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Digital Skills and Research Methods

Research Title:

What is the economic cost of the Sexual Harassment at the workplace for the large companies in the United Kingdom and the United States of America?

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1. Executive Summary

This report will provide critical analysis of the issue of sexual harassment within the workplace and will consider the economic cost of sexual harassment within the workplace for the medium and large companies within the United Kingdom and the United States of America.

In the first part of the report, I will evaluate the problem of the sexual harassment within the workplace and will provide the in-depth data research using primary and secondary research sources. In the second part, I will provide the outline of the literature review available for this topic and will consider qualitative and quantitative data. I will then consider problems related to the sexual harassment in respect of the GDPR and the ethical data collection and will also consider the limitations that researchers face when trying to gather information about sexual harassment at the workplace. The report will also present possible solutions to those limitations.

In the final part of the report, I will conclude all the findings and will provide suggestions as to how companies can minimise the possible economic costs of sexual harassment.

2. Introduction

In the last two years, the number of sexual harassment claims has increased significantly. High-profile cases of Harvey Weinstein and *#MeToo* and *#TimesUp* movements have led to more victims of sexual harassment not being scared to speak out about what has happened and to report those allegations to either senior management, human resource (HR) department or even to police. This is also confirmed by the U.S. Equal Employment Opportunity Commission (EEOC) report according to which in 2018 they have recovered 70 million US dollars for victims, which is up from 47 million US Dollars recovered in 2017. However, the issue still remains serious, because according to the Fair Employment Practices Agencies in the United States almost 99.8% of cases go unreported. (The Conversation Trust (UK) Limited, 2018) Therefore, within this report I will provide analytically critical analysis of the sexual harassment within the workplace in order to establish the real economic cost of it.

3. Definition of Sexual Harassment

Prior identifying the economic cost of sexual harassment for the companies, I believe it important to define what sexual harassment actually is. According to Wikipedia, sexual harassment includes a range of actions from mild transgressions to sexual abuse or sexual assault. (Wikipedia, n.d.) The Equality Act 2010 also includes sexual touching, jokes or any form of behavior that can make another individual feel uncomfortable. (Equality Act 2010, 2010)

4. Literature Review

There are many books available which cover in details topics related to sexual harassment within the workplace, which makes it easy for the researchers to understand and to follow up. For instance, the book written by Mary L. Boland suggests that those employers who fail to held appropriate training sessions in order to train their employees on what constitutes to sexual harassments are more likely to

find themselves liable for sexual harassment through vicarious liability claims. (Boland, 2005) Interestingly, but 20 out of 25 books which I have found refer to sexual harassment towards women, rather than towards men. This constitutes to 80% of books on harassment were written to address the problem of sexual harassment towards women, rather than man. This may probably be due to the fact that since 99.8% of sexual harassment cases go unreported (The Conversation Trust (UK) Limited, 2018) and in general men are less likely to experience sexual harassment towards them rather than women. (Sciences, 2018)

Another interesting factor lays within the years those books were published. The majority of books are either published between 1996 and 1999, or 2005 – 2012. Probably, more books will be published this year, because of the recent sexual harassment scandals. The interest in sexual harassment raises only following public scandals as happened in the middle of 1990s when Anita Hill's sexual harassment case was decided. (Fottrell, 2014) According to Google Books Archive, the word "sexual harassment" was more frequently used in the middle of 1990s rather than within any other period from 1990 until 2008.



