

Workplace and human capital disclosure in corporate reports: Comparison between government link company (GLC) and non-government link company (Non-GLC)

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ABSTRACT

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The objective of this paper is to investigate and compare the extent of workplace and human capital disclosure in the corporate annual report and corporate websites between GLC and Non GLC in Malaysia PLC. Content analysis of 60 annual reports of ten PLCs (5 GLC and 5 Non GLC) from 2006 to 2011 and ten corporate websites in 2011 was analysed. Besides analysing the content of annual report and stand-alone reports of those 10 companies for 6 years, interviews with the managers of those companies were also conducted. 13 managers from the companies were interviewed to grasp their perspective on their workplace and human capital reporting practices. The findings from the content analysis reveal that although the disclosure level of workplace and human resource information has increased, the issues discussed and disclosed varies among the companies in the sample. GLCs shows high disclosure amount as compared to Non-GLCs. All companies disclosed at least one item for each workplace category except for the categories of information concerning labour relations, diversity and equality issues, and information about staff engagement. Reasons for non-disclosure of the above mention information ware gathered from the interviews with the managers. The reason was that the companies did not have a union for employees; and, therefore, there was no disclosure about labour relations in their annual reports. The finding of this study extends the CSR literature by providing further understanding concerning the issue of workplace disclosure in Malaysian PLCs.

Keywords:

Workplace disclosure, Social
responsibility, Human capital disclosure

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1. Introduction

Corporate Social Responsibility (CSR) is a concept that focuses on the social and environmental activities and responsibility of corporate entities towards the nation. Company is encourage to maintain its sustainable development which has been defined by World Commission on

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Environment and Development as ‘development that meets the need of the present without compromising the ability of future generations to meet their own needs’ [1]. In relation with this development, company is practicing sustainability reporting in delivering their accountability to the wider group of stakeholders. Sustainability reports include disclosure of information concerning the economic, social and environment performance of a company. However, in Malaysia environment, prior to the 1980s, this concept was almost non-existent [2] among academicians and business researchers in Malaysia. Prior to 2007, the practice of sustainability or CSR disclosure in Malaysia was basically voluntary, as there was no standard or specific guidelines for companies to follow in terms of type of activity or format for disclosure practices [3]. The involvement of businesses in CSR activities is based on the nature of the business and the place of their operation. In the early stage of the development of CSR disclosure in Malaysia, focus was given to disclosing employee related information and the responsibility to deliver good products and services [2] to customers. The awareness of management concerning the whole concept of CSR was minimal [3].

The concept of CSR and CSR reporting was formally emphasised by the Malaysian government in the Ninth Malaysia Plan in 2006, through which it required that all PLCs disclose their CSR activities in their business report [4]. Prior to this announcement, the government already introduced a silver book in July 2005 that provide 10 initiatives to enhance the performance of government link company (GLC) with alternative five in the program is about corporate social responsibility. Furthermore, in 2006, the CSR Framework for Malaysian PLCs was established by Bursa Malaysia. The framework covers four main dimensions of business responsibility – responsibility towards the marketplace, responsibility towards the environment, responsibility towards the community and responsibility towards the workplace – and serves as a guideline for companies in their CSR reporting activities (Table 1).

Table 1
 CSR Framework by Bursa Malaysia

The Environment <ul style="list-style-type: none"> • Energy issue • Bio fuel • Flora and fauna 	The Community <ul style="list-style-type: none"> • Involvement in community • Philanthropy • Education • Youth development
The Marketplace <ul style="list-style-type: none"> • Shareholder • Supplier • Customer 	The Workplace <ul style="list-style-type: none"> • Human right and gender issues • Quality of workplace environment • Health and safety • Staff training and development • Diversity and equal opportunity in employment

The silver book and the CSR framework by Bursa Malaysia served as a guideline for companies to report their social activities in their corporate report. Management is increasingly improving their CSR reporting to fulfil the multiple demands from multiple stakeholders. Past literature shows that CSR is largely undertaken by companies in developed countries. However, recent development in the Malaysian business environment shows that CSR reporting activity is becoming a trend in the company annual reports and that the number of companies disclosing non-financial information in their annual reports has increased [5]. Quite many of studies examine the incidence of social and environmental disclosure in developing and newly industrialized countries like Malaysia [3,6,8-10]. Their primary focus concerns the nature and extent of social and environmental responsibility disclosure in corporate annual reports, management motives in disclosing CSR information and the

effect of possible determinants (culture, corporate governance, industry type, and company size) on the nature and extent of CSR disclosure. The observation by [11] on the extent of CSR disclosure is like the observation of [3] who report that information pertaining to human resources has been given priority for disclosure followed by community information, products and services information and information concerning the environment. However, in terms of the information about human resources they mention that the CSR reports only provide information concerning how the company acknowledges and appreciates their employees as a precious company asset.

