Me Too? A Shareholder Value Perspective on Sexual Harassment[*]

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Abstract

We study the incidence of sexual harassment in U.S. S&P 500 firms, and its relationship to shareholder value. Public announcements of sexual harassment are associated with stock market losses that are both statistically and economically significant, as exemplified by an average abnormal drop in market capitalization of $419 million. In contrast, the average victim settlement is only $18.7 million. Investors react significantly less negatively if the firm takes action proactively, including by firing the perpetrator/s. Interestingly, a better corporate culture is associated with more sexual harassment cases being revealed, suggesting that such firms provide a safer reporting environment for victims. A firm is more likely to take action if it has higher institutional ownership, the victim is a woman, the perpetrator is a top manager, or the reported incident took place after the advent of the #MeToo movement. While the number of public announcements of sexual harassment escalated sharply following the start of the #MeToo movement on October 15, 2017, we find no significant difference in the market reactions before and after #MeToo.

Keywords: Sexual harassment, corporate culture, corporate governance, corporate social responsibility, #MeToo.

JEL classification: D64, G11, G32

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Abstract

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"It's a watershed moment," Moonves said [regarding the #MeToo movement] at a conference in November. "I think it's important that a company's culture will not allow for this. And that's the thing that's far-reaching. There's a lot we're learning. There's a lot we didn't know." But Moonves's private actions belie his public statements. Six women who had professional dealings with him told me that, between the nineteen-eighties and the late aughts, Moonves sexually harassed them…. Thirty current and former employees of CBS told me that such behavior extended from Moonves to important parts of the corporation, including *CBS News* and *60 Minutes*, one of the network's most esteemed programs.

– Ronan Farrow, The New Yorker, 7/27/2018

1.   **Introduction**

While the practice of sexual harassment in the workplace is centuries old (Bularzik, 1978; Rosen, 1982; Kessler-Harris, 1982), it has recently come into sharp focus in the aftermath of the #MeToo movement that started on October 15, 2017. Since then, victims of sexual harassment in the workplace have come forward in unprecedented numbers to share their experiences. Anecdotal evidence suggests that sexual harassment in the workplace can be very costly to firms and their shareholders. For example, the shares of Wynn Resorts dropped more than 15% on January 29, 2018 after the *Wall Street Journal* reported sexual harassment cases against Steve Wynn, the founder of the company. Twenty-First Century Fox paid $20 million to Gretchen Carlson, who sued Roger Ailes, the then CEO of Fox, for sexual harassment. The negative financial implications of sexual harassment have not been limited to cases that involve top executives. For example, in 2017, Ford Motor Company reached a settlement for $10 million with the Equal Employment Opportunity Commission (EEOC) due to sexual harassment occurring at two of its plants in Chicago, which followed a similar settlement they reached in 1999 for $22 million.

In this paper, we study how the incidence and disclosure of sexual harassment in the workplace is related to corporate culture and shareholder value. A large body of academic research, especially in sociology, psychology, and law, has studied various aspects of sexual harassment over four decades, including its prevalence in the workplace, characteristics of

perpetrators and victims, organizational settings in which sexual harassment occurs, and various negative outcomes of sexual harassment both at the individual and organizational levels.[1] However, there is little systematic evidence on the economic consequences of such behavior. Nor is there any evidence on whether such economic consequences are confined to the direct financial costs incurred by the firm (as in Karpoff, Lott, and Wehrly, 2005), such as monetary payments to victims of sexual harassment, or whether they also include broader organizational costs such as reputational penalties.

We first examine the stock market reaction surrounding the public disclosure of sexual harassment cases in U.S. S&P 500 firms from 2012 to 2018. Our sample consists of 174 sexual harassment reports involving both top executives and rank-and-file employees. The stock market reactions to sexual harassment announcements are statistically and economically significant on the event date, and the two- and three-day windows around the event, translating into mean risk-adjusted losses in market capitalization of $158 million, $234 million, and $419 million, respectively, for the firms where the sexual harassment occurred. For the subset of 25 firms where data on financial settlements with victims is available, the mean event day, two-day, and three-day losses in market capitalization are $137 million, $240 million, and $179 million, respectively, while the mean settlement is only $18.7 million. These findings suggest that sexual harassment imposes large costs on firms and these costs exceed the direct financial costs of victim settlements by an order of magnitude. Further, given that employees are the key stakeholders directly affected by sexual harassment, we show that firms with public revelations of sexual harassment experience significant reductions in employee productivity in the year following the announcement.

Next, we study the relationship between announcements of sexual harassment and observable firm characteristics. While a poor corporate culture could be associated with a

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[1] See, for example, literature surveys by Pina, Gannon, and Saunders (2009) and McDonald (2012).

higher incidence of sexual harassment, our finding is consistent with the alternative hypothesis that a better corporate culture leads to more sexual harassment cases being revealed, since victims likely feel safer and more confident about reporting and taking action against perpetrators of sexual harassment.

We also analyze the cross-sectional determinants of the cumulative abnormal returns (CARs) following the disclosure of sexual harassment cases. We find that investors react significantly less negatively if they learn that the firm took action proactively when it became aware of the harassment. Interestingly, if the initial disclosure stems from a public announcement of a legal filling, then investors react less negatively compared to cases where the harassment is revealed via a media report. Additionally, the CARs are also significantly less negative if the perpetrator is fired and if this news is made public in the initial announcement.

While the number of publicly reported cases of sexual harassment increased dramatically after the #MeToo movement, we find that the difference in CARs before and after #MeToo is statistically insignificant. However, we find that after the #MeToo movement firms are more likely to take action once a harassment case is revealed.[2] In addition, a firm is also more likely to take action if the victim is a woman and the perpetrator is a top manager; firms with higher institutional ownership are also more likely to take action. We also find that firms headquartered in one of the 35 U.S. states that have adopted corporate constituency statutes, which require directors to consider the impact of their decisions not only on their shareholders but also on all other stakeholders, including employees, customers, suppliers, and communities, are significantly less likely to have announcements of sexual harassment. However, there is no

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[2] A *New York Times* article revealed that a year after the #MeToo movement, at least 200 high-profile men had lost their jobs due to allegations of sexual harassment versus less than 30 in the previous year (Carlsen et al., 2018).

significant difference between stakeholder and nonstakeholder states in the market reaction to sexual harassment announcements.

The findings of our paper contribute to three strands of literature. First, we contribute to the literature on sexual harassment. Previous studies of sexual harassment have been limited to federal government workers or workers in specific industries, such as lawyers, doctors, or university staff. This is the first study to our knowledge that systematically studies sexual harassment in S&P 500 firms. Even though sexual harassment at the workplace is illegal, it remains pervasive. Hersch (2011) examines whether sexual harassment lowers wages by reducing productivity or raises wages as a compensating risk premium. She finds that on the balance, workers receive a wage premium for the exposure to the risk of sexual harassment. Hersch (2018) argues that the current legal penalties are not sufficient to deter sexual harassment in the workplace. She calculates the "Value of Statistical Harassment," similar to the calculation of "Value of Statistical Life," and proposes that boosting the maximum damages award to equal the "Value of Statistical Harassment" would provide appropriate economic incentives for firms to prevent sexual harassment.[3] Bac (2018) theoretically models the relationship between wages, harassment, and internal compliance structure in firms. He argues that wages are instrumental in reducing coworker harassment only in the presence of effective internal structures that victims can trust and easily use to seek redress, without fear.[4] In this paper, we directly study the market estimates of the total costs associated with cases of sexual

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[3] Title VII of the Civil Rights Act of 1964 allows for both compensatory and punitive damages. The compensatory damages pay victims for out-of-pocket expenses caused by the discrimination and compensate them for any emotional harm suffered. Punitive damages may be awarded to punish an employer who had committed an especially malicious or reckless act of discrimination. The maximum total damages charged upon employers with 15 to 100 employees is $50,000; for those with 101 to 200 employees is $100,000; for 201 to 500 employees is $200,000; and for more than 500 employees is $300,000. These limits were set in 1991 and have not been changed since. Apart from these a victim may be entitled to other compensation and remedies such as economic damages (compensation for lost wages, future wages, or related expenses) and equitable relief (remedies that helps to recover from harassment including job reinstatement).

[4] He shows that wages and harassment risks should be negatively correlated across organizations with similar and effective compliance structures. Higher wages directly deter harassment by increasing the price of harassment (termination). There is also an indirect reinforcing effect that works by raising the probability of a complaint, because higher wages imply a higher contractual utility to the victim.

harassment.[5] To the best of our knowledge, we are the first to present comprehensive evidence of the costs to shareholders arising from sexual harassment.

Second, we contribute to the literature that examines the relationship between corporate misconduct and reputational penalties. The key takeaway from this literature is that markets impose significant reputational penalties (which go over and beyond legal penalties) on firms that violate their implicit contracts with key stakeholders.[6] Such losses occur when these key stakeholders change the terms by which they are willing to do business with the firm. Previous studies have documented reputational costs when firms violate implicit contracts with investors, business partners, suppliers, and customers (Jarrell and Pletzman, 1985; Karpoff and Lott, 1993; Karpoff, Lee, and Martin, 2008; Cline, Walking, and Yore, 2018). However, the prior literature has not examined the reputational costs of violating implicit contracts with employees, who are another key stakeholder group. In our setting, sexual harassment acts as an instrument for the violation of the implicit contracts firms have with their employees that helps to overcome endogeneity concerns and difficulties in measurability. Notwithstanding the small sample size, we find that sexual harassment results in organizational/reputational costs that go well above any legal penalties. Further, we provide evidence that employee productivity drops in firms that have a public revelation of sexual harassment.

Finally, we contribute to the growing finance literature on corporate culture. A number of recent papers have documented how corporate culture is related to firm value (Guiso, Sapienza, and Zingales, 2015; Green et al., 2019). In particular, several papers document that firms with poorer culture are associated with more corporate misconduct (such as financial

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[5] Hersch (1991) studies the stock market reaction of firms that are involved in suits alleging violations of equal employment opportunity laws between 1964 and 1986 (she does not distinguish between sexual harassment and other forms of discrimination in her analysis). She finds that the equity value of firms charged with violating EEO laws falls at the time a suit, decision, or settlement is announced. In addition, she documents that the average loss to shareholders is triple that of the average direct costs to the firm of settling the case. She believes that part of this additional loss of market value might be related to the costs of changing employment practices.

[6] See Karpoff (2012) for a comprehensive review.

misreporting and insider trading), U.S. Securities and Exchange Commission (SEC) fraud enforcement actions, and securities class action lawsuits (Bereskin, Campbell, and Kedia, 2013; Biggerstaff, Cicero, and Puckett, 2015; Davidson, Dey, and Smith, 2015; Liu, 2016; Griffin, Kruger, and Maturana, 2017; Ji, Rozenbaum, and Welch, 2017). Cline, Walkling, and Yore (2018) study how managerial indiscretions, including sexual misadventure, adversely affect shareholder value. An important distinction between their paper and ours is that they look at *personal* indiscretions; they argue that managers who violate integrity in their personal lives compromise the trust that key stakeholders place in the firm and its operations. Further, their sample is limited to upper level management whereas nearly 80% of our observations involve lower level employees and managers. Lins et al. (2019), using the #MeToo movement as a natural experiment, show that a female-friendly corporate culture is value enhancing. We contribute to this literature by showing that firms with a better culture are associated with more sexual harassment cases being reported, consistent with the idea that victims in a firm with a better culture would feel safer and more comfortable in reporting sexual harassment. Reports of sexual harassment can also reveal information about the culture of the firm. Indeed, we find that investors react less negatively when a firm acts proactively upon receiving a sexual harassment report. Interestingly, in our baseline results, we also document that the CARs are significantly less negative for firms that have a better culture. This implies that investors react differently based on whether the harassment is likely due to a high prevalence of sexual harassment in the firm (indicative of a poor corporate culture) or if the harassment was reported because the firm has effective mechanisms in place to handle sexual harassment (indicative of a good corporate culture).

The rest of the paper is organized as follows. Section 2 provides a review of the relevant literature. Section 3 presents an overview of the data and the methodology used in the study.

Section 4 contains the main empirical analysis and discussion of the results, while Section 5 concludes.

2.   Background and Hypotheses

In this section, we review the relevant institutional details and literature, and then formulate our empirical hypotheses. The term "sexual harassment" first appeared in 1975, in a *New York Times* article,[7] even though the practice of sexual harassment in the workplace is centuries old.[8] The 1970s saw a social movement led by female lawyers and activists that ultimately resulted in the American legal system recognizing sexual harassment as a form of discrimination. In 1980, the EEOC issued the "Guidelines on Discrimination Because of Sex," identifying sexual harassment as a violation of Title VII of the Civil Rights Act of 1964.

