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# THE PSYCHOLOGICAL AND ECONOMIC IMPACT OF WORKPLACE SEXUAL HARASSMENT: A LEGAL ANALYSIS INFORMED BY BEHAVIOURAL STUDIES

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## ABSTRACT

Sexual harassment in the workplace produces consequences that extends far beyond violation of legal rights. Sexual harassment in the workplace remains one of the most prominent forms of discrimination based on gender and it impacts upon the individual's mental health, financial stability and growth alongwith the future career opportunities as well. It deeply affects the economic productivity and organizational culture along with the mental and psychological well-being of the victim. This research paper aims at exploration of psychological and economic consequences of workplace sexual harassment and studying those consequences via legal & psychological lenses. This paper analyzes how current laws are addressing or failing to address the financial issues and the deeper level of trauma which is faced by the victims alongwith anchoring the legal framework of India's Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH Act)<sup>1</sup>.

This research paper incorporates findings from economic and behavioural studies and references taken from real world scenarios and real time interview and it based on firsthand experience of a survivor who was so much traumatised by the sexual harassment at workplace that instead of proceeding formally, she chooses to resign from the job. The paper argues for a more empathetic response from legal institutions, workplaces and policymakers while dealing with sexual harassment of women at workplace cases as it is a very crucial labor and human rights issue, which is disproportionately affecting women across various workplace sectors. Its consequences are not merely legal, but deep down destroying and leaving lifelong scars on the

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<sup>1</sup> The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, Ministry of Law and Justice, Government of India. The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 was enacted by the Ministry of Law and Justice to provide protection against sexual harassment, prevent such acts, and establish a mechanism for redressal of complaints in India. Key objectives include creating safe and gender-equal work environments, while the Ministry of Women and Child Development is involved in implementing the Act's provisions and guidelines. The Act defines sexual harassment as unwanted physical contact, requests for sexual favors, sexually colored remarks, pornography, or other verbal, non-verbal, or physical conduct of a sexual nature.

victim's mental wellbeing and it is economically exhausting. This research paper highlights critical gaps in the mechanism for redressal, prevention and further offers suggestions for law and policy reforms for a world free of sexual harassment of women at workplace.

**Keywords:** POSH Act, workplace sexual harassment, psychological lenses, real time interview, behavioral studies, legal rights, psychological traumas, gender based discrimination, resignation due to harassment, legal redressal mechanisms, economically exhausting, behavioral outcomes and mental health.

## Introduction

Sexual harassment in professional setting is not a new concern, but only in recent decades has it received systematic academic and legal attention. Workplace sexual harassment is not only a moral and legal violation but a complex psychological shock and economic burden. The issue stems largely from gendered power imbalances, and continues to affect working women. Although the POSH Act has introduced significant legal protections, the combined struggles of emotional distress, financial vulnerability and limited access to effective redressal mechanisms are still largely unresolved in practice. This paper addresses these issues through a multidisciplinary approach that integrates law, psychology and labor economics and attempts to bridge that gap by combining doctrinal legal analysis with behavioral research to understand how harassment impacts the mental well-being along with their economic conditions. The legal structure is robust on paper, its implementation rarely engages with the deeper emotional or financial suffering that victims face.

Victims of sexual harassment often suffers from anxiety, depression, low self-esteem and social withdrawal, which often results into reduced job performance, absenteeism, job loss and long-term career standstill, career break etc. The authors aim to analyze the invisible injuries caused by sexual harassment against women at workplace and propose behavioral strategies to address them.

### 1. Understanding Legal Framework of Sexual Harassment of Women at Workplace and its limitations

The enactment of the POSH Act was preceded by the **Vishaka Guidelines**<sup>2</sup>, which were

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<sup>2</sup> Vishaka v. State of Rajasthan, AIR 1997 SC 3011. They mandate that employers prevent and provide a mechanism for resolving sexual harassment, defining it as unwelcome sexual conduct, remarks, or demands. The

established by the Supreme Court in 1997 as a foundational framework to address workplace sexual harassment of women. The Act defines sexual harassment, establishes Internal Complaints Committees (ICCs) and defines sexual harassment under Section 2(n), encompassing unwelcome physical contact, sexual advances, sexually colored remarks, showing pornography and any other unwelcome physical, verbal, or non-verbal conduct of a sexual nature. It is typically categorized into two categories:-

(A) **Quid pro quo**: where job benefits/promotions are linked with sexual favors<sup>3</sup>.

(B) **Hostile work environment**: where the behavior creates an environment that is intimidating or offensive<sup>4</sup>.

**Limitations in Current Legal Framework:** Despite being a landmark legislation, the POSH Act does not mandate psychological counselling or financial rehabilitation of survivors<sup>5</sup>. Some major limitations include:

- Compensation mechanisms are left to the discretion of the ICC and they are quite vague.
- During the inquiry proceedings there is a noticeable lack of standardized trauma assessment tools to understand the mental wellbeing of victims.
- Judicial delays, fear of victim-blaming, and lack of confidentiality further deter reporting.

This underlines the urgent need for policy reform and procedural strengthening of the Act.

## 2. Psychological Impact of Workplace Sexual Harassment and Behavioural Perspective

Sexual harassment has profound and long-lasting psychological effects on victims. Workplace

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guidelines also established the requirement for an Internal Complaints Committee (ICC) with a majority of women and inclusion of an NGO representative and emphasized the need for a time-bound, confidential complaints procedure. These guidelines evolved into the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

<sup>3</sup> The term “**quid pro quo**” is Latin for “something for something” or “this for that.” It refers to a situation where one thing is exchanged for another, often implying a reciprocal arrangement.

<sup>4</sup> Constant sexual jokes or inappropriate comments by colleagues that make a female employee uncomfortable, even though there is no direct threat or promise of promotion.

<sup>5</sup> Despite these measures, a considerable gap remains in addressing the aftermath of mental harassment particularly in relation to psychological trauma and economic loss which causes the victim to lose confidence in the legal system.

sexual harassment against women can result in a range of psychological consequences including anxiety and depression, panic attacks, loss of self esteem, sleep disturbances and **post-traumatic stress disorders<sup>6</sup> (PTSD)**. These effects are not only emotionally distressing but also impair brain functioning, decision-making and overall mental health<sup>7</sup>.

A landmark judgment by the Madras High Court's 2024 ruling in *R. Mohanakrishnan v. The Deputy Inspector General of Police (2024)*<sup>8</sup> recognized the severe mental trauma and psychological suffering endured by women<sup>9</sup>. The Courts in many cases have underlined the obligation of employers not only to ensure a safe and inclusive working environment, but also to provide psychological support mechanisms and a secure, transparent complaint process in alignment with the principles of dignity and fairness under Article 21 of the Constitution.

- A 2018 study by the **American Psychological Association** found that victims of workplace sexual harassment are 2.5 times more likely to suffer from depression and anxiety<sup>10</sup>.
- In India, the **National Mental Health Survey**<sup>11</sup> (2018-19) indicated that over 45% of women who faced workplace harassment showed symptoms of stress and trauma.



### Long-term Psychological and Emotional Impacts of Workplace Trauma

- 1 Post-traumatic stress disorder
- 2 Anxiety disorders and depression
- 3 Substance abuse as a coping mechanism
- 4 Changes in personality or behavior

12

<sup>6</sup> Post-Traumatic Stress Disorder (PTSD) is a mental health condition that can develop after experiencing or witnessing a traumatic event, leading to symptoms like intrusive memories, avoidance, negative changes in mood.

<sup>7</sup> The American Psychological Association reports that prolonged exposure to harassment can lead to chronic psychological distress, including suicidal ideation.

<sup>8</sup> *R. Mohanakrishnan v. The Deputy Inspector General of Police* is 2024 SCC OnLine Mad 2123.

<sup>9</sup> The judgment acknowledged the significant psychological burden on survivors, recognizing that trauma can cause a delay in coming forward. It ensures that procedural technicalities do not allow perpetrators to evade accountability.

<sup>10</sup> Empirical data reinforces this pattern.

<sup>11</sup> The National Mental Health Survey (NMHS) refers to a series of nationwide studies in India, with the initial phase being the National Mental Health Survey 2015-16.

<sup>12</sup> <https://www.strategypeopleculture.com/blog/understanding-workplace-trauma/>.

### Behavioral Findings:

The POSH Act does not mandate psychological counseling or therapy for survivors. While some ICCs recommend it, the absence of institutionalized psychological support results in incomplete justice<sup>13</sup>.

Behavioral psychology demonstrates that sexual harassment instances can impact the brain's stress response systems. Chronic activation due to fear or recurring harassment leads to mental health disorders such as PTSD (Post-Traumatic Stress Disorder), generalized anxiety, and depression<sup>14</sup>. According to a 2021 study published in the **Indian Journal of Psychiatry**, 62% of women who had experienced sexual harassment at work who exhibited clinical symptoms of anxiety, overthinking and depression. Victims often undergo a cycle of denial, fear and indulging in selfblame. **Judith Herman's trauma theory**<sup>15</sup> suggests that repeated exposure to harassment erodes a person's sense of safety resulting in long-term psychological distress. Courts of India have admitted the emotional toll in *Apparel Export Promotion Council v. A.K. Chopra*<sup>16</sup>(1999), where the Supreme Court noted that workplace harassment infringes on the fundamental rights to life and dignity under Article 21 of the Constitution.

Behavioral studies tell that victims frequently report sleep disturbances, headaches which are responses to stress and trauma. Learned helplessness, a behavioral phenomenon, describes how repeated exposure to uncontrollable negative events like harassment can result in emotional turmoil and resignation, preventing victims from seeking redress.

### 3. Economic Consequences for Victims and Organizations: Income Loss, Career Disruption and Workplace Inequity

The economic repercussions of workplace sexual harassment are multifaceted, affecting both individuals and organizations. Victims often experience reduced job satisfaction, career stagnation, missed promotions, and forced job changes. Recent empirical evidence from the

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<sup>13</sup> The behavioral perspective on workplace sexual harassment emphasizes how power dynamics, social learning, and individual psychological factors contribute to the occurrence and toleration of harassment.

<sup>14</sup> Studies on bystander apathy suggest that clear organizational messaging and training can empower employees to intervene and to speak out loud about the critical issues which are impacting their mental well-being.

<sup>15</sup> Judith Herman, *Trauma and Recovery*, Basic Books, 1992.

<sup>16</sup> *Apparel Export Promotion Council v. A.K. Chopra*, (1999) 1 SCC 759. In the year 1999, the Supreme Court of India upheld the dismissal of a senior officer for sexual harassment, declaring that such misconduct violates the victim's fundamental rights under Article 21 of the Constitution. The court ruled that sexual harassment infringes upon a person's right to a life of dignity and to gender equality.

case of *Shanta Kumar v. Council of Scientific and Industrial Research*<sup>17</sup> (2017) before the Central Administrative Tribunal (CAT) explained the professional stagnation faced by the complainant after harassment. The tribunal observed that the lack of organizational support led to the victim's professional isolation and eventual resignation.

The economic impact manifests in multiple forms:

- **For individuals:** Job loss, delayed promotions, reduced income or forced resignation.
- **For organizations:** Decreased productivity, increased attrition, absenteeism and reputational damage.

#### **Economic Data:**

- A **World Bank study** (2020) estimated that gender-based workplace harassment contributes to a 1.5% reduction in India's GDP<sup>18</sup>. The World Bank's 2020 **Gender Employment Report** emphasized that workplace harassment is a significant barrier to women's labor force participation and economic independence.
- Companies with reported sexual harassment cases faced an average of 15% decrease in stock value in the six months following public disclosure (**Bloomberg, 2021**).

The POSH Act lacks provisions for direct economic restitution or loss-of-career damages, limiting justice to disciplinary action against the perpetrator. The **National Commission for Women (NCW)**<sup>19</sup> in India reported that 70% of working women who faced sexual harassment considered changing jobs.

#### **4. Empirical Findings: Economic and Psychological Consequences of Workplace Sexual Harassment (Survey Findings, Delhi)**

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<sup>17</sup> *Shanta Kumar v. Council of Scientific and Industrial Research (CSIR)* is a 2017 Delhi High Court judgment, Civil Writ Petition No. 8149 Of 2010, cited as 2017 SCC OnLine Del 11388 or (2018) 156 FLR 719.

<sup>18</sup> World Bank, *Gender and Economic Growth in India*, 2020.

<sup>19</sup> National Commission for Women (NCW), *Annual Complaint Trends Report*, 2021–2023.

S.No.	Category / Response	Percentage of Female Respondents	Observed Behavioral Patterns / Interpretation
1.	Reported income loss due to skipped promotions or switching to suboptimal jobs.	28%	Indicates economic disadvantage and professional slow down and stagnation resulting from sexual harassment related traumas.
2.	Left jobs without filing formal complaints due to fear of social stigma and embarrassment.	21%	Reflects “risk aversion behavior” — a behavioral economic response aimed at preserving personal mental well-being and safety concerns. <sup>20</sup>

**During a personal interaction conducted as part of the empirical study for the Ph.D. thesis, one of the respondents shared:**

*“I was repeatedly asked by my manager to attend meetings outside office hours in isolation with him. Whenever I refused, I was threatened with negative performance reviews and subtle hints that my promotion would be affected. The constant fear, pressure and humiliation took a toll on my mental health and my mental peace. I developed severe social anxiety and depression which made it impossible for me to continue working there. Quitting was the only option to preserve my mental peace.” ----- Ex employee of IGT Solutions.*

### **Case law analysis reflecting Psychological and Economic Dimensions**

- **Vishaka v. State of Rajasthan (1997)<sup>21</sup>:** This foundational case highlighted workplace harassment as a human rights issue. It emphasized dignity but did not delve into financial or psychological restoration.