Previous studies have noted that disclosures on human resources information have increased in recent years but a wide variety in the disclosure level between companies still exists. [6] investigates the influence of government and foreign affiliates on corporate social reporting. Government influence on companies' CSR can be seen from the structure of the companies, whether they are a Government Linked Company (GLC) and whether the companies depend on government support in their projects. Their results show that there is evidence concerning the impact of government influence on the CSR practices of the company. It is further supported by [7]. This study reported that the legitimate purpose was the main motive for company in Malaysia involved in sustainability reporting. With the introduction of silver book and CSR framework, it is reported that government link companies were leading in term of disclosure activities. Thus, the objective of this paper is to investigate and compare the extent of workplace and human capital disclosure in the corporate annual report and corporate websites between GLC and Non GLC in Malaysia PLC.

2. Extent of workplace disclosure

One of the earliest studies on CSR reporting in Malaysia was done by [2]. They examined the social commitments of companies to fulfil social responsibilities by focusing on the nature and extent of CSR disclosure through four social objectives: social awareness, social involvement, social reporting and social audit. Using a questionnaire survey, they report that CSR reporting activity is usually hidden behind corporate social involvement and focused on information relating to employees and product services. Although all the companies studied were aware of the social role of business, they conclude that the companies were conservative in their attitude towards CSR reporting.

This was followed by [10] who compare the incidence of CSR reporting between Malaysia and Singapore. They examine 119 annual reports of publicly-listed companies in Malaysia and Singapore for the year ended December 1983, and find that only 36 per cent (31 companies) disclosed social information. In terms of industrial sector, companies in the banking and finance industry show the highest proportion of CSR information in their annual report. The study also examines the relationship between CSR reporting and company size for which the results indicate that large and medium sized companies disclose a higher proportion of social information compared to small companies.

[10] look at the potential and the limits of voluntary environmental reporting activities as this type of reporting is not mandatory in the two countries. Based on two case studies conducted in Singapore and Malaysia, they comment on the slow development of CSR disclosure in both countries, which appears to be due to the absence of pressure on the companies to be proactive and the low level of awareness and interest from the public and government towards environmental issues. They report that voluntary environmental reporting is seen as an ineffective tool and should not be a substitute for government regulation, and that it is important for the government to upgrade and enforce the standard of environmental performance on companies.

The study, which specifically focuses on environmental reporting, argues that the regulations and guidelines for reporting practice are minimal.

Prior to year 2007, CSR disclosure was regarded as a voluntary action as there was no a standard requirement or rules governing corporate actions or how corporations should behave towards society and the community. The involvement of corporations in CSR activities differs and is usually based on their strategic plans and motives, which, in turn, relate to the nature of their business [13]. A study done by [14] examines the existing statutory rules, standards and guidelines relating to environmental disclosure in Malaysia. [14] finds that there is no statutory requirement and no specific requirement under the Environmental Quality Act 1974 pertaining to disclosure. However, there is some form of requirement under the Occupational Safety and Health 1994 (sub regulation 17) disclosure relating to personal safety and in Sub regulation 22 (control of major industrial accident), which discusses the nature of a major accident hazard and its potential effect on the population and environment. Due to this requirement, many companies make disclosure about health and safety and provide some information that relates to the environment.

In line with the previous study, [3] assess the state of CSR reporting in Malaysia by focusing on corporate environmental reporting (CER) using content analysis. The analysis of 250 annual reports of Malaysian companies for financial year 2000 indicates that CER is still at an early stage. Although 81.3 per cent of the companies make some form of social disclosure, the quantity of disclosure is low and the quality of the disclosure is poor. The most disclosed item is employee and human resources followed by products, consumers and community involvement. They stress that the reasons for the low level of CER among the companies is due to the lack of government and public pressure, and the lack of perceived benefit by the company itself, which is consistent with studies done by [2,15] in the Singapore environment.

The observation of [11] on the extent of CSR disclosure is like the observation of [3] who report that information pertaining to human resources has been given priority for disclosure followed by community information, products and services information and information concerning the environment. However, in terms of the information about human resources they mention that the CSR reports only provide information concerning how the company acknowledges and appreciates their employees as a precious company asset. They also highlight that a gap exists between what the preparers provide (report and disclose) and what is needed by the users.

3. Research methodology

This study locates the potential sample of companies through the list companies participating in Corporate Reporting Awards Competitions, such as ACCA MaSRA Award (Malaysia Sustainability Reporting Awards), NACRA Award (The National Annual Corporate Report Awards) and Prime Minister's Corporate Social Responsibility Award for 2008 and 2009. These companies are believed to have shown a significant amount of reporting on social and environmental information, and, thus, provide rich information for the study.

To record the disclosure practices by the companies, a checklist instrument was developed. The checklist instrument is used for coding and categorizing the issues or information disclosed. The number of categories used for coding varies slightly by year [16] and depends on the purpose of the study. For this study, the checklist instrument mainly focuses on workplace issues, which was developed based on previous research [8,17,18] and taking into consideration requirements from the International Labour Organization (ILO), Global Reporting Initiative (GRI) guideline and CSR guide by ACCA.

The quality (or depth) of workplace and human resource disclosure was measured using a checklist containing 54 items of workplace issues. The items were divided into eight categories: 1) employee relations, 2) labour relations, 3) employee benefits and welfare, 4) staff engagement, 5) work-life balance, 6) diversity and employment equality, 7) training and development, and 8) workplace health and safety. A total of 60 annual reports from ten companies (5 GLC and 5 Non GLC) for six years (2006 to 2011) and eight standalone sustainability and CSR reports from two companies were analysed using content analysis method for recording the disclosure practices and the coverage (the depth) of workplace and human capital disclosure. Besides content analysis, the study also interview 13 managers from the ten companies to seek their perspectives regarding their workplace disclosure practices. The interviews with the management team were conducted with six general managers and seven senior managers from ten PLCs. The total number of participants from management was 13. The participants mostly hold a position of senior manager or general manager from the Corporate Communication Department, Corporate Affairs Department or from the Human Resource Department. Table 2 below shows the profile of the interviewees from the management.

Table 2
Managers' demographic profile

Gender	Male	7
	Female	6
Ethnics	Malay	6
	Chinese	7
Position	General Manager/Director	10
	Senior Manager/Manager	3
Age	30-40	7
	41-50	5
	>50	1

4. Results and discussion

The analysis of annual reports, standalone reports (CSR/sustainability report) and corporate websites of the ten companies provide evidence concerning the depth of information disclosed and help in understanding the trend of workplace disclosure over the six-year period since the existence of the Silver Book 2005 and the Bursa Malaysia CSR framework in 2006. From ten companies, only two companies (C4 & C5) from GLC had produced a separate standalone report for sustainability or CSR activities since the existence of Bursa Malaysia CSR Framework 2007. C5 started to produce a separate report for sustainability since 2007 and C4 started its sustainability report in 2008. The rest of the eight companies did not have a standalone report. The analysis of the content of corporate websites in 2011 was meant to record the extent of workplace disclosure made by the companies from other alternative medium. The extent of workplace disclosure from corporate websites 2011 was compared with the printed annual report 2011 in Fig. 1 below.

Figure 1 shows a comparative view of the ten companies in the study concerning workplace disclosure practices in two different media, i.e. corporate annual report plus standalone report and corporate website in year 2011. It is evident that all ten companies (GLCs and NON-GLCs) disclosed more workplace information in their corporate annual reports compared to the corporate websites. Disclosure of workplace and human resource information on the corporate website was minimal. This is supported by [19] who discovered that companies in Malaysia utilized annual or corporate report to disclose their social responsibility activities.

