

# The Financial Costs of Harassment, Bullying, and Abuse in Organizations

An Ethics By Design Whitepaper

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Further information and resources as well as online courses on the prevention of harassment, bullying, and abuse in organizations are available at the Ethics By Design website: [Prevent Harassment](#).

The research collected in this paper is extensive but not exhaustive. If you are aware of studies on the topic not mentioned here, please share that information with the author at [mp@ethicsbydesign.com](mailto:mp@ethicsbydesign.com). Thanks.

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## The Financial Costs of Harassment, Bullying, and Abuse in Organizations

The financial costs of Harassment, Bullying, and Abuse of Authority (HBA) in organizations can be classified in two main groups:

Direct, claim-related costs

Indirect (hidden) operational costs

Each type of cost is discussed below. Direct costs (mostly in the form of litigation) are easy to recognize and quantify, although few firms appear to collect and analyze these data. To see and measure the hidden HBA costs, it helps to have a brief review of the nature of organizations as well as working definitions of harassment, bullying, and abuse of authority.

**Note:** Other than indirectly in the discussion of employee engagement, this essay does not address the benefits of workplace well-being, which presumably would improve in the absence of harassment, bullying, and abuse.<sup>1</sup>

### Organizations are Systems of Systems

Organizations, like human organisms, are systems consisting of many sub-systems. The smallest unit in an organizational system is typically a human being. Humans join and interact with other humans to create semi-permanent and ad hoc systems such as departments, groups, shifts, committees, task forces, skunk work operations, manufacturing teams, service teams, sales teams, and so on. Each of these sub-systems can interact with and affect the work of others. In most cases, the organization will have traditional modes of operation (the way we do things here) or explicit policies and procedures that guide or govern the interactions of the parts within the whole.

Anything that contributes to negative friction or inefficiencies within or between any sub-systems within an organization creates an operational cost without a counterbalancing benefit. While some of these costs are unavoidable, many, such as

#### The Nutshell

1. Average cost to defend harassment lawsuit: **\$250,000**
2. Average jury award: **\$600,000+**
3. Average *annual* hidden cost of harassment: **\$300 to \$1,000 per employee.**

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<sup>1</sup> Gallup Consulting is among the organizations working on the development of Applied Behavioral Economics that it sees as “the mathematical description of the role human nature plays in just about . . . everything.” The Next Discipline 3 ([Gallup Consulting](#)). A Gallup study showed that 10 companies that apply these principles outperformed peers by 85% in sales growth and more than 25% in gross margin. *Id.* at 1. It would be worthwhile to complement this essay with one that focuses on the benefits of well-being in the workplace.

harassment, bullying, and abuse of authority, are unnecessary and can be prevented with proper care and attention.

## Definitions

With the phrase Harassment, Bullying, and Abuse of Authority (HBA), I attempt to capture a wide range of misconduct, some of which is illegal throughout the United States and Europe (e.g., sexual harassment) and some of which is illegal only in selected states and nations (e.g., bullying). As a general matter, abuse of discretionary authority as such is not illegal anywhere that I am aware of, but as indicated below, it is a major source of avoidable organizational costs.

Relying on court decisions and statutory law, the Equal Employment Opportunity Commission created the following definition of **sexual harassment** based on statutory and judicial authorities:

Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when (a) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment [*quid pro quo* harassment], (b) submission to or rejection of such conduct is made the basis for employment decisions affecting such an individual [also *quid pro quo* harassment], or (c) such conduct has the purpose or effect of unreasonably interfering with an individual's work performance, or creating an intimidating, hostile, or offensive work environment [hostile environment harassment].<sup>2</sup>

More generally, illegal **workplace harassment** is physical or verbal conduct targeted at a member of or a group of people belonging to a protected class (race, sex, national origin, religious belief, ethnicity, age) that makes a reasonable target person feel uncomfortable, offended, intimidated, or oppressed as a member of the protected class. Workplace harassment can come in the form of degrading or demeaning words or gestures, put downs, jokes, graffiti, derogatory pictures, slurs, and physical contact directed at a person because of her membership in a protected class (e.g., "You old biddies should leave and make room for younger blood." "Did you hear the one about how many \_\_\_\_'s it takes to screw in a light bulb?").

**Workplace bullying** is persistent, aggressive, and unreasonable behavior directed at one or more employees that has the effect of demeaning, humiliating, oppressing, causing emotional distress, or physically harming the target. Drs. Gary and Ruth Namie define it as "repeated, health-harming mistreatment of one or more persons (the targets)

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<sup>2</sup> The EEOC has produced a detailed discussion of the elements of this definition on its website with the title [Policy Guidance on Current Issues of Sexual Harassment](#).

by one or more perpetrators that takes one or more of the following forms: Verbal abuse, offensive conduct/behaviors (including nonverbal) which are threatening, humiliating, or intimidating, work interference – sabotage – which prevents work from getting done.”<sup>3</sup>

Unlike workplace incivility, which researchers define as “low intensity deviant . . . behaviors [that] are characteristically rude and discourteous, displaying a lack of regard for others,”<sup>4</sup> workplace bullying is more severe and can include “screaming, cursing, spreading vicious rumors, destroying the target’s property or work product, excessive criticism, and sometimes hitting, slapping, and shoving.”<sup>5</sup> As Tracy et al. observe, workplace bullying can also include ostracism that stigmatizes targets, the silent treatment, exclusion from meetings and gatherings, or aggressively ignoring requests.<sup>6</sup>

In *The No Asshole Rule*, Stanford Professor Robert Sutton lists the following 12 types of abusive acts in the workplace:<sup>7</sup>

1. Personal insults
2. Invading one’s ‘personal territory’
3. Uninvited physical contact
4. Threats and intimidation, both verbal and nonverbal
5. ‘Sarcastic jokes’ and ‘teasing’ used as insult delivery systems
6. Withering e-mail flames
7. Status slaps intended to humiliate their victims
8. Public shaming or ‘status degradation’ rituals
9. Rude interruptions
10. Two-faced attacks
11. Dirty looks
12. Treating people as if they are invisible.

