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1. Introduction

Many companies state in their reports that their employees are the company's most valuable resource (Flamholtz, 1999; Gröjer and Johanson, 1999; Guthrie, Petty and Johanson, 2001; Mouritsen, 1998; Petty and Guthrie, 2000). The purpose of this paper is to examine voluntarily employee [1] disclosures in Australian corporate annual reports by applying Ullmann's (1985) three dimensional stakeholder framework comprising stakeholder power, strategic posture and economic performance. This study first investigates the propensity of companies to disclose voluntary employee information in relation to stakeholder employee power which is represented by employee share ownership and union membership. Second, strategic posture denoted by corporate governance best practice systems and corporate mission statements are examined. Return on assets (ROA) and market oriented Tobin's Q are proxies used for economic performance. Finally, the quality of employee disclosures using content analysis are examined also using Ullmann's (1985) three dimensional model.

The research question addressed is as follows: Why do Australian publicly listed companies voluntarily disclose employee information in their annual reports? The Corporations Law, various Accounting Standards and the Australian Securities Exchange (ASX) do not require employee disclosures[2] with the exception of mandatory information relating to employee benefits (Kent and Chan, 2009). Australian companies however, are

[1] An employee is a person employed in a calling on wages or piecework rates; or a person whose usual occupation is that of an employee in a calling; or a person employed in a calling, even though the person is working under a contract for labour only, or substantially for labour only; or the person is a lessee of tools or other implements of production, or of a vehicle used to deliver goods; or the person owns, wholly or partly, a vehicle used to transport goods or passengers; or a person who is a member of a class of persons declared to be employees under section 275; or each person, being 1 of 4 or more persons who are, or claim to be, partners working in association in a calling or business; or for proceedings for payment or recovery of amounts—a former employee; or an outworker; or an apprentice or trainee (Industrial Relations Act, 1999).

[2] There are several general reporting requirements that are relevant to the social environment. For example, "Australian companies are required to provide true and fair balance sheets and profit and loss accounts, and to disclose information about contingent liabilities and material after balance date events. Such requirements could relate to particular social issues associated with a company's operations. The only specific corporate reporting requirement of an employee nature is that Australian companies must recognise a liability when an employee has provided service in exchange for employee benefits to be paid in the future, or to recognise an expense when the entity consumes the economic benefits arising from services provided by an employee in exchange for employee benefits" (Kent & Zunker, 2010). This requirement is embodied in AASB 119 "Employee Benefits" which became effective in April 2007.

continuing to provide voluntary social information within their annual reports and the amount of disclosure is exponentially increasing over time (Trotman and Bradley, 1981; Brown and Deegan, 1998; Tilt, 2004).

In 2006, a Federal Government enquiry into whether corporate social reporting (CSR) should be mandatory, recommended that CSR remain voluntary and unregulated (The Commonwealth Government of Australia, 2006a). The enquiry further concluded that the current Corporations Act gave directors adequate guidance for providing non-financial information such as employee related reporting by listed companies (The Commonwealth Government of Australia, 2006b). Thus corporate governance plays an important role in the provision of employee disclosures by Australian companies.

Little attention has been given to the role of corporate governance systems, corporate mission statements, employee share ownership and union membership associated with voluntary employee related disclosures in annual reports despite the importance placed on employees by many companies. Several studies have examined eclectic aspects, policies and practices of employee disclosures in corporate social responsibility reports with researchers using various theoretical and methodological approaches (see Spence, Husillos and Correa-Ruiz 2010, for an extensive critical literature review and Owen, 2008 for a critiqued overview of CSR).

1.1 Demand for Voluntary Employee Reporting

Numerous underlying principles exist for managers to voluntarily disclose employee information in the annual report. One incentive is the desire to comply with legal and professional requirements (Jamali, 2008; Van Dongen, 2006). Social disclosures and related verifications are not mandated in Australia (Deegan, 2000). Economic rationality concerns might be considered another important reason. In particular, there could be benefits for the company in appearing to act responsibly by their employees and this could be deemed to be more important than acknowledging other social responsibilities of the company (Deegan, 2002; Friedman, 1962).

Another benefit is attempting to be an accountable or responsible company by reporting information voluntarily. Managers are likely to consider that stakeholders have a right to certain information, and that they should fulfil that entitlement (Deegan, 2002; Donaldson and Preston, 1995; Freeman and Reed, 1983; Hasnas, 1998; Wilmhurst and Frost, 2000) despite the related costs. Complying with borrowing requirements is another incentive to provide voluntary employee information. Corporate lending institutions require, as an element of their risk assessment policies, borrowers to regularly supply certain information about their social policies and performance. Also, managers are expected to conform to community expectations, to appear as though they are complying with the 'social contract', and this is reliant upon providing evidence of positive social performance (Abeysekera, 2006; Aerts, Cormier and Magnan, 2006; Deegan, 2000, 2002).

Benefits such as managing particular stakeholder groups (see Neu Warsame and Pedwell, 1998; Roberts, 1992; Ullmann, 1985) and the compliance of industry requirements or particular codes of conduct (see Deegan and Blomquist, 2001) are additional motivations that encourage management to disclose social responsibility information. Many companies also apply to win social reporting awards, thus receiving the associated positive publicity. Winning an award for social and environmental reporting could in turn have positive implications for the reputation of the company (Bebbington et al., 2008; Deegan and Carroll, 1993). The desire to legitimise a company's operations is another reason for voluntary social disclosures.

2. Ullmann's Theory and Hypotheses Development

We apply Ullmann's theoretical framework to this study of voluntary employee related disclosures for two reasons. First, the theory allows researchers to identify key stakeholders associated with particular categories of social disclosure rather than focusing on a general range of stakeholders. Second, this theory incorporates an ex ante strategy for companies to manage particular stakeholders rather than ex post management after the company has impaired their social contract with society. Ullmann (1985) introduced a three-dimensional framework of corporate social responsibility disclosure that incorporated the elements of stakeholder power, strategic posture and the past and present economic performance of the company. Ullmann (1983) argued that the fundamental principle of stakeholder theory is that companies use social disclosures as a means to manage their relationships with their stakeholders and the external environment. Ullmann's (1985) framework therefore is useful to examine employee power, economic performance and corporate governance best practices in relation to a strategic perspective of employee disclosures.

2.1 Stakeholder Power – Employees

The first dimension of Ullmann's model, *stakeholder power*, is the underlying theoretical basis of the framework. Although implied within legitimacy theory, stakeholder theory explicitly refers to matters of stakeholder power, and how a stakeholder's relative power impacts their ability to persuade the company into complying with the stakeholder's demands (Clarkson, 1995; Deegan and Blomquist, 2006; Roberts, 1992). Stakeholder demands are more likely to be met when more stakeholder resources are deemed to be crucial to the ongoing success of the company. Companies state in their annual reports the value of their employees. For example, Woolworths (2004) annual report states,

"All of our people, whether in stores or support functions, know our business extremely well. Our employees' experience and knowledge of how our business operates is one of our most valuable assets and contributes to our ongoing success."

Hence, we specifically examine employee stakeholder power as a vital key to voluntary employee disclosures in Australian corporate annual reports. Stakeholder power is viewed as a function of the stakeholders' degree of control over resources required by the company and how critical these resources are to the continued viability of the company (Ullmann, 1985). Where stakeholders are deemed powerful and legitimate, their influence on the company is guaranteed, since by possessing power with legitimacy, they form the 'dominant coalition' in the company (Cyert and March, 1963). These stakeholders are characterised as 'dominant', with respect to the legitimate claims they have upon the company and their ability to act on these claims (Mitchell, Agle and Wood, 1997). Employee stakeholders have a legitimate claim upon the company as they provide their physical and intellectual labour to produce goods and services in return for wages, salaries or contractual income.

