

# **Acas Research Paper**

## **Estimating the Economic Impact of Acas Services: April 2018 to March 2019**

### **Update**

**September 2020**

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## **Disclaimer**

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## 1. Executive summary

The Advisory, Conciliation and Arbitration Service (Acas) is an independent public body that receives funding from the government. It provides impartial advice to employers, employees and their representatives on a range of employment issues, including resolving problems at work, understanding employment rights, and improving employee relations.

This report is an update to the Economic Impact estimates for each area of Acas service delivery set out in Urwin and Gould (2016)<sup>1</sup>, which was based on figures for 1 April 2014 to 31 March 2015. Updated estimates of benefit to the wider GB economy from Acas services are presented and compared to the costs of delivery, for the 1 April 2018 to 31 March 2019 financial year.

Whilst the main focus of this review is on the economic value of a year of Acas services – delivered during the 1 April 2018 to 31 March 2019 financial year – it also draws on work outlined in Urwin and Gould (2016), which gives some consideration to the economic value of the Acas brand that has benefited from over 40 years of intangible investment and the Integrated Business Model (IBM) that underpins Acas service delivery.

In each service area, estimates of economic impact are presented using service volumes for the 1 April 2018 to 31 March 2019 financial year and updates of key metrics. The analysis also draws on data from the most recent independent evaluations of Acas services as well as economic data from a variety of other sources, giving 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 purposively conservative approach is adopted throughout to ensure that the economic benefits are not overstated. In addition, for the area of (i) Online Advice and Information, a new approach to estimation is set out; and in the areas of (ii) Individual Dispute Resolution and (iii) Collective Conciliation, particular attention has been given to whether the existing approaches remain appropriate and where they could be strengthened.

Building up from estimates calculated for each area of Acas services provides an **overall benefit-cost ratio of £12 for every £1 invested in Acas services delivered during the 1 April 2018 to 31 March 2019 financial year**, with the total net benefit to the economy of Acas services remaining almost unchanged at £644 million (a fall of 1.3% from the 1 April 2014 to 31 March 2015 figure of £653 million). However, there are significant changes in the contribution that each service area makes to this total, which results in part from improvements enabled by the methodological changes and the filling of data gaps, as well as changes in associated costs and service volumes.

## 2. Introduction

The Advisory, Conciliation and Arbitration Service (Acas) is an independent public body that receives funding from the government. It provides impartial advice to employers, employees and their representatives on a range of employment issues, including resolving problems at work, understanding employment rights, and improving employee relations.

This review provides an update to each area of Acas service delivery that formed the focus of Economic Impact estimates set out in Urwin and Gould (2016)<sup>2</sup> (from here 'U&G') and updates estimates of cost and benefit, from the 1 April 2014 to 31 March 2015 figures that formed the focus of U&G, to those from the most recent 1 April 2018 to 31 March 2019 financial year. In addition, for the area of (i) *Online Advice and Information*, a new approach to estimation is set out; and in the areas of (ii) *Individual Dispute Resolution* and (iii) *Collective Conciliation*, particular attention has been given to whether the existing approaches remain appropriate and where they could be strengthened.

In each service area, estimates of economic impact are presented using service volumes for the 1 April 2018 to 31 March 2019 financial year and updates of key metrics that underpin estimates, for instance using the most recent earnings data from the [Annual Survey of Hours and Earnings](#) (ASHE). The report draws on a range of independent evaluations that capture the benefit of Acas services. Together these sources allow a transparent Cost Benefit Analysis (CBA) to be carried out. CBA is central to the process of decision-making in government<sup>3</sup>, ensuring that public funds are targeted to activities that provide the greatest economic and societal benefit.

This update is being carried out due to both availability of more up to date key metrics and the rolling programme of independent service evaluations allowing robust and timelier estimates, as well as new data which addresses some of the previously identified gaps. U&G outlined a number of challenges Acas faced evidencing impacts in a number of service areas, in particular data in relation to digital services, which U&G flagged as a problem area and which are now available. It also provides a timely update to the case study approach which underpins the estimates associated with Collective Conciliation. This update also flags metrics that are required for estimation that continue to prove particularly hard to quantify. It provides a description of parameter(s) that still remain a challenge, the approach taken to estimation in U&G<sup>4</sup> and any changes made in the current study, which will help inform the future programme of Acas research.

The outcome of all calculations to update the estimate of Acas economic impact, is that the **total net benefit to the economy of Acas services remains almost unchanged at £644 million** (a fall of 1.3% from the 1 April 2014 to 31 March 2015 figure of £653 million<sup>5</sup>), providing a **BCR of 11.9**. However, there are significant changes in the contribution that each service area makes to this total, and the discussion from Section 3 onwards provides detail on this.

Whilst the approach used to estimate an overall benefit-to-cost ratio of 11.9 is cautious and considered as the main estimate, each of the analyses presents an 'extreme lower bound' to provide additional context [presented in the relevant

section as a footnote to the headline estimate]. These extreme lower bound estimates 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 evidence is less robust; and adopting more ‘severe’ assumptions in our approaches to the counterfactual, double-counting and other issues. In most cases the extreme lower bound estimate produces a BCR that is around half the main estimate.

## 2.1 Acas Brand and the Integrated Business Model

Before setting out the process of updating, it is important to flag key cross-cutting benefits of Acas that are not captured by this study. For instance, the resolution of workplace disputes benefits employee health and wellbeing, but these benefits are not currently captured in the CBA. Robust estimates on the magnitude of such impacts are a key challenge for all researchers and future reviews will consider incorporation of impacts as the academic literature develops. A fuller description of all issues considered in this update are provided in [U&G 2016](#), with Section 3.2 of U&G outlining how the economic value of Acas requires separate consideration of the Acas Brand and Integrated Business Model, as these aspects cannot be captured as straightforward benefits in a CBA. To summarise:

The **Acas Brand of Independence and Impartiality** has been built over a period of more than 40 years, and this stock of brand equity provides a return each year, via the activities of Acas advisers. As U&G explain, *the signal of ‘independence’ that [this brand] communicates, better ensures economic impact from the activities of individual Acas conciliators, mediators and advisers, as they carry out their duties. Parties to a dispute need to be convinced that conciliators are independent, as this is required to overcome key market failures. As the discussion makes clear, left to their own devices, markets rarely if ever, produce bodies that can credibly signal independence; and government faces similar challenges. The Acas brand is therefore uniquely valuable, but cannot be explicitly captured in the following CBA.*

Similarly, the **Integrated Business Model (IBM)** that underpins Acas service delivery ensures workplace conflicts receive the correct ‘treatments’ that secure the greatest benefit to society. The IBM ensures significant impacts from Acas service delivery, as its role in ‘diagnosing’ the specific nature of a problem ensures a better match to the relevant treatment. As with brand equity, we cannot integrate such impacts explicitly into a CBA, but there are two key issues that consideration of the IBM highlights:

- The telephone Helpline is essential to ensuring benefits from the IBM. For many it is the initial point of contact for information and advice; providing a central role in diagnosing the appropriate treatment [service area] when further interventions are required. The expertise and experience of staff manning the telephone Helpline is essential, as they are the first point of contact for issues that are often emotionally charged. Staff can draw on their expertise to respond appropriately to the human need and their experience across service areas ensures they make effective decisions over further support. In a context where the sharing of information across

service areas is essential to effective delivery, it is important that the Helpline is embedded within the organisation.

- Such an integrated system does present challenges when considering costs of operation. For each area of Acas service delivery a benefit-to-cost ratio [BCR] is calculated and therefore costs for each specific area (segment) of service delivery need to be estimated<sup>6</sup>. This is not straightforward where staff work across services to ensure the benefits of an IBM, and changes to the way that costs are calculated across service areas have had the unintended consequence of greatly increasing the estimates associated with areas with proportionately larger headcounts. This is an issue we return to in Section 5.2, but it is worth flagging here, as there has been some change to the accountancy treatment of cost since U&G. It is important to note that this is not an issue at the aggregate level, and therefore has no bearing on the overall Acas BCR.

### 3. Dispute resolution services

Taken together, *Collective Conciliation* and *Conciliation in Individual Employment Disputes*<sup>7</sup> contributed £275m in benefits [42% of the overall net economic benefit] in U&G. Updates to this estimate are set out in this section, as are updates to the estimate of economic impact for *Joint Problem-Solving Activities*, which contributed an estimated £3.5m of benefit in the 1 April 2014 to 31 March 2015 financial year.

#### 3.1 Collective Conciliation

In the 1 April 2014 to 31 March 2015 financial year, Acas recorded 1,371 requests for *Collective Conciliation*; and in 2013/2014 the figure was 858. These 2,229 cases formed the basis for analysis in U&G, with the total net economic benefit of £148m representing an annual average taken across these two years. This approach to estimation better captures impacts from Collective Conciliation, as it helps compensate for the variability that can arise when one or two large disputes dominate a particular financial year.