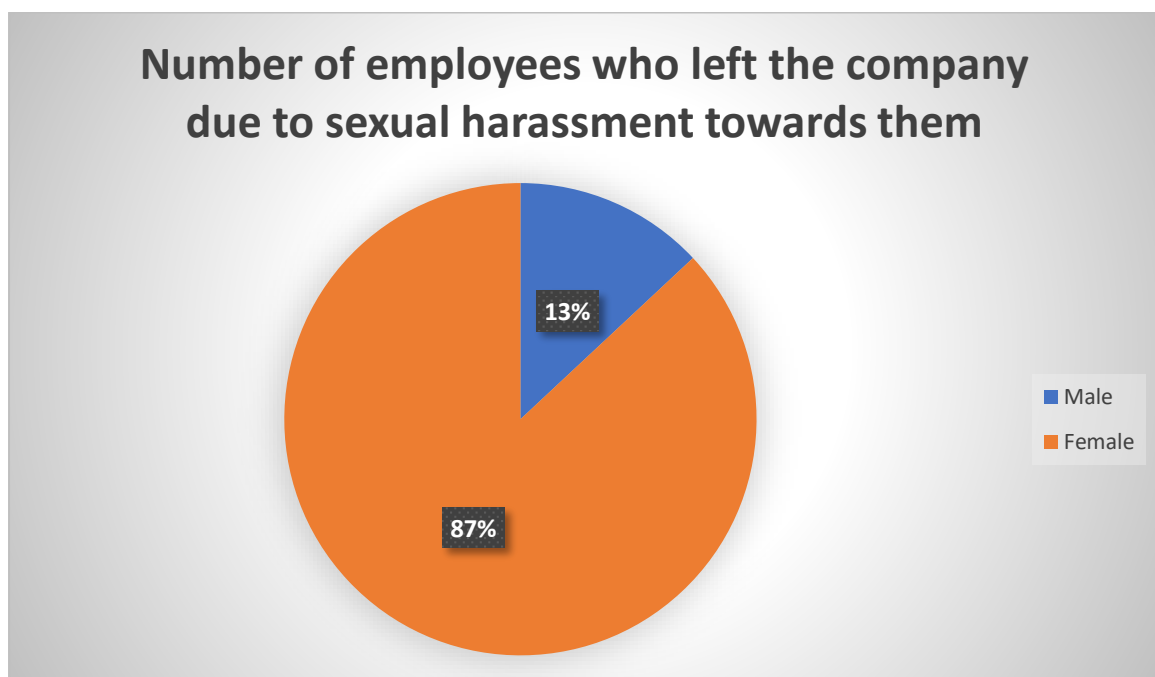
(Hemel & Lund, 2017)

There are also thousands of website article and news articles available on the topic, which makes it easier for the researchers to find the information. Some of the articles provide the detailed interviews of the victims of sexual harassment. However, those victims who had experienced sexual harassment within the workplace do not wish to be named and also because of the GDPR, the offenders cannot be named either. Within the news articles which I have found on-line 99,9% had the names of the sexual harassment victims changed which is done also for security of those victims and for the principles of ethical data collection.

Therefore, from the researcher's point of view, there is a lot of information and resources available on the topic which makes it possible to create the detailed report.

5. Primary Research

For the primary research purposes, I have interviewed my friend who works for the FTSE100 company in the United Kingdom. Due to the sensitive nature of information that she had provided me with and in-line with ethical data collection principles, I cannot disclose her identity. She works for the HR department and she told me that during the last 2 years the company had had 23 employees leaving the company for the reasons of sexual harassment which they did not want to comment about. This constitutes to 20 women and 3 men. She had also mentioned that the approximate cost for the company was £45,000 per employee, because the company has got a very specific training policies as well as recruitment process. Based on what she had told me, the company had lost more than £1 million and this is only the cost for 23 employees who had specified that they were leaving the job due to the sexual harassment misconduct towards them.



Unfortunately, I was not able to find the person who was the victim of sexual harassment, however, I had found the male respondent who had confirmed that he was the subject to sexual harassment allegations for making jokes towards his female colleague. He mentioned that following the allegations, he was offered to leave the job by himself and in that case no formal investigation would have taken against him. As he had explained, the company where he had worked had then organised the compulsory training for its staff members on sexual harassment at work. During the training process which costed the company around £10,000 the employees were clearly explained what sort of conduct may constitute to sexual harassment.

6. Secondary Research

For the secondary research, I have referred to the news articles and online journal articles from which I had retrieved both quantitative and qualitative data.

6.1. HR Costs

When a victim of the sexual harassment reports it to their company, it is the HR department who will have to deal with that claim. (Boland, 2005) On average, 275 days spent on handling claims internally for charges not resulting in payment (Bertrand Spunberg, 2015). Meaning that 2475 employee hours are being lost due to the sexual harassment claims.

Also, according to the research, 80% of women who experience sexual harassment leave their jobs within two years raising the HR cost up which in turn leads to the increase in operational costs. (Lynn Parramore, 2018)

The recent trends see the HR departments being asked to prepare Codes of Conduct for the employees to follow which also consider issues relating to sexual harassment. The HR departments also have to provide regular training sessions for employees which again lead to additional employee hours being invested into tackling sexual harassment issue. (Roux, et al., 2005) In turn, hours and money invested into the training sessions for employees may plead to be cost-effective considering the amount of compensation companies pay for sexual harassment claims.

Considering the effect of sexual harassment within the workplace for companies, it becomes apparent that medium and large size companies who have HR departments suffer the most, because the average cost of replacing an employee is £30,000 in the United Kingdom. (ACAS, 2014) Taking into consideration the high cost of replacing an employee in terms of HR process, it is also important to consider the other costs associated with sexual harassment within the workplace.

