years of Collective impacts, and then average across years

provide the services subject to strike action.

To clarify, it is perhaps worth considering some of the cases that do not make this initial list of 28 disputes. For instance, in the 2013-2014 operational year Acas conciliated in the dispute between a large British company that produces flour and bread, and its workers. We may speculate that there would be some disruption to the wider external economy, but generally there are a large number of competitors in this area, willing and able to boost supply in the event that industrial action materialises. This is not to suggest that there will be no disruption, but as the employer suggested in the media surrounding this dispute, the firm made use of its network of bakeries to avoid disruption to supplies.

Additional cases that do not make it into the initial 28 disputes include restaurants and a large British catalogue retailer, where we may expect an array of competitors to step in, in the event of industrial action. This is not to suggest that these disputes do not require Acas intervention, but the avoidance of a dispute is less likely to avoid large external impacts, when compared to the disruption associated with, for instance, a strike on a major public transit system. Similarly, when selecting educational establishments in the MI data, we do not include Sixth Form/Further Education colleges, as a key external impact from educational disputes is the reduction in hours worked as “parents and carers are unable to go to work” (BIS, 2015). Where we have disputes in educational establishments catering to students aged 16 and over, this impact is much lessened.

As this brief discussion suggests, our paring down of 109 cases to 28 draws on economic theory (in this case, the extent to which we may expect external disruption because of the monopoly power exerted by the organisation subject to dispute). In addition, where there is some uncertainty, the relevant media and free-text field notes in the MI are trawled for additional information (for instance, whether the offer of collective conciliation was taken up and an agreement reached).

**From the 28 cases, the analysis draws on information in the media, MI and economic principles to arrive at 14 case studies that form the focus of our estimates.** For instance, one of our transport disputes is a local bus strike where all the available evidence suggests that even though some industrial action took place, there was no apparent disruption to services. Acas seem to have averted further industrial action, but the external impact seems to be limited (this applies to another two transport disputes). Perhaps most important to our estimates, is the consideration of a large postal and courier service, which faces a range of competitors [both from other couriers and to email<sup>32</sup>], and thus it is not clear that substantial external impacts are avoided, in cases where Acas conciliation avoids strike action. To err on the side of caution, this analysis does not include the five instances of Acas collective conciliation in these disputes.

In the original 28 we also include one dispute between a large energy provider and its staff, as disruption to energy supplies has a clear potential for substantial impact. However, on further investigation this is a dispute with some maintenance and investigative staff, with little or no potential for impacting energy supplies.

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<sup>32</sup> As a recent report [Postal and Logistics Consulting Worldwide (2015), “Review of the impact of competition in the postal market on consumers”, Final report to *Citizens Advice*, March] suggests, “the letter market in the UK has declined by 37 per cent since its peak in 2005, mainly due to electronic substitution from digital media” and, “the parcels industry is highly competitive, with low margins and an increasingly demanding customer base”.

Similarly, the dispute at the NHS Hospital Trust involving Pathologists had limited potential for external impacts, under closer inspection. Following this process of review, the 14 case studies that form the focus of the analysis are:

- London underground railway operator: Strike action avoided over the 2013/2014 and 2014/2015 operational years<sup>33</sup>.
- London bus services operator: Strike action avoided over the 2013/2014 and 2014/2015 operational years<sup>33</sup>.
- British train operating company 1: Two days of strike action avoided in 2014/15.
- British train operating company 2: Two days of strike action avoided in 2015/16.
- Commercial aviation service provider: Strike action in 2014/15 avoided.
- British train operating company 3: Three days of strike action avoided over the 2013/2014 and 2014/2015 operational years.
- Eight schools (primary and secondary) avoiding a total of 25 days strike action.

For each of these 14 cases, we calculate the benefits of Acas intervention by first calculating the relevant Gross Value Added (GVA) – for instance, considering the London underground strike, the relevant regional GVA is £338.5 billion (according to ONS Regional GVA estimates that utilise the Income Approach, and which are provisional for 2013) and (according to ONS Labour Market Statistics, June 2015) the London workforce is approximately 5.6 million. From these figures we are able to calculate a London GVA per employee and per hour. A trawl of the MI data and relevant media provide us with an estimate of the number of strike days avoided (in this case, 7 days over the two-year period) and the TfL *Travel in London* report (using Census 2011 data)<sup>34</sup> provides us with a figure for the percentage of workers in London using the underground to travel to work.

We then calculate the number of people travelling to workplaces in London in any one day and the time wasted using alternative travel methods. In all cases we estimate the time wasted for each commuter as one hour. This figure is something of a midpoint across a variety of evidence produced by a number of bodies. For instance, a survey of 1,000 London commuters by Atomik Research, would suggest a figure somewhere below this<sup>35</sup>; whilst evidence presented by the Federation of Small Businesses, implies that this figure is perhaps too low<sup>36</sup>. Unfortunately, whilst there are a number of figures in the media, there is no way of checking their validity, as little detail is provided on sampling approaches, the extent to which the findings are representative and most are commissioned to promote a particular issue. Recent government documents (for instance BIS, 2015) cite findings from

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<sup>33</sup> A review of the various sources of information suggests 7 strike days avoided for the dispute involving the London underground operator, which translates into 3.5 days, when considering the average annual figure. We estimate two days of strike action avoided for the London bus operator dispute, which translates into one day per annum.

<sup>34</sup> <http://content.tfl.gov.uk/travel-in-london-report-8.pdf>

<sup>35</sup> <http://www.ucinsight.com/latestnews/millions-of-working-hours-lost-during-london-tube-strikes-due-to-poor-uc-usage/>

<sup>36</sup> <http://www.fsb.org.uk/media-centre/press-releases/tube-strike-costs-hundreds-of-businesses-time-and-money---threatening-economic-growth-says-the-fsb-pr-2014-06>

the Meadows study, and flag the use of this one-hour estimate, as a basis for policy decisions. We therefore use an estimate of one hour to ensure that we are in line with recent government policy documents and also somewhere in the middle of estimates from studies that unfortunately do not have the transparency required to investigate their accuracy.

Table 2 summarises the key measures that arise from this process of estimation, which feed into our calculations of impact. For all travel-related strikes, the figures presented are calculated in the same way as those described above for the London underground railway operator dispute; and our approach to the estimate of impact arising from the eight Primary Schools is in line with the approach that underpins the estimate of a £480 million reduction in output as a result of the public sector strike on 30<sup>th</sup> November 2011 (as cited in BIS, 2015). Specifically, we multiply the number of pupils at the school by the relevant regional GVA, and adopt the BIS (2015) estimate of 5.25 per cent for the percentage fall in productivity suffered by parents on the day of the strike, to arrive at an estimated impact.

**Table 2: Immediate [external] impacts from intervention in 14 key disputes (across 2013-2014 and 2014-2015 operational years)**

14 Collective disputes	Relevant Workforce GVA Per Hour	Number of Strike days avoided 2013/14 & 2014/15	Number of individuals [GVA hours] impacted per day	Net economic impact (losses avoided)
London underground railway operator	£36.08	7	840,946	£212.4 million
London bus services operator	£36.08	2	520,940	£37.6 million
British train operating company 1	£21.78	2	27,728	£1.2 million
British train operating company 2	£23.15	1	213,959	£1.7 million
British train operating company 3	£21.78	1	27,728	£1.8 million
Commercial aviation service provider	£27.14	1	14,470	£65,000
Eight Primary schools	£27.14	25 in total	5,424 parents/carers	£0.6 million
<b>Total</b>				<b>£255.3 million</b>

### ***Estimation of Internal Impacts:***

We use the 2016<sup>37</sup> and 2012<sup>38</sup> Acas evaluations of *Collective Conciliation* cases as the basis for estimating overall impacts on the organisations subject to dispute, focusing on the 1,371 collective industrial disputes subject to Acas conciliation in 2014/2015. These impacts arise from improvements in employment relations and working practices reported by survey respondents. For instance, in the 2016 Collective Conciliation Survey, 36 per cent of workplaces subject to conciliation report improved employee morale; 32 per cent report changes to workplace practices and 43 per cent improved communication. It is assumed that improved morale, workplace practices and communication, translate into improved productivity<sup>39</sup>.

We assume that each collective conciliation case impacts the work of 10 per cent of employees within the workplace<sup>40</sup>, and that there was an estimated saving of 5 days of management time in each workplace. We assume that this 10 per cent of workers add the average annual GVA per workforce member, of £45,297.54 (ONS) and this figure is used as the basis for consideration of impacts arising from improved morale, practices and communication. For instance, we can estimate that 36 per cent of all relevant Acas interventions would report improved morale; we can then combine this with the figures for GVA and number of employees to arrive at an estimated productivity impact (assuming a 1 per cent boost to productivity from improved morale).

Together with these indicators of (i) improved morale, we calculate impacts internal-to-the-workplace from the implementation of (ii) new workplace practices, (iii) improved communication and (iv) improved speed with which future disputes will be handled (in the 2016 survey, 49 per cent of respondents reported that their organisation had improved its ability to deal with disputes as a result of Acas' intervention).

There is a finding cited in Meadows that "one-third of the parties to collective conciliation reported changes in working practices following the Acas intervention". However, the revised approach to evaluation used in the 2012 study finds that, "the influence of Acas conciliation on the implementation of working practices was relatively limited". More specifically, "42 per cent reported working practices would definitely have been implemented without the Acas conciliation, and a further 32

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<sup>37</sup> Booth, C., Clemence, M. and Gariban, S. (2016), "Acas Collective Conciliation Evaluation 2016", Acas Research Paper ref: 06/16

<sup>38</sup> Hale, C., Barrett, G. and Bryce, A. (2012), "Acas Collective Conciliation Evaluation", Acas Research Paper Ref: 17/12

<sup>39</sup> The High Performance Work Organization (HPWO) model is still debated, but a variety of research finds strong links between employee morale and productivity. See for instance, Iverson, R. D. and Zatzick, C. D. (2011), "The effects of downsizing on labor productivity: The value of showing consideration for employees' morale and welfare in high-performance work systems", *Human Resource Management*, Vol. 50; pp 29–44.

<sup>40</sup> We have investigated a number of alternatives to the measure of *100 employees* adopted in previous studies of Acas' Economic Impact. Using information on bands for workplace size in the Collective MI data, we calculate upper (791) and lower (325) estimates of the average number of employees. This suggests an average workplace size of 545 employees and it therefore seems suitably cautious to take a figure of 10% (54.5) as this is close to half the '100 employees' figures used in previous studies.

per cent of respondents reported that they probably would have been implemented". As a result, we have multiplied the 32 per cent figure from the 2016 survey by 26 per cent, to give a figure of 8.3 per cent<sup>41</sup>.

This approach to estimation of internal impacts is carried out for a subset of the total 1,371 cases subject to Acas conciliation during the 2014/2015 operational year. In the 2014/15 Acas Annual Report it is reported that 78.1 per cent of cleared collective cases were successfully completed, 11.2 per cent were unsuccessfully completed and in 10.7 per cent of cases the request was withdrawn or refused – we therefore only apply our approach to 78.1 per cent of the 1,371 cases. Table 3 summarises the key measures that arise from this process of estimation, and feed into our calculations of impact.

**Table 3: Impact benefits reported by parties to a dispute, internal to the organisation (2014-2015 operational year)**

Internal benefits	% of Workplaces reporting the relevant change	% productivity boost to workforce annual GVA	Net economic benefit from improved workplace relations
Benefit from improved morale	36%	1.0%	£9.5 million
Benefit from improved workplace practices	32%	2.0%	£4.4 million
Benefit from improved communication	43%	0.5%	£5.7 million
		Days saved from benefit	
Benefit from improved speed in processing future claims	49%	5	£0.6 million
<b>Total</b>			<b>£20.2 million</b>

Before summarising, it is important to tackle some **additional issues** around estimation of impacts arising from *Collective Conciliation*. Where we witness strikes in areas of Natural Monopoly (for instance, the London underground railway operator) there are fewer additional challenges when considering whether the impacts identified scale up to the 'whole-economy'. In our choice of case studies, we have stuck very closely to those instances where there are likely to be few 'displacement' or 'substitution' effects. For instance, in the case of a large British

<sup>41</sup> 32 per cent in the original study [and 2016 survey] suggest that working practices had changed; subsequently it would seem that 42 per cent of these impacts would have certainly occurred without Acas intervention; and 32 per cent 'probably' would have occurred. Taking the 42 per cent and 32 per cent as an indication of what would have happened without Acas intervention, we reduce the 32 per cent figure by 74 per cent (or to 26 per cent of its original value).

company that produces flour and bread, we could speculate on external economic impacts, but any such impacts would not scale up to the whole economy, due to the large number of competitors who can step in to fill the temporary gap in supply.

In contrast, in situations of natural monopoly the productive output lost to a day of strikes is truly 'lost'. The extent to which competitors can step in to capture customers lost to the striking organisations is negligible. In transport strikes some people may work at home, but many are simply stuck on other forms of transport being unproductive – once this productive activity is lost in these situations, it cannot be retrieved. This is clearly the case in transport-related strikes, but also applies in educational establishments as a student is registered at a school and parents/carers cannot send their children to another [competitor] school on the day of the strike. Avoidance of a strike in these cases has a clear impact on the overall productive capacity of the economy (the Production Possibility Frontier).

However, perhaps even more important to our consideration of these impacts are questions of the counterfactual. In the discussions above we use a variety of sources to calculate the cost of a day's strike in lost productivity; we then trawl the media to identify where announced strike actions were avoided and where there is mention of Acas intervention. A key issue is the extent to which any of our estimated values can be attributed to Acas intervention and how much would have been avoided in the absence of Acas.

