

Executive Summary

In collaboration with Te Kāhui Tika Tangata Human Rights Commission, KPMG has estimated the annual economic costs of bullying, sexual harassment, and racial harassment for employers across New Zealand.

Our joint report builds on a study published by the Commission in 2022, analysing survey data from over 2,500 workers across New Zealand. This is the first time these costs have been estimated for New Zealand.



Workplace bullying and harassment is bad for business. International and domestic research has consistently indicated the detrimental effects of workplace bullying and harassment on employee productivity, job satisfaction, and overall wellbeing.

These negative impacts incur economic costs for affected individuals, employers, and the New Zealand economy. There are wide-ranging impacts on employers, including:

	Increased use of sick and annual leave or absence from work.
	Decreased work performance due to mental and physical stress.
	Higher turnover rates from lower employee engagement.
	Increased staff time spent on addressing internal complaints.

This Report estimates the economic costs of bullying and harassment for employers across New Zealand.

The Report advances our understanding of the costs of workplace bullying and harassment to employers, but it is not a complete picture. The analysis does not address the significant financial, mental, and emotional costs to workers who experience bullying and harassment.

Other important costs for employers include revenue losses from damaged reputation and trust and the costs of external mediation and employment tribunals for cases that escalate beyond internal complaints. We could not estimate these and other economic costs due to limited New Zealand evidence.

THE REPORT CONSERVATIVELY ESTIMATES THE COST OF BULLYING AND HARASSMENT TO NEW ZEALAND EMPLOYERS AT \$1.34 BILLION OVER A 12MTH PERIOD DURING JUNE 2021 TO JUNE 2022.

The Report highlights that proactively addressing workplace bullying and harassment will boost worker productivity, bring economic benefits to employers, and make Aotearoa New Zealand a better place in which to work and live.

Key Findings

\$1.34 billion	= The overall cost to New Zealand employers over a 12mth period during June 2021 to June 2022.
\$1,618	= The average cost for every worker impacted by bullying and harassment.
\$1.5 billion	= An estimate of the total cost for 2023, which is likely around 15% higher due to inflation, increases in nominal wages and the working population.

The total cost of \$1.34 billion arises from four categories of impact

Impact Categories	Annual Cost Estimate: Central Scenario	Range Estimate
Absenteeism	\$178m	\$147m - \$415m
Presenteeism	\$369m	\$54m - \$1,124m
Turnover and Replacement	\$568m	\$195m - \$1,290m
Internal Procedures	\$226m	\$64m - \$608m
Total	\$1,341m	\$461m - \$3,436m

Totals may not add due to rounding.

Our central estimate represents the most direct interpretation of the survey data and assumptions applied to the New Zealand economy from international literature. The range estimates provide the lower and upper bounds of impact, recognising that impacts can vary in severity, duration, and cost.

These are combined cost estimates for all three kinds of negative workplace behaviours - sexual harassment, racial harassment, and bullying. Additional analysis is required to understand how much each kind of behaviour contributes to the overall cost.

58% of this total cost (\$780m) arises from impacts on female workers, showing that women are disproportionately affected.

In addition to women, other groups of workers disproportionately experience bullying and harassment. The Commission's previous report demonstrated that Tangata Whenua, Pacific Peoples, Asian workers, as well as disabled workers and bisexual workers experienced higher rates of bullying and harassment compared with other workers. However, due to the smaller sample sizes of these groups in the Commission's study sample, the economic impacts of these workers' experiences could not be reliably estimated. This is an area requiring further research.

Discussion of findings

The Report unpacks how costs are estimated for each impact category:

- **Absenteeism refers to workers taking extra leave from work as a result of their experiences of bullying and harassment.** Employers bear costs from lost productivity, because other employees need to cover the absentee's work or work may be delayed or cancelled. 13.3% of workers affected by workplace bullying or harassment stated they took sick leave from work because of their experience; half of these took over two weeks off to recover.
- **Presenteeism means workers being present at work but not performing at full capacity.** The costs here are significant but often hidden. Many surveyed workers reported experiencing short and long-term negative effects associated with lower productivity. An estimated 57% of affected workers suffer from reduced productivity at the time of the incident, dropping to 32% on an ongoing basis. While productivity declines are likely to be relatively slight, the pervasiveness of presenteeism for affected workers means the costs to employers are high.

- 42% of the total estimated cost is driven by the **turnover and replacement of affected workers.** The survey data indicates one in six affected workers chose to resign at the time of their negative experience. This brings additional termination and recruitment costs on employers, as well as costs from the reduced productivity of the replacement employee in the short term.
- There are also costs associated with **internal procedures to address complaints raised following incidents of workplace bullying and harassment.** The survey data indicates 12.1% of affected workers make internal complaints. This takes the time of employees, managers and human resources staff away from more productive work.

It is important to note the limitations in such estimates because of challenges in acquiring sufficient data and uncertainties in making assumptions. The Report has taken a conservative approach throughout and excludes other impacts on employers not supported by reliable data. The actual economic cost is likely much higher.

How employers can respond

The findings make a strong case for proactive action on this issue. Organisations can respond by:

	Establishing well-defined policies and procedures to prevent and respond to such incidents.
	Implementing comprehensive training programmes for employees and managers to create awareness, promote prevention, and develop a culture of respect and inclusivity within the workplace.
	Fostering an open and supportive environment where employees feel safe reporting incidents, have access to independent complaints services, and where workplace investigations are prompt.

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