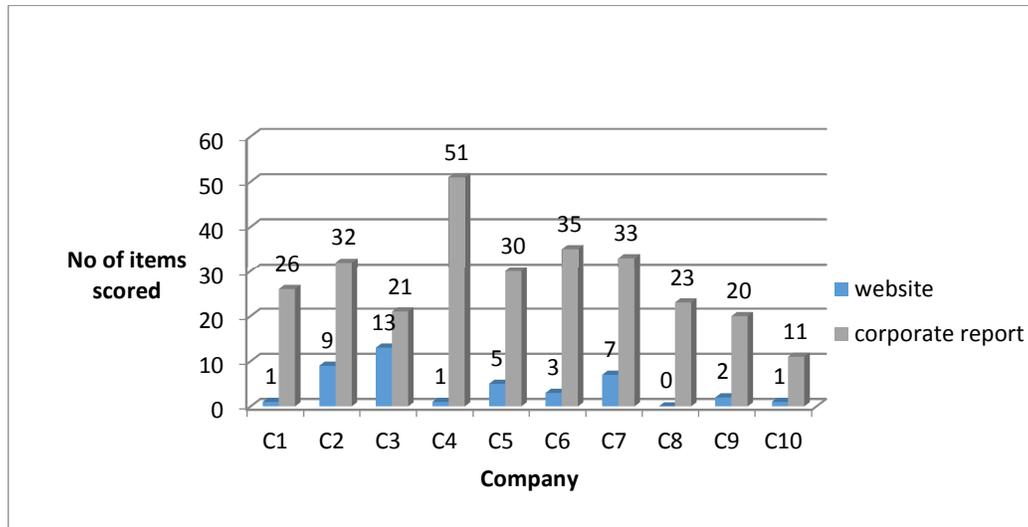


Fig. 1. Workplace disclosure in 2 different medias in 2011

From figure 1 above, C8 was identified as not having disclosed any workplace or human resource items on its corporate website as compared to 23 items in its 2011 annual report. Even C4, which disclosed almost all the items in its corporate annual report in 2011 (51 items out of 54 items in the list) only disclosed one workplace item on its corporate website; its commitment to HR development. From analysis of the corporate websites it was discovered that all companies have a direct link to their corporate annual and standalone report for users to access.

Figure 2 below shows the average disclosure of workplace and HR information for GLCs and Non-GLCs in corporate reports from 2006 to 2011. Overall, from the content analysis of the corporate annual reports and standalone report of the ten companies in this study, disclosure of workplace and human resource information shows an increased pattern of disclosure from 2006 to 2011. It can be seen that the average amount of disclosure reported by GLC companies is slightly high as compared to Non-GLC. On average, GLCs only disclosed 17.4 items out of a maximum score of 54 items of workplace and HR information in their annual reports in 2006, which increased to 32 items in 2011. While for Non-GLCs, the companies only disclosed 14.2 items out of a maximum score of 54 items of workplace and HR information in their annual reports in 2006, and increased to 24.4 items in 2011.

5. Workplace disclosure practices

Based on the content analysis, 60 annual reports and standalone reports of 5 GLCs and 5 Non GLCs for a six-year period, the study reveals that the disclosure level of workplace and human resource information has increased but the issues discussed and disclosed varies among the companies in the sample. All the companies disclosed at least one item for each workplace category except for labour relations, diversity and equality issues and information about staff engagement. The study found that the level of disclosure on labour relations information and diversity information was very low. Only three companies disclosed information about labour relations in their annual reports and four companies did not disclose any information about diversity and equality information in their annual report. As for the staff engagement category, two companies did not disclose any items of the information in annual report.

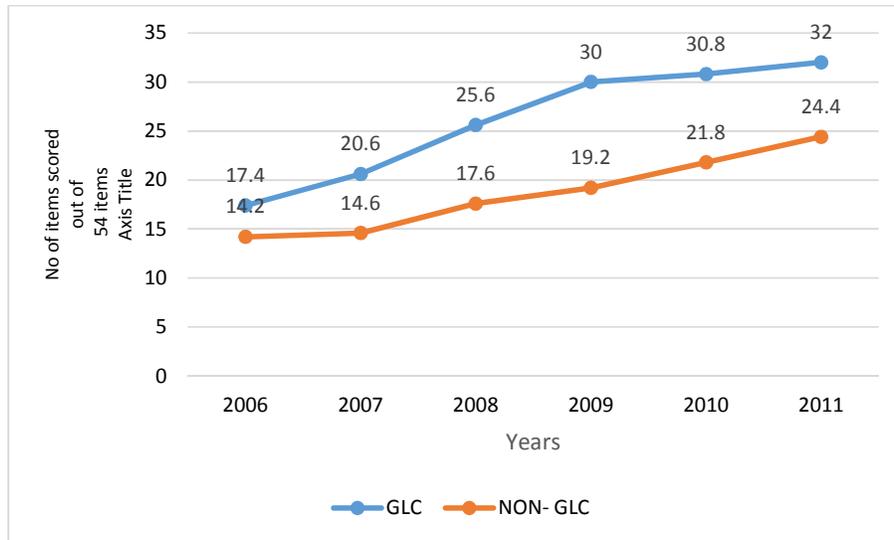


Fig. 2. Average disclosure of workplace and hr information

The three companies that disclosed information about labour relations were C2, C4 and C5, and had a union in the organisation. These three companies are GLC. These three companies employ between 25,000 and 41,000 staff. With more than 25,000 people, the managers interviewed mentioned that the union power and voice is very strong. As mentioned by Managers from C2 (M2a), one of the responsibilities of the Human Resource Department is to handle the collective agreement with the union. The agreement is renewed once every four years. In addition, Managers from C5 (M5) mentioned that a regular meeting between the management and employees union is held to discuss issues pertaining to the employees and union claims.

