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Discrimination in work conditions: The case of sexual harassment

The #MeToo movement put a spotlight on the severe and highly prevalent workplace problem of sexual harassment. New research argues that economists should treat sexual harassment as gender discrimination in work conditions. Both men and women are subject to this discrimination when their gender is in the minority in the workplace. These patterns reinforce segregation in the labor market and, by extension, economic gender inequality. By reducing the prevalence of sexual harassment, we not only reduce individual suffering but also have positive impacts at a societal level.



Introduction

Throughout the world, the sorting of women into lower-paying occupations and workplaces fundamentally determines economic gender inequality (see Penner et al. 2023 for an overview). The academic discussion about causes of this gender segregation typically centers on gender differences in preferences for work conditions. Women who have more responsibilities for children and the household prefer occupations and workplaces with more flexible schedules, work-from-home opportunities, and shorter commutes. To get these good work conditions (so-called work *amenities*), they accept jobs in occupations and workplaces with lower wages (Goldin 2014, Wiswall and Zafar 2016, Mas and Pallais 2017, Le Barbachon et al. 2019).

There is mounting evidence that the interpersonal work environment also matters greatly for job choices. Workers seem to put a large negative value on negative interpersonal work conditions such as hostility, bullying, and sexual harassment (see, for example, Folke and Rieke 2022, Collis and Van Effenterre 2025, and Le Page et al. 2025). Unlike traditional amenities related to aspects such as schedule flexibility, training, or bonuses, the social work environment does not form part of the employment contract and is not under direct control of the employer. This implies that even among the most well-intentioned employers, the social work environment could differ across individuals – and, in particular, between men and women.

Gender differences in exposure to negative social behaviors may meet the standard definition of discrimination in empirical economics research.

The mistreatment may imply that women and men with the same qualifications doing the same job receive different pay. Women and men may have the exact same job contracts and receive the exact same compensation on paper, but one gender may be exposed to negative treatment that dramatically reduces their total payoff from the job.

Sexual harassment and gender inequality in the labor market

Folke and Rickne (2022) study how sexual harassment by colleagues and managers affects gender segregation across workplaces and, by extension, gender inequality in the labor market. The starting point is a general equilibrium model where the total pay of a job is a function of the wage and the gender-specific sexual harassment risk.

The model shows that sexual harassment leads to larger gender inequality in the labor market under three conditions. Sexual harassment risks need to increase in the share of opposite sex co-workers, wages should increase in the share of men in the workplace, and sexual harassment should affect labor market choices. The model explains that sexual harassment creates gender segregation by operating as a wedge in the payoff from jobs in gender-imbalanced workplaces. All else equal, women get a lower total compensation in male-dominated workplaces, and vice versa for men in female-dominated ones. This will create gender segregation as both women and men have smaller incentives to become a workplace gender minority. It will also create a larger gender wage gap by



channeling women into lower-paying workplaces and men toward higher-paying ones.

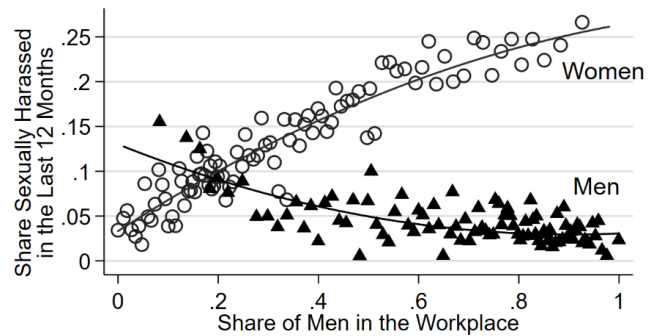
Harassment risks and pay across workplaces

To empirically assess how harassment risks vary across workplaces, Folke and Rickne (2022) use survey data on self-reported sexual harassment from the Swedish government's biannual survey on work conditions (N=40,000). This nationally representative survey contains questions on unwanted sexual advances, sexist hostility, and gender harassment from colleagues or managers in the last 12 months. The survey data can be linked to administrative data on the full Swedish workforce, enabling the computation of the share of men in each survey respondent's occupation and workplace.

The relationship between self-reported harassment and sex ratios is shown in Figure 1. Clearly, both women and men self-report more harassment when they are the gender-minority in their workplace. The higher self-reported rate of harassment among gender minorities is not caused by systematically different demographic traits. Nor is it caused by gender minorities being more likely to have opposite-sex supervisors, or to themselves hold subordinate or supervisory positions, or by them having opposite-sex managers. Folke and Rickne (2025) show that these patterns also hold at the occupation level.

To examine how wages relate to sex composition, Folke and Rickne (2022) rely on the empirical framework developed by Abowd et al. (1999). This framework estimates workplace fixed effects in a wage regression that also includes individual fixed effects and a host of occupational

Figure 1. Sexual Harassment Incidence across Workplace Sex Ratios.



Source: Replication of the left-hand side of Figure II in Folke and Rickne (2022). Note: The figure shows binned averages of a binary variable for self-reports of sexual harassment in the last 12 months from colleagues or managers. Each sub-sample of men and women is split into 100 equally sized bins of the X-variable. N=19,975 for women, and 17,482 for men.

and demographic controls. The workplace fixed effects (i.e., the wage premiums) capture how much a workplace pays in wages compared to other workplaces with the same occupation structure and workers' socio-economic traits. The analysis shows that a 10-percentage-point larger share of men is, on average, associated with a 1-percentage-point higher wage premium.