Academics have struggled to give a single definition for sexual harassment and to specify what behaviors might be included. One of the key debates is distinguishing sexual harassment from other expressions of sexual interest (Gutek and Morasch, 1982). For example, some argue that flirting or sexual banter at work may help create a more relaxed workplace environment (Quinn, 1977; Williams, Giuffre, and Dellinger, 1999). Contemporary researchers now appear to categorize verbal comments and requests as well as nonverbal behavior as sexually harassing (Pina, Gannon, and Saunders, 2009).

In the United States, employment discrimination based on race, color, religion, sex, or national origin is prohibited under Title VII of the Civil Rights Act of 1964. The EEOC, established in 1965, enforces and administers this statute. However, initially sexual harassment was not defined nor specifically covered under Title VII.

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[7] Lin Farley is said to have coined the term "sexual harassment" (Nemy, 1975).

[8] For example, even decades after emancipation, sexual coercion of African-American women who worked as domestic servants was common (Giddings, 1984; Berch; 1984). There are also accounts of women who encountered a variety of sexual advances from men while employed in factories and clerical positions during the late 19th and early 20th centuries (Bularzik, 1978; Rosen, 1982; Kessler-Harris; 1982; Segrave, 1994).

When the EEOC issued "Guidelines on Discrimination Because of Sex," in 1980, it also offered guidelines for establishing criteria to determine whether sexual harassment has occurred. Accordingly, the EEOC identifies two types of sexual harassment: "quid pro quo" harassment and "hostile work environment" harassment. To quote the EEOC (2019):

> Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitutes sexual harassment when (1) submission to or rejection of this conduct explicitly or implicitly affects an individual's employment, (2) unreasonably interferes with an individual's work performance or (3) creates an intimidating, hostile or offensive work environment.[9]

Activities that fall under (1) and (2) when committed by a supervisor are considered quid pro quo harassment. This type of harassment must be linked to a tangible employment action, such as hiring, firing, job promotion, and compensation. An example of a quid pro quo harassment would be a supervisor telling a subordinate that his/her promotion would be contingent only on him/her agreeing to engage in a sexual relationship with the supervisor. A harassment that does not involve tangible employment actions falls into the third category and is known as a hostile work environment harassment. This can be committed either by supervisors and/or coworkers. Examples of this type of harassment include obscene jokes, displaying of pornographic images at the workplace, sharing sexually inappropriate images or videos, making inappropriate sexual gestures, inappropriate touching, or making demeaning comments about women's ability to perform their jobs because of their sex.

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[9] Sexual harassment can occur in many different circumstances and can include but not be limited to the following behaviors: a) the victim as well as the harasser may be a woman or a man. The victim does not have to be of the opposite sex; b) the harasser can be the victim's supervisor, an agent of the employer, a supervisor in another area, a coworker, or a nonemployee; c) the victim does not have to be the person harassed, but could be anyone affected by the offensive conduct; d) unlawful sexual harassment may occur without economic injury to or discharge of the victim; e) the harasser's conduct must be unwelcome (EEOC, 2019).

An employer's liability for sexual harassment depends on the perpetrator's position at the workplace and the type of sexual harassment.[10] If a direct supervisor engages in quid pro quo harassment, the employer is held strictly liable. In the case of a hostile work environment, the employer is held strictly liable but may attempt to establish an affirmative defense. The defense has two parts: the employer must establish that 1) it reasonably tried to prevent and promptly correct the harassing behavior, and 2) the employee unreasonably failed to take advantage of any preventive or corrective opportunities provided by the employer. Therefore, victims need to exhaust all internal procedures before taking any further action.

If the remedies provided by these internal mechanisms prove to be unsatisfactory, the victims could file a complaint with the EEOC or with the corresponding state or local Fair Employment Practices Agency.[11] After a complaint is filed, the EEOC will investigate and attempt to resolve the claim without litigation. If the EEOC finds that there is truth in the allegations, it may file a lawsuit in federal court against the employer. In most cases the EEOC does not sue, but issues a "Right to Sue" letter, which gives the victim the right to file a private lawsuit.[12]

The 1970s also saw the start of academic research on sexual harassment, particularly in the fields of sociology, psychology, and law. Over the past four decades, academic research has studied various aspects of sexual harassment, including its prevalence, characteristics of the perpetrators and victims, the organizational settings in which sexual harassment occurs, and various negative outcomes of sexual harassment both at the individual and organizational

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[10] Not every type of unpleasant work conduct is considered harassment. The behavior must be severe or pervasive in addition to being unwelcome for it to be illegal. In the case of a severe harassment, such as rape, only one instance would be sufficient to support a discrimination claim.

[11] In cases where a distinct date of harassment can be identified (more common in quid pro quo harassments), a complaint must be filed within 180 days (or 300 days if the state has a law prohibiting the type of discrimination). If more than one discriminatory event took place, the above timeline applies to each individual event. In the case of ongoing harassment cases, the filing must be done 180 (300) days within the last incident of harassment.

[12] After receiving a "Right to Sue" notice, the victim has 90 days to file a private lawsuit.

level. However, little evidence exists of the economic consequences of such behavior in the workplace.

"Me too" was a movement that was initiated by Tarana Burke, an activist, in 2006 to help survivors of sexual violence, particularly black women and girls, and other women of color from low income communities. On the 15th of October in 2017, Alyssa Milano, an American actress, invited anyone who has been sexually harassed or assaulted to tweet "#MeToo" on Twitter. Within 24 hours, there were more than 500,000 responses to her original tweet using the hashtag "#MeToo."[13] Since then, victims of sexual harassment in the workplace have come forward in unprecedented numbers to share their experiences. In S&P 500 firms alone, there has been a dramatic increase in the number of news stories related to sexual harassment since the advent of the #MeToo movement (Figure 1).

Prior studies have documented many ways in which sexual harassment could potentially impose significant organizational costs on firms for failing to rapidly and effectively deal with it, including the effects of a victim's anxiety, depression, and post-traumatic stress disorder (Fitzgerald, Swan, and Fischer, 1995; Fitzgerald et al., 1997; Crocker and Kalemba, 1999; Bergman et al., 2002; Willness, Steel, and Lee, 2007). In addition, sexual harassment can create significant negative externalities, such as team conflicts and occupational stress (Rubin, 1995; Applen and Kleiner, 2001; Raver and Gelfand, 2005; Miner-Rubino and Cortina, 2007), which can easily translate into a less productive work environment, increased turnover, and absenteeism (U.S. Merit Systems Protection Board Office of Policy and Evaluation, 1995; Fitzgerald, Drasgow, and Magley, 1999; Bergman and Drasgow, 2003; Willness, Steel, and Lee, 2007; Feldblum and Lipnic, 2016). And, while firms with high levels of employee satisfaction are more valuable and generate superior long-horizon returns (Edmans, 2011), a number of studies document that sexual harassment leads to less job satisfaction (Laband and

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[13] See "After a year of #MeToo, American opinion has shifted against victims," *The Economist*, October 15, 2018.

Lentz, 1998; Antecol and Cobb-Clark, 2006; Miner-Rubino and Cortina, 2007; Salvaggio, Hopper and Packell, 2011). Conceivably, once revealed, sexual harassment cases could also impose serious reputational damage on firms.

If sexual harassment is costly to firms and their shareholders, [14] we expect that:

H1: *An announcement of a sexual harassment incident in a firm will be associated with a negative abnormal return in the share price of that firm.*

As discussed previously, it is possible that the costs imposed on the firm are confined to the legal liabilities associated with the sexual harassment episode. Alternatively, it is possible that the costs will transcend legal liabilities to include costs associated with loss of employee productivity,[15] increased absenteeism/turnover, increased insurance premia, and reputational damage. If sexual harassment imposes costs that exceed the legal penalties, we would expect the market reaction at the announcement of a sexual harassment incident to be greater than the size of the legal settlement, with any difference reflecting the relative magnitude of other organizational costs and reputational costs associated with sexual harassment.

To our knowledge, there is also little that is known about the relationship between corporate culture and sexual harassment (both the incidence and reporting of it). Extant research suggests that sexual harassment is more prevalent in certain working environments (Frye, 2017) but there is no comprehensive analysis of the relationship between sexual harassment and metrics of corporate culture and governance that are commonly used in the finance literature. Obtaining a better understanding of this relationship provides new insight into how sexual harassment affects shareholder value. Conceivably, in some companies, e.g.

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[14] Since the sexual harassment cases in our sample mostly involve employees on the lower end of the organizational hierarchy, one could argue for the null hypothesis that these cases should have no impact on the abnormal returns. Further, if sexual harassment is considered to be an occupational hazard and is already compensated through a wage premium (Hersch, 2011), then too the impact on abnormal returns could be negligible.

[15] It could also be the case that, once a sexual harassment case is revealed, shareholders realize that the employees were less productive than they could have been in the past due to sexual harassment.

companies with lower employee satisfaction, high-pressure working environments, and/or poor governance, the stock price already incorporates expected losses from sexual harassment lawsuits and settlements, while in others the news of such episodes might come as a surprise. At the same time, some corporate cultures make it more likely that employees would report sexual harassment incidents, while in others victims would be more inclined to keep such incidents to themselves due to coercion, quid pro quo arrangements with perpetrators, or fear of reprisal.

Prior research shows that organizational climate is the single most important predictor of sexual harassment at the workplace (Fitzgerald, Gelfand, and Drasgow, 1995; Fitzgerald, Hulin, and Drasgow, 1997; Welsh, 1999; Willness, Steel, and Lee, 2007). In the context of sexual harassment, organizational climate refers to the extent to which an organization is tolerant of sexual harassment and the presence, accessibility, and effectiveness of harassment remedies (Fitzgerald, Gelfand and Drasgrow 1995; Fitzgerald, Hulin, and Drasgow, 1997). This important element of organizational culture includes aspects such as the perceived risk to victims for complaining, a lack of sanction against offenders, and the perception that the victim's complaints will not be taken seriously (Hulin, Fitzgerald, and Fritz, 1996). Therefore, we would expect that:

H2A: *A poorer corporate culture will be associated with a higher incidence of actual sexual harassment cases.*

On the other hand, better corporate culture might lead to more sexual harassment cases being revealed, as victims feel safe and confident about reporting and taking action against the perpetrator.[16] If so, we would expect that:

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[16] Concerns about retaliation and the consequent effect on job satisfaction are some of the reasons sexual harassment is widely underreported (Bergman et al., 2002).

H2B: *A better corporate culture will be associated with a higher incidence of reports of sexual harassment cases.*

The public revelation of sexual harassment at a firm can reveal information about the firm's culture. The announcements may divulge information about the firm's handling of a case once it's notified about a harassment. In particular, investor reaction to events where the firm had taken some action may differ from events where the firm had done nothing. Given the value implications discussed above, we would expect that:

H3: *Firms that act once notified of harassment experience higher/less negative cumulative abnormal returns.*

With the advent of the #MeToo movement, sexual harassment at the workplace has been made more visible than ever before. However, less clear is whether investors' perception of the financial implications associated with sexual harassment have changed. Survey data reveals that, following the #MeToo movement, perceptions and attitudes towards sexual harassment have changed among different groups of people. [17] Hence, we investigate whether stock market reactions to cases of sexual harassment differ before and after the #MeToo movement. If organizational costs related to sexual harassment are perceived to be more severe than before, we would expect that:

H4A: *Cumulative abnormal returns would be lower/more negative following the #MeToo movement.*

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[17] A 2018 *Economist* magazine poll included in the article cited in footnote 13 reveals that the percentage of American adults responding that men who sexually harassed women at work 20 years ago should keep their jobs has risen 28% to 36% from 2017 to 2018. Similarly, it reports that the proportion of people that think women who complain about sexual harassment cause more problems than they solve has grown from 29% to 31%. Another poll, also conducted by *The Economist* magazine (*"What group of people is most hostile to #MeToo?"*, January 12, 2019), reveals that after the #MeToo movement young men in four Western countries (the United States, Britain, France, and Germany) appear to be even more accepting of inappropriate behavior. For example, the proportion of men under 30 who think that a stranger flashing his genitals at a woman constitutes sexual harassment had dropped from 97% to 79% in Britain, and from 91% to 78% in the United States between 2017 and 2018.

On the other hand, following the advent of the #MeToo movement, if investors believe that sexual harassment happens everywhere and they take it less seriously, we would expect that:

H4B: *Cumulative abnormal returns would be higher/less negative following the #MeToo movement.*

3. Data

In this section, we describe the data and methodology used in this study. We discuss the sample in Section 3.A, the control variables in Section 3.B, and the summary statistics in Section 3.C.