<sup>20</sup> These statistics reflect what behavioral economists describe as “risk aversion behavior,” wherein individuals make economically bare minimum decisions or low paying jobs to preserve their safety and mental stability and wellbeing.

<sup>21</sup> 6 SCC 241.

- **Dr. Punita K. Sodhi v. Union of India (2010)**<sup>22</sup>: The victim faced prolonged mental agony due to an ineffective redressal process. The case illustrated how procedural delays exacerbate trauma.
- **Dr. Amit Kumar v. University of Delhi (2025)**<sup>23</sup>: The Court explicitly accepted the Internal Complaints Committee's (ICC) reasoning that the complainants' psychological trauma was valid ground for delays in filing the complaint.

These cases reinforce the need for an expanded judicial framework that integrates psychological and financial redress.

## 5. Integration of Law with Psychology and Economics:

While the POSH Act focuses on prevention and redressal, it does not sufficiently integrate victimcentered remedies such as:

- Mandatory psychological support
- Compensation for mental health treatment and lost income

## 6. International Perspectives:

- **The Equal Employment Opportunity Commission (EEOC)** provides for compensatory and punitive damages<sup>24</sup>.
- **ILO Convention No. 190**<sup>25</sup> adopted in 2019, stands as the first international treaty to formally recognize the universal right to a workplace free from violence and harassment, particularly those based on gender.

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<sup>22</sup> Dr. Punita K. Sodhi v. Union of India & Ors., W.P.(C) No. 367/2009, Delhi High Court.

<sup>23</sup> Dr.Amit Kumar vs University of Delhi, Citation: 17th July, 2025 LiveLaw (Del) 847. The case involved a Delhi University professor who was compulsorily retired after students complained of sexual harassment via social media. This landmark judgment affirmed that virtual interactions on platforms like WhatsApp and Facebook can constitute a "workplace" under the POSH Act if they originate from a professional relationship. This recognizes the significant mental and emotional distress experienced by victims and limits challenges based on technicalities like limitation periods

<sup>24</sup> Women who experience sexual harassment are significantly more likely to quit their jobs than other women

<sup>25</sup> ILO Convention No. 190, Convention concerning the Elimination of Violence and Harassment in the World of Work, adopted 2019. The convention advocates for a broad and integrated approach that focuses on protection, prevention, legal accountability, access to justice, and long-term support for those affected.



India's framework remains compliance-heavy but remedy-light, particularly in addressing longterm harm.

## **7. Recommendations and Suggestions**

- **Institutionalize mental health support:** Mandatory counseling for victims through employer-sponsored programs.
- **Economic compensation models:** Include compensation for job loss, therapy and social stigma in ICC recommendations.
- **Cross-disciplinary training for ICC members:** Include behavioral experts, psychologists and HR professionals.
- **Annual mental wellness audits:** Conduct periodic surveys to assess workplace safety and mental health.
- **Legal Reform:**
  - Amend POSH Act to mandate mental health evaluation during inquiry.
  - Introduce compensation guidelines based on level of trauma.
- **Institutional Support:**
  - Establish employer-funded psychological counseling cells.
  - Set up 'Gender Wellness Committees' alongside ICCs.
- **Training and Awareness:**
  - Behavioral training for ICC members.
  - Workshops on unconscious bias, empathy, and power dynamics.
- **Judicial Sensitization:**
  - Encourage courts to consider expert testimony from behavioral psychologists.

- Incorporate non-monetary compensation such as restorative justice options.

## **Conclusion**

**Sexual harassment at the workplace is not merely a legal issue but a multidimensional crisis affecting individual dignity, psychological stability, and economic potential.** The POSH Act, while a significant legal instrument, must evolve into a comprehensive restorative framework. Integrating insights from psychology and behavioral economics into legal redressal can not only heal but also prevent, creating workplaces that are not just compliant but truly safe and inclusive.

**Sexual harassment at the workplace has extensive psychological and economic consequences that cannot be addressed by procedural compliance alone.** While the POSH Act, 2013, serves as a critical foundation, it must evolve to respond to the behavioral realities of harassment. A trauma-informed, survivor-sensitive and economically just legal framework is essential for translating legal recognition into real-world protection and empowerment.

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