6.2. Claims against companies

Following the #MeToo movement, nearly 500 publicly trading companies in the US have been faced by the lawsuits from their shareholders for breaches of fiduciary duties resulting from the sexual harassment scandals. (Hemel & Lund, 2017)

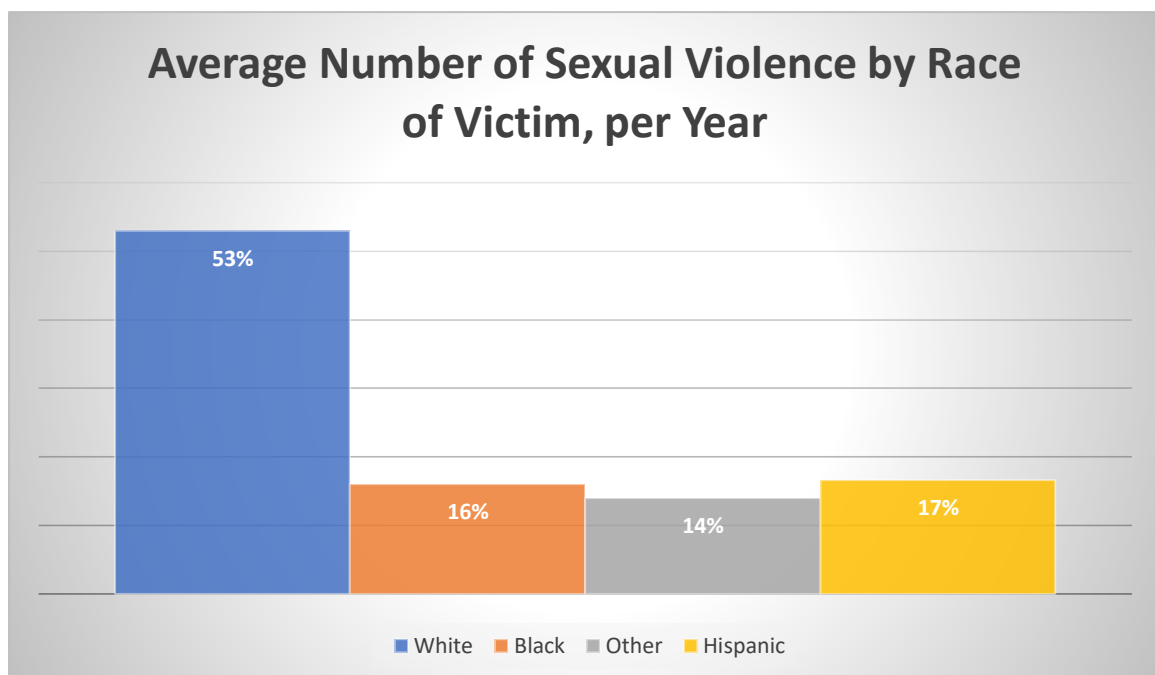
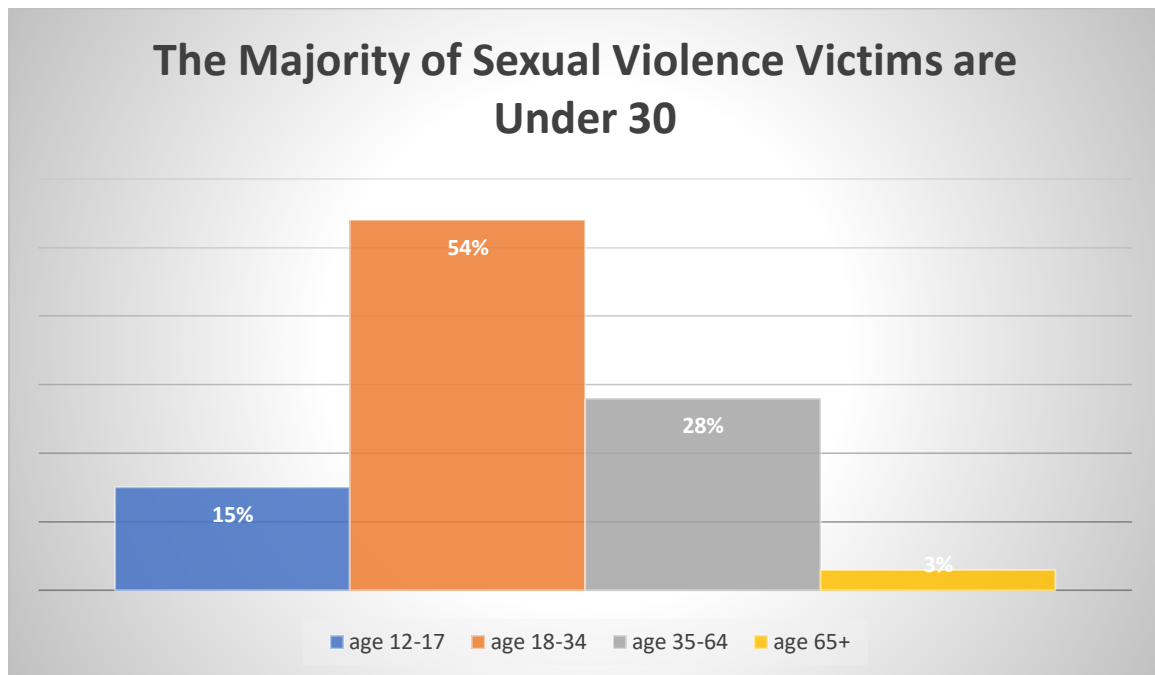
Apart from shareholders, companies as employers very often face sexual harassment claims against them through the vicarious liability claims which makes companies as employers liable for the action of their employees within the workplace, since this is employers' duty to maintain the workplace that is free of sexual harassment. (Barreiro, n.d.) For instance, 21st Century Fox were forced to pay 45 million US Dollars in order to settle allegations of sexual harassment. (Eliza Anyangwe - Financial Times, 2018)