Two under researched factors that support employee stakeholder power are employee share ownership and trade union membership.

Employee Share ownership

The main stakeholders for analysis can also be identified by reference to the nature of the power possessed by the potential stakeholder. Freeman (1984) considered that stakeholder power could be classified as voting power, economic power and political power. Employees can exercise voting power if they participate in employee share ownership schemes, political power if they are involved in trade union memberships, or economic power indirectly through labour power. Regulators and lobby groups exercise political power through imposing the legal regulation on companies (Kent and Chan, 2009; Wilmshurst and Frost, 2000).

The impact of employee share ownership on the employee-company relationship is under researched considering that a transformation has occurred over the last three decades when employee share ownership schemes were introduced to distribute the benefits of capitalism more widely (Freeman, 2007). In 2004, the Australian Bureau of Statistics (ABS) measured the incidence of employee share ownership using statistics compiled from the Employee Earnings, Benefits and Trade Union Membership survey, conducted as a supplement to the Australian Bureau of Statistics monthly Labour Force Survey in August 2004. See table 1 that shows increasing employee share ownership scheme participation by industry.

<u>Table 1 here</u>

In 2004, research commissioned by the Department of Workplace Relations' Employee Share Ownership Development Unit found that ten per cent of businesses surveyed had some form of employee share ownership (Landau, Mitchell, O'Connell and Ramsay, 2007). Four per cent of businesses surveyed had a broad-based[3] employee share ownership scheme, which was open to at least 75 per cent of employees. While 44 per cent of companies with a plan had broad-based ones (that is, mostly executive share plans rather than broad-based) the majority of plans implemented in the period 2003 – 2004 were open to all employees, indicating a move towards broad based schemes. The 2004 ABS data indicated that six per cent of a total 481,300 employees held shares as a form of employment benefit.

Changes to institutions and public policies to protect workers over the last twenty years have radically changed since deregulation of the labour market and globalisation.

[3] A broad-based employee share option scheme is available to all employees.

Employer preferences for flexibility have meant that employees have the responsibility for career development, commitment to a particular kind of work rather than particular employer and expected job insecurity. The once long term relationship between employer and employee has transformed into short term transactions (Van Buren III and Greenwood, 2008). Hence employees have been encouraged to participate in employee share ownership schemes as a way to build commitment, increase productivity and profits (Freeman, 2007). Evidence indicates that employees' loyalty and willingness to work diligently for the company increases when some form of ownership in the company exists (Bryson and Freeman, 2010). Employee share ownership also gives workers an opportunity to participate in company decision-making (Freeman, 2007) thus giving employees more stakeholder power.

Trade Union Membership

Very little attention has been given to the link between voluntary corporate employee disclosures and trade union membership of employees working for the company.

The Global Reporting Initiative[4] (GRI2, 2002 p. 51) states that

> "The specific aspects for labour practices and human rights performance are based mainly on internationally recognised standards such as the Conventions of the International Labour Organisation (ILO) and international instruments such as the United Nations Universal Declaration of Human Rights. In particular, the labour practices and human rights indicators have drawn heavily on the ILO Tripartite Declaration Concerning Multinational Enterprises and Social Policy, and the Organisation for Economic Cooperation and Development (OECD) *Guidelines for*

[4] Established in 1997, the Global Reporting Initiative is a joint initiative of the Coalition of Environmentally Responsible Economies (CERES) and the United Nations Environment Program (UNEP). Its aim is to provide a global and credible framework for sustainability reporting that can be used by all organisations (GRI, 2002; 2006).

Multinational Enterprises, which were deemed most relevant to the responsibilities of business during the Global Reporting Initiative consultative process."

Similarly the Global Reporting Initiative 3 (2006) has continued promoting decent labour practices guided by the International Labour Organisation and the Organisation for Economic Cooperation and Development which support trade unions as a stakeholder group and as a way to engage and protect stakeholder employees. Little research has examined the link between corporate employee disclosures and unions or union membership in spite of these recommendations.

This important stakeholder group should positively relate to corporate employee disclosures to enhance transparency and accountability of decent workplace conditions and practices as advised by the GRI.

2.2 Strategic Posture

The third dimension of Ullmann's (1985) model is *strategic posture* which clarifies management's reasons for responding to the demands of the stakeholders. Strategic posture is considered to be either active or passive. An active posture indicates that managers seek to influence, and continually monitor the company's relationship with key stakeholders such as employees, to achieve optimal levels of interdependence and pursue optimal stakeholder strategies (Kent and Chan, 2009). For example, when management exercises an active strategic posture, and financial performance is good, a high level of social disclosure is expected if stakeholder power is also high. In this circumstance, management communicates its success across the entire performance spectrum (Ullmann, 1985).

Motivations for satisfying stakeholder demands stem from the fact that addressing stakeholder needs, in this case employees, can be associated with a company's continued existence, economic well-being, competitive advantage, and the development of trust and loyalty among its stakeholders (Mitchell et al., 1997; Magness, 2006; Pirsch, Gupta and Landreth-Grau, 2007). Importantly, strategic posture comes from the board of directors in the form of corporate governance structures and plays a key role in managing employee stakeholders. Corporate governance is the system by which companies are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the company, such as the board, managers, shareholders and other stakeholders, and reveals the rules and procedures for making decisions on corporate affairs (Cadbury, 1992).

Principles of Good Corporate Governance and Best Practice Recommendations (Australian Securities Exchange Corporate Governance Council, 2003) were introduced in March 2003. Ten principles are recommended in the first ASX Corporate Governance Council report in 2003[5]. The Principles are: lay foundations for management and oversight; structure the board to add value; promote ethical and responsible decision-making; safeguard integrity in financial reporting; make timely and balanced disclosure; respect the rights of shareholders; recognise and manage risk; encourage enhanced performance; remunerate fairly and responsibly and recognise the legitimate interests of stakeholders. Hence a number of these principles are associated with the disclosure of employee information (see Kent and Monem, 2008).

Another way for managers to strategically enhance the company is the acknowledgement of employees in the corporate mission statement. Mission statements are supposed to be the essence of corporate values imbued in their cultures (Peters and Waterman 1982). Kent and Chan (2009) included the recognition of social and environmental

[5] The ASX Corporate Governance Council released the first edition of its Principles of Good Corporate Governance Practice and Best Practice Recommendations on 31 March 2003. On 2 August 2007, the Council released the second edition of the Corporate Governance Principles and Recommendations.

responsibility in the mission statement as a measure of strategic posture. In this study, we include the recognition of employees in the corporate mission statement as a measure of strategic posture. As employees work in the company's internal environment, recognition within a company's mission statement about the importance of these stakeholders indicates an active strategic posture on the part of company management.

In strategic analysis, the Mendelow (1983) framework is frequently used to understand the influence that each stakeholder has over a company's objectives and strategy. This framework seeks to establish which stakeholders have the most influence by estimating each stakeholder's individual power and interest in the company's operation. The stakeholders with the highest combination of power and interest are likely to be those with the most actual influence over objectives of the company. Power is the stakeholder's ability to influence objectives (how much they can), while interest is the stakeholder's willingness (how much they care).

2.3 Economic Performance

The other dimension of Ullmann's (1985) framework is the *company's past and current economic performance*. Economic performance is an important element in the model for two reasons. First, economic demands have priority over social demands in periods when companies have low profitability and high debt (Artiacha, Lee, Nelson and Walker, 2010; Ullmann, 1985). Second, a company's economic performance influences their financial capabilities to provide costly voluntary social disclosures to meet the demands of their stakeholders (Einhorn and Ziv, 2008)

The following three hypotheses based on Ullmann's (1985) theoretical framework test the propensity of companies to disclose additional employee information when employee stakeholder power exist, they take an active strategic posture and consider economic performance.

