



Supplemental RESEARCH BRIEF
2009 NATIONAL BUSINESS ETHICS SURVEY®

*Retaliation:
The Cost to Your Company and Its Employees*



This report is published by the Ethics Resource Center (ERC). All content contained in this report is for informational purposes only. The Ethics Resource Center cannot accept responsibility for any errors or omissions or any liability resulting from the use or misuse of any information presented in this report.

©2010 Ethics Resource Center.

All rights reserved. Printed in the United States of America.

This publication may not be reproduced, stored in a retrieval system, or transmitted in whole or in part, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission from the Ethics Resource Center, 2345 Crystal Drive, Suite 201, Arlington, VA 22202 USA.

Additional copies of this report and more information about permission and licensing may be obtained by calling 703-647-2185, or by visiting www.ethics.org.

This report was made possible in part by a generous contribution from the following sponsor:





Founded in 1922, the Ethics Resource Center (ERC) is America's oldest nonprofit organization devoted to the advancement of high ethical standards and practices in public and private institutions. For 88 years, ERC has been a resource for public and private institutions committed to a strong ethical culture. ERC's expertise also informs the public dialogue on ethics and ethical behavior. ERC researchers analyze current and emerging issues and produce new ideas and benchmarks that matter — for the public trust.

For information about the National Business Ethics Survey, see page 19.

Retaliation: *The Cost to Your Company and Its Employees*

Past research¹ in the field of ethics and compliance has identified fear of retaliation as the leading indicator of misconduct in the workplace. And structural equation modeling analysis done by the Ethics Resource Center (ERC) revealed that perceptions of retaliation drive reporting rates. In essence, **employees' beliefs about retaliation—that it will happen or that it already has—drive both how much misconduct is taking place *and* whether it gets reported so management is given an opportunity to address it.**

Despite the fact that it is a key factor in determining ethics risk, there are still many unknowns when it comes to retaliation. To remedy the situation, ERC conducted additional analysis on its 2007 and 2009 National Business Ethics Survey^{®2} (NBES[®]) datasets to answer several critical questions:

- Which employees are more or less likely to experience retaliation?
- Are retaliation rates rising among certain groups of employees?
- Which forms of retaliation are more common? Are certain forms more prevalent among particular groups of employees?
- What is the connection between retaliation and employees' perceptions of management?
- Does retaliation *really* damage employee engagement and commitment? If so, which types of retaliation are associated with the biggest declines?

1. Griffen, M., & Davis, T. (2007). Sourcing competitive advantage from organizational integrity: The hidden cost of misconduct. Retrieved from https://www.celc.executiveboard.com/public/CELC_ResearchAlert.html

2. Six times since 1994, the Ethics Resource Center Research has carried out a nationally representative poll of employees at all levels that explores beliefs and experiences related to ethics and compliance at work: the National Business Ethics Survey (NBES[®]). It is the most exacting longitudinal research effort examining business ethics from the employee perspective and serves as a rigorous measurement of trends in workplace ethics and compliance, a snapshot of current behaviors and thinking, and a guide in identifying ethics risk and measures of program effectiveness.

What Is Retaliation?

Before addressing our research questions, it is important to answer an even more basic one: what is retaliation? Throughout this report, we will discuss “retaliation rates” and “employees who experienced retaliation.” These terms refer to those employees who:

- a. Observed some form of misconduct,
- b. Reported their observation to an appropriate person within the company, and,
- c. Felt that they were punished as a result of their decision to report.

It is certainly possible that employees felt that they were retaliated against when, in fact, they were not. For example: an employee might feel that she was relocated as punishment for reporting misconduct she observed even though the relocation was unrelated. Nonetheless, her perception of having been retaliated against is enough to alter her opinions of her workplace and, if it becomes part of office lore, has the potential to impact the views of many employees. That is why, in our view, **retaliation is a case in which perception is reality**. Our analysis and findings are grounded in that belief.

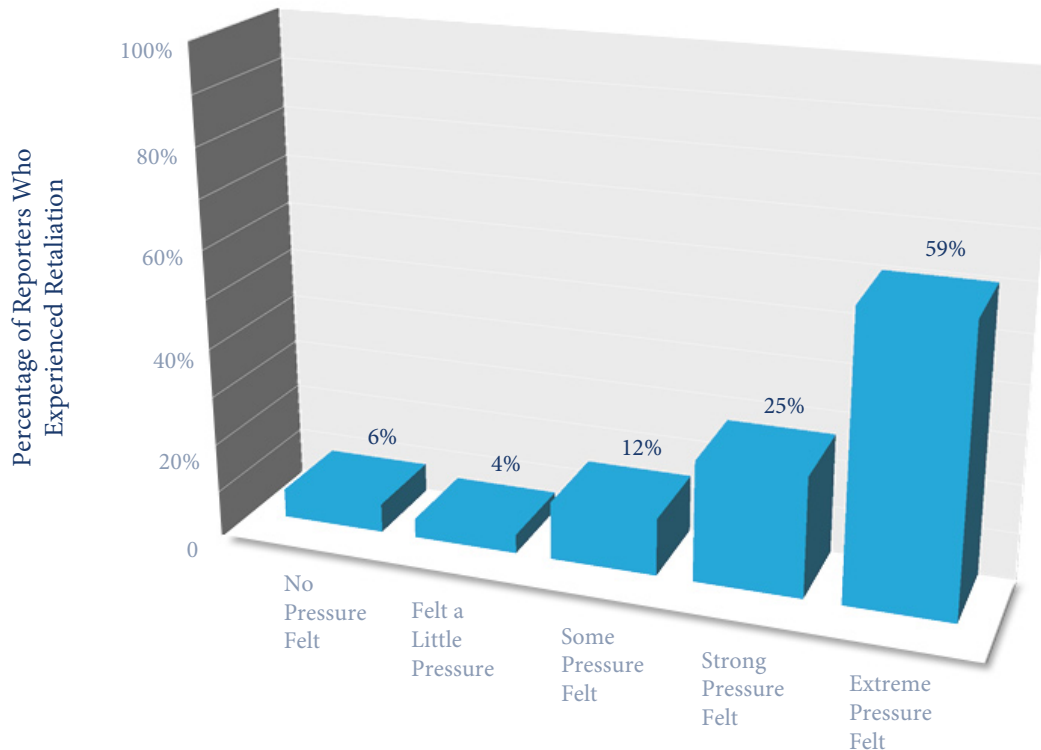
Which Employees Are More/Less Likely to Experience Retaliation?

