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Abuse and Labour Market Conditions: An Empirical Investigation

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Preface

The views stated in this thesis are those of the author and not necessarily those of the supervisor, second assessor, Erasmus School of Economics or Erasmus University Rotterdam.

ABSTRACT

In this paper, I empirically explore the relationship between labour market conditions and leadership styles in both the US and European labour markets. I test whether unfriendly leadership styles are more predominantly employed by managers whose workers earn an inside utility, or wage, that is significantly higher than their outside option. This is done by examining extensive survey data which allows for key insights into workers' perceived relative outside utility and the level of abuse they face. I find no statistical difference between the reported abuse levels for workers with favourable and unfavourable labour market prospects. After controlling for several characteristics, workers who reported having relatively unattractive labour market prospects are 2.8% more likely to report having a bad boss, though they are no more likely to face workplace abuse.

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INTRODUCTION

The motivation of workers can come in many forms, from compensation pay and praise, to the punishment of underperformers. Whilst genuine praise has the dual benefit of motivating workers *and* increasing their job satisfaction, unfriendly leadership styles, which are likely to negatively impact satisfaction, are often still employed by management (Artz, Goodall, & Oswald, 2020).

According to the European Working Conditions Survey (EWCS), nearly 12% of employees have stated that they have been subject to some form of unfriendly leadership, such as workplace punishment (Eurofound, 2017). The US General Social Survey (GSS) paints a similar picture, where 13% of respondents stated that they “have been treated rudely or disrespectfully at work”, by their boss (Smith, Marsden, & Hout, 2012).

In light of such findings, Dur et al. (2022) provide a theoretical model to explain different leadership styles, which are dependent on the prevailing labour market conditions. A finding that is of particular interest to this paper revolves around unfriendly leadership styles. They find that unfriendly leadership styles, which may employ social punishment, are dependent on certain labour market conditions. Specifically, the presence of a binding wage floor, possibly brought forth by trade union negotiations or minimum wage legislation, can make unfriendly leadership styles more attractive to management. Although unfriendly leadership styles are generally socially inefficient, when workers get a utility from their wages which is larger than their outside option, their economic model expects social punishment to be more common, as managers can extract rents from their workers (Dur, Kvaløy, & Schöttner, 2022).

In an extension of the aforementioned paper, Burkens (2022) examines the extent to which labour legislation that protects worker rights can influence the theoretical outcomes of the model, concluding that laws only protect workers in select scenarios. The model extension also allows unfriendly leadership styles to prevail, alluding to why social punishment still occurs whilst many, if not all, countries have laws protecting their workforce.

In this paper, I empirically explore whether evidence for the model's predictions can be found in the real world. I examine whether unfriendly leadership styles are more predominant amongst workers who earn an inside utility, or wage, that is significantly higher than their outside option. This is done by examining extensive survey data which allows for key insights into workers' perceived outside utility, and the level of abuse they face. Theoretically, workers who view their chances of getting a similar paying job to be very low would be more likely to face unfriendly leadership styles than workers who do not have relatively low outside utilities. These model predictions are empirically tested by examining survey data from both the EWCS and GSS.

I contribute to the motivation and leadership literature by broadening the existing knowledge on how prevalent unfriendly and abusive supervision is and what may be driving it. By empirically exploring the relationship between employee labour market prospects and workplace abuse, I test model predictions from Dur, Kvaløy, & Schöttner (2022), in both the US and European labour markets. Whilst leadership styles have been theoretically discussed and experimentally tested, less research has focused on broader market field data to analyse real-world relationships between labour market conditions and leadership styles.

Initial analysis indicates that roughly 12% of employees face some form of supervisory abuse in the workplace and that around 40% of workers perceive their labour market prospects unfavourably. By employing ordinary least squares (OLS) and logistic probability regressions on both European and US survey data, this paper finds no significant evidence to support the hypothesis that workers with worse labour market prospects, who earn significant rents, face more abuse from their supervisors. The results are the same in both markets and are robust to different model specifications and insensitive to variable specifications. Though not the main finding, the results do indicate that workers with worse labour market prospects are more likely to report that they have a bad boss.

The paper is structured as follows, I start by discussing the relevant academic literature, followed by descriptions of the data and the methodology. Subsequently, the empirical results are presented, and conclusions are drawn.

LITERATURE REVIEW

This paper contributes to the growing literature on management styles and employee motivation. Both the theoretical and the practical approach to how managers can induce effort in workers have been studied since the late 1950s with the notable work of psychologist Douglas McGregor, who in his 'Theory X' theorized why management may employ unfriendly leadership styles (McGregor, 1960). Amongst others, economists like Pearce, et al. (2003) have built upon this by introducing 'directive leadership', which can employ threats and punishments to incentivize workers.

Though not as extensively covered in this literature review, some attention has been paid to the characteristics of supervisors who use abusive measures and organizations where they are more prevalent. McGregor's Theory X (1960) suggested narcissism and family violence be drivers of unfriendly leaders. Kiewitz, et al. (2012) build upon this, noting that family issues and a lack of self-control are drivers of workplace punishment. Through experiments, Harris, Harvey, & Kacmar (2011) find peer conflicts drive supervisor abuse. Aryee, Sun, Chen, & Debrah (2015) find that the impacts of workplace punishment are more severe in centralized hierarchical organizations. Field studies by Mawritz, Mayer, Wayne, & Marinova (2012) show how abusive supervision trickles down the hierarchical ladder. Furthermore, Wiltermuth & Flynn (2012) find that increases in management's perceived sense of power increase the severity of punishments.