A. The Sample

To construct our sample, we start by obtaining from Institutional Shareholder Services (ISS) a list of publicly reported sexual harassment cases in S&P 500 firms from 2012 to 2018. We augment this data by adding additional cases of sexual harassment that we locate through a Factiva search. Through this process, we identify a total of 188 news articles related to sexual harassment in S&P 500 firms. For each event, the announcement date is the date of the first news article that mentions it. Then, we carefully study each news article and extract data about the event, including data on the nature of the harassment, the action taken by the firm if any, the parties involved, and the initial source of disclosure.

The sexual harassment cases used in this study vary from hostile work environment harassments, such as those that involve obscene jokes, touching, or verbal abuse, to quid pro quo harassments that include supervisors explicitly requesting or coercing sexual favors in return for job security or advancement. The perpetrators are not limited to top executives and involve various parties such as coworkers, store managers, and factory supervisors. While most of the victims are women, there are a few cases where men and transgender men and women

have also been subject to sexual harassment. Table 1 provides examples of the harassment cases used in this study.

[Insert Table 1 about here]

After screening the news articles, we retain a total of 174 distinct events from 64 unique firms that provide sufficiently detailed information to enable further analysis and I use these 174 events in our event study. Further, conditional on the availability of the other control variables and the use of fixed effects, the regressions that follow use a total of 152 announcements.

Table 2 provides details on the characteristics of the events considered in this study. The harassment sample consists of all 174 events while the regression sample consists of only the 152 observations that are used in the regressions. Panel A reveals the initial source of public revelation for each case. Of the 174 events, 12.1% are revealed through firm-initiated announcements, 58% are publicized through legal filings, and the rest are discovered and reported by the media. As shown in Panel B, in 43.9% of the cases (out of 164), the firm takes some action regarding the harassment; in 24.8% of the cases (out 149), the perpetrator had been fired when the news was released; in 45% of the cases (out 160), the victims claim retaliation when they reported the harassment; and in 13.9% of the cases (out of 173), the company contradicts the claims made by the victim. Panel C provides details about the perpetrators. A majority of the perpetrators are male (97.6% out of 165) and are managers (59.4% out of 165) with 80 cases involving managers only and 18 involving both managers and coworkers. We further break down the managers (a total of 98) into CEOs, other C-suite managers (Chief Operating Officer, Chief Financial Officer, or Chairman), other executives, and other managers (such as supervisors, factory managers, or store managers). It is evident that, out of the cases that involve managers, a majority involve "other managers," who are at the lower end of the

chain of command (67.3% out of 98; 65 cases involve only other managers and one case involves both executives and other managers).

[Insert Table 2 about here]

Panel D provides details about the victims. A majority of the victims are female (86.7% out of 166) and a majority of the events relate only to the harassment of one individual (63.5% out of 170). As seen in Panel E, consistent with what has been observed in practice, a majority of the claims are categorized as hostile work environment harassments (88.1% out of 168). Since the #MeToo movement, which began on October 15, 2017, the number of sexual harassment cases that have been revealed has increased considerably. This pattern is evident in S&P 500 firms as well (Panel F): 48.9% of the cases (85 out of 174) are revealed between October 15, 2017 and December 31, 2018 compared to the 89 cases revealed between January 1, 2012 and October 14, 2017. Figure 1 shows a clear spike in the number of harassment cases that are revealed in S&P 500 firms in 2017, a 100% increase compared to the number of cases revealed in 2016.

[Insert Figure 1 about here]

The industry distribution (using two-digit SIC codes) of the sexual harassment announcements is presented in Panel G. About 28% of the cases occur in the communications industry (SIC code 48). This includes entertainment and media firms and is arguably where some of the most publicized cases of sexual harassment have been reported. Consistent with other research (Hersch, 2011 and 2018), certain industries appear to have a higher likelihood of sexual harassment.

B.   *Control Variables*

We include several firm-level controls in our regressions. Accounting data (including the number of employees) is from the Compustat Fundamentals Annual database and stock data is from the Center for Research in Security Prices (CRSP). We control for firm size using

the log of the number of employees. Firm age is calculated as the difference between the year under consideration and the year in which the firm is first included in the CRSP data set. We control for market leverage by including the ratio of long-term debt to total assets (adjusted for the market value of equity) and profitability is controlled for by a measure of ROA (EBITD over total assets). Growth opportunities are controlled for by the inclusion of an estimation of Tobin's Q. We obtain the analyst coverage data from the Institutional Brokers Estimates System (I/B/E/S) database. As in earlier studies (Hong, Lim, and Stein, 2000; Hong and Kacperczyk, 2009; He and Tian, 2013), we define our measure of analyst coverage as the log of (1+average number of analysts).

Following recent papers (Huang et al., 2015; Hales, Moon, and Swenson, 2018; Ji, Rozenbaum, and Welch, 2018; Green et al., 2019; Sheng, 2019), we obtain employee ratings for the S&P 500 firms from Glassdoor.com to create a measure of firm culture. Employees' views are a direct way to measure corporate culture since they experience a firm's culture firsthand. Glassdoor, launched in 2008, is a website that allows current and former employees to anonymously review firms, and search and apply for jobs.[18] Glassdoor asks employees to report their overall satisfaction with their firm as well as in five separate categories (culture and values, career development, compensation and benefits, senior management, and work-life balance) using a 5-point Likert scale where 1 is the lowest level of satisfaction and 5 is the highest. Following the literature, we use the average overall rating each year for each firm as a measure of corporate culture.[19] As an additional measure of corporate culture, following Lins et al. (2019), we also use the fraction of women among the top-five-compensated executives

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[18] Glassdoor maintains a "give to get" policy, which helps reduce polarization bias and encourages more neutral and balanced company ratings (Chamberlain and Smart, 2017). Under this policy, in order to receive unlimited access to the content on its website, employees are required to submit a review. In addition, Glassdoor maintains a two-step moderation process to detect abuse or gaming, minimizing the likelihood that companies can unduly influence the reviews given by employees.

[19] The results are robust to using the median overall rating, the cumulative average overall rating, and the average rating of culture and values.

of a firm to capture the extent to which the firm is "female-friendly." Given that the vast majority of the victims in our sample are women, this measure is likely to capture a highly relevant aspect of firm culture in the context of our study.

Most of the governance data, particularly data related to the composition of the board, is from ISS. We calculate the fraction of board members that are women as a proxy for the power balance between men and women.[20] Following Cline, Walking, and Yore (2018), we create a "poor monitoring" index. This is an index that ranges from 0 to 4 and is the sum of the following four dummies: busy board dummy (takes a value of one if 50% or more of the outside directors hold three or more total directorships), nonindependent board dummy (takes a value of one if 50% or more of a board is classified as nonindependent directors), large board dummy (takes a value of one if the board size is over the yearly median board size of all firms covered in Execucomp), and hand-picked board dummy (takes a value of one if 50% or more if the independent directors have a tenure shorter than that of the CEO). Data on institutional ownership is obtained from Thomson Reuters Institutional (13f) Holdings and family firm data is hand-collected.

All firm-level control variables are lagged by a year and all continuous variables are winsorized at the 1st and 99th percentiles. Unless otherwise specified, we include industry and year fixed effects in all our regressions.[21] Detailed descriptions of the variables can be found in Appendix A.

C.   *Summary Statistics*

Table 3 presents the summary statistics for the control variables discussed above. Panel A contains the full sample of S&P 500 firms while Panel B looks at the harassment subsample

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[20] Unfortunately, for most firms the breakdown of the employees (or managers) by gender is not available.

[21] To avoid the incidental parameters problem in Probit regressions, the reported results use industry fixed effects at the one-digit SIC code level. However, all results are robust to the inclusion of industry fixed effects using two-digit SIC codes.

only.[22] Given the availability of the required control variables, the full sample consists of a maximum of 2,448 firm-year observations, with an average market capitalization of $35.81 billion and an average of 60,404 employees. The average overall Glassdoor rating is 3.34 and 26% of the full sample of firm-year observations belongs to family firms. For the full subsample of harassment firm-year observations, the average market capitalization is $108.52 billion and the average number of employees is 228,821. The average overall Glassdoor rating for these observations is 3.52 and over 50% of these observations come from family firms.

In Panel C, we report results from a simple means comparison test between the sample of harassment firm-year observations and the nonharassment firm-year observations used in the regressions. Except for the fraction of female board directors, the busy board dummy, and the nonindependent board dummy, the two groups of firm-year observations are statistically different, highlighting the importance of controlling for these variables in a multivariate regression setting.

[Insert Table 3 about here]

4. Results

In this section, we present the results of our empirical analysis.

A. *Stock Price Reactions to Sexual Harassment Announcements*

We estimate daily abnormal stock returns using the market model, Fama-French three-factor model (1993), and Carhart four-factor model (1997). The model parameters are estimated using 250 trading days ending 50 days before the event date. The CRSP value-weighted index serves as the market index in all estimations. Daily abnormal returns during the event period are calculated in the usual manner by subtracting the expected return implied by each model from the realized return. Apart from the event date (0,0), I report results for several other event windows where CARs are used. For the mean CARs, the *t*-statistics are

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[22] Firms with multiple independent events within a given year are treated as independent observations.

computed following the standardized cross-sectional method of Boehmer, Musumeci, and Poulsen (1991), which allows for event-induced changes in variance, and are adjusted for cross-sectional correlation following Kolari and Pynnönen (2010). We also compute a nonparametric sign test following Cowan (1992). Results of the event studies are reported in Table 4.

[Insert Table 4 about here]

The average stock market reactions to sexual harassment announcements are negative and are statistically and economically significant, confirming our first hypothesis. The mean abnormal return based on the Fama-French three-factor model (Panel B) on the event date is −0.31%, statistically significant at the 5% level. This corresponds to a mean risk-adjusted loss of $157 million. The cumulative abnormal returns over the event windows of (0, +1) and (0, +2) are −0.46% and −0.42%, respectively, corresponding to risk-adjusted losses of $234 million and $419 million, respectively.

Information on sexual harassment, once made public, tends to be disseminated over a few days. This would explain the economically and statistically significant CARs over both the two-day and three-day event windows. In contrast, there appears to be no information leakage as the CARs over the (−1,0) window are negative but statistically insignificant. Unlike other corporate announcements where there could be potential leakage of information (e.g., earnings announcements and announcements of mergers and acquisitions), it is unlikely that investors are able to anticipate when an announcement of harassment would be made and, hence, it is unlikely that information would leak. There is also no evidence of a reversal of the announcement return in the 10 days (+1, +10) following the event.

Panels A and C report the event study results where the abnormal returns are generated using the market model and the four-factor model, respectively. The results are consistent with Panel B.

In Panel D, following Karpoff and Lott (1993) and Karpoff, Lott, and Wehrly (2005), we partition the total market reaction into settlements (both legal and corporate) and organizational/reputational costs. Unfortunately, the amounts paid in any legal or corporate settlements related to sexual harassment are not always made public. Consequently, we have this information for only 25 firms in the sample. The average settlement paid by these 25 firms is $18.7 million. The loss of market value at the announcement is the abnormal dollar loss from the market model, three-factor model, and four-factor model. This is calculated by multiplying the one-day (0, 0), two-day (0, +1), and three-day (0, +2) CARs by the pre-event market capitalization of each of these 25 firm observations. The average market estimation of the total cost is much higher than the average settlement, at $240 million ($179 million) over the two-day (three-day) event window when using the abnormal dollar return from the market model. Likewise, the other two models also generate abnormal dollar losses much greater than $18.7 million.

Following the interpretation of Karpoff and Lott (1993) and Karpoff, Lott, and Wehrly (2005), this finding implies that, based on the market model-derived abnormal dollar loss over the two-day event window, nearly 93% of the market reaction is related to organizational[23]/reputational costs as opposed to direct court penalties, fines, or corporate settlements. This finding is consistent with Karpoff and Lott (1993), who report that the reputational losses surrounding corporate fraud prosecutions account for over 93% of the market reaction. In contrast, Karpoff, Lott, and Wehrly (2005) find that firms that violate environmental laws suffer market losses that are of a similar magnitude to the legal penalties imposed.

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[23] A frequently cited study done in 1988 indicates that the average annual cost of sexual harassment at Fortune 500 companies, due to absenteeism, low productivity, and employee turnover, is 6.7 million (Klein, 1988). Based on the Bureau of Labor Statistics inflation calculator, this is equivalent to $14.9 million in 2019 USD.

