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## **Rank-and-file sexual harassment can devalue companies by 20%**

Sexual harassment that doesn't make the news won't often affect stock prices right away, but within a year it can hit valuations hard



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Workplace sexual harassment is as much a financial crisis as a moral one, a study presented last week at the American Accounting Association annual meeting found.

The returns of companies with the highest incidence of what researchers called rank-and-file sexual harassment averaged 20% below what would be expected from standard asset-pricing models and the market's overall performance, the study found.

The researchers define rank-and-file harassment as the kind that permeates the length and breadth of a company and doesn't typically get picked up by the media because it doesn't necessarily involve a high-profile officer.

"The relationship between rank-and-file sexual harassment and company stock price is probably not evident to most CEOs, who may consider it merely a modest, if unpleasant, cost of doing business," said University of Manitoba Assistant Professor of Finance Shiu-Yik Au, who led the research. "Our study strongly suggests otherwise."

The loss from underperforming valuations averaged \$1.92 billion a year for the companies in the top 2% of incidences, and \$930 million for those in the top 5%. Those amounts far exceed the federally imposed \$300,000 cap on company sexual harassment damages.

"The equity value loss ... is a much larger potential cost of workplace sexual harassment than the direct compensation to affected employees," the report said.

The researchers looked at reviews submitted over a six-and-a-half-year period to two of the most popular anonymous employee review sites, Glassdoor and Indeed.

All firms included in the study had at least 200 reviews. Companies were assigned annual rankings based on the percentage of reviews per year specifically mentioning sexual harassment — a percentage that was zero for the great majority of firms but reached as high as 8.33% for some.

The research analyzed the relationship between high incidences of sexual harassment in a year and company stock performance in the succeeding year.

Approximately 1,000 companies were included in the analysis; of these, 237 were in the top 5% and 101 were in the top 2%.

In addition to Shiu-Yik Au, "How Much Does Sexual Harassment Hurt Firm Value?" was presented by Ming Dong, associate professor of finance at York University, Toronto, and Andreanne Tremblay, assistant professor of finance at Laval University, Quebec City.