Due to year-on-year volatility in the number of Collective Conciliations, Acas have now moved to a three-year approach, to increase the stability of the individual year estimates. The updated estimates of economic benefit from Collective Conciliation presented here draw on three financial years of data from 1 April 2016 to 31 March 2017; 1 April 2017 to 31 March 2018 and 1 April 2018 to 31 March 2019. Across these years the total number of cases is 2,066 and the following discussion sets out the process of identifying amongst these, cases where Acas Collective Conciliation avoided significant disruption to the **external** economic environment, through the avoidance of strike action. The approach to identification of such impacts broadly follows that of U&G, with any changes flagged for discussion. Following this, updated estimates of the benefit from improved **internal** workplace practices, when collective disputes are resolved, are presented.

#### Estimation of External Impacts

Following U&G we first trawl the Acas Management Information (MI) data to identify, amongst these 2,066 Collective Conciliation cases, instances where Acas conciliation had achieved settlement following (i) a stoppage arising from industrial action and/or (ii) a ballot for industrial action. In U&G, the trawl of 2,229 cases produced 109 that met the initial sift criteria; and across the 2,066 cases considered here, the figure is 173.

The following discussion sets out the process of identifying amongst these 173 cases, those where *the organisation subject to dispute had some amount of monopoly power and/or customers had very limited alternative options in the event of strike action*. In these situations, Acas intervention that avoids industrial action will result in substantial net economic gains as there are few competitors who can step in to provide the goods or services subject to strike action. There is a net loss to the economy in the event of strike action and a net gain if Acas avoids such action.



In contrast, where a company operates in a market with multiple direct competitors, any losses to Company A from strike action are compensated by gains to a competitor Company B. It is hard to argue that there is a significant net loss to the economy in the event of strike action, and therefore we do not attribute gains from avoidance of strike action in such contexts. Cost-Benefit Analysis (CBA) is focused on capturing net gains/losses to the economy as a whole (any gains/losses to one economic agent that are cancelled out by losses/gains to another are not captured<sup>8</sup>).

In U&G the main sector categories that met this criteria, of securing net impacts to the economy when strikes are avoided, were *Transport, Schools, Hospitals* and *Energy supply* (*Delivery/logistics* cases were considered, but did not meet the criteria for selection); with 16 cases forming the focus of final estimation. In the following review, we discuss the potential for additional sectors to contribute to the estimate of economic impact. In some instances, this does add to estimates, but as was the case in U&G, much of our impact arises from strikes avoided in the transport sector.

### ***Transport***

There are 11 instances of successful Acas conciliation in collective disputes experienced by the *London underground railway operator* and its employees. We draw on various sources of evidence to estimate the number of strike days avoided, combining free text fields in Acas MI data, with reports from various media, union press office and news archives<sup>9</sup>. Data presented in this report reflects publicly reported disputes. In addition, each Collective Conciliation case can cover a number of issues. Some of these will be resolved at a point in time; some will persist, with Acas continuing to work with the parties to a dispute over a longer period; and some issues will cut across different programmes of conciliation.

To aid transparency, this update sets out more detail on each specific programme of Acas conciliation and the estimate of strike days avoided. Each instance of a collective dispute where strike days are avoided is translated into 'whole-network' equivalents, as we are better able to identify sources that estimate monetary values associated with impacts at this level. The estimation of impacts from these disputes is challenging and turning our estimated impacts into 'whole-network' equivalents, allows a sense-check on orders of magnitude.

For instance, our first case considers threatened strike action across the Circle, Hammersmith & City and Piccadilly lines. A review of the relevant media and union archives suggests that this would be highly impactful on the entire network, so we take a cautious approach by suggesting an impact that is 25% of that which one would expect from a whole-network shutdown. A review of media<sup>10</sup> and MI data suggests that two days of planned strike action were avoided as a result of Acas conciliation. Taken together, we have an estimate that strike action avoided in this instance saved the equivalent of one-half day of whole-network strike action – a figure that we can then use to estimate a monetary value for the disruption avoided.

## Estimating days of strike action avoided, London underground railway

### **1 April 2016 to 31 March 2017:**

(i) Estimate of two days of strike action avoided from Acas resolution of a dispute related to the Circle, Hammersmith & City and Piccadilly lines. It is assumed that each day of strike action across these networks produced 25% of the impacts associated with one day of strike action across the whole network – therefore, we estimate impacts equivalent to **one half day** of strike action across the whole network in this instance.

(ii) A long-running pay dispute between the operator and employees manning central network control functions was successfully resolved by Acas, and this is estimated to have avoided **one day** of cross-network strike action.

### **1 April 2017 to 31 March 2018:**

(iii) Estimated that **1.5 days** of whole-network strike action was avoided from successful Acas resolution of a dispute between Associated Society of Locomotive Engineers and Firemen (ASLEF) / National Union of Rail, Maritime and Transport Workers (RMT) and *London underground railway operator*, arising from a general 'breakdown of industrial relations'<sup>11</sup>.

(iv) Combining impacts from a successfully resolved dispute involving RMT, which focused on Health and Safety issues and mainly included maintenance workers; with a dispute related to the Silverlink line, we estimate avoided impacts that are equivalent to **one half day** of a whole-network strike. Acas conciliation led to a suspension of industrial action and a review of safety procedures in the former dispute; and strike action threatened for Christmas day was avoided in the latter.

### **1 April 2018 to 31 March 2019:**

(v) In our trawl of the detailed MI data, it is apparent that two of the 11 disputes arose from issues related to individual conflict, which had spilt over into a collective dispute. Within the MI data we identify a number of instances of collective conflict that arise from issues of individual grievance and/or disciplinary action [including dismissal]. These rarely lead to strike action and whilst avoidance of these disputes may confer economic benefits, they do not meet our strict criteria for inclusion.

(vi) It is estimated that **two days of** whole network strike action was avoided following successful Acas resolution of two disputes<sup>12</sup>. In addition, we estimate that successful resolution of two additional disputes, one relating to Central line operations, and one to the Piccadilly line, avoids impacts that amount to **half** of the impact associated with one full day of a network-wide underground strike.

From this discussion of the MI data and media sources surrounding these 11 successfully conciliated cases, it is **estimated that Acas intervention avoided the equivalent of 6.5 days of whole-network strike action over the three-year period**. Having arrived at estimated impacts that are 'whole-network' equivalents, we first consider the suggestion that, "half a billion pounds has haemorrhaged from London's economy in the last year because of the fallout from the ongoing Tube and Southern Rail strikes"<sup>13</sup>. However, one must consider such

headline figures with caution as bodies representing business have an incentive to estimate large impacts.

For instance, in 2017 the Federation of Small Businesses (FSB) estimated an impact of £300m per day associated with strike action on London Underground, but this was based on work carried out in 2015 and the Chief Executive of the Centre for Economics and Business Research (CEBR), commenting on the estimate, suggested a more appropriate figure would be approximately 1% of the 1.03bn daily London Gross Value Added [GVA<sup>14</sup>] - leading to an estimate of £10m. As the discussion on page 26 of U&G underlines, we take a scientific approach, utilising estimates of GVA per commuter, the number of commuters impacted and the time impact for each. The time impact for each commuter is the most challenging, as studies we are able to draw on may not be particularly scientific [they do not publish methodologies]. However, estimates for this figure in U&G remain appropriate, as there are more recent pronouncements from business groups on the impact of strike action, but these have not updated estimates of the time impact for each commuter.

So how do the above orders of magnitude compare to our estimated impacts? Overall, we arrive at an estimated economic gain of £180.3m for 6.5 days of strike action avoided [this is the cost avoided from strike action that would have taken place, if not for successful Acas conciliation]. This translates into an estimated impact of £27.7m per day of strike action – less than 10% of the FSB estimate and just under three times the rough approximation suggested in comments by CEBR Chief Executive. Our estimate only takes into account impacts for those commuting on the underground network and does not take explicit account of the extensive spill-over impacts on other commuters, particularly those using cars<sup>15</sup>. This provides an important sense-check for our estimate of impact and, if anything, suggests we may be understating impacts on London's economy<sup>16</sup>.

#### Other transport-related disputes

In addition to these Collective Conciliation cases on the underground, we identify a number of other **transport-related** disputes from the Acas MI data across 2016 to 2017, 2017 to 2018 and 2018 to 2019, which have the potential for impacts to the external economy. As with the approach to estimation of impacts in the case of underground network operations, when we observe [what can be considered as] a 'whole-system' shutdown [e.g. in the following case of the Scottish Rail Network] we can usually take the approach of looking at whole-region GVA; the estimated proportion of commuters impacted by the strike; and calculate impacts from this perspective. In the case where we have impacts arising from forms of transport that are more locally focused and/or where alternative forms of transport are more numerous [e.g. the following analysis of Woolwich Ferry and Tram networks]; we use sources to estimate the number of commuters using this form of transport; scale up from there; and reduce estimated impacts according to the availability of substitute forms of transport (taking some direction from Nguyen-Phuoc et al, 2017).

We adopt this approach to the calculation of impacts from transport strikes avoided on (i) the London Bus network and (ii) Southern Counties Bus network [in both cases one day of strike action avoided in 2016 to 2017]; (iii) the Manchester Bus network and (iv) the Aberdeen Bus network [in both cases two

days of strike action avoided in 2017 to 2018, arising from three separate programmes of Acas conciliation].

