

# Me Too: Does Workplace Sexual Harassment Hurt Firm Value?

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## Abstract

We investigate the impact of workplace sexual harassment on firm value. We estimate firm-level prevalence of sexual harassment through textual analysis of employees' online job reviews, and find a high sexual harassment (SH) score leads to lower future stock returns. During 2011-2017, the value-weighted hedge portfolio formed on SH earned a five-factor annualized alpha of 23.4%, or a shareholder value loss of \$1.99 billion per year for each harassment-prone firm. These results indicate that sexual harassment has a strong damaging impact on firm value, but investors are not fully aware of the costs associated with sexual harassment.

**Keywords:** sexual harassment, corporate culture, stock returns, textual analysis, underreaction

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