The negative consequences of such unfriendly leadership styles have gained increasing academic interest. Tepper (2017) discusses the consequences of unfriendly leadership styles, which he labels as abusive. He links abusive supervisors to lower worker job satisfaction, lower commitment, and increased conflict both in and out of the workplace. Interestingly he also notes that organizational justice and job mobility help alleviate some of the negative effects. Pearson, Andersson, & Porath (2000) who discuss workplace incivility, stress the adverse effects on performance and profits, noting the key role managers have to play. Additionally, Hyson (2016) and Erickson, Shaw, & Agabe (2007) discuss how unfriendly leadership increases employee turnover and absenteeism.

Nonetheless, research such as that of Salin (2003) discusses why workplace punishment occurs and when it can be motivational. They argue that factors such as perceived power imbalances, low

perceived costs and work frustration fuel workplace punishment, and that competition and certain reward systems can make punishment motivational. Wang et al. (2018) experimentally show that displays of anger can increase perceived leader effectiveness, especially when anger expressions are in response to integrity-based violations by workers. Zhang, Song, & Song (2020) study how punishments promote knowledge sharing, notably finding punishments to be more effective than rewards in facilitating knowledge sharing. Moreover, Brett, Atwater, & Waldman (2016) discuss the effectiveness of workplace discipline, stressing the importance of two-way discussion. Finally, Dur, Kvaløy, & Schöttner (2022) also build upon this by describing the circumstances necessary for unfriendly leadership to be effective.

Whilst most research has focused on the US and EU labour market; workplace harassment has been reported in many other countries. Studies have been conducted in Norway (Einarsen & Skogstad, 2008), the UK (Helge Hoel, 2010), China (Jian, Kwan, Qiu, Liu, & Yim, 2012), Taiwan (Hu, 2012), Australia (Kiazad, Restubog, Zagenczyk, Kiewitz, & Tang, 2010) amongst others. Additionally, Kernan, Watson, Chen, & Kim (2011) assesses how cross-cultural differences affect abusive supervision. Needless to say, workplace punishment persists across organizations and countries.

I build upon the leadership literature by empirically testing a set of model predictions brought forth in Dur, Kvaløy, & Schöttner (2022). As aforementioned, their model shows that unfriendly leadership styles will be most prevalent when workers' labour market prospects are sufficiently unattractive, and they earn a significant rent from their current wage. Unfriendly leadership is then less costly than monetary incentives for the manager, who can extract some of these rents.

DATA

To empirically examine whether a relationship can be found between the level of social punishment a worker receives at work and their perceived relative outside utility, OLS and logistic model regressions are employed. As stipulated by the theory it is expected that a worker who earns a wage above their outside utility is more likely to face social punishment in the workplace.

Two datasets are explored to examine whether such a relationship presents itself in the real world. Firstly, the European Working Conditions Survey (EWCS, 2015) is analysed. This comprehensive survey of nearly 44000 employees in 35 European countries is conducted to highlight actions for policymakers to tackle issues facing workers in Europe (Eurofound, 2017). Participants are questioned by surveyors on a range of aspects relating to their jobs including several interesting questions which are explored in this paper.

The other, slightly broader dataset which is examined is similar in nature but instead focuses on the US labour market. The General Social Survey (GSS) is a yearly survey of roughly 2000 US citizens addressing similar socioeconomic factors. The survey has been running since 1972. The combined dataset contains responder data from 1972 to 2018, though the 2012 and 2016 surveys ask a particular set of relevant questions. The 2012 dataset provides interesting insights into the amount of social punishment workers receive from their bosses (Smith, Marsden, & Hout, 2012). The 2016 edition also includes relevant questions relating to social punishment in the workplace. The entire set of surveys asks questions that allow me to analyse whether workers perceive their outside utility to be lower than their current wage.

METHODOLOGY

Through OLS and logistic probability regressions, the cross-sectional relationship between key variables is assessed. To garner an indication of a worker's perceived outside utility, the EWCS asks an interesting set of questions. It starts by asking workers: "I might lose my job in the next 6 months", to which respondents can answer on a five-point Likert scale ranging from strongly agree to strongly disagree. This question is followed up with: "If I were to lose or quit my current job, it would be easy for me to find a job of a similar salary". This question is also answered on a 5-point Likert scale (Eurofound, 2017). Particularly this follow-up question allows for key insights into a worker's perceived outside utility. A worker who finds themselves unlikely to be able to find a similar job with a similar salary evidently has relatively lower labour market prospects and a lower outside utility than their current wage. This question will proxy for the relative difference between a worker's inside and outside options. It also relates to Tepper's (2007) finding, as workers who find it more difficult to find a similar-paying job evidently have less job mobility and may thus be less able to avoid abusive supervision.