Adopting a cautious approach to calculation of impacts is the first step we take in attempting to accommodate issues of the counterfactual. We can then consider some of the figures from Booth, Clemence and Gariban (2016) where the finding is that "Acas input was judged as having been important in bringing about a resolution in 84 per cent of settled [Collective Conciliation] cases". This suggests that Acas has an impact and that our approach (using 14 case studies out of 2,229) is particularly cautious. However, this still does not amount to causal evidence linking the intervention of Acas with improved employment relations outcomes.

To our knowledge, at the point of commissioning this study such evidence did not exist and as a result we undertake an analysis of WERS in Section 10. The findings provide some of the first evidence on causal impacts of dispute resolution generally, and show that Acas intervention is statistically significant in reducing the probability that organisations experience collective disputes. The specific parameters do not translate in a way that can be used in the analysis here, but the analysis provides strong supplementary evidence, supporting the attributing of significant economic impacts to Acas intervention. The overall impacts from this section are summarised below.

## Collective Conciliation 2014/15 (Urwin & Gould, 2016)

### Main estimate

Total Benefit: £148 million

Total Cost: £1.8 million

**Benefit-Cost Ratio: 81.4**

### **Previous Benefit-Cost Ratios**

2011/12 Update

76.5

2005/06 Review, Meadows (2007)

98.8

## 5.2 Conciliation in individual employment disputes

As outlined in Section 2, those considering submitting an Employment Tribunal (ET) claim must first notify Acas of their intention to do so by lodging an Early Conciliation (EC) Notification. Acas then offers to conciliate to try to resolve the matter. Where a case is not resolved at EC, the claimant is able to submit an ET claim after which Acas has a statutory duty to offer conciliation to the parties to try to resolve the matter to prevent a full ET hearing.

EC was introduced in April 2014, however notification was not mandatory until May 2014. During the first year of EC, 83,423 notifications were received<sup>42</sup>, however an additional 4,123 ET cases were copied to Acas for conciliation which bypassed EC notification. Of these 4,123 cases, it is estimated that 3,585 cases bypassed EC during April 2014 when EC notification was not mandatory and 538 did so on account of including exempt jurisdictions. As the methodology for estimating the economic benefits of *Conciliation in Individual Employment Disputes* is to take the number of EC notifications in 2014/15 as the starting point and then use the outcomes of these as the basis for the number of post-claim conciliation cases considered, it is necessary to account for these additional 4,123 cases. As a result, 3,585 cases have been added to the EC inflow and 538 added to the post-claim inflow.

In the 2014/15 Acas Annual Report, it is reported that 15.3 per cent of EC cases were resolved by Acas conciliation via a COT3 settlement, 22.3 per cent led to the submission of an ET claim and 62.4 per cent were taken no further by the claimant (i.e. they were not COT3 settled, but also did not result in an ET claim being lodged). These proportions are applied to the 87,008 EC Notifications (83,423 + 3,585) used in the benefit-cost model to give 13,312 cases settled at EC; 19,402 cases subsequently lodged as an ET claim; and 54,293 non-settled cases taken no further by the claimant.

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<sup>42</sup> The numbers presented here are 'net' of multiples – i.e. only one case is recorded in situations where there are multiple claimants associated with one ET1.



Following this, the model adopts a figure of 19,940 (19,402 cases emanating from Early Conciliation notifications in 2014/15 + 538 ET1 claims which bypassed EC) to represent the number of claimants who went on to submit an ET claim. At this stage, Acas again offer conciliation to try to resolve the matter to prevent a full ET hearing. According to Acas MI data, 53.4 per cent of post-claim conciliation cases which stemmed from EC notifications in 2014/15 were settled by Acas via a COT3 settlement, 15.4 per cent were withdrawn and 31.2 per cent were judicially determined (i.e. they went to a hearing, had a default judgement or were struck out).

*Method:* The starting point for estimation of economic impacts arising from Acas Conciliation in Individual Employment Disputes, is the decision on how many EC notifications that do not progress to an Employment Tribunal claim can be attributed to Acas. As was the case in previous studies of Acas' economic impact, the assumption is made that all COT3 settlements (13,312 cases) are attributable to Acas, and this analysis uses a figure of 37 per cent to represent the proportion of unprogressed claims that are attributable to Acas<sup>43</sup>, which is applied to 73 per cent of these claims, as this is the proportion who take up the offer of conciliation (resulting in a figure of 14,705). This gives a figure of 28,017 cases avoided by Acas intervention at the EC stage – from which we calculate that (i) 15,646 are cases avoided, that otherwise would have been cleared at the post-claim conciliation stage; (ii) 4,806 would otherwise have gone to an ET hearing following post-claim conciliation; and (iii) 7,565 would otherwise have gone to a hearing without taking up the offer of post-claim conciliation<sup>44</sup>.

For each of (i), (ii), and (iii) we then calculate the management time saved from early resolution of the case at the EC stage. Under (i) we gain an estimate of the management time taken to settle a claim at the EC stage and the time taken to do so at the post-claim conciliation stage, and the difference between the two is the value added. Under (ii) we calculate the difference between management time taken to settle a claim at the EC stage and the management time taken if a case goes to an ET hearing (in situations where post-claim conciliation has been taken up) and (iii) is a very similar calculation, but using the figure for management time taken if a case goes to an ET hearing (in the instance where post-claim conciliation is not taken up)<sup>45</sup>. The figures for management time used are taken from SETA 2013, detailed in the Appendix.

Table 4 presents the figures arising from this process of calculation, for each of the

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<sup>43</sup> In Downer, Harding, Ghezelayagh, Fu and Gkiza (2015; p98), this is the percentage who credit Acas 'completely' or 'to a large extent', with resolution of their case. A further 24 per cent who credited Acas 'to some extent' are discounted from this analysis, in keeping with the cautious approach adopted throughout this study.

<sup>44</sup> With these proportions calculated using information from the 2015 Early Conciliation survey; the 2012 survey if Individual Conciliation, and the 2014/2015 Annual Report.

<sup>45</sup> As footnote 15 underlines, we are limited somewhat by the data available, and this drives our approach to calculation of management time saved – subtracting the average time spent by managers for cases resolved at the EC stage, to arrive at estimates of management time saved, if a case were to result in an ET claim. This results in a relatively conservative approach to calculation of management time saved, as one may expect that managers' time spent on a case successfully resolved at EC, is higher than the time spent by managers at the EC stage, when the case is not resolved at this point. This is borne out by the fact that for this particular calculation, the management time saved drops close to zero – essentially because we are over-estimating the management time spent at earlier stages. To compensate, this final calculation does not subtract management time at EC, only management time expended for a case resolved at the post-claim conciliation stage.

three categories of cases avoided at the EC stage. In the second two columns, estimates are calculated using figures for average management time taken at the 'mean'; whilst the figures in brackets are calculated using median values, and represent the 'extreme lower bound' estimate.

**Table 4: Estimated management time saved from Acas resolution at the EC stage**

		<b>Net</b>	
Cases avoided, which otherwise would have been cleared post-claim	15,646	£1,396 [£509]	£21.85 million [8.0 million]
Cases avoided, which otherwise would have gone to an ET hearing, following post-claim conciliation	4,806	£2,070 [£927]	£10.0 million [4.5 million]
Cases avoided, which otherwise would have gone to an ET hearing, without post-claim conciliation	7,565	£674 [£418]	£5.1 million [£3.2 million]
<b>Total</b>	<b>28,017</b>	<b>£4,141</b> [£1,855]	<b>£36.9 million</b> [£15.6 million]

In addition to the estimates presented in Table 4, we assume a saving in recruitment costs of one post for every ten cases that would have been heard in the absence of Acas intervention<sup>46</sup>; some saving to the taxpayer in terms of employment tribunal administrative costs; time savings for third parties involved in the process (with the estimate of 10 per cent of cases involving a third party taken from the 2013 SETA); and also savings from avoidance of future claims.

The estimate of savings from avoidance of future claims is calculated using the 14 per cent figure from Downer et. al. (2015; page 89), which represents the proportion of employers who report that, "the Acas conciliator had provided them with information or advice that they believed would help them to avoid having to

<sup>46</sup> This is an assumption used in all studies since the PVP analysis of Individual Conciliation (the original assumption in the 2007 model was 1 in 3). We have not been able to identify any justifications for an alternative to this estimate of 1 in 10.

deal with a similar case in the future". We therefore take 14 per cent of 63,689 cases (73.2 per cent of the total 87,008 who are estimated to take up Acas conciliation) to derive an estimate of 8,917 cases avoided in the future (assuming only one future case is avoided for each current case conciliated). The average saving in management time across all 28,017 cases avoided in our EC calculations is £1,317 (or £579 at the extreme lower bound estimate). We therefore use these figures to calculate an expected saving from avoidance of these 8,917 cases in the future.

Together, the calculations of these savings on recruitment; to taxpayers; third parties; and future avoided claims, provides us with an estimated saving of £36.9 million from Acas intervention at this initial stage in the process of conciliation in individual employment disputes.

As already outlined, the outcomes inferred for the 19,940 cases that progress beyond the EC stage are those that arise when we consider only post-claim conciliation cases that stemmed from an EC notification. More specifically, for all cases that progress to an ET claim, we apply a proportion of 53.4 per cent for cases that are COT3 settled (10,648 cases) and 15.4 per cent withdrawn (3,071 cases); these proportions are based on Acas MI data. We then assume that all COT3 settlements are attributable to Acas and use a figure of 17 per cent to represent the proportion of un-progressed claims that are attributable to Acas<sup>47</sup>. This gives a figure of 11,170 ET hearings that are avoided by Acas intervention at the post-claim stage.

The figures above form the basis for the calculation of how much management time is saved by avoiding an ET hearing, as a result of Acas resolution during the post-claim conciliation phase. Table 5 presents the various stages of estimation, separately for (a) an approach that uses the arithmetic mean and (b) one that uses the median, for management time. Once again, because of data issues, we are taking a relatively cautious approach, as our estimate of management time saved in the case where an ET hearing is avoided, is calculated as the 'management time on a claim that proceeds to a tribunal' minus 'management time on a claim settled by Acas, prior to tribunal' (see footnotes 15 and 45).

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<sup>47</sup> Downer, M., Harding, C., Ghezelayagh, S., Fu, E., Pitt, W. and Thomas, A. (2016), "Evaluation of Acas conciliation in Employment Tribunal applications", Ref: 04/16.

**Table 5: Estimated management time saved from Acas resolution at the post ET claim stage**

<b>Savings from cases resolved in post claim conciliation</b> (for the 22% that progress beyond EC)	<b>Using mean estimates for managers' time</b>	<b>Using median estimates for managers' time</b> [used for extreme lower bound estimates]
Hearings that are avoided	11,170	11,170
Management time saving for each ET case that does not go to an ET Hearing, following post claim conciliation	£674	[£418]
Total management time saving benefit for ET	£7.5 million	[£4.7 million]
Total taxpayer; employer recruit/future avoidance; and third party savings for ET	£30.0 million	[£26.7 million]
Management time saving for each Non-ET case that does not go to a Hearing, following post claim conciliation	£674	[£418]
Total management time saving benefit for Non-ET	£0.6 million	[£0.4 million]
Total taxpayer, employer recruit/future avoidance; and Third party savings Non-ET	£15.3 million	[£14.6 million]
<b>Total</b>	<b>£53.5 million</b>	<b>[£46.3 million]</b>

The estimate of management time saved using this approach is £7.53 million. In addition, as in Table 4, we assume a saving in recruitment costs of one post for every ten cases that would have been heard in the absence of Acas intervention; savings to the taxpayer from employment tribunal hearings that do not take place; time savings for third parties involved in the process; and savings from avoidance of future claims.

In addition to these ET cases, Table 5 also considers 'Non-ET' cases. These are cases which Acas resolved through conciliation, but where an ET claim or EC notification had *not* been lodged (and so are not considered in the previous analysis) - the majority of these are 'multiple' Equal Pay cases. We have included 4,580 cases in this category. These are made up of 159 *ET1 Equal Pay Cases* and 4,421 *'potential' equal pay cases* against local authorities, all of which are net of multiples. In previous calculations, it has been assumed that many of these cases were multiple claims against a single employer and, therefore, that one hearing would have been generated for every twenty cases; and that employers/third

parties only spent a fifth of the time they would spend on a typical case. Our figures are net of multiples and so we do not need to reduce our figures in the same way<sup>48</sup>.

Bringing together all the estimated impacts from our various calculations, we arrive at the following figures, with a benefit-to-cost ratio that is slightly lower than that estimated in previous studies<sup>49</sup>.

<b>Conciliation in Individual Employment Disputes 2014/15 (Urwin &amp; Gould, 2016)</b>	
<u>Main estimate</u>	
Total Benefit:	£127.1 million
Total Cost:	£24.4 million
<b>Benefit-Cost Ratio:</b>	<b>5.2</b>
<u>Extreme lower bound estimate</u>	
Total Benefit:	£92 million
Total Cost:	£24.4 million
Benefit-cost Ratio:	3.8
<b>Previous Benefit-Cost Ratios (Individual Conciliation)</b>	
2011/12 Update	
5.7 [4.7 lower bound estimate]	
2005/06 Review, Meadows (2007)	
6.4	

### 5.3 Joint Problem Solving Activities

In the 2014/2015 operational year Acas Senior Advisers delivered 104 *Joint Problem Solving Activities* within workplaces. As outlined in Section 2, these are fee-waived projects that look to find solutions to workplace problems which are directly linked to a workplace dispute. This may push us to consider benefits as being similar to those hypothesized when considering collective dispute resolution services. Ultimately, we do not have the information on *Joint Problem Solving*

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<sup>48</sup> However, we do retain the assumption from previous economic impact assessments, that the savings to third parties and the taxpayer are a factor of two greater in the case of non-ETs, when compared to ET cases – as the cases take up much more ETS time. As with other ‘inherited’ assumptions, we have attempted to find alternatives, but none are available.