**Abuse of authority** is closely related to bullying and may, in some instances, be indistinguishable. The term encompasses a wide variety of behaviors by supervisors directed at subordinates in which the supervisor takes advantage of her position of power and authority to extract a benefit (include psychic satisfaction) from relatively powerless subordinates. It can include requiring subordinates to run personal errands,

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<sup>3</sup> Workplace Bullying Institute [website](#).

<sup>4</sup> Anderson and Pearson 457 (1999)

<sup>5</sup> Sarah Tracy, Pamela Lutgen-Sandvik, and Jess K. Alberts, “Nightmares, Demons, and Slaves: Exploring the Painful Metaphors of Workplace Bullying,” 20(2) *Management Communication Quarterly* 148, 152 (2006)

<sup>6</sup> *Id.*

<sup>7</sup> Robert Sutton, *The No Asshole Rule: Building a Civilized Workplace and Surviving One That Isn’t* 10 (New York: Business Plus, 2007).

requiring them to work off the clock, insisting on 24/7 cell phone availability, intruding on family life, making unreasonable demands, and more.

Tepper defines abusive supervision as “the sustained display of hostile verbal and nonverbal behaviors, excluding physical contact”<sup>8</sup> and quotes the following passage from the film version of David Mamet’s *Glengarry Glen Ross* as an extreme illustration of the behavior he has in mind:

You see this watch? That watch costs more than your car. I made \$970,000 last year. How much did you make? You see pal, that's who I am, and you're nothing. Nice guy? I don't give a #####.

Good father? ##### you, go home and play with your kids . . . you think this is abuse, you #####? You don't like it?

Leave!

In his revealing book about Al Dunlap’s orchestration of the demise of Sunbeam, John Byrne relates real-life scenes, such as the following, that are more brutal than anything in Mamet’s fiction:

Early one Monday morning, not much more than a month into Dunlap’s reign as CEO at Sunbeam, Russell Kersh walked into James Wilson’s office at 8:30 A.M. with a rather frightening admonition.

“Al wants to see you,” he said tersely. “I hope you have a thick skin today.”

“What does that mean?” Wilson asked.

“You’re going to get beat up, real bad.”

Thinking that Kersh must be joking, Wilson got up and went straight to see the boss. He did not shy from confrontation. . . . Wilson had been working overtime to help recruit new talent and plan for the eventual downsizing. For the previous week Wilson had been trying to lure to the company, Don Uzzi, the former beverage division president of Quaker Oats who was responsible for Gatorade’s phenomenal success. . . . The talks were not going well. Uzzi was holding out for more money and a bigger stock option package.

Without a word Dunlap closed his office door and fired a chair across the room at the perplexed executive.

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<sup>8</sup> Bennett Tepper, “Consequences of Abusive Supervision,” 43(2) *Academy of Management Journal* 178, 178 (2000).

“You son of a bitch!” he screamed. “Don’t you know who you work for?”

“Yes, I do,” said Wilson.

“I didn’t ask you to talk. Shut your mouth!”

Dunlap then went into an extended tirade, suggesting that Wilson hadn’t kept Kersh fully informed of his negotiations with Uzzi. Dunlap, believing Wilson, was under the mistaken impression that he had made an offer to Uzzi that exceeded the approved parameters Dunlap had set. In fact Wilson hadn’t made an offer at all because he knew it wasn’t going to be enough to lure the executive to Sunbeam.

Dunlap’s fusillade of rage silenced him until Dunlap began knocking his fist on an imaginary door.

“Well, hello,” he said mockingly. “Is there anybody there?”

“Yeah,” Wilson replied, “I didn’t think you wanted me to –”

“Who asked you to talk? Shut up. You don’t deserve to speak.”

Fortunately for Wilson, Dunlap’s secretary interrupted the beating to let Dunlap know that his next appointment had arrived.

“Get out of here!” Dunlap yelled at Wilson.

The battered executive skulked out and turned down the hall, only to realize that dozens of people in his own department were standing in the corridor in total shock. They had heard every word of Dunlap’s diatribe, making the words sting yet again. Wilson, thinking of nothing but quitting, rushed back to the safety of his office.

The next day Newt White stopped by.

“Welcome to the team,” he said with a smile. “I understand you have been baptized.”

“If that’s what it is, I guess I was.”

“You know, once Al gets started, all you can do is let him go,” White advised. “It’s like a force of nature, like a hurricane. There’s no way you can stop it. All you’ve got to do is let it blow itself out.”<sup>9</sup>

Most abuse of authority, like this example, is illegitimate. That is, the supervisor does not possess the delegated authority necessary to demand the favor or other concession from the subordinate or to behave in the abusive fashion illustrated by the Dunlap anecdote. Some abuse of authority, however, comes in the form of abuse of discretion. The decision falls within the purview of the supervisor’s legitimate authority – e.g., setting work schedules or deadlines, assigning tasks, etc. – but is exercised in an unreasonable or oppressive manner.

## Direct, Claim-related Costs

State and federal law (and in Europe, national laws and the European Convention) confer several rights on people who work in organizations of all types and sizes. When one or more individuals claim that the organization or one of its agents has violated their rights, they can submit a claim through a designated agency or they can file a lawsuit.