US Equal Employment Opportunity Commission reported that between 2010 and 2016 more than 699 million US Dollars were paid to employees claiming sexual harassment through their pre-litigation process. (US Equal Employment Opportunity Commission, 2016) Whilst the average out-of-court settlement amounted to 125,000 US Dollars. (ERC, 2017)

The sexual harassment claims also lead to the negative affect on companies' market shares. For instance, Uber lost 14% in market share between 2015 till 2017 from 89.59% to 75.31% following sexual harassment scandal and had to pay 1.9 million US Dollars to settle claims. (BBC, 2018) Loss in the market share has negative effect on company's revenue figures.

6.3. Portrait of the typical sexual harassment victim

According to the research undertaken by RAINN statistics, the majority of sexual violence victims are white women under 30. (RAINN's statistics, 2018).



This means, that the average victim of sexual violence is a 26 years old white female. Taking into the consideration that the average victim is only 26 years old it means that the company may lose the potential talent who only begins her career journey. It is almost impossible to calculate the economic cost of losing this employee but taking into consideration that she may work in the company for the next 37 years before the retirement makes it clear that the loss for the business is tremendous.

7. GDPR and Sexual harassment

Following the introduction of the GDPR the certain issues for companies in relation to the sexual harassment claims have arisen. According to the GDPR, an employee may request all data that is being held by company about him or her, however, in relation to sexual harassment claim the disclosure of such the personal data, may mean that the company may have to disclose the information including reports by another employees for sexual harassment allegations. (Pure Employment Law, 2019) This puts sexual harassment victims at risk of potential abuse, but it also puts companies in the position that they have to comply with the request of the individuals who wish to obtain their personal data, otherwise they may face of up to 20 million euros, or 4% of their global revenues whichever is more. (Cullen, 2018) These factors shall also be considered when calculating total economic cost of the sexual harassment within the workplace, because companies may face considerable amount of fine for non-compliance.

8. Limitations of the Research

Taking into consideration the amount of literature, journal articles and news articles it becomes apparent that there are hardly any limitations for the data collection about this topic. However, there is the clear lack of access to the victims of sexual harassment in order to interview them. In order to tackle this limitation, I would suggest using the anonymous surveys via SurveyMonkey where interviewees may remain anonymous and potentially in this way it will be possible to gather more information for the primary research purposes.

9. Conclusion

To conclude, I believe that this report had critically analysed the economic cost of the Sexual Harassment at the workplace for the medium and large companies in the United Kingdom and the United States of America is not only the HR department cost of £30,000 for replacing an employee as is in the United Kingdom, but instead, the economic cost is far more higher considering that loss of an employee means loss of potential business ideas which that employee may had come up with and taking into consideration the potential legal costs as well as financial claims it becomes apparent that rather than £30,000 the company may end up spending several hundred thousand pounds or dollars.

Hence why, it is vital for the companies to ensure that they provide adequate training for their employees and that the company has got clear sexual harassment reporting system which will allow companies to minimise potential financial losses and to ensure that sexual harassment misconduct is being tackled immediately.

Nevertheless, the economic cost cannot always be divided by figures, because at the end of the day victims of sexual harassment are the real people and their lives should also be taken into account, because the biggest asset for every company are the people.

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