<sup>49</sup> It is perhaps worth noting that, in comparison to calculations that underpin the economic impact of [for instance] the Telephone Helpline, when considering conciliation in individual employment disputes, we do not count benefits to employees of unemployment avoided, because the vast majority of cases do not save the employment relationship (even when we consider the EC stage, most claimants are in a new job). It is only when we consider services where there is a potential to avoid the ET process, and therefore save the employment relationship, that these are taken into account

*Activities* to carry out the sort of analysis of 'external impacts' carried out in Section 5.1. However, we do have the information required to estimate 'internal' impacts, in a similar way to that for Acas *Collective Conciliation*.

The approach to estimation of impacts arising from *Joint Problem Solving Activities* is therefore very similar to that seen in Section 5.1, with parameters from the model based on findings from recent evaluations carried out by Broughton, Pearmain and Cox, (2010); Cooper, (2011) and Ipsos Mori, (2013) into Workplace Projects (which covers *Joint Problem Solving Activities*, and *Workplace Projects*).

To begin, we use data from Acas MI to calculate that the average workplace involved in *Joint Problem Solving Activities* has 509 employees. Two sets of estimates are then produced, one assuming that all employees in the workplace are impacted by the activities; and an extreme lower bound estimate using the assumption that only 50 per cent of employees are affected by the following productivity, sickness absence and quality impacts.

We assume that the 509 workers add the average annual GVA per workforce member of £45,298 (ONS, 2013) and this figure is used as the basis for consideration of impacts arising from reduced grievance and disciplinary procedures, together with reduced sickness absence and improvements in quality of the good/service produced. In the 2013 Ipsos Mori study, 5 per cent of firms report improved quality<sup>50</sup>; 10 per cent of organisations report lower absenteeism<sup>51</sup> and 4 per cent report higher levels of productivity (with the productivity gain from improved quality assumed to be 2.5 per cent).

Previous estimates of economic impact assumed a reduction in the incidence of grievances or disciplinary cases of 25 per cent; and reduction in the incidence of absenteeism as 10 per cent. We have not been able to find alternative estimates that are underpinned by research evidence, and so adopt the same figures; but overall our approach results in a lower estimated impact, as those reporting a 'higher quality of service/output' has dropped from 8 per cent to 4 per cent.

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<sup>50</sup> An internal Acas report on *Joint Problem Solving Activities* estimates this figure at 4%, so this is used, rather than the 5% figure [which also applies to *Workplace Projects*].

<sup>51</sup> Note that the relevant figure [Ipsos Mori, p50; 2013) captures the extent to which respondents note that Workplace Projects had an effect on absence.

## Joint Problem Solving Activities 2014/15 (Urwin & Gould, 2016)

### Main estimate

Total Benefit: £3.5 million

Total Cost: £190,000

**Benefit-Cost Ratio: 18.3**

### Extreme lower bound estimate

Total Benefit: £1.7 million

Total Cost: £190,000

Benefit-Cost Ratio: 9.1

### **Previous Benefit-Cost Ratios (Workplace Projects<sup>52</sup>)**

2011/12 Update

7.8 [3.9 lower bound estimate]

2005/06 Review, Meadows (2007)

55.3

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<sup>52</sup> Previous estimates refer to the broader service definition of 'Workplace Projects' (rather than disaggregating *Joint Problem Solving Activities* as in this study), so like-for-like comparisons need to be considered with care.

## 6. TRAINING SERVICES

This section presents estimates of the economic costs and benefits arising from Acas delivery of *Open Access Training*, *Workplace Training* and *E-Learning*. However, before describing this analysis, we briefly consider recent reports that have focused on issues of productivity, which has particular relevance here. In the original 2007 study, Meadows flags the greater challenges faced when attempting to capture evidence of a causal relationship between, “practices associated with better relationships [such as the *Training Services* we consider in this section] and higher performance”. When considering services in this section (and to some extent in the areas of *Online Information and Guidance* and *Helpline Services*) the focus is more on ‘prevention’ than ‘resolution’ and it is often harder to identify productivity impacts for the former. Consideration of issues raised in recent publications provides some key insights into the role that Acas services, which focus on prevention [and improving employment relations more generally], can play in raising UK productivity.

### ***UK Productivity and Management Practice:***

It is clear that good employment relations are an underpinning requirement across the two productivity ‘pillars’ identified in a recent Treasury report<sup>53</sup>, and the evidence across a variety of studies is that poor workplace management is a key reason why the UK’s productivity is lower than many of our competitors.

For instance, a common theme running through invited contributions in a recent Acas productivity report<sup>54</sup> is summarised by research carried out by Bloom and Van Reenan (2010)<sup>55</sup>. This work estimates that around a quarter of the UK’s productivity gap with the US is down to poor workplace management. Similarly, “one perennial problem that has plagued the UK economy is the lack of skills amongst managers, with only 43 per cent of UK managers having a degree compared to 58 per cent across fourteen countries of the OECD in 2007”<sup>56</sup>. From Katherine Chapman at UKCES<sup>57</sup>; to Len Levy at the CBI; to Mike Cherry at the FSB<sup>58</sup>, weakness in the UK’s management capability is seen as intricately linked to our poor productivity performance - Acas clearly plays an essential role in tackling this, by delivering a variety of advice and training services.

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<sup>53</sup> HM Treasury (2015), *Fixing the foundations: Creating a more prosperous nation*, July

<sup>54</sup> Acas Strategy Unit (2015), *Building Productivity in the UK*, June

<sup>55</sup> Bloom, N., Dorgan, S., Dowdy, J. and Van Reenen, J. (2007), ‘Management Practice and Productivity: Why they Matter’, *Centre for Economic Performance*, London.

<sup>56</sup> Pryce, V., Ross, A. and Urwin, P. (2015), *It’s the Economy Stupid: Economics for Voters*, Biteback Publishing Ltd; 371 pages.

<sup>57</sup> “There is evidence that skills are not being used effectively in the workplace due to poor management capability, which hinders innovation and growth; and too many businesses continue to base their market strategies on low value products”.

<sup>58</sup> “The UK has a long-standing weakness in this regard, with studies pointing out the existence of a ‘long tail’ of British organisations lacking adequate leadership and management capabilities, including shop floor management and basic monitoring of people and processes”.



This management capability is also linked to innovation, entrepreneurship and enterprise. Acas play an important role in supporting small business owners and managers, who have less formal employment relations structures and fewer opportunities for training. They may very well possess the skills of entrepreneurial insight that are essential to high levels of productivity, but may lack the necessary skills to manage staff effectively (see for instance Urwin, 2012). Acas is impartial, offering services which support firms of all sizes, but the more limited resources available to small business owners mean that Acas services are particularly important.

The finding from these recent publications is that significant gains to productivity can be made from improving the practice of workplace management – this is the assumption underpinning estimates in this section, as much of the benefit from *Acas Advisory and Training services* derives from impacts on productivity, via specific improvements we see captured in Acas-commissioned studies - for instance, in Wiseman and Balodis (2016), when considering *Open Access Training*; and in York, Fettiplace and Jamieson (2014), when considering *Workplace Training*.

## 6.1 Open Access Training

In the 2014/2015 operational year, 11,995 Delegates attended 1,286 Acas *Open Access (OA) Training* events. In line with previous studies of Acas' economic impact, we estimate the impact of *OA Training* based on findings from delegate surveys, which ask attendees about the impacts on their organisation of the training in terms of ET claims, workplace attendance and absence, discipline cases and implementation of new workplace policies.

The approach to estimating the economic impact of *OA Training* first needs to ensure that we do not double-count impacts, therefore the Acas MI data has been trawled to ensure that we only count impacts once for each workplace. For instance, if two managers from the same workplace attend an OA event, the impact is only captured for one workplace – even if different training is provided, we only calculate one impact from improvements in attendance, discipline and avoidance of ET cases. This reduces the number of workplaces where we have OA impacts by roughly half, to 6,702; and the average number of employees in organisations represented is 228 (with our extreme lower bound estimate calculated by assuming that only half of these employees are impacted).

The above calculation gives a starting point for the base number of workplaces to which *OA Training* impacts are applied and then we can draw on the latest evaluation findings to derive the estimates. Impacts are applied to 73 per cent of these 6,702 delegates based on the finding in Wiseman and Balodis (2016)<sup>59</sup> that, as a result of the training, 73 per cent of delegates had reviewed, revised or introduced one or more new policy or practice in their respective organisations or planned to do so. Of these, 22 per cent said they had experienced a reduction in ET claims; 21 per cent reported improvements in staff absenteeism and 31 per cent a reduction in discipline and grievance cases. Therefore, when applied to our total of 6,702; these impacts translate into 16 per cent, 15 per cent and 23 per cent respectively.

These are the key figures that underpin estimates generated in Table 6. Calculation

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<sup>59</sup> Wiseman, J. and Balodis, L. (2016), "The impact of Acas Open Access Training", *Acas Research paper*

of the management time saving from reduction in disciplinary action and grievances, applies the 23 per cent figure, alongside an estimate of the average management days spent on disciplinary cases (7.8) from the CIPD (2011) Conflict Survey, to produce an estimated £3.4 million of savings. The main component of saving however, is from the reduction in sickness absence, as we apply a figure of 15 per cent reporting some impact from *OA Training* in this area where we utilise an estimate of 7.4 for the average number of days per year an employee is absent (from the CIPD Absence Management survey, 2014); and carry forward the assumption (see the discussions under Section 5.3) that the impact felt by the 15 per cent is a 10 per cent reduction in absence. Using these figures, alongside those for average GVA per employee, we arrive at the estimate of £35.1 million. The estimate of management time saved on ET cases utilises both the arithmetic mean and median for management time saved (from SETA, 2013), hence the greater gap between the main estimate and extreme lower bound.

**Table 6: Calculating the Benefits of Acas Open Access Training**

<b>Open Access training benefits</b>	<b>Benefits</b> (assuming 100% of employees impacted)	<b>Benefits</b> (assuming 50% of employees impacted) [used for extreme lower bound estimates]
No. of delegates from distinct organisations	6,702	6,702
Management time saving from reduction in disciplinary and grievance	£3.4 million	£1.7 million
Saving from reduction in sickness absence	£35.1 million	£17.5 million
Impact from ET cases avoided	£2.1 million	£0.7 million
<b>Total</b>	<b>£40.7 million</b>	<b>£20.0 million</b>

The estimated benefit of OA training presented in this analysis is slightly higher than the original estimates in Meadows, which is mainly driven by the higher proportion of those who made policy or practice changes reporting a reduction in sickness absence (21 per cent) and the increased reach of this service.

## Open Access Training 2014/15 (Urwin & Gould, 2016)

### Main estimate

Total Benefit: £40.7 million

Total Cost: £1.6 million

**Benefit-Cost Ratio: 25.4**

### Extreme lower bound estimate

Total Benefit: £20.0 million

Total Cost: £1.6 million

Benefit-Cost Ratio: 12.5

### **Previous Benefit-Cost Ratios**

2011/12 Update:

59.4 [29.5 lower bound estimate]

2005/06 Review, Meadows (2007):

17.7

## 6.2 Workplace Training

In the 2014/15 operational year, 19,937 delegates attended 1,078 Acas *Workplace Training* events. The approach to calculation of impacts from *Workplace Training* is very similar to that of *OA training*, with the specific parameter estimates drawing on findings from York, Fettiplace and Jamieson, 2014<sup>60</sup>. In the case of *Workplace Training*, double-counting is less of an issue, as we have a clearer idea of how many distinct workplaces receive training. Table 7 sets out the estimated impacts, in terms of the reduction in disciplinary action and grievances; ET claims and sickness absence.

The estimate of £0.5 million management time saved from reduction in disciplinary action and grievances is calculated in the same way as for OA training, but this time using a figure of 9.9 per cent to represent the proportion of the 1,078 workplaces that report a reduction in disciplinary action and grievances<sup>61</sup>. Similarly, the estimated £6.8 million saving from improved attendance (reduced sickness absence) is calculated in the same way as *OA Training*, but this time applied to 1,078 workplaces (each with an average 432 employees), using a figure

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<sup>60</sup> York, C., Fettiplace, S. and Jamieson, D. (2014), "Acas Workplace Training Evaluation 2013", *Acas Research paper*, Ref: 05/14.

<sup>61</sup> All figures used here for ET claims avoided, reduction in discipline/grievance and savings from reduced sickness absence are taken from the Workplace Training survey, reported on p54 & 56 of York et. al. (2014); and are derived from the numbers reporting changes, and attributing these to ACAS intervention.

of 9.8 per cent for the proportion reporting that these impacts resulted from the Workplace Training event. The £0.1 million reduction in impacts related to ET cases also follows the OA approach, but this time with a 5 per cent figure used for the proportion of our 12,461 managers who report these impacts<sup>62</sup>. These calculations lead to an overall impact in Table 7 of £7.3 million, with an extreme lower bound of £3.6 million calculated using the median for management time saved, and assuming only 50 per cent of employees are impacted.

**Table 7: Calculating the Benefits of Acas Workplace Training**

		<b>Impacts</b> (assuming
Number of events	1,078	1,078
Management time saving from reduction in disciplinary and grievance	£0.5 million	£0.2 million
Saving from reduction in sickness absence	£6.8 million	£3.4 million
Impact from ET cases avoided	£0.1 million	£0.04 million
<b>Total</b>	<b>£7.3 million</b>	<b>£3.6 million</b>

*Workplace training* has not been considered in previous economic impact analyses due to a prior lack of evaluation data on the impact of this service. Comparing the estimated benefit-cost ratio of *Workplace Training* to *OA Training*, the economic benefits estimated for *Workplace Training* are lower in part due to less evidence of impacts, but more significantly due to its lesser reach, in terms of the number of organisations impacted.