In 2009, 15 percent of all those who observed then reported misconduct felt that they were retaliated against as a result. In order to determine who is more or less likely to experience retaliation, we examined rates by several factors, including employee age, gender, tenure, union membership and management level, as well as company size, ownership (publicly-traded or privately-held), scope (domestic or multinational), and location of headquarters (U.S. or foreign-based). When all of the demographic variables were considered and compared against the average, only two groups were appreciably less likely to experience retaliation: top managers (8 percent)

and employees in companies with 25-99 employees (9 percent). The highest rates of retaliation are felt by four particular groups: those in a union, 21 percent, those in a 100 to 500 person firm, 21 percent; those in firms with 10 to 100,000 employees, 19 percent; and those with three to five years' tenure, 19 percent.

Demographics and company characteristics are not the only factors at work, however. When there is pressure to compromise company standards, policy or the law, employees are also more likely to experience retaliation. Only 6 percent of reporters who felt no pressure to compromise standards experienced retaliation, compared to 59 percent of reporters who were under extreme pressure to compromise standards.

Generally, Likelihood of Experiencing Retaliation Rises as Pressure Increases

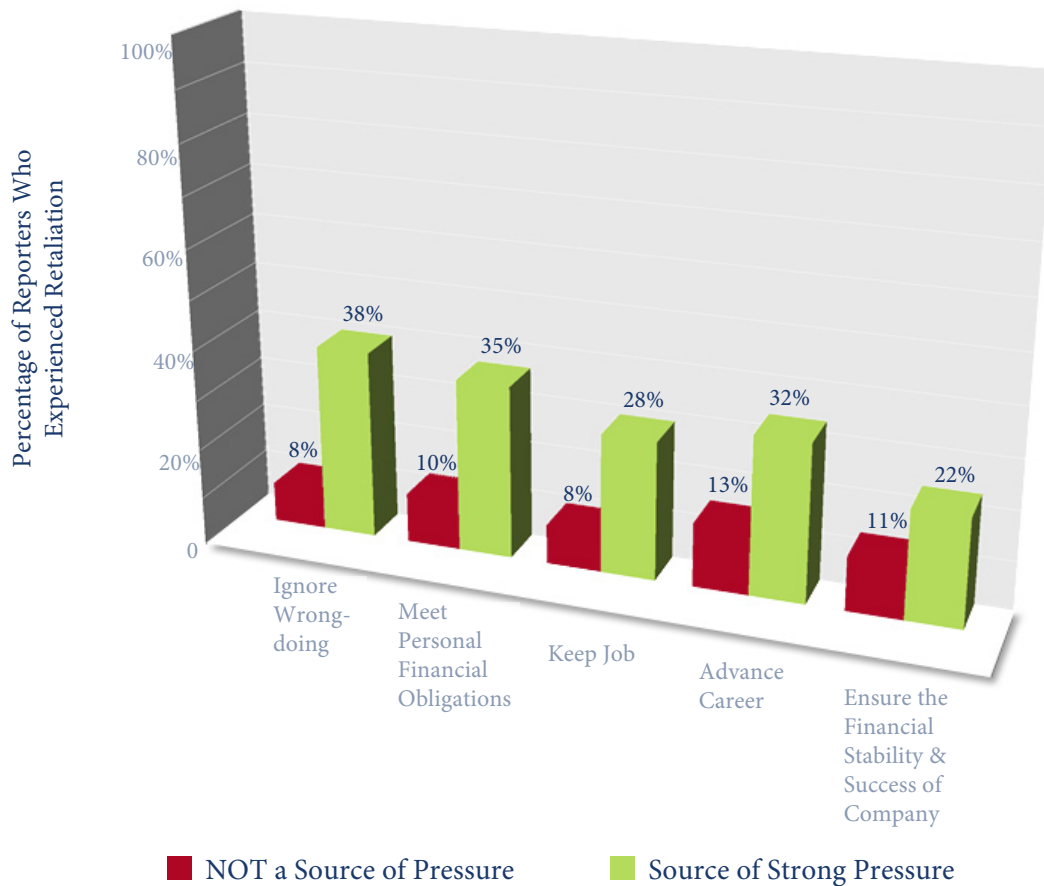


©2010 Ethics Resource Center

The most dramatic increases in retaliation rates (from 8 percent to 38 percent) occurred among those who were under pressure to “ignore wrongdoing.” More surprising, however, is the fact that personal pressures (to meet financial

obligations, save one’s job, or advance one’s career) were associated with larger increases than pressure to ensure the financial success or stability of the company.

Personal Pressures Associated with Greater Increase in Retaliation Than Pressure to Help Company Succeed



©2010 Ethics Resource Center

It seems likely that differences in rates of retaliation are linked to the heightened sensitivity of already-stressed employees, i.e., those experiencing pressure. This finding suggests supervisors and

managers should be particularly mindful of how they handle reports made by employees who are already feeling “under the gun,” regardless of whether the pressure is external or self-imposed.

Among Which Groups of Employees Are Retaliation Rates Rising?

The 2009 overall retaliation rate (15 percent) is noticeably higher than in 2007 (12 percent). Furthermore, the rise in retaliation is more pronounced in several employee groups:

Employee Group Experiencing Retaliation	2009	2007	PPt Differ. ³
OVERALL	15%	12%	3 PPts
100-499 employees in organization	21%	14%	7 PPts
First line supervisor	17%	11%	6 PPts
Union employee	21%	14%	6 PPts
100K+ employees	14%	8%	6 PPts
Three to five years tenure	19%	13%	5 PPts
Supervisor/Manager	14%	9%	5 PPts
Eleven or more years tenure	13%	9%	4 PPts
18-29 years old	16%	12%	4 PPts
10K-100K employees	19%	15%	4 PPts
Male	14%	11%	4 PPts
Company has US operations only	14%	11%	4 PPts
45-63 years old	15%	11%	4 PPts

©2010 Ethics Resource Center

3. Percentage points express the percentage point change. For example, while an increase from 5 percent to 10 percent would be a 100 percent increase in magnitude, it would only be a 5 percentage-point increase.

What Kinds of Retaliation Do Employees Experience?

Retaliation can take many forms, ranging from termination to getting the cold shoulder from coworkers. In the 2009 NBES, we asked participants who had observed then reported misconduct about nine different forms of retaliation: verbal abuse by managers, verbal abuse by coworkers, exclusion by managers, exclusion by coworkers, demotion, relocation/reassignment, denial of promotions or raises, physical harm to person or property, and nearly losing one's job⁴. We also gave respondents the opportunity to state if they had experienced

some other form of retaliation not addressed by our list.

Of the nine kinds of retaliation, three were experienced by the majority of those respondents⁵ who had indicated that they were retaliated against: exclusion by supervisors or management from work decisions or activities (62 percent), given the cold shoulder by coworkers (60 percent) and verbal abuse by supervisor or someone else in management (55 percent). The least common form of retaliation was physical harm to person or property, experienced by 4 percent of all victims of retaliation.