The other key variable of interest is whether an employee faces social punishment in the workplace. The survey question: "Over the last month, during the course of your work have you been subjected to any of the following: a) Verbal Abuse, b) Unwanted sexual attention, c) Threats, d) Humiliating behaviour" is asked. These are all yes or no questions. Sub-questions a), c), and d) will proxy for workplace abuse in this paper. Unfortunately, the question does not specify whether an employee faces scrutiny directly from their superior, as postulated by the model of Dur et al. (2022). It is therefore possible that a worker receives social punishment from their colleagues, as workers who slack off may face increased punishment from their peers. This is however only likely to be the case in which there are team incentives, as seen in Gürerk, Irlenbusch, & Rockenbach (2009), who find that punishment can be effectively used in teams to reduce free-riding and increase contributions.

I control for this by examining workplace abuse in the case of team incentives. I proxy for team incentives by analysing the survey question for when a worker's pay includes "payments based on the performance of your team/working group/department". Additionally, I look at whether

employees work under profit sharing by analysing the yes-or-no question: “Payments based on the overall performance of the company (profit sharing scheme) where you work”.

In the case that workers do not receive compensation under a profit-sharing scheme or team pay, it would be unlikely that reported social punishment would come from colleagues, more likely coming from their superiors. Either way, I assume that the source of the punishment will not significantly impact the relationship theorized between social punishment and relatively lower outside utility. I assume that workplace punishment from both one’s boss or colleagues will be used to disincentivize shirking and that social punishment will be more prominent amongst workers who earn a significant rent over their outside utility. To verify this, I check if the level of workplace punishment varies for workers working under a team incentive or profit-sharing scheme. Appendix Table A.1 shows that the level of workplace punishment varies slightly depending on whether an employee has team incentives or works under a profit-sharing scheme. Thus, a control variable for team pay is included in my regression analysis to capture any heterogeneity.

Secondly, to assess the robustness of the results, a second test is performed by examining another angle of social punishment in the workplace. A metric to identify unfriendly or bad bosses is employed. The one used in this paper is similar to one that was developed, using the same survey, in “How Common Are Bad Bosses?” by Artz et al. (2020). In this paper, they attach a score to the friendliness and competency of a worker’s boss, based on several survey questions detailed below. Whilst this is a weaker proxy for social punishment in the workplace, I believe it can help support the results. The boss score is based on the following 6 questions:

1. Your immediate boss respects you as a person.
2. Your immediate boss gives you praise and recognition when you do a good job.
3. Your immediate boss is successful in getting people to work together.
4. Your immediate boss is helpful in getting the job done.
5. Your immediate boss provides useful feedback on your work.
6. Your immediate boss encourages and supports your development.

These questions are all answered on a 5-point Likert scale, where 1 indicates they strongly agree and 5 indicates they strongly disagree, the scores across these 6 metrics are aggregated and a cut-off value is determined in a similar way to Artz et al. (2020). To air on the side of conservatism,

the aggregate score of 18 or greater would indicate that on average a worker disagrees with the questions, and therefore has a bad boss who may be more likely to employ unfriendly leadership styles. Though a weaker proxy for unfriendly leadership, I hypothesise that workers with worse labour market prospects will be more likely to report having a bad boss.

The US General Social Survey is based on a smaller sample set, though it asks a similarly useful set of questions that directly allow us to assess whether a relationship can be identified between a worker's labour market prospects and the level of workplace punishment they receive. The 2012 GSS survey asks workers, whether "I have been treated in a rude or disrespectful manner", followed up with, "by my boss". This directly allows us to assess whether an employee faces social punishment from their manager. The 2016 edition of the GSS also asks "Over the past five years, have you been harassed by your superiors or co-workers at your job, for example, have you experienced any bullying, physical or psychological abuse? This question again relates directly to unfriendly leadership styles.

To gain an indication of a worker's perceived outside utility the question: "About how easy would it be for you to find a job with another employer with approximately the same income and fringe benefits you now have? Would you say very easy, somewhat easy, or not easy at all?" is analysed. Though the GSS is based on a smaller sample size, it allows me to corroborate the results in different labour markets. As per the model, I hypothesise that workers who have unattractive labour market prospects and earn a significant rent over their outside utilities will be more likely to face unfriendly leadership styles in their workplace.

As my data analysis includes dummy variables for abuse and low perceived outside utility, I employ both OLS, for ease of interpretation, and logistic probability regressions, to estimate the probability that a worker faces abuse if their perceived outside utility is relatively lower than their inside option.

DESCRIPTIVE STATISTICS

The descriptive statistics of several of the variables of interest are presented below.

Table 1: European Working Conditions Survey (2015) - Abuse

Q80. Last month, at work, subject to any of the following -	Freq.	Percent
(a) Verbal abuse	8,299	10.44
(b) Threats	1,712	4.35
(c) Humiliating behaviour	2,373	6.03
Total Abuse	9,432	11.86%

Table 2: US General Social Survey (2012) - Abuse

Treated rudely at work, by my boss	Freq.	Percent
Often	35	3.08
Sometimes	110	9.67
Rarely	274	24.10
Never	718	63.15
Total Abuse	145	12.75%

Table 3: US General Social Survey (2016) - Abuse

Over the past five years, have you been harassed by your superiors or co-workers at your job, for example, have you experienced any bullying, physical or psychological abuse?	Freq.	Percent
Yes	237	16.08
No	1,136	77.07
N/A	101	6.85

The descriptive statistics in Tables 1, 2 and 3 show that the abuse faced by employees in Europe and the US is quite similar. 12.75% of the US responders stated that they were at least sometimes treated rudely at work (2012) whilst 16.08 percent indicated that they had received some form of harassment from their superiors in the last 5 years (2016). The European workers faced some form of workplace abuse (excluding sexual harassment) in 11.86% of the cases in the last 30 days.