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<sup>62</sup> Implicit in this approach, is an assumption that savings from disciplinary and grievance/ET cases avoided, only apply to the managers who attend the events across these 1,078 workplaces; and that the sickness absence reductions apply to the average number of employees across the 1,078 workplaces.

## Workplace Training 2014/15 (Urwin & Gould, 2016)

### Main estimate

Total Benefit: £7.3 million

Total Cost: £1.6 million

**Benefit-Cost Ratio: 4.6**

### Extreme lower bound estimate

Total Benefit: £3.6 million

Total Cost: £1.6 million

Benefit-Cost Ratio: 2.3

### **Previous Benefit-Cost Ratios**

Not applicable

## 6.3 E-Learning

In the 2014/2015 operational year, there were 14,750 online training instances (or registrations). Consideration of the recent evaluation carried out by Berry-Lound and Holland (2014)<sup>63</sup> suggests caution in attributing impacts to all of these registrations. For instance, “the numbers of respondents who had completed an entire module varies from 13 per cent with Handling Redundancy up to 38 per cent on Equality and Diversity” and, “over a third (35 per cent) had not completed any modules, a quarter (25 per cent) had completed one module, and eight per cent had completed all 10”. As the authors recognise, high numbers are just browsing the materials to identify the information that they need; suggesting that for some users e-learning is similar to the type of use we consider under Section 9 (*Online Information and Guidance*).

Furthermore, the findings of Berry-Lound and Holland (2014) raise concerns over possible double counting, if we scale up from 14,750 events in addition to a separate counting of impacts arising from Acas *Online Information and Guidance* services. The authors find that, “the most common way that respondents came across the Acas e-learning was via the Acas website (54 per cent)” and, “as a result of using Acas e-learning, 90 per cent of respondents that responded to the question have used the Acas website, [and] 72 per cent have used Acas online guidance including advisory booklets”.

The 2014 study does provide information that allows us to calculate some of the key indicators required to adopt a similar approach to evaluation as that adopted for *OA training*. We estimate the proportion of e-learning registrations that are managers or SME owners, and assume an average workplace size of 228 employees. However, any estimates of the percentage avoiding a tribunal claim; of improved attendance, or reduction in discipline cases, are taken from the

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<sup>63</sup> Berry-Lound, D. and Holland, J. (2014), “An Evaluation of the Acas Model Workplace and Acas e-learning”, Acas Research Paper, Ref: 09/14.

evaluation of *OA Training* carried out by Kwaw, Grimes and Bryce (2011).

Therefore, the approach to calculation of impacts arising from e-learning follows that set out for *OA Training*, but with impacts scaled down to only 1/3 of their value, to counter concerns over double-counting; and only 50 per cent of the overall impact is taken (25 per cent in the extreme lower bound scenario), to counter concerns over the levels of completion we see amongst users, which we would expect to reduce estimated impacts<sup>64</sup>. Working from a base of 14,750 events, we calculate that 4,278 are managers or small business owners - using a figure of 29 per cent from the Berry-Lound and Holland (2014) study.

Table 8 estimates £134,475 of management time saved from reduction in disciplinary action and grievances, which is calculated in the same way as for *OA training*, using a figure of 8 per cent to represent the proportion who report a reduction in disciplinary action and grievances (with the figure of £33,619 obtained by considering only 33 per cent of cases, and taking only 25 per cent of impacts arising from these cases – compared to the 50 per cent impact used for the £134,475 figure). The estimate of £3.7 million saving from improved attendance (reduced sickness absence) is calculated as for *OA training*, but this time applied to 4,278 workplaces; each with an average 228 employees and using a figure of 15 per cent for the proportion that experience these impacts<sup>65</sup>. The £97,500 reduction in impacts related to ET cases also follows the same *OA* approach, with a 7 per cent figure used for the proportion of the 4,278 managers who report these impacts (alongside the proportionate reductions applied across all calculations).

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<sup>64</sup> The reduction to 1/3 is something we come back to in Section 9, but ultimately both these figures represent an area where future research can help to shed some light. Many bodies such as Acas are some way along the 'digital-by-default' pathway, and the next step is to consider systematic approaches to capturing impacts that take into account the inter-connected pathways that users take across various aspects of the digital delivery.

<sup>65</sup> The figure implied for average workplace size from the relevant service evaluation is 101 employees. However, the study is qualitative in nature and therefore we utilise the average Open Access training size (of 228 employees) for this service instead.

**Table 8: Calculating the Benefits of Acas E-learning [applying only one-third of calculated impacts]**

<b>E-learning benefits</b>	<b>Impacts</b> (assuming 100% of employees impacted & 50% of impact taken)	<b>Impacts</b> (assuming 50% of employees impacted & 25% of impact taken) [used for extreme lower bound estimates]
Total delegates	14,750	14,750
Number of delegates who are managers or SME owners	4,278	4,278
Net management time saving from reduction in disciplinary cases	£0.1 million	£0.03 million
Net saving from reduction in sickness absence	£3.7 million	£0.9 million
Impact from ET cases avoided	£0.1 million	£0.02 million
<b>Total</b>	<b>£3.9 million</b>	<b>£1.0 million</b>

This leads to an overall impact in Table 8 of £3.9 million, with an extreme lower bound of £975,000 (calculating management time saved using a median figure and applying the more extreme discounting factors). The resulting high ratio estimated (of 136) is largely due to a very low cost base (as flagged in Section 4). Due to this and the relative lack of evidence on the impacts of this service, the *E-learning* benefit-cost ratio should be considered with some caution, but it is important to note that the service area does not have a significant impact on the overall benefit (contributing only 0.6 per cent of the total Acas benefits).

<b>E-learning 2014/15 (Urwin &amp; Gould, 2016)</b>	
<u>Main estimate</u>	
Total Benefit:	£3.9 million
Total Cost:	£29,000
<b>Benefit-Cost Ratio:</b>	<b>136</b>
<u>Extreme lower bound estimate</u>	
Total Benefit:	£975,000
Total Cost:	£29,000
Benefit-Cost Ratio:	34
<b>Previous Benefit-Cost Ratios</b>	
Not applicable	

## 7. HELPLINE SERVICES

Previous studies of Acas' economic impact have included estimates for the economic benefit of Acas' *Telephone Helpline*, and here we expand consideration to also include *Webchat*, which can be seen as an online version of the telephone service [in that, it takes place in real-time and delivers bespoke advice and guidance].

### 7.1 Telephone Helpline

In the 2014/2015 operational year 903,679 calls were answered by the Acas *Telephone Helpline*. As in other areas of Acas Service delivery, we are able to use the MI data to estimate the proportion of these calls that can be associated with impacts. Thus, we use the MI data to measure the proportion of callers who are employers (19.5 per cent) and the proportion who are employees (79.4 per cent); together with a finding that 3.7 per cent of all calls were 'out-of-scope'.

We further reduce the number of employee calls that are associated with impacts, as Harding and Hingley (2015)<sup>66</sup> find that employees surveyed (including employee representatives and former employees) called an average of 2.56 times each across a 12 month period. Therefore, we further reduce the 79.4 per cent of employee callers, by dividing by 2.56, suggesting that estimated impacts can be calculated for 269,912 employees. In keeping with the cautious approach adopted throughout this study, this is likely to over-compensate for the problem of double counting, as employees could be calling about separate issues that experience some amount of cumulative impact across calls, rather than just one impact for every 2.56 calls. It seems reasonable to suggest that for employers, each call is more likely to be associated with a separate impact – though we only count 87 per cent of employer calls, as this is the proportion in Harding and Hingley (2015) who report that the call helped to resolve the issue<sup>67</sup>. Only considering in-scope calls and those where employers report that the call helped to resolve the issue, we have a starting baseline of 147,636 employer calls.

Starting from these baseline figures, Table 9 sets out the savings that are associated with employer calls to the *Telephone Helpline*. We calculate an £8.7 million saving of management time (carrying forward an assumption from previous reviews, that each employer saves two hours as a result of the Helpline advice); and an £11 million benefit to employers from avoiding disciplinary and grievance procedures. The difference between this £11m and £5.5m estimate is driven by an upper and lower bound for the disciplinary/grievance-avoidance-rate of 5 per cent and 2.5 per cent, applied in previous studies; and this also drives the gap between a £2.55m and £1.28m estimate for savings in recruitment costs from reduced turnover. The gap between our £805,000 and £144,000 estimates for the savings arising from EC notifications (using the approach implemented in Section 5.2), is driven by the use of an arithmetic mean, as opposed to the median, for management time saved.

We estimate that 282 employees avoid a loss of earnings equal to £1.8m, through a saving of the employment relationship (or 141 employees avoid £594,000 if we use median earnings estimates, and the 2.5 per cent figure for grievance-avoidance); and there is a £0.69m saving of employee time that would have been

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<sup>66</sup> Harding, C. and Hingley, S. (2015), "Acas Helpline evaluation 2014", *Acas Research Paper* Ref: 02/15.

<sup>67</sup> The figure is not separately reported for employees and employers, but the suggestion in the report is that the employer proportion is higher and therefore this figure can be seen as relatively cautious.



used in preparation of cases. Finally, we estimate savings to taxpayers and third parties from the avoidance of EC notifications that amount to £148,000 and £36,000, calculated in the same way as in Section 5.2. Overall, this leads to a benefit from employer calls of £25.8 million [or £16.4 million at the extreme lower bound].

**Table 9: Calculating the benefits of the Acas Telephone Helpline: employer calls**

<b>Telephone Helpline benefits: employer callers</b>	<b>Impacts</b> (Using the arithmetic mean for management time) <sup>68</sup>	<b>Impacts</b> (Using the median for management time) [used for extreme lower bound estimates]
Total callers for whom impacts are estimated	147,636	147,636
Total benefit to employers from saving time	8.7 million	8.7 million
Management time saving from reduction in discipline and grievances	£11.0 million	£5.5 million
Employer savings in recruitment costs	£2.6 million	£1.3 million
Employer savings from ET cases avoided	£0.8 million	£0.1 million
Loss in employee earnings avoided by saving employment relationship	£1.8 million	£0.6 million
Employee savings from avoiding preparation time for cases	£0.7 million	£0.07 million
Taxpayer savings	£0.1 million	£0.07 million
Savings to third parties	£0.04 million	£0.02 million
<b>Total</b>	<b>£25.8 million</b>	<b>£16.4 million</b>

For each of the 269,912 employee calls, we utilise the information from Harding and Hingley (2015) that finds that 29 per cent of surveyed [employee] callers were considering an ET claim; that 28 per cent of this sub-group of employee callers subsequently decided against doing so; and that of this sub-group who subsequently decided against making a claim, 90 per cent credited the Acas Helpline as 'important' in making this decision. These figures are used to arrive at

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<sup>68</sup> In addition to the differences in values between the two columns in Tables 9 and 10 that are driven by differences in the measures of management time used, the first column uses the Mean time spent unemployed after an ET case (18.5 weeks according to SETA, 2013); whilst the second column uses the Median of 12 weeks, when calculating the savings to employees of avoiding an ET claim that is associated with job loss, in 92% of cases (again, using SETA 2013). The first column also uses a Mean of 30 hours that SETA 2013 estimates employees spend preparing a case; as opposed to the second column that uses the median of 6 hours.

an estimate of 19,725 EC Notifications avoided.

In Table 10, the estimated benefit of £15.4m from management time saved from reduced EC notifications, is calculated using the same parameters as those in Section 5.2, applied to these 19,725 cases; with the lower estimate of £5.5 million driven by the use of median figures for estimated management time on EC and post-claim conciliation cases, taken from SETA 2013. The £48.8 million estimated benefit from employer savings in the costs of staff turnover (most notably recruitment) are based on an estimated turnover cost of £2,686.75 for each job. This is a rather dated figure from the CIPD (2009) *Recruitment and Retention Survey*, but later surveys (such as the one in 2015) only give advertising costs.

One of the largest components of Table 10 is the £117.9m estimate of employee savings from periods of transitional unemployment avoided, which is based on the findings from SETA 2013, that 92 per cent of claimants in ET cases are no longer in employment, and therefore avoidance of a case saves 18.5 weeks of unemployment on average, for each case avoided (which, from SETA 2013, is the average time spent in unemployment following an ET case; and the lower estimate of £76.4m is created using the median duration of unemployment, which is 12 months). The use of an arithmetic mean [of 30] for the average number of days an employee spends preparing an ET claim, results in an estimated £48m saving – whilst the median is only 6 days and therefore results in a much reduced estimate of £9.6 million. Using the same approach as for employer calls, we calculate savings of £9.3m and £72,000 for taxpayers and third parties, respectively.

**Table 10: Calculating the benefits of the Acas Telephone Helpline: employee calls**

<b>Telephone Helpline benefits: employee callers</b>	<b>Impacts (Using the arithmetic mean for management time)</b>	<b>Impacts (Using the median for management time) [used for extreme lower bound estimates]</b>
Total callers for whom impacts are estimated	269,912	269,912
Total number of EC Notifications avoided	19,725	19,725
Management time saving from reduction in EC Notifications	£15.4 million	£5.5 million
Employer savings in costs of staff turnover	£48.8 million	£48.8 million
Employer savings from periods of transitional unemployment avoided	£117.9 million	£76.4 million
Employee savings from avoiding preparation time for cases	£48.0 million	£9.6 million
Taxpayer savings	£9.3 million	£9.3 million
Savings to third parties	£0.07 million	£0.07 million
<b>Total</b>	<b>£239.4 million</b>	<b>£149.6 million</b>

Overall, estimated impacts from the *Acas Telephone Helpline* have been reduced quite significantly from previous economic impact analyses, as the approach has significantly reduced the number of calls that can be associated with impacts, when compared to previous studies. As a result of this, we undertake a comparative discussion (below) to see if previous estimates may have been over-stated, when compared to other studies in the public sector – the suggestion is that this is not the case, and therefore the estimated benefit-cost ratio of 20.7 presented in this analysis may be seen as relatively cautious. Furthermore, one can see that the main difference with previous estimates is a reduced gap between the two estimates provided, which is mainly due to a more conservative approach to estimation of the main (upper bound) estimate.