H1a: Companies disclose more voluntary employee information in annual reports when employee stakeholder power exists represented by employee share ownership and union membership.

H1b: Companies disclose more voluntary employee information in annual reports when they have an active strategic posture represented by corporate governance best practice and mission statements referring to the value of employees.

H1c: Companies disclose more voluntary employee information in annual reports when economic performance is higher.

The quality of voluntary employee disclosures is vital for credibility and accountability for users and the public generally. The quality of voluntary employee disclosures in annual reports is measured with an index comprising 9 employee categories conceptually developed from the GRI 2 (2002[6]) reporting standard for labour practices and decent work (see Tables 4 and 5). Adhering to Ullmann's (1985) theoretical framework for social disclosure, the quality of voluntary employee disclosures should be related to employee stakeholder power, corporate strategic posture manifested in the mission statement, corporate governance best practice and economic performance. This leads to the following hypotheses.

H2a: Companies increase the quality of voluntary employee disclosures in annual reports

[6] 2004 reports would have referred to the GRI 2 (2002).

when they have employee stakeholder power represented by employee share ownership and trade union membership.

H2b: Companies increase the quality of voluntary employee disclosures in annual reports when they have an active strategic posture represented by corporate governance best practice and mission statements referring to the value of employees.

H2c: Companies increase the quality of voluntary employee disclosures in annual reports when economic performance is higher.

3. Research Design

Australian companies can choose to disclose employee information through numerous media channels and many empirical studies have analysed the incidence or content of corporate annual reports, company websites, stand alone social, environmental, and special purpose employee reports (for example, Brammer and Pavelin, 2004; Campbell, Moore and Shrives., 2006; Gray, Kouhy and Lavers, 1995a, 1995b; Guthrie and Parker, 1989; Hackston and Milne, 1996; Patten, 2002; Robertson and Nicolson, 1996).

This study focuses on annual reports as the source of employee-related disclosures for the following reasons. First, all listed companies must produce an annual report and statutory auditors are required to ensure voluntary information is consistent with the audited financial reports, otherwise a modified opinion is given (Australian Government, Auditing and Assurance Standards Board 2011; Kent and Zunker, 2010). Second, companies have editorial control over the voluntary information published in their annual reports and are less susceptible to the potential risk of external media interpretations or falsification, possible through the popular press (Campbell, 2000; Guthrie and Parker, 1989). Third, the annual report is the central source of corporate communications to investors and other stakeholders, and is widely used by companies for various voluntary social disclosures (Campbell, 2000; Rockness, 1985; Wiseman, 1982

3.1 Sample Selection

The study employs a complete sample of active and listed companies on the Australian Securities Exchange (ASX) for the financial year ending 30th June 2004. The initial sample comprised 1046 publicly listed Australian companies. From this sample, companies that did not have any employees for the year 2004 (for example, trusts or companies who use the services of contractors) were excluded from the sample and the final sample consisted of 970 companies. The year 2004 was chosen because it was the first year of implementation of the ASX Principles of Good Corporate Governance and Best Practice Recommendations in company's annual reports. These corporate governance practices are applied as one of the measures of strategic posture in this study.

The first model tests the propensity of all companies in our sample to disclose employee information while the second model tests the quality of disclosure.

Model 1: Binary Logistic Regression

$$EMPD_i = b_0 + b_1 EMPSHR_i \pm b_2 TRADEUN_i + b_3 EMPMIS_i + b_{4i} NDIR_i + b_5 BRDINDEP_i + b_6 DUAL_i + b_7 BRDMEET_i + b_8 AUDITCOM_i + b_9 REMCOM_i + b_{10} NOMCOM_i + b_{11} SOCCOM_i + b_{12} AUDITOR_i + b_{13} ROA_i + b_{14} TOBINSQ_i + b_{15} ADVPUBL_i + b_{16} SIZE_i + b_{17} BLOCK_i + b_{18} LEVERAGE_i + b_{19} ENERGY_i + b_{20} TELECOM_i + b_{21} UTILITY_i + b_{22} FINANCE_i + b_{23} HEALTH_i + b_{24} CONSDIS_i + b_{25} IT_i + e.$$

Model 2: OLS Regression

$$QUALEMPD_i = b_0 + b_1 EMPSHR_i \pm b_2 TRADEUN_i + b_3 EMPMIS_i + b_{4i} NDIR_i + b_5 BRDINDEP_i + b_6 DUAL_i + b_7 BRDMEET_i + b_8 AUDITCOM_i + b_9 REMCOM_i + b_{10} NOMCOM_i + b_{11} SOCCOM_i + b_{12} AUDITOR_i + b_{13} ROA_i + b_{14} TOBINSQ_i + b_{15} ADVPUBL_i + b_{16} SIZE_i + b_{17} BLOCK_i + b_{18} LEVERAGE_i + b_{19} ENERGY_i + b_{20} TELECOM_i + b_{21} UTILITY_i + b_{22} FINANCE_i + b_{23} HEALTH_i + b_{24} CONSDIS_i + b_{25} IT_i + e.$$

Where:

Variables	Description
$EMPD_i$	= 1 if the company discloses employee information and 0 otherwise.
$QUALEMPD_i$	= index of 9 employee categories scored 1 if the company reports that employee category and 0 if not reported.
Employee	**Stakeholder Power**
$EMPSHR_i$	= 1 if the company has a share ownership scheme in 2004 and 0 otherwise.
$TRADEUN_i$	= 1 if the company is in a highly unionised industry, and 0 otherwise
Strategic	**Posture**
$EMPMIS_i$	= 1 if the company discloses employee information in the mission statement, and 0 otherwise.
Corporate Governance Best Practice variables	
$NDIR_i$	= number of directors on the board
$BRDINDEP_i$	= 1 if majority of independent directors on the board, and 0 otherwise.
$DUAL_i$	= 1 if the CEO is also the chair, and 0 otherwise.
$BRDMEET_i$	= number of board meetings during 2004.
$AUDITOR_i$	= 1 if a Big Four auditor is used, and 0 otherwise.
$AUDITCOM_i$	= 1 if the company has an audit committee, and 0 otherwise.
$REMCOM_i$	= 1 if the company has a remuneration committee, and 0 otherwise.
$NOMCOM_i$	= 1 if the company has a nomination committee, and 0 otherwise.
$SOCCOM_i$	= 1 if the company has a social committee, and 0 otherwise.
Economic	**Performance**
ROA_i	= return of assets at balance date
$TOBINSQ_i$	= market value of the company plus preference shares plus total debt divided by total assets.
Control	**Variables**
$ADVPUBL_i$	= number of adverse media publicities in the year prior to 2004.
$SIZE_i$	= percentage of employees divided by market capitalisation.
$BLOCK_i$	= percentage of outstanding ordinary shares held by shareholders who own 5% or more of the shares.
$LEVERAGE_i$	= total debt divided by total assets in 2004.
$ENERGY_i$	= 1 if the company is in the energy industry, and 0 otherwise.
$MATERIAL_i$	= 1 if the company is in the materials industry, and 0 otherwise.
$UTILITY_i$	= 1 if the company is in the utility industry, and 0 otherwise.
$TELECOM_i$	= 1 if the company is in the telecommunications industry, and 0 otherwise.
$INDUSTRIAL_i$	= 1 if the company is in the industrial industry, and 0 otherwise.
$HEALTH_i$	= 1 if the company is in the healthcare industry, and 0 otherwise.
$CONSDIS_i$	= 1 if the company is in the consumer discretionary industry, and 0 otherwise.
IT_i	= 1 if the company is in the information technology industry, and 0 otherwise.
$FINANCE_i$	= 1 if the company is either a bank or an insurance company, and 0 otherwise.
$CONSSTAP_i$	= 1 if the company is in the consumer staples industry, and 0 otherwise.