As for the other seven companies (2 GLC and 5 Non-GLC), the non-disclosure of labour relations information might be due to the reason that the companies did not have a union for employees; and, therefore, there was no disclosure about labour relations in their annual reports. This practice was confirmed by the findings from the interviews with those managers from C1, C3, C6, C7, C8, C9 and C10, as mentioned by Manager from C6 (M6) and Manager from C9 (M9a) in the following excerpts:

We are an insurance company; we don't have a union like in the banking industry. We don't have a union, but we do listen to our staff and their opinions. (M6)

In the construction industry, there is no union but a lot of construction engineers or professionals are registered with their professional bodies. We here don't have a union but actually we do not restrain anyone from being part of any union. (M9a)

For information concerning diversity and equality, it was found that two companies did not disclose any items in their annual report in the years of observation (2006-2011). The two companies, C2-the Energy Company (GLC) and C10-Property Development company (Non-GLC). Two other companies, C1 (GLC) and C9 (non-GLC), started to disclose information pertaining to diversity in 2011 but the information was limited to only one item out of eight items, that is, the policy on diversity and equality. The other information for diversity and equality is about the percentage of women and men in the company, equal pay and breakdown of employee information according to age, gender, ethnicity, and employment of special interest groups. For those disclosing companies, they are trying to improve disclosure on diversity and equality in response to the government initiative and to be more transparent to the public. C4 shows the highest disclosure items in 2010 and 2011 with the maximum of eight items.

As for the staff engagement category, two companies from Non-GLC – C9 and C10 – did not disclose any items of information in the annual report but the other eight companies did show significant disclosure of the information. Staff engagement issues were being given greater attention by management as well as from employees because they perceived that a good relationship between management and employees is important for the success and achievement of the company's goals and objectives. This is supported by the managers and employees interviewed. Disclosure about staff engagement information portrays a good relationship between the management and employees, and, thus, serves as a sign of the working conditions in the organisation. The following quotations express how the managers and employees value the discussion with the top management of the companies:

We have a 'tea' session almost every week. Our chairman and our CEO will have their own sessions with the top management. Employees will be selected randomly to join this session. The employee engagement division will handle this activity. Not only the management but staff at a lower level can also join this session and sit with them (CEO and top management). Whatever the discussion topic during the session our chairman will share in his blog for all the staff. We are trying to close the gap between the top management and the staff. (M4)

We have a session that we call 'high tea with the CEO'. During this time, the executives and all the staff will gather together and have the opportunity to speak and voice their opinions and suggestions with the CEO. Only during this time we ask and the CEO will answer. (Em4)

For the other five categories – employee relations, employee benefits and welfare, work life balance, training and development and health and safety – the study found that all ten companies in this study disclosed at least one item in each category. C4 (GLC) obtained the highest score for the items disclosed. The way the company demonstrates its commitment to its employees is because to increase the confidence of different interest groups and to obtain competitive advantage is related to reputation, image and innovation. This is supported by [20] who confirmed the positive effect of human resource disclosure on company reputation, and, consequently, its image. Therefore, the idea that disclosure is a tool to legitimate conduct is confirmed [20].

6. Conclusion

Workplace and human resources disclosure is one of the four components in CSR reporting. It was reported that this component was the most preferred dimension being disclosed by Malaysian companies. This is consistent with a study conducted by [21] who found that social theme particularly disclosure of human resource is the dominant disclosure for banks in Bangladesh. The finding from this study reveals that in relation to human resources element, the disclosures made by companies are varies. All companies (GLC and Non-GLC) were focusing their reports on employees' related information such as employees' relation, employees' benefits, employees' work life balance, employees' training and employees' safety issues. The results also found that the disclosure level among GLC companies supersedes disclosure made by Non-GLC companies. This is consistent with the study by [7] who reported that company disclose information for legitimate purposes relating to their public relation strategy for competitive advantage or government institutionalisation.

Besides the differences in the volume of workplace and human capital information disclosed by companies, companies can benefit from proper dissemination of human capital related information. Human capital disclosure delivers important messages to employees and enhances operational and financial performance [22]. Furthermore, stakeholders can have better

understanding of the “hidden treasure” of the company by receiving better quality information about the human capital.

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