### **Telephone Helpline 2014/15 (Urwin & Gould, 2016)**

#### Main estimate

Total Benefit:	£265.1 million
Total Cost:	£12.8 million
<b>Benefit-Cost Ratio:</b>	<b>20.7</b>

#### Extreme lower bound estimate

Total Benefit:	£166 million
Total Cost:	£12.8 million
Benefit-Cost Ratio:	12.9

#### **Previous Benefit-Cost Ratios**

2011/12 Update:

65 [25.4 lower bound estimate]

2005/06 Review, Meadows (2007):

53.1

The *Acas Telephone Helpline* makes an important contribution to the economic impact of Acas services, in part because it deals with so many enquiries and takes up a significant proportion of staff time. How do the impacts we identify for the Acas Helpline compare to those identified in recent studies elsewhere in the public sector? Since the original 2007 study, there have been BIS-commissioned studies considering the impact of telephone helpline services in other areas of the public sector (for instance, Ecorys, 2012; 2014)<sup>69</sup> and we are also able to consider the

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<sup>69</sup> Ecorys (2012), "Assessment of the Business Link Helpline", *Department of Business, Innovation and Skills*; Ecorys (2014), "Evaluation of the Business Support Helpline and GOV.UK", *Department of Business, Innovation and Skills* Research Paper No. 193

approach taken recently to evaluate the Citizens Advice Service (2015)<sup>70</sup>.

When considering the analyses undertaken by Ecorys of the Business Link Helpline/Business Support Helpline and GOV.UK, and analysis of the Citizens Advice Service, there are very different impacts being considered. For instance, Ecorys (2014) note that, “the majority of Helpline users had taken action to improve or grow their business after calling the Helpline, or ...taken action ...to start their business” and, “where users had taken action (including setting up a business), the information received was generally considered to be an important factor”.

However, whilst the specific actions being captured are different, the general approach to analysis is the same (as is the case when we consider the Citizens Advice Service evaluation), and we can gain useful insight by comparing the size of impacts estimated across the studies. As Ecorys (2014) find, “the Helpline is primarily a signposting service and therefore most users should not expect to acquire all the information relating to their query without also using other sources”. To a lesser extent, this could be used as a description of the *Acas Telephone Helpline* in respect of a subset of calls it handles and therefore consideration of the general magnitude of impacts associated with a certain volume of calls is informative, as it provides an indication of the impacts we might expect from a service that has a ‘signposting’ component.

The first thing to note is that Ecorys assume impacts on GVA persist for three years and use a 3.5 per cent discount rate for calculations of these future benefits. We return to the question of why only first round impacts are captured in our study of Acas (ultimately drawing on a desire to be cautious in our approach); but even if we strip out Ecorys impacts estimated for the second and third years, the authors estimate £15 millions of immediate benefits, and this produces a lower bound benefit-to-cost ratio of 8 to 1. However, consideration of the benefit-cost ratio distorts comparison of the Ecorys study and our own evaluation of the Acas Helpline, as Acas secure significant economies of scale and therefore have a much smaller relative cost base.

The Ecorys study finds that the Business Support Helpline received 36,000 calls in 2013 (the year of study), and that the relevant running cost is £2 million<sup>71</sup>. The number of calls answered by the Acas Helpline is around 25 times this figure, whilst the operating cost (of approximately £13 million) is less than 7 times higher. Scaling up the [lower bound] Ecorys benefit estimates of £15 million by a factor of 25 would imply a benefit of around £375 million, for the same number of calls as the Acas Helpline; a figure that is more than £100 million above our upper bound estimate. Analysis of the Citizens Advice Service suggests around £2.1 billion of wider economic and social benefits arising from engagement with around 2.5 million individuals. The conclusion must be that the estimated impacts presented in this report of the *Acas Telephone Helpline* produce relatively cautious estimates of impact.

## 7.2 Webchat

Piloting of Acas’ new *Webchat* service in 2014/2015 allowed 2,672 real time text-based conversations between employers or employees and Helpline advisers. We

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<sup>70</sup> Citizens Advice (2015), “Modelling the value of the Citizens Advice Service in 2014/15”, July.

<sup>71</sup> The Ecorys study recognizes the overlap between the Helpline and GOV.UK and the figures presented here similarly accommodate such an overlap – an issue we return to when considering Acas digital services.

suggest that the framework for evaluation ideally follows the approach of the *Telephone Helpline*. Also, as we shall see, there are no studies in this area from which we are able to draw parameters for estimation. Therefore, evidence has to be taken from the *Telephone Helpline* evaluation and MI data.

Estimation of impacts from these 2,672 real time text-based conversations is therefore based wholly on the approach described in the previous section. Though we assume no out-of-scope interactions, we estimate the same employer-employee split amongst *Webchat* use as in the previous section, based on MI of the *Telephone Helpline*. The 87 per cent of employers who said that the information resolved the issue or enabled them to decide what to do next, is taken from the *Telephone Helpline* evaluation by Harding and Hingley (2015). All other parameters are similarly 'implied' and the approach to analysis is identical. This approach to estimation provides the following impact estimate from 2,672 events. This estimate needs to be considered with caution, not least because costs include 'setup', which is likely to loom much larger relative to benefits for a service at the pilot stage.

#### **Webchat 2014/15 (Urwin & Gould, 2016)**

##### Main estimate

Total Benefit: £2.0 million

Total Cost: £0.2 million

**Benefit-Cost Ratio: 12.5**

##### Extreme lower bound estimate

Total Benefit: £0.7 million

Total Cost: £0.2 million

Benefit-Cost Ratio: 4.6

##### **Previous Benefit-Cost Ratios**

Not applicable

## 8. BUSINESS SUPPORT SERVICES

### 8.1 Workplace Projects

Acas delivered 135 *Workplace Projects* during the 2014/2015 operational year. As with *Joint Problem Solving Activities*, *Workplace Projects* are delivered inside workplaces and involve both management and employee representatives. They cover a range of topics related to improving employment relations, such as building trust and developing capability of management / employees / representatives and are offered on a charged (cost recovered) basis.

Previous studies of Acas' economic impact (for instance, Meadows, 2007) emphasise the difficulty evaluating impacts for preventative work, as opposed to services resolving disputes that have already arisen (where we have more opportunity to establish a link between a specific intervention and outcome). In Section 5.3 we have estimated impacts arising from *Joint Problem Solving Activities*, which may be considered as a version of *Workplace Projects*, but in a situation where there is an ongoing dispute or a high likelihood of a dispute. As such, *Joint Problem Solving Activities* have been considered in this analysis as a form of dispute resolution, whilst the (charged-for) *Workplace Projects* considered in this section are considered as primarily preventative in nature.

As a result, one may speculate on using a different approach to estimation of impacts, in instances where we observe *Workplace Projects*; as opposed to *Joint Problem Solving Activities*. However, in Section 5.3 we only consider impacts internal to the organisations, which we may expect to arise whether there is an ongoing dispute or not (in contrast to the sort of external impacts we calculate in the case of *Collective Conciliation*). Given this, we apply the same approach in this section as that applied in Section 5.3; with parameters from the model based on findings from evaluations carried out by Broughton, Pearmain and Cox, (2010); Cooper, (2011) and Ipsos Mori, (2013) into *Workplace Projects* (which cover *Joint Problem Solving Activities*, and *Workplace Projects* that incur a charge).

Thus, we use Acas MI data to calculate that the average workplace involved in *Workplace Projects* has 617 employees and two sets of estimates are produced, one assuming that all employees in the workplace are impacted by the activities and an extreme lower bound assuming only 50 per cent are affected. We assume that these 617 workers add the average annual GVA per workforce member of £45,298 (ONS, 2013) and this figure is again used as the basis for consideration of impacts arising from reduced grievance and disciplinary procedures, together with reduced sickness absence and improvements in quality of the good/service produced.

The estimated benefit-to-cost ratio presented in this analysis is slightly higher than the 2011/12 update of *Workplace Projects*, but much lower than the original benefit-cost ratio in the 2007 study. However, in both prior studies the broader service definition of *Workplace Projects* (also encompassing *Joint Problem Solving Activities*) was utilised, suggesting caution in like-for-like comparisons.

## Workplace Projects 2014/15 (Urwin & Gould, 2016)

### Main estimate

Total Benefit:	£8.3 million
Total Cost:	£469,000
<b>Benefit-Cost Ratio:</b>	<b>17.7</b>

### Extreme lower bound estimate

Total Benefit:	£4.1 million
Total Cost:	£469,000
Benefit-Cost Ratio:	8.8

### **Previous Benefit-Cost Ratios: (Workplace Projects)**

2011/12 Update:

7.8 [3.9 lower bound estimate]

2005/06 Review, Meadows (2007):

55.3

## 8.2 In-depth Advisory Meetings & Calls

During the 2014/2015 operational year Acas delivered 1,628 *In-depth Advisory Meetings* and 3,549 *In-depth Advisory Telephone Calls* where Acas Senior Advisers provided advice and guidance to employers to address employment relations issues within their workplaces. This is an area of Acas activity that has not previously been included in cost-benefit analyses.

In many respects, *In-depth Advisory Meetings & Calls* are similar to *Joint Problem Solving Activities* and *Workplace Projects*, in terms of both operation and their potential impacts, not least because both are delivered by the same cadre of Acas Senior Advisers. Due to this, we have adopted an approach similar to that of *Joint Problem Solving Activities* and *Workplace Projects* when estimating impacts in this area; using statistics from the most recent evaluation of *In-depth Advisory Meetings & Calls* (Mitchell and Mitchell, 2010<sup>72</sup>), together with findings from studies of *Workplace Projects* (ibid.).

Clearly an individual *Workplace Project* is, on average, much more substantial than an individual instance of *In-depth Advice*. Therefore, we have calculated equivalences, based on the average number of hours Acas Senior Advisers spend delivering one unit in these service areas. As can be seen from the calculations (detailed in Appendix Table A1) there is some difference between the equivalences, depending on whether we consider *Joint Problem Solving Activities* or *Workplace Projects*. Taking averages across both services leads to estimated equivalent

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<sup>72</sup> Mitchell, D and Mitchell, W. (2010), "An evaluation of the Acas in-depth advisory service", Acas Research Paper, Ref: 04/10.

figures of 5.1 and 22.1. That is to say that using these figures, we find that the 2014/15 volume of *In-depth Advisory Meetings & Calls* translate into an equivalent of 480 *Workplace Projects / Joint Problem Solving Activities*, and this provides us with the figure we need to create estimates of impact.

Table 11 details the calculation of impacts from *In-depth Advisory Meetings & Calls*, compared to the calculations associated with *Workplace Projects* in section 8.1. Both sets of figures are calculated using the same approach, but with the figures for *In-depth Advisory Meetings & Calls* drawing on the survey results of Mitchell and Mitchell (2010), who find that 9 per cent of respondents report reductions in absence; 3 per cent report that quality of the service or output delivered by the workplace was 'much better' and 3 per cent report improved 'productivity or efficiency'.

Table 11 shows that when we apply this approach, *In-depth Advisory Meetings & Calls* produce an estimated £4.6m gain from improvements in product and service quality; a £731,700 benefit from management time saved, because of reductions in disciplinary & grievance cases; and a £1.8 million benefit from reduced sickness absence. This produces an overall estimated benefit of £7.2 million; and an extreme lower bound estimate of £3.6 million, when we attribute our estimated impacts to half of the workforce in each workplace. The data suggest an average workplace size for *Workplace Projects* (617) that is just over twice that for *In-depth Advisory Meetings and Phone Calls* (283), and this accounts for the fact that the latter service area has a lower relative impact.

**Table 11: Estimated benefits from Workplace Projects and In-depth Advisory Meetings & Calls**

<b>Business Support Services benefits</b>	<b>Workplace Projects</b>	<b>In-depth Advisory Meetings &amp; Phone Calls</b>
Units delivered (as equivalent to number of Workplace Projects)	135	480
Productivity gain from improvements in product and service quality	£6.6 million	£4.6 million
Management time saving from reduction in disciplinary & grievance	£0.4 million	£0.7 million
Net saving from reduction in sickness absence	1.2 million	£1.8 million
<b>Total</b>	<b>£8.3 million</b>	<b>£7.2 million</b>



### **In-Depth Advice Meetings & Calls 2014/15 (Urwin & Gould, 2016)**

#### Main estimate

Total Benefit: £7.2 million

Total Cost: £853,000

**Benefit-Cost Ratio: 8.4**

#### Extreme lower bound estimate

Total Benefit: £3.6 million

Total Cost: £853,000

Benefit-Cost Ratio: 4.2

#### **Previous Benefit-Cost Ratios:**

Not applicable

## 9 ONLINE INFORMATION AND GUIDANCE

In line with much of the public sector, Acas has moved towards a 'Digital First' strategy in the development of its services and in recent years a number of new digital services have been launched as well as digitalisation of existing services, such as *Helpline Online* and online diagnostic tools, such as the *Acas Model Workplace* (AMWP). This chapter covers Online Information and Guidance, but other Acas services also have potential for digital service delivery, at least in part, and some, such as Acas advice services, already utilise digital/mixed modes of delivery. There have also been significant increases in visits to the Acas Website from 6.5 million in 2013/14 to 9.1 million in 2014/15 (the year under consideration in this study) and so, as online services becomes more prominent, it becomes increasingly important to capture the economic benefits that digitalising parts of existing services and developing new digital services can bring. This is especially the case in respect of digital services, given the relatively low marginal costs involved, and hence the potential for 'scalability'.

When considering the online aspects of Acas service delivery, there are concerns over double-counting. For instance, the Ipsos Mori (2013) report<sup>73</sup> finds that, "a third of employees and around half of employers [surveyed on their use of *Information and Guidance on the Acas Website*] had downloaded guidance publications and booklets from the Acas website". Any approach that were to attribute impacts separately from 'website information and guidance', in addition to 'downloads', risks significant double counting. In addition, there are likely to be substantial overlaps with other areas of digital delivery. Users may initially visit aspects of the *Information and Guidance on the Website*<sup>74</sup> (sent there by other search engines); they may then use *Helpline Online* to focus their search; *Download a Publication or Code of Practice*; and undertake a quick trawl of an *E-learning* module. This could all be related to one issue, that we can then attribute impacts to, but there is limited evidence which considers such complicated online user journeys from end-to-end.

In addition, one may argue that *Website Information and Guidance* is a key component of the Acas integrated business model, as it provides access to the various integrated areas of service delivery within Acas. This is not to suggest that the more 'passive' aspects of online engagement do not have significant value. For instance, in 2013/14 Acas' 'Mediation in Action' video was viewed over 14,000 times; we would also ideally capture Acas' social media presence, particularly its most prominent social media platform, Twitter, and its online 'ask the expert' sessions, such as those hosted by the Head of Equality.

However, in the absence of specific evidence of the impacts of these areas of service delivery, and given the concerns over double-counting across online service areas, the focus of this section is predominantly on 'active' online engagement. Therefore, we do not estimate impacts separately for *Website Information and Guidance* [or, for instance, the number of Twitter followers], but rather focus on online activities that require some amount of registration, active downloading, or other engagement. Moving forward, one recommendation from the current study is for Acas to commission a study of user journeys through their online content, and this would help inform decisions over which type of data to collect in future

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<sup>73</sup> Ipsos Mori (2013), "Acas website evaluation", Acas Research Paper Ref: 08/13

<sup>74</sup> References to 'Information and Guidance on the Website' refer to the bulk of written content that is browse-able and hence passively consumable on the Acas website (such as Acas' advice and guidance pages), as opposed to content that is actively downloadable *from* the website in the form of a pdf or similar.

economic impact analyses (as well as informing the nature of Acas delivery). A possible example of the type of work that would help Acas in this matter in the future is the Ecorys (2014) study of the Business Support Helpline and GOV.UK; here, a specific survey was undertaken to separately identify the specific interactions of clients between these two sources of information, so as to avoid double counting.

Even with this focus on 'active' online engagement, there may still be concerns over double counting and, as a result, blanket reductions of the benefits for some online services are applied in this section, as a corrective action, in keeping with the conservative approach adopted elsewhere.

## 9.1 Publications/Codes of Practice Downloads

During the 2014/2015 operational year, there were 1,016,371 downloads of Acas publications and Codes of Practice. In the absence of detailed information on customer journeys through Acas digital content, it seems sensible to choose this aspect to evaluate, as the downloading of publications is a measurable form of 'active' engagement.

*Method, Publication Downloads:* Table A2 of the Appendix sets out our initial calculations to estimate impacts from publication downloads. We make a number of assumptions over the proportion of employers and employees downloading publications, updating estimates from previous studies of Acas' Economic Impact. For instance, it was previously assumed that those downloading either *Discipline and Grievances at Work* (for which there are two versions in the top 10) or *Varying a Contract of Employment* were 80 per cent employers, but this has now been updated to 50 per cent following guidance from Acas delivery leads. In contrast, the previous 50/50 split for *How to Manage Performance* has been changed to 80 per cent employers. We count only the top 10 downloads and reduce the figures by 20 per cent on top of this (as there is a potential for one person to download more than one publication at a time). This leaves us with 462,360 downloads as the overall basis for our impact estimates, with 261,050 of these estimated to be downloaded by employers and 201,310 by employees. Table A2 makes clear the split between employers and employees for other subjects that form part of the publication downloads. Readers should see page 41 of Meadows (2007) for a detailed discussion of the justifications for the original splits.

Criticisms of the previous economic impact analyses of online guidance are mainly driven by a lack of formal evidence on possible impacts and the adoption of a variety of assumptions. Previous studies have not varied these assumptions to gauge their impact, so to counter this, Table 12 sets out two sets of results, one using the inherited assumptions from previous studies of Acas' Economic Impact, and one taking a more severe approach to these assumptions.

More specifically, Table 12 first sets out an estimated benefit in terms of time saved by these 261,050 employers, from having information in place. The key assumption here is that each employer download of a top 10 publication saves 2 hours of management time gathering similar information. To counter concerns over the arbitrary nature of this '2 hour' figure, we create an estimate using 2 hours (£15.4m) and an estimate using 1 hour (£7.7m). There is an impact from time saved avoiding grievances, where the assumption is that every 100 employer downloads [from the top 10], results in one fewer grievance - we create figures using this 1-to-100 approach (£3.9m) and also a one-to-200 approach (£1.9m). When calculating the time saved by employers in the avoidance of ET claims, we

use SETA (2013) figures on average management time – an approach using the arithmetic mean produces an estimated benefit of £3.3m and using the median produces a figure of £250,000.

**Table 12: Estimated benefits of Publication/Codes of Practice downloads**

<b>Publication / Code of Practice download benefits</b>	<b>Economic benefits</b>	<b>Economic benefits Impacts</b> [used for extreme lower bound estimates]
Total benefit to employers from saving time	£15.4 million	£7.7 million
Management time saving from reduction in grievance cases	£3.9 million	£1.9 million
Employer savings from ET cases avoided	£3.3m	£0.3 million
Loss in employee earnings avoided by saving employment relationship	£1.8 million	£0.6 million
Employee savings from avoiding preparation time for cases	£0.9 million	£0.09 million
Taxpayer savings	£0.2 million	£0.09 million
Savings to third parties	£0.1 million	£0.05 million
Total	£25.5 million	£10.7 million
Weight up from 56.9% to 69.8% of all publications		
<b>Final Total</b>	<b>£31.3 million</b>	<b>£13.1 million</b>

By far the largest components of Table 12 are the benefits associated with employers. In addition, we estimate employee savings from periods of transitional unemployment avoided (£1.8m), which is based on the estimate that avoidance of a case saves 18.5 weeks of unemployment on average, for each case avoided (which, from SETA 2013, is the average time spent in unemployment following an ET case; and the lower estimate of £585,000 is created using the median duration of unemployment, which is 12 months). The use of an arithmetic mean [of 30] for the average number of days an employee spends preparing an ET claim, results in an estimated £889,000 saving – whilst the median is only 6 days and therefore results in a much reduced estimate of £89,000. Using the same approaches as previously implemented, we calculate savings of £160,000 and £108,000 for taxpayers and third parties, respectively.

Finally, we apply a weighting to the impact of £25.5 million to account for the fact that at the time of the 2007 study, the top 10 publications included in calculations constituted 69.8 per cent of all downloads. Because of the expansion in the breadth of content covered in Acas publications, the top 10 publications now account for just 56.9 per cent of the total. Therefore, we calculate the impact associated with

the top 10 publications for 2014/2015 in line with previous approaches, and weight up from 56.9 per cent to 69.8 per cent.

## 9.2 Helpline Online and the Acas Model Workplace Tool

The previous section flags concern over previous estimates, and as a result we take a very cautious approach (presenting a variety of estimates where assumptions have to be made, on the basis of little evidence). We take a similar approach when considering the 531,712 *Helpline Online* user sessions and 1,789 *Acas Model Workplace* interactions, observed in the 2014/2015 operational year, and consider only one third of the impacts (in line with the approach taken for e-learning).

For Helpline Online we are able to draw on Thomas and Fu (2014)<sup>75</sup>, for some additional insight, but this tends mainly to confirm the doubts raised concerning double-counting. The authors find that, “users reported ... either using Helpline Online to research the context to an issue to help them frame their question on the telephone, or when the information online did not completely answer their query”. This suggests some overlap with the telephone helpline, but the key concern here is that Helpline Online will alert individuals to a part of the Acas website, a specific publication and/or an e-learning module, where we have attached impacts elsewhere in the analysis.

Method: We are not counting *Information and Guidance on the Acas Website* in any of our calculations, and heavily discount other areas of online delivery (including the figures in Table 13). As a result, we feel comfortable in applying a similar approach to that adopted for *Publication Downloads*, when considering *Helpline Online*. Table 13 sets out the detailed estimates for this area, using a similar approach to that detailed in Table 12. The figures need to be applied separately to employers and employees, and we draw on findings from Berry-Lound and Holland (2014). In the absence of evidence on the breakdown of Helpline Online users, this analysis adopts a 50/50 split.

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<sup>75</sup> Thomas, A. and Fu, E. (2014) “User experiences of Acas ‘Helpline Online’: A qualitative evaluation of the new tool”, Acas Research Paper 02/14

**Table 13: Estimated Benefits of Helpline Online [applying only one-third of calculated impacts]**

<b>Helpline Online benefits</b>	<b>Economic benefits</b>	<b>Economic benefits Impacts</b> [used for extreme lower bound estimates]
Total benefit to employers from saving time	£5.2 million	£2.6 million
Management time saving from reduction in grievance cases	£1.3 million	£0.7 million
Employer savings from ET cases avoided	£0.2 million	£0.04 million
Loss in employee earnings avoided by saving employment relationship	£0.6 million	£0.2 million
Employee savings from avoiding preparation time for cases	£0.3 million	£0.03 million
Taxpayer savings	£0.2 million	£0.1 million
Savings to third parties	£0.07 million	£0.04 million
<b>Total</b>	<b>£8.0 million</b>	<b>£3.7 million</b>

Finally, the *Acas Model Workplace Tool* is used to check the employment relations health of an organisation with usage appearing to be more closely aligned with publications, codes of practice and general information/guidance. The majority of individuals use the *Acas Model Workplace* diagnostic tool to, “review or revise any existing policies to ensure best practice” (Berry-Lound and Holland, 2014). Therefore, similar considerations of double-counting apply to this area. The study carried out by Berry-Lound and Holland (2014) finds that, “many individuals had registered to use the tool but had not actually commenced working through any module[s]”, with “the lowest level of completion associated with the Employee Representation module, where completion was only 6%, whereas “32 per cent who completed the module on *Recruitment, Selection and Induction*”.

Using the findings from this study, we are able to estimate that 43 per cent of users are managers or SME owners and, as with E-Learning, it is assumed that the average number of staff members per organisation using the tool is 228. Using these figures, we calculate in the same way as for previous areas of service delivery, the expected impacts arising from reduction to employers of discipline and grievance cases (£24,200); reduced sickness absence (£665,200) and savings from ET cases avoided (£17,500). This provides an impact from the *Model Workplace Tool* of £707,000.

Added together, across *Publications / Codes of Practice Downloads*, the *Acas Model Workplace Tool* and *Helpline Online*, we arrive at the following benefit-cost ratios. As one can see, our more cautious approach to estimation results in benefit-cost ratios in this area that are very close to previous estimates, which only covered *Publications and Codes of Practice* (whether downloaded or in hard copy).

However, it should be flagged that a number of aspect of Acas’ online information

and guidance remain omitted from this analysis, particularly online guidance which is not in the form of a downloadable document, such as the A-Z pages on the Acas Website. In this respect, it is worth summarising our approach across digital content, with only 1/3 of impacts taken across the three areas of the *Model Workplace Tool*, *Helpline Online* and *E-learning* to accommodate potential double counting; a less harsh approach taken across areas where we are more certain of the level of user engagement [*Webchat* and *Publications / Codes of Practice Downloads*]; and, where we have no evidence of active engagement [such as *Information and Guidance on the Acas Website*], impacts are not estimated.

#### **Online Information and Guidance 2014/15 (Urwin & Gould, 2016)**

##### Main estimate

Total Benefit:	£40 million
Total Cost:	£1.5 million
<b>Benefit-Cost Ratio:</b>	<b>27.2</b>

##### Extreme lower bound estimate

Total Benefit:	£17 million
Total Cost:	£1.5 million
Benefit-Cost Ratio:	11.6

##### **Previous Benefit-Cost Ratios:**

2011/12 Update:  
26.9 [lower bound estimate 13.0]

2005/06 Review, Meadows (2007):  
26.7

## 10 Evidence on the Causal Impact of Acas

A notable weakness of previous studies of Acas' Economic Impact has been the lack of clear evidence on the counterfactual. As various Acas documents suggest, there are severe problems of selection bias when considering Acas services. This is a situation where characteristics of the treatment group (e.g. the employers that experience collective disputes, which are then subject to Acas *Collective Conciliation*), differ from those of the possible control/comparison group (e.g. those workplaces where Acas are *not* called in to conciliate in collective disputes); and, most importantly, these characteristics are correlated with the outcome of interest (the probability that strike action is averted). We may expect workplaces that do not engage with Acas to experience relatively 'favourable' outcomes (possibly because they have better workplace relations to begin with and so do not need to solicit Acas intervention); and this has the potential to understate any impacts arising from Acas intervention, because the workplaces that *do* engage with Acas may experience relatively less favourable outcomes (possibly because they have worse workplace relations to begin with), even when Acas intervention has a substantial impact.

In situations where we **observe** these differences in characteristics between (i) organisations/individuals that experience Acas intervention and (ii) comparison organisations/individuals that do not experience Acas intervention, we are able to match treatment and control groups, to ensure that they have the same characteristics. However, in cases where the treatment and control groups are different in terms of characteristics that are **unobservable** (for instance, the 'willingness to compromise'), estimates of impact will be biased. Take the example of evaluation of the attendance of Acas conciliators at CMDs<sup>76</sup>. In this instance there were:

- differences in the characteristics of treatment and control cases (observables)
- actions by conciliators and the judiciary that meant certain cases were selected for the intervention (potentially on unobservable characteristics).