Table 4: US General Social Survey (1978 - 2018) – Relative Outside Utility

Could Respondent find an equally good job?	Freq.	Percent
VERY EASY	5,515	25.35
SOMEWHAT EASY	7,285	33.48
NOT EASY	8,957	41.17

Trend analysis indicates the percentage of respondents claiming it to be ‘not easy’ to find a similar paying job to be stable across years, at around 40%.

Table 5: European Working Conditions Survey (2015) – Relative Outside Utility

Q89h. About your job - If I were to lose or quit my job, it would be easy for me to find a job of similar salary	Freq.	Percent
Strongly agree	8,538	10.74
Tend to agree	17,077	21.48
Neither agree nor disagree	15,025	18.90
Tend to disagree	17,910	22.53
Strongly disagree	20,951	26.35
Total Low Utility	38,861	48.88

The survey data paints a similar picture in the US and Europe, where roughly 41% of US responders and 49% of European responders stated that they find it at least somewhat unlikely that they could find a similar job with a similar salary. This would indicate that a relatively large percentage of employees think they have relatively unattractive labour market prospects and are currently earning a wage above their outside utility.

Table 6: European Working Conditions Survey (2015) – Bad Boss

Bad Boss	Freq.	Percent
No	28,547	87.43
Yes	4,103	12.57

Table 7: European Working Conditions Survey (2015) – Abuse by Bad Boss

Q80 - Abuse	Freq.	Percent
Bad Boss	1,340	32.66
No Bad Boss	3,349	11.73
Total	4,103	100.00

Table 6 indicates that roughly 12.5% of European workers reported that they have a bad boss. Table 7 indicates that those who have reported having a bad boss are more likely to report that they have received abuse at work, 32.66% vs 11.73%.

Table 8: European Working Conditions Survey (2015) - Correlation Matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) Abuse	1.000						
(2) Bad Boss	0.180	1.000					
(3) Low Outside Utility	-0.045	0.043	1.000				
(4) Team Pay/Profit Sharing	-0.021	-0.057	-0.025	1.000			
(5) Workplace Size	-0.002	-0.005	-0.002	-0.012	1.000		
(6) Boss = Man	-0.051	0.016	0.020	0.079	0.007	1.000	
(7) Worker = Man	-0.042	-0.029	-0.021	0.104	0.015	0.382	1.000

Table 9: US General Social Survey (2012) - Correlation Matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) Rude	1.000							
(2) Low Outside Utility	-0.053	1.000						
(3) Supervisor has supervisor	0.064	-0.036	1.000					
(4) Worker Age	-0.045	0.221	-0.092	1.000				
(5) Worker degree	0.027	-0.156	0.034	0.073	1.000			
(6) Worker race	0.023	0.032	-0.066	-0.074	-0.083	1.000		
(7) Worker income	-0.035	0.058	-0.144	0.185	0.229	0.012	1.000	
(8) Worker sex	-0.007	-0.029	-0.079	0.025	0.054	-0.007	-0.037	1.000

RESULTS

The results of several regression models are presented below. The tables display the results of OLS regressions for ease of interpretation. Sensitivity and robustness analyses have been confined to the appendix.

Table 10: EWCS (2015): OLS Regression - Abuse

	(1) Abuse	(2) Abuse	(3) Abuse	(4) Abuse
Low Outside Utility	-.004* (.002)	-.003 (.002)	-.004 (.003)	-.004 (.003)
Team Pay/Profit Share		.023*** (.003)	.022*** (.003)	.023*** (.003)
Workplace Size			.000** (.000)	.000** (.000)
Boss = Man				-.010** (.004)
Worker = Man				-.026*** (.004)
Worker & Boss = Man				.013** (.006)
Country Fixed Effect	Y	Y	Y	Y
constant	.120*** (.002)	.116*** (.002)	.118*** (.002)	.132*** (.003)
Observations	79,501	79,501	55,231	55,228

Standard errors are in parentheses

**** $p < .01$, ** $p < .05$, * $p < .1$*

Table 10 displays the results of an OLS regression of reporting low outside utility on reporting workplace abuse. The additional columns indicate the inclusion of control variables for team incentives and profit-sharing schemes, workplace size, the gender of the supervisor, the gender of the worker and the interaction between the two. The dependent dummy variable *Abuse* takes on a value of 1 if an individual has stated that they have received some form of abuse in the past 30 days in their workplace, it is 0 otherwise. The independent variable *Low Outside Utility* proxies for whether a worker perceives their outside utility to be lower than their current wage because they think themselves unlikely to be able to obtain a similar paying job in the next 6 months. As

shown, in none of the model specifications is there a statistically significant relationship between a worker's perceived relative outside utility and the level of workplace punishment they report.

As aforementioned, the survey response data does not specify the source of abuse, meaning it may come from colleagues, though this is only likely in the case that respondents work under team incentives. Therefore, *Team Pay/Profit Sharing* is included as a control variable. The results indicate that workers who report having at least part of their wage come from team pay, are marginally more likely to report that they have faced abuse in the workplace (2.3%). Nonetheless, this finding does not influence the main result found for *Low Outside Utility*.

Additionally, other variables such as the size of a worker's workplace have no meaningful impact on the reported level of abuse. All else being held equal, the baseline, female workers with a female boss, are the most likely to report abuse. Female workers with a male boss are 1.0% less likely to report abuse whereas male workers with a male boss are 2.3% less likely to report abuse. Male workers with a female boss are the least likely to report abuse: 2.6% less likely than the baseline (coefficient of -.026 for *Worker = Man*). Though these results are statistically significant and interesting in themselves, none of these control variables has a statistically significant influence on the relationship between relative outside utility and abuse. Finally, cross-country differences are accounted for through country-fixed-effects; they also do not significantly influence the main result.

The findings are robust to sensitivity analyses that employ different statistical methods and more sharply define a worker's relative outside utility. Table A.2 reports the results of a logistical probability regression, similarly, finding that reporting a lower relative outside utility does not significantly impact the likelihood of reporting abuse. Table A.3 displays the results of an OLS regression where the independent variable *Very Low Outside Utility* takes on a value of 1 only if respondents 'strongly disagree' with the question of whether they can find a similar paying job in the next 6 months, as opposed to 'tend to disagree' and/or 'strongly disagree'. Again, no statistically significant coefficient can be observed.

It is evident from the EWCS results that I cannot find evidence to support the hypothesis that workers with worse labour market prospects face more abuse from their supervisors, as the coefficients for *Low Outside Utility* are insignificant at the 95% confidence level.

Table 11: GSS (2012) – OLS Regression - Treated Rudely at Work

	(1)	(2)	(3)	(4)	(5)	(6)
	Rude	Rude	Rude	Rude	Rude	Rude
Low Outside Utility	-.03 (.023)	-.04 (.026)	-.036 (.027)	-.03 (.027)	-.03 (.027)	-.026 (.029)
Supervisor has supervisor		.026 (.033)	.024 (.033)	.024 (.033)	.025 (.033)	.049 (.037)
Worker age			-.001 (.001)	-.001 (.001)	-.001 (.001)	-.001 (.001)
Worker degree				.014 (.011)	.014 (.011)	.008 (.012)
Worker race					.005 (.019)	.014 (.021)
Worker income						-.003 (.005)
Worker Sex						-.003 (.028)
constant	.123*** (.016)	.054 (.106)	.085 (.116)	.064 (.117)	.055 (.123)	.055 (.15)
Observations	751	627	627	627	627	541

Standard errors are in parentheses

*** $p < .01$, ** $p < .05$, * $p < .1$

Table 11 displays the OLS regression results from the General Social Survey (US). The variable *Rude* relates to the question, “I have been treated in a rude or disrespectful manner”, followed up with, “by my boss”. The additional columns indicate the inclusion of control variables for if the supervisor has a supervisor, and worker characteristics such as age, education, race, income and sex. The coefficients on *Low Outside Utility* are statistically insignificant in all model specifications, again suggesting that a worker who negatively views their labour market prospects are not more likely to report abuse by their supervisors. Notably, the results echo those found in the European data. None of the control variables have statistically significant coefficients or significantly influence the main result, though these results may in part be driven by the lower observation count compared to the EWCS data.

The findings are again robust to model and variable specification. Table A.4 reports the results of a logistic probability regression, finding no statistically significant relationship between the relative outside utility and workplace punishment. Table A.5 more sharply defines *Rude* by only including workers who report that they are ‘often’ treated rudely at work, rather than ‘sometimes’ and/or ‘often’ treated rudely. Again, no significant relationship can be observed.

Table 12: GSS (2016) – OLS Regression - Harassed at Work

	(1)	(2)	(3)	(4)	(5)	(6)
	Harass	Harass	Harass	Harass	Harass	Harass
Low Outside Utility	-.039 (.046)	-.051 (.053)	-.056 (.054)	-.055 (.055)	-.053 (.055)	-.062 (.062)
Supervisor has supervisor		.003 (.067)	.002 (.067)	.003 (.069)	-.005 (.069)	-.017 (.074)
Worker age			.000 (.002)	.000 (.002)	.000 (.002)	-.001 (.002)
Worker degree				.001 (.023)	-.003 (.023)	.001 (.026)
Worker race					-.064 (.043)	-.072 (.051)
Worker income						-.014 (.012)
Worker Sex						.075 (.06)
constant	.2*** (.029)	.211 (.215)	.207 (.233)	.203 (.245)	.338 (.262)	.391* (.311)
Observations	303	252	250	250	250	204

Standard errors are in parentheses

*** $p < .01$, ** $p < .05$, * $p < .1$

Table 12 displays the regression results from the GSS that employs a different measure for workplace abuse, namely they relate to the question “Over the past five years, have you been harassed by your superiors or co-workers at your job, for example, have you experienced any bullying, physical or psychological abuse?”. The findings support the results found in Table 11, that reporting a low perceived outside utility has no statistically significant impact on the reported level of harassment. None of the control variables is statistically significant or significantly influences the main findings. The results from a logistic probability regression in Table A.6 indicate the same findings.