In the U.S., federal law prohibits discrimination against members of protected classes (sex, race, ethnicity, age, disability, national origin, religious belief). Several states have supplemented the list of protected classes with sexual orientation and marital status; and some prohibit any form of harassment or bullying against anyone regardless of class. Judicial interpretations of the anti-discrimination statutes have created what we now know as workplace harassment law. As a result, harassment of an employee within a protected class gives rise to a legally enforceable claim that can be enforced in federal courts.

Harassment-related litigation imposes the following types of costs on organizations:

Legal fees

Litigation-related expenses (document reproduction, deposition transcripts, exhibits, travel, meals, and lodging, printing costs, etc.)

Diversion of employee time in meetings with lawyers, depositions, and attending trials

Emotional turmoil within the organization

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<sup>9</sup> John A. Byrne, *Chainsaw: The Notorious Career of Al Dunlap in the Era of Profit-at-any-Price* 94-95 (New York: Harper Business, 1999).

## Jury awards

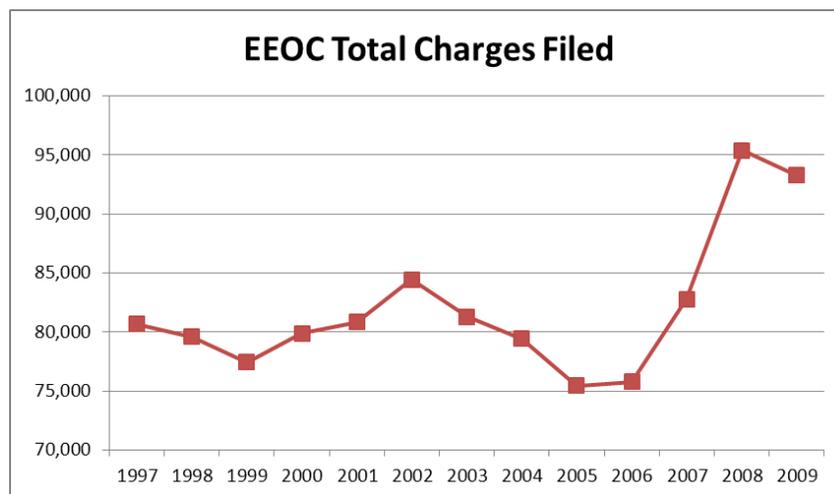
### Damage to brand and reputation

The average out-of-pocket expense of the defense of an harassment-related lawsuit exceeds \$250,000, whether or not the organization prevails.

As of 1997, plaintiffs were winning 2 out of every three discrimination cases that went to trial, with an average jury award of \$600,000,<sup>10</sup> a figure that has surely increased since. Between 1998 and 2008, U.S. corporations paid a total of \$2.3 billion to settle gender discrimination lawsuits.<sup>11</sup> In one recent case against a national company with 10,000 employees, the jury awarded the plaintiff \$95 million.<sup>12</sup>

In its private-sector enforcement program, the Equal Employment Opportunity Commission (EEOC) received [92,277 private-sector charges of discrimination in 2009](#), with benefits to claimants paid out through administrative procedures totaling \$294.2 million. (These are not court-awarded judgments and do not include litigation expenses.) In 2011, the EEOC resolved almost 34,000 harassment charges with monetary benefits totaling \$100.2 million.

The following chart shows the trend line of EEOC filings from 1997 through 2009:



<sup>10</sup> Gail Robinson and Kathleen Denchant, "Building a Business Case for Diversity," 11(3) *Academy of Management Executive* 21, 24 (1997).

<sup>11</sup> Shirley A. Davis and Eric C. Peterson, *Building the Business Case for Diversity* (SHRM, 2008), citing the Equal Employment Opportunity Commission.

<sup>12</sup> [Alford v. Aaron's Rents](#), United States District Court for the District of Illinois. See [Jury Awards \\$95 Million in Fairview Heights Sex Harassment Suit; \\$95 Million Harassment Case](#).

Unfortunately, we do not have the data needed for calculating the relative risk of getting sued, which would be necessary for a reliable computation of the exposure an organization faces. However, several studies indicate that less than 10% of all incidents of harassment are even reported, and only a fraction of those eventually are filed as lawsuits.<sup>13</sup> As awareness of the protections afforded (including the rights against retaliation), the number of lawsuits is more likely to grow than decrease.

For example, if the average meritorious lawsuit costs \$1,000,000 and an unprotected organization has a 1% chance of getting sued every year, then the annual cost would be \$10,000. A 2% chance translates into a \$20,000 cost, etc.

Some managers might think that they are protected by their liability insurance policy. Alas, general liability insurance does not usually cover harassment claims and, unless the organization takes appropriate steps to prevent workplace harassment, including workforce training, many underwriters will not sell them Employment Practices Liability Insurance (EPLI).<sup>14</sup>

Moreover, EPLI does not compensate the organization for diverted executive time, emotional turmoil, or damage to the reputation of the organization.

## Indirect, Hidden Costs of HBA

The hidden costs of harassment, bullying, and abuse have the greatest impact on organizations. The effects of HBA and Fraud & Theft on organizations are analogous to the costs of high blood pressure, high cholesterol, inflammation, chronic cigarette smoking, and alcoholism on the human body. Because managers (especially men) are often unaware of the misconduct, they may be oblivious to the damage it is causing in the organization.

