

## 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  $\theta$  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 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  $\theta$  will be in jobs with no harassment at wage  $w_N^*$ ; those with personal cost of harassment less than  $\theta$  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,  $w_H^* = w_N^* + \theta$ .

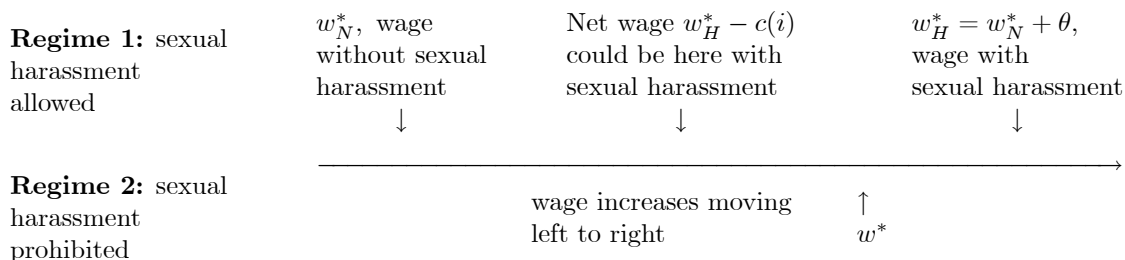
Workers with cost of harassment that is “high enough” will opt for nonharassment jobs; specifically, if an individual’s harassment cost is  $c(i) > \theta = w_H^* - w_N^*$ , she will opt for a nonharassment job. Workers with cost of harassment that is “low enough” will be in harassment jobs; specifically, 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 to a sexual harassment regime. The quantity demanded of workers stays the same or decreases. The quantity of labor supplied by workers increases.

I will leave it for you to argue why 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.