DATING AND BREAKING UP WITH THE BOSS: BENEFITS, COSTS, AND SPILLOVERS*

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Abstract

While many romantic relationships begin at work, relationships between managers and subordinates have increasingly come under scrutiny. Despite the controversy around these relationships, we know little about the economic implications of "dating the boss". This paper uses administrative data covering the universe of cohabiting couples in Finland from 1988-2016 to explore the career implications of dating and breaking up with one's manager and the spillovers on the wider workforce. Using a difference-in-difference across-couples research design we find that those who date their managers experience a 5% bump to their earnings over and above normal earnings growth. We show that this effect is much more muted in relationships between equal co-workers, suggesting that managers may unfairly increase the earnings of their subordinate partners. We document that these couples last longer and both manager and subordinate are more likely to remain in the same firm. However, when a manager and subordinate break up, subordinates who were in these relationships experience a 15% decline in their earnings and are more likely to drop out of employment. Last, we examine the spillovers of these relationships on the broader workforce, exploring how they impact the retention, recruitment, and compensation of other co-workers.

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1 Introduction

According to survey evidence, over 25% of workers have engaged in an office romance, with 18% dating a superior in their workplace. Yet there is a lack of consensus on whether dating a superior in the workplace is appropriate, with 40% of the same survey respondents stating that such relationships are unprofessional (SHRM, 2023). Mixing romantic relationships and work is undoubtedly complicated with potentially important economic consequences, especially when managers date their subordinates. Yet despite this complexity, the workplace was the fourth most common place couples met each other from 2000-2019, surpassed only by meeting online, at a bar or restaurant, or through common friends (Rosenfeld *et al.*, 2019).

The #MeToo movement brought romantic relationships between managers and subordinates under greater scrutiny. While this movement focused on clearly inappropriate actions by managers against subordinates, such as workplace harassment and assaults which impose immense costs on victims and their colleagues (Adams-Prassl, Huttunen, Nix and Zhang, 2022; Folke and Rickne, 2022), it also spurred an international debate on how and when consensual romantic relationships between managers and subordinates should be allowed. Even when these relationships are consensual, it is difficult to ascertain when they constitute an abuse of power, and when the subordinate may have received unfair benefits due to the relationship. Indeed, some have questioned whether it is ever acceptable to date a subordinate co-worker (Noguchi, 2020).

A number of organizations ban relationships where there is a clear power discrepancy. For example, McDonald's forbids sexual relationships where one person has a direct or indirect reporting relationship to the other, justifying this position by stating "It is not appropriate to show favoritism or make business decisions based on emotions or friendships rather than on the best interests of the company" (Chaffin and Abboud, 2019). This policy resulted in the 2019 firing of McDonald's CEO Stephen Easterbrook for engaging in

a consensual relationship with a subordinate. Had such a policy been in place at Microsoft or Sidley Austin Law Firm, Bill and Melinda Gates and Barack and Michelle Obama would have been barred from dating.

Yet rigorous large-scale evidence is absent in the ongoing debate on workplace relationships. In order to have an informed discussion about romantic relationships between managers and subordinates, it would be useful to have evidence on a number of important questions, such as: How many serious romantic relationships begin at work and how many of these are between managers and subordinates? What are the economic costs and benefits of "dating the boss" and how do these effects compare to workplace relationships between equals? Do these relationships last as long as non-workplace relationships and what happens to subordinates when these relationships breakup? Lastly, do these relationships have spillovers that impact colleagues and the broader firm?

In this paper, we leverage administrative data from Finland to answer these questions. We observe all individuals who begin a romantic cohabitation spell. We define "workplace couples" as couples where both the man and the woman worked in the same firm just prior to cohabitation. We find that among couples where both were working prior to cohabitation, 7-10% of all cohabiting relationships from 1995-2010 occur between workplace colleagues. This estimate is comparable to the United States, where Hyatt (2015) finds that 11% of couples share an employer. Out of all workplace relationships a non-trivial share, 9%-17% from 1995-2010, are between managers and their subordinates. With our samples of workplace and non-workplace couples in hand, we estimate the economic impacts of starting a romantic relationship with a co-worker, focusing on manager/non-manager relationships. Given that most couples begin dating well before cohabitation, with survey evidence indicating that over 70% of couples move in within 2 years of meeting each other, we use two years before cohabitation as our event year of interest.

Using a naive difference-in-difference design simply comparing workplace couples

to non-workplace couples with individual fixed effects, we find that women who date their manager experience a 5% increase in their earnings over their pre-dating earnings compared with women who also date a manager, but where the manager is not at their own workplace. Men who date their bosses experience similarly large positive impacts on their incomes.

Perhaps this is simply a "workplace romance" effect, and not due to the power gaps between the two. To address this possibility, we compare the impact of dating the boss on income to couples who also meet at work but are relative equals within the firm. Using the same naive DiD design, we show that women in workplace couples who are relative equals, defined as couples with a below-median income gap between the male and female partner 3 years prior to cohabitation, experience a much smaller 2% increase in their earnings over their pre-dating earnings relative to those who are also economic equals but do not meet at work. Male partners who date colleagues who are relative equals experience no significant impact on their incomes. Together, these results suggest that while serious workplace relationships lead to only small and even negligible gains when amongst equals, a relationship with a manager leads to much larger increases in an individual's income. The positive income effect from dating a manager is potentially consistent with unfair compensation accruing to his or her romantic partner.

The main threat to these results is a reverse causality argument. There may be some other factor that causes both dating the boss and larger earnings gains, despite the absence of pre-trends in the event study graphs. To address this concern, we employ two additional identification strategies. First, we estimate a matched difference-in-difference design. This approach compares couples who begin a workplace relationship to couples who begin a non-workplace relationships at the same time but are otherwise observationally identical in the years prior to the relationship. Using this approach we estimate a 5.1% increase in earnings for women who date their managers at work.

We also leverage the fact that some of the people in our data who have engaged in workplace relationships have also been in other non-workplace relationships. This allows us to employ a triple-difference research design comparing an individual's workplace relationship to their non-workplace relationship, relative to their matched control. This approach addresses concerns that individuals who sort into workplace relationships always experience income gains after entering a relationship.[1] Using this approach, we find that [in progress].

We further document that women subordinates who engage in workplace relationships with a manager are 10 percentage points more likely to remain in the same firm after five years and their male partners are [in progress] percentage points more likely to remain in the same firm. Moreover, these couples are just over 6 percentage points more likely to remain together five years after cohabitation. These results suggest some potential benefits to workplace romances between managers and subordinates for both the couple and the firm.

In our third set of results, we examine what happens when these couples break up. In order to observe a sufficient post-period in our data, we focus on couples who break up within 6 years of cohabitation. We estimate the impacts of the dissolution of workplace relationships between a manager and subordinate on their incomes and whether they both remain in the same firm or remain employed. Starting with the raw means, a clear pattern emerges. While we see minimal impacts of breakups on the earnings outcomes of members of non-workplace relationships, earnings *fall* by 6% for women who date their managers in the year after the breakup. This descriptive result suggests a nontrivial cost to workplace romances between managers and non-managers that do not work out.

To verify these descriptive facts, we estimate a DiD design and find that these negative impacts of breakup are significant, with much larger effects for couples in manager/non-manager relationships, with women in these relationships losing 16% of their pre-breakup

[1] See also Adams-Prassl, Huttunen, Nix and Zhang (2023) which originated this empirical strategy.

earnings after breakup.

One possible explanation for the negative impacts of breakup on earnings is that these women find it necessary to abruptly leave their firms for a lower-paying job or enter non-employment. When we investigate this channel, we find that those who experience a breakup with their managers are significantly more likely to enter non-employment. This is a startling result for individuals who had previously remained consistently employed.

In the fourth and last set of results, we explore the spillover impacts of these relationships on the broader firm. Workplace relationships between managers and their subordinates may be harmful to the firm at large if they cause discomfort or disgruntlement amongst other co-workers. For example, other workers may think an individual who is dating his or her boss is receiving unfair promotions, income gains, and preferential assignments. Indeed, these beliefs could be consistent with our first set of results. This could lead to measurable negative spillovers on the broader workforce such as a higher turnover rate and a lower female share in the firm. Additionally, the breakup could not only negatively impact the subordinate, but also spillover to other colleagues, again impacting recruitment and retention. We investigate the broader impacts of these relationships by identifying all other workers in the same firm and estimating the impacts of these relationships forming and dissolving on co-worker outcomes. [These results are in progress but will be completed by the time of the conference].

We also discuss the potential implications of allowing workplace romances between managers and subordinates for harassment within organizations, a question that must also be considered when determining organizational policy regarding workplace romance between managers and subordinates. Does a permissive environment lead to inappropriate behavior? There is an extraordinarily fine line between pursuing a subordinate romantically and harassing a subordinate. While we are limited in how much we can assess this question, to shed some light on this possibility we report the association between work-

place couples and workplace harassment. We calculate this association by linking survey data on workplace harassment to the administrative panel data we constructed consisting of workplace and non-workplace relationships. [These results are in progress, but we are awaiting data so these may not be ready in time for the conference].

This paper adds to two main strands of literature in economics. First, we contribute to our understanding of how relationships impact economic outcomes. While there is no prior literature on the economic impacts of romantic relationships between a manager and his or her subordinate, a broader literature shows that relationships and families have large impacts on labor market outcomes (and vice versa), especially for women for whom the arrival of children plays an outsized role (Angelov *et al.*, 2016; Kleven *et al.*, 2019; Andresen and Nix, 2022). More closely related to this paper, Folke and Rickne (2020) shows that workplace promotions increase the probability of divorce for women but not men. Bertrand *et al.* (2015) document that women appear to curtail their incomes so as not to exceed their husbands' incomes, and interpret this result through the lens of gender norms. Particularly relevant for this paper, Zinovyeva and Tverdostup (2021) replicates this finding but shows that this discontinuity is concentrated amongst co-working couples, suggesting that having a relationship with a co-worker may have important implications for earnings dynamics.