Table 13: EWCS (2015) – OLS Regression - Bad Boss

	(1)	(2)	(3)	(4)
	BadBoss	BadBoss	BadBoss	BadBoss
Low Outside Utility	.03*** (.004)	.029*** (.004)	.029*** (.006)	.028*** (.006)
Team Pay		-.036*** (.005)	-.049*** (.008)	-.048*** (.008)
Workplace Size			.00 (.00)	.00 (.00)
Boss = Man				.033*** (.009)
Worker = Man				-.009 (.012)
Worker & Boss = Man				-.022 (.015)
Country Fixed Effect	Y	Y	Y	Y
constant	.114*** (.003)	.12*** (.003)	.144*** (.005)	.136*** (.007)
Observations	30,694	30,694	13,304	13,302

Standard errors are in parentheses

*** $p < .01$, ** $p < .05$, * $p < .1$

Table 13 displays the results of an OLS regression of reporting low outside utility on having a ‘bad boss’. The independent dummy variable *BadBoss* takes on a value of 1 if an individual has stated that they have a bad boss, as calculated as previously discussed. The additional columns indicate the inclusion of control variables.

Notably, across all model specifications, a statistically significant coefficient for *Low Outside Utility* can be observed, suggesting that with 99% confidence, workers who have reported to have a relatively lower outside utility are slightly more likely to report that they have a bad boss. In all model specifications, the coefficient lies between 0.03 and 0.028, indicating that a worker who reports having a low outside utility is 2.8% more likely to report having a bad boss compared to the baseline, all else being held equal.

Interestingly, the existence of team incentives seems to decrease the reported number of bad bosses. When workers work under team pay or profit-sharing schemes, they report having a bad boss 4.8% less often than those who do not work under team incentives, though significant differences are

not observed across workers with varying labour market prospects. Additionally, male bosses are 3.3% more likely to be labelled as a ‘bad boss’ irrespective of the worker’s gender. Again, cross-country differences are accounted for through country-fixed effects; they do not significantly influence the results.

To assess the robustness and sensitivity of the results, a logistic probability regression and a regression using the stricter proxy for low outside utility are conducted and reported in the appendix. Table A.7 displays the results of the logistic probability regression, confirming that reporting a relatively lower outside utility increases the likelihood that one reports having a bad boss. Table A.9 calculates the marginal effects from the logistic probability regression presented in Table A.7, confirming the size of the effect as found in the OLS regression. Focusing on the workers who report a *Very Low Outside Utility*, the results remain roughly the same, they are 2.7% more likely to report having a bad boss, *ceteris paribus* (Table A.8).

DISCUSSION

The results presented in this paper are generally inconsistent with the model of Dur, Kvaløy, & Schöttner (2022), which would suggest that reported levels of workplace abuse be higher for workers who have unattractive labour market prospects. Regression analysis across both European and US survey data indicates no empirical evidence can be found to support the hypothesis that worse labour market prospects significantly increase the level of social punishment faced by those workers. The analysis however does find that workers with worse labour market prospects are more likely to report that they have a bad boss. The following section will discuss these results.

As stipulated by Dur et al. (2022), unfriendly leadership styles can only be effectively employed when workers work under non-competitive wages and if their labour market prospects are sufficiently unattractive. Crucially, the model implicitly assumes that a boss is aware of the relative labour market conditions of their workers. Whilst the survey data allows us to gain insight into what workers' perceived outside utility is, it is less evident that this information is also clear to one's boss. If a boss is aware of their worker's labour market prospects, and if these are sufficiently unattractive, we would expect increased social punishment, as this allows managers to extract rents from their workforce. However, if the boss is unaware of the employee's outside utility, we may not see an increase in unfriendly leadership, even if it effectively increases employee effort. The empirical results could therefore be driven by the fact that managers are unaware of their workforce's relative market prospects.

However, uncompetitive wage settings will likely arise due to minimum wage legislation or trade union bargaining, two factors which would directly involve management. If wages have been pushed above competitive levels by these forces, managers would be aware of their worker's labour market prospects. Furthermore, even if a manager is not directly aware of their worker's labour market prospects, it could be inferred from interactions with employees. For example, a manager may attempt to employ unfriendly leadership styles to see whether they can effectively induce effort. A worker with relatively attractive labour market prospects, who thus has sufficient alternative employment opportunities, can credibly threaten to leave the company or demand higher monetary compensation if the utility-decreasing social punishment is employed by

management. Conversely, a worker without good outside options will be unable to make credible threats, thus revealing to the boss that their outside utility is below their current wage. The boss might then be able to continue to employ unfriendly leadership styles for such workers. The original hypothesis would then hold, and we would expect increased levels of workplace punishment for employees with unattractive labour market prospects, yet this is not found in the empirical results.