Form of retaliation	Percentage of reporters who experienced retaliation
Supervisor or management excluded employee from decisions and work activity	62%
Other employees gave a cold shoulder	60%
Verbally abused by supervisor or someone else in management	55%
Almost lost job	48%
Not given promotions or raises	43%
Verbally abused by other employees	42%
Relocated or reassigned	27%
Other form of retaliation ⁶	20%
Demoted	18%
Experienced physical harm to person or property	4%

4. Because the survey focuses on one's current workplace, we were not able to collect data on retaliatory experiences resulting in termination.

5. In the 2009 NBES, respondents were asked whether they had observed misconduct. Those who did were then asked whether they reported their observations. Those who indicated that they had reported their observations were asked a series of follow-on questions, including whether they felt they were retaliated against as a result. Questions regarding types of retaliation were only asked to individuals who identified themselves as victims of retaliation.

6. Specific forms of retaliation mentioned by respondents included termination, reduction in work hours for hourly employees, threats to family members, and several responses similar to being given the cold shoulder by coworkers.

Different groups of employees experience the various forms of retaliation at vastly different rates. Age, tenure, gender, union membership and management level are all relevant factors, as are company characteristics. For example, overall, 18 percent of those who had been retaliated against were demoted,

but only 9 percent of men cited such an experience compared with 26 percent of women. And 52 percent of workers in publicly-traded companies were denied promotions or raises, noticeably higher than employees of privately-held companies (36 percent) and workers overall (43 percent).

Form of retaliation	Percentage of reporters who experienced retaliation	Groups LESS likely to experience this form of retaliation	Groups MORE likely to experience this form of retaliation
Supervisor or management excluded employee from decisions and work activity	62%	<ul style="list-style-type: none"> Employees who do not supervise others (48%) Workers in privately-held companies (51%) Three to five years tenure (52%) Members of unions (55%) 18-29 year-olds (58%) First-line supervisors (58%) 	<ul style="list-style-type: none"> Employees who supervise others (72%) Workers in publicly-traded companies (71%) One to two years tenure (71%) Six to ten years tenure (68%) Top management (67%) Eleven or more years tenure (66%)
Other employees gave a cold shoulder	60%	<ul style="list-style-type: none"> Middle management (35%) Top management (40%) One to two years tenure (44%) Non-union employees (55%) 	<ul style="list-style-type: none"> Six to ten years tenure (72%) Members of unions (72%) 18-29 year-olds (68%) First-line supervisors (67%) Nonmanagement employees (65%) Workers in publicly-traded companies (65%) Three to five years tenure (64%)

©2010 Ethics Resource Center

Verbally abused by supervisor or someone else in management	55%	<p>Employees who do not supervise others (43%)</p> <p>Top management (44%)</p> <p>Workers in privately-held companies (45%)</p> <p>Three to five years tenure (45%)</p> <p>45-63 year-olds (47%)</p> <p>18-29 year-olds (51%)</p> <p>Nonmanagement employees (51%)</p>	<p>Workers in publicly-traded companies (70%)</p> <p>30-44 year-olds (66%)</p> <p>Six to ten years tenure (66%)</p> <p>Middle management (65%)</p> <p>Employees who supervise others (64%)</p> <p>Employees in US-based multinationals (61%)</p> <p>Eleven or more years tenure (59%)</p> <p>One to two years tenure (59%)</p>
Almost lost job	48%	<p>Employees who do not supervise others (38%)</p> <p>Eleven or more years tenure (39%)</p> <p>First-line supervisors (39%)</p> <p>Six to ten years tenure (40%)</p> <p>45-63 year-olds (41%)</p>	<p>One to two years tenure (68%)</p> <p>18-29 year-olds (64%)</p> <p>Employees who supervise others (56%)</p>
Not given promotions or raises	43%	<p>First-line supervisors (25%)</p> <p>Employees who do not supervise others (35%)</p> <p>Members of unions (36%)</p> <p>Workers in privately-held companies (36%)</p> <p>Employees in domestic companies (38%)</p> <p>30-44 year-olds (38%)</p>	<p>Employees in US-based multinationals (63%)</p> <p>Workers in publicly-traded companies (52%)</p> <p>One to two years tenure (50%)</p> <p>Employees who supervise others (49%)</p> <p>Middle management (48%)</p> <p>Nonmanagement employees (47%)</p>
Verbally abused by other employees	42%	<p>Middle management (22%)</p> <p>Three to five years tenure (30%)</p> <p>One to two years tenure (35%)</p> <p>45-63 year-olds (37%)</p> <p>Members of unions (37%)</p>	<p>Six to ten years tenure (59%)</p> <p>First-line supervisors (52%)</p> <p>18-29 year-olds (48%)</p> <p>30-44 year-olds (46%)</p> <p>Employees in US-based multinationals (46%)</p>