Second, our results on relationships with a manager contribute to the personnel literature on the important role of managers and manager ethics. A large literature in economics indicates that managers play an important role in setting the direction and determining the success of the firm (Bertrand and Schoar, 2003; Bloom *et al.*, 2007, 2013; Bandiera *et al.*, 2020; Gosnell *et al.*, 2020). These papers underscore the importance of who the manager is and how they behave for the profitability of the firm. Yet the possible implications of romantic relationships between managers and their subordinates for both the direct individuals involved and for the wider firm have not been studied in economics

prior to this paper. This is surprising given that such relationships are relatively common and their appropriateness is a source of some controversy. We fill this gap in the literature by providing the first evidence of the economic benefits, costs, and spillovers from managers engaging in romantic relationships at work.

The remainder of the paper is organized as follows. Section 2 describes our data and how we identify workplace couples. Section 3 presents our main empirical results on the costs and benefits of these relationships for those directly involved. Section 4 presents estimates of the impacts of these relationships on the broader workforce. Section 5 concludes.

2 Data

To explore the impact of workplace relationships on career trajectories we use the Finnish Linked Employer-Employee Data (FOLK) acquired from Statistics Finland. This data consists of detailed administrative tax records allowing us to observe the demographic, education, earnings, and employment information for the entire resident population of Finland aged 15-70 for the years 1988-2016. Importantly, this data provides a unique identifier for each individual, as well as a unique identifier for their cohabiting partner. This allows us to track relationships over time. Additionally, the data contains unique identifiers for the firm and plant where individuals work allowing us to observe if cohabitating couples were co-workers prior to living together.

To identify couples we keep all women who started cohabitating with a partner of the opposite sex between 1995 and 2010. For each couple we keep observations for the 5 years before and 9 years after the year they begin their cohabitation spell. We do not require that these couples remain together in all post years as breakup could be endogenous to workplace relationships.

For the purposes of our main analysis we define workplace couples as those who are

observed working for the same firm one year and/or two years directly prior to the year they begin cohabitation. Mechanically this restricts our workplace couples to those who were both employed in at least one of the two years before they start cohabitation. To obtain a comparable control group, we restrict the non-workplace couples in our sample to also both be employed the year before cohabitation. After making these restrictions we are left with 253,193 couples of which 16,151 worked together prior to living together. For most of the paper, we further focus on workplace couples where one is a manager and one is a subordinate.

There are two limitations to using cohabitation to define our workplace and non-workplace couples. First, we will not be able to observe individuals who work together, begin dating, but break up before moving in together. This means that we will be selecting "successful" relationships, i.e. those that result in cohabitation. We discuss the implications of this restriction for our results in more detail in Section 4.2, but it is worth noting here that we will also be selecting "successful" couples in our comparison group of non-workplace control couples.

The second limitation of this approach is that for most couples, there is likely a dating period prior to cohabitation. Thus, while we use cohabitation status in the administrative data to identify workplace couples, the cohabitation year will not be the event year of interest when we estimate the impacts of starting a relationship with a manager. If workplace relationships either provide income benefits or costs, then these will likely begin to materialize during the dating period, meaning that the effect of dating a workplace colleague would already materialize in the years prior to cohabitation.

Instead, we use the combination of the cohabitation year and rich survey evidence on the amount of time spent dating prior to cohabitation to define our event year of interest to identify the impacts of relationships between managers and subordinates *starting*. Specifically, survey evidence from Rosenfeld and Falcon (2018) shows that over 70% of

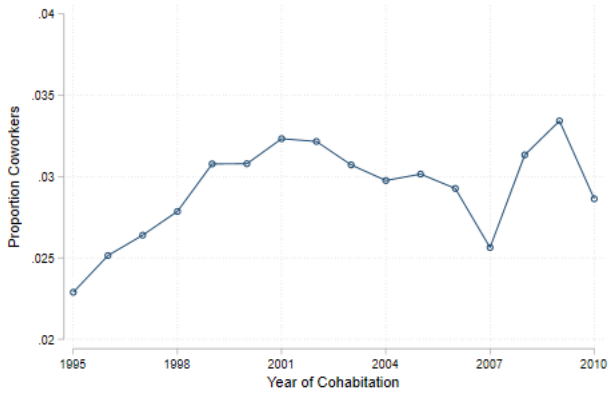
couples move in together within 2 years of dating. Motivated by these results, we focus on year -2 (relative to cohabitation) as the event year of interest, examining outcomes after versus before this year when estimating the impacts of starting a workplace relationship on outcomes. There are two possible implications of taking this approach. First, if the benefits or costs of starting a workplace relationship only materialize after cohabitation, we should see no impacts in the two years prior to cohabitation. If, on the other hand, the dating stage yields benefits, this approach will allow us to capture any such benefits. Second, if workplace couples date for longer before cohabitation than most couples surveyed, and this impacts incomes relative to non-workplace couples, then this could also show up in pre-trends in the analysis. We note that this is not an issue when we examine the impacts of breaking up with one's manager on economic outcomes, since we perfectly observe the end of cohabitation for these couples. We discuss each of these in more turn when presenting the relevant results.

2.1 Descriptive Statistics

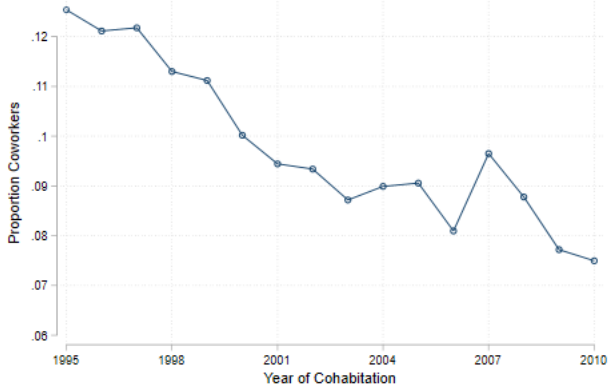
In Figure 1 we report the share of all cohabiting couples who work together from the years 1995 to 2010. Panel (a) shows that amongst all cohabiting couples (including those where one or both of the partners do not work before cohabiting), 2%-3.5% are workplace couples, with this share increasing over time. Panel (b) shows that amongst all couples where both members were employed the year before cohabitation (a mechanical restriction for the workplace couples), just over 12% were workplace couples in 1995, although this figure decreased to just over 7% by 2010. The larger share of workplace couples amongst all couples where both partners work is mechanical, given that both have to work in order to form a workplace couple. Last, Panel (c) shows the share of workplace couples consisting of a manager dating a subordinate over time. We find that between 9% and 17% of all workplace relationships exhibit power differences over this time period.

Figure 1: Proportion of Couples Who Meet at Work, 1995-2010

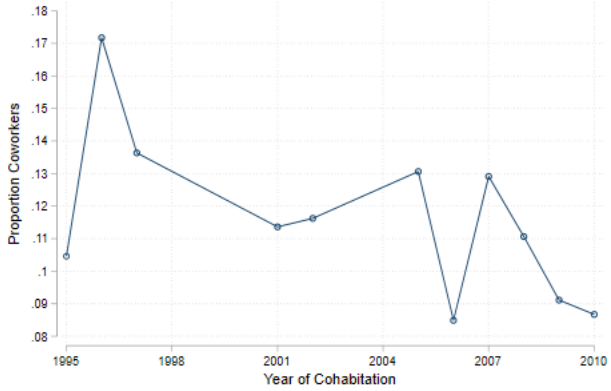
(a) Full Population



(b) Estimation Sample



(c) Share of Workplace Couples with Manager/Non-Manager



Note: Figures report the proportion of couples in our sample that worked together the year before cohabiting. Panel (a) includes all couples in the population who begin a cohabitation spell in the given year. Panel (b) restricts to our estimation sample where both members of the couple were employed for at least 2 years before cohabitation. Panel (c) reports the share of all workplace couples in Panel (b) where one is a manager and one is not a manager. Note that we do not observe the occupational variable for all years, yielding the more sporadic observations over the time period for Panel (c).

Individual Characteristics Table 1 Panel A reports descriptive statistics for our cohabiting couples. Columns (1) and (3) report statistics for the women and men in our workplace couples, respectively, where both are employed in the same firm the year before cohabitation. Columns (2) and (4) report summary statistics for women and men, respectively, amongst all cohabiting couples in Finland, without any restrictions on work status prior to cohabitation. We see that relative to all cohabiting couples in Finland, workplace couples are more attached to the labor force, have higher earnings, and are older. They are also more likely to have a tertiary degree, with those who are in non-workplace couples more likely to have a primary degree (the omitted category).

Panel B of Table 1 reports summary statistics after imposing the restrictions to enter the estimation sample. For work couples we restrict to those where both parties were employed in the same workplace in the 2 years prior to cohabitation. For our comparison non-work couples we restrict to those where both partners were employed in the 2 years prior to cohabitation, but in different workplaces from each other. Once making these restrictions we find that our workplace couples and non-workplace couples are more similar on multiple dimensions than when we made no restriction on employment status prior to cohabitation. Women and men across the two groups are more similar in terms of holding a tertiary degree, age at cohabitation, holding a managerial position, and in their labour force attachment and income 5 years prior to cohabitation. This highlights that the restrictions we make for our estimation sample increase the likelihood that our sample of non-workplace couples serve as a good comparison group for our workplace couples.