To measure the hidden costs of harassment, bullying, and abuse we must identify the aspects of organizational systems that are likely to be negatively affected and assess the dollar costs and human toll of that impact on the operation of the organization. In principle, some of this should be comparatively easy. For example, if employees leave because they are harassed or bullied, it should be possible to create survey systems that capture that information, to identify the opportunity costs associated with the departure

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<sup>13</sup> Since its creation in 1988, the Sexual Experiences Questionnaire has been used in many different organizational settings to obtain an approximation for the frequency of sexual harassment. Much of the literature reporting the results of these studies is reviewed in Chelsea Willness, Piers Steel, Kibeom Lee, "A Meta-Analysis of the Antecedents and Consequences of Workplace Sexual Harassment," 60(1) *Personnel Psychology* 127 (2007).

<sup>14</sup> For more on EPLI, see Ed E. Duncan, "[Insurance Coverage for Sexual Harassment in the Workplace](#)," *The Practical Lawyer* 51 (April 2005).

of employees with specific knowledge and skills (including lost training investment), to summarize the cost of hiring and training replacement employees, and to track these costs over time. In reality, few, if any, organizations attempt this type of data collection and measurement with respect to harassment, bullying, and abuse.

Over the past 20-30 years, however, several academic researchers and a few commercial enterprises such as the Gallup Organization have conducted studies that help us approximate the hidden costs of HBA. Though we may not have the precise, evidence-based information we might like, the overall conclusion that can be drawn from the existing research is that these costs are many times more than the cost of prevention. To put it mildly, by failing to take reasonable preventive measures, the average organization is incurring large financial costs with no countervailing benefit. It is money down the drain.

Harassment, Bullying, and Abuse negatively affect the following parameters of organizational costs, health, and effectiveness:

Turnover/Cost of acquiring replacement employees

Absenteeism

Employee engagement

Productivity

Profitability

Health care premiums

Shrunken pool of potential employees

Manager time diverted to responding to conflict

In addition, HBA take a heavy toll on the emotional and mental life of targets of harassment and, as at least one study shows, on other employees as well.

## Multiple Parameters

**The Freada Klein Study.** In 2003, the economist Freada Kapur Klein, one of the pioneers in developing harassment cost metrics, conducted surveys and gathered data from SEC filings and other public sources to estimate the cost of unfair treatment in a

typical fortune 500 Company.<sup>15</sup> Dr. Klein concluded that “the cost of inappropriate/unfair treatment was **\$919** per employee per year in 2003 dollars, for a typical Fortune 500 Service or Manufacturing firm of 54,500 employees.” She added that “meaningful efforts to prevent and intervene could be undertaken for less than 10% of this figure – i.e. for \$90 per employee.”<sup>16</sup>

Dr. Klein reported the following responses to unfair treatment by those answering the survey:

- A) 2% just quit
- B) 5% leave with unfair treatment comprising part of the reason
- C) 50% try to ignore it/put up with it
- D) 25% try to handle it themselves
- E) 6% go to a designated complaint person within their company
- F) 12% go to their manager for assistance

In arriving at the average figure of \$919 per employee per year, Dr. Klein calculated and reported the costs to the organization of each of these responses.

For purposes of this study, Dr. Klein expressly excluded the following types of costs that organizations incur as a result of workplace harassment:

- Litigation
- Destructive behavior or sabotage
- Lost co-worker productivity
- Financial costs borne by employees (e.g., consulting with lawyers, counselors, unreimbursed health care costs)
- Damage to company reputation and increased recruiting challenges

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<sup>15</sup> Freada Klein, [Estimating the Cost of Unfair Treatment to a Typical Fortune 500 Company](#) (The Level the Playing Field Institute). This study was closely modeled after that calculated by Freada Klein, Ph.D. and Mary Rowe, Ph.D. in 1988 for the cost of sexual harassment to the Fortune 500, in which the authors concluded that the average Fortune 500 company incurred \$6.7 million (1988 dollars) in unnecessary costs by not properly preventing sexual harassment. Results of this study were published in a 1988 issue of *Working Woman* magazine, a copy of which together with the survey on which it is based is on file with the author. Mary Rowe is a labor economist by training and serves as Special Assistant to the President at the Massachusetts Institute of Technology and Adjunct Professor at the M.I.T. School of Management.

<sup>16</sup> *Id.*

- Other costs to individuals, organizations, and society as a whole (e.g., the costs of abandoned careers, disrupted personal lives, and disrupted relationships between co-workers)

## Turnover Costs

From: [REDACTED] Sent: Thursday, May 27, 2004 1:11 PM Subject: FW: Goodbye...

As many of you are aware, today is my last day at the firm. It is time for me to move on and I want you to know that I have accepted a position as “Trophy Husband”. This decision was quite easy and took little consideration. However, I am confident this new role represents a welcome change in my life and a step up from my current situation. While I have a high degree of personal respect for PHJW as a law firm, and I have made wonderful friendships during my time here, **I am no longer comfortable working for a group largely populated by gossips, backstabbers and Napoleonic personalities.** In fact, I dare say that I would rather be dressed up like a piñata and beaten than remain with this group any longer. I wish you continued success in your goals to turn vibrant, productive, dedicated associates into an aimless, shambling group of dry, lifeless husks.

May the smoke from any bridges I burn today be seen far and wide.

Respectfully submitted,

[SIGNED]

ps. Achilles absent, was Achilles still. (Homer)<sup>17</sup>

**The Corporate Leavers Survey.** In 2007, the Level Playing Field Institute published a unique study: “The Cost of Employee Turnover Due Solely to Unfairness in the Workplace.”<sup>18</sup> The study concluded that workplace unfairness, defined as “every-day inappropriate behaviors such as stereotyping, public humiliation and promoting based

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<sup>17</sup> This actual goodbye email was widely reproduced on the Internet, including at [Patterico's Pontifications](#). Not only did the law firm in question incur the cost of replacing the departing associate, but it suffered additional damage to its reputation and ability to recruit top-quality lawyers. (See comments section on the website where the letter was published.)