One way to overcome these issues would be to adopt an experimental approach with cases allocated to treatment and control groups on a random basis with the only difference being the Acas treatment. However, there are a number of potential problems with this, which make it very difficult in practice. For instance, experience from studies (such as the judicial mediation pilot carried out by Urwin et. al., 2010<sup>77</sup>) shows how hard it is to ensure that those delivering the intervention restrict the treatment group in this way; the voluntary nature of ADR means that one has to create experimental situations that begin to have less external validity; and finally, it is harder to obtain sufficient numbers of treated and control groups to justify statistical analysis. Urwin (2012) considers in more detail the reasons why it is particularly hard to capture the impact of Acas services, and suggests that a difference-in-differences approach using WERS data might be possible. This section presents the outcomes from such an analysis.

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<sup>76</sup> See, for instance, Acas Research and Evaluation Section (2012), "Report of the Second Employment Tribunal/Acas pilot on attendance of Acas individual conciliators at Case Management Discussions", Acas Research Paper, No. 04/12.

<sup>77</sup> Urwin, P., Chevalier, P-A., Karuk, V., Latreille, P., Michielsens, E., Page, L., Siara, B. and Speckesser, S. (2010), "Evaluating the Use of Judicial Mediation in Employment Tribunals" *Ministry of Justice Research Series 7/10*.



## 10.1 Analysis of the WERS 2004 and 2011 Panel

Using the 2004 and 2011 Workplace Employment Relations Studies (WERS), we are able to follow 989 workplaces between 2004 and 2011 (as most of the relevant questions required for our analysis are taken from the Management Questionnaire). Using questions relating to the levels of dispute in a workplace and indicators of Acas engagement we can use a matching-with-difference-in-differences approach to identify possible causal impacts from Acas interventions. This has the potential to overcome unobservable and observable differences between the treatment and control groups described above, as long as the unobservable impacts are time invariant.

To better understand what we are attempting to achieve, consider the following illustrated example. The vertical axis in Figure 1 plots the average number of ET claims in workplaces that make up the panel of organisations in the 2004 and 2011 WERS. We can identify a group of workplaces that report some form of Acas involvement in dispute resolution and plot the average number of disputes recorded between 2004 and 2011 (Green line)<sup>78</sup>. We have another group of workplaces that does not report any Acas involvement (in either 2004 or 2011), and we can similarly plot the change in the average number of ET claims between 2004 and 2011 (Purple line). Perhaps because of the recession, we might see the average number of ET Claims going up in both workplaces and in 2004 there is a higher average number of ET claims amongst the workplaces that engage with Acas (reflecting unobservable selection effects and observable differences that we might expect).

In our depiction, the Acas-engaged workplaces have higher average levels of 'conflict' (as reflected in ET claims) than the non-Acas engaged workplaces, and to accommodate this we measure a distance  $T_0$  to  $C_0$  [in 2004] which reflects the 'usual' difference between our treatment and control groups - in the absence of any Acas intervention. This is a departure from the usual difference-in-difference approach, as in 2004 the Acas treatment group have [by definition] already begun to engage with Acas and received some form of treatment. However, what we are interested in, is the impact of treatments delivered subsequent to this date (i.e. between 2004 and 2011). We assume that those reporting engagement with Acas both in 2004 and 2011 experience Acas interventions to improve employment relations (across a range of Acas service areas) between these dates; and those who report no engagement with Acas in 2004 and 2011, provide us with a control group who experience no Acas interventions between these dates.

If anything, this approach has the potential to under-estimate impacts of Acas, as the treatment group will likely have received Acas interventions prior to 2004 and these may artificially deflate their reported levels of conflict (and therefore ET cases) in 2004; meaning that any Acas interventions between 2004 and 2011 must have a much more pronounced effect, for us to identify them in the difference-in-differences analysis.

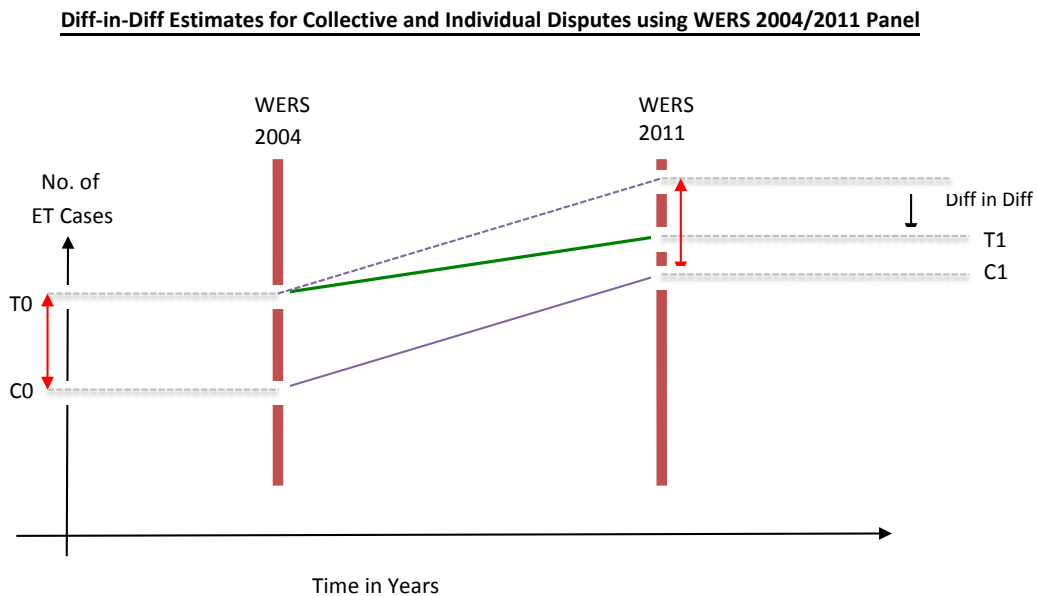
The essential assumption underlying difference-in-differences analysis is that the size of the gap (or difference),  $T_0$  minus  $C_0$ , is the gap we would also expect to see in 2011, if there is no value added from engaging with Acas - we would expect the growth in ET claims to be identical in the two types of workplace, if Acas

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<sup>78</sup> As even this brief introduction suggests, the nature of the WERS questions means that we are attempting to capture the impacts from engagement with Acas, in a general sense – with little ability to differentiate the specific services that organisations engage with.

intervention provides no advantage. However, it would seem that the rate of growth in ET claims amongst Acas-engaged workplaces is less steep than that in the control, and we have a gap of only  $T1 - C1$  by 2011. If there is no gain from Acas then the gap in 2011 should be the same as  $T0 - C0$  – the difference in these differences is the estimated impact of Acas intervention [labelled 'Diff in Diff']. This is what we are attempting to capture in our analysis.

**Figure 1: An illustration of the Difference-in-Differences analysis**



- SOLID GREEN LINE:** **Treatment group:** Average number of ET claims in workplaces who report using Acas (i) as part of Collective dispute resolution procedures and/or (ii) have contacted Acas in last 12 months on any Employment Relations issue\*
- \*Unfortunately the 2011 survey asks whether (ii) relates to an ET claim and 2004 doesn't specify. Not ideal, but it gives us a little more information.
- SOLID PURPLE LINE:** **Control group:** Average number of ET claims in workplaces who report not using Acas (i) as part of Collective dispute resolution procedures and/or (ii) Not spoken to Acas in last 12 months on any Employment relations issue\*\*
- \*\* Here we can choose whether to include in the control, workplaces that do, or do not, use alternatives to Acas.
- DASHED PURPLE LINE:** **Counterfactual:** The gap (or Difference) between the [parallel] Solid Purple line and Dashed Purple line (the vertical Red Lines with Arrows) is that which we would expect in the absence of treatment. I.e. we assume that the difference between Acas and non-Acas Firms in 2004 would remain constant, and provides us with the counterfactual difference for 2011.
- Diff in Diff:** Therefore, the gap between the Solid Green Line (actual level of ET claims) and the Dashed Purple Line (counterfactual or expected level of ET claims) is the estimate or impact or....the Difference- in-differences. In the absence of treatment we would expect a gap of  $T0 - C0$  in 2011 and actually we observe a gap of only  $T1 - C1$ . The gap (of difference) in these differences, is the estimate of value added of Acas services.

The underlying assumption of difference-in-differences analysis is that the gap T0-C0 is constant through time – that is, the unobservable or observable differences between treatment and control are constant (or time invariant), and therefore can be assumed to be the same in 2011 as in 2004, in the absence of treatment. A major weakness of the approach described here is that we cannot test this [parallel trends] assumption.

The usual approach is to simply go back in time (before 2004 in this case) to ensure that [historically] the T0-C0 difference remains roughly constant<sup>79</sup>. This analysis does not allow us to do this, as we do not have survey results for this panel prior to 2004. However, we do have the opportunity to vary our approach and tackle this issue to some extent, and this is detailed in the next section.

## 10.2 Findings from analysis of WERS 2004 & 2011 Panel

In order to test the causal relationship between Acas engagement and the state of workplace employment relations in an organisation, we define organisations to be engaging with Acas if they:

- List Acas conciliation/arbitration, when asked “to which outside body are issues raised under the disputes procedure referred?” [This question relates to any [collective] dispute resolution procedures that are in place within the workplace and will obviously not be asked of workplaces where no such procedures are in place];
- And/or they list ‘Acas’ in response to the question of whether they have “sought information or advice from any of these bodies on any employment relations issues during the last 12 months?”

Using these two questions<sup>80</sup>, we can create two different treatment groups.

- Treatment 1 = 1 if the organisation reports engaging with ACAS in 2004 and 2011; 0 if no involvement in 2004 and 2011. We are able to consider 657 treatment and control observations associated with this distinction.
- Treatment 2 = 1 if the organisation reports engaging with ACAS in 2011; 0 if no involvement in 2011 [989 observations]
- Treatment 3 = 1 if the organisation reports engaging with ACAS in 2011 but not 2004; 0 if no involvement in 2004 & 2011. [511 observations in total]

Treatment 1 reflects the approach set out in Figure 1 and Treatments 2 and 3 are variations, which we will return to consider. This then defines our treatment and control organisations, and we have four indicators of outcome:

1. Whether the organisation has experienced a collective dispute in the last twelve months
2. Have employees raised formal grievances in the last 12 months

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<sup>79</sup> The argument is that if we go back in time, and the gap between treated and control remains T0-C0 then we can more confidently assume that this would also be the case in 2011 – in the absence of Acas treatment.

<sup>80</sup> The 2011 survey questionnaire has a question that allows us to define exactly which Acas services are accessed, but unfortunately the same [B\_ADVICE] question asked in 2004 does not have this follow-up question attached to it.

3. Number of employees having disciplinary sanctions applied to them in past 12 months
4. Has the organisation experienced significant disruption due to industrial action in the past year?

Our first set of analyses, using only the difference-in-differences approach set out above, provides little indication of significant causal impacts on these four indicators of outcome, arising from Acas intervention. However, this is to be expected, as we have the potential for significant problems with non-parallel trends. As suggested above, the difference-in-difference analysis relies on the assumption that the difference T0-C0 will be the same in each year, in the absence of Acas intervention. However, it is quite possible that the two sets of treatment and control organisations are so fundamentally different (on observable characteristics) that they are on very different (non-parallel) trends.

Whilst we cannot fully investigate the issue of parallel trends (by going back in time), we can match organisations on a range of characteristics, to better ensure that treatment and control groups are as similar as possible and therefore more likely to be on similarly parallel trends. We therefore match on the following characteristics (as recorded in 2004) and carry out a subsequent difference-in-differences analysis on these matched samples:

- Whether the organisation is working in the Public or Private sector
- Whether experienced any redundancies
- The size of the organisation in 2004 and the change in size since 1998
- Age of the organisation in 2004
- Key changes that happened in past 12 months
- Collective disputes in past 12 months?
- Ballot in past 12 months?
- Any grievance raised in past 12 months?
- Any management changes implemented in past 12 months?

Having carried out a process of matching to better ensure that we have treatment and comparison groups that are similar on observable characteristics, and having carried out a difference-in-difference analysis that goes a long way to accommodate time-invariant unobservables, we identify statistically significant causal impacts.

Table 14 identifies all the statistically significant impacts **in bold**. The most encouraging findings are those relating to the impacts arising from analysis of avoidance of collective disputes. The suggestion is that organisations engaging with Acas have an 11.5 per cent lesser probability of reporting a collective dispute in the last 12 months (under Treatment 1) and this is slightly lower at 8.5 per cent for Treatment 2. For all our analyses we do not observe significant impacts for Treatment 3 and this is perhaps to be expected, as it is quite possible that engagement with Acas is recent and has not had time to translate into impacts.

This is also something that could apply to Treatment 2 (but to a lesser extent); and seems consistent with the findings from our analysis of whether Acas has an impact on the probability that employees will have raised formal grievances in the last 12 months. For Treatment 1 the suggestion is that Acas engagement reduces the probability that this will happen (but the -2.5 per cent impact is not statistically significant); but when considering those workplaces that report engaging with Acas in 2011 (Treatments 2 and 3) the impact becomes positive and in the case of Treatment 2, it is statistically significant. This is consistent with the suggestion that

in the early stages of Acas engagement, organisations may experience increased levels of grievance, as Acas work to tackle issues in the workplace.