3.2 Dependent Variables

Employee disclosure *(EMPD)* is the dependent variable that captures the propensity of companies to disclose voluntary employee information in their annual reports. This dichotomous variable takes a value of one for a company disclosing information about their employees in their 2004 annual reports, and zero otherwise. Three independent researchers collected the data using the same criteria as a way to achieve consistency and reliability of data.

The annual reports of the sampled companies were read and passages of text termed "*employee-related disclosures*" were identified and highlighted, a set of decision rules was employed to reduce the subjectivity involved in the process of identifying sentences that disclosed voluntary employee information. Care was taken to ensure that mandatory employee disclosures were not included with voluntary employee reporting.

Quality of employee disclosures *(QUALEMPD)* is the other dependent variable where the quality of corporate employee disclosures are measured using an index. Several studies in the accounting literature have used indexes based on content analysis to capture the quality of environmental reporting (see Prado-Lorenzo, Rodrıguez-Doḿınguez, Gallego-Alvarez and Garćıa-Sánchez, 2009; Clarkson, Li, Richardson and Vasvari, 2008; Stanny and Ely, 2008; Freedman and Jaggi, 2004). Content analysis is employed to measure quality of employee disclosures. The index in this study is constructed of 9 categories of employee reporting used in previous CSR studies outlined in Table 2 that are conceptually consistent with the GRI2 (see Tables 3 and 4). A set of coding rules was developed to guide the measurement of quality of employee disclosures. The company's annual report in the sample is assigned a score of zero or one, indicating the absence or presence of employee related reporting for each item. The resulting score for a company varies between zero and the number of employee categories disclosed. The highest score of quality employee reporting that a company can attain is 9 and 0 the lowest.

Tables 2, 3 and 4 here

3.3 Independent Variables

Two proxies of employee stakeholder power are adopted. These are participation in an employee share ownership scheme and trade union membership.

Employee share ownership *(EMPSHR)* is a continuous independent variable that measures employee share ownership in our sample of companies. Reported employee share ownership as disclosed in the annual reports were included in this study. We expect a positive relationship.

Trade union *(TRADEUN)* variable is measured as a dichotomous variable taking a value of one for a company in a highly unionised industry in 2004, and zero otherwise. It is derived from the statistics on trade union membership, classified by industry[7]. These industries were reclassified using the GICS industry classification, also used as the industry control variable in this study. The classification of either a highly unionised industry or poorly unionised industry was determined by the percentage of total employee union membership by industry category in Table 5. A positive relationship is anticipated.

Table 5 here

Trade union membership information came from the "Employee Earnings, Benefits and Trade Union Membership" survey conducted throughout Australia in August 2004 as a supplement to the Australian Bureau of Statistics (ABS) monthly Labour Force Survey (LFS) (ABS, 2010). This survey provides statistics on the distribution of weekly earnings of employees, their entitlement to paid leave (holiday, sick, long service and

[7] The Australian and New Zealand Standard Industrial Classification (ANZSIC) was released in 1993. It was produced jointly by the Australian Bureau of Statistics and Statistics New Zealand and is presently used in both countries for the production and analysis of official industry statistics. It is also widely used in administrative systems and other statistical databases.

maternity/paternity), superannuation coverage and trade union membership. This information can be cross classified by a range of personal characteristics such as age, sex and family type, and by characteristics of employment such as full-time or part-time status, industry and occupation. The survey also provides statistics on other benefits (goods or services, transport, telephone, holiday expenses, medical, housing, low-interest finance, study leave, shares, union dues/professional association, electricity, entertainment, club fees, child care/educational expenses) that are collected on a five yearly basis (ABS, 2004).

3.4 Strategic Posture Variables

This study identifies two proxies that signify the nature of a company's strategic posture toward employee disclosures. The first is the acknowledgement of employees in the company's mission statement, and second, the measurement of the company's corporate governance practices.

Employee mission statement *(EMPMIS)* is identified as one if the corporate mission statement acknowledges employees, or zero if not. This study is unable to establish if all companies in our sample have a mission statement but the frequency of those disclosed mission statements indicates that many companies see it as a useful means of conveying company values to their stakeholders. We expect a positive relationship.

3.5 Corporate Governance System and Best Practice Systems Variables

This study examines corporate governance systemic practices as an additional measure of strategic posture. Nine individual corporate governance variables outlined below are included in this study to represent corporate governance best practices required by ASX (2003).

Number of directors *(NDIR)* is the number of directors on the board. A positive relationship is expected.

Board Independence *(BRDINDEP)* is measured as the majority of independent non-executive directors to total directors with a majority of independent directors coded one and zero otherwise. We expect a positive relationship

Board Meetings *(BRDMEET)* is the number of board meetings held during the financial year and measures diligence. A positive relationship is predicted.

Dual *CEO (DUAL)* is a dummy variable was also used for dual CEO and Chair with the variables taking the value of one if the roles of the chairperson and CEO are separated and zero otherwise. We expect a negative relationship.

Auditor *(AUDITOR)* is a dummy variable used to test the external audit hypothesis, with a value of one assigned when the company uses a Big Four auditor, and zero otherwise. It is expected that a company employing a Big Four auditor makes more disclosures relating to the company's employees and that information is of higher quality than those companies who use non Big four auditors. A positive relationship is anticipated.

Audit committee *(AUDITCOM)* is the existence of an audit committee identified by a dummy variable with a value of 1 if the company has an audit committee operating during the year and 0 otherwise. Other indicators of audit committee effectiveness are measured by the number of committee meetings held during the year, and the number of directors assigned to the audit committee. These additional variables were not found to be significant so were excluded from the study. A positive relationship is expected.

Remuneration committee *(REMCOM)* is the existence of a remuneration committee and is identified by a dummy variable with a value of one if the company has a remuneration committee operating during the year 2004, and zero otherwise. We predict a positive relationship.

Nomination committee (*NOMCOM)* is the existence of a nomination committee is identified by a dummy variable with a value of one if the company has a nomination committee operating during the year 2004, and zero otherwise. A positive relationship is expected.

Social responsibility committee *(SOCIALCOM)* is the board committee that oversees social responsibility issues and is an indication of the high priority placed upon these issues by the company (Cowen, Ferreri and Parker, 1987). In the context of the present study, the presence of social committees is argued to be indicative of an active strategic posture by the company. The presence or absence of these committees was ascertained through the annual reports of the companies in the sample. The variable social committee was coded one for companies with established social committees as part of their board structure, and zero otherwise. This variable is expected to be positively related to the dependent variables.

3.6 Economic Performance variables

Return on assets is calculated by net profit after tax divided by total assets and is used as the first proxy of economic performance in this analysis. These figures were obtained from the company's 2004 financial statements. A higher return on assets indicates the management's ability to utilise companies' assets efficiently in serving shareholders' economic interests (Al-Shammari and Al-Sultan, 2009). A positive association is anticipated.

Tobin's Q is calculated by market value of the company plus preference shares plus total debt divided by total assets (Tobin, 1969). These figures were obtained from the 2004 financial statements for each of the companies in the sample. This calculation is the same method as that used by Chung and Pruitt (1994) and Chung and Pruitt et al. (2010), as the financial information used in the formula is available from database sources used to obtain other information in this study. The market value is greater than the value of the company's recorded assets if Tobin's Q is greater than 1.0. This suggests that the market value reflects some unmeasured or unrecorded assets of the company. High Tobin's Q values encourage companies to invest more in capital because they are valued higher than the share price (Christensen, Kent and Stewart, 2010). We predict a positive relationship.