Table 1: Individual Summary Statistics

	Female Partner		Male Partner	
	Work Couples (1)	Non-Work Couples (2)	Work Couples (3)	Non-Work Couples (4)
Panel A: Full Sample				
Secondary Degree	0.472	0.466	0.503	0.530
	(0.499)	(0.499)	(0.500)	(0.499)
Tertiary Degree	0.365	0.210	0.325	0.166
	(0.481)	(0.407)	(0.468)	(0.372)
Age	30.08	28.04	32.27	30.06
	(8.591)	(10.45)	(9.104)	(10.50)
Income -5	12240.4	7026.0	18752.2	10713.2
	(11045.8)	(9191.6)	(25923.2)	(15289.0)
Employed -5	0.579	0.339	0.673	0.400
	(0.494)	(0.474)	(0.469)	(0.490)
Manager	0.0240	0.0121	0.0420	0.0151
	(0.153)	(0.110)	(0.201)	(0.122)
# of Kids	0.439	0.434	0.228	0.218
	(0.839)	(0.891)	(0.665)	(0.693)
Observations	28823	961078	28823	961078
Panel B: Estimation Sample				
Secondary Degree	0.440	0.472	0.481	0.522
	(0.496)	(0.499)	(0.500)	(0.500)
Tertiary Degree	0.414	0.400	0.369	0.300
	(0.493)	(0.490)	(0.483)	(0.458)
Age	32.64	32.33	34.83	34.22
	(8.612)	(9.381)	(9.105)	(9.435)
Income -5	15493.2	13568.7	23188.0	19749.3
	(11301.9)	(10695.9)	(25723.1)	(16876.1)
Employed -5	0.708	0.665	0.795	0.735
	(0.455)	(0.472)	(0.403)	(0.472)
Manager	0.0294	0.0253	0.0517	0.0389
	(0.169)	(0.157)	(0.221)	(0.193)
# of Kids	0.485	0.393	0.229	0.166
	(0.840)	(0.781)	(0.649)	(0.565)
Observations	16151	237042	16151	237042

Firm Characteristics Table 2 presents descriptive characteristics of firms. Column (1) reports characteristics of firms where workplace couples meet where one is a manager and the other is a subordinate. Column (2) reports characteristics for firms where all workplace couples met, including workplace couples where both are equals. Column (3) reports the characteristics of firms where members of all other couples in Finland met, restricted to firms with 50 or more employees. Column (4) reports summary statistics for all firms in Finland.

We observe some interesting patterns. Firms where a manager dates a subordinate tend to be larger in terms of the number of employees and have a greater share of male managers (15 as opposed to 3 in other firms with more than 50 employees). Additionally, average earnings are higher in these firms, overall, and also for both men and women.

That said, the raw male-female income gap is larger in firms where relationships with power gaps occur. On average males earn 45% more in power gap firms, whereas they only earn 35% more on average in all workplace relationship firms and in the sample of all firms in Finland with more than 50 employees. This difference in income gaps between men and women exists despite the fact that the ratio of female to male managers is broadly similar across workplace relationship sub-samples, with both workplaces restricted to those with power gap relationships and those with any workplace relationship having roughly 3 male managers for every female manager.

Table 2: Firm-level Summary Statistics

	Power Gap (1)	Work Relations. (2)	All >50 empl. (3)	All firms (4)
Employees	828.18	408.71	196.01	8.86
Female Employees	393.41	192.26	102.10	4.38
Male Employees	434.77	216.45	93.90	4.49
Male Managers	14.80	4.95	2.88	0.16
Female Managers	5.30	1.65	1.30	0.07
Earnings	33,895.96	27,383.64	27,834.06	14,339.21
Female Earningss	27,349.91	22,923.62	23,732.08	14,657.75
Male Earnings	40,094.91	31,118.32	32,015.88	17,086.35
Age	39.37	38.63	40.55	41.89
Tenure	11.40	11.76	9.42	9.25
Share University Degree	0.26	0.17	0.20	0.12
Share Seondary School Diploma	0.58	0.61	0.60	0.63
% Female Among Top 10% Earners	0.21	0.23	0.30	0.36
Turnover	-4.73	-0.77	3.39	-0.01
Female Turnover	-1.97	-0.18	1.69	-0.03
Male Turnover	-2.76	-0.59	1.69	0.02
Female Worker Share	0.44	0.44	0.48	0.41

3 Economic Impacts of Dating and Breaking Up with a Manager

3.1 The Impacts of Starting a Relationship with One's Manager on Earnings

To estimate the earnings impact of beginning a workplace romance with a manager that eventually leads to cohabitation, we estimate the following equation:

$$Y_{it} = \sum_{j=-5, j\neq -3}^{2} \delta_j (W_i \times \eta_j) + \alpha_i + \eta_t + \epsilon_{it}, \tag{1}$$

where Y_{it} is the income for a woman (or man) in relationship i in event time t. Event time is year relative to observed cohabitation and runs from years -5 to 2, with year -3 dropped as a reference year, and year -2 (i.e. two years before cohabitation) as the event of interest, corresponding to the dating window as described in the previous section. The coefficients

of interest are δ_j which identify the effect of being in a workplace relationship ($W_i = 1$) in event year j. α_i are individual fixed effects and η_t are event-time fixed effects. Standard errors are clustered by couple and cohabitation year.

Estimates based on this equation compare the earnings of those who enter a workplace relationship with a manager to the earnings of those who also enter a relationship with a manager in the same year, but with a manager who is not a colleague in the same firm. Our main estimates use the occupational codes to define manager/non-manager relationships. We define manager/non-manager relationships as those where the man was a manager and the woman was not when examining women's outcomes, and where the woman is a manager and the man is not when examining men's outcomes.

As a robustness check of our results, we also include estimates with an alternative definition of unequal relationships based on income gaps between the two partners instead of occupational roles. We introduce this additional measure of power discrepancies because in some cases, someone may play a managerial role without the official title. Additionally, we do not observe occupational titles in all years of the data, so this approach allows us to bring in additional years and obtain more power. To identify those with "unequal incomes" we take the absolute value of the difference in the income of the female partner and the male partner. We then compare this value to all cohabiting couples in our estimations sample and define those with "unequal incomes" as those with an above-median income gap.

Last, we present results looking at those who enter workplace relationships with relative equals in the firms. We define equal relationships as those where: 1) either both are managers or both are non-managers and 2) the income gap between the couple is below median amongst all couples in our estimations sample. It is possible that workplace relationships provide an earnings benefit to those who engage in them in general. We therefore present results using relative equals in order to check if the effects we observe

in relationships with power differentials are due to a general workplace relationship effect rather than advantages offered by dating a superior.

We report results for women who date their managers in Panel (a) of Figure 2 and men who date their managers in Panel (c). We first note the complete absence of pre-trends in panels (a) and (c) in our basic DiD estimates.

Once we enter the dating period in years -2 to 0, we find that for women who date their managers, earnings increase over 1000 Euros by year 2 which corresponds to a 5% increase relative to their earnings prior to dating the manager. Thus, women who date managers obtain significant and quantitatively meaningful income gains from doing so, relative to women who date managers who aren't also their colleagues. When we examine men who date their managers in the workplace, we find even larger gains in their incomes, although we caution that there is a much smaller sample size of workplace couples where men are in subordinate positions.

While the take-off in earnings in the "dating period" 2 years before cohabitation is striking in our event study results, they may fail to reflect the causal effect of dating and moving in with one's manager. There may be selection into dating a manager based on observable factors that also correspond to larger earnings growth. To address this, we estimate a matched difference-in-differences design. This approach compares our estimation sample to non-workplace couples where a manager is also dating a subordinate (but where the two are in different firms) who cohabit at the same time and are similar on observable characteristics and income in the fifth through the third year prior to cohabitation.