Similarly, we calculate impacts on train networks from strikes avoided in collective disputes involving (v) Govia Thameslink (1 day of strike action avoided in 2016 to 2017); as well as (vi) Transport for Wales and (vii) Scotrail. In the case of (vi) and (vii), we estimate two days of strike action avoided in 2016 to 2017, as news reports make clear there are substantial congestion impacts across Wales and Scotland when strikes have previously taken place and, in both cases, any strike action spills over to impact two days.

Across the three-year period we estimate that (viii) a dispute involving unions and the Woolwich Ferry avoids 3 days of strike action [across 2016 to 2017 and 2017 to 2018]<sup>17</sup>; and (ix) we estimate that across five Acas cases, involving Croydon<sup>18</sup>, Sheffield<sup>19</sup> and Manchester<sup>20</sup> Tram networks, across all three financial years, there are 9 strike days avoided. We also estimate the impacts from 2 days of strike action avoided at the Driver and Vehicle Standards Agency in 2017 to 2018<sup>21</sup>.

### ***Other Disputes***

The market for **delivery** has undergone substantial change since Meadows (2007) and in U&G we make clear why impacts arising from postal/delivery disputes avoided are not included in the estimate of benefit – there are many competitors, who can compensate for disruption of a rival's service at short notice. However, this is not necessarily the case when considering **logistics** more generally [where disruption to supply chains can be extensive<sup>22</sup> because of the time-critical nature of 'delivery' at a point in the supply chain<sup>23</sup>]. As a result, our estimate of external impact includes 3 days of strike action avoided in (x) the dispute between unions and AGS airports<sup>24</sup> [which operates Glasgow, Aberdeen and Southampton], across 2016 to 2017 and 2018 to 2019<sup>25</sup>; and (xi) 2 days of strike action avoided at the Port of Milford Haven [2018 to 2019].

### ***Schools and Academies***

Schools and Academies are included in our analysis of impacts (as opposed to Colleges) because (i) parents cannot simply drop their children at an alternative (competitor school) and (ii) the children are underage so represent a greater disruption to parents' productivity. We create estimated impacts from one day of strike action avoided across 24 Schools and Academies, which are the subject of multiple Acas cases across all three financial years. This is an interesting development since U&G, where the extent of 'localised' education disputes was much less pronounced; a development that may possibly be an unintended consequence of the 2016 Trade Union Act.

### ***Ship repair and ship building***

Finally, drawing on media sources, we estimate a £1.5m impact from avoidance of strike days at a large ship repair and ship building company in 2017 to 2018. This estimate of impact is cautious as it only applies to one year [for a long-running dispute] but we do not feel confident in attributing a larger impact, as there is no evidence to support such an approach.

## **Total external impacts**

This brings the estimated total annual average benefit to the economy from Acas conciliation that avoids strike days in the above examples to £81.2m, which is a significant reduction on the figure of £127.65m in U&G, reflecting in part both the nature of disputes during the period and a fall in the number of Acas Collective Conciliation cases.

### A note on omitted cases

There are a variety of disputes involving 'natural monopolies' (for an explanation, see [U&G](#) pages 29-30) that are excluded because the MI data does not record 'settled conciliation' in the relevant financial years. One may argue that some of these might be included, where the relevant field suggests 'progress deadlock broken' or 'progress differences reduced'. For instance, Acas played an important role in the four-year dispute over a new contract for junior doctors<sup>26</sup> and the long-running pay dispute between British Airways and the British Airline Pilots Association (BALPA)<sup>27</sup>. However, the impact of this work is not captured here, because of our strict selection criteria. It is important to be aware of these omissions, as they reflect our approach throughout the study - where there is a lack of evidence or cases do not meet strict selection criteria, we do not wish to undermine confidence in the wider approach to estimation. Similarly, whilst we have some conciliations that deal with disputes that could cause disruption to *Energy Supply*, as was the case in U&G, investigation of these case studies resulted in no appropriate impacts being identified.

More generally, our approach to selection of cases that have either suffered a stoppage and/or a ballot for strike action has taken place, could be relaxed. One could also select cases which are recorded in the MI data as 'threatened action'; but where no strike has taken place and there has been no ballot. Similarly, there are cases which the MI data records as experiencing 'Action Short of a Stoppage', but once again, relaxing the selection criteria to include these categories brings some additional possible case studies, but at the risk of undermining confidence.

Finally, whilst in U&G we were able to include impacts for one dispute related to the role of civilian workers in the Police Force and one dispute relating to Hospital Pathologists, a trawl of the MI data between 2016 to 2017 and 2018 to 2019 suggests that potential cases related to the NHS do not have wider impacts from avoidance of disputes.

## **Estimation of Internal Impacts**

To calculate the number of organisations that experience positive impacts internal to the organisation, as a result of Acas conciliation in collective disputes, we first consider the percentage who are reported as *successfully completed* in the table of *Collective disputes closed by outcome* in the relevant Annual Reports. These percentages are then applied to the *Collective Disputes Received* in the relevant financial year [see Table 1 below]:

**Table 1. Collective disputes received by financial year**

	<b>Collective Disputes Received</b>	<b>Successfully completed</b>
<b>1 April 2016 to 31 March 2017</b>	744	66.6%
<b>1 April 2017 to 31 March 2018</b>	715	84.8%
<b>1 April 2018 to 31 March 2019</b>	607	84.5%

If we calculate the overall weighted percentage from these figures:

$$[(744*0.666+715*0.848+607*0.845)/(744+715+607)]$$

A figure of 78.2% is obtained, very close to the 78.1% in U&G; and then apply this to a figure of 689 (2,066/3) cases.

Updating the figures for internal impacts from Collective Conciliation using the same approach as U&G, we obtain an estimated impact of £11.8m, approximately half the impact identified in U&G. This benefit derives from the positive impacts that resolution of collective conflict brings, 'internal' to the workplace, i.e. as a result of improved communication, workplace practices, morale and 'improvement in days handling claims'. The approach to estimation of these impacts is one that has been carried over from Meadows (2007) and whilst U&G were able to update some figures using Acas research carried out since the last evaluation<sup>28</sup>, a number of challenges remain.

For instance, from Booth, Clemence and Gariban (2016) we can identify the proportion of companies that report 'improved communication' following Acas conciliation, but the question of how to assign a monetary value to the productivity impact associated with this remains a challenge. To provide continuity, the current study adopts parameters that were originally suggested by Meadows and carried forward to U&G<sup>29</sup>. There is some potential for future estimates to be drawn from more recent research into workplace wellbeing and engagement, but currently this does not provide the specific evidence required for robust calculations<sup>30</sup>.

Drawing together the internal and external collective estimates results in an overall estimated benefit of **£93m** and this drops the **BCR** from 81.4 to **73.6**<sup>31</sup> (the fall in BCR is mitigated in part by the decline in the cost base for this service area which also falls by over £0.5m between the 2014 to 2015 and the 2018 to 2019 financial years).

### **3.2 Conciliation in individual employment disputes**

In the 2018 to 2019 financial year there were 132,711 Early Conciliation (EC) notices received and these form the basis for estimation of impacts<sup>32</sup>. The Acas Annual Report 2018 to 2019 (page 23) suggests that 10% of EC notifications were resolved by Acas conciliation via a COT3 settlement; but Note 18 of *Evaluation of Acas Individual Conciliation 2019* suggests a figure of 13% for outcome data, and so we use both figures for the calculation of upper and extreme lower bound estimates<sup>33</sup>. In addition to these COT3 settlements, another 63% of EC notices do

not lead to the submission of an ET claim (i.e. they were not COT3 settled, but also did not result in an Employment Tribunal (ET) claim being lodged).

Applying these proportions to the 132,711 EC notices received in the period 1 April 2018 to 31 March 2019, we have a figure of 17,252 EC notifications that are COT3 settled<sup>34</sup> and 83,608 that do not progress to ET1, for reasons other than COT3 settlement. As was the case in U&G, and previous studies of Acas' economic impact, the assumption is that COT3 settlements are attributable to Acas intervention. To estimate the proportion of the 83,608 cases that do not progress to ET1, because of Acas conciliation, we utilise the Evaluation of Acas Individual Conciliation 2019<sup>35</sup>. A figure of 58% is calculated using Figure 15 of this study (the proportion who - across claimants, claimant representatives, employers and employer representatives - strongly agree that Acas was important in the decision to settle)<sup>36</sup> and a separate figure of 44% is also used, as it reflects the proportion of claimants who participated in EC and did not settle, but did not go on to submit an ET claim, who report that Acas' intervention was a contributing factor to this outcome.

Both of these figures [44% and 58%] are much higher than the 37% used in the analysis of U&G<sup>37</sup>, boosting benefit by around £37m. Similarly, the proportion of those who take up the offer of [and engage in] EC is an important parameter. This was 73.2% in U&G, but according to the 1 April 2018 to 31 March 2019 Annual Report, the proportion of cases where the 'matter proceeds to conciliation' is 53.9%. In contrast, the 2019 EC survey suggests that 58% of claimant-side participants reported conciliation had taken place<sup>38</sup> - using either of these figures offsets about £25m of the £37m gain from a higher resolution rate attributed to Acas.

Applying these new figures, we estimate that 45,378 EC notifications that do not progress to an ET can be attributed to Acas intervention – from this it is calculated that (i) 21,832 are cases avoided, that otherwise would have been cleared at the post-claim conciliation stage; (ii) 6,302 would otherwise have gone to an ET hearing following post-claim conciliation; and (iii) 17,244 would otherwise have gone to a hearing without taking up the offer of post-claim conciliation. These figures are much higher than those used in U&G, simply because the volume of EC notifications is around 50% higher, and this drives some of the increase in estimated benefit.

However, it is not just the overall EC numbers that have boosted the estimated benefit, when compared to U&G – the average time that managers and other staff report spending on ET cases increased substantially between SETA 2013 and SETA 2018. This works to further boost the estimated benefit of Acas intervention, as it implies a much larger time saving from each ET case (and/or ET Hearing) avoided. For instance, the average (mean) number of days spent by managers on a post-ET1 case settled by Acas (and therefore avoiding a Hearing) has risen from 8.5 to 17.5 between SETA 2013 and 2018. For cases that go all the way to an ET Hearing, SETA 2018 suggests that this takes on average 22.4 days of management time (across claimants successful and unsuccessful at hearing) - up from 11.5 in SETA 2013<sup>39</sup>.

For each of the categories of avoided cases (i), (ii), and (iii) above, we 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<sup>40</sup> 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 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>41</sup>). Taken together, time savings to managers and other staff amount to £94.8m.

We then estimate savings to employers from time saved as a result of being equipped with information to avoid future ET claims [utilising the 17% estimate of employers who report that the Acas conciliator had provided them with information/advice that would help avoid having to deal with similar cases in the future]; and estimated savings in recruitment costs arising from reduced staff turnover, when Acas saves the employment relationship. This latter estimate applies to very few claimants, as only 6% of ET claimants still work for the employer that is the subject of the dispute; 2% of cases that actually make it to a Hearing involve an order of re-engagement; and 75% of claimants report that employment ended because of the dispute. Therefore, we use a (proxy) estimate of 3%, to represent the proportion of cases that would otherwise have gone to a Hearing, where Acas intervention saves the employment relationship<sup>42</sup>. This 3% estimate replaces an assumption carried forward from Meadows (2007) [and subsequent PVP reviews] that there is *a saving in recruitment costs of one post for every ten cases that would have been heard in the absence of Acas intervention*.

Finally, the savings to Taxpayers from avoidance of administrative costs for ET Hearings that would otherwise have taken place is estimated, if cases had not been conciliated by Acas at the EC stage; and finally the savings to Acas from not having to administer post-ET individual conciliation, because they manage to resolve cases at the EC stage. Taken together, the benefit from avoidance of future claims, savings in employer recruitment and tribunal administrative costs amount to £52.8m in benefit. These are the final items to which we attach a monetary cost, as the previous inclusion of estimates relating to 'third parties' have been removed. The reasons are two-fold. The phrase 'third party' is vague and, perhaps as a consequence, does not feature as a term in more recent studies. In addition, and related to this, many third parties receive payment for attendance/support of the case. This represents a payment to another economic agent and therefore no net benefit/cost to the economy is incurred from avoidance of this cost.

These calculations provide an indication of the benefit derived from Acas conciliation at the pre-ET stage<sup>43</sup>. We also calculate, for the 35,832 cases that progress to an ET claim, the benefit from continued Acas attempts to conciliate. Because this is at a later stage in the process, the benefits are smaller, but using a similar approach to that for the EC stage we estimate a £7.2m saving in management time from Acas conciliated cases that would otherwise have gone to a Hearing; a £0.6m saving from avoidance of future claims and £30.7m in employer recruitment and tribunal administrative costs avoided.



Taken together, this provides us with an estimated total benefit of £186m - higher than the £127m figure in U&G. For the 1 April 2014 to 31 March 2015 financial year, this figure of £127m was accompanied by a total estimated cost of £24.4m, to give a benefit-to-cost ratio (BCR) of 5.2. The **1 April 2018 to 31 March 2019 benefit of £186m** is accompanied by a cost of £26m, producing a **BCR of 7<sup>44</sup>**.

### 3.3 Joint Problem-Solving Activities

Joint Problem-Solving Activities are 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. In the 1 April 2014 to 31 March 2015 financial year, Acas delivered 104 Joint Problem-Solving Activities and this figure fell to 85 in 1 April 2018 to 31 March 2019. The approach to estimation of impacts is very similar to that adopted for the internal impacts arising from Collective Conciliation; with the findings of Cameron, Clemence and Gariban (2017) providing new key estimates of, for instance, the *proportion of firms reporting lower absenteeism as a result of the Acas project*.

As with the internal collective analysis, aspects of the approach here are being reviewed, as there are opportunities to tap into more recent literatures that may provide evidence of productivity and wellbeing impacts; and whilst we have managed to replace one of the previously unsubstantiated metrics in the analysis, any alternative solutions bring their own challenges. For instance, a previous assumption in U&G (carried over from Meadows) was of a 25% reduction in the number of grievances in firms that reported seeing a reduction, following Acas intervention. In the calculations here we use more recent evidence to calculate the expected number of grievances in workplaces subject to Acas intervention and then use the proportions reporting a reduction in grievances to estimate how many grievances have actually been avoided. The two approaches result in very similar estimates, but both will be reviewed moving forward to identify further improvements.

Despite a fall in numbers since 1 April 2014 to 31 March 2015, key metrics identified in Cameron, Clemence and Gariban (2017)<sup>45</sup> have increased and this raises estimated impact. For instance, the proportion of firms reporting better quality of service/output as a result of the Acas project is 22% (Cameron, Clemence and Gariban, 2017), whilst the figure used in U&G was only 5% [taken from Ipsos Mori, 2013]. This change alone adds £4m to the benefit and therefore accounts for the rise from £3.5m to **£7.3m in total benefit** between U&G and this update. Cost of delivery has risen only slightly between 1 April 2014 to 31 March 2015 and 1 April 2018 to 31 March 2019, and this leads to a rise in the **BCR to 29.6<sup>46</sup>** [from 18.3 in U&G].

## 4. Training services

### 4.1 Open Access Training

In the 1 April 2014 to 31 March 2015 financial year, Acas delivered 1,286 *Open Access (OA) Training* events reaching a total of 11,995 delegates. This produced an estimated economic benefit of £40.7m and with costs estimated at £1.6m, resulted in a benefit-cost-ratio of 25.4. The figures for 1 April 2018 to 31 March 2019 are slightly up on these numbers, with 1,368 events reaching a total of 13,845 delegates. This was not an area that formed a particular focus for consideration of revisions to approach, but the process of estimation of impacts from OA Training closely mirrors that taken in calculation of workplace impacts from Collective Conciliation [i.e. 'Internal'] and Joint Problem-Solving Activities. To ensure consistency across service areas we have therefore altered the approach to estimation in line with these other areas.

For instance, a previous assumption in U&G (carried over from Meadows) was of a 10% reduction in the incidence of absenteeism for those reporting workplace impacts from OA Training. This figure had been carried forward, based on case study evidence from Meadows. The new approach calculates the expected number of days absence in workplaces subject to Acas intervention<sup>47</sup> and then uses this to estimate how many absence days have actually been avoided. In contrast to the other service areas where this approach is adopted, this does lessen the estimated impact of OA Training and therefore a slight increase in events between 1 April 2014 to 31 March 2015 and 1 April 2018 to 31 March 2019 has reduced estimated impacts. The **£25.9m of benefit** is now associated with a **BCR of 16.4**<sup>48</sup>. As with calculation of workplace impacts from Collective Conciliation [i.e. 'Internal'] and Joint Problem-Solving Activities this will form the focus of review moving forward, but for now we have taken a cautious and consistent approach, presenting slightly reduced estimates.

### 4.2 Workplace Training

In the area of Workplace Training (WPT) we are able to draw on the new *Acas Workplace Training Evaluation 2020*<sup>49</sup> and this provides updated figures on the proportion of workplaces where it is reported that WPT has resulted in a net reduction in tribunal claims (6%); improved attendance (12.5%); and a reduction in grievance cases (7%). These are close to the figures from the previous 2014 study<sup>50</sup>, with a slight increase overall.

There is also an increase in the average size of workplaces amongst attendees (from 228 to 334) and this increases estimated impacts – for instance, we calculate impacts from 'absences avoided' using the number of workplaces that have been impacted by training; and then utilise the average number of workers in each workplace to estimate the specific number of absence days avoided. Under WPT many more people are trained in each workplace when compared to OA, so we are confident of attributing more substantial impacts. Therefore, the proportion of the workforce assumed to be impacted by absence reduction in OA is 10% and in WPT it is 20%. The challenge is that, in both cases, these figures are inherited from previous reviews and even adopting a new approach to estimation does not overcome the challenge – this is an area for review.

As a result of the changes to these parameters and an increase in overall numbers trained since 1 April 2014 to 31 March 2015, we observe an increase in estimated impact. Specifically, in the 1 April 2014 to 31 March 2015 financial year Acas delivered 1,078 *Workplace Training* courses reaching a total of 19,937 trainees. This produced an estimated economic benefit of £7.3m and with costs estimated at £1.6m, resulted in a benefit-cost-ratio of 4.6. The figures for 1 April 2018 to 31 March 2019 are significantly higher, with 1,587 events reaching a total of 34,177 delegates. This results in an overall estimated **benefit in 1 April 2018 to 31 March 2019 of £19m** and as a result the **BCR increases to 8.2**<sup>51</sup>.