3.7 Control Variables

The adverse publicity variable was collected from the Factiva database for each sample company for any published news article from 1st July 2003 to 30th June 2004. The database records editorials from all major Australian and New Zealand newspapers. The items of news were read and interpreted to determine whether they constituted adverse publicity relating to employees based on the nature and content of the items. This method was undertaken by three independent researchers to minimise any experimental bias and the results compared. A negative relationship is expected.

Size is measured using the number of employees divided by market capitalization. This variable was collected from the number of employees disclosed by the company as at 30th June 2004 and divided by market capitalisation for the year. A number of alternative measures of size have been used in the literature. Sales revenue (Deegan and Gordon, 1996; Trotman and Bradley, 1981; Moses, 1987), log of net sales (Belkaoui and Karpik, 1989; Geiger, Raghunandan and Rama, 2005), net income (Deegan and Hallam, 1991; Wong, 1988), total assets (Hageman and Zmijewski, 1979; Trotman and Bradley, 1981; Skinner, 1994) and log of total assets (Reynolds, Deis Jr, and Francis., 2004) have frequently been used as measures. Hagerman and Zmijewskei (1979) argue that no measure of size is necessarily better than another. Therefore, the number of employees divided by market capitalisation is a proxy for size in this study of corporate employee disclosures.

3.8 Industry Control Variables

Each industry sector is measured as a dichotomous variable, given a value of one if the company belongs to the specific industry sector, and a value of zero if the company is not classified as a member of the relevant industry. Industry membership is coded according to the Global Industry Classification Standard (GICS). Each industry sector is measured as a dichotomous variable, given a value of one if the company belongs to the specific industry sector, and a value of zero if the company is not classified as a member of the relevant industry (see Table 6).

<u>Table 6 here</u>

4. Results

Table 6 shows the industry classification of the 970 sample companies as per the Global Industry Classification Standard. The largest representation of the sample is from the materials industry with a total of 177 companies, 121 of these companies disclosed employee information in their 2004 annual report. The smallest representation of the sample is from the utilities industry with a total of 13 companies, 8 of which disclosed employee-related information.

The descriptive statistics for the dependent and independent variables in the models are shown in the table 7 Panel A with the continuous variables and Panel B, the binary variables.

The number of employees varies between companies and industry groups, with a total sample range of zero to 89,208 and a mean of 1,212 employees. This illustrates the difference in size and disclosure coverage by companies being analysed in this study. The size variable shows an average ratio of 5.97 indicating an average of 6 million dollars of market capitalisation per employee.

The average percentage of employees who belong to a trade union is 21.8 per cent, with the utility industry considered to be the most highly unionised with 52.3 per cent of employees belonging to a trade union and the agriculture, forestry and fishing industry the least unionised with only 4.7 per cent of employees belonging to a union[8].

An examination of corporate governance practices illustrates the following characteristics amongst the sample companies. Board size ranges from a minimum of three directors to a maximum of 15 directors, with a mean (median) of 5.06 (5) members. The mean (median) number of independent directors on the board was 2.59 per cent (1). The mean ratio of independent directors on the board was 61 per cent. The sample companies had an average of 10.53 meetings in the year 2004 with a minimum of one, maximum of 51 and a median of 11 meetings. Further analysis indicates that 42 companies (4.3 per cent of total sample) held more than 20 meetings per year while 13 companies (1.3 per cent of total sample) held only one meeting per year. Evidence suggests that most companies meet approximately once a month to discuss key matters.

Among other corporate governance attributes, 82 per cent of the companies had an audit committee, 56 per cent had a remuneration committee, 31 per cent had a nomination committee, but only 12 per cent of companies had a social committee. Evidence indicates that few companies have a formal structure in place for social responsibility practices. More than half of the companies in the sample are audited by one of the Big 4 accounting firms, and 11 per cent of companies have a dual CEO and chairperson of the board.

<u>Table 7 Panels A and B here</u>

[8] See Table 3 for a summary of trade union membership at the industry level.

Table 7 Panel B shows that 98 per cent of the companies disclosing information about the employees are disclosing information of a positive nature. It also illustrates that only 37 per cent of companies have their mission statement publicly available on either their website or within their annual report although only 19 per cent of companies mention their employees in their mission statement. Some 54 per cent of companies have an employee share ownership scheme in place, while 12 per cent of companies in our sample have a social responsibility committee.

Table 8 presents the correlation statistics between the variables used to test the hypotheses. Correlations were performed to provide an early indication of any multicollinearity problems which, if found, might pose a threat to the multivariate analysis (Tabachnick and Fidell, 2007). Very low tolerance levels (approaching zero) or very high variance inflation factors (VIF) suggest that multicollinearity is a concern. In this study VIF scores are well below the VIF value of 10 that indicates a threat of multicollinearity (Pallant, 2007). Thus, multicollinearity is not a concern in this study.

Table 8 here

Following Ullmann's (1985) three dimensional theoretical framework, we test the relationship between voluntary employee disclosures and employee stakeholder power, strategic posture and economic performance (see Table 9). Specifically, the dependent variable in Model 1 is the propensity of companies to voluntarily disclose employee information (*EMPD)* and tests three hypotheses using binary logistic regression. Hypothesis 1a tests the relationship between employee disclosures and employee stakeholder power represented by employee share ownership (*EMPSHR*) and trade union membership (*TRADEUN*) which is partially supported. *EMPD* is positively and significantly related to *EMPSHR* (p<.01) but negatively related to *TRADEUN* (p.<.05) in the opposite predicted direction. The results indicate here that employee share ownership empowers employees as stakeholders regarding the propensity of companies to disclose employee information. Trade union membership appears not to.

Hypothesis 1b tests the relationship between *EMPD* and strategic posture represented by corporate governance practice systems and a corporate mission statement that values employees. This hypothesis is also partially supported. *EMPD* is positively related to elements of corporate governance best practice, that is, Board independence *INDEPEND* ($p<.05$), number of board meetings *BDMEET* ($p<.05$), the existence of an audit committee *AUDITCOM* ($p<.01$), a remuneration committee ($p<.01$), a social committee ($p<.05$) and audited by a Big 4 auditor *AUDIT* ($p<.01$). *EMPD* is also marginally but negatively related to dual chair and CEO position *DUEL* ($p<.10$). The corporate mission statement *EMPMIS* is not significantly related to *EMPD.*

Hypothesis 1c hypothesizes *EMPD* having a positive relationship with economic performance, proxies *RETURN ON ASSETS* and *TOBINQ* which is also partially supported. *EMPD* is positively related to *TOBINQ* ($p<.01$) but not significantly related to *RETURN ON ASSETS*.

The dependent variable tested in Model 2 is the quality of company employee disclosures (*QUALEMPD*) measured by an index conceptually aligned with the Global Reporting Initiative (GRI2, 2002). Hypothesis 2a tested whether *QUALEMPD* is positively related to employee stakeholder power, that is, employee share ownership *EMPSHR* and trade union membership *TRADEUN* which is partially supported. A positive relationship exists between *QUALEMPD* and *EMPSHR* ($p<.01$) but negatively related to *TRADEUN* ($p<.05$) in the opposite predicted direction. This result indicates that employee share ownership empowers employee stakeholders regarding companies providing quality employee disclosures. In contrast, the results indicate that trade union membership does not support employee stakeholder power regarding the quality of employee disclosures.