Table 5 presents unconditional comparisons of the mean two-day (0, +1) CARs along various dimensions. While there is an economically significant difference in the mean CARs between firms that take action once notified of a harassment and those that do not (Panel A), the difference is not statistically significant. Similarly, there is no difference in the mean CARs between firms that have dismissed the perpetrator at the time of the initial announcement and those that have not (Panel B). However, we find significant differences in the CARs depending on the source of the announcement. On average, announcements initiated via media reports have significantly more negative CARs than announcements initiated via legal filings. We also find that quid pro quo harassments have lower mean CARs than hostile work environment harassments, based on the market model and the three-factor model. We do not find a significant difference in mean CARs before and after the #MeToo movement. In the next section, we move beyond these univariate comparisons to a more comprehensive multivariate regression analysis of the cross-sectional differences in CARs.

[Insert Table 5 about here]

B. Incidence of Sexual Harassment

In this section, we report on how the incidence of sexual harassment relates to various observable firm characteristics.[24] The incidence of sexual harassment is likely to be endogenously related to the firm characteristics we study. Therefore, these results should be interpreted as associations and not as causal relationships.

We proxy for firm culture primarily using two measures: the overall Glassdoor rating (column (1)) and the fraction of female top executives (column (2)). If Hypothesis 2A is the prevailing effect, we would expect a negative coefficient on the measure of culture. If Hypothesis 2B is the prevailing effect, we would expect a positive coefficient instead. In

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[24] However, one important caveat is that we observe only the sexual harassment cases that are made public. Hence, if a variable can have a differential impact on the actual incidence of harassment versus the reporting of harassment, the interpretation of the regression coefficients depends on the dominant effect.

addition, following Lins et al. (2019), we use a dummy indicating whether the firm has at least one female in its top-five-compensated executives (column (3)) and the fraction of female board members (column (4)). These measures are also meant to capture how *female-friendly* the firm culture is. As a final measure of firm culture, we use the HRC corporate equality index (column (5)).[25] This measure captures how *LGBT-friendly* a firm is. Since, LGBT employees are likely to be a group of employees who are potentially discriminated against, this measure can be a proxy for how employee friendly a firm is in general.

In addition, we include the standard control variables for firm characteristics; these include firm size, leverage, profitability, growth opportunities, analyst coverage, and firm age.[26] To control for any effect corporate governance might have on the incidence of sexual harassment, we include the poor monitoring index and institutional ownership as control variables. Firms with better corporate governance are likely to have established mechanisms and procedures to deal with sexual harassment. This could act as a potential deterrent of sexual harassment and reduce its incidence. Since over 50% of sexual harassment cases in our sample occurs in family firms, we also include a dummy that controls for the family firm status. Finally, we include industry and year fixed effects. Table 6 reports the results.

[Insert Table 6 about here]

Both our primary measures of corporate culture have a positive and significant coefficient (columns (1) and (2)), supporting our latter hypothesis regarding the relationship between the incidence of sexual harassment and corporate culture. This result indicates that in firms with a better culture, employees feel more comfortable reporting harassment. Further, the

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[25] The Human Rights Campaign Foundation (HRC), is the largest national lesbian, gay, bisexual, and transgender (LGBT) civil rights organization working towards the advancement of workplace equality based on sexual orientation and gender identity. Its corporate equality index rates firms based on their policies and practices pertaining to LGBT employees, consumers, and investors, and assigns a score ranging from 0 to 100, where 100 is the highest possible.

[26] Older firms might have fewer occurrences of harassment because they already have effective harassment prevention mechanisms in place; on the other hand, younger firms might be more progressive and focus more on empowering women.

positive significant coefficient on the fraction of female top executives would be consistent with recent survey data suggesting that women are better at creating a safe and respectful workplace than men (Parker, Horowitz, and Igielnik, 2018). The results are also robust when using the dummy, which captures whether the firm has at least one female among the top-five-compensated executives (column (3)), or when using the HRC corporate equality index (column (5)). However, we find that the fraction of female board members does not matter (column (4)). This finding is consistent with Lins et al. (2019), who report that a female-friendly culture is primarily driven by the presence of women in corporate leadership roles rather than their presence on the board. Considering these results, in subsequent regressions we use the overall Glassdoor rating and the fraction of female top executives as our measures of corporate culture. However, the results are also robust to the use of the HRC corporate equality index.

Firms with weaker monitoring by the board, larger firms, younger firms, firms with higher growth opportunities, less profitable firms, and family firms all appear to be associated with a higher probability of harassment-related announcements.

C. Cross-sectional Regressions of Cumulative Abnormal Returns

Previously, we reported evidence that on average the stock market reacts negatively to public announcements of sexual harassment. In this section, we investigate the cross-sectional determinants of this market reaction. To do so, we regress the two-day (0, +1) CARs, generated via the Fama-French three-factor model on announcement- and firm-specific characteristics.[27]

A primary concern associated with using publicly announced cases of sexual harassment to detect sexual harassment in firms and draw inferences is the selection bias arising from partial observability. Some harassment cases go unreported and others are handled

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[27] The results are robust to using the event day abnormal returns (0, 0) or the three-day (0, +2) CARs and to the CARs generated via both the market model and the Carhart four-factor model.

internally by the firm without any public knowledge. If the sample of public announcements of sexual harassment is not a random sample, there may be some unobservable characteristic(s) apart from sexual harassment that could be correlated with the variables of interest in our study. However, we begin the cross-sectional analysis by first presenting the results obtained using a nonconditional approach where we do not control for potential selection bias, i.e., under the assumption that the sample of firms with public announcements of sexual harassment is a random sample of all the other firms in the full sample. Here, we use the sample of sexual harassment cases only and regress the CARs on the variables described previously. These results are reported in Table 7.

[Insert Table 7 about here]

As in the previous table, we include the standard control variables for firm characteristics (not reported for the sake of brevity). Further, we include a dummy indicating whether the announcement contains information about any action being taken by the firm when it was notified of the harassment. We also include dummies to control for the three sources of initial disclosure; we include a dummy indicating whether the disclosure was by a firm press release or a legal filing (the omitted category is disclosure by a media report).

Columns (1), (2), and (3) use the overall Glassdoor rating as a measure of corporate culture while column (4), (5), and (6) use the fraction of female top executives. The coefficient on the "Action taken" dummy is positive and significant in both columns (1) and (4), implying that investors react less negatively if they learn that the firm took action when it became aware of the harassment. Interestingly, the overall Glassdoor rating has a positive significant coefficient. This is consistent with the previous finding of firms with better culture having more sexual harassment cases being reported; if that is the case, then investors might make an allowance for such firms having a culture that makes victims feel comfortable enough to report harassment versus firms that have a poor culture.

In columns (2) and (5), we split the "Action taken" dummy into two parts: a "Proactive" dummy and a "Reactive" dummy. The "Proactive" dummy takes a value of one if the announcement contains details about the firm taking action before a legal case is filed and is zero otherwise. The "Reactive" dummy takes a value of one if the announcement contains details about the firm taking action only after a legal case is filed. These results show that the CARs are higher/less negative only if a firm is proactive.

In columns (3) and (6), we replace the "Action taken" dummy with a "Fired" dummy that takes a value of one if the perpetrator is fired and if this news is made public with the initial announcement regarding the harassment, and is zero otherwise.[28] This is arguably one of the more stringent actions the firm can take when dealing with a harassment case. The coefficient on this dummy is also positive and highly significant.

In order to deal with the potential selection bias, we first employ the Heckman (1976, 1979) selection model for our cross-sectional analysis.[29] Specifically, we estimate a joint model of the incidence of sexual harassment and the determinants of the event date abnormal returns. In the first step, we estimate the selection equation that models whether any observable firm characteristics are associated with the public announcements of sexual harassment. This is estimated via a Probit model using the same model specification used in Table 6. In the second stage, which is the outcome equation, we regress CARs on various information content metrics in the announcements as well as on various firm characteristics. We include the Inverse Mills

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[28] The number of observations drops to 137 as not all announcements contain information regarding the employment status of the perpetrator at the time of the initial announcement.

[29] Strictly speaking, the Heckman selection model is identified by nonlinearity (under the assumption of bivariate normal errors, the Inverse Mills ratio is a nonlinear function) and, therefore, does not require an exclusion restriction in the first stage. However, in practice, it could be that the Inverse Mills ratio is roughly linear in parts of its domain. If such is the case, having the same variables in the first stage and second stage could be problematic. Therefore, having an exclusion restriction is recommended when using the Heckman selection model. However, finding an instrument that is related to the likelihood of a sexual harassment announcement but does not have a direct impact on CARs is challenging.

ratio calculated from the estimated parameters of the first stage as an additional explanatory variable in the second stage, which is an OLS estimation.

In columns (1) to (5) of Table 8, we use the overall Glassdoor rating as our measure of corporate culture, while it's replaced by the fraction of female top executives in columns (6) to (10). The results of the first-stage regression of the Heckman selection model corresponding to the second-stage reported in column (2) and (7) are reported in column (1) and (6), respectively. The results are qualitatively identical to the results reported in Table 6. To conserve space, we report only the second-stage results for the remaining specifications.

[Insert Table 8 about here]

The most striking result is the highly significant positive coefficient on the "Action taken" dummy. Interestingly, if the initial disclosure stems from a public announcement of a legal filing, then investors also react less negatively compared to scenarios where the harassment is revealed via a media report. The latter finding could be attributed to the costs associated with a legal filing being more circumscribed whereas investors may attribute greater uncertainty to the costs (including reputational losses) associated with a harassment case revealed through the media. The coefficient on the overall Glassdoor rating is now insignificant.

In columns (3) and (8), we split the "Action taken" dummy again into two parts: a "Proactive" dummy and a "Reactive" dummy. As in Table 7, CARs are higher/less negative only if a firm is proactive. In columns (4) and (9), we replace the "Action taken" dummy with the "Fired" dummy. Although less significant than the "Action taken" dummy, the coefficient on the "Fired" dummy is still positive and of comparable magnitude to the coefficient on the "Action taken" dummy.

In columns (5) and (10), we add a few more variables to the second stage that capture information contained in the announcements. These are: the number of victims mentioned in

the initial announcement, a dummy indicating whether the victim was a woman, and a dummy indicating whether the harassment was a quid pro quo harassment or not. Interestingly, the results are significantly more negative if the harassment is a quid pro quo harassment. The relationship between the other variables and the CARs remain qualitatively similar (although the legal disclosure dummy is now insignificant).

In voluntary corporate events, such as repurchases and acquisitions, managers can control the type, timing, and magnitude of public announcements. Even in the case of sexual harassment, rational managers would voluntarily initiate an announcement only if it provides some personal or corporate benefit.[30] This form of selection bias is likely to be immaterial in our setting since nearly 87% of the announcements we study are initiated by outside parties. Further, the Heckman selection model should help mitigate such biases arising from the private information of managers (Acharya, 1988). Nevertheless, in Table 9, we repeat the event study analysis (Panels A, B, C) and the cross-sectional regression of CARs (Panel D) excluding the announcements initiated by the firm. Since this sample uses only announcements initiated via legal filings or media reports, they should have more relevant information content regarding the culture of the firm. In order to receive EEOC clearance to take legal action, victims are required to fully exhaust the available internal procedures. Hence, an announcement initiated via a legal filing might imply that the internal procedures were not successful, and an

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[30] A firm is likely to announce a harassment case if and only if it has successfully managed to deal with it (for example, in our sample the unconditional correlation between the firm making the announcement and having fired the perpetrator is 0.62). Even though a firm has successfully dealt with a case, it is not necessarily true that it would want to make it public. Looking at the sample of announcements used in this study, it appears that a firm is likely to voluntarily make a public announcement if (a) the case involves a top official or is of a very serious nature or (b) the firm has had previous issues of harassment that are known to the public. In the case of (a), the firm would make the case public because it wants to signal that it takes sexual harassment very seriously regardless of the position of the employee. Further, it might want to avoid any reputational damage if the news gets out by other means. In the case of (b), the firm would be inclined to make a public announcement in order to demonstrate that it's taking corrective action to change the firm culture.

announcement initiated via a media report might indicate that the internal procedures are not effective.

[Insert Table 9 about here]

Despite a slight loss of significance in certain windows, the overall event study results remain qualitatively the same. More importantly, in the cross-sectional regression of CARs (Panel D of Table 9), the "Action taken" dummy and the "Legal disclosure" dummy are still positive and significant and are of a similar magnitude to the coefficients in Table 8. The relationship between the CARs and the other variables also remains qualitatively the same.

D. #MeToo Movement

The #MeToo movement gave more visibility to the prevalence of sexual harassment in the workplace as evidenced by the increase in public allegations of sexual harassment. However, whether the market's perception of the organizational costs associated with sexual harassment changed following the #MeToo movement remains an open question. To test this, we create a #MeToo dummy, which equals one if the announcement occurs after October 15, 2017 and zero otherwise, and add it to our cross-sectional regressions of CARs.[31] The results are reported in Table 10.