<sup>18</sup> A [copy of the study](#) is available at [workplacebullying.org](#). KornFerry, the sponsor of the study, has a related study on its website, entitled [The Cost of Employee Turnover Due to Failed Diversity Initiatives in the Workplace](#). In September 2011, the [Level Playing Field Institute published The Tilted Playing Field: Hidden Bias in Information Technology Workplaces](#). An earlier study by Dr. Klein concluded that sexual harassment costs a typical Fortune 500 company \$6.7 million through absenteeism, low productivity and employee turnover. See Equal Rights Advocates. (2000). “[Facts About Sexual Harassment in the Workplace](#).”

upon personal characteristics,"<sup>19</sup> costs U.S. employers more than \$64 million in turnover costs every year. More than 2 million professionals and managers leave their jobs *solely* because they will no longer tolerate the small comments, whispered jokes, and not-so-funny emails.<sup>20</sup>

The turnover costs of sexual harassment were also studied by Rebecca S. Merkin, who published the results of her work in 2008.<sup>21</sup> Merkin cites previous studies as early as 1994, finding that turnover costs are "the largest single component of the overall cost of sexual harassment in the US."<sup>22</sup> Merkin found that sexually harassed employees in Argentina, Brazil, and Chile, like their U.S. colleagues, had more turnover intentions and engaged in more absenteeism than did non-harassed employees.

## Lower Engagement

Alienated employees tend to disengage from their work. [Employee engagement](#) is a term of art that refers to the level of involvement in and enthusiasm about one's work. The authors of the Utrecht Work Engagement Scale define engagement as "a positive work-related state of fulfillment that is characterized by vigor, dedication, and absorption."<sup>23</sup> Storm and Rothman elaborate:

**Vigour** is characterised by high levels of energy and mental resilience while working, the willingness to invest effort in one's work, not being easily fatigued, and persistence even in the face of difficulties.

**Dedication** is characterised by deriving a sense of significance from one's work, by feeling enthusiastic and proud about one's job, and by feeling inspired and challenged by it.

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<sup>19</sup> Corporate Leavers Survey Report at 3.

<sup>20</sup> *Id.* at 2.

<sup>21</sup> Rebecca S. Merkin, "[The Impact of Sexual Harassment on Turnover Intentions, Absenteeism, and Job Satisfaction: Findings from Argentina, Brazil and Chile](#)," 10(2) *Journal of International Women's Studies* (November 2008). See also Hannah K. Knudsen, Lori J. Ducharme, and Paul M. Roman, "[Turnover Intention and Emotional Exhaustion "at the Top"](#)": Adapting the Job Demands-Resources Model to Leaders of Addiction Treatment Organizations," 14(1) *Journal of Occupational Health Psychology* 84-95 (2009).

<sup>22</sup> *Id.* citing R. H. Faley, D. E. Knapp, G. A. Kustis, and C.L.Z. DuBois, "Organizational Costs of Sexual Harassment in the Workplace: The case of the U.S. Army," Presented at the Ninth Annual Conference of the Society of Industrial and Organizational Psychology (Nashville, TN, 1994).

<sup>23</sup> Wilmar Schaufeli, Arnold Bakker, and Marisa Salanova, "The Measurement of Work Engagement with a Short Questionnaire: A Cross-National Study," 66(4) *Educational and Psychological Measurement* 701, 701 (2006).

**Absorption** is characterised by being totally and happily immersed in one's work and having difficulties detaching oneself from it. Time passes quickly and one forgets everything else that is around.<sup>24</sup>

Work engagement is the opposite of burnout.<sup>25</sup>

There are several possible causes of disengagement such as a lack of good fit between the person and the type of work, insufficient coaching and feedback, a perceived disconnect between the overall purpose or mission and the contribution of the work being done to achieve that mission, not having a best friend at work, and more.<sup>26</sup>

Disengagement costs money. High engagement ratios, on the other hand, lead to improved levels of productivity, profitability, and other measures of business outcomes:

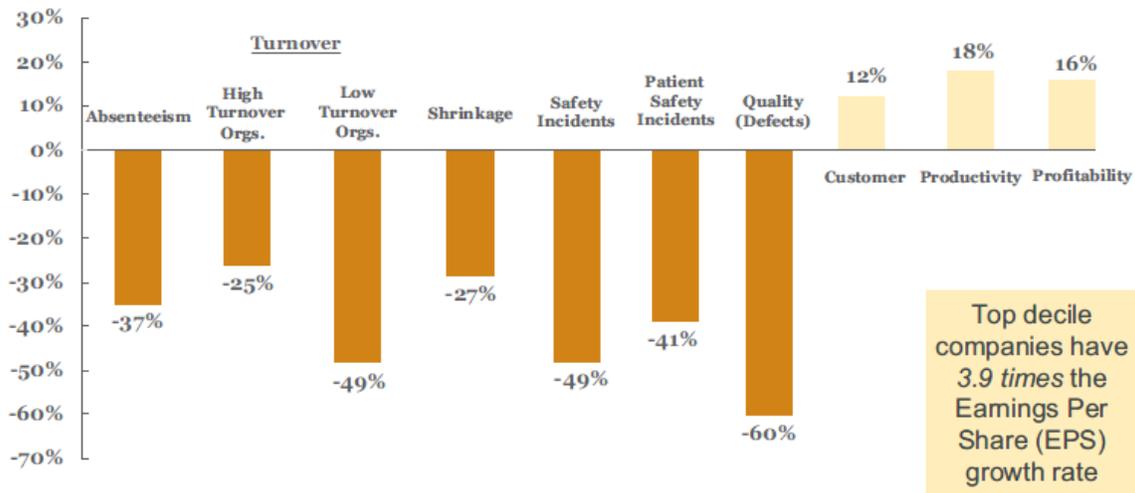
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<sup>24</sup> K. Storm and S. Rothman, "A Psychometric Analysis of the Utrecht Work Engagement Scale in the South African Police," 29(4) *SA Journal of Industrial Psychology* 62, 63 (2003).