Hypothesis 2b examines the relationship between *QUALEMPD* and strategic posture represented by corporate mission statements *EMPMIS* and corporate governance best practice systems. *QUALEMPD* is positively related to *EMPMIS* (p<.01) indicating the reporting of quality employee information in annual reports is a corporate strategy to manage stakeholders, in this case employees. *QUALEMPD* is also positively related to elements of corporate governance systems: Board independence *INDEPEND* (p<.10), the number of board meetings *BDMEET* (p<.05), the existence of an audit committee *AUDITCOM* (p<.01), a remuneration committee (p<.05), a nomination committee *NOMCOM* (p<.01) a social committee (p<.01) and audited by a Big 4 auditor *AUDIT* (p<.05). *EMPD* is also negatively related to dual chair and CEO position *DUEL* (p<.01) as predicted. These results also indicate that corporate governance systems are a strategy to manage employee stakeholders through quality employee disclosures.

Hypothesis 2c investigates the relationship between *QUALEMPD* and economic performance, *return on assets* and tobin's Q. This hypothesis is partially supported where *QUALEMPD* is marginally related to return on assets (p<.10).

Table 9 here

5. Discussion and Conclusion

The results show that employee share ownership provided by companies empowers employees as stakeholders (Ullmann, 1985) and provides taxation benefits (Bryson and Freeman, 2007) providing incentives for employees to purchase shares. Companies introduce share ownership plans in the expectation that ownership aligns employee and employer objectives to increase productivity and profits. Surveys indicate that many employees want some form of ownership in the company where they work and it should be an incentive to increase their loyalty and willingness to work diligently for their employer. The financial incentives for share ownership are greater when companies subsidize the purchase of shares through a share ownership plan makes (Bryson and Freeman, 2009). Research also confirms that employee ownership, on average, does lead to increased firm productivity, profitability, and longevity. Additionally, evidence indicates that combining employee ownership with increased employee participation is likely to generate very large returns on investment (Freeman, 2007). Freeman (2007, p.1) argues however that

> "Little is known, however, about management of employee owned firms and few projects even attempt to justify societal claims. Economists, managers, and financiers remain skeptical of employee ownership, and few studies directly counter their concerns. Problems associated with employee ownership go unstudied. For all the extent and appeal of employee ownership, it is on the fringe of both social consciousness and the academic literature."

This study has provided evidence on the positive relationship between employee share ownership as a proxy for employee stakeholder power in relation to a company's propensity to disclose employee information. Further, this study finds employee share ownership is associated with the quality of that information. Hypothesis 2a indicates that employee share ownership positively relates to the quality of employee disclosures in company annual reports. This result supports the notion that companies are more likely to provide quality information about various employee categories (see Table 3), thus empowering employee stakeholders with more and better information about their workplace.

We expected trade union membership to play a positive role in empowering employee stakeholders. Instead the results of H1a, a company's propensity to disclose employee information and H2a the quality of that information were significantly but negatively related to trade union membership. An explanation for these unexpected results is that the Australian trade union movement has effectively campaigned against further deregulation of the labour market. A prominent example in the 2007 Federal election was that the Australian Council of Trade Unions actively campaigned against "*Work Choices Act*" introduced in 2005 by the relevant Government to further deregulate the labour market. Earlier legislation in 1996 was the "*Workplace Relations Act*" that weakened unions in favour of employers (Cooper and Ellam, 2008; Buchanan and Considine, 2007). The Australian union movement first supported easing of labour regulations during 1980's but subsequent loss of working conditions, reduced real wages and job insecurity exacerbated by privatisation and outsourcing made labour deregulation unattractive to many ordinary workers (Buchanan and Watson, 2001; Cooper and Ellam, 2008). Hence the union movement actively and successfully campaigned for the repeal of the *"Work Choices Act"* in favour of the *"Fair Work Act"* in 2007 that provided more worker protections and re-introduced the Industrial Relations Commission as a forum for unions to stand up to corporate employers. Managers pointed out the impact of the regulatory changes in response to a survey about the *"Fair Work Act"* stating that,

> "Managers are spending a considerable amount of time reviewing employment contracts in light of award modernisation to ensure they meet the regulations. Some employers have had to introduce awards to employees who were previously award-free while others have had to spend much time transferring employees from one contract to another. The introduction of flexible work practices has resulted in many organisations dealing with increased requests as well as the need to introduce policies and procedures to cover these areas. Compliance with the new unfair dismissal

legislation was also noted as having significant impact." (Abbot, Hearn Mackinnon, Morris and Saville, 2010 p. 39).

This evidence indicates that managers responded to increased regulation in the *"Fair Work Act"* as a result of union activism. The results of hypotheses 1a and 1b in relation to trade union membership suggest that companies were directly reporting to unions and therefore had less need to manage this stakeholder power by disclosing employee related information in annual reports.

Hypotheses 2a and 2b confirm the strategic role of corporate governance that supports the notion of corporate strategic posture (Ullmann, 1985). The predicted positive association between elements of corporate governance best practice systems and the quality and the propensity of company employee disclosures indicates boards are aware of the importance of good employee relations for productivity and profits. Corporate governance elements tested in this study are based on the ASX Principles of Good Corporate Governance and Best Practice Recommendations (2003). These elements comprise the number of directors on the board, board independence, the existence of dual CEO and chair position, the number of board meetings, the presence of audit, nomination, remuneration and social committees, and the audit (or not) by a Big 4 auditor. Hypothesis 2a was partially confirmed with the nominations committee insignificant. Hypothesis 2 b indicated higher significance for all of the elements of strong corporate governance systems, including the nomination committee. This result finds that corporate governance best practice systems enhance more and better employee information supporting the notion of strategic posture (Ullmann, 1985). Interestingly, the social committee is more highly significant ($p<.01$) in relation to the quality of employee disclosures than the propensity of employee disclosures ($p<.05$) indicating that this committee is strategic key to more and better employee information.

The corporate mission statement acknowledging employees is positively related to the quality of employee disclosures (hypothesis 2b) but not significant regarding the propensity of company employee disclosures (hypothesis 2a). This result shows that companies providing more and better employee information use mission statements recognising employees as a strategic posture (Ullmann, 1985). In 2004, 52 per cent of the publicly available corporate mission statements recognised employees.

The relations between economic performance and the quality and company propensity to disclose voluntary employee information is partially supported and mixed as shown by hypotheses 3a and 3b results. Return on assets is marginally positive ($p<.10$) in relation to the propensity of company employee reporting and not significant regarding quality of employee information. Tobin's Q on the other hand is significantly related to the company propensity to disclose employee information but insignificant regarding the quality of employee reporting. These results indicate that investors (the market) are interested in employee disclosures but are not concerned about the quality of these disclosures.

In conclusion, this study provides evidence about voluntary employee disclosures in our sample of 2004 Australian annual company reports. We applied Ullmann's (1985) strategic framework for social reporting comprising three dimensions, stakeholder power, strategic posture and economic performance. Specifically we examined the companies' provision and quality of voluntary employee disclosures in relation to employee stakeholder power represented by employee share ownership and trade union membership. Evidence in this study indicates that employee share ownership does empower employee stakeholders in relation to the propensity and quality of corporate employee disclosures. In contrast, companies appear to use corporate employee disclosures to neutralise union power in their workplace as a regulatory risk management strategy. We also find that companies employ strong corporate governance best practice systems to strategically manage employees through provision and quality voluntary employee reporting. Corporate mission statements recognizing employees are also evidence of strategic posture, but only for quality employee disclosures. Economic performance represented in this study by return on assets and Tobin's Q shows mixed results with marginally associated with the quality of employee reporting while Tobin's Q is related to the propensity of companies to disclose employee information.

