

How much should a victim be compensated for emotional suffering?

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If a company sends one of its workers to a crime-ridden neighborhood to repair a leaking roof and the worker is held up by gunpoint, has his wallet stolen and is so terrified that he can't return to work, how much should that crime victim receive for his emotional suffering?

If the worker had no money in his wallet when it was stolen, chances are people would say he deserves a lot more financial compensation for the fear he experienced than if he had \$50 stolen.

When assessing total compensation for a victim, the presence of a small economic loss "crowds out" the presence of an emotional loss, according to new research from the University of Chicago Booth School of Business Professor Christopher Hsee and PhD candidate Shirley Zhang.

In the study, "Small Economic Losses Lower Total Compensation for Victims of Emotional Losses," forthcoming in the January issue of *Organizational Behavior and Human Decision Processes*, the researchers find that people are inclined to reward considerable compensation for emotional loss if that is the only loss. But, when a small economic loss accompanies the emotional loss, that fact lowers the total compensation award recommended.

At the same time, if the loss is so small as to be trivial—\$1 instead of \$50—the researchers find that people tasked with awarding damages look at the scenario as if there were no economic loss at all and focus solely on the emotional loss.

"Unlike an economic loss, emotional loss is hard to evaluate and prone to biases," said Hsee. "When a victim incurs only an emotional loss, people will base compensation on how much they feel the emotional loss is worth. But if the victim also incurs an economic loss, people will anchor on that measurable economic loss and make their compensation decision based on that amount."

The researchers conducted a series of four experiments in diverse contexts from car accidents to mugging to harassment and in which the size of the economic loss varied. Across the many different scenarios, the findings were the same: a smaller economic loss dragged down the total compensation.

The results suggest that when victims are seeking damages for emotional losses, they would fare better financially if they refrain from mentioning economic losses, unless the economic loss is particularly large.

"It would be better to say, 'I was so scared that I lost two nights' sleep,' than to say, 'I was so scared that I lost two nights' sleep and one day's work,'" the study says. "If the victim mentions one day's work, the mediator would likely compensate the victim for only her one day's pay. If the victim does not mention one day's work, the mediator would likely award more."

Compensation for emotional issues isn't just a legal issue. It is also a psychological issue. Understanding the lay attitude toward emotional loss sheds light not only on how mediators make [compensation](#) recommendations, but also, more broadly, on how laypeople treat emotional factors in decisions in general.

More information: Shirley Zhang et al, Small economic losses lower total compensation for victims of emotional losses, *Organizational Behavior and Human Decision Processes* (2017). [DOI:](#)

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