[Insert Table 10 about here]

In columns (1) to (3), we use the overall Glassdoor rating as our measure of corporate culture, while in columns (4) to (6) we use the fraction of female top executives instead. Columns (1) and (4) presents results estimated via ordinary least squares. Columns (2) and (3), as well as columns (5) and (6), use the Heckman selection model. Columns (2) and (5) report the first-stage regressions corresponding to the second-stage results reported in columns (3) and (6), respectively. While none of the other results change qualitatively, the #MeToo dummy

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[31] Given various past allegations of sexual misconduct involving Donald Trump, in untabulated results we use the Trump election instead of the #MeToo dummy (this dummy equals one if the announcement occurred after November 9, 2016 and is zero otherwise); we do not find a difference in the market reaction before and after his election as the President of United States.

is positive and insignificant. Taken together with the media reports and Figure 1, this implies that, even though the number of publicly reported cases of sexual harassment clearly increased after the #MeToo movement, the market assessment of the risk-adjusted losses associated with sexual harassment in the workplace did not change.

E. Explaining Firm Action

A key implication of the results discussed previously is that if a firm takes action when made aware of a sexual harassment case, and this is disclosed in the initial public announcement, then the CARs are higher/less negative. In order to understand what factors might be associated with a firm taking action, in Table 11, we regress the "Action taken" dummy on several firm characteristics and characteristics of the harassment announcement.[32] In columns (1) to (3) we use a linear probability model and in columns (4) to (9) we use a Probit model.

[Insert Table 11 about here]

In both the linear probability model and the Probit model, firms are more likely to take action after #MeToo. A firm is also more likely to take action if the victim is a woman and the perpetrator is a top manager. Further, firms with higher institutional ownership are also more likely to take action. Female representation in the top management or in the board does not appear to matter.

F. Employee Productivity

Earlier, we showed that public announcements of sexual harassment result in organizational/reputational costs. According to Karpoff (2012), these reputational costs arise due to impaired operations because of the revelation of misconduct. In the context of sexual harassment, public revelation of sexual harassment can affect the productivity of the other employees, as they realize that the severity of sexual harassment at their workplace is higher

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[32] This analysis is restricted to firms with a public announcement of sexual harassment.

than they perceived it to be. In Table 12, we present evidence that employee productivity, as measured by sales per employee and operating profit per employee, drops significantly for firms that have at least one public revelation of sexual harassment (captured by the sexual harassment announcement dummy) in the previous year. An alternative explanation for these results might be that customers choose to boycott firms that have a public announcement of sexual harassment. Either way, these results add credibility to the notion that reputational losses occur due to impaired operations following the public revelation of sexual harassment.

[Insert Table 12 about here]

G. Location Analysis

Since not all harassment cases we study occur at the headquarters of firms, as a test of robustness we investigate whether location would have any impact on the market reaction to announcements of sexual harassment using the Heckman selection model. The results are reported in Table 13. For brevity, the reported results use Glassdoor ratings as the measure of corporate culture. However, the results are consistent when corporate culture is proxied by the fraction of top female executives. In the first specification, we include a dummy that equals one if the harassment involved employees that work at the headquarters of the firm and is zero otherwise (column 2) and find that it is statistically insignificant. In the second specification we include a "stakeholder state" dummy that equals one if the firm is headquartered in a state that has adopted directors' duties laws (also known corporate constituency statues). These laws require directors to consider the impact of their decisions not only on their shareholders but all other stakeholders including employees, customers, suppliers, and communities.[33] Consequently, the stakeholder state dummy can serve as another proxy for a firm's employee friendliness. As column (3) shows, firms headquartered in stakeholder states are significantly

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[33] 35 U.S. states have adopted these laws so far. We obtain the list of these states from Cremers, Guernsey and Sepe (2019).

less likely to have announcements of sexual harassment. However, there is no significant difference in the market reaction between stakeholder and nonstakeholder states (column (4)). Finally, since different parts of the United States may have different perceptions of harassment, in the second specification (columns (3) and (4)) we include headquarters state fixed effects and find that our results are largely consistent with the baseline results.

[Insert Table 13 about here]

5. Conclusions

Our study of the incidence of sexual harassment in the workplace and its relationship to corporate culture and shareholder value reveals that firms associated with sexual harassment events experience large negative stock market reactions, as exemplified by a mean risk-adjusted loss in market capitalization of $419 million over a three-day interval following the announcement. However, for the subsample of firms where settlement data is available, we find that the average victim settlement is only $18.7 million, dramatically less than the loss in market capitalization for these firms of $240 million, suggesting that firms incur large organizational and reputational costs due to sexual harassment. Corporate culture is positively related to the likelihood of an announcement, which suggests that a better corporate culture leads to more sexual harassment cases being revealed, since victims feel safe and confident about reporting and taking action against the perpetrator.

The manner in which companies respond to reports of sexual harassment has material consequences. Investors react significantly less negatively if the firm took action proactively before a sexual harassment case is made public. We find that investor reactions are also significantly less negative if the perpetrator is fired and if this news is made public with the initial announcement regarding the harassment. A firm is more likely to take action if the victim is a woman or the perpetrator is a top manager. Firms with more institutional ownership are also significantly more likely to take action and to fire perpetrators. Firms with a higher fraction

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of female board members also experience fewer negative stock price reactions and are more likely to fire perpetrators.

The #MeToo movement has recently brought considerably more attention to sexual harassment in the workplace and the number of publicly reported cases has escalated dramatically since the movement commenced on October 15, 2017. However, there is no significant difference in stock price reactions before and after #MeToo. Nonetheless, we find that, after the #MeToo movement, firms are more likely to take action once a harassment case is revealed and more likely to fire perpetrators. Firms headquartered in stakeholder states, i.e., U.S. states that have adopted corporate constituency statutes, are significantly less likely to have announcements of sexual harassment. However, there is no significant difference between stakeholder and nonstakeholder states in the market reaction to sexual harassment announcements.

To our knowledge, this is the first study to systematically examine the consequences of sexual harassment in the workplace in terms of shareholder value. Our findings show that sexual harassment is, indeed, very costly to shareholders, and that managers should take it seriously. Further, its impact on shareholder value suggests that this area of research warrants significantly more attention.

Appendix A: Variable Definitions

#MeToo takes a value of one if the announcement occurs after October 15, 2017.

Action taken dummy takes a value of one if the initial announcement contains information about the firm having taken some action related to the harassment, such as firing or investigating, and is zero otherwise.

Age refers to the number of years between the year under consideration and the year in which the firm is first listed in the CRSP data set.

Analyst coverage is the log of (1+ average number of analysts).

Busy board dummy takes a value of one if 50% or more of the outside directors hold three or more total directorships and is zero otherwise.

Culture and value Glassdoor rating is the average rating on "culture and values" given by employees on glassdoor.com in a given year.

Disclosure by firm dummy takes a value of one if the initial source of public information regarding the harassment is disclosed in a press release by the firm and is zero otherwise.

Employees is the number of employees in thousands (Compustat item *EMP*).

Family firm takes a value of one if a) the founder or a family member of the founder is a high-level executive or serves on the board of directors; b) a family controls and/or operates the company, in which case at least one of the family members serves as a board member or as a high-level executive; or c) the founder or family member of the founder has 5% or more ownership stake. In all other cases *family firm* takes a value of zero.

Female victim dummy takes a value of one if the victim(s) is(are) female.

Fired dummy takes a value of one if the initial announcement mentions that the perpetrator had been fired or had resigned and is zero otherwise.

Firm contradicts dummy takes a value of one if in the announcement it is mentioned that the firm denies the charges made by the victim and is zero if otherwise.

Fraction of female board members is the fraction of board members that are women.

Fraction of female top executives is the fraction of female executives among the top five executives of the company.

Fraction of independent directors is the fraction of independent board directors from the total board directors.

Hand-picked board dummy takes a value of one if 50% or more of the independent directors have a tenure shorter than that of the CEO and is zero otherwise.

Headquarters dummy takes a value of one if the employees involved in the harassment case work at the firm headquarters and is zero otherwise.

HRC corporate equality index is the Human Rights Campaign's score on how extensively a firm manages sexual orientation diversity at the workplace.

Institutional ownership is the ratio of shares held by institutional investors to shares outstanding.

Large board dummy takes a value of one if the board size is over the yearly median board size of all firms covered in Execucomp and zero otherwise.

Legal disclosure dummy takes a value of one if a major legal filing publicized the disclosure and is zero otherwise.

Leverage is *Long-Term Book Debt* (Compustat item *DLTT)* divided by *Total Assets* (Compustat item *AT)* minus *Book Value of Equity* (Compustat item *CEQ)* plus *Market Value of Equity*.

Market capitalization is *Common Shares Outstanding* (Compustat item *CSHO)* times the *Fiscal Year End Price* (Compustat item *PRCC_F)*.

Media disclosure dummy takes a value of one if the media discovers harassment through an investigation and is zero otherwise.

Nonindependent board dummy takes a value of one if 50% or more of a board is classified as nonindependent directors and is zero otherwise.

Number of victims is the number of victims mentioned in the harassment announcement.

Overall Glassdoor rating is the average overall rating given by employees on glassdoor.com, in a given year.

Poor monitoring index is the sum of the large board dummy, nonindependent board dummy, hand-picked board dummy, and busy board dummy.

Proactive dummy takes a value of one if the announcement contains details about the firm taking action before a legal case is filed and is zero otherwise.

Quid pro quo dummy takes a value of one if the harassment can be classified as quid pro quo and is zero if it is a hostile work environment harassment.

Reactive dummy takes a value of one if the announcement contains details about the firm taking action only after a legal case is filed.

ROA is operating income before depreciation (Compustat item *OIBDP)* divided by *Total Assets* (Compustat item *AT)*.

Sexual harassment announcement dummy takes a value of one if the firm had at least one announcement of sexual harassment in the previous year and is zero otherwise.

Stakeholder state dummy takes a value of one if the firm is headquartered in a state that has adopted directors' duties laws (also known as corporate constituency statues) and is zero otherwise.

Tobin's Q is the ratio of *Total Assets* minus book value of equity (Compustat item *CEQ)* plus *Market Value of Equity* to *Total Assets*.

Top-5 female executives dummy takes a value of one if a firm has at least one female executive among the top five executives and is zero otherwise.

Top manager dummy takes a value of one if the perpetrator is the Chief Executive Officer, a C-suite officer (Chairman, Chief Financial Officer, or Chief Operating Officer), a Director, or an executive and is zero otherwise.

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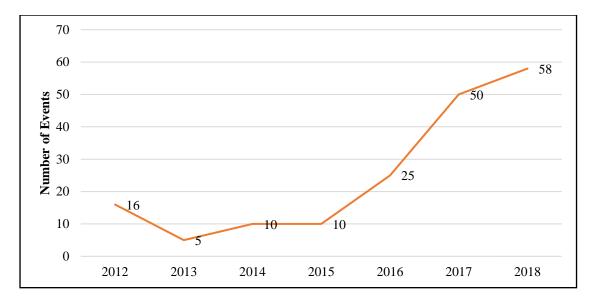
Figure 1. Public announcements of sexual harassment by year

This graph depicts the time trend in public announcements of sexual harassment cases in S&P 500 firms from 2012 to 2018.