The following are limitations of this study. We acknowledge that other factors not in this study could also explain the provision and quality of voluntary employee disclosures in annual reports. Further our study focuses on employee disclosures in annual reports but these disclosures could exist in other communication channels. This analysis examines voluntary employee disclosures over a single period, for the year ending 30th June 2004. Other studies (for example, Guthrie and Parker, 1989) have shown that corporate social responsibility disclosure practices fluctuate over time, therefore, the conclusions reached by this study may have limited application across time or in other individual years. There are also limitations in the use of content analysis (Gray et al., 1995; Milne and Adler, 1999; Unerman, 2000). One limitation is the notion that content analysis captures quantity of disclosure (in terms of frequency and volume of disclosure) rather than characteristics of quality disclosures. The subject matter being investigated (the narratives of employee disclosure) must be captured by the coding instruments (Deegan and Rankin, 1996; Wilmshurst and Frost, 2000). Milne and Adler (1999) emphasised that in order for valid inferences to be drawn from content analysis, reliability of the data and the instrument must be achieved. Another limitation is an element of subjectivity involved in determining what constitutes a particular type of disclosure (Zegal and Ahmed, 1990; Guthrie and Abeysekera, 2006). However, 3 independent researchers were guided by an index comprising specific employee items when collecting the data for this study's content analysis to reduce subjectivity.

TABLE 1: EMPLOYEE SHARE OWNERSHIP SCHEME PARTICIPATION BY INDUSTRY

Industry	% employee participation in share ownership scheme
Education	0.1
Accommodation and food services	0.7
Other services	1.1
Health care and social assistance	1.6
Agriculture, forestry and fishing	4.1
Construction	4.6
Electricity, gas, water and waste services	4.7
Arts and recreation services	4.9
Property and business services	6.3
Retail trade	6.4
Wholesale trade	7.4
Manufacturing	7.9
Transport, postal and warehousing	9.2
Communication services	16
Mining	16.4
Finance and insurance services	32.3
Average	5.9

TABLE 2 : CATEGORIES OF EMPLOYEE DISCLOSURE BY OTHER RESEARCHERS

Authors	Types of Employee-related Disclosure
1978 Ernst and Ernst	1. Human resources: 2. employee health and safety 3. employee training; 4. other human resource disclosures;
Clarkson (1988)	1. communications with employees; 2. training and development; 3. career-planning; 4. retirement and termination counseling; 5. lay- offs, redundancies and plant closings; 6. stress and mental health; 7. absenteeism and turnover; 8. health and safety; 9. employment equity and discrimination; 10. women in management; 11. performance appraisal; 12. day care
Gray et al (1995a)	1. consultation with employees; 2. employee share ownership; 3. employment of disabled; 4. employment data; 5. pension commitments; 6. value added statements; 7. health and safety; 8. employee other.
Menassa (2010)	1. employee morale; 2. training and development; 3. employee profile; 4. employee share purchase schemes; 5. employee health and safety; 6. employee relations; 7. employee remuneration; 8. employee assistance benefit; 9. equal opportunity practices; 10. job creation

TABLE 3: CATEGORIES OF EMPLOYEE DISCLOSURES

Categories		Global Reporting Index 2002 see Table 5
1	Employee profiles	LA1, LA2
2	Employee assistance or benefits	LA12
3	Industrial relations	LA3, LA4, LA13
4	Health and safety	LA5, LA6, LA7, LA8, LA14, LA15
5	Employee training and development	LA9, LA16, LA17
6	Employee remuneration	LA12
7	Employment of minorities or women	LA10, LA11
8	Employee morale	n/a
9	Other	n/a

TABLE 4: GLOBAL REPORTING INITIATIVE (2002)

	Core Indicators	Additional Indicators
	Employment	
LA1	Breakdown of workforce where possible by region/ country, status (employee/non-employee), employment type (full-time/part-time) and employment contract (indefinite, permanent/ fixed term or temporary. Also identify workforce retained in conjunction with other employers (temporary agency workers or workers in co-employment relationships segmented by region/region.	**LA 12** Employee benefits beyond those legally mandated (e.g. contributions to health care, disability, maternity, education and retirement).
LA2	Net employment creation number and turnover segmented by region or country.	
	Labour/Management Relations	
LA3	Percentage of employees represented by an independent trade union or other bona fide employee representatives broken down geographically or percentage of employees covered by collective bargaining agreements broken down by region /country.	**LA 13** Provision for formal worker representation in decision making or management including corporate governance
LA4	Policies and procedures involving information and consultation with employees over changes in reporting organisation's operations (restructuring).	
	Health and Safety	
LA5	Practices on recording a notification of occupational accidents and diseases and how they relate to ILO Code of Practice of Recording and Notification of Occupational Accidents and Diseases.	**LA 14** Evidence of substantial compliance with ILO *Guidelines for Occupational Health and Safety Systems*.
LA6	Description of joint health and safety committees comprising management and worker representatives and the proportion of the workforce covered by such committees,	**LA 15** Description of formal agreements with representative trade unions or other bona fide representatives covering health and safety at work and the proportion of the workforce covered by such agreements.
LA7	Standard injury, lost day and absentee rates and the number of work related fatalities (including sub-contracted workers).	
LA8	Policies and processes (for the workplace and beyond) for HIV AIDS.	
	Training and Education	
LA9	Average hours of training per year per employee category of employee. (e.g. senior management, middle management, professional, technical, administrative , production and maintenance).	**LA 16** Description of programmes to support continuing employability of employees and manage career endings.
		LA 17 Specific policies and programmes for skills management and lifelong learning.
	Diversity and Opportunity	

LA10	Description of equal opportunity policies and programmes as well as monitoring systems to ensure compliance and results of monitoring. *Equal opportunities policies may address workplace harassment and affirmative action to historical patterns of discrimination.*	
LA11	Composition of senior management and corporate governance bodies (including boards of directors) including female/male ratio and other indicators of diversity as culturally appropriate.	

TABLE 5: TRADE UNION MEMBERSHIP BY INDUSTRY

Industry	% Trade Union Members
Agriculture, forestry and fishing	4.7
Property and business services	6.7
Wholesale trade	7.8
Accommodation and food services	8.1
Retail trade	16.6
Mining	17.3
Finance and insurance services	17.4
Cultural and recreational services	17.6
Construction	23.4
Manufacturing	26.0
Communication services	28.6
Health and community services	29.0
Personal and other services	29.6
Transport, postal and warehousing	36.1
Government administration and defence	37.5
Education	44.2
Electricity, gas, water and waste services	52.3
Average	22.7

Table 6: Industry Classification of Sample Companies

GICS Industry Classification	Number of Sample Companies	% of Total Sample	Number of Total Disclosing Companies	% of Sample Companies *
Consumer Discretionary	125	12.89	92	73.60
Consumer Staples	48	4.95	34	70.83
Energy	29	2.99	21	72.41
Financial	173	17.84	105	60.69
Healthcare	120	12.37	88	73.33
Industrial	141	14.54	97	68.79
Information Technology	116	11.96	68	58.62
Materials	177	18.25	121	68.36
Telecommunications	28	2.89	15	53.57
Utility	13	1.34	8	61.54
Total	970	100	649	66.91

* Percentage of companies disclosing employee-related information.