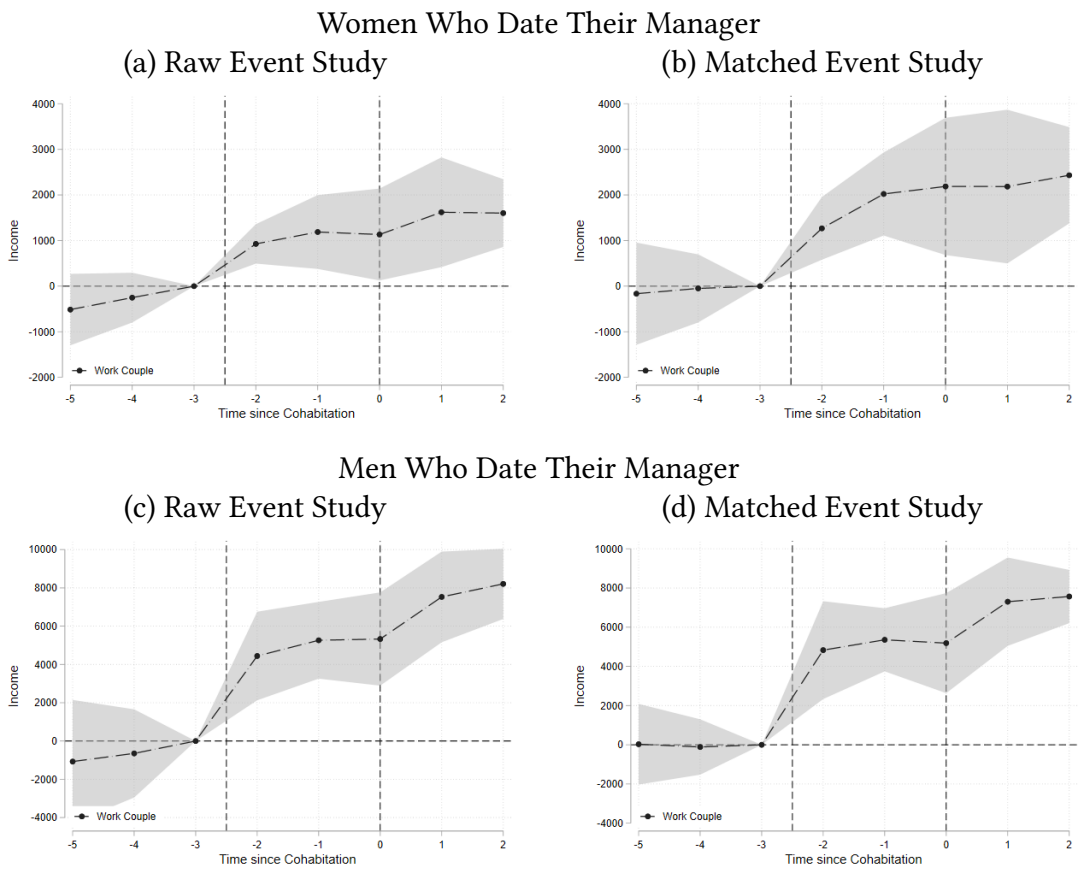
Formally, we pull the five nearest neighbor matches on the year of cohabitation, age, education, earnings, and employment status in the fifth through the third years prior to cohabitation separately for the male and female partners. We then use the matched control and treatment observations to estimate the following regression model:

$$Y_{it} = \sum_{j=-5, j\neq -3}^{2} \delta_j (W_i \times \eta_j) + \alpha_i + \eta_t + \omega_{m(i)} + \epsilon_{it}, \tag{2}$$

where Y_{it} represents the outcome of interest for the woman (or man) in couple i in year t. $D_{i,j}$ is an indicator variable for the treatment group (being in a relationship with a colleague) in year j. $\omega_{m(i)}$ give the match fixed effects. δ_j are the coefficients of interest, identifying the effects of being in a workplace relationship relative to the matched counterfactual of a non-workplace relationship. Given the inclusion of $\omega_{m(i)}$, δ_j is identified by variation between women who date a colleague and their matched controls in the time period of interest. We omit three years prior to cohabitation ($j = -3$), which means that all estimates of δ_j are relative to three years before cohabitation. Additionally, we include event-time fixed effects, γ_t, and couple fixed effects α_i. Standard errors are clustered by couple and cohabitation year.

Panels (b) and (d) of Figure 2 report results for the female and male partners who date their managers. We find that the positive impacts documented in Panels (a) and (c) remain after implementing the matched DiD in Panels (b) and (d). Point estimates are even larger, at almost 2000 Euros, for women who date their managers, and are almost identical for men who date their managers. We conclude that dating one's manager results in measurable and substantial gains in income.

Figure 2: Earnings Impacts of Dating One's Manager



Notes: Panels (a) and (b) report estimated impacts on women of dating and later cohabiting with men who are their managers relative to women dating and later cohabiting with a man who is a manager at a different workplace, so not her manager. Panel (a) reports raw event studies. The estimates in Panel (b) use the matched control to identify effects 5 years before and after 2 years prior to cohabitation, estimating equation 2 (see main text for additional details), and with all estimates relative to three years before cohabitation which is omitted. Year 0 denotes the year cohabitation began. Year -2 is the event year of interest. Panel (c) and (d) report the estimated impacts of dating a manager for men who date their female managers. Earnings are the sum of all taxable labor earnings during the preceding calendar year. This includes both wage and salary income, but also self-employment income, and is deflated to 2013 euros. Standard errors are clustered at the couple level.

Is This a Workplace Relationship Effect? One possible concern with the interpretation of these results is that it might not be dating one's manager that explains the large increases in income we observe, but rather dating any colleague at work. If workplace relationships *in general* always yield large income gains, then we may not have concerns about

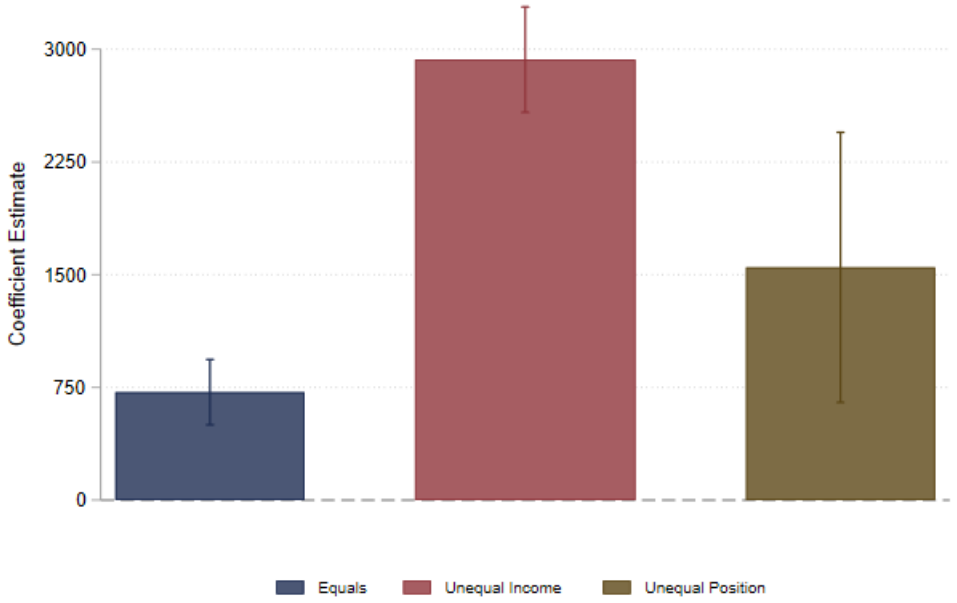
manager/non-manager relationships *in particular* generating potentially unfair earnings gains due to nepotism.

To assess this possibility, we estimate a collapsed DiD version of equation 2 for couples with power differences (i.e. subordinates who date their managers), but also for couples in equal relationships (i.e. those where both are managers or both are non-managers and the income gap between the two is below the median income gap amongst the couples in our estimation sample). We present the results from these exercises in Figure 3.

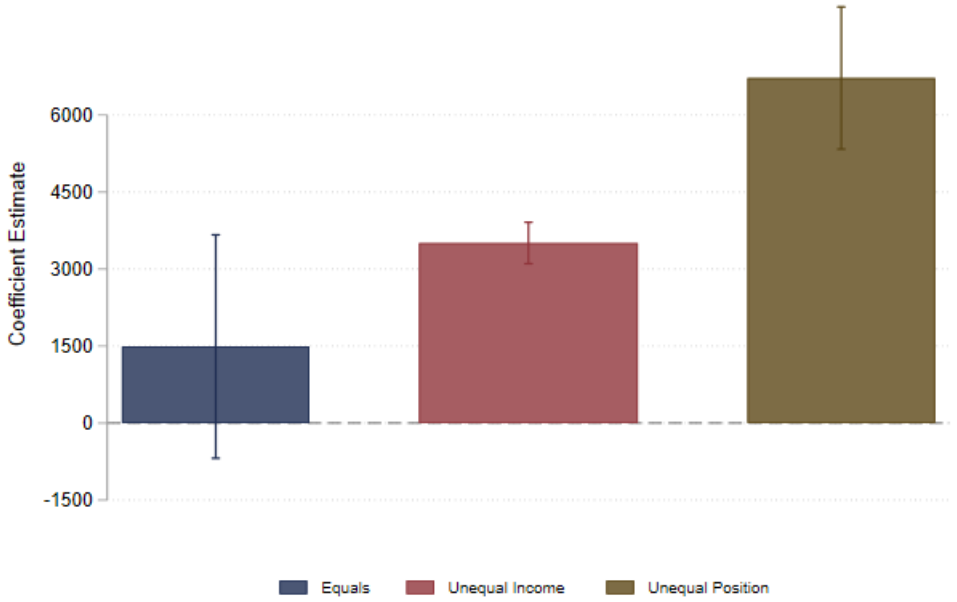
We find that the female partner in equal couples experiences a small increase in income of just under 750 Euros per year. This is about half the size of the over 1500 Euros income boost for women who date their managers. We also show here that when we use income gaps as a proxy for power differences ("unequal incomes"), subordinates also obtain large gains in their incomes relative to subordinates who also date a much higher-income partner who is employed at a different firm. We find that for women, both the unequal incomes and unequal positions relationships result in significantly larger positive income effects compared with women in equal workplace relationships (and also relative to women who form similar relationships but with non-colleagues, given the DiD estimates reported here). We find similar results for men. In the appendix, we report the same results for the matched DiD estimation approach and find a consistent story (see Appendix Figure A.6).

Figure 3: Impact of Dating Manager Versus Equals on Income, Collapsed DiD Estimates

(a) Women Who Date Equals Versus Superiors



(b) Men Who Date Equals Versus Superiors



Notes: Figure Panel (a) reports estimated impacts on women of dating and later cohabiting with men who are colleagues relative to a woman dating and later cohabiting with a man who is not a colleague, and relative to their non-workplace relationships, in a triple difference design. DiD estimates are reported separately for women in "equal" couples (both are managers or both are non-managers and the income gap between the two is below median), women subordinates in "unequal income" relationships (the income gap between the two is above median), and women subordinates in "unequal position" relationships (the man is a manager and the woman is a subordinate). Panel (b) reports the same DiD estimate for male partners. Earnings are the sum of all taxable labor earnings during the preceding calendar year. This includes both wage and salary income, but also self-employment income, and is deflated to 2013 euros. Standard errors are clustered at the couple level.