<sup>25</sup> *Id.* at 702.

<sup>26</sup> See, e.g., Leigh Branham, "[The 7 Hidden Reasons Employees Disengage and Sometimes Leave](#)," *Solutions* (2008). See generally Patrick Lencioni, *The Three Signs of a Miserable Job* (San Francisco: Jossey-Bass, 2007)(immeasurement, anonymity, and irrelevance).

## Employee Engagement and Critical Business Outcomes



### Difference Between Top and Bottom Quartile Performance

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Gallup, which uses a proprietary 12 question survey different from the Utrecht Work Engagement Scale, has found that while world-class organizations have a 9.57:1 engaged to disengaged employee ratio, for average organizations that ratio drops to 1.83:1.<sup>28</sup> “Actively disengaged employees erode an organization’s bottom line, while breaking the spirits of colleagues in the process. Within the U.S. workforce, Gallup estimates this cost to the bottom line to be more than \$300 billion in lost productivity alone.”<sup>29</sup>

In its 2011 Employee Engagement Report, BlessingWhite Research published the following key findings:<sup>30</sup>

<sup>27</sup> Gallup Consulting, “Employee Engagement: What’s Your Engagement Ratio?” 5 ([Gallup website](#)).

<sup>28</sup> *Id.* at 3.

<sup>29</sup> *Id.*

<sup>30</sup> Employee Engagement Report 2011 at 2 ([BlessingWhite](#)).

- ▶ **Fewer than 1 in 3 employees worldwide (31%) are Engaged. Nearly 1 in 5 (17%) are actually Disengaged.** Engagement levels vary by region from 37% in India to 17% in China.
- ▶ Despite the rough and tumble of the economic recession, **engagement levels around the world remained roughly stable** when comparing early 2008 and mid-2010.
- ▶ **Yet more employees are looking for new opportunities** outside their organization than they were in 2008, suggesting that 2011 will be a challenging year for retention (and a hot market for firms looking to attract top talent).
- ▶ Consistent with the 2008 findings, there is a **strong correlation between engagement levels and age, role/level, and tenure** in the organization. Older employees and people in positions of power and authority are most likely to be Engaged. So are long-term employees (7+ years with an organization). Employees who work in departments closest to strategy decisions and customer relationships tend to be more Engaged as well.
- ▶ Employees worldwide view **opportunities to apply their talents, career development, and training as top drivers of job satisfaction.** When it comes to contribution, their needs vary considerably, reflecting their circumstances (e.g., region, age, function, engagement level).
- ▶ **Trust in executives can have more than twice the impact on engagement levels than trust in immediate managers does.** However, consistent with past studies, employees are more likely to trust their immediate managers than the executives in their organization.
- ▶ **Managers are not necessarily doing the things that matter most.** The actions that correlate the most with high engagement are not always the ones that receive the most favorable ratings. And in some regions **relationships trump skills**, that is, employees' knowledge of their managers as "people" behind their titles appears to impact engagement levels more than manager actions.
- ▶ **Executives appear to struggle** with key leadership behaviors correlated to engagement, yet our findings suggest executive behaviors can have a **greater potential impact on engagement than manager actions.**
- ▶ Most alarming: **Executives aren't getting the basics of performance right.** Creating an environment that supports high performance is the item that received the least favorable response in the entire survey; it also has among the strongest correlations with engagement levels.
- ▶ **Engagement surveys without visible follow-up action may actually decrease engagement levels,** suggesting that organizations think twice before flipping the switch on measurement without 100% commitment for action planning based on the results.

Hypothesis 1: Employees that experience sexual harassment will be less engaged than those that do not experience sexual harassment.

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<sup>31</sup> Julie Ann Cogin and Alan Fish, "An Empirical Investigation of Sexual Harassment and Work Engagement: Surprising Differences Between Men and Women," 15 *Journal of Management & Organization* 47, 51 (2009).

Hypothesis 2: Men who experience sexual harassment will have lower levels of work engagement than women who experience sexual harassment.

Cogin and Fish studied 607 nurses (male and female) in a health-care setting in Australia, using the following measures of sexual harassment:

**TABLE 2: MEASURES OF SH**

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Gender Harassment	<ul style="list-style-type: none"> <li>• Suggestive stories or jokes (verbal, written or email) or sexual material in the workplace (e.g. cartoons, calendars etc.)</li> <li>• Suggestive remarks about appearance or sexual activity</li> <li>• Staring or leering</li> <li>• Being asked out on a date or 'to get together for a drink'</li> </ul>
Unwanted Sexual Attention	<ul style="list-style-type: none"> <li>• Crude sexual remarks</li> <li>• Attempts to draw another into a discussion about personal or private sexual matters</li> <li>• Propositions for sexual activity</li> <li>• Being deliberately touched</li> </ul>
Sexual Coercion	<ul style="list-style-type: none"> <li>• A person deliberately exposing their genitals and / or breasts</li> <li>• A person making attempts to fondle, touch or grab</li> <li>• Forceful attempts to touch, fondle, kiss or grab</li> <li>• Poor treatment for not cooperating sexually</li> <li>• Implied career benefits for sexual cooperation</li> <li>• Attempts made to have sexual intercourse</li> <li>• Forceful attempts made to have sexual intercourse</li> </ul>

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Cogin and Fish found that most of the 60% of the female nurses were targets of gender harassment (suggestive stories or jokes, suggestive remarks, leering, being asked out on a date repeatedly), while the 34% of the male nurses who were targeted experienced more severe unwanted sexual attention (crude sexual remarks, attempts to draw them into conversations about personal or private sexual behavior, propositions for sexual behavior, deliberate sexual touching).<sup>33</sup>

The results of the study fully confirmed the first hypothesis and partially confirmed the second. Nurses (of either sex) who experience *any* type of sexual harassment are statistically significantly less engaged than those who did not report a sexual harassment incident.<sup>34</sup> And “men who experience [sexual harassment] have statistically significant *lower* levels of ‘dedication’ than women who are harassed.”<sup>35</sup>

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<sup>32</sup> *Id.* at 53.