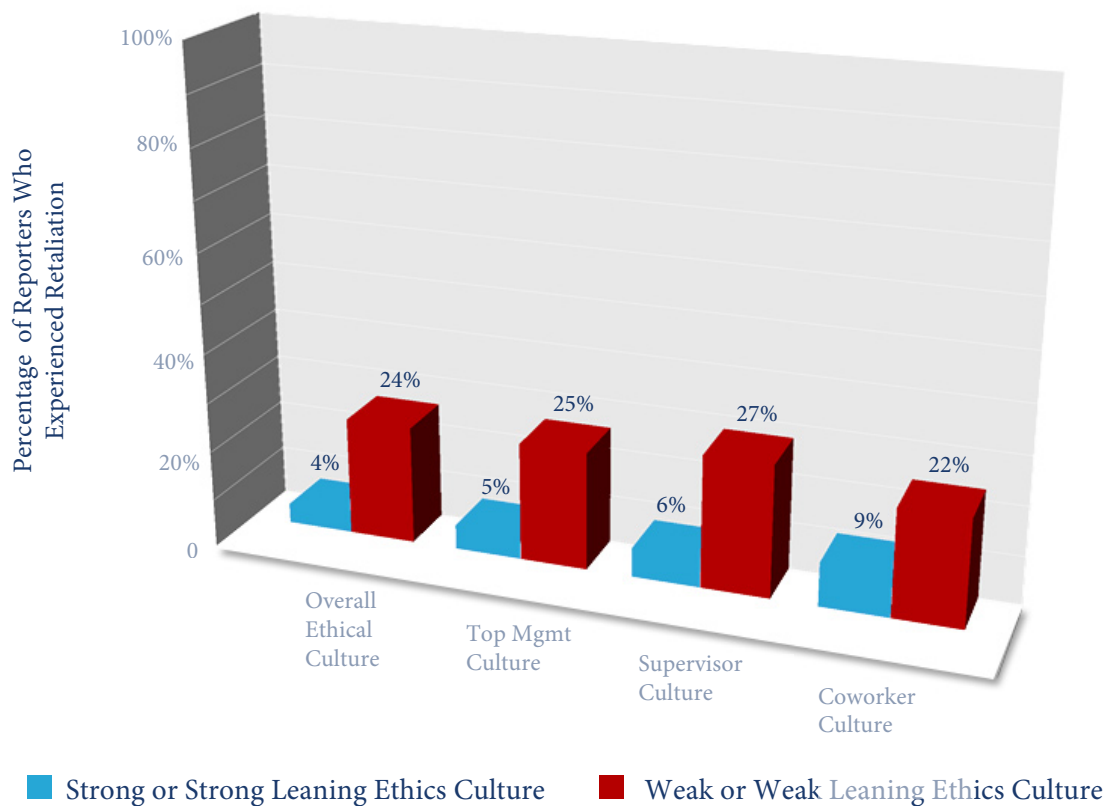
Relocated or reassigned	27%	<p>Workers in privately-held companies (16%)</p> <p>18-29 year-olds (18%)</p> <p>Nonmanagement employees (20%)</p> <p>Top management (20%)</p> <p>Six to ten years tenure (22%)</p> <p>Middle management (23%)</p> <p>Members of unions (23%)</p>	<p>First-line supervisors (39%)</p> <p>Employees in US-based multinationals (37%)</p> <p>Workers in publicly-traded companies (36%)</p> <p>Eleven or more years tenure (36%)</p> <p>45-63 year-olds (35%)</p>
Demoted	18%	<p>Men (9%)</p> <p>Three to five years tenure (9%)</p> <p>Eleven or more years tenure (11%)</p> <p>30-44 year-olds (14%)</p>	<p>One to two years tenure (38%)</p> <p>18-29 year-olds (27%)</p> <p>Women (26%)</p> <p>First-line supervisors (24%)</p> <p>Employees in US-based multinationals (22%)</p>
Experienced physical harm to person or property	4%		<p>Top management (11%)</p> <p>Eleven or more years tenure (9%)</p>

What Is the Connection Between Retaliation and Employees' Perceptions of Management?

As we have seen, certain kinds of companies have higher rates of retaliation and retaliation can take different forms in one workplace versus another. Although the basic characteristics of a company (e.g., size, ownership and location of headquarters) are difficult to change, managers are not completely at the mercy of their company's profile. In fact, the overall ethical culture of the company as well as the actions of managers and the tone they set are linked to dramatic differences in rates of retaliation.

Past ERC research, including additional analysis conducted on the 2007 NBES dataset, has proven that ethical culture⁷ drives retaliation rates. Using indices we developed to measure the perceptions employees have about their peers, direct supervisors, senior leadership and the company as a whole, we confirmed earlier findings: retaliation is far more common in organizations with weaker ethical cultures. When the ethical culture is weak or weak-leaning, nearly one in four employees (24 percent) who reports misconduct experiences retaliation as a result, compared to one in 25 (4 percent) in companies with strong or strong-leaning ethical cultures. This trend holds true for all three subcultures (top management, supervisor and coworker) as well.

Retaliation Is Far More Common in Weaker Ethical Cultures



©2010 Ethics Resource Center

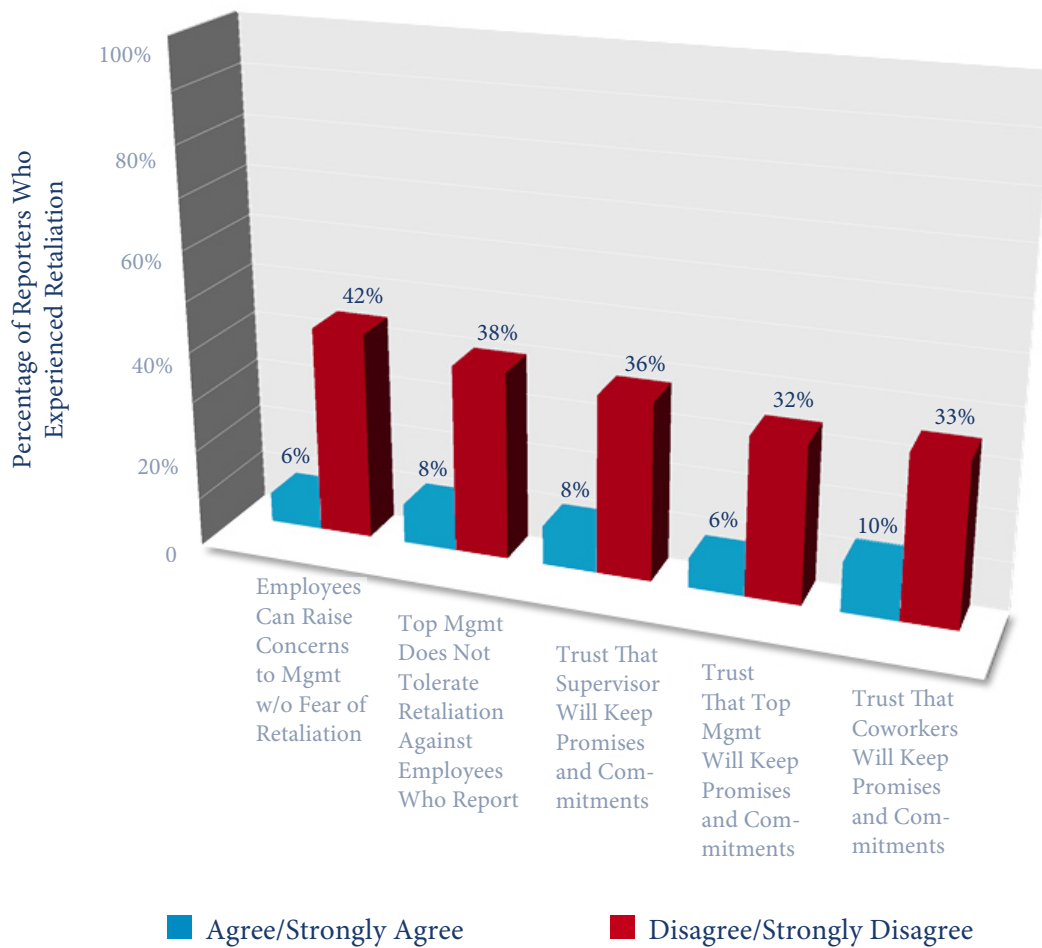
7. Ethical culture is the extent to which an organization's ethical standards are given priority and promoted by its management, employees, policies, processes, and decision-making. For more information, see the Ethics Resource Center's 2009 NBES

Supplemental Research Brief *The Importance of Ethical Culture: Increasing Trust and Driving Down Risks*. A copy of the brief can be downloaded at: <http://www.ethics.org/page/nbes-supplemental-research-briefs#sup3>

Not only is it the case that, where trust is high and perceptions of management and peers are more positive, retaliation is far less prevalent. Individual behaviors have a dramatic impact. For example, when top management does not tolerate retaliation, only 8 percent of employees experience retaliation, far less than the 38 percent of employees in workplaces where top management does not take a stand against retaliatory behavior.