### 4.3 E-learning

In the 1 April 2014 to 31 March 2015 financial year, there were 14,750 registrations to use Acas' *E-learning* modules. This produced an estimated £3.9m of benefit, on £0.03m of costs [of operation, not setup] and therefore a BCR of 136. The 1 April 2018 to 31 March 2019 Acas Annual Report suggests there are "nearly 34k new registrations this year" and our base is therefore 33,800. The previous BCR was exceptionally high, partly driven by the £30,000 costs that were estimated for this service area. The estimated costs have now risen to £93,700, and the approach to benefit calculation results in a **£1.45m benefit**, leaving us with a **BCR of 15.4 in the 1 April 2018 to 31 March 2019 financial year**<sup>52</sup>. In U&G we suggested that, "due to initial low cost and the relative lack of evidence on the impacts of this service, the E-learning benefit-cost ratio should be considered with some caution". This fall in the BCR is therefore not unexpected.

#### Methodology Note

The following section sets out a new approach to capturing Online Advice and Information, and includes discussion of the related area of telephone Helpline. The 2018 survey carried out for online advice omitted users primarily focused on e-learning modules, so there is still a justification for attribution of a separate cost benefit. However, there are 'grey areas' between e-learning and online advice/guidance which were not captured in U&G. Some examples of these are flagged in the 1 April 2018 to 31 March 2019 Annual Report as *New Learning Channels*. These are not captured in the current study but will be considered as part of the wider review flagged elsewhere. The challenge is to formulate an approach that removes concerns over double-counting and allows the area to be included in calculations relating to online Information and Guidance Services - for instance, by possibly adding numbers in a similar way that Advisory Calls and Visits are translated into Workplace Project equivalents. This is an area for development that has become particularly important, as more recently Acas have had high take-up of COVID-19 and Furlough webinars. However, for the current study any benefits from the following activities are not captured:

- 14 webinars for over 5,500 delegates on managing a fair disciplinary process; 500 attendees for a joint webinar with the Chartered Institute of Payroll Professionals.
- 38 Employer requests to download Acas' online training courses onto their intranet sites to share with their employees (potential reach of 135,000 employees from companies including Volvo, Network Rail and Cheshire Police).
- Codes of practice did not form part of the study carried out by Kuechel et. al., (2018).

## 5. Helpline Services and Online Information & Advice

This section sets out a new approach to capturing economic impact arising from Acas provision of online information and advice; and sets out related issues across Acas provision of advice and information (whether online or via the telephone Helpline). These online/Helpline areas are discussed together as they have taken a similar approach to capturing economic impact (in both U&G and Meadows, 2007) and this also allows a more general discussion of issues that arise for Acas when considering its adoption of a 'digital-first' approach for advice.

For instance, an issue with the approach to online (previously downloads) when compared to the telephone Helpline, is that since Meadows there has been **no benefit associated with downloads by employees** (now 'employee-side user events'). This has its roots in the statement in Meadows that, "downloads by employees give them information about their rights but do not have an impact on their time or their decisions. In practice the former assumption may not be valid, as without access to clear information from the Acas website, they might need to visit a Citizen's Advice Bureau or other source of information about rights at work. But it is unlikely that more accurate information about rights and procedures at work would lead to fewer grievances or tribunal claims". This is in direct contrast to the telephone Helpline, where calls by employees are associated with impacts from such avoidance.

What is the justification for this differential approach across online and telephone Helpline? When considering the activities of Acas colleagues on the telephone Helpline, the information being communicated has the potential to be bespoke in nature; and in dealing with the human need, advisers have greater potential to avoid escalation of disputes and/or contribute to resolution of existing disputes. The telephone Helpline is better able to respond to the emotion of workplace conflict and in this context, we may consider that the activities of Acas colleagues can credibly be argued to avoid potential grievances or EC notifications from employee calls.

Telephone Helpline staff attempt to de-escalate a conflict where it is appropriate to do so, and this accounts for the approach to impacts. In contrast, the statement from Meadows reflects the fact that it is harder to argue that an online service providing (generic) information, has the same potential to achieve a similar 'resolution/avoidance' impact. One can see our attributing of impacts mainly to online engagement in the areas of *Discipline, dismissal and grievance* as being driven by similar concerns.

This reasoning is what underpins the omission of impacts associated with employee-side online user events; and inclusion of impacts from employee calls as part of the telephone Helpline CBA. The Webchat service sits somewhere between these two extremes, but numbers (1,368 in 1 April 2018 to 31 March 2019, representing a fall from 2,672 in 1 April 2014 to 31 March 2015) are small – for this service area, the interactive (and therefore potentially more bespoke) nature of the service means that the CBA approach has previously estimated impacts for both employer-side and employee-side enquiries. There is a strategic question of whether online represents a satisfactory alternative to telephone Helpline, for emotional instances of conflict. One can expect a decline in the impact

captured by CBA if [a growing] online service continues to omit the employee-side from its assessment of benefit.

Finally, a closely related issue is the question of how the analysis treats situations where the provision of information (whether as part of a telephone Helpline or online information and advice session) provides information on an individual employee's rights that motivate them to make an EC submission. The role of Acas in facilitating access to justice for many who would not otherwise pursue their employment rights has never been captured as part of the CBA.

The fall in telephone Helpline numbers between the 1 April 2014 to 31 March 2015 financial year and 1 April 2018 to 31 March 2019 is likely a result of various factors, and not necessarily driven by a longer-term transition to online (rather than telephone) as the default point of contact. However, whilst the period we are considering (from the April 2014 to March 2015 financial year, to the April 2018 to March 2019 financial year) provides an additional £35.5m benefit from online, offsetting the £54m decline from lower telephone Helpline users, this is a one-off boost from better data, and there are questions of whether online can provide the benefit that derives from a telephone call.

These and other issues will be taken forward as part of the review flagged earlier in this report (Section 2.1). To be clear, the discussion in this section relates to the categories of Acas service delivery that, in U&G, were previously categorised as:

- **C. Helpline Services** – which included (i) Telephone Helpline and (ii) Webchat
- **E. Online Information and Guidance** – which included (iv) Online Publications, (v) Helpline Online and (vi) Acas Model Workplace (AMWP) tool

A key change in the approach to evaluation of impacts for online information and advice, when compared to that initiated by Meadows 2007 and followed in U&G, is the move towards capturing user events that reflect *significant engagement with content* – rather than simply focusing on 'Publications/Codes of Practice Downloads'. The way people use online is moving away from downloads, and this raises questions over this previous metric as a way of capturing (potentially impactful) activity - the new Acas website reflects this move away from downloads.

Also, the previous focus on downloads was one of the few ways that Meadows (2007) could credibly identify activity associated with impacts – differentiating an Acas website visit that reflected significant engagement with content, from one that arrived as a mistaken search for e.g. UCAS. U&G made changes to this approach but the essential focus on downloads remained. We now have a new *Acas Digital Advice Evaluation* carried out by Kuechel et. al. (2018)<sup>53</sup>, with metrics that allow a move away from downloads.

## 5.1 Online Information & Advice services

This sub-section describes the proposed new approach to calculation of economic impact arising from *Online Information and Advice* provided by Acas. This will replace the previous estimate, which focused on (iv) *Online Publication* [downloads]. No updating of v) *Helpline Online* has been undertaken and the same is true of (vi) the *Acas Model Workplace (AMWP) tool*.

### Deriving Base Figures for the 1 April 2018 to 31 March 2019 financial year

We scale up from the 'population' numbers observed by Kuechel et. al. (2018) when carrying out the 2018 online study. The figures that result from this process have been sense-checked with the Acas MI data, and they confirm that the approach is appropriate.

Kuechel et. al. (2018) observe 877,283 total user visits from 'unique devices'<sup>54</sup> between 12 March and 18 April 2018 [i.e. over 38 days] and estimate 58.5% of these viewed in-scope 'advice' pages<sup>55</sup>. This gives a figure of 509,701 and dividing this by the number of times an average user visited the website during this period (1.51) gives a figure of 337,551. The authors take this as an estimate of the number of users exposed to the 'pop up' invite to take part in the survey, but this figure will also include visits that lasted less than 30 seconds and who would therefore not be shown the pop-up [and also who we would want to exclude from our relevant baseline user population figures].

Taking this figure of 337,551 over 38 days, we estimate 8,883 on average per day<sup>56</sup>, suggesting 3,242,266 user events in a year (i.e. 8,883 X 365). It is not known how many of these are over 30 seconds, so the extreme lower bound estimate takes only 80% of impacts. However, it is worth emphasising that this is in addition to the reductions implied by our focus (amongst these cases):

- only on visits that report using no other Acas 'tools' (63% of all 'employer-side', and only 42% of 'employee-side', visits)<sup>57</sup>.
- a further refinement to only focus on the 94% who reported that they were either searching for (i) 'a specific workplace query that I wanted to find answer to' or (ii) 'information about a particular topic more generally'.

