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Earnings Expectations and Employee Safety[☆]Judson Caskey^a, N. Bugra Ozel^b^aUCLA Anderson School of Management^bUTD Jindal School of Management**Abstract**

We examine the relation between workplace safety and managers' attempts to meet earnings expectations. Using establishment-level data on workplace safety from the Occupational Safety and Health Administration, we document significantly higher injury/illness rates in firms that meet or just beat analyst forecasts compared to firms that miss or comfortably beat analyst forecasts. The higher injury/illness rates in firms that meet or just beat analyst forecasts are associated with both increases in employee workloads and in abnormal reductions of discretionary expenses. The relation between benchmark beating and workplace safety is stronger when there is less union presence, when workers' compensation premiums are less sensitive to injury claims, and among firms with less government business. Our findings highlight a specific consequence of managers' attempts to meet earnings expectations through real activities management.

JEL Classification: G10; J28; K32; M41.

Keywords: Earnings expectations; real activities management; workplace safety.

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