TABLE 7 PANEL A: DESCRIPTIVE STATISTICS – CONTINUOUS VARIABLES

Variable	Minimum	Maximum	Mean	Median	Std. Dev.
Index employee categories	0.00	9.00	1.67	1.00	1.71
Size – (Employee No/market cap)	0.002	437.36	5.97	1.60	19.54
Trade union membership (%)	4.70	52.30	21.81	17.40	8.05
Block holders (%)	0.00	99.80	39.18	39.84	22.23
Leverage	0.00	35.51	0.48	0.38	1.46
Number of directors on board	3.00	15.00	5.06	5.00	1.79
Number of independent directors	0.00	11.00	2.59	1.00	1.66
Number of board meetings	0.00	51.00	10.53	11.00	4.98
Return on assets	-595.98	73.50	-0.75	0.02	19.59
Tobin's Q	0.10	400.79	4.33	1.47	22.65
Number of adverse newspaper articles	0.00	45.00	0.68	0.00	3.12
Number of employees	1.00	89208.00	1212.04	49.00	5692.93

TABLE 7 PANEL B: DESCRIPTIVE STATISTICS - DICHOTOMOUS VARIABLES

Variable	Yes	Number of Companies
Presence of employee-related disclosures	0.67	649
Positive employee-related disclosures	0.98	633
Employee share ownership scheme	0.54	519
Mission statement	0.37	355
Employee information in mission statement	0.19	184
Board independence	0.61	583
Duality of CEO/chair	0.11	109
Audited by Big 4	0.58	561
Audit committee	0.82	796
Remuneration committee	0.56	544
Nomination committee	0.31	298
Social committee	0.12	113

TABLE 8: PEARSON'S BI-VARIATE CORRELATIONS MATRIX OF DEPENDENT, INDEPENDENT AND CONTROL VARIABLES

	EMPD	QUALEMPD	EMPSHR	TRADEUN	EMPMIS	NDIR	BRDINDEP	DUAL	BRDMEET	AUDITCOM	REMCOM	NOMCOM	SOCCOM	AUDITOR	ROA	TOBINSQ	ADVPUBL	SIZE	BLOCK	LEVERAGE
QUALEMPD	.69**																			
EMPSHR	.27**	.28**																		
TRADEUN	-.01	.01	.15**																	
EMPMIS	.08*	.20**	.10**	.05																
NDIR	.28**	.42**	.26**	.05	.18**															
BRDINDEP	.13**	.14**	.06*	.02	.06	.12**														
DUAL	-.14**	-.16**	-.08*	.05	-.09**	-.15**	-.07*													
BRDMEET	.15**	.14**	.16**	.05	.00	.09**	.03	-.05												
AUDITCOM	.32**	.29**	.28**	.05	.06	.36**	.21**	-.18**	.20**											
REMCOM	.32**	.34**	.30**	.08*	.10**	.40**	.14**	-.11**	.17**	.47**										
NOMCOM	.24**	.34**	.20**	-.02	.13**	.39**	.12**	-.07*	.12**	.29**	.52**									
SOCCOM	.17**	.30**	.15**	-.01	.14**	.31**	.05	-.08*	.08*	.14**	.19**	.19**								
AUDITOR	.23**	.27**	.28**	.04	.10**	.36**	.10**	-.11**	.06*	.21**	.27**	.27**	.13**							
ROA	.08*	.12**	.06	.06*	.08**	.12**	.03	-.05	.02	.12**	.10**	.10**	.02	.09**						
TOBINSQ	-.09**	-.04	-.04	.08*	.05	-.05	.00	-.02	-.05	-.06	-.03	-.02	-.03	.02	.02					
ADVPUBL	.12**	.21**	.14**	.04	.11**	.39**	.08*	-.06	.05	.09**	.11**	.12**	.23**	.15**	.04	-.01				
SIZE	.02	.02	.02	.03	.08*	.00	-.02	.01	.04	.01	-.01	-.01	.02	-.01	-.01	-.04	.07*			
BLOCK	-.01	.00	-.02	-.03	.00	.08*	-.08*	.03	.02	.06	.06	.03	-.01	-.01	.10**	.00	.06	.02		
LEVERAGE	-.03	-.02	.00	.04	.02	-.05	-.01	-.02	.00	-.08*	-.04	-.02	.08*	-.01	-.46**	.31**	.02	.05	.00	
ENERGY	.02	.02	-.02	-.10**	-.04	-.05	.03	.03	-.03	-.03	-.02	-.04	-.01	-.01	.02	-.02	-.03	-.03	-.11**	-.03

TELECOM	-.05	.03	.11**	.15**	.01	.03	-.01	.04	.00	.05	.03	.02	.01	.02	-.01	-.01	.07*	.03	.03	.00
UTILITY	-.01	.05	-.04	.44**	-.03	.10**	.02	.02	.02	.01	-.01	-.04	-.04	.03	-.03	.01	.03	-.03	.00	.00
FINANCE	-.06	-.07*	-.15**	-.46**	-.06	.01	.02	-.07*	-.05	.01	-.11**	.01	-.04	-.01	.05	.00	.02	-.02	.02	-.01
HEALTH	.05	.02	.09**	.34**	-.05	.02	.02	.02	.04	.05	.06	.01	-.04	.04	-.07*	.04	.03	-.07*	-.12**	-.06
CONSDIS	.06	.02	.03	-.22**	-.04	.06	.01	-.02	.05	.04	.08*	.06*	-.03	-.05	.02	-.04	.09**	.03	.18**	.01
IT	-.07*	-.14**	.08*	.31**	.01	-.16**	-.01	.07*	.04	-.04	-.03	-.01	-.07*	-.01	-.14**	.05	-.07*	.01	.03	.15**

* Significant at the 0.05 level (2 tailed), ** Significant at the 0.01 level (2 tailed)

TABLE 9: LOGISTIC BINARY AND OLS REGRESSIONS

Independent variables	Employee Disclosure Logistic - Model 1	Quality of Disclosure OLS - Model 2
Intercept	-.68* (1.98)	.28 (.97)
Empshr (+)	.67*** (15.45)	.39*** (3.80)
Tradeun (+)	-.03** (3.45)	-.02** (-1.73)
Empmis (+)	.11 (.25)	.39*** (3.22)
Ndir (+)	.08 (1.47)	.14*** (4.20)
Brdindep (+)	.26** (2.69)	.15* (1.57)
Dual (-)	-.37* (2.44)	-.33*** (-2.19)
Bbrdmeet (+)	.03** (2.58)	.02** (1.88)
Auditcom (+)	.70*** (10.16)	.33*** (2.26)
Remcom (+)	.56*** (8.01)	.21** (1.70)
Nomcom (+)	.25 (1.23)	.46*** (3.82)
Soccom (+)	.72** (4.24)	.73*** (4.71)
Auditor (+)	.40*** (5.69)	.20** (1.91)
Return on assets (+)	.06 (.50)	.09* (1.58)
Tobinsq (+)	<.01** (3.47)	.24 (-.72)
Adverse publicity (+)	.08 (1.50)	.03** (1.70)
Size (+)	<.01 (.16)	<.01 (.56)
Block (-/+)	<.01 (.80)	<.01 (-.31)
Leverage (+)	.03 (.23)	.03 (.87)
Energy	.29 (.33)	-.25 (-.88)
Telecom	-1.10** (5.84)	-.72*** (-2.50)
Utility	.58 (.50)	1.11** (2.20)
Finance	-.47* (3.32)	-.51*** (-3.38)
Health	.27 (.83)	-.06 (-.33)
Consdis	-.02 (.01)	-.36** (-2.26)
It	-.22 (.63)	-.58*** (-3.37)

Logistic Regression# Nagelkerke R^2 equals; .29.
OLS R^2 equals.32.
Dependent variables are disclosures scores as indicated by the columns. The expected signs for the control variables are presented in brackets. Coefficients are estimated by OLS regressions. The significance levels are based on t-statistics (presented in parentheses). ***, **, * represent significance levels (two-tailed) at 1%, 5% and 10%, respectively.

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