To summarize the first set of results, male-dominated workplaces pay more. At the same time, both men and women face a higher risk of sexual harassment when they work in an occupation or workplace with more men. The combination of these results suggests that women have an incentive to work in lower-paying jobs, while men have an additional incentive to work in high-paying jobs.

Sexual harassment and job choice

Sexual harassment can affect job choice in two ways: it can deter an individual from taking a job,



or make a person leave a job that they have previously chosen. Folke and Rickne (2022) examine both these channels.

To examine if sexual harassment risks deter individuals from taking a job, Folke and Rickne (2022) use a survey experiment sent to ~4,000 employed Swedish citizens. The survey experiment follows the standard economic approach of exposing respondents to a hypothetical job choice experiment where they choose between fictional job offers with randomized wages and work conditions (for prominent examples of this approach, see, for example, Wiswall and Zafar 2017 and Mas and Pallais 2017).

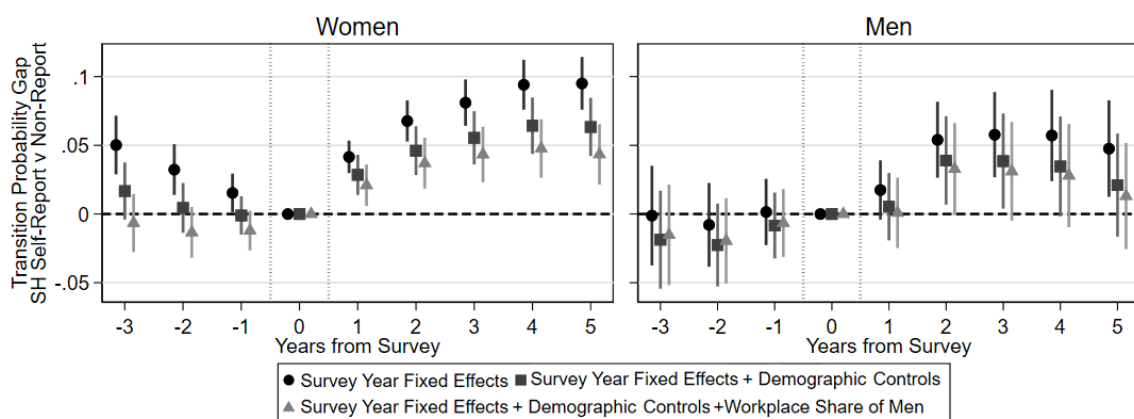
Sexual harassment was incorporated into the experiment by showing respondents vignettes of sexual harassment incidents that took place in fictional workplaces (as in Hulin, Fitzgerald, and Drasgow 1996). These vignettes mimic the types of anecdotes or rumors that a prospective employee might hear about a potential employer. Importantly, the vignettes make it possible to vary the victim's gender, which allows comparison of

job choices among respondents who are exposed to a harassment victim of their own gender and respondents exposed to a victim of the opposite gender.

The experiment showed a large negative valuation of sexual harassment—the equivalent of a 10% lower wage in the full sample. This large valuation makes sexual harassment a relevant work condition for shaping people's total remuneration from work and is quantitatively similar to the valuations of time/space flexibility in previous research (Wiswall and Zafar 2017; Mas and Pallais 2017; Maestas et al. 2018). While men and women had similar valuations, there was a substantial difference between those who see a victim of their own sex compared to the opposite sex: the negative valuation is equivalent to a 17% lower wage for same-sex victims but just 6% for opposite-sex ones.

Folke and Rickne (2022) rely on the work-environment survey matched to the administrative data to show that sexual harassment also affects the probability of leaving a workplace. Conditional

Figure 2. Event Study of Workplace Transitions.



Source: Replication of Figure V in Folke and Rickne (2022). Note: The figure shows estimated differences in the proportion of employer-to-employer transitions out of the workplace in the Work Environment Survey between people who self-report sexual harassment in that survey or not. The X-axis denotes the number of years since the survey. Demographics controls from administrative records are four dummies for marital and parental status, four dummies for age categories, two dummies for having secondary or tertiary education, and two dummies for being born in a different European country or outside Europe.



on a host of controls, women who report sexual harassment are about 5 percentage points more likely to have left their workplace 3 years after having answered the survey than women who did not report sexual harassment. The equivalent gap for men was about 3 percentage points.

Conclusions

The case study of sexual harassment in Sweden highlights this work condition as an important barrier to gender equality in the labor market. It shows a higher prevalence of sexual harassment for workplace gender minorities and how it imposes costs on these minorities relative to their gender majority colleagues. The disincentive created by sexual harassment to become—and remain—a workplace gender minority reinforces gender segregation across workplaces. The gender wage gap also grows as women prefer not enter male-dominated workplaces with higher pay, or leave these workplaces and head to ones with more women and lower monetary compensation. These macroeconomic impacts add to the “business case” for governments to prevent sexual harassment.

Sexual harassment is just one of many forms of discrimination in work conditions that could reinforce inequalities in the labor market. If we want to reduce gender inequality, it is clearly not enough to focus on gender differences in preferences for work conditions. We also need to pay attention to factors, such as sexual harassment, that lead to men and women facing different work conditions in the same job. Addressing this form of discrimination could not only yield large payoffs for individual well-being but also reduce inequalities in the labor market.

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