To prevent double-counting, estimates only take into account those visits that report using no other Acas services (i.e. they had not also used Helpline online, called the Acas Helpline, watched relevant videos, used e-learning to tackle the issue etc.), as the CBA attributes separate impacts from for example, visits to the telephone Helpline.

### Calculation of impacts

The 2018 online survey contains information on the main topic that is the subject of inquiry. We work with categories differentiated according to the proportion of employees and employers citing their 'main' topic, as it becomes overly complicated considering multiple topics per user - main topic is a cautious approach in some respects, as we only capture one area of impact per user activity. The following calculations focus particularly on the 23% of visits that relate to the category of *Discipline, dismissal and grievance*.

The calculations above provide us with estimates of the user events that are in scope; and we combine this with the figure of 68% of users who report that the online advice helped them to solve a problem or reassured them of a course of action they had already taken. It is worth noting that we have not factored in that "46 per cent of users shared the advice that they looked at with somebody else". Similarly, there is a variety of information related to 'actions taken after reading Acas digital advice', including 'discussed the problem with management' and 'applied/implemented changes'. These figures could possibly be used to increase the scope of our estimated impacts across workplaces, but there are a number of concerns.

For instance, when considering the value we attribute to having information in place at a workplace level, it would not seem justified to multiply this by the number of people within a workplace with whom it has been shared. Similarly, there are concerns over any multiplication of the value we attribute to impacts arising from avoidance of disciplinary cases or grievances, according to the number of people information has been shared with. The assumption underpinning our current approach to attributing of benefits is that the information has been shared (and any required changes made), and therefore the workplace experiences lower average levels of grievance. The same rationale applies to our attributing of benefits from management time saved and therefore the current study does not utilise these latter figures.

This section draws on a variety of evidence that allows credible estimates of 'in scope' user events, and an employer-side/employee-side split. We also have information that provides a more solid basis on which to attribute some impact from this activity, but as in other areas of the CBA a number of assumptions persist from 2007. Specifically:

- Meadows assumed that "each employer download/hard copy of Discipline at Work, Producing a Written Statement, Managing Attendance and Turnover, Recruitment and Induction, Employee Appraisal, Redundancy Handling and Age and the Workplace: a guide for employers saves two hours of management time gathering the same information". In U&G we produced figures using 2 hours and 1 hour to show how this impacted estimates (when combined with the lower figures using medians etc.). We now apply 1 and 0.5 hour figures to 'user events', to reflect the ease with which individuals can access information, when compared to 2007.
- In Meadows (2007), each employer download or hard copy of Producing Discipline and Grievance Procedures (was assumed to) save on average a day of management time, as at the time many employers will have been "developing discipline and grievance procedures for the first time following the introduction of compulsory procedures in 2004, and in the absence of the Acas guidelines the production of such procedures would be much more time-consuming". This area of impact was removed from U&G, as it was no longer relevant, and is not included here.
- Meadows, 2007: "As employers are better informed and have better procedures, they are less likely to face employee grievances. It is therefore assumed that for every 100 employer downloads or hard copies of Discipline at Work; Producing a Written Statement; Managing Attendance and Turnover; Recruitment and Induction; Employee Appraisal; Redundancy Handling and Age and the Workplace: a guide for employers there is one

fewer grievance" (and as 14 per cent of grievances lead to employment tribunal claims<sup>58</sup>, there is an associated reduction in tribunal claims as well). We carry forward the 1 in 100 assumption (and the 'extreme lower bound' estimates impacts if we consider 1 in 200).

### **In-scope employer-side impacts**

A figure of 921,634 is calculated by taking the overall figure of 3,242,266 in-scope user events and multiplying by 48% to capture only employer-side users; multiplying again by 63% to reduce this number to only those employer-side users reporting using no other Acas tools; and finally by 94% to remove the 6% who 'came across the topic' as part of a general search<sup>59</sup>. This figure is used to calculate the benefits of having information in place (using the 1 hour and 0.5 hour saving assumptions) and the same baseline is used alongside the assumption of 1 grievance avoided for every 100 user events (previously applied to each download). We then apply a figure of 14%, which is an estimate of the proportion of grievances that become ET cases, and estimate management time savings from avoidance of these ET cases (with proportions applied from the 2018 to 2019 Acas Annual Report, to reflect how far in the EC/ET system these cases would have been expected to progress).

We then calculate the savings to employees (claimants) from avoidance of these 14% ET cases, which avoids the frictional unemployment that accompanies job changes and the time saved that a claimant would have spent on the ET claim<sup>60</sup>. The remainder of the analysis calculates benefits arising from avoidance of administrative costs to the ETS and Acas – as with other service areas, estimates around costs to 'third parties' involved in the ET process have been removed.

It is important to note that in the case of calculations relating to avoidance of grievances, EC/ET claims, loss of earnings/unemployment and future tribunal cases, only grievance user events are considered. This seems justified, as this is where we would expect to observe such savings, but it does leave us attaching little value to the remaining user events (other than in providing information). This is an issue for future consideration.

We calculate an estimated **benefit of £75.9m for the 2018 to 2019 financial year**, compared to a figure of £40m in the previous exercise (which only captured downloads), leading to a large increase in the benefit-to-cost ratio from 27.2 to a **BCR of 62.4**<sup>61</sup>.

### **5.2 Helpline services [telephone Helpline & Webchat]**

Adopting the new approach to analysis of online services described in the previous section comes close to doubling estimated economic impact. This seems justified, as it reflects better data and capturing of a greater range of activity. However, when we compare this to the impacts associated with the telephone Helpline, £40m is a relatively modest figure. Specifically:

- In Meadows (2007) the estimates of impact were based on 908,553 calls to the telephone Helpline (2005 to 2006). The benefits were calculated as £354m and estimated costs of £6.7m produced a benefit-to-cost ratio of 53.1.



- In U&G the estimates of impact were based on 903,679 calls to the telephone Helpline (2014 to 2015). The benefits were calculated as £265m and estimated costs of 12.8m produced a benefit-to-cost ratio of 20.7.

The reason for the reduction in benefits between the 2007 and 2016 studies was a more cautious approach to attributing of impacts (partly in response to criticisms in BEIS reviews carried out between these dates), but mainly an apparent doubling of cost estimates associated with this area of Acas service delivery. Between the 1 April 2014 to 31 March 2015 financial year and this update for the 1 April 2018 to 31 March 2019 financial year, costs have increased again (from £12.8m to £16.9m<sup>62</sup>) and this is a key reason for the further fall in BCR. This results in an estimated **£216m benefit associated with the 730,550 Helpline calls for the April 2018 to March 2019 financial year** and this translates into a **BCR of 12.8**<sup>63</sup>. Readers should refer to Section 2.1 for further discussion of costs, which relate to both direct costs as well as overhead expenditure allocated on a headcount basis using an apportionment model.

Having reviewed the approach to estimation of impacts from the telephone Helpline, there does not seem to be a need to radically alter the approach implemented in U&G. There are a number of key parameters that will ideally be the focus of updating in the future, but this area is particularly challenging in this respect. For instance, we may draw on causal evidence in other areas of Acas service delivery but attributing/estimating causal impacts arising from telephone calls presents particular challenges.

Here we summarise the approach used in the telephone Helpline CBA, and how this has progressed between Meadows and U&G.

### Telephone Helpline [employer calls]

- In calculating the benefit to employers, it is assumed that, for each call that is reported as resolving the issue, there is a saving of two hours of management time. This was taken forward in U&G, as it was suggested in Meadows that the estimate came from a 2003 'CSES' evaluation of the Equality Direct helpline. It has not been possible to locate this citation, and therefore the Helpline evaluation survey will attempt to provide an updated figure.
- It was assumed in Meadows that in 5% of calls reporting resolution, a formal grievance was avoided. This was taken forward in U&G as a 5% 'upper' and 2.5% 'lower' estimate (carried forward from a PVP review suggestion as there is no justification for these figures). Following the approach noted first in our discussion of *Collective Internal* impacts, we now avoid using this approach.
- As with other service areas, the section on third parties has been removed.

Consideration of employee-side calls is instructive as it shows where a large amount of estimated benefit is derived for telephone Helpline and currently omitted from online.

### Telephone Helpline [employee calls]

One of the main benefits to employers is in the avoidance of ET claims from employees who call the Helpline. The approach in U&G<sup>64</sup> draws on the Helpline survey to suggest that 29% of employee callers were considering an ET claim

(43%), but as a result of the call, 28% (approx. 40%) decided not to make a claim. Previously Meadows assumed one third of these would have made this decision anyway, but in U&G we have a question from 2014 which suggests the proportion of "Employee callers considering claim, who subsequently didn't, who credited Acas Helpline as 'important' in making this decision" is around 90%.

Including a benefit associated with employee-side user events in the online advice CBA, in a similar way to that captured currently in the telephone Helpline, would add in the region of £150m benefit (depending on the specific approach) but as described above, doing so is potentially problematic. In addition, we have already flagged the need for some consideration of how one treats calls/visits that result in an ET case (as there is no benefit currently attributed to Acas facilitating access to justice).