Furthermore, only 8 percent of employees who believe that their supervisor keeps his/her promises and commitments experience retaliation, compared to 36 percent of employees who lack such trust. Trust in top managers and coworkers is also closely associated with changes in retaliation rates.

Retaliation Is Far More Common If Management Tolerates It and Trust Levels Are Low

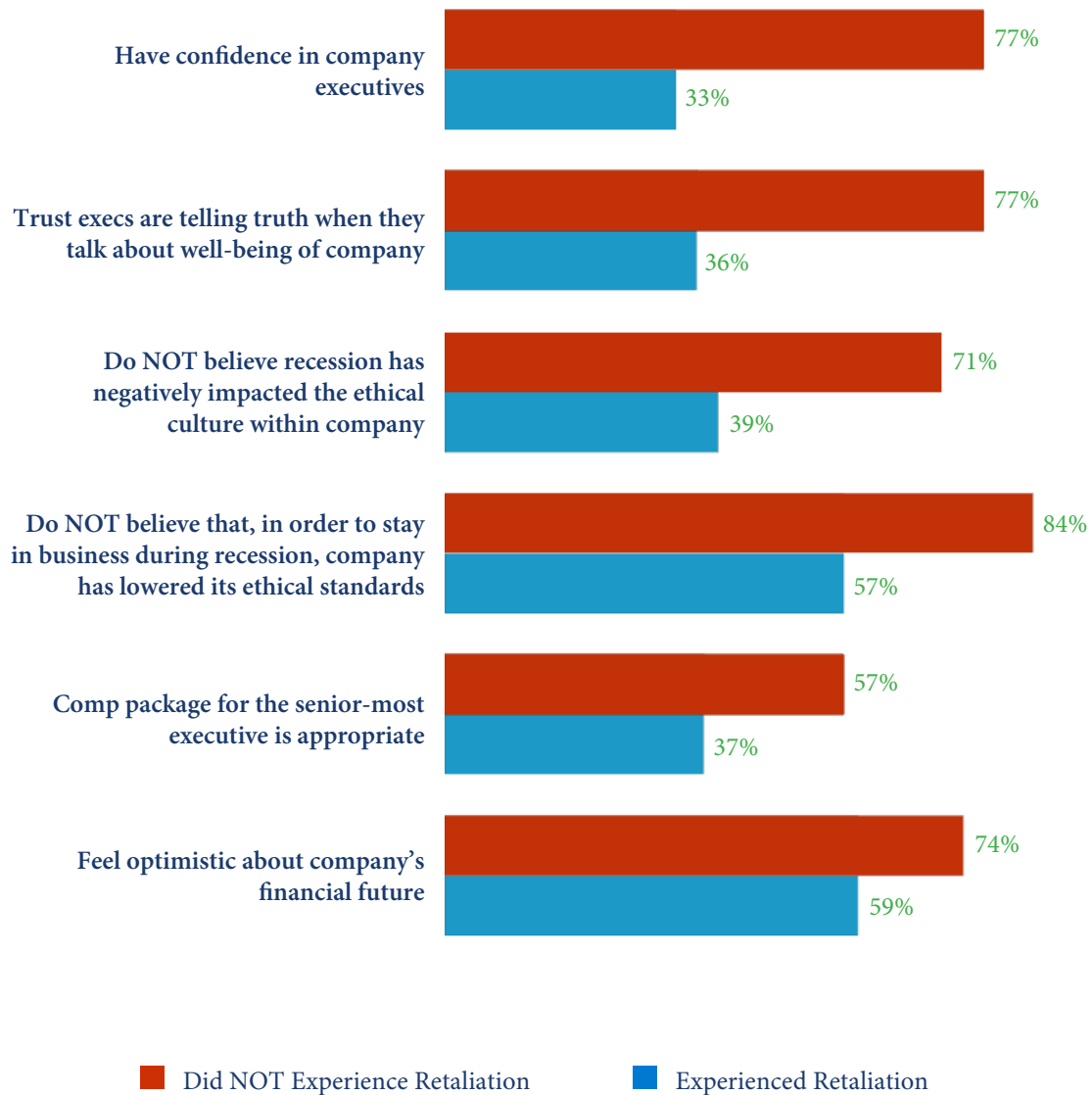


©2010 Ethics Resource Center

Just as behaviors of management are linked to likelihood of experiencing retaliation, the experience of being retaliated against is connected to changes in perceptions of management and the company as a whole. Seventy-seven percent of reporters who did not experience retaliation have confidence in their company's executives, but only one in three victims

of retaliation expresses such faith in leadership. The vast majority of reporters (84 percent) do not believe that the recession has had a negative impact on their company's ethical standards, but only 57 percent of victims of retaliation express a similar view. Other measures of faith in leadership and positive beliefs about one's company follow a similar trend.

Views Worsen When Employees Experience Retaliation



©2010 Ethics Resource Center

Exploration of particular kinds of retaliation and the levels of ethical culture reveals that, in some cases, retaliation by management is related to more positive views of coworkers and retaliation by coworkers is connected with improved perceptions of managers. In these cases, if managers retaliate, then management cultures decline but coworker culture improves. Conversely, if coworkers retaliate, coworker culture declines and management cultures improve. The source of the retaliatory behavior drives individuals to those who would protect them (managers) or

offer consolation (one's coworkers). For example, of those who experienced verbal abuse by one's supervisor, 35 percent have a strong or strong-leaning coworker culture compared to 32 percent who did not experience that verbal abuse. And of those who experienced verbal abuse by other employees (coworkers), 21 percent have a strong or strong-leaning top management culture compared to 16 percent who did not experience that verbal abuse, and 28 percent have a strong or strong-leaning supervisor culture compared to 17 percent who did not experience that verbal abuse.

	Experienced This Form of Retaliation	Believe TOP MGMT. culture to be strong or strong-leaning	Believe SUPERVISOR culture to be strong or strong-leaning	Believe CO-WORKER culture to be strong or strong-leaning
Verbally abused by supervisor or other member of mgmt.	YES	9%	10%	35%
	NO	29%	36%	32%
Relocated or reassigned	YES	16%	9%	37%
	NO	19%	26%	33%
Verbally abused by other employees	YES	21%	28%	24%
	NO	16%	17%	41%

©2010 Ethics Resource Center

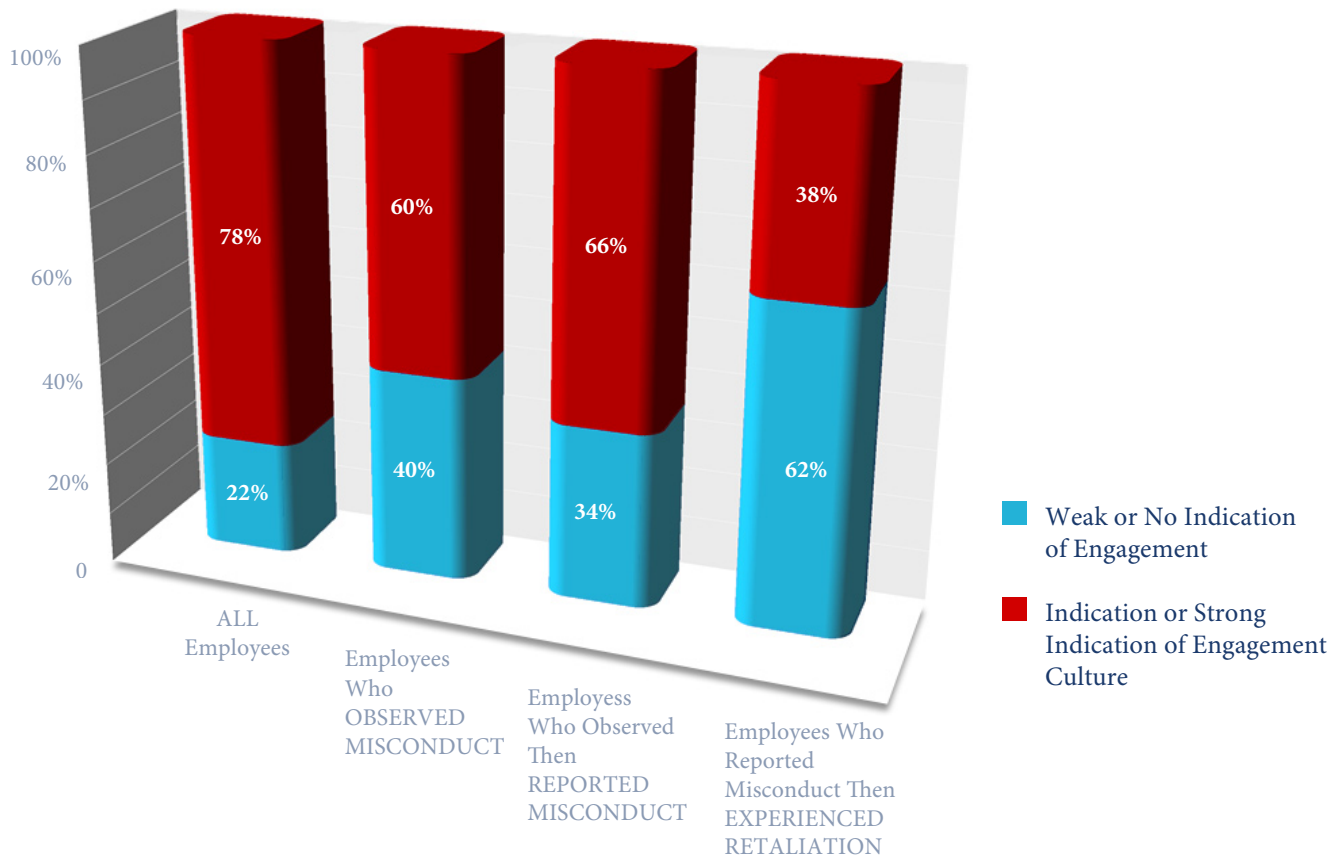
Does Retaliation Really Impact Employee Engagement and Commitment?

Employee engagement and retention are critical issues for any company. Knowledgeable and skilled employees are one of the greatest assets a company can have. It is difficult to find talented workers and to replace the knowledge and experience employees take with them when they leave. Furthermore, leaders want to make sure that their employees are “giving their all,” contributing as best they can because they are committed to helping the company thrive.

Research conducted by The Hay Group and the Ethics Resource Center has demonstrated that there is a strong connection between workplace ethics and employee engagement⁸.

Not surprisingly, levels of engagement are considerably lower among victims of retaliation. Seventy-eight percent of all employees are strongly engaged with their companies. The level of engagement drops to 60 percent among those who observed misconduct. The level of engagement drops to 66 percent among those who observed misconduct. The steepest decline in engagement—from 66 percent to 38 percent—occurs when reporters become victims of retaliation.

Retaliation Linked to Dramatic Decreases in Employee Engagement



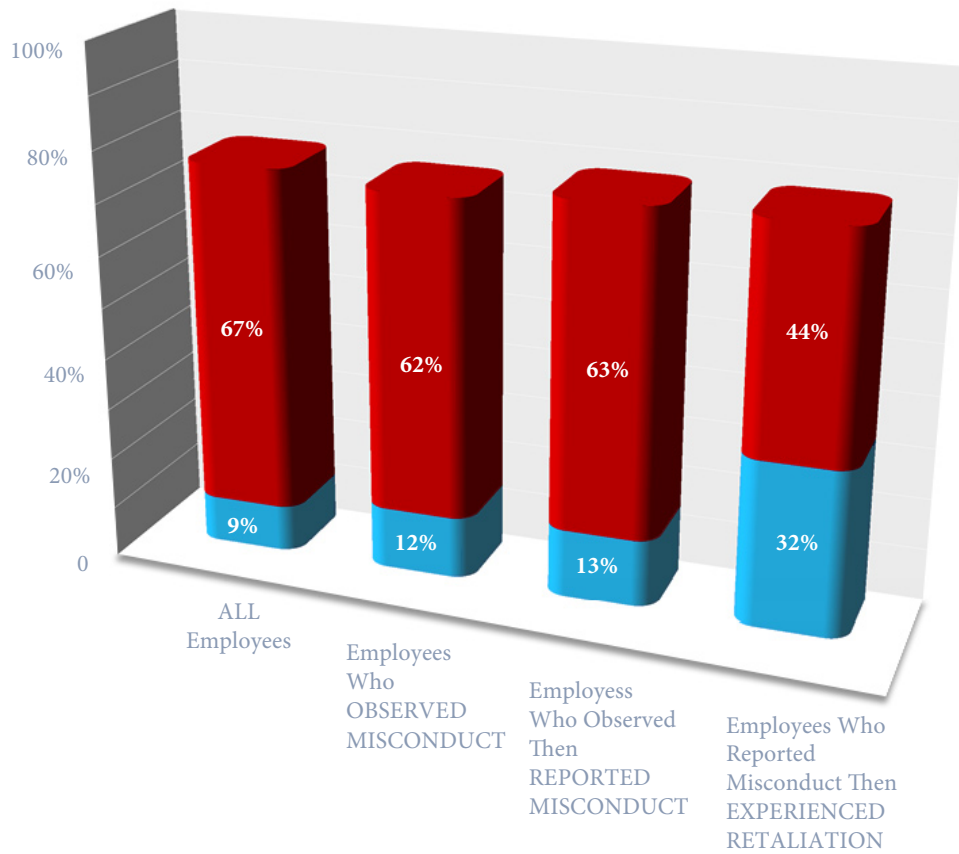
©2010 Ethics Resource Center

8. For more information, see the 2009 NBES Supplemental Research Brief *Ethics and Employee Engagement* written by The Hay Group and ERC. A copy of the brief can be downloaded at: <http://www.ethics.org/page/nbes-supplemental-research-briefs#sup4>