<sup>33</sup> *Id.* at 58.

<sup>34</sup> *Id.* at 57.

<sup>35</sup> *Id.*

In plain text: Sexual harassment costs the organization money in the form of lower levels of engagement, leading to lower productivity, higher turnover, lower profitability, etc.

### Other Cost-generating Consequences of Harassment, Bullying, and Abuse

**The Vicarious Impact of Workplace Harassment.** Building on employee engagement research, Miner-Rubino and Cortina developed the following graphic display of the consequences of *vicarious* exposure to misogyny at work:

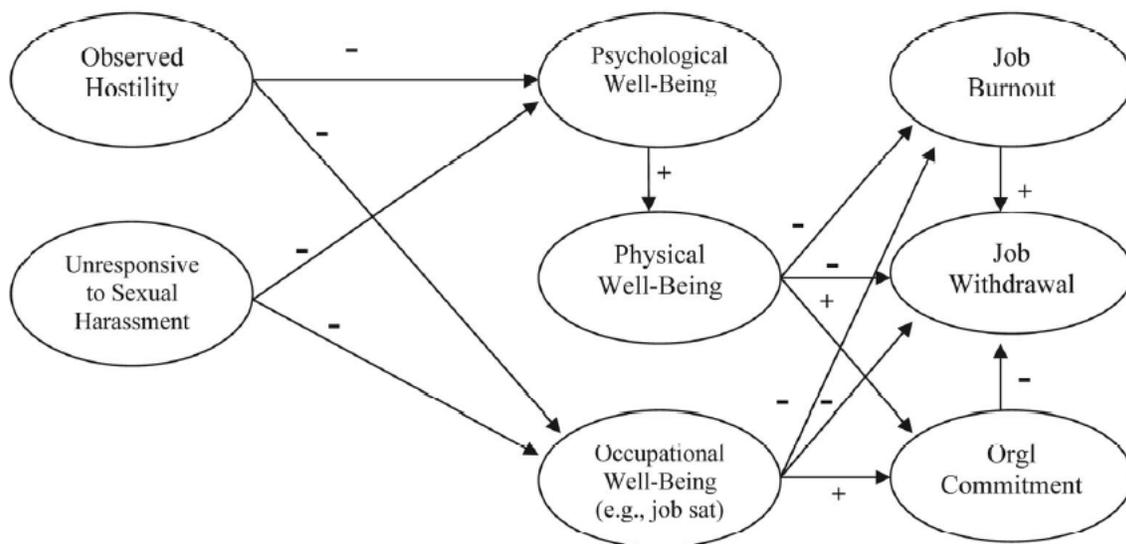


Figure 1. Proposed model, showing all expected relationships and their predicted valence. sat = satisfaction; Orgl = organizational.

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The authors conclude that both men and women who observe hostility towards women and perceive that the organization as lax about harassment tend to experience lower well-being and higher organizational withdrawal, suggesting that “working in a misogynistic environment can have negative effects for all employees.”<sup>37</sup> In other words, the negative effects of harassment, bullying, and abuse are contagious, depressing engagement levels throughout the workplace.

**Impact on Physical and Mental Health.** The authors of another study conclude that discrimination, harassment, abuse, and bullying negatively affect employees’ health

<sup>36</sup> Kathi Miner-Rubino and Lilia M. Cortina, “Beyond Targets: Consequence of Vicarious Exposure to Misogyny at Work,” 92(5) *Journal of Applied Psychology* 1254, 1256 (2007).

<sup>37</sup> *Id.* at 1254.

(both directly and indirectly) by placing employees in circumstances that increase their risk of exposure to work-related injuries and illnesses, a cost borne disproportionately by marginalized employee groups (e.g., racial/ethnic minorities, immigrants and migrant workers, women).<sup>38</sup>

## Savings Achieved Through Conflict Resolution Services

**The Meadows Study.** In November 2007, the National Institute of Economic and Social Research published a 69-page study by Pamela Meadows on the financial impact of the conflict resolution and conciliation services provided by Acas, a UK organization devoted to preventing and resolving employment disputes.<sup>39</sup> The study measured the economic impact of the Acas work in the following six areas:

- Individual conciliation
- Collective conciliation
- The Acas Helpline
- The website, publications and communications activities
- Workplace projects
- Open access training

Dr. Meadows found that in the 2005-2006 year, Acas generated almost £800 million of benefits from net expenses of £49 million and concluded: "Therefore, each pound spent by Acas (including expenditure on activities where no impact has been measured) generates around £16.10 of direct and immediate benefit to the UK economy.

With respect to individual conciliation, for example, Dr. Meadows found that the Acas intervention reduced employers' potential costs by £223 million, consisting of £138 million in lower legal fees and recruitment costs of settled cases compared with those proceeding to hearing.

Similarly, the Acas Helpline generated £354 million in savings. The resolution of collective disputes led to £159 million of benefits to employers and employees.