Categories of service delivery not included/separately detailed in U&G or here, which currently constitute an unassessed benefit include:

- 85,093 Pre-recorded advice sessions in 1 April 2018 to 31 March 2019, in addition to the 730,550 telephone Helpline calls answered by an advisor.
- 417,258 Helpline online sessions noted in the 1 April 2018 to 31 March 2019 Annual report. In U&G Helpline Online is separately analysed but contributes just under £8m in benefit.
- 2,976 Facebook advice sessions, which were not previously captured.

## 6. Business support services

### 6.1 Workplace Projects

In the 1 April 2014 to 31 March 2015 financial year, Acas delivered 135 *Workplace Projects* which were offered on a charged-for (cost recovered) basis and in 1 April 2018 to 31 March 2019 this figure fell to 90. As with Joint Problem-Solving Activities, we would expect this to significantly reduce the estimated benefit, but there is also a pronounced increase (from 7% to 27%) in the proportion of companies reporting a better quality of service/output as a result of the Acas project [using the new findings from Cameron, Clemence and Gariban, 2017; noted above in section 3.3 and Note 45]. This results in the **total benefit** rising from £8.3m in U&G, to **£10m in 1 April 2018 to 31 March 2019** (with £7.4m of additional benefit attributed to this 20 percentage-point increase). As a result the BCR increases significantly from 17.7 to a **BCR of 38.4**<sup>65</sup>.

### 6.2 In-depth Advisory Meetings & Calls

In the 1 April 2014 to 31 March 2015 financial year, Acas undertook 1,628 *In-depth Advisory Meetings* and 3,549 *In-depth Advisory Calls*. Both these figures are slightly lower in the 1 April 2018 to 31 March 2019 financial year (1,130 and 3,210 respectively). The calculation of benefit involves estimating equivalences between individual *Workplace Projects* and instances of *In-depth Advice*, based on the average number of hours Acas Senior Advisers spend delivering one unit in these service areas (alluded to in previous discussions which mention 'equivalized' figures). 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 figures of 5.1 and 22.1 and these figures taken from the 1 April 2014 to 31 March 2015 data remain valid.

As with joint problem-solving activities and workplace projects, we have managed to replace some of the unsupported assumptions carried forward from Meadows by slightly altering the approach to estimation. In the area of In-depth Advisory Meetings & Calls these changes result in a slightly higher **estimated benefit of £9.7m**, even in the face of lower volumes, but an increase in costs reduces the **BCR to 6.6**<sup>66</sup>.

## 7. Conclusions

This report outlines the update to the U&G (2016) economic assessment, providing a refresh to data and a review of methodology (where appropriate) including the integration of data to fill previously identified gaps. The focus has been on the economic value of a year of Acas Services delivered during the 1 April 2018 to 31 March 2019 financial year.

Creating estimates for each area of Acas services provides an overall benefit-cost ratio of **11.9**, for Acas services delivered during the 1 April 2018 to 31 March 2019 financial year. This is based on estimated benefits of **£644 million**. The approach to estimating economic benefits throughout the analysis can be considered as conservative. A summary of estimated Acas service economic benefits and costs during the 1 April 2014 to 31 March 2015, and 1 April 2018 to 31 March 2019 financial years are outlined in table 2 below.

**Table 2. Estimated Acas economic benefits and BCRs for financial years 1 April 2014 to 31 March 2015 and 1 April 2018 to 31 March 2019 update**

ACAS ACTIVITY	Net econ. benefit 2014 to 2015	Net econ. benefit 2018 to 2019	Benefit/ cost ratio 2014 to 2015	Benefit/ cost ratio 2018 to 2019
<b>DISPUTE RESOLUTION SERVICES:</b>				
Collective Conciliation	£147.8 million	<b>£93 million</b>	81.4	<b>73.6</b>
Conciliation in Individual Employment Disputes	£127.1 million	<b>£186 million</b>	5.2	<b>7.2</b>
Joint Problem-Solving Activities	£3.5 million	<b>£7.3 million</b>	18.3	<b>29.6</b>
<b>TRAINING SERVICES:</b>				
Open Access Training	£40.7 million	<b>£25.9 million</b>	25.4	<b>16.4</b>
Workplace Training	£7.3 million	<b>£18.9 million</b>	4.6	<b>8.2</b>
E-learning	£3.9 million	<b>£1.45 million</b>	136.0	<b>15.4</b>
<b>HELPLINE SERVICES:</b>				
Telephone Helpline	£265 million	<b>£216 million</b>	20.7	<b>12.8</b>
<b>BUSINESS SUPPORT SERVICES:</b>				
Workplace Projects	£8.3 million	<b>£10 million</b>	17.7	<b>38.4</b>
In-depth Advisory Meetings and Calls	£7.2 million	<b>£9.7 million</b>	8.4	<b>6.6</b>
<b>ONLINE INFORMATION AND GUIDANCE:</b>				
Online publications, advice, guidance and tools [now Digital Services]	£40 million	<b>£75.9 million</b>	27.2	<b>62.4</b>
<b>TOTAL</b>	<b>£653 million</b>	<b>£644 million</b>	12.7	<b>11.9</b>

## 8. Endnotes

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<sup>1</sup> Urwin, P and Gould, M (2016), *Estimating the Economic Impact of Acas Services*, Acas.

<sup>2</sup> Urwin, P and Gould, M (2016), *Estimating the Economic Impact of Acas Services*, Acas.

<sup>3</sup> HM Treasury (2018), *The Green Book: Central Government Guidance on Appraisal and Evaluation*.

<sup>4</sup> U&G built on the approach of Meadows (2007) and adopted recommendations arising from a number of subsequent reviews of Meadows' analysis, carried out by HM Treasury and BIS [now BEIS] in 2009 to 2010 as part of the Public Value Programme (PVP); a subsequent 2013 Triennial Review; and a 2012 to 2013 Refresh.

<sup>5</sup> Any comparison between 1 April 2014 to 31 March 2015 and 1 April 2018 to 31 March 2019 does not take into account inflation.

<sup>6</sup> There is some small deviation from the costs presented here and those in the 1 April 2018 to 31 March 2019 Annual Report. Segmental analysis, published in the Annual Report, shows costs for distinguishable components of the business engaged in providing particular services or products. 'Online publications, advice, guidance and tools' costs are apportioned across these services on a headcount basis. To prevent double counting of these costs [due to Digital Advice being considered separately as part of the economic impact assessment] these costs have been removed from individual services or products. Therefore, services and product costs do not directly correspond to the costs published in the *Advisory, Conciliation and Arbitration Service (Acas) Annual Report and Accounts 2018–19*.

<sup>7</sup> *Conciliation in Individual Employment Disputes* covers both Early Conciliation, 'EC'; and Individual Conciliation 'IC' for cases that progress to an Employment Tribunal, or 'ET'.

<sup>8</sup> Though see *The Green Book* (2018) for examples where we wish to attach a greater weight to benefits secured by recipients of a transfer.

<sup>9</sup> For instance, <https://www.rmt.org.uk/news/rmt-news>

<sup>10</sup> For instance, this includes impacts arising from strike action avoided as part of Acas conciliation in the 'dispute dubbed the toilet break strike' [*Evening Standard* 15/09/2016].

<sup>11</sup> See for instance, *Evening Standard* 01/03/2017 which reported on the initiation of action, which took the form of work-to-rule, reporting that 'delays set to get progressively worse'.

<sup>12</sup> Related to a variety of overlapping issues including pensions, leave cover for drivers and management treatment of employees [particularly drivers].

<sup>13</sup> For instance, <https://www.standard.co.uk/news/transport/tube-strike-2017-cost-to-londons-economy-tops-500m-after-latest-strike-business-leaders-predict-a3473321.html>

<sup>14</sup> *Regional gross value added is the value generated by any unit engaged in the production of goods and services* (ONS)

<sup>15</sup> Which, according to research, can be substantial. See for instance, Nguyen-Phuoc, D., Currie, G., De Gruyter, C. and Young, W. (2017), "Exploring the impact of public transport strikes on travel behavior and traffic congestion", *International Journal of Sustainable Transportation*, Vol. 0, No. 0; pp. 1–11

<sup>16</sup> This impact is lower than that seen in U&G, as here we have an average of 2 days of strike action avoided per year [6 days over 3 years] compared to 3.5 days per annum in U&G.

<sup>17</sup> See for instance, <https://www.itv.com/news/london/update/2017-01-27/woolwich-ferry-disruption-expected-amid-strike-action/>

<sup>18</sup> See for instance, <https://tfl.gov.uk/info-for/media/press-releases/2019/march/travel-advice-ahead-of-croydon-tram-strike-on-28-march>

<sup>19</sup> See for instance, <https://inews.co.uk/news/sheffields-tram-drivers-hold-paralysing-strikes-over-26p-pay-offer-174423>

<sup>20</sup> See for instance, <https://www.bbc.co.uk/news/uk-england-manchester-45111567>

<sup>21</sup> See for instance, <https://www.gov.uk/government/news/driving-examiner-strike-december-2017>

<sup>22</sup> See for instance, Wilson (2007), "The Impact of Transportation Disruption on Supply Chain Performance", *Transportation Research: Part E Logistics and Transportation Review*, Vol. 43, No. 4; pp 295-320.

<sup>23</sup> For a company choosing how to send a package, letter etc. there are many options, but once a company is settled within a supply chain, there are potential external impacts from disruption to wider supply chains [as it is hard to integrate alternatives at short notice].

<sup>24</sup> See for instance, <https://www.pressreader.com/uk/thescotsman/20180718/281917363857637>

<sup>25</sup> Whilst we consider this as being located in 'logistics', as there is an impact on freight carried, which [in the case of air freight] is often time-sensitive (Steer, 2018), we also derive a small benefit from avoiding impacts to passengers.

<sup>26</sup> See for instance, [https://en.wikipedia.org/wiki/2015\\_junior\\_doctors\\_contract\\_dispute\\_in\\_England](https://en.wikipedia.org/wiki/2015_junior_doctors_contract_dispute_in_England)

<sup>27</sup> See for instance, <https://www.theguardian.com/business/2019/sep/08/ba-pilots-to-strike-from-midnight-in-dispute-about-pay>

<sup>28</sup> Booth, C., Clemence, M. and Gariban, S. (2016), "Acas Collective Conciliation Evaluation 2016", *Acas Research Paper Ref: 06/16*

<sup>29</sup> That is, an estimated 1% boost to productivity from improved morale; a 2% productivity boost from changes to workplace practices; a boost of 0.5% from improved communication; and an average improvement of five days in handling subsequent claims.

<sup>30</sup> For instance, Motyka, B. (2018), "Employee engagement and performance: a systematic literature review", *International Journal of Management and Economics*, 54(3); pp 227–244

Brown, S., Gray, D., McHardy, J. and Taylor, K. (2015), "Employee trust and workplace performance", *Journal of Economic Behavior & Organization*, 116 (2015); pp 361–378

<sup>31</sup> The process of calculating impacts for Collective Conciliation does not produce an extreme lower bound estimate, but even halving the estimated benefit would result in a BCR of 36.8.

<sup>32</sup> We have not separately analysed the 3,805 employer EC notifications that are included in this figure. Employer initiated ECs had a COT3 settlement rate of 91% in 2018/2019, with 'resolved otherwise' accounting for a further 1.5%. These cases are more likely to be initiated by employers in the early stages, to help them avoid conflict,

so the potential savings could be greater than those associated with employee-initiated ECs. Their inclusion amongst all cases may, if anything, slightly understate impacts.

<sup>33</sup> The Annual Report always provides the definitive source for figures, but in this case both figures are used as they refer to slightly different time periods.

<sup>34</sup> From here we only quote the figures that arise from the implementation of a 13% COT3 settlement figure. Similarly, with all other calculations that utilise more than one estimate for a parameter, only calculations for the central estimate are described in detail here.

<sup>35</sup> Pedley, K., Clemence, M., Writer-Davies, R. and Spielman, D. (2020), "Evaluation of Acas Individual Conciliation 2019", *Acas Research Paper*

<sup>36</sup> This approach deviates slightly from U&G, as prior to the current investigation, studies have not disaggregated claimants, claimant representatives, employers and employer representatives, allowing for calculation in this way.

<sup>37</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' were discounted from this analysis.

<sup>38</sup> The responses of employers cannot be used as they are only asked the question for cases where the claimant has agreed to EC.

<sup>39</sup> This is also reflected in median values. For instance, management time spent on cases going to a Hearing increased from an average of 4.9 to 9.53 days between SETA 2013 and SETA 2018.

<sup>40</sup> The figures used for estimates at the EC stage are taken from Pedley, K., Clemence, M., Writer-Davies, R. and Spielman, D. (2020), "Evaluation of Acas Individual Conciliation 2019", *Acas Research Paper*. Figures in hours are taken from Section 9.3 of this report and translated into days for the analysis here. As with the findings in SETA 2018, the average and median amounts of management [employer] time spent on cases has increased significantly since U&G. In calculating the figure for 'other staff' we utilise the 2019 finding that employers reported an average of 3 people involved in each dispute, and take the average time spent by 'employer representatives' as a proxy for the average time taken by each of these.

<sup>41</sup> Limitations of the available data mean that this last calculation is carried out in a way that makes the estimate particularly cautious – we implicitly assume that management time spent on a case going to an ET Hearing includes time spent on post-ET Individual Conciliation [IC] and so to estimate the time spent by managers on cases that go to ET without first engaging in post-ET IC, we subtract the time spent by managers on a case settled by IC at the post-ET stage. To compensate for the heavy discounting to estimated impacts that this implies, this calculation does not further subtract the time spent at EC.

<sup>42</sup> The number of cases arising from this calculation is applied to the cost of turnover associated with the lost output whilst a new worker gets up to optimal productivity, but advertising costs are not included as they represent a payment to another economic agent.

<sup>43</sup> In previous versions of this analysis [including U&G], 'non-ETs' [the majority of which were equal pay cases] were included separately and they made some contribution to benefit [between 10% and 15%]. However, these are no longer included in the analysis and it is assumed that many of the employer-initiated ECs would previously have fallen under the 'non-ET' category.

- <sup>44</sup> The extreme lower bound estimate is £95m of benefit in 2018/2019 and therefore a 3.7 BCR
- <sup>45</sup> Cameron, D., Clemence M. and Gariban, S. (2017), "Evaluation of Acas Advisory Projects: Joint Problem-Solving Activities and Workplace Projects", Acas Research Paper 01/17
- <sup>46</sup> Extreme lower bound estimate of £3.7m of benefit in 2018/2019 is associated with a BCR of 14.8
- <sup>47</sup> Drawing on CIPD (2018) *Health and Wellbeing at Work*
- <sup>48</sup> Extreme lower bound estimate of £14.5m of benefit in 2018/2019 results in a BCR of 9.1.
- <sup>49</sup> BMG Research (2020), *Acas Workplace Training Evaluation 2020*, Acas Research Paper
- <sup>50</sup> York, C., Fettiplace, S. and Jamieson, D. (2014), "Acas Workplace Training Evaluation 2013", Acas Research paper, Ref: 05/14].
- <sup>51</sup> Extreme lower bound estimate of £9.5m in benefit produces a BCR of 4.1.
- <sup>52</sup> Extreme lower bound estimate of £0.65m in benefit produces a BCR of 6.9.
- <sup>53</sup> Kuechel, A., Barnes, M., Svanaes, S., Rossiter H. and Whittaker, S. (2018), *Acas digital advice evaluation 2018*, Acas Research Ref. 02/18.
- <sup>54</sup> A figure that still may overestimate the number of users, but at least confirms that all 'instances of use' are from different devices.
- <sup>55</sup> Footnote 3 of the 2018 evaluation notes that the 2018 study was carried out for both Acas 'desktop site' users and 'mobile site' users, but the figure of 58.5% is calculated using only desktop site visits as 'equivalent mobile site data is unavailable'. This would mean that, using the approach here, the 58.5% figure is derived from desktop site use info. but we are applying it across volumes for desktop site and mobile site usage.
- <sup>56</sup> Which implicitly assumes the period around end of financial year is representative of use across whole year – something that has been sense-checked with MI data.
- <sup>57</sup> The 'employee-side' category includes those making enquiries as an 'employee/worker' [29%]; as a 'former employee/worker' [3%]; and 'on behalf of an employee/worker' [14%]. The 'employer-side' category includes those making enquiries 'in role as line manager' [9%]; in role 'as HR professional' [25%]; in role 'as business owner / senior manager' [10%]; and 'As outside representative on behalf of employer' [4%].
- <sup>58</sup> A figure of 14% was carried forward to U&G but it has been challenging to confirm its accuracy, as the original citation is unclear – also, it has not been possible to update with a figure relevant to the EC period.
- <sup>59</sup> Generally, we do not reduce numbers according to what users were searching for, but it seems reasonable to remove [6%] who did not aim to visit the Acas website.
- <sup>60</sup> In cost benefit analysis, we would not claim all lost earnings associated with a claimant losing their job, as this will be compensated by a gain to the person who replaces them – a net effect of zero to the whole economy. However, replacing one employee with another incurs a cost of transition (frictional unemployment), which we are attempting to capture here.
- <sup>61</sup> Extreme lower bound estimate of £47.2m of benefit produces a BCR of 38.8
- <sup>62</sup> There are two drivers of the increase in Helpline costs: (i) A revised methodology for identifying staff allocated to each business segment, which resulting in an increase in staff costs directly attributable to the Helpline and a subsequent increase in the



overhead charged to this segment (2018-19 saw a material increase in pension costs that impacted here as well); (ii) There was a significant increase in non-salary direct costs charged to the Helpline segment in 1 April 2018 to 31 March 2019, and these are materially higher than in 1 April 2014 to 31 March 2015.

<sup>63</sup> Extreme lower bound estimate of £157.5m of benefit produces a BCR of 9.3.

<sup>64</sup> Figures in brackets set out the updated figures from *Acas Helpline Survey (June 2018 – June 2019 Results)*.

<sup>65</sup> Extreme lower bound estimate of £5m of benefit produces a BCR of 19.2.

<sup>66</sup> Extreme lower bound estimate of £4.8m of benefit produces a BCR of 3.3.