Consistent with declines in engagement, those who are retaliated against are also far more likely to plan on leaving the company imminently. Among all employees, fewer than one in ten (9 percent) intends to switch companies within a year, and more than two-thirds (67 percent) plan to stay for at least five years, perhaps even until retirement. Those who observe misconduct, as well as the subset of observers who then choose to

report their observation, are slightly more likely to want to leave within the year and less likely to plan on staying for five or more years. But employee commitment is dramatically lower among those who experience retaliation: nearly one in three (32 percent) intend to leave within the year and less than half (44 percent) plan to stay with the company for five or more years.

Employees Experiencing Retaliation Intend to Leave Company Much Sooner



Length of Time Employees Intend to Stay with Company

■ Less Than One Year ■ More Than Five Years or Until Retirement

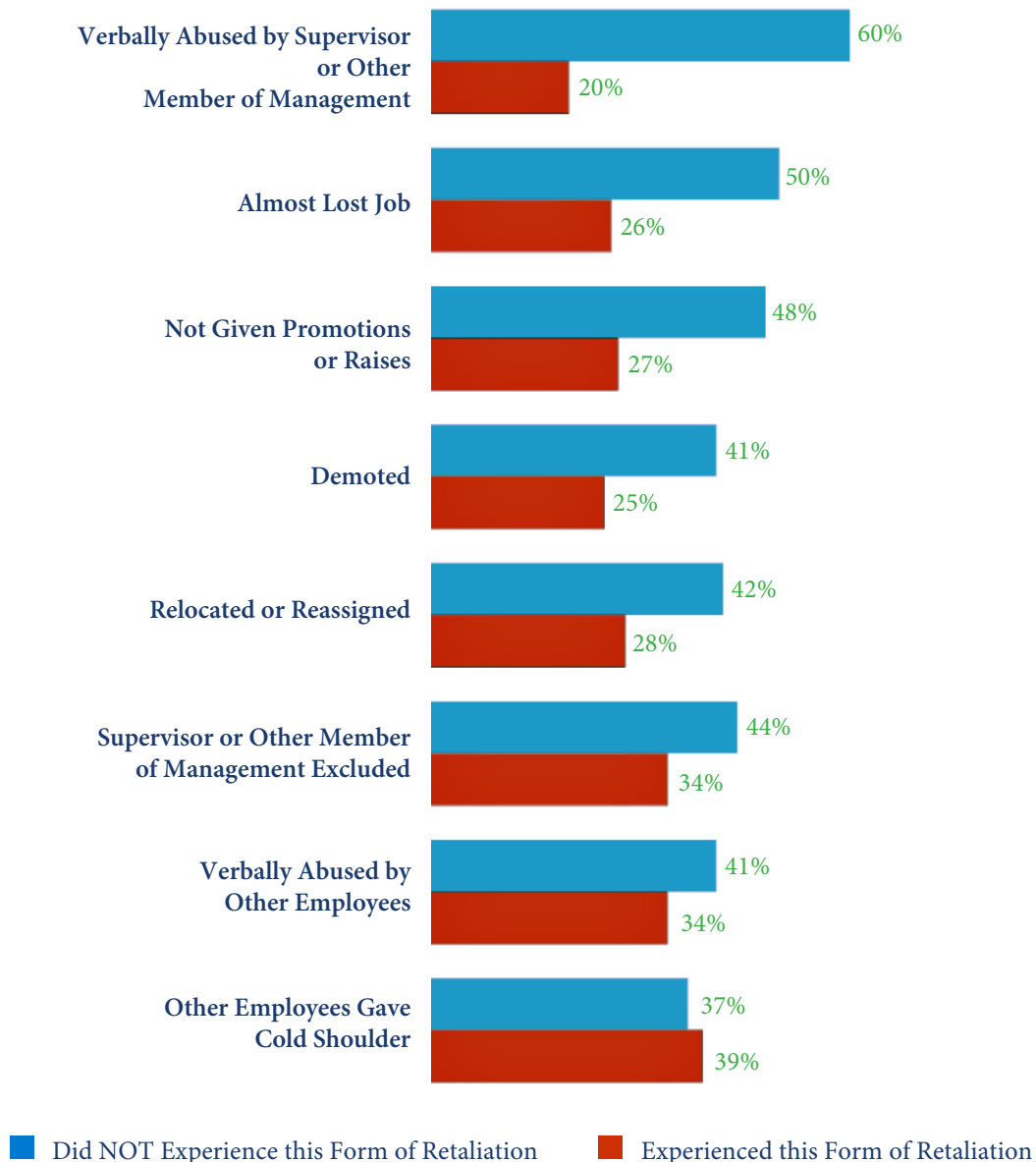
©2010 Ethics Resource Center

Certain kinds of retaliation have a particularly strong connection with employees' engagement. Retaliatory management decisions and actions are associated with a greater reduction in levels of engagement than retaliation by coworkers. For example, verbal abuse by management is associated with a 40 percentage-point drop in engagement,

but verbal abuse by coworkers is only linked to a 7 percentage-point decline. Similarly, exclusion by management is connected to a 10 percentage-point reduction in engagement, but engagement levels actually increase by 2 percentage points among those who are given the cold shoulder by coworkers.