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<sup>38</sup> Cassandra Okechukwu, Kerry Souza, Kelly Davis, and Butch de Castro, "Discrimination, Harassment, Abuse and Bullying in The Workplace: Contribution of Workplace Injustice to Occupational Health Disparities," ([An Issue Paper for Discussion at the Eliminating Health and Safety Disparities at Work Conference, Chicago, Illinois, September 14 and 15, 2011](#)).

<sup>39</sup> Pamela Meadows, "[A Review of the Economic Impact of Employment Relations Services Delivered by Acas](#)," National Institute of Economic and Social Research (2007).

Although the Meadows study does not focus solely on harassment, bullying, and abuse, we can reasonably assume that many of the disputes covered had their origin in this kind of misconduct.

## Other Studies

The following is a partial list in no particular order of other studies whose findings relate to the cost of harassment, bullying, and abuse in the workplace:

Kaushik Basu, "[The Economics and Law of Sexual Harassment in the Workplace](#)," CAE Working Paper #03-07 [Cornell] (June 2003).

Carra S. Sims, Fritz Drasgow, and Louise F. Fitzgerald, "[The Effects of Sexual Harassment on Turnover in the Military: Time-Dependent Modeling](#)," 90(6) *Journal of Applied Psychology* 1141-1151 (2005).

Nikki L. Penhaligon, Winnifred R. Louis, and Simon Lloyd D. Restubog, "[Emotional Anguish at Work: The Mediating Role of Perceived Rejection on Workgroup Mistreatment and Affective Outcomes](#)," 14(1) *Journal of Occupational Health Psychology* 34-45 (2009)

Robert Faley, Deborah Erdos Knapp, Gary A. Kustis, and Cathy L.Z. Dubois, "[Estimating the Organizational Costs of Sexual Harassment: The Case of the U.S. Army](#)," 13(4) *Journal of Business and Psychology* 461 (1999).

John B. Pryor, "[The Psychosocial Impact of Sexual Harassment on Women in the U.S. Military](#)," 77(4) *Basic and Applied Social Psychology* 581-603 (1995).

Louise F. Fitzgerald, Fritz Drasgow, Charles L. Hulin, Michele J. Gelfand, and Vicki J. Magley, "[Antecedents and Consequences of Sexual Harassment in Organizations: A Test of an Integrated Model](#)," 82(4) *Journal of Applied Psychology* 578-589 (1997)

Agnès Parent-Thirion, Enrique Fernández Macías, John Hurley, and Greet Vermeylen, [Fourth European Working Conditions Survey](#) 35-40 (European Foundation for the Improvement of Living and Working Conditions, Dublin, Ireland, 2007).

Karl Aquino, Thomas M. Tripp, and Robert J. Bies, "[Getting Even or Moving On? Power, Procedural Justice, and Types of Offense as Predictors of Revenge, Forgiveness, Reconciliation, and Avoidance in Organizations](#)," 91(3) *Journal of Applied Psychology* 653-668 (2006).

Ed E. Duncan, "[Insurance Coverage for Sexual Harassment in the Workplace](#)," *The Practical Lawyer* 51 (April 2005).

Kathleen M. Rospenda, Judith A. Richman, Jennifer L.Z. Ehmke, and Kenneth W. Zlatoper, "[Is Workplace Harassment Hazardous To Your Health?](#)" 20(1) *Journal of Business and Psychology* 95-110 (2005).

Cathy L.Z. DuBois, Robert H. Faley, Gary A. Kustis, and Deborah Erdos Knapp, "[Perceptions of Organizational Responses to Formal Sexual Harassment Complaints](#)," 11(2) *Journal of Managerial Issues* 198 (1999)/

[Workplace Stress Fact Sheet](#) (American Psychological Association Practice Organization, 2010).

Ellen R. Pierce, "[Sexual Harassment: Why Brokers Trade in It, and What Can Be Done to Stop It](#)," 104(1) *Business and Society Review* 42-52 (1999)

Meredith Ann Newman, "[Sexual Harassment and Productivity: It's Not Just a U.S. Problem](#)," 19(2) *Public Productivity & Management Review* 172-186 (1995).

William J. Warfel and J. Tim Query, "Sexual Harassment Litigation: Risk Management Implications," *CPCU eJournal* (August 2004).

ACLU, "[The Cost of Harassment: A Fact Sheet for Lesbian, Gay, Bisexual, and Transgender High School Students](#)."

The Advocates for Human Rights, "[The Effects of Sexual Harassment](#)."

Elizabeth Larson, "[The Economic Costs of Sexual Harassment](#)," Corporation Campus Online.

Julie A. Woodzicka<sup>1</sup> and Marianne LaFrance, "[The Effects of Subtle Sexual Harassment on Women's Performance in a Job Interview](#)," 53(1/2) *Sex Roles* 67-77 (July 2005).

M. Sandy Hershcovis, "[The Prediction and Consequences of Workplace Aggression: A Meta-analytic Approach](#)," (Queen's University, Canada: 2006).

Sharon K. Parker and Mark A. Griffin, "[What Is So Bad About a Little Name-Calling? Negative Consequences of Gender Harassment for Overperformance Demands and Distress](#)," 7(3) *Journal of Occupational Health Psychology* 195-210 (2002).

Lynn R. Offermann and Adam B. Malamut, "[When Leaders Harass: The Impact of Target Perceptions of Organizational Leadership and Climate on Harassment Reporting and Outcomes](#)," 87(5) *Journal of Applied Psychology* 885-893 (2002).

Bernie Althofer, "[Workplace Bullying And Harassment are Costs You Cannot Afford](#)," EGL I ASSESSMENTS PTY LTD

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