Small Hands, Big Losses:
Stock Market Reactions to Child Labor Abuse News

Liang Ma and Tonni Shijun Xia*

September 3, 2025

ABSTRACT

We examine stock market reactions to news announcements on corporate child labor abuses. An event study analysis shows a cumulative abnormal return (CAR) of -0.57% over a three-day event window [-1, +1]. The effect is stronger for firms with higher institutional ownership and for news first covered by nationwide outlets, suggesting investor underreaction and that institutional investors and news salience help accelerate price adjustment. Further supporting underreaction, a negative post-announcement drift persists for two weeks, with a sizable CAR of -2.37% over the window of [+2, +11]. The total CAR over both the event window and the post-event window amounts to -2.94%, which translates to an average loss of $6.75 billion in market value and suggests that child labor abuse leads to substantial market value losses when revealed.

Keywords: Child Labor Abuse; ESG; Event Studies; Investor Under-reaction; Post-Announcement Drift

* Ma is from the Department of Finance, Fowler College of Business, San Diego State University. Email: liang.ma.work@gmail.com; lma2@sdsu.edu. Xia is from the Charles W. Lamden School of Accountancy, Fowler College of Business, San Diego State University. Email: sxia2@sdsu.edu. We thank Samuel Vigne (the editor) and six anonymous referees for helpful comments and suggestions. We also thank Daniela Peregrino Cecena and David Saiadian for their research assistance.