



# The Financial Impacts of Workplace Bullying

## Systems of Work

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Society is becoming more aware of bullying in all aspects of our world—everywhere from school to online. Workplace bullying has also become a more common topic of discussion, with estimates suggesting that nearly 30% of adult workers have been bullied in the workforce, affecting more than 76 million people in the U.S.

Workplace bullying can take many forms and is generally intentional. Bullying in the workforce can create a hostile work environment, leading to psychological and mental torment for the victims. However, workplace bullying can also have a financial impact on companies since it can lead to employee turnover and lower productivity.

## Key Takeaways

- Workplace bullying can include verbal abuse and intimidation, often occurring over a significant length of time.
- Workplace bullying involves employees receiving unfavourable treatment or behaviour that can be inappropriate, offensive, or lead to humiliation.
- Workplace bullies can be a manager or supervisor, but also, they can be co-workers and subordinates.
- The costs to companies engaged in bullying can be significant, including the costs to rehire and train new employees.
- Companies can also face reputation damage, a loss of sales, lower morale, and reduced productivity.

## What Is Workplace Bullying?

Workplace bullying can include verbal abuse and intimidation. These mistreatments are typically not one-time occurrences and can occur over a significant length of time. Workplace bullying can target one person or a group of people.

Workplace bullying involves employees receiving unfavourable treatment or behaviour that can be inappropriate, offensive, or lead to humiliation of a worker, which can sometimes occur in front of other employees or customers.

Workplace bullies can be a manager or supervisor, but also, they can be co-workers and subordinates. Oftentimes, the actions of the bully are not against policy since they are very adept at operating within the rules of the company. However, workplace bullying has a significant impact on the victim and can lead to low morale within the office.

## Examples of Workplace Bullying

Workplace bullying can come in many forms, including the following:

- Targeted jokes or mocking an employee.
- Harsh criticism of an employee.
- Misleading an employee about a project or work deadline.
- Refusing or making it difficult to get a requested time off for vacation or personal time.
- Mistreatment during a performance review by a manager, such as harsh criticism.
- Singling out an employee and made as an example without a just cause, causing humiliation.
- Pressuring an employee to work overtime and setting unrealistic goals, particularly compared to other employees doing the same job.
- Excessive monitoring of an employee's performance, such as basic tasks, implying the employee is unqualified or is failing to do basic tasks and regular work assignments.
- Talking negatively about the employee to other co-workers, excluding the victim from social work gatherings.
- Work sabotage in which other employees take advantage of the victim by taking credit for their work, accomplishments, or suggestions.
- Retaliation by a manager designed to intimidate an employee who stood up against the bully, such as being passed over for a raise or promotion.

## **Impact on Victims of Workplace Bullying**

Victims of workplace bullying can suffer long-term physical and mental health issues, including anxiety, stress, and sleep deprivation. Victims can also suffer a loss of self-esteem and develop self-doubt. Bullying can also cause depression, hypertension, and anxiety.

## **Costs of Workplace Bullying**

Beyond the mental and physical impact to bullied employees, there are costs to employers that fail to address bullying in the workplace that goes beyond the financial costs.

## **Loss of Productivity**

Aside from the damages to the victims of bullying, organizations are finding that workplace bullying costs money as well. Considering that people do not typically perform well when working in high-anxiety situations, employers face a loss of productivity due to workplace bullying.

Aside from the distraction, bullied employees also feel a loss of motivation, causing them to avoid putting in extra effort or working extra hours.

## **Healthcare Costs**

High-stress levels can have a real impact on the health of employees, in the form of medical issues related to high blood pressure, depression, migraine headaches, or anxiety. This can cost an employer in the form of sick leaves, and health insurance costs.

If a bullied employee chooses not to leave the company, the employer may be forced to pay rehabilitation costs, such as counselling fees to help the employee remedy any emotional damages they may have incurred.

Additionally, once a workplace bully is identified, there are typically costs associated with rehabilitating the bully in order to allow them to function more appropriately within the workplace. These costs could include anger management, leadership training, team-building activities, sensitivity training, and counselling.

## **Absenteeism**

When people are involved in high-stress situations, it is common that they will go to great lengths to avoid unpleasant situations. Perhaps they will call in sick when they are not, or even go on extended stress leaves. That kind of absenteeism translates into a big loss of time in the workplace.

## **Workplace Turnover**

Workplace bullying has been associated with high employee turnover rates. As a result, there is an economic impact on the employer, particularly if they are losing skilled workers. Each time an employee leaves the workplace, there are replacement costs associated with recruiting, hiring, and training fresh staff.

Indirectly, workplace bullying also often brings a decline in morale, thus making the workplace even more susceptible to high turnover rates as employees throughout the organization suffer the effects of a less-happy work environment.

According to a study by the Workplace Bullying Institute, those who are targeted by bullies have a 67% likelihood of losing their job.<sup>4</sup> When considering the cost of rehiring and training, the loss of the company's reputation, sales, morale, and productivity, workplace bullying can cost employers billions of dollars.<sup>5</sup>

## **Reputation Damage**

When someone is unhappy, they typically tell someone about it. Even if a bullied employee does not inform the company about the toxic behaviour, they will tell their family and friends outside the company. As a result, the company can experience reputation damage, leading to hiring difficulties in finding qualified employees to replace the bullied victims.

Though it may be difficult to directly connect workplace bullying to decreasing sales for a company, it is certainly possible that a company with a reputation for allowing workplace bullies might have difficulty selling its product and services.

## Legal Ramifications

In some circumstances, employers can be found liable for the bullying that takes place within their organizations. Employers may have increased workers' compensation claims for the hostile environment. Although there is no specific law for workplace bullying, it can fall under other laws, such as harassment.

Employers who do nothing are at risk of being sued and paying damages. Below is the policy on harassment in the workplace from the U.S. Equal Employment Opportunity Commission (EEOC):

The employer will be liable for harassment by non-supervisory employees or non-employees over whom it has control (e.g., independent contractors or customers on the premises), if it knew, or should have known about the harassment and failed to take prompt and appropriate corrective action.

Employers can add the legal costs associated with engaging in legal proceedings. Employers should also watch for wrongful dismissal claims, specifically if the bullied employee has been terminated by a bully supervisor.

## The Bottom Line

Even though it may be difficult to tabulate the exact costs that an employer can face when a bully is operating within the organization, there is little doubt that the impact goes beyond the financial costs. It is important that employers take steps to prevent workplace bullying and respond appropriately when there is a claim. Taking a hard stance on workplace bullying can help companies retain top talent, improve morale, and increase productivity.