

POSITIVE PORTION OF THE MODEL

- ASSUMPTIONS**
1. Competitive labor markets.
 2. Many workers, each with a personal cost of being sexually harassed, $c(i)$.
 3. Each employer has a “perverse gratification” from harassing an employee, denoted by $\theta > 0$.
 4. The minimum $c(i) < \theta < \text{the maximum } c(i)$, where θ is the “perverse gratification” the employer receives from harassing an employee.

The author considers the possibility of two regimes:

Regime 1 Sexual harassment is allowed.

Regime 2 Sexual harassment is prohibited.

RESULT 1 Under Regime 1, the sexually harassed are paid more than those who are not sexually harassed, i.e., those who are sexually harassed are paid an equilibrium wage w_H^* and those who are not sexually harassed are paid an equilibrium wage w_N^* , where $w_H^* > w_N^*$. More specifically, $w_H^* = w_N^* + \theta$, where $\theta > 0$. A sexually harassed person’s net wage is $w_H^* - c(i)$. Those workers with personal cost of harassment greater than θ will be in jobs with no harassment at wage w_N^* ; those with personal cost of harassment less than θ will be in jobs with harassment at wage $w_H^* = w_N^* + \theta$.

Justification: If $w_H^* < w_N^* + \theta$, employers will demand more workers in harassment jobs, fewer in nonharassment jobs; the market would not be in equilibrium.

If $w_H^* > w_N^* + \theta$, employers will demand fewer workers in harassment jobs, more in nonharassment jobs; the market would not be in equilibrium.

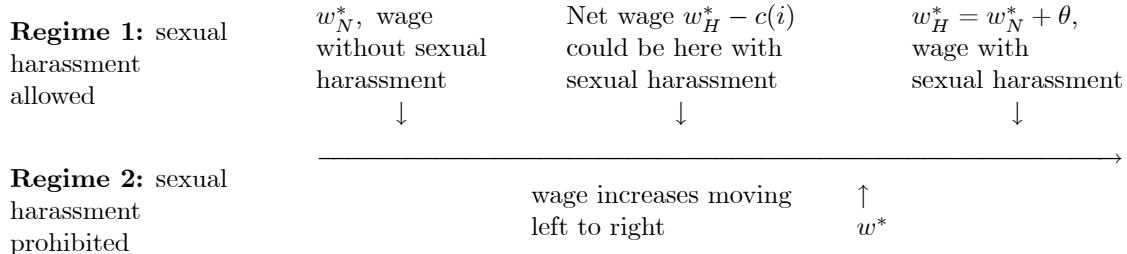
Therefore, at equilibrium, $w_H^* = w_N^* + \theta$.

Workers with cost of harassment that is “high enough” will opt for nonharassment jobs; specifically, if an individual’s harassment cost is $c(i) > \theta = w_H^* - w_N^*$, she will opt for a nonharassment job. Workers with cost of harassment that is “low enough” will be in harassment jobs; specifically, if an individual’s harassment cost is $c(i) < \theta = w_H^* - w_N^*$, she will opt for a harassment job.

RESULT 2 The equilibrium wage w^* under Regime 2 is greater than w_N^* , the wage received by those not sexually harassed under Regime 1. The equilibrium wage w^* under Regime 2 is less than w_H^* , the wage received by those sexually harassed under Regime 1.

Justification: We argue that the equilibrium wage w^* under Regime 2 cannot be less than or equal to w_N^* . Assume that $w^* \leq w_N^*$. Consider changing from a no sexual harassment regime (Regime 2) to a sexual harassment regime (Regime 1). The quantity demanded of workers stays the same or decreases; this follows because the net wage paid by employers ($w_H^* - \theta$ or w_N^*) with sexual harassment has not decreased. The quantity of labor supplied by workers increases; this follows because the net wage received by workers will increase for some and will not decrease for any workers. The market would not be in equilibrium; therefore, it cannot be the case that $w^* \leq w_N^*$.

Now we argue why it cannot be the case that $w^* \geq w_H^*$. Assume that $w^* \geq w_H^*$. Consider changing from a no sexual harassment regime (Regime 2) to a sexual harassment regime (Regime 1). The net wage paid by employers ($w_H^* - \theta$ or w_N^*) with sexual harassment has not increased. The quantity demanded of workers stays the same or increases. The quantity of labor supplied by workers decreases; this follows because the net wage received by workers will decrease for some and will not increase for any workers. The market would not be in equilibrium; therefore, it cannot be the case that $w^* \geq w_H^*$.



NORMATIVE PORTION OF THE MODEL

Who gets hurt under sexual harassment?

1. Those whose cost of sexual harassment is high enough that they would not take a job with sexual harassment.
2. Those who would take a job with sexual harassment, but for whom the cost is high enough that $w_H^* - c(i) < w^*$.

Normative Criterion One should be able to be free of sexual harassment without paying a price for it.

CONCLUSION OF THE MODEL

The positive results, along with the normative criterion, support a case for legally banning sexual harassment.