Table 1

Examples of Sexual Harassment

Company	Title of perpetrator(s)	Title of victim	Type of harassment	Notes	Media citation
Twenty-First Century Fox, Inc.	CEO	News host	Quid pro quo	Former Fox News host Gretchen Carlson sues Roger Ailes for sabotaging her career because she rejected his sexual advances. Since then at least 20 women have publicly accused Roger Ailes of sexual harassment.	According to the lawsuit, filed in the Superior Court of New Jersey nearly two weeks after Carlson last appeared on Fox, Ailes marginalized Carlson for refusing to have a relationship with him.
					"Ailes denied Carlson fair compensation, desirable assignments and other career-enhancing opportunities in retaliation for her complaints of harassment and discrimination and because she rejected his sexual advances," it said. *NBC News* (07/06/2016)
Alphabet Inc.	Coworkers	Software engineer	Hostile work environment	A woman sues Google, alleging that she was subjected to repeated sexual harassment by male co-workers and that the company did not do enough to stop it.	As a young, female software engineer at male-dominated Google, Loretta Lee was slapped, groped and even had a co-worker pop up from beneath her desk one night and tell her she'd never know what he'd been doing under there, according to a lawsuit filed against the Mountain View tech giant. *The Mercury News* (02/23/2018)
CBS Corporation	Supervisors	Video producer	Hostile work environment	A man sues the CBS Corp., saying that he was repeatedly, drunkenly groped and kissed by powerful men at the network.	"I have symptoms of PTSD from this," Lombardi, who quit his job in November, told *The Post* on Thursday, comparing CBS to "the Catholic Church or Penn State" for allegedly sweeping his complaints under a carpet. *New York Post* (04/03/2015)
Tyson Foods	Supervisor and co-workers	Edible rendering operator	Hostile work environment	A man sues the company, claiming that his supervisor and a coworker created a sexually hostile work environment by continually directing derisive comments about homosexuals towards him.	West is suing Tyson for sexual harassment and retaliation. He said the company's policies of reporting harassment, investigating discrimination complaints and failure to enforce existing sexual harassment policies resulted in a sexually hostile work environment. *Sioux City Journal* (06/30/2015)
Nike	Executive Vice President	Details not given	Details of harassment not given	Ford Motor fires one of its most senior officials over inappropriate workplace behavior, including sexual harassment, after an internal investigation.	Ford declined to elaborate on the nature of Mr. Nair's actions, but said that an internal investigation had determined that they had been inconsistent with the company's code of conduct. *The New York Times* (02/21/2018)

Table 2
Characteristics of Sexual Harassment Cases
This table presents various characteristics of the sexual harassment cases that are used in this study. "Full sample" refers to all the sexual harassment cases that had sufficient details provided in the announcements while "regression sample" refers to the events that were ultimately used in the regressions given the availability of return data, other control variables and the use of fixed effects.

Panel A: Frequency by source of disclosure

		Full sample		Regression sample	
Initial source of disclosure		N	Percentage	N	Percentage
By firm		21	12.10%	21	13.82%
By legal		101	58.00%	89	58.55%
By media		52	29.90%	42	27.63%
	Total	174	100.00%	152	100.00%

Panel B: Reaction by the company

		Full sample		Regression sample	
Does the company take action once the victim complains?		N	Percentage	N	Percentage
Action taken		72	43.90%	67	44.08%
Nothing done		92	56.10%	85	55.92%
	Total	164	100.00%	152	100.00%

		Full sample		Regression sample	
Is the perpetrator fired at the time of the announcement?		N	Percentage	N	Percentage
Fired		37	24.80%	34	24.82%
Not fired		112	75.20%	103	75.18%
	Total	149	100.00%	137	100%

		Full sample		Regression sample	
Does the victim claim that there was retaliation when he or she complained?		N	Percentage	N	Percentage
Yes		72	45.00%	67	45.89%
No		88	55.00%	79	54.11%
	Total	160	100.00%	146	100.00%

		Full sample		Regression sample	
Does the company contradict the statement made by the victim?		N	Percentage	N	Percentage
Yes		24	13.90%	21	13.91%
No		149	86.10%	130	86.09%
	Total	173	100.00%	151	100.00%

Panel C: Perpetrators

		Full sample		Regression sample	
Gender of the perpetrator(s)		N	Percentage	N	Percentage
Male		161	97.60%	142	97.26%
Female		3	1.80%	3	2.05%
Male and female		1	0.60%	1	0.68%
	Total	165	100.00%	146	100.00%

		Full sample		Regression sample	
Who is the perpetrator?		N	Percentage	N	Percentage
Managers only		80	48.50%	70	47.95%
Managers and coworkers		18	10.90%	17	11.64%
Coworkers only		59	35.80%	52	35.62%
Coworkers and clients		3	1.80%	2	1.37%
Clients only		5	3.00%	5	3.42%
	Total	165	100.00%	146	100.00%

		Full sample		Regression sample	
Breakdown of the manger category		N	Percentage	N	Percentage
CEOs only		13	13.30%	12	13.79%
C-suite managers (excluding CEOs) only		3	3.10%	2	2.30%
C-suite managers and other executives		1	1.00%	1	1.15%
Executives only		15	15.30%	13	14.94%
Executives and other managers		1	1.00%	1	1.15%
Other managers (supervisors, factory managers, store managers) only		65	66.30%	58	66.67%
	Total	98	100.00%	87	100.00%

Panel D: Victims

		Full sample		Regression sample	
Gender of the victim(s)		N	Percentage	N	Percentage
Male		12	7.20%	7	4.76%
Female		144	86.70%	130	88.44%
Transgender		9	5.40%	9	6.12%
Male and female		1	0.60%	1	0.68%
	Total	166	100.00%	147	100.00%

Table 2, Panel D (Contd.)

Number of victims mentioned in the announcement		Full sample		Regression sample	
		N	Percentage	N	Percentage
1		108	63.50%	95	64.19%
2		10	5.90%	9	6.08%
3		5	2.90%	5	3.38%
4		4	2.40%	4	2.70%
5		5	2.90%	5	3.38%
6		5	2.90%	4	2.70%
8		5	2.90%	3	2.03%
10		1	0.60%	1	0.68%
12		2	1.20%	2	1.35%
15		1	0.60%	1	0.68%
Group of people		24	14.10%	19	12.84%
	Total	170	100.00%	148	100.00%

Panel E: Type of harassment

Is it a quid pro quo harassment or a hostile work environment harassment?		Full sample		Regression sample	
		N	Percentage	N	Percentage
Quid pro quo		20	11.90%	18	12.24%
Hostile work environment		148	88.10%	129	87.76%
	Total	168	100.00%	147	100.00%

Panel F: #MeToo

Is the observation before or after October 15, 2017?		Full sample		Regression sample	
		N	Percentage	N	Percentage
Before #MeToo		89	51.10%	78	51.32%
After #MeToo		85	48.90%	74	48.68%
	Total	174	100.00%	152	100.00%

Panel G: Industry distribution

Industry distribution by two-digit SIC code		Full sample		Regression sample	
		N	Percentage	N	Percentage
20 Food & Kindred Products		5	2.90%	5	3.29%
28 Chemical & Allied Products		4	2.30%	4	2.63%
30 Rubber & Miscellaneous Plastics Products		6	3.40%	6	3.95%
31 Leather and Leather Products		1	0.60%	0	0.00%
36 Electronic & Other Electric Equipment		1	0.60%	1	0.66%
37 Transportation Equipment		7	4.00%	6	3.95%
42 Trucking & Warehousing		1	0.60%	1	0.66%
44 Water Transportation		1	0.60%	0	0.00%
45 Transportation by Air		7	4.00%	6	3.95%
48 Communications		48	27.60%	43	28.29%
49 Electric, Gas, & Sanitary Services		4	2.30%	4	2.63%
52 Building Materials and Gardening Supplies		1	0.60%	0	0.00%
53 General Merchandise Stores		18	10.30%	14	9.21%
54 Food Stores		1	0.60%	1	0.66%
55 Automotive Dealers & Service Stations		3	1.70%	3	1.97%
56 Apparel & Accessory Stores		2	1.10%	1	0.66%
58 Eating & Drinking Places		20	11.50%	20	13.16%
59 Miscellaneous Retail		5	2.90%	5	3.29%
60 Depository Institutions		6	3.40%	6	3.95%
61 Nondepository Institutions		1	0.60%	1	0.66%
62 Security & Commodity Brokers		5	2.90%	5	3.29%
67 Holding & Other Investment Offices		2	1.10%	1	0.66%
70 Hotels & Other Lodging Places		3	1.70%	1	0.66%
73 Business Services		16	9.20%	12	7.89%
78 Motion Pictures		3	1.70%	3	1.97%
79 Amusement & Recreation Services		1	0.60%	1	0.66%
99 Nonclassifiable Establishments		2	1.10%	2	1.32%
	Total	174	100.00%	152	100.00%

Table 3
Summary Statistics
This table presents the summary statistics for observations used in this study. Panel A reports the summary statistics for the full S&P 500 sample, including the sexual harassment observations. Panel B presents the summary statistics only for the sexual harassment observations. "Full sample" refers to the total sample of sexual harassment cases. "Regression sample" is the sample of sexual harassment firms ultimately used in the regressions, subject to the availability of control variables and the use of fixed effects. Panel C compares the difference in means between the nonharassment observations and the harassment observations (used in the regressions). Variable definitions can be found in Appendix A. All continuous variables have been winsorized at the 1st and 99th percentiles. The symbols *, **, and *** denote statistical significance at the 0.10, 0.05, and 0.01 levels, respectively.

Panel A: Summary statistics for full sample (including sexual harassment sample)

Variables	N	Mean	Standard deviation
Market capitalization (in $ millions)	2,448	36,356.20	59,222.47
Employees (in thousands)	2,448	60.40	160.28
Log (1+employees)	2,448	3.22	1.22
Sales (in $ millions)	2,448	21,153.97	34,232,56
Leverage	2,448	0.61	0.20
Firm age	2,448	38.03	24.46
Tobin's Q	2,448	2.91	1.32
ROA	2,448	0.15	0.07
Average number of analysts	2,448	19.33	7.60
Analyst coverage	2,448	2.92	0.48
Overall Glassdoor rating	2,448	3.34	0.46
Fraction of female top executives	2,448	0.03	0.10
Top-5 female executives dummy	2,448	0.14	0.34
Fraction of female board members	2,448	0.20	0.09
HRC corporate equality index	1,075	67.43	35.09
Family firm dummy	2,448	0.26	0.44
Poor monitoring index	2,448	0.75	0.69
Busy board dummy	2,448	0.00	0.06
Nonindependent board dummy	2,448	0.00	0.06
Large board dummy	2,448	0.33	0.47
Hand-picked board dummy	2,448	0.41	0.49
Institutional ownership percentage	2,448	0.59	0.29

Panel B: Summary statistics for sexual harassment sample

Variables	Full sample			Regression sample		
	N	Mean	Standard deviation	N	Mean	Standard deviation
Market capitalization (in $ millions)	174	108,514.60	112,237.70	152	107,967.40	111,623.40
Employees (in thousands)	174	228.82	493.05	152	216.86	467.86
Log (1+employees)	174	4.26	1.26	152	4.23	1.27
Sales (in $ millions)	174	49,749.86	49,164.26	152	49,969.92	52,690.77
Leverage	174	0.69	0.22	152	0.70	0.23
Firm age	174	29.55	20.48	152	30.07	21.12
Tobin's Q	174	3.40	1.55	152	3.49	1.62
ROA	174	0.16	0.08	152	0.16	0.08
Average number of analysts	174	25.69	8.15	152	26.18	7.71
Analyst coverage	174	3.19	0.57	152	3.23	0.45
Overall Glassdoor rating	164	3.52	0.39	152	3.53	0.39
Fraction of female top executives	174	0.05	0.12	152	0.05	0.12
Top-5 female executives dummy	174	0.18	0.38	152	0.17	0.38
Fraction of female board members	174	0.21	0.09	152	0.21	0.10
HRC corporate equality index	88	88.86	21.67	77	89.16	21.17
Family firm dummy	174	0.56	0.50	152	0.57	0.50
Poor monitoring index	174	1.16	0.68	152	1.13	0.70
Busy board dummy	174	0.00	0.00	152	0.00	0.00
Nonindependent board dummy	174	0.01	0.08	152	0.01	0.08
Large board dummy	174	0.63	0.48	152	0.63	0.49
Hand-picked board dummy	174	0.52	0.50	152	0.50	0.50
Institutional ownership percentage	172	0.45	0.34	152	0.46	0.34

Table 3 (Contd.)

Panel C: Difference in means

Variables	Nonharassment sample			Difference in means between nonharassment sample and harassment (regression) sample	
	N	Mean	Standard deviation	Difference	t-stat
Market capitalization (in $ millions)	2,296	31,615.39	50,573.41	−76,352.01	−16.19***
Employees (in thousands)	2,296	50.05	106.11	−166.81	−12.84***
Log (1+employees)	2,296	3.16	1.19	−1.08	−10.77***
Sales (in $ millions)	2,296	19,246.30	31,751.81	−30,723.62	−19.98***
Leverage	2,296	0.61	0.19	−0.09	−5.35***
Firm age	2,296	38.56	24.58	8.49	4.16***
Tobin's Q	2,296	2.88	1.29	−0.62	−5.63***
ROA	2,296	0.15	0.07	−0.01	−1.75*
Average number of analysts	2,296	18.87	7.38	−7.31	−11.79***
Analyst coverage	2,296	2.90	0.47	−0.33	−8.44***
Overall Glassdoor rating	2,296	3.33	0.46	−0.20	−5.47***
Fraction of female top executives	2,296	0.03	0.09	−0.02	−2.02**
Top-5 female executives dummy	2,296	0.13	0.34	−0.04	−1.28
Fraction of female board members	2,296	0.20	0.09	−0.01	−1.51
HRC corporate equality index	998	65.76	35.40	−23.40	−5.72***
Family firm dummy	2,296	0.24	0.43	−0.33	−9.18***
Poor monitoring index	2,296	0.72	0.68	−0.41	−7.24***
Busy board dummy	2,296	0.00	0.06	0.00	0.77
Nonindependent board dummy	2,296	0.00	0.06	0.00	−0.74
Large board dummy	2,296	0.31	0.46	−0.31	−8.05***
Hand-picked board dummy	2,296	0.40	0.49	−0.10	−2.39**
Institutional ownership percentage	2,296	0.59	0.29	0.14	5.55***

Table 4

Equity Market Reactions to Announcements of Sexual Harassment Cases

Panels A, B, and C of this table present the event study results of the announcement of sexual harassment cases. For the mean CARs, *t*-statistics are computed with the standardized cross-sectional method of Boehmer, Musumeci, and Poulsen (1991) and adjusted for cross-sectional correlation following Kolari and Pynnönen (2010). Generalized Sign *Z* is the non-parametric test statistic of Cowan (1992). The symbols *, **, and *** denote statistical significance at the 0.10, 0.05, and 0.01 levels, respectively. Panel D compares the dollar value of victim settlements with mean market value losses for the 25 firms where settlement data is available.