Behaviors of Management Linked to Declines in Employee Engagement

Percentage of Employees with **STRONG** Employee Engagement



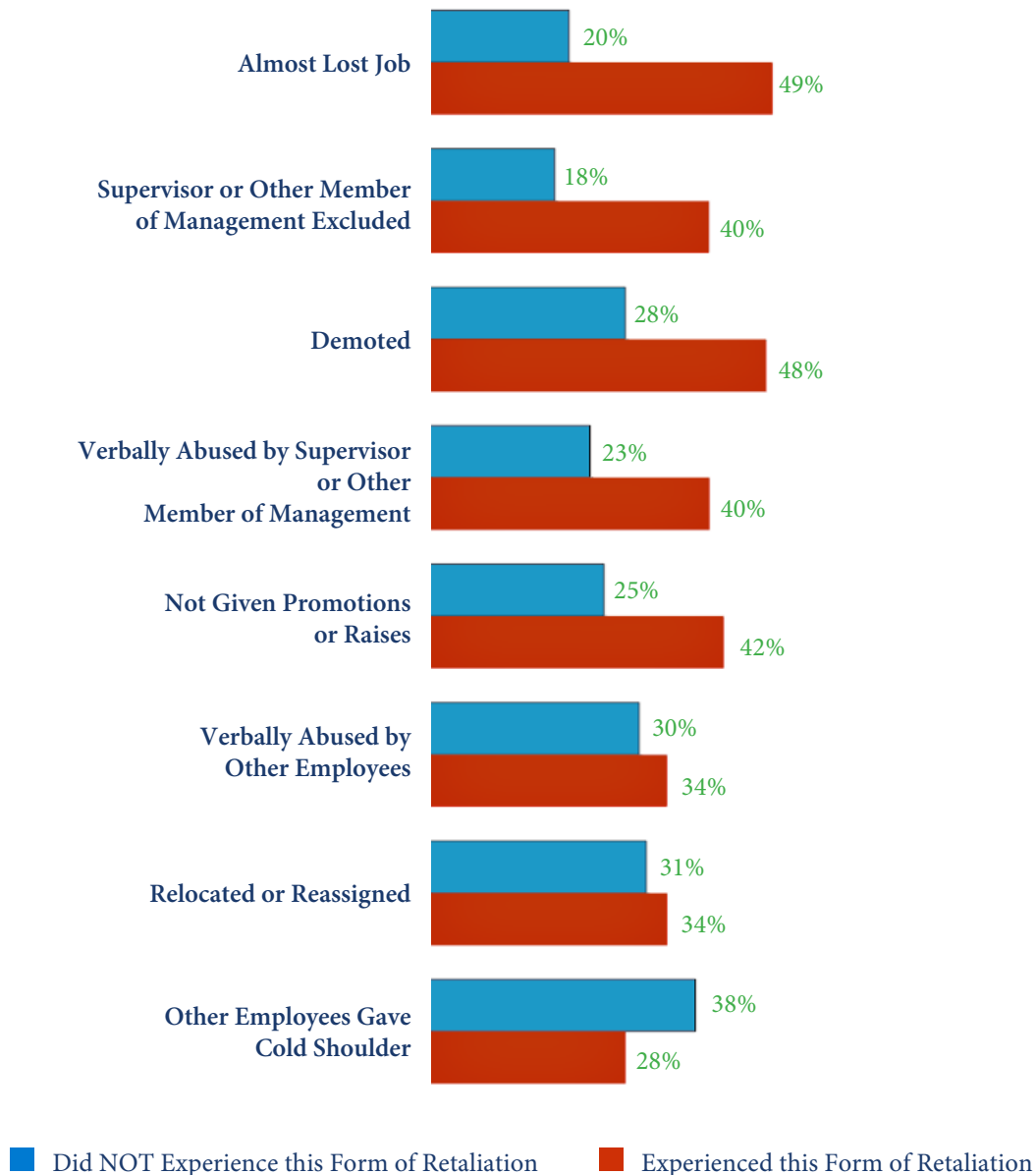
©2010 Ethics Resource Center

As with engagement, changes in employees' intent to stay vary depending on the type of retaliation they experience—and the actions and decisions of managers are connected to the most profound differences. Nearly half (49 percent) of those who almost lost their jobs plan to leave the company in the next year, compared to just one in five of those who experienced retaliation but not of that type. Similarly, 40 percent of employees whose

retaliation involves exclusion by management intend to leave within the year, but only 18 percent of those who experienced retaliation but not of that type plan to depart imminently. Those who received the cold shoulder from coworkers, however, are actually less likely to want to leave within the year than those who experienced other forms of retaliation.

Management Decisions Linked to Desire to Leave Imminently

Percentage of Employees Intending to Leave Company in One Year or Less



Conclusions and Implications

Although most ethics and compliance programs have as a chief aim the goal of reducing misconduct, eliminating retaliation should also be a priority. Retaliation has been linked to rates of misconduct as well as reporting. And, as a result of analysis conducted for this report, we now know that retaliation is strongly linked to:

- Perceptions of management,
- Feelings about the company as a whole,
- Employee engagement,
- Intent to stay.

Keeping this in mind, we recommend the following strategies to business leaders who want to reduce retaliation in their companies:

- Examine and, as needed, revise systems of procedural justice to make sure that reports are handled appropriately and that reporters feel heard, respected and protected.
- If your company has not done so already, develop a non-retaliation policy. Make sure that it is communicated broadly, included in your code and addressed in all-employee and management-level training and enforced when situations arise.

- Sanitize cases that have been reported and use them as case studies so reporters know that their decision to report made a difference.
- Be mindful of groups that are more likely to feel retaliated against. Take extra steps to make sure that these employees are safeguarded from punishment for reporting and, just as importantly, that they do not feel vulnerable to retaliation.
- Train everyone who is likely to receive reports—especially supervisors—to follow-up with reporters in an appropriate manner and to be mindful of how unrelated actions might be misinterpreted by an employee who is feeling uncertain and exposed after deciding to report.
- Encourage managers at all levels to communicate that retaliation is unacceptable and to back it up with action.

ABOUT NBES

The 2009 National Business Ethics Survey (NBES) is the sixth in a series of reports that began in 1994. NBES has grown into a mainstay of research on ethics in the American workplace.

NBES is the most exacting longitudinal research effort examining organizational ethics from the employee perspective. The long-term nature of the study is important because it provides context for national trends. NBES is the only longitudinal study that tracks the views of employees at all levels within organizations to reveal real-life views of what is happening within organizations and the ethics risks they face.

Download the initial 2009 NBES report at www.ethics.org/nbes.

ETHICS

Get in the right lane

Ask about our workplace ethics surveys

Contact Matt Robbins
Ethics Resource Center
571-480-4407 or email Matt@ethics.org



The Ethics Resource Center is devoted to independent research and the advancement of high ethical standards and practices in public and private institutions. Visit www.ETHICS.org.



Ethics Resource Center
2345 Crystal Drive, Suite 201
Arlington, VA 22202
USA

Telephone: 703.647.2185

FAX: 703.647.2180

Email: ethics@ethics.org

Visit Our Website: <http://www.ethics.org>



Supplemental RESEARCH BRIEF 2009 National Business Ethics Survey®

Retaliation: The Cost to Your Company and Its Employees

This report was made possible in part by a generous contribution from the following sponsor:

