

# **Whistle-Blower Protection: Theory and Experimental Evidence**

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Abstract:

Whistle-blowing by employees is a major factor in uncovering misbehavior in firms. In recent years, various legal reforms have aimed to provide better protection of whistle-blowers in order to encourage them to come forward. Empirical evidence on the effectiveness of these reforms is scarce. Moreover, "employment protection" (where whistle-blowers cannot be fired) has raised worries about fraudulent claims. To address these issues, we set up a cheap-talk model of whistle-blowing in firms and test it experimentally in the lab. The findings are broadly consistent with theoretical predictions.