Panel A: Market model adjusted abnormal returns

Event window	N	Mean CAR	*t*-statistic	Generalized Sign Z
(0,0)	174	−0.29%	−1.872**	−1.102
(0, +1)	174	−0.46%	−1.869**	−2.467***
(0, +2)	174	−0.47%	−2.127**	−2.921***
(−1,0)	174	−0.17%	−0.944	−1.102
(+1, +10)	174	0.09%	0.145	−0.192

Panel B: Fama-French three-factor adjusted abnormal returns

Event window	N	Mean CAR	*t*-statistic	Generalized Sign Z
(0,0)	174	−0.31%	−2.120**	−2.538***
(0, +1)	174	-0.46%	−1.799**	−2.538***
(0, +2)	174	-0.42%	−1.822**	−2.387***
(−1,0)	174	-0.20%	−1.186	−0.870
(+1, +10)	174	0.05%	0.210	0.039

Panel C: Fama-French Carhart four-factor adjusted abnormal returns

Event window	N	Mean CAR	*t*-statistic	Generalized Sign Z
(0,0)	174	−0.21%	−1.315*	−1.112
(0, +1)	174	−0.41%	−1.545*	−2.325**
(0, +2)	174	−0.45%	−1.915**	−2.628***
(−1,0)	174	−0.06%	−0.356	0.253
(+1, +10)	174	−0.14%	0.418	−0.354

Panel D: Settlements versus abnormal dollar loss of market value (N = 25)

Settlement (in $ millions)	Loss of market value (in $ millions)								
	Market model adjusted CARs			Fama-French three-factor adjusted CARs			Carhart four-factor adjusted CARs		
	(0, 0)	(0, +1)	(0, +2)	(0, 0)	(0, +1)	(0, +2)	(0, 0)	(0, +1)	(0, +2)
−$18.7	−$74.1	−$298	−$247	−$137	−$240	−$179	−$133	−$233	−$244

Table 5

Differences in CARs

This table represents the two-day (0, +1) CARs of the sexual harassment announcements split by the reaction by the firm, by the employment status of the perpetrator at the time of the announcement, by the initial source of disclosure, by the type of harassment, and by whether the announcement occurred after #MeToo or not. The symbols *, **, and *** denote statistical significance at the 0.10, 0.05, and 0.01 levels, respectively.

	N	Market model adjusted mean CARs	Fama-French three-factor adjusted mean CARs	Carhart four-factor adjusted mean CARs
Panel A: Reaction by the firm				
Action taken	67	−0.24%	−0.19%	−0.12%
Nothing done	85	−0.59%	−0.63%	−0.61%
Difference		0.35%	0.44%	0.48%
Panel B: Perpetrator being fired at the time of the announcement				
Fired	34	−0.16%	−0.16%	−0.23%
Not fired	103	−0.61%	−0.63%	−0.54%
Difference		0.45%	0.47%	0.31%
Panel C: Initial source of disclosure				
By firm	21	−0.70%	−0.78%	−0.86%
By legal filling	92	−0.19%	−0.16%	−0.12%
By media	49	−0.90%	−0.92%	−0.80%
Difference between firm and legal filing		−0.51%	−0.62%*	−0.73%*
Difference between firm and media		0.19%	0.14%	−0.05%
Difference between legal filing and media		0.71%*	0.75%*	0.68%*
Panel D: Type of harassment				
Quid pro quo	19	−1.26%	−1.26%	-1.12%
Hostile environment	137	−0.41%	−0.41%	-0.38%
Difference		−0.86%*	−0.86%*	-0.74%
Panel E: #MeToo				
Before #MeToo	82	−0.37%	−0.37%	-0.34%
After #MeToo	80	−0.57%	−0.57%	-0.51%
Difference		0.20%	0.20%	0.17%

Table 6

Determinants of Sexual Harassment Announcements

This table presents the determinants of public announcements of sexual harassment estimated via a Probit model. All continuous variables have been winsorized at the 1st and 99th percentiles. Variable definitions can be found in Appendix A. Standard errors are presented within parenthesis and are clustered at the firm level. The symbols *, **, and *** denote statistical significance at the 0.10, 0.05, and 0.01 levels, respectively.

Variables	Sex harassment dummy				
	(1)	(2)	(3)	(4)	(5)
Overall Glassdoor rating	0.518**				
	(0.206)				
Fraction of female top executives		1.306**			
		(0.542)			
Top-5 female executives dummy			0.338*		
			(0.183)		
Fraction of female board members				0.172	
				(0.966)	
HRC corporate equality index					0.010**
					(0.004)
Poor monitoring index	0.197*	0.243**	0.238**	0.226**	0.092
	(0.111)	(0.118)	(0.118)	(0.110)	(0.137)
Analyst coverage	0.334	0.338	0.339	0.352	0.452
	(0.294)	(0.307)	(0.305)	(0.294)	(0.331)
Log (employees)	0.452***	0.457***	0.455***	0.454***	0.389***
	(0.102)	(0.102)	(0.101)	(0.100)	(0.120)
Leverage	0.566	0.444	0.465	0.471	0.495
	(0.437)	(0.425)	(0.427)	(0.425)	(0.597)
Firm age	−0.008*	−0.008**	−0.008**	−0.008**	−0.006
	(0.004)	(0.004)	(0.004)	(0.004)	(0.005)
Tobin's Q	0.204***	0.245***	0.242***	0.239***	0.164*
	(0.072)	(0.071)	(0.071)	(0.073)	(0.086)
ROA	−2.174*	−2.485**	−2.494**	−2.433**	−1.545
	(1.167)	(1.124)	(1.126)	(1.133)	(1.616)
Institutional ownership	0.649	0.335	0.337	0.375	0.449
	(0.878)	(0.778)	(0.781)	(0.786)	(0.758)
Family firm dummy	0.736***	0.750***	0.748***	0.719***	0.701***
	(0.222)	(0.219)	(0.218)	(0.217)	(0.267)
Constant	−6.290***	−4.557***	−4.564***	−4.570***	−4.432***
	(1.355)	(1.110)	(1.109)	(1.055)	(1.159)
Observations	2,225	2,225	2,225	2,225	940
Pseudo R-squared	0.409	0.406	0.404	0.399	0.406
Year FE	YES	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES	YES

Table 7

Cross-sectional Analysis of Cumulative Abnormal Returns

This table presents the cross-sectional regressions of the two-day (0, +1) CARs of the sexual harassment announcements (generated via the Fama-French three-factor model) on various announcement and firm characteristics estimated via ordinary least squares. All continuous variables have been winsorized at the 1st and 99th percentiles. Standard errors are presented within parenthesis and are clustered at the firm level. The symbols *, **, and *** denote statistical significance at the 0.10, 0.05, and 0.01 levels, respectively.

Variables	CARs					
	(1)	(2)	(3)	(4)	(5)	(6)
Action taken dummy	0.013**			0.012**		
	(0.005)			(0.005)		
Proactive dummy		0.020***			0.019***	
		(0.007)			(0.007)	
Reactive dummy		0.004			0.005	
		(0.006)			(0.006)	
Fired dummy			0.013***			0.012**
			(0.004)			(0.005)
Disclosure by firm dummy	0.001	−0.004	−0.003	0.001	−0.003	−0.002
	(0.005)	(0.007)	(0.005)	(0.005)	(0.007)	(0.006)
Legal disclosure dummy	0.010	0.012*	0.010*	0.011*	0.012*	0.010*
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Overall Glassdoor rating	0.008*	0.010**	0.012***			
	(0.004)	(0.005)	(0.004)			
Fraction of female top executives				-0.003	−0.005	0.000
				(0.014)	(0.014)	(0.016)
Constant	−0.047	−0.071*	−0.084**	−0.018	−0.031	−0.035
	(0.031)	(0.035)	(0.040)	(0.020)	(0.023)	(0.028)
Observations	152	152	137	152	152	137
Adjusted R-squared	0.242	0.276	0.214	0.231	0.258	0.184
Controls	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES	YES	YES

Table 8
Heckman Selection Model
This table represents the cross-sectional regressions of the two-day (0, +1) CARs of the sexual harassment announcements (generated via the Fama-French three-factor model) on various announcement and firm characteristics, estimated via a Heckman selection model. Panel B is also estimated via a Heckman selection model but includes additional announcement characteristics. All continuous variables have been winsorized at the 1st and 99th percentiles. Variable definitions can be found in Appendix A. Standard errors are presented within parenthesis and are clustered at the firm level. The symbols *, **, and *** denote statistical significance at the 0.10, 0.05 and 0.01 levels, respectively.

Variables	Overall Glassdoor ratings					Fraction of female top executives				
	Sex harassment dummy	CARs	CARs	CARs	CARs	Sex harassment dummy	CARs	CARs	CARs	CARs
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Action taken dummy		0.013***			0.013***		0.012***			0.012***
		(0.004)			(0.004)		(0.004)			(0.004)
Proactive dummy			0.020***					0.019***		
			(0.005)					(0.005)		
Reactive dummy			0.005					0.005		
			(0.005)					(0.005)		
Fired dummy				0.013**					0.012**	
				(0.006)					(0.006)	
Disclosure by firm dummy		0.001	−0.004	−0.003	−0.001		0.002	−0.002	−0.002	0.000
		(0.005)	(0.006)	(0.007)	(0.007)		(0.005)	(0.006)	(0.007)	(0.007)
Legal disclosure dummy		0.010**	0.012***	0.010**	0.006		0.011**	0.012***	0.010**	0.006
		(0.004)	(0.004)	(0.005)	(0.005)		(0.004)	(0.004)	(0.005)	(0.005)
Number of victims					−0.001					−0.001*
					(0.001)					(0.001)
Female victim dummy					−0.005					-0.005
					(0.005)					(0.006)
Quid pro quo dummy					−0.009*					−0.009*
					(0.005)					(0.005)
Overall Glassdoor rating	0.532***	0.013	0.014	0.012	0.008					
	(0.154)	(0.011)	(0.011)	(0.011)	(0.012)					
Fraction of female top executives						1.278***	0.009	0.008	−0.010	0.018
						(0.466)	(0.030)	(0.030)	(0.036)	(0.034)
Constant	−6.312***	−0.144	−0.145	−0.062	−0.043	−4.523***	−0.087	−0.098	0.011	−0.037
	(0.891)	(0.139)	(0.135)	(0.139)	(0.153)	(0.697)	(0.111)	(0.109)	(0.115)	(0.125)
Observations	2,448	152	152	137	126	2,448	152	152	137	126
Pseudo *R*-squared	0.415					0.411				
Wald Chi-squared statistic		44.97***	55.56***	37.16*	52.49***		42.98**	49.89***	29.94	49.50***
Controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Inverse Mills ratio	NO	YES	YES	YES	YES	NO	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES

Table 9

Analysis Excluding Firm-Initiated Announcements

Panel A, B, and C present the event study results of the announcement of sexual harassment cases where any announcements that are initiated by firms are excluded. For the mean CARs, *t*-statistics are computed with the standardized cross-sectional method of Boehmer, Musumeci, and Poulsen (1991) and adjusted for cross-sectional correlation following Kolari and Pynnönen (2010). Generalized Sign *Z* is the nonparametric test statistic of Cowan (1992). Panel D presents the cross-sectional regressions of the two-day (0, +1) Fama-French three-factor CARs on various announcement and firm characteristics, estimated via a Heckman selection model, excluding the announcements that are initiated by firms. Variable definitions can be found in Appendix A. Standard errors are presented within parenthesis and are clustered at the firm level. The symbols *, **, and *** denote statistical significance at the 0.10, 0.05 and 0.01 levels, respectively.

Panel A: Market model adjusted abnormal returns

Event window	N	Mean CAR	t-statistic	Generalized Sign Z
(0,0)	153	−0.32%	−1.957**	−0.946
(0, +1)	153	−0.43%	−1.536*	−1.592*
(0, +2)	153	−0.38%	−1.611*	−2.239**
(−1,0)	153	−0.20%	−1.065	−0.946
(+1, +10)	153	0.15%	0.226	−0.460

Panel B: Fama-French three-factor adjusted abnormal returns

Event window	N	Mean CAR	t-statistic	Generalized Sign Z
(0,0)	153	−0.33%	−2.034**	−2.171**
(0, +1)	153	−0.41%	−1.430*	−1.685**
(0, +2)	153	−0.32%	−1.325*	−1.524*
(−1,0)	153	−0.21%	−1.210	−0.554
(+1, +10)	153	0.13%	0.301	−0.230

Panel C: Fama-French Carhart four-factor adjusted abnormal returns

Event window	N	Mean CAR	t-statistic	Generalized Sign Z
(0,0)	153	−0.20%	−1.135	−0.818
(0, +1)	153	−0.35%	−1.117	−1.303*
(0, +2)	153	−0.36%	−1.415*	−1.949**
(−1,0)	153	−0.07%	−0.410	0.476
(+1, +10)	153	−0.08%	−0.284	−0.494

Table 9 (Contd.)
Panel D: Heckman selection model

Variables	Overall Glassdoor ratings				Fraction of female top executives			
	Sex harassment dummy	CARs	CARs	CARs	Sex harassment dummy	CARs	CARs	CARs
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Action taken dummy		0.012***				0.012***		
		(0.004)				(0.004)		
Proactive dummy			0.023***				0.022***	
			(0.005)				(0.005)	
Reactive dummy			0.001				0.002	
			(0.005)				(0.005)	
Fired dummy				0.016**				0.014**
				(0.006)				(0.006)
Legal disclosure dummy		0.010**	0.012***	0.011**		0.010**	0.012***	0.010**
		(0.004)	(0.004)	(0.005)		(0.004)	(0.004)	(0.005)
Overall Glassdoor rating	0.503***	0.013	0.013	0.011				
	(0.157)	(0.014)	(0.013)	(0.013)				
Fraction of female top executives					1.220**	0.011	0.001	−0.012
					(0.476)	(0.037)	(0.035)	(0.046)
Constant	−5.921***	−0.143	−0.120	−0.067	−4.253***	−0.080	−0.068	0.022
	(0.911)	(0.170)	(0.160)	(0.168)	(0.715)	(0.136)	(0.130)	(0.141)
Observations	2,427	131	131	117	2,427	131	131	117
Pseudo R-squared	0.388				0.3834			
Wald Chi-squared statistic		39.31**	58.86***	34.31*		38.72**	52.78***	26.79
Controls	YES	YES	YES	YES	YES	YES	YES	YES
Inverse Mills ratio	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES	YES	YES	YES	YES

Table 10
#MeToo Analysis
This table represents the cross-sectional regressions of the two-day (0, +1) CARs of the sexual harassment announcements (generated via the Fama-French three-factor model) on various announcement and firm characteristics with the inclusion of a #MeToo dummy. Columns (1) and (4) are estimated via ordinary least squares. Columns (2) and (5) represent the first stage of the Heckman selection model while columns (3) and (6) represent the corresponding second stage of the Heckman selection model. All continuous variables have been winsorized at the 1st and 99th percentiles. Variable definitions can be found in Appendix A. Standard errors are presented within parentheses and are clustered at the firm level. The symbols *, **, and *** denote statistical significance at the 0.10, 0.05, and 0.01 levels, respectively.

Variables	Overall Glassdoor rating			Fraction of female top executives		
	CAR (1)	Sex harassment dummy (2)	CAR (3)	CAR (4)	Sex harassment dummy (5)	CAR (6)
#MeToo	0.005		0.008	0.004		0.006
	(0.004)		(0.006)	(0.004)		(0.006)
Action taken dummy	0.011**		0.011***	0.011**		0.011***
	(0.004)		(0.004)	(0.004)		(0.004)
Disclosure by firm dummy	−0.002		−0.001	−0.001		−0.001
	(0.004)		(0.005)	(0.004)		(0.005)
Legal disclosure dummy	0.010		0.010**	0.010		0.010**
	(0.007)		(0.004)	(0.007)		(0.004)
Overall Glassdoor rating	0.008	0.532***	0.014**			
	(0.005)	(0.154)	(0.006)			
Fraction of female top executives				-0.006	1.278***	0.006
				(0.012)	(0.466)	(0.018)
Constant	−0.046	−6.312***	−0.118**	-0.017	−4.523***	−0.056
	(0.030)	(0.891)	(0.058)	(0.020)	(0.697)	(0.042)
Observations	152	2,448	152	152	2,448	152
Adjusted *R*-squared	0.203			0.191		
Pseudo *R*-squared		0.415			0.411	
Wald Chi-squared statistic			39.10***			36.05**
Controls	YES	YES	YES	YES	YES	YES
Inverse Mills ratio	NO	NO	YES	NO	NO	YES
Year FE	NO	YES	NO	NO	YES	NO
Industry FE	YES	YES	YES	YES	YES	YES

Table 11

Explaining Firm Actions

This table presents regressions of the 'Action taken' dummy and the 'Fired' dummy on various announcement and firm characteristics. All continuous variables have been winsorized at the 1st and 99th percentiles. Variable definitions can be found in Appendix A. Standard errors are presented within parentheses and are clustered at the firm level. The symbols *, **, and *** denote statistical significance at the 0.10, 0.05, and 0.01 levels, respectively.

Variables	Ordinary least squares			Probit		
	(1)	(2)	(3)	(4)	(5)	(6)
#MeToo	0.436***	0.437***	0.417***	1.547***	1.521***	1.459***
	(0.103)	(0.102)	(0.106)	(0.408)	(0.399)	(0.406)
Female victim dummy	0.210**	0.233**	0.230**	0.777*	0.843**	0.805**
	(0.102)	(0.097)	(0.110)	(0.397)	(0.391)	(0.408)
Top manager dummy	0.274**	0.263**	0.284**	0.890**	0.847**	0.907**
	(0.118)	(0.115)	(0.117)	(0.383)	(0.376)	(0.387)
Quid pro quo dummy	-0.078	−0.050	−0.097	−0.277	−0.173	−0.340
	(0.127)	(0.124)	(0.125)	(0.374)	(0.365)	(0.365)
Overall Glassdoor rating	0.083			0.294		
	(0.145)			(0.454)		
Fraction of female top executives		-0.499			−1.595	
		(0.317)			(1.096)	
Fraction of female board members			0.644			1.600
			(0.648)			(1.770)
Log (1+employees)	0.016	0.013	0.009	0.021	0.014	0.011
	(0.059)	(0.058)	(0.059)	(0.181)	(0.179)	(0.179)
Leverage	0.054	0.077	0.012	0.278	0.333	0.128
	(0.143)	(0.128)	(0.121)	(0.493)	(0.465)	(0.474)
Firm age	0.001	0.001	0.001	0.003	0.004	0.003
	(0.003)	(0.003)	(0.003)	(0.009)	(0.009)	(0.009)
Tobin's Q	−0.031	−0.027	−0.019	−0.154	-0.128	−0.113
	(0.039)	(0.033)	(0.029)	(0.126)	(0.110)	(0.102)
ROA	−0.807	−0.765	−0.915	−2.910	−2.739	−3.237
	(0.638)	(0.605)	(0.641)	(2.270)	(2.195)	(2.266)
Analyst coverage	0.040	0.046	0.058	0.134	0.143	0.169
	(0.084)	(0.086)	(0.081)	(0.284)	(0.291)	(0.268)
Poor monitoring index	−0.069	−0.084	−0.026	−0.235	−0.279	−0.127
	(0.068)	(0.068)	(0.060)	(0.224)	(0.224)	(0.205)
Institutional ownership	0.513***	0.473***	0.551***	1.829***	1.660***	1.860***
	(0.165)	(0.172)	(0.178)	(0.565)	(0.579)	(0.593)
Family firm dummy	0.091	0.078	0.094	0.320	0.276	0.333
	(0.088)	(0.089)	(0.079)	(0.279)	(0.282)	(0.256)
Constant	−0.735	−0.456	−0.644*	−2.346	−1.355	−1.873*
	(0.473)	(0.320)	(0.337)	(1.822)	(1.142)	(1.128)
Observations	141	141	141	141	141	141
Adjusted *R*-squared	0.203	0.212	0.209			
Pseudo *R*-squared				0.273	0.278	0.274
Year FE	NO	NO	NO	NO	NO	NO
Industry FE	YES	YES	YES	YES	YES	YES

Table 12

Changes in Employee Productivity

This table represents the regression of employee productivity on firm level controls and on a dummy indicating whether the firm had a public announcement of sexual harassment within a given year or not. All continuous variables have been winsorized at the 1st and 99th percentiles. Variable definitions can be found in Appendix A. Standard errors are presented within parentheses and are clustered at the firm level. The symbols *, **, and *** denote statistical significance at the 0.10, 0.05 and 0.01 levels, respectively.

VARIABLES	Sales per employee		Operating profit per employee	
	(1)	(2)	(3)	(4)
Sex harassment announcement dummy	−405.858***	−403.506***	−67.101***	−67.279***
	(140.507)	(140.905)	(20.800)	(21.593)
Log (1+ assets)	270.512***	273.483***	67.833***	66.346***
	(73.377)	(73.077)	(20.871)	(17.726)
Leverage	306.238	304.356	−77.880	−74.004
	(304.035)	(308.662)	(66.414)	(62.894)
Overall Glassdoor rating	36.377		−15.445	
	(108.044)		(47.360)	
Fraction of female top executives		−305.321		−26.552
		(295.091)		(74.519)
Firm age	−8.648*	−8.663*	−0.965	−0.949
	(4.792)	(4.810)	(0.810)	(0.789)
Tobin's Q	−21.595	−20.268	36.126**	34.778**
	(55.196)	(51.671)	(16.668)	(14.472)
Poor monitoring index	−77.036	−80.261	−17.046	−17.016
	(65.342)	(66.392)	(12.276)	(12.323)
Institutional ownership	446.976*	445.106*	147.916	151.818
	(239.163)	(238.064)	(90.280)	(93.103)
Family firm dummy	−169.858	−171.462	−42.912*	−43.118*
	(104.236)	(104.230)	(25.469)	(25.339)
Constant	−2,476.214***	−2,369.922***	−673.346***	−712.467***
	(652.261)	(646.376)	(187.909)	(233.895)
Observations	1,245	1,245	1,245	1,245
Adjusted R-squared	0.148	0.149	0.227	0.227
Year FE	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES

Table 13

Location Analysis

This table presents an analysis of the Heckman selection model with the addition of various controls for location. All continuous variables have been winsorized at the 1st and 99th percentiles. Variable definitions can be found in Appendix A. Standard errors are presented within parentheses and are clustered at the firm level. The symbols *, **, and *** denote statistical significance at the 0.10, 0.05, and 0.01 levels, respectively.

VARIABLES	Sex harassment dummy	CARs	Sex harassment dummy	CARs	Sex harassment dummy	CARs
	(1)	(2)	(3)	(4)	(5)	(6)
Headquarter dummy		-0.000				
		(0.005)				
Stakeholder state			-0.374***	0.002		
			(0.137)	(0.009)		
Action taken dummy		0.007*		0.011***		0.009***
		(0.004)		(0.004)		(0.004)
Disclosure by firm dummy		0.006		0.001		-0.002
		(0.007)		(0.005)		(0.005)
Legal disclosure dummy		0.012***		0.009**		0.005
		(0.004)		(0.004)		(0.004)
Overall Glassdoor rating	0.612***	0.012	0.502***	0.014	0.474***	0.025***
	(0.170)	(0.015)	(0.160)	(0.010)	(0.183)	(0.010)
Fraction of top female executives						
Constant	-7.013***	-0.062	-5.892***	-0.094	-5.204***	-0.178
	(0.991)	(0.181)	(0.919)	(0.118)	(1.104)	(0.120)
Observations	2,420	124	152	2,448	2,439	152
Pseudo R-squared	0.4056		0.4221		0.4821	
Wald Chi-squared statistic		51.41***		45.64***		100.44***
Controls	YES	YES	YES	YES	YES	YES
Inverse mills ratio	NO	YES	NO	YES	NO	YES
Year FE	YES	YES	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES	YES	YES
Headquarter State FE	NO	NO	NO	NO	YES	YES