

Accepted Manuscript

Employee welfare and stock price crash risk

Hamdi Ben-Nasr, Hatem Ghouma



PII: S0929-1199(17)30321-8

DOI: <https://doi.org/10.1016/j.jcorpfin.2017.12.007>

Reference: CORFIN 1315

To appear in: *Journal of Corporate Finance*

Received date: 18 May 2017

Revised date: 27 November 2017

Accepted date: 8 December 2017

Please cite this article as: Hamdi Ben-Nasr, Hatem Ghouma , Employee welfare and stock price crash risk. The address for the corresponding author was captured as affiliation for all authors. Please check if appropriate. Corfin(2017), <https://doi.org/10.1016/j.jcorpfin.2017.12.007>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Employee Welfare and Stock Price Crash Risk¹

Hamdi Ben-Nasr

College of Business Economics
Qatar University
Doha, Qatar
hbennasr@qu.edu.qa

Hatem Ghouma

Gerald Schwartz School of Business
St. Francis Xavier University
Antigonish, Nova Scotia, Canada
hghouma@stfx.ca

Abstract:

We examine whether employee welfare practices are associated with future stock price crash risk. Two competing hypotheses were tested: the stakeholder theory hypothesis & the agency theory hypothesis. According to the stakeholder hypothesis, if strong commitment to employee well-being genuinely aims at strengthening the firm's reputation in the market, enhancing the shareholders' engagement, avoiding costly strikes, and boosting the employees' productivity, higher level of employee welfare would be expected to mitigate stock crash risks. On the contrary, the agency theory predicts that, if managers attempt to use generous employee welfare plans to reduce the likelihood that the employees blow the whistle on the management wrongdoings, better employee welfare would likely be associated with higher crash risk. We find robust evidence supporting the agency theory thesis: high levels of employee welfare standards contribute to stock price crash risk. This finding is consistent with the view that employee welfare plans form a powerful strategy that can help managers in their bad-news-hoarding activities (withholding bad news from investors). Moreover, earnings management and the likelihood of whistleblowing appear to be the channels through which employee welfare impacts stock price crash risk. Our evidence further shows that the positive relation between employee welfare and crash risk is stronger for labor intensive firms and industries, in more regulated labor markets, and in less competitive product markets. Furthermore, this positive relationship is more pronounced in poorly governed firms and in countries with poor investors' protection and lower disclosure requirements.

GEL Classification: G14; G30; J53; J28; M14;

Keywords: Crash risk; Employee Welfare; Whistleblowers; Earnings Management

¹ We are grateful to Kee-Hong Bae and Narjess Boubakri for constructive comments on the early drafts of this paper. We also thank the participants at the 2016 Northern Finance Association Conference in Mont-Tremblant, Quebec Canada, the 2016 ACFAS seminar held at University of Quebec in Montreal, the 2016 Summer Accounting and Finance Conference in Tunisia and the 2017 Southern Finance Association in Key West, Florida, USA for their helpful comments. Hatem Ghouma acknowledges financial support from St. Francis Xavier University. Hamdi Ben-Nasr acknowledges the financial support from Qatar University, QUUG-CBE-DFE-17/18-6.

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات