

Non-Disclosure Agreements, Whistleblowing, and Workplace Safety

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Keywords: Workplace Safety, Non-disclosure Agreements, Whistleblowing Mechanisms, Violations, Financial Performance, Resource Allocation, #MeToo movement.

Acknowledgement: We appreciate the insightful feedback provided by participants at the internal workshop at the University of Oklahoma.

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Abstract:

This paper examines whether narrowing the scope of employees' non-disclosure agreements (NDAs) affects employers' whistleblowing to regulators and, ultimately, workplace safety. While broad NDAs deter employees from disclosing any adverse information about their employers, recent legislative changes in several U.S. states have limited their scope. Using difference-in-differences analyses, we find that facilities in states that enact NDA-restricting laws experience a significant increase in whistleblower-initiated inspections by Occupational Safety and Health Administration (OSHA) and a rise in reported violations compared with facilities in other states. The effect is more pronounced in industries that heavily utilize NDAs and in firms where employees work longer hours. Following the adoption of narrowed NDAs, facilities subject to whistleblower-initiated inspections show a reduction in employee injuries. Interestingly, facilities within the same companies but in unaffected states experience an increase in injuries once inspections occur at facilities in the affected states. Overall, our findings suggest that limiting NDAs encourages workers to blow the whistle and improve workplace safety, while creating negative spillover effects for facilities within the same companies in states without such changes.

JEL Codes: M41, M54, J28