Though those who have unattractive labour market prospects are marginally more likely to report that they have a bad boss, they are no more likely to report that they face workplace abuse. This result may reflect some underlying pessimism with certain workers; those who view their labour prospects unfavourably may also view their bosses unfavourably. Both a worker's feeling towards their boss and their labour market prospects are relatively more subjective compared to whether they have faced workplace abuse. Furthermore, the bad boss metric, as discussed by Artz, Goodall, & Oswald (2020) not only encompasses unfriendliness in bosses but also their perceived competence. Those who more pessimistically view their labour market prospects may also view their boss's competence less favourably, thus not necessarily indicating that they are more likely to face unfriendly leadership styles. Though not the main focus of this research, the relationship between labour market conditions and leadership characteristics presents an interesting avenue for further research.

Whilst the results are coherent across labour markets and robust to the proposed variable and model specifications, I note several limitations and avenues for further research. Firstly, whilst the GSS allows me to analyse the US labour market, the survey only follows about 2000 respondents, and with certain questions of interest not being relevant for all respondents, the number of observations left for the empirical analysis is limited. The power of the statistical methods is thus questionable, suggesting further research involving larger databases be conducted to support my findings in the US labour market. Along that avenue, data from other labour markets can provide further insights into the relationship between labour market conditions and workplace abuse globally.

Secondly, both the EWCS and the GSS focus only on respondent data from employees, implying the relationship between labour market conditions and leadership styles is only analysed from one

side. As mentioned, the model predictions crucially rely on managers being aware of their workforces' labour market prospects and whilst I assume that this is the case, verifying this with data from managers would strengthen the findings presented in this paper. Moreover, survey data from management can expand our understanding of why different leadership styles are employed, and where they are most effective; of particular interest might be why unfriendly leadership styles prevail, even if they are socially inefficient.

CONCLUSION

This paper empirically explores the relationship between labour market conditions and leadership styles in European and US labour markets. By analysing extensive survey data, I test whether unfriendly leadership styles are more predominant amongst workers who have relatively less attractive labour market prospects. Predictions derived from Dur, Kvaløy, & Schöttner (2022) would suggest that workers who earn a significant rent because their current wage is above their outside option, would be more prone to workplace punishment by management, as this allows them to extract those rents from their employees.

The empirical results are generally inconsistent with the predictions as no relationship can be found with a high enough degree of confidence. I find no statistical difference between the reported levels of abuse for workers who have favourable and unfavourable labour market prospects. The results in both markets echo each other and are robust to model and variable specifications.

Interestingly, a statistically significant relationship is observed when looking at whether those with worse labour market prospects are more likely to report having a bad boss. After controlling for several characteristics, workers who reported having relatively unattractive labour market prospects are 2.8% more likely to report having a bad boss. Whilst reports of bad bosses coincide with reports of abuse, no statistically significant difference in reported abuse can be observed for varying labour market prospects, suggesting that other underlying factors may be driving the increase in those results.

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APPENDIX

Table A.1: EWCS (2015) – Abuse levels with and without Team Incentives/Profit Sharing

	Freq.	Percent
No Team Pay	9,102	11.45
Team Pay	10,931	13.72

Table A.2: EWCS (2015) – Logistic Probability Regression - Abuse

	(1)	(2)	(3)	(4)
	Abuse	Abuse	Abuse	Abuse
Low Outside Utility	-.036*	-.031	-.034	-.035
	(.022)	(.022)	(.026)	(.026)
Team Pay/Profit Share		.206***	.195***	.206***
		(.027)	(.03)	(.03)
Workplace Size			.002***	.002***
			(.001)	(.001)
Boss = Man				-.089**
				(.037)
Worker = Man				-.241***
				(.042)
Worker & Boss = Man				.122**
				(.055)
Country Fixed Effect	Y	Y	Y	Y
constant	-1.988***	-2.031***	-2.009***	-1.883***
	(.015)	(.016)	(.021)	(.028)
Observations	79,501	79,501	55,231	55,228

Standard errors are in parentheses

**** $p < .01$, ** $p < .05$, * $p < .1$*

Table A.3: EWCS (2015) - OLS Regression – Abuse Very Low Outside Utility.

	(1)	(2)	(3)	(4)
	Abuse	Abuse	Abuse	Abuse
Very Low Outside Utility	-.002 (.003)	-.001 (.003)	.005 (.003)	.005 (.003)
Team Pay		.023*** (.003)	.022*** (.003)	.023*** (.003)
Workplace Size			0*** (0)	0** (0)
Boss = Man				-.01** (.004)
Worker = Man				-.026*** (.004)
Worker & Boss = Man				.013** (.006)
Country Fixed Effect	Y	Y	Y	Y
Constant	.119*** (.001)	.115*** (.001)	.115*** (.002)	.129*** (.003)
Observations	79,501	79,501	55,231	55,228

Standard errors are in parentheses

*** $p < .01$, ** $p < .05$, * $p < .1$

Table A.4: GSS (2012) – Logistic Probability Regression - Treated Rudely at Work

	(1)	(2)	(3)	(4)	(5)	(6)
	Rude	Rude	Rude	Rude	Rude	Rude
Low Outside Utility	-.315 (.238)	-.391 (.255)	-.35 (.263)	-.293 (.267)	-.295 (.267)	-.253 (.283)
Supervisor has supervisor		.234 (.298)	.215 (.299)	.216 (.3)	.221 (.301)	.419 (.32)
Worker age			-.006 (.01)	-.008 (.01)	-.008 (.01)	-.006 (.011)
Worker degree				.131 (.101)	.133 (.102)	.073 (.113)
Worker race					.044 (.184)	.13 (.19)
Worker income						-.028 (.049)
Worker sex						-.028 (.268)
constant	-1.96*** (.153)	-2.594*** (.977)	-2.296** (1.082)	-2.49** (1.097)	-2.575** (1.152)	-2.987** (1.324)
Observations	751	627	627	627	627	541

Standard errors are in parentheses

*** $p < .01$, ** $p < .05$, * $p < .1$

Table A.5: GSS (2012) – OLS Regression – Often Treated Rudely at Work

	(1)	(2)	(3)	(4)	(5)	(6)
	Rude	Rude	Rude	Rude	Rude	Rude
Low Outside Utility	.011 (.011)	.017 (.013)	.022* (.013)	.023* (.013)	.023* (.013)	.02 (.014)
Supervisor has supervisor		.01 (.016)	.008 (.016)	.008 (.016)	.008 (.016)	.005 (.017)
Worker age			-.001* (0)	-.001* (.001)	-.001* (.001)	-.001 (.001)
Worker degree				.003 (.005)	.003 (.005)	.002 (.006)
Worker race					-.001 (.009)	.004 (.01)
Worker income						-.002 (.003)
Worker sex						.006 (.013)
constant	.02** (.008)	-.015 (.052)	.024 (.057)	.019 (.057)	.021 (.06)	.032 (.071)
Observations	751	627	627	627	627	541

Standard errors are in parentheses

*** $p < .01$, ** $p < .05$, * $p < .1$

Table A.6: GSS (2016) – Logistic Probability Regression - Harassed at Work

	(1)	(2)	(3)	(4)	(5)	(6)
	Harass	Harass	Harass	Harass	Harass	Harass
Low Outside Utility	-.264 (.311)	-.328 (.335)	-.352 (.339)	-.349 (.345)	-.34 (.346)	-.389 (.383)
Supervisor has supervisor		.021 (.413)	.012 (.413)	.016 (.422)	-.041 (.426)	-.119 (.443)
Worker age			.002 (.012)	.002 (.012)	-.001 (.012)	-.007 (.014)
Worker degree				.007 (.138)	-.021 (.139)	.002 (.156)
Worker race					-.455 (.312)	-.502 (.353)
Worker income						-.076 (.065)
Worker sex						.458 (.358)
constant	-1.386*** (.184)	-1.325 (1.323)	-1.351 (1.431)	-1.374 (1.504)	-.458 (1.625)	.969 (1.861)
Observations	303	252	250	250	250	204

Standard errors are in parentheses

*** $p < .01$, ** $p < .05$, * $p < .1$

Table A.7: EWCS (2015) – Logistic Probability Regression - Bad Boss

	(1) BadBoss	(2) BadBoss	(3) BadBoss	(4) BadBoss
Low Outside Utility	.27*** (.034)	.264*** (.034)	.235*** (.049)	.229*** (.049)
Team Pay		-.36*** (.052)	-.437*** (.068)	-.429*** (.068)
Workplace Size			-.001 (.002)	-.001 (.002)
Boss = Man				.248*** (.068)
Worker = Man				-.082 (.103)
Worker & Boss = Man				-.157 (.12)
Country Fixed Effect	Y	Y	Y	Y
constant	-2.054*** (.024)	-2.001*** (.025)	-1.793*** (.039)	-1.852*** (.057)
Observations	30,694	30,694	13,304	13,302

Standard errors are in parentheses

*** $p < .01$, ** $p < .05$, * $p < .1$

Table A.8: EWCS (2015) - OLS Regression – Bad Boss Very Low Outside Utility.

	(1) BadBoss	(2) BadBoss	(3) BadBoss	(4) BadBoss
Very Low Outside Utility	.032*** (.004)	.031*** (.004)	.028*** (.007)	.027*** (.007)
Team Pay		-.036*** (.005)	-.049*** (.008)	-.048*** (.008)
Workplace Size			0 (0)	0 (0)
Boss = Man				.032*** (.009)
Worker = Man				-.01 (.012)
Worker & Boss = Man				-.021 (.015)
Country Fixed Effect	Y	Y	Y	Y
constant	.119*** (.002)	.125*** (.002)	.149*** (.004)	.142*** (.007)
Observations	30,694	30,694	13,304	13,302

Standard errors are in parentheses

*** $p < .01$, ** $p < .05$, * $p < .1$

Table A.9: EWCS (2015) Marginal Effects Logistic Regression – Bad Boss

	dy/dx	std.	err.	z	P>z	[95%
Low Outside Utility	<u>0.028</u>	0.006	4.580	0.000	0.016	0.040
Team Pay	-0.048	0.012	-4.070	0.000	-0.072	-0.025
Profit Sharing	-0.037	0.010	-3.610	0.000	-0.056	-0.017
Workplace Size	-0.000	0.000	-0.580	0.562	-0.001	0.000
Boss = Man	0.022	0.007	3.040	0.002	0.008	0.036
Worker = man	-0.023	0.007	-3.450	0.001	-0.036	-0.010