

EMPLOYEE VOLUNTARY DISCLOSURES IN ANNUAL REPORTS: A STAKEHOLDER PERSPECTIVE

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ABSTRACT

Purpose The purpose of this study is to examine voluntary employee disclosures in Australian 2004 annual company reports applying Ullmann's stakeholder theory.

Design/methodology/approach A regression analysis of data from 970 ASX companies' annual reports analysed company disclosures of employee-related information. Ullmann's first dimension stakeholder power is represented by employee share ownership and large shareholders (block holders). The second dimension, corporate strategic posture is denoted by corporate governance best practices and corporate mission statements. Ullmann's third dimension, economic performance is represented by profit per employee, debt to equity and Tobin's Q.

Findings We find that employee share ownership does empower employee stakeholders in relation to corporate employee disclosures. We also find that companies employ quality corporate governance best practices to strategically manage employees through disclosing voluntary employee information. Corporate mission statements that recognize employees are additional evidence of strategic posture. Economic performance shows mixed results with positive results for profit per employee and debt to equity, while Tobin's Q was negatively related to employee disclosures.

Research/limitations are that our study focuses on employee disclosures in annual reports over a single period, for the year ending 30th June 2004. Future research could examine other channels of communication.

Originality/Value Our findings indicate that stakeholders' use of employee information in annual reports is not homogenous, with differences between employees and large shareholders. Large shareholders focus on their returns on financial capital even though companies' competitive advantage now relies more on human capital.

Research paper

Key words: Stakeholder, voluntary employee disclosures, annual report

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