**Table 14: Findings from matching with difference-in-differences**

	<b>Coefficient<sup>81</sup></b>	<b>Standard Error</b>	<b>P-value</b>
Whether the organisation has experienced a collective dispute in the last twelve months			
<b>Treatment 1 Impact</b>	<b>-0.115</b>	<b>0.057</b>	<b>0.046</b>
<b>Treatment 2 Impact</b>	<b>-0.085</b>	<b>0.036</b>	<b>0.018</b>
Treatment 3 Impact	-0.007	0.040	0.850
Have employees raised formal grievances in the last 12 months			
Treatment 1 Impact	-0.025	0.072	0.728
<b>Treatment 2 Impact</b>	<b>0.089</b>	<b>0.050</b>	<b>0.073</b>
Treatment 3 Impact	0.080	0.069	0.249
Number of employees having disciplinary sanctions applied to them in past 12 months			
Treatment 1 Impact	-0.321	4.080	0.937
Treatment 2 Impact	-0.935	4.471	0.834
Treatment 3 Impact	-3.400	8.032	0.672
Has the organisation experienced significant disruption due to industrial action in the past year?			
Treatment 1 Impact	-0.027	0.023	0.232
Treatment 2 Impact	-0.005	0.019	0.788
Treatment 3 Impact	0.005	0.025	0.842

Analysis of whether Acas has an impact on disciplinary sanctions results in the negative coefficients that we would hope for, but the impact is not statistically significant. This is similarly the case when considering whether the organisation reports significant disruption due to industrial action in the past year. It is not surprising that we uncover insignificant impacts in these last two areas. There are questions over whether disciplinary sanctions would necessarily be reduced with Acas engagement (rather they should be better handled under Acas engagement).

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<sup>81</sup> The coefficient value is an estimate of the impact arising from Acas intervention. For instance, a figure of -0.115 suggests that organisations engaging with Acas have an 11.5% lesser probability of reporting a collective dispute in the last 12 months. Standard errors provide an indication of the expected level of variation around these coefficient estimates, and the p-value tells us [having taken into account this expected level of variation], whether the coefficient is statistically significantly different from zero [more accurately, it tells us if we can reject the null hypothesis of parameter insignificance].

Also, we have uncovered a significantly lower probability that Acas-engaged workplaces experience a collective dispute – the additional analysis simply suggests that in Acas-engaged workplaces these are no more or less likely to be associated with significant disruption, when compared to non-Acas-engaged workplaces. In both workplaces there could be significant disruption reported, and this final analysis simply suggests that the extent to which this is reported does not differ between the two groups.

To our knowledge, **the analysis in this section of the report provides some of the only compelling causal evidence, identifying a clear impact of dispute resolution services provided by Acas.** This provides a strong justification for the attributing of economic benefits to Acas intervention in various areas of the analysis undertaken in Sections 5 to 9, especially where the avoidance of collective action is being considered.

## 11. Conclusions

There is a clear need in the economy for a third party to work with the parties to disputes, to achieve speedier and more optimal resolutions. A key characteristic of such a third party, together with an obvious need for skills and experience in dispute resolution, is that it must be trusted by both parties. Early work considering the role of information in industrial relations shows how important asymmetries of information are as drivers of costly industrial action. One of the key roles for third-party agents is to overcome such asymmetries, using strategic approaches that encourage parties to offer up information in pursuit of more optimal outcomes. **Acas, with its strong brand of demonstrable independence, uniquely fulfils this role.**

In this report we have given some consideration to the overall economic value of Acas, as reflected in the value of a brand of independence that has benefited from 40 years of intangible investment (we speculate that the value of Acas brand equity lies between £25 and £40 million). However, the main focus has been on the **economic value of a year of Acas Services** delivered during the 2014-2015 operational year. These services are designed to ensure that Acas meets its statutory duties.

Creating estimates for each area of Acas services provides us with an **overall benefit-cost ratio of 12.7**, for Acas services delivered during the 2014/2015 operational year. This is based on estimated benefits of £653 million and costs of £51.3 million. Whilst the approach to estimating economic benefits throughout the analysis can be considered as conservative, this report also presents an extreme lower bound benefit-cost ratio of 8.9 which helps to frame this estimate. For completeness, it can also be observed that the benefit-to-cost ratio rises to 14.1 if we only consider the costs associated with the services reviewed. However, the main overall benefit-to-cost ratio of 12.7 should be viewed as taking primacy over both this and the extreme lower bound estimate.

A number of issues flagged in previous reviews have been tackled, with a particular focus on questions of the *counterfactual, impacts beyond the first year of Acas intervention*; together with questions of *displacement and substitution*, as we scale impacts to a whole-economy level. A range of estimates from Acas-commissioned studies have been utilised, alongside outcomes from an econometric analysis of WERS data. The econometric analysis produces evidence that 'complements', rather than 'substitutes' the estimates of impact gleaned from Acas-commissioned studies.

### ***The Counterfactual:***

Using the 2004 and 2011 Workplace Employment Relations Studies (WERS), we have been able to follow 989 workplaces between 2004 and 2011. Using questions relating to the levels of dispute in a workplace and indicators of Acas engagement we have used a matching-with-difference-in-differences approach to identify possible causal impacts from Acas interventions. This has the potential to overcome unobservable and observable differences between the treatment and control groups described above, as long as the unobservable impacts are time invariant.

To our knowledge, this particular analysis provides some of the only **compelling causal evidence, identifying a clear impact of dispute resolution services provided by Acas**. In so doing, this provides a strong justification for the attributing of economic benefits to Acas intervention in various areas of the

analysis (especially where the avoidance of Collective action is being considered).

***Impacts beyond the first year of Acas intervention:***

The analysis of WERS may be taken as evidence that impacts are enduring beyond the first year. In previous studies of Acas' Economic Impact, for the majority of services, only "proximal" impacts are captured, and there is a case for considering the inclusion of "intermediate" and more "distal" outcomes<sup>82</sup>. However, as with consideration of issues of the counterfactual, the lack of a clear point of Acas treatment (and specifics of that treatment) in our econometric analysis, limit the extent to which we can directly draw on this analysis to create estimates of second and third round impacts.

Therefore, we have followed the approach of previous studies, in only capturing immediate impacts, and this errs on the side of caution. As already mentioned, Ecorys (2014) create estimates across three years in their study of the Business Support Helpline and GOV.UK, but only the lower-bound estimate [based on first round impacts] is cited in the Executive Summary, where discussion of impacts is focused. This reflects the concern that policymakers have when studies base their estimates on impacts that persist many years into the future, with no clear causal evidence to underpin such suppositions.

***Displacement and substitution:***

At various points in our analysis we have attempted to limit concerns over displacement and substitution, when scaling impacts to the whole-economy level. For instance, when considering Collective Conciliation [external] impacts, we consider only situations where there is some amount of natural monopoly, so that the productive output lost to a day of strikes is truly 'lost'. For instance, in transport strikes some people may work at home, but many are simply stuck being unproductive – once this productive activity is lost in these situations, it cannot be retrieved. This is clearly the case in transport-related strikes, but also applies in educational establishments as a student is registered at a school and parents/carers cannot send their children to another [competitor] school on the day of the strike. Avoidance of a strike in these cases has a clear impact on the overall productive capacity of the economy (the Production Possibility Frontier).

Finally, in this report, concerns have been flagged over possible double counting when considering the online aspects of Acas delivery (for example, E-learning, Helpline Online and the Acas Model Workplace Tool); and we therefore discount impacts in this area substantially, to counter such concerns. Here, we have focussed only on 'active' rather than 'passive' online activities (for instance, not capturing metrics such as the 'number of followers on Twitter'), but for the future it is recommended that Acas commission specific research to (i) better capture the full range of impacts associated with online delivery and (ii) shed light on the sort of end-to-end online journeys that employees and employers take when engaging with Acas content. This will support any subsequent attempts to capture the economic benefits arising from future redesign of digital services.

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<sup>82</sup> For more detail see, Acas (2010), *Measuring the Economic Impact of Acas*, October



## Appendix

**Table A1: Informing the equivalence of Workplace Projects and In-depth Advisory Meetings & Calls**

<b>Service</b>	<b>No. of adviser delivery days per unit</b>	<b>Units delivered in 2014/15</b>
In-depth Advice Call	0.142	3,549
In-depth Advice Meetings	0.513	1,628
<b>In-depth Advice (both modes)</b>	<b>0.258</b>	<b>5,177</b>
Workplace Projects	2.680	135
Joint Problem Solving Activities	3.472	104
<b>Workplace projects (all)</b>	<b>3.125</b>	<b>239</b>

### **Equating Workplace Projects, Joint Problem Solving Activities and In-depth Advice**

24.5 In-depth Advice Calls = 1 Joint Problem Solving Activity

6.8 In-depth Advice Meetings = 1 Joint Problem Solving Activity

1.3 Workplace Projects = 1 Joint Problem Solving Activity

### **Taking the average of all workplace projects (Joint Problem Solving Activities and charged Workplace Projects):**

22.1 In-depth Advice Call = 1 workplace project

5.1 In-depth Advice Meeting = 1 workplace project

**Table A2: Calculating impacts from publication downloads**

<b>Publication name</b>	<b>2014/15 downloads</b>	<b>Total less 20%</b>	<b>Assumed employer share</b>	<b>Employer downloads considered</b>	<b>Employee downloads considered</b>
Discipline and grievances at work	131,739	105,391	50%	52,695.60	52,695.60
Discipline and grievances at work	89,737	71,790	50%	35,894.80	35,894.80
Holidays and holiday pay	74,225	59,380	50%	29,690.00	29,690.00
Handling requests to work flexibly in a reasonable manner	59,967	47,974	50%	23,986.80	23,986.80
Handling TUPE Transfers	58,760	47,008	80%	37,606.40	9,401.60
Varying a contract of employment	43,960	35,168	50%	17,584.00	17,584.00
Equality Act: What's new for employers?	31,599	25,279	80%	20,223.36	5,055.84
Shared Parental Leave	30,720	24,576	50%	12,288.00	12,288.00
Early conciliation explained	30,597	24,478	50%	12,238.80	12,238.80
How to manage performance	26,646	21,317	80%	17,053.44	4,263.36

**Table A3: Sources used for the calculation of economic benefits**

<b>Gross Value Added</b>		
Size of workforce	33,673,000	ONS Labour Market Statistics Jun 2015
Average working hours per week	32.1	ONS Labour Market Statistics Jun 2015
Total GVA	£ 1,525,304,000,000	ONS Regional GVA (income approach) 2013 (provisional)
GVA per employee per hour	£ 27.14	Derived
GVA per employee per year	£ 45,297.54	Derived
<b>Working practices</b>		
Average hours worked per day	7.42	Derived
Working days per year	225	365 days minus 104 weekends, 8 public holidays and 28 minimum paid holidays
Weeks per year	52	
<b>Income</b>		
NI and income tax as proportion of gross pay	0.25	Estimated (19.3% paid at median pay rate)
Corporate manager avg hourly pay	£ 24.58	ASHE 2013 Table 14.6a
All employees avg hourly pay	£ 15.17	ASHE 2013 Table 14.6a
Median gross pay for ET claimant	£ 24,336	SETA 2013
<b>Other wage costs</b>		
Overhead allowance	0.2	Estimated
Savings schemes (% of total cost)	0.72%	LCS 2012, var D1112
Benefits in kind (% of total cost)	0.83%	LCS 2012, var D1114
Total social contributions etc (% total cost)	12.7%	LCS 2012, var D121
Training costs (% total cost)	2.4%	LCS 2012, var D2
Total wage costs (% total cost)	83.4%	LCS 2012, var D111
Non-pay wage costs as factor of wage	0.20	Derived
Total cost uprate factor	1.44	Derived
<b>Time spent</b>		
Employer manager mean time spent on case (days)	8.92	SETA 2013
Employer manager median time spent on case (days)	3	SETA 2013
Employee mean time spent on case (days)	30	SETA 2013
Employee median time spent on case (days)	6	SETA 2013
Employer manager mean time spent on Acas settled cases (days)	8.4	SETA 2013
Employer manager median time spent on Acas settled cases (days)	3	SETA 2013
Employer manager mean time spent on EC settled cases (days)	2.02	EC survey 2015, p60 (mean and median) - converted from hours to days
Employer manager median time spent on EC settled cases (days)	0.67	EC survey 2015, p60 (mean and median) - converted from hours to days
Employee mean time spent on Acas settled cases (days)	29.87	SETA 2013
Employee median time spent on Acas settled cases (days)	7	SETA 2013
Employer manager mean time spent on case going to hearing (days)	11.48	SETA 2013

Employer manager median time spent on case going to hearing (days)		4.91	SETA 2013
Employee mean time spent on case going to hearing (days)		31.65	SETA 2013
Employee median time spent on case going to hearing (days)		7.46	SETA 2013
<b>Time out of work</b>			
Mean time spent unemployed after ET case (weeks)		18.51	SETA 2013
Median time spent unemployed after ET case (weeks)		12	SETA 2013
% of ET claimants who go on to leave employer		92%	SETA 2013
% of ET claimants who get a job after		76%	SETA 2013
<b>ETS operational costs</b>			
Admin cost of processing ET claim	£	175	ETS
Cost of ET hearing	£	1,483	ETS
<b>Discipline and grievance cases</b>			
Disciplinary cases per employee		0.006	CIPD Conflict 2011 - avg 16.5 discipline cases for organisation, CIPD 2007 - avg org size 2847
Avg management days spent on disciplinary case		7.8	CIPD conflict 2011
Grievance cases per employee		0.008	CIPD conflict 2011 - avg 22.3 grievance cases for organisation, CIPD 2007 - avg org size 2847
Avg management days spent on grievance case		6.8	CIPD conflict 2011
% of grievance cases which proceed to ET case		14%	CIPD
% of grievance cases not resolved internally		17%	CIPD conflict 2011 (p2)
Cost of recruiting employees	£	2,687	CIPD Recruitment Retention 2009 cost of labour turnover minus advertising costs (later surveys only give advertising costs, £2000 in 2015)
Average number of days per year each employee is absent		7.4	CIPD Absence Management 2014
Acas cost of individual conciliation case	£	141	ACAS annual report 2014/15
% IC cases involving a third party		10.0%	SETA 2013 (Table 3.12, p129)
% IC cases which go to a hearing		23.5%	Annual report 14-15 (proportion of IC cases ending at hearing)