Robustness: Triple Difference Estimates Comparing Individuals' Workplace Relationships to their Non-Workplace Relationships One remaining concern is that individuals who begin relationships with workplace colleagues may always experience a significantly larger take-off in their earnings when dating and starting a new relationship, meaning that the above results are explained by an unobservable personality trait of these individuals and are not due to dating one's manager. To test this possibility, we leverage the fact that we can observe the other relationships individuals form in our data. We estimate a triple difference specification, comparing a between-colleague relationship for a given individual to his or her own other relationships without a colleague, relative to their matched controls.

Formally, we estimate the following event study specification:

$$Y_{it} = \sum_{j=-5, j\neq -1}^{5} \left(\delta_j \left(W_{i,j} \times A_{i,j}\right) + \omega_j W_{i,j} + \mu_j A_{i,j} + \alpha_i\right) + \eta_t + \epsilon_{it} \tag{3}$$

where $V_{i,j}$ is an indicator for whether an individual is a subordinate or a matched control to the subordinate in their workplace relationship and $A_{i,j}$ is an indicator for whether an individual is a subordinate in at least one of her relationships. Note that $(W_{i,j} \times A_{i,j})$ is equivalent to $D_{i,j}$ in Equation 2.

We report results from this exercise in Figure 4. [These results are in progress but will be completed by the time of the conference.]

Figure 4: Collapsed DiD Estimates from Triple Difference Design

(a) Women Dating their Manager (IN PROGRESS) (b) Men Dating their Manager (IN PROGRESS)

Notes: Panel (a) reports estimated impacts on women of dating and later cohabiting with their manager using the triple difference design described in the text. Panel (b) reports the same for men who date their bosses. Earnings are the sum of all taxable labor earnings during the preceding calendar year. This includes both wage and salary income, but also self-employment income, and is deflated to 2013 euros. Standard errors are clustered at the individual level.

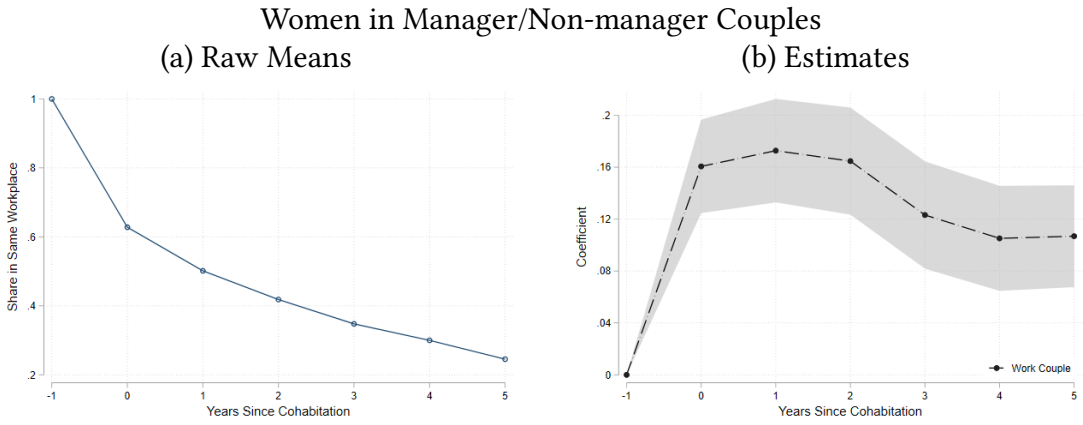
3.2 The Impacts of Starting a Relationship with One's Manager on Firm Attachment and Relationship Longevity

Workplace Relationships and Firm Attachment Next, we examine whether individuals who date their managers are more or less likely to remain in the same firm. We first present raw means. By construction, we require both partners in workplace couples to be in the same firm in the two years prior to cohabitation, so for this exercise, we focus just on the year of cohabitation and five years post-cohabitation. We report raw means for female members of workplace couples and non-workplace couples in Figure 5, with raw means reported in Panel (a) for male manager/female non-manager couples. We find that women who date co-workers are more likely to remain in the same firm than women who date men who are not co-workers. Turning to the men who date their managers, we report similar results in Panel (c) [in progress].

These raw means are evocative, and we supplement these descriptive results with estimates of the first differences between workplace and non-workplace couples, including controls for education, age, and income five years prior to cohabitation.

We report estimates from these regressions in Figure 5. Results for women in male manager/female non-manager couples are in Panel (b) and men in female manager/male non-manager couples are in Panel (d). These results suggest that indeed, women who date a manager are almost 12 percentage points more likely to remain in the same firm.

Figure 5: Probability of Remaining in the Same Firm for Women in Workplace Relationships

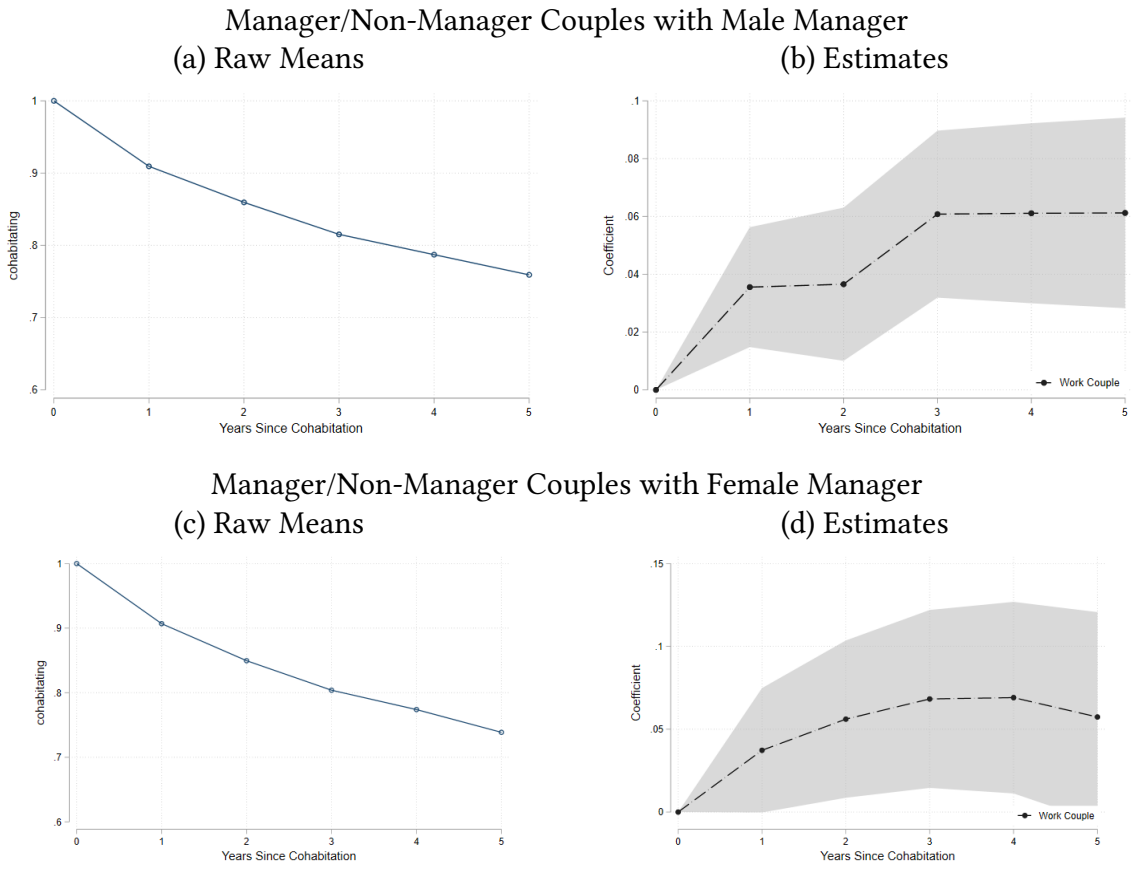


Notes: Panels (a) and (b) report raw means and estimated probabilities that women who date a relative manager in the firm stay in the same firm, compared with women who date a manager not in the same firm. Panel (b) reports estimates comparing the likelihood of remaining in the firm for observationally similar women in work versus non-work couples. Year 0 denotes the year when cohabitation began. The outcome, staying in the same firm, is a dummy equal to 1 if the individual remains in the same firm as he or she was employed the year before cohabitation (in year -1). By construction, everyone is in the same firm in year -1 which is why at -1 Panel (a) is at 1, and Panel (b) is at 0.

Longevity of Workplace Relationships We also examine whether workplace relationships between managers and subordinates last longer than non-workplace relationships, where we continue to compare our manager/non-manager workplace couples to non-workplace couples between managers and subordinates, but where the manager and subordinate work in different firms. Similar to the analysis on whether individuals are more or less likely to stay in the same firm, we focus on the five years post-cohabitation, since by construction the cohabitation spell only begins in year 0. We report raw means for workplace couples and non-workplace couples for manager/non-manager couples where the man is a manager in Figure 6 Panel (a), and for female manager/male non-manager couples in Panel (c). Looking at these raw means, we see that by 5 years post-cohabitation, both the male-female and female-male manager/non-manager workplace relationships have approximately a 10 percentage point higher likelihood of remaining together. When

we estimate first-difference results in Panels (b) and (d), we still find that workplace relationships appear to last significantly longer than similar non-workplace relationships.

Figure 6: Longevity of Workplace Relationships



Notes: Panels (a) and (b) report raw means and estimated probabilities that male manager/female non-manager couples remain together. Panel (a) reports raw means for such couples who are also workplace colleagues versus couples who are also in manager/non-manager relationships but are not workplace colleagues. Panel (b) reports estimated first differences including fixed effects for the duration of the relationship, income of both partners five years prior to cohabitation, age, and education. Panels (c) and (d) report the same but for men who date their female managers within versus outside of the firm. Year 0 denotes the year when cohabitation began. The outcome for all panels is a dummy equal to 1 if the couple is still cohabiting in year t.

3.3 The Impacts of Breaking Up with One's Manager

Not all relationships survive. In this section, we examine the impacts of a break up with one's manager compared with a break up with a manager, but where the manager works

in a different firm. We define the breakup year as the first year we observe the couple no longer defined as cohabiting with each other in the administrative data. To capture the impact of breaking up with the boss, we first report the simple raw means of income before versus after the breakup in Figure 7 Panel (a). We focus on women who break up with their managers given the very small sample size of men who date a manager and then break up with them. We find that women who break up with their boss experience a *fall* in income of just over 6% of their pre-breakup income. This fall in their incomes puts them back on the same earnings trajectory as women who date managers at different firms. Their incomes continue to fall marginally two years after the breakup and then they somewhat recover in years 3 and 4 post-breakup. By year 4, they are on the same earnings level as those who date a manager at different firms, meaning that any gains experienced from dating the boss previously are entirely erased after breaking up.

To more formally capture the causal impact of breaking up from a workplace relationship with a superior on income, we estimate a simple event study equation:

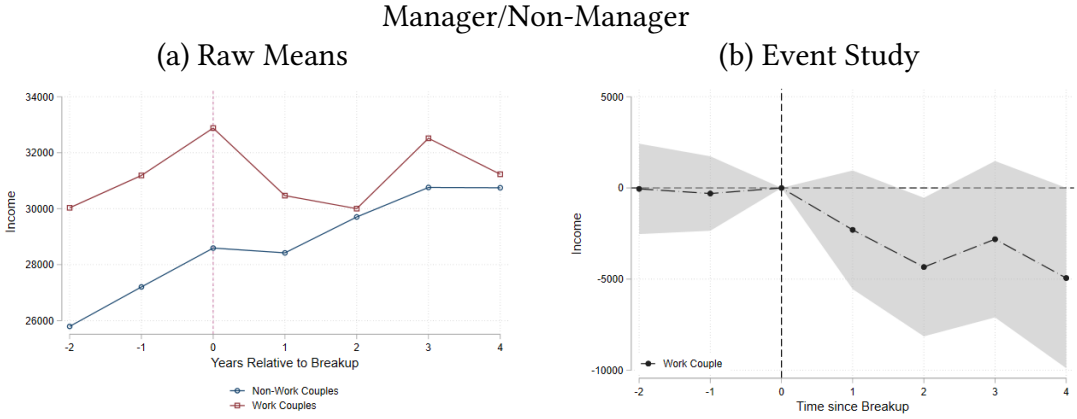
$$Y_{it} = \sum_{j=-2, j\neq 0}^{4} \delta_j (W_i \times \eta_j) + \alpha_i + \eta_t + \epsilon_{it}, \tag{4}$$

where Y_{it} is the outcome of interest for the subordinate partner in couple i at time t relative to break up. Event time is the year relative to breakup, defined as the last year we observed couples cohabitating in the data. Event time runs between -2 to 4, with year 0 dropped as the reference year. W_i is a dummy variable indicating if couple i is a workplace couple, η_t are time fixed effects, and α_i are couple fixed effects. The coefficients of interest are the δ_js which identify the effect of breaking up from a workplace relationship ($W_i = 1$) in event year j. Standard errors are clustered by couple and cohabitation year.

Figure 7 Panel (b) reports the estimates from equation 4, which captures the causal impact of breaking up from a workplace relationship with a superior relative to women in non-workplace relationships where their partner is a manager in a different firm. In the

3 periods before breakup (-3 to 0) we observe an absence of pre-trends. After the breakup we observe a clear drop in income for women who break up with their manager at the same firm, which is significant at the 95% level in years 2 and 4 post-breakup. By year 4 post-breakup women who break up with their managers in the same firm experience €5,000 lower earnings, a roughly 15% decline in earnings relative to their pre-breakup income of €33,000.

Figure 7: Earnings Impacts of Breaking Up with One's Manager



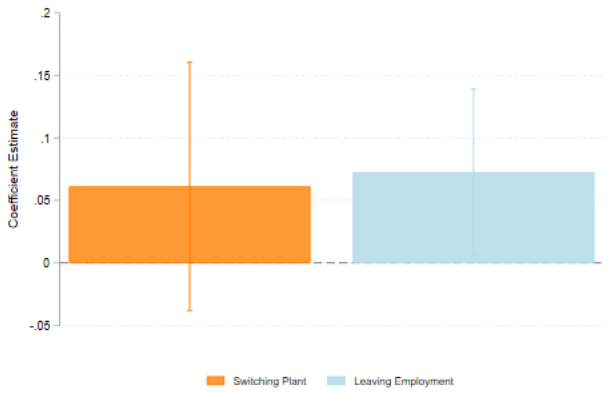
Notes: Panels (a) and (b) report impacts on women of breaking up with men who are their managers relative to a woman who breaks up with a man who is also a manager but not her manager. Panel (a) reports raw means for couples where one is a manager and one is not and both work in the same firm (red line) versus couples where one is a manager and one is not but the work in different firms (blue lines). Both groups consist of couples who breakup. The estimates in Panel (b) use the matched control to identify effects 2 years before and 4 years after the breakup, estimating equation 4 (see main text for additional details), and with all estimates relative to the year before breakup which is omitted. Year 0 denotes the year of the breakup. Earnings are the sum of all taxable labor earnings during the preceding calendar year. This includes both wage and salary income, but also self-employment income, and is deflated to 2013 euros. Standard errors are clustered at the individual level.

Do Subordinates Switch Plants or Become Unemployed After Breakup? Next, we explore to what extent the abrupt decrease in income following a breakup with a manager is driven by exits to other firms versus dropping into unemployment. Either way, the subordinate who experiences a breakup is clearly worse off than she was before, but falling into non-employment would be a particularly alarming outcome and would suggest par-

ticularly stark negative outcomes of breakups between managers and subordinates.

To assess this, we estimate equation 4, but replace income as the outcome of interest with a dummy for whether the subordinate works in a different plant or a dummy for whether the individual falls into non-employment. We report the collapsed DiD estimates in Figure 8. We find that individuals who break up with their boss are significantly more likely to fall into non-employment. We also find that they appear to be more likely to switch firms in the years following the breakup, although this estimate is not significant at conventional levels.

Figure 8: Impact of Breaking up with the Manager on Switching Plants and Leaving Employment, Collapsed DiD Estimates

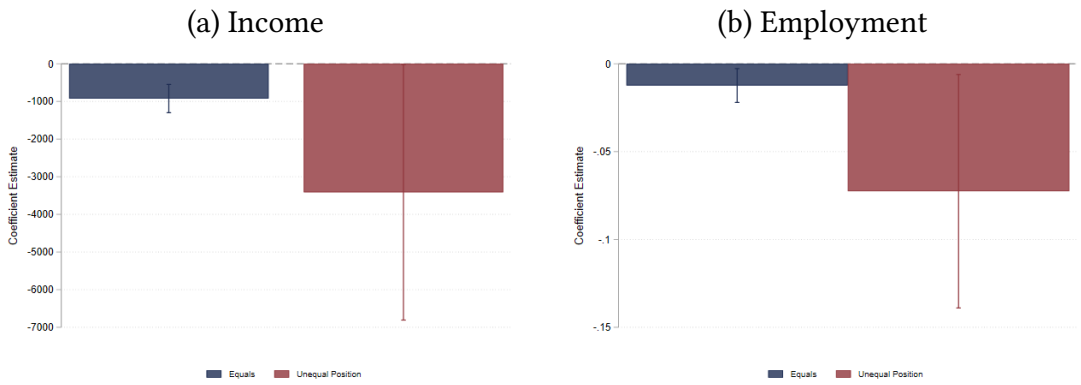


Notes: Figure (a) reports the estimated impacts of breaking up with one's manager on the outcome of switching plants. Figure (b) reports the same but with non-employment as the outcome, where non-employment is a dummy variable equal to 1 if the individual is no longer employed. Standard errors are clustered at the individual level.

Is This a Workplace Relationship Effect? Breaking up with a colleague at work may always lead to large declines in income, whether or not one is dating the boss. To test this possibility, we compare estimates of the impacts of breakup for those dating their workplace colleague and boss, relative to those who date a workplace equal. We report the results in Figure 9. Panel (a) reports collapsed difference-in-differences estimates for income post-breakup and panel (b) reports results for employment. Interestingly, we find

that the impact of breaking up with a workplace colleague who is an equal is also negative and significant in both the case of income and remaining in the workplace. However, we find that the impact of breaking up with the boss on income is at least three times larger than the negative impact of breaking up with an equal at the same plant. The impact of breaking up on employment is 7 times larger for those who break up with their manager versus those who break up with a relative equal within the plant. These estimates are noisy due to the reduction in sample size required when we restrict our workplace relationships with a power differential sample to those that also experience a breakup. As a result, we cannot reject that the impacts of breaking up with an equal and breaking up with the boss are the same. However, these results suggest much larger costs of the dissolution of the relationship for a subordinate who breaks up with their manager.

Figure 9: Impact of Breaking up with the Manager Versus Breaking Up with an Equal on Income and Employment, Collapsed DiD Estimates



Notes: Figure (a) reports the estimated impacts of breaking up with one's manager on income versus breaking up with an equal. Figure (b) reports the same but with employment as the outcome. Earnings are the sum of all taxable labor earnings during the preceding calendar year. This includes both wage and salary income, but also self-employment income, and is deflated to 2013 euros. Standard errors are clustered at the individual level.

4 Spillovers on the Broader Workforce

4.1 Workforce Retention

Workplace relationships between managers and their subordinates may be harmful to the firm at large if they cause discomfort or disgruntlement amongst other workers. For example, other workers may think an individual who is dating his or her boss is receiving unfair promotions, income gains, or preferential assignments. This could lead to measurable negative externalities on other co-workers. Alternatively, a bad breakup between a manager and a subordinate could have negative externalities that extend to the entire firm.

To investigate if these issues are relevant, we estimate the impacts of a manager dating a subordinate on a series of possible outcomes for other workers: whether these workers remain in the same establishment, the female share of workers in the establishment, wages of other workers, what type of jobs workers leave the firm for, and more.

[Estimates are in progress but will be completed by the date of the conference.]

4.2 Permissive Environments and Workplace Harassment

Absent from the above results are the potential implications of allowing consensual workplace relationships between managers and subordinates on harassment. There can be a very fine line between asking a subordinate out and harassing a subordinate. As #MeToo demonstrated, the costs of turning down an economic superior can be very large, including retribution and increasingly aggressive advances. Moreover, the costs of nonconsensual attacks and harassment in the workplace are enormous, as documented in Adams-Prassl, Huttunen, Nix and Zhang (2022) and Folke and Rickne (2022).

To assess how relevant these concerns may be, we will link survey data on workplace harassment to our panel data on workplace couples. We plan to estimate the correlation

between the existence of a workplace couple in a firm and whether or not there is a report of workplace harassment against that firm.

[Estimates in progress, this analysis depends on receiving survey data on lower-level harassment at the firm that we can link to the administrative data we currently have access to. We've requested the data and have, after some effort, been approved to link it but it may take some time before it is ready. If this is not ready in time or there is not sufficient overlap in the data, we may have to drop this section of the paper and just cover these potential issues in the conclusion.]

While we do not provide causal estimates of the link between allowing for relationships between manager and subordinate and workplace harassment, this possibility must be considered alongside the other results in this paper when thinking about what type of policies should be in place (if any) regarding romantic relationships at work.

5 Conclusion

This paper provides the first large-scale evidence of the impacts and implications of workplace relationships between a manager and their subordinate on both the individuals involved in the relationship and also on the broader workforce. We find that "dating the boss" leads to a 5% income bump, which persists over time. These large effects are present both for women who date their managers and for men who date their managers, although the former is much more common. In contrast, the gains from dating a colleague who is not in a position of power within the firm yield much smaller income gains.

We further explore the impacts of breaking up from a workplace relationship with a superior. We find that breaking up with the boss is quite costly for subordinates who experience a substantial income drop of 16% of their pre-breakup income by 4 years post-breakup. Exploring possible mechanisms for this income decline we find that this drop in income is explained both by subordinates who break up with their managers switching

firms, but, somewhat alarmingly, also by a significant increase in the probability the subordinate enters non-employment after the breakup. We show that these results are again much more muted in workplace relationships between relative equals in the firm.

The gains in income we find after dating a superior in the same firm are potentially consistent with nepotism, with managers promoting or giving pay bumps to their romantic partners who have not earned them. Alternatively, we cannot rule out that the subordinate partners had high unobserved ability that the manager only discovers after dating them which leads to the increase in earnings. However, such an argument is hard to reconcile with the breakup results.

Our results show relationships between managers and subordinates within a workplace can be quite costly for the subordinate in the case of break up. This could potentially be due to the superior using their relative power in the firm to retaliate against the subordinate ex-partner, which is a major concern of those who support bans on such relationships. The negative effects could also be due to tension between the partners leading the subordinate to choose to exit the workplace.

In the last part of the paper, we explore the potential wider spillovers of these relationships on other workers in the firm. [Results in progress.]

We conclude that workplace relationships that feature power gaps have important career consequences for those directly involved, and as such, are an important organizational issue, perhaps warranting some of the restrictions that have been imposed across a range of companies such as General Motors, McDonald's, General Motors, Walmart, and the World Bank. Our analysis suggests that these within-firm restrictions could have important costs and benefits. On the cost side, they could prevent healthy and long-lasting relationships from forming and may cause the firm to lose workers. On the benefits side, these policies could help prevent the sort of nepotism our results suggest occur from happening, and stop the large costs that follow the break up of these relationships. We leave

a more formal evaluation of such policies banning workplace relationships to future research.

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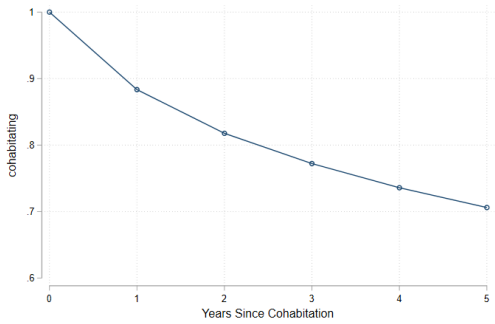
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Online Appendix

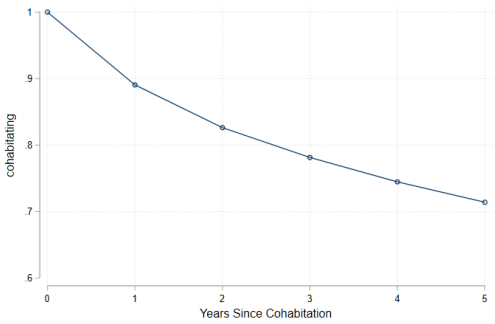
A Figures

Figure A.1: Proportion of Couples Still Together 5 Years After Cohabitating)

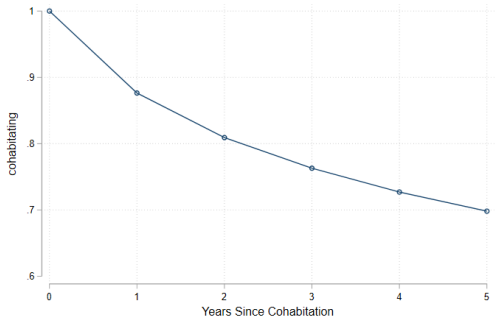
(a) No Power Differential



(b) Income Diff $\geq$ Median



(c) Income Diff $<$ Median



(d) Manager (men)/ Non-Manager(Woman)

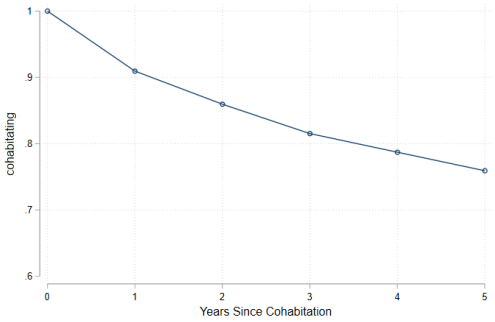
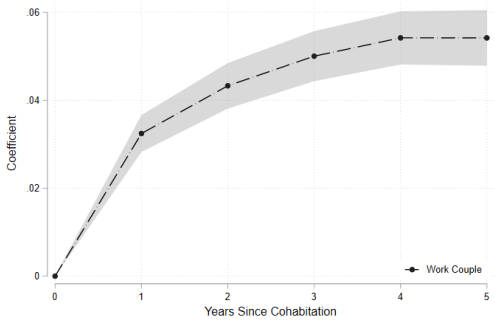
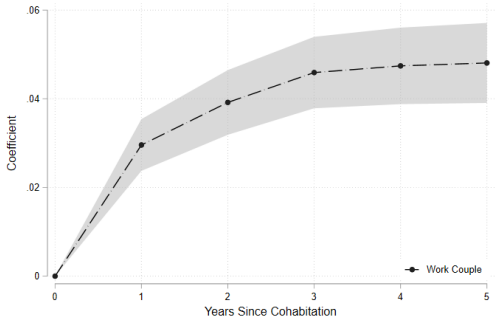


Figure A.2: First Difference of Proportion of Couples Still Together 5 Years After Cohabitating)

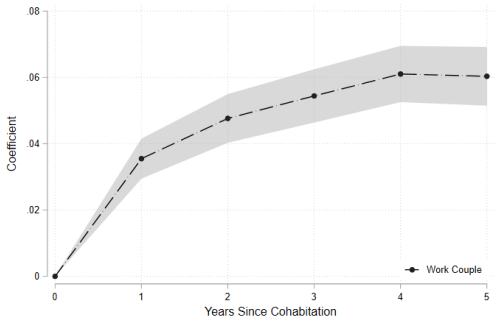
(a) No Power Differential



(b) Income Diff $\geq$ Median



(c) Income Diff $<$ Median



(d) Manager (men)/ Non-Manager(Woman)

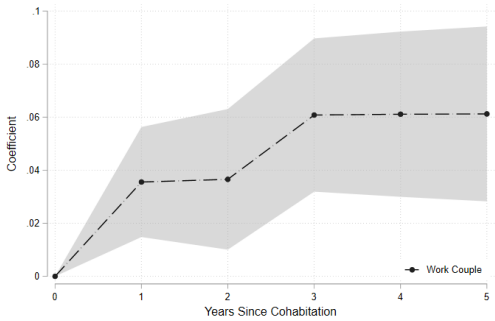
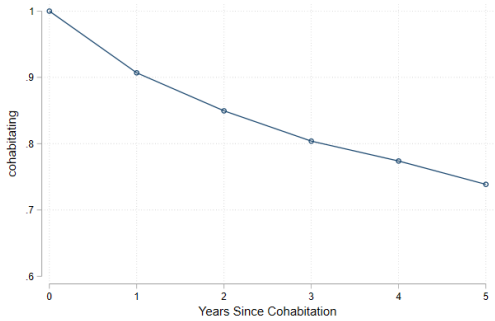


Figure A.3: Proportion of Couples Still Together With Reverse Power Differential (Manager (Woman)/Non-Manager(Men)

(a) Proportion by Group



(b) First Difference

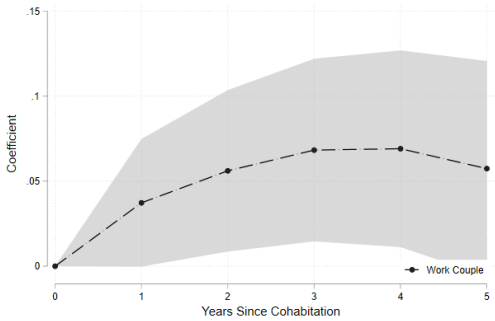
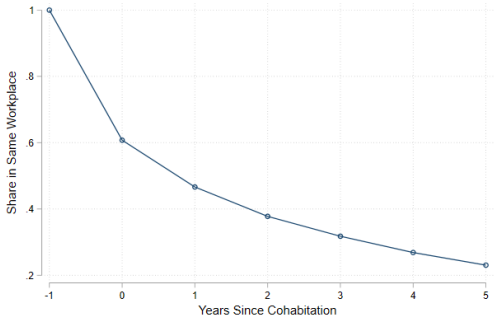
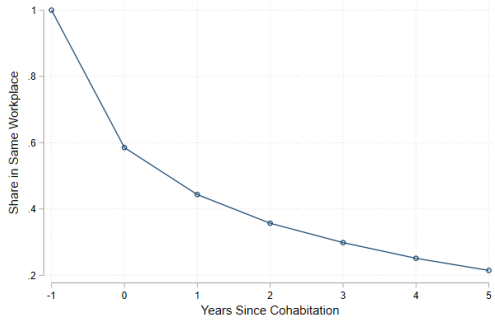


Figure A.4: Proportion of Woman in Same Firm 5 Years After Cohabitating with Partner)

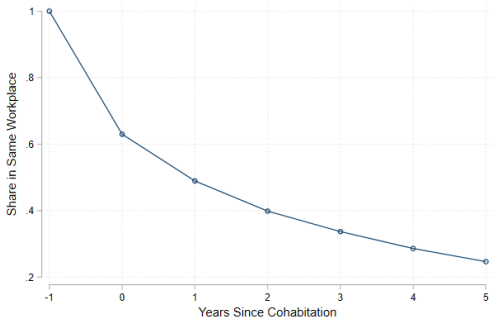
(a) No Power Differential



(b) Income Diff $\geq$ Median



(c) Income Diff $<$ Median



(d) Manager (men)/ Non-Manager(Woman)

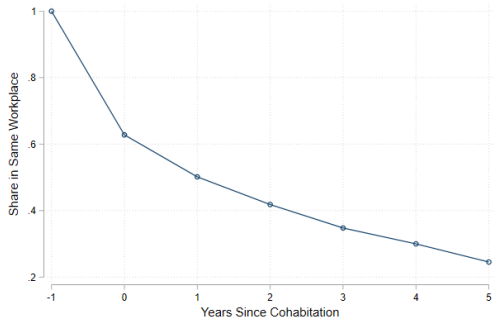
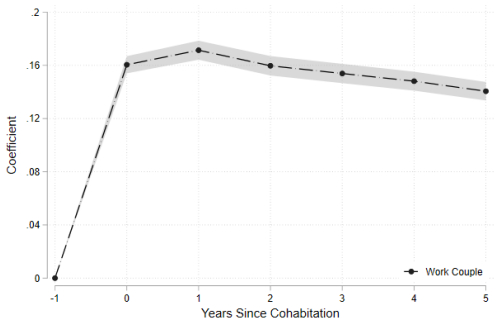
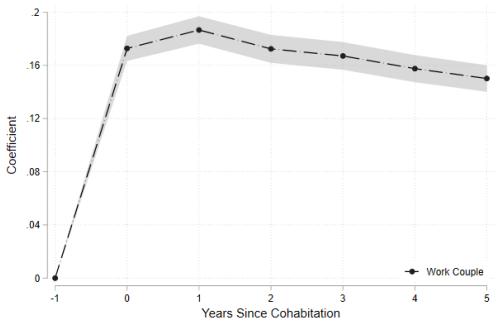


Figure A.5: First Difference of Woman in Same Firm 5 Years After Cohabitating with Partner)

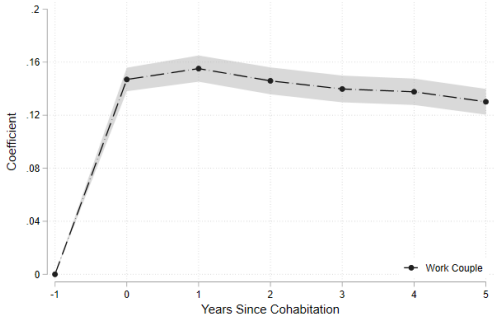
(a) No Power Differential



(b) Income Diff $\geq$ Median



(c) Income Diff $<$ Median



(d) Manager (men)/ Non-Manager(Woman)

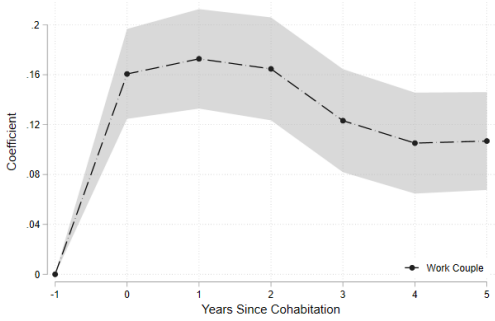
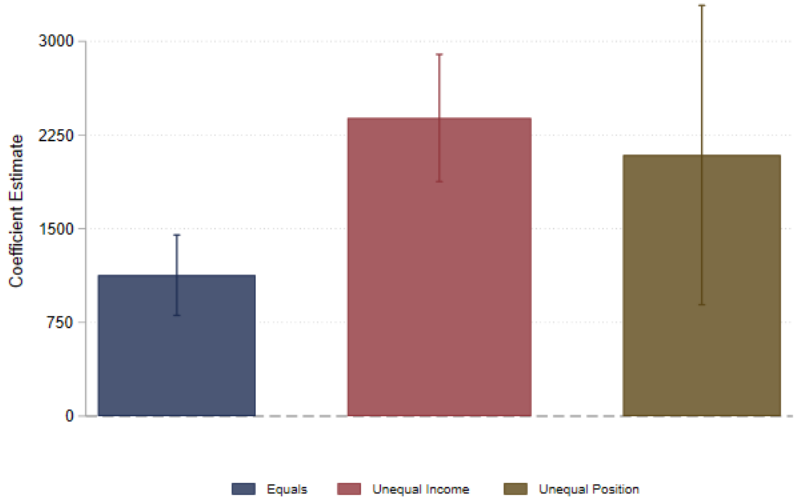
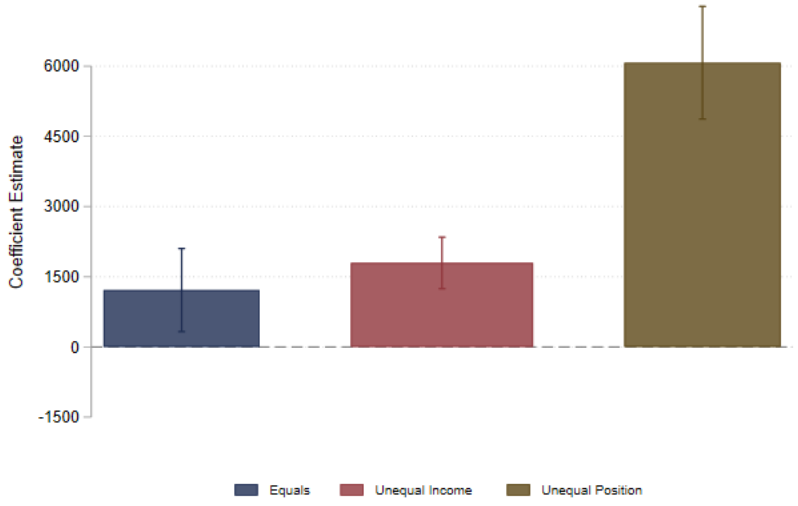


Figure A.6: Collapsed Matched DiD Estimates for Women and Men Who Date Equals Versus Unequals

(a) Women



(b) Men



Notes: Panels (a) report estimated impacts on men of dating and later cohabiting with women who are colleagues relative to a woman dating and later cohabiting with a man who is not a colleague. Figure reports collapsed raw DiD. Panel (b) reports the same for men. Earnings are the sum of all taxable labor earnings during the preceding calendar year. This includes both wage and salary income, but also self-employment income, and is deflated to 2013 euros. Standard errors are clustered at the individual level.