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Communicating key labor issues in a global context

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Abstract

Purpose – The purpose of this study is to explore explanation factors regarding labor communication practices by many of the world's large companies.

Design/methodology/approach – The data collection focuses on the 2009 fiscal year sourced from 460 highly visible public companies in 57 separate countries. A total of 14 Global Reporting Initiative (GRI) items are used as the benchmark of labor disclosure checklist.

Findings – The authors' results provide evidence that the overall level of labor-style communication is 66.4 percent. Companies in emerging market jurisdictions have the highest labor disclosure communication. Employment information is the most frequently disclosed set of items. Lesser communication is noted for training and education, and diversity and equal opportunity issues. Statistical analysis indicates that political visibility, jurisdictional, creditor pressure, and corporate governance variables are directly related to labor communication.

Research limitations/implications – This study assumes that the 14 items used as the checklist benchmark from GRI (2006) are voluntary in each country. Results suggest that combination of legitimacy theory and stakeholder theory are relevant in explaining global context of labor communication.

Originality/value – A broader international survey of labor practices using the specific guidelines of the globally respected Global Reporting Initiative (GRI) has not yet been conducted. This study contributes insights for a better understanding of labor communication practices among three jurisdictional business systems.

Keywords Labor disclosure, Sustainability reports, Jurisdictions, GRI, Legitimacy theory, Stakeholder theory, Companies, Communication

Paper type Research paper

1. Introduction

Globally, there is growing concern about corporate social responsibility disclosure (CSRD) practices. Numerous studies have examined the extent and determinants of CSRD (Trotman and Bradley, 1981; Teoh and Thong, 1984; Cowen *et al.*, 1987; Belkaoui and Karpik, 1989; Ness and Mirza, 1991; Roberts, 1992; Deegan and Gordon, 1996; Hackston and Milne, 1996; Tsang, 1998; Williams, 1999; Al-Tuwaijiri *et al.*, 2004; Haniffa and Cooke, 2005; Naser *et al.*, 2006; Nurhayati *et al.*, 2006; Branco and Rodrigues, 2006, 2008; Brammer and Pavellin, 2008; Cahaya *et al.*, 2008, 2011; Clarkson *et al.*, 2008; Gunawan *et al.*, 2009; Said *et al.*, 2009; Reverte, 2009; Michelon and Parbonetti, 2010). All of these studies focused on social and/or environmental disclosure. Some researchers also have undertaken cross country studies on social disclosure (Van der Laan Smith *et al.*, 2005; Orij, 2010). These studies investigate more general social disclosure themes such as environmental, employee, community involvement, customer, and product responsibility.

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Very few studies concentrate specifically on human resources aspects such labor disclosures. Some previous studies have focused on human resources information disclosure (Subbarao and Zeghal, 1997; Brown *et al.*, 2005; Vuontisjärvi *et al.*; Branco and Rodrigues, 2009; Cahaya *et al.*, 2008, 2011; Dominguez, 2011); however, these studies are only conducted in a specific country or region (except Subbarao and Zeghal, 1997). They focus only on annual reports as a medium for reporting and assume that annual reports contain the key labor information. A broader international survey of labor disclosure practices in sustainability reports using the specific guidelines of the globally respected Global Reporting Initiative (GRI, 2006) has not yet been conducted. Thus, further investigation about what factors impel a company to disclose social information such as labor communication is still needed.

The objective of this study is to obtain insights on labor-based communication, by analyzing three jurisdictional clusters (Anglo-American, communitarian, and the emerging market). The GRI's guidelines are used as the benchmark to address the following questions:

- What is the level of labor communication among the three jurisdictions?
- Does the level of labor disclosures differ across the sample?
- What company, institutional and internal factors explain labor communication?

Labor communication has attracted increased public attention since it is an indicator of the importance companies placed on the well-being of their workforce (Subbarao and Zeghal, 1997). Safe and healthy working environments, discrimination in the workplace, unequal pay between men and women, education and training are crucially important matters for companies around the world. Vuontisjarvi (2006) argues that the relationship between business and its employees can be regarded as precondition of CSR. Companies perceived to have a strong CSR commitment often increase their dialogue to maintain employee morale and to better retain their employees (Branco and Rodrigues, 2009). Moreover, Johnston (2001) notes that if a company does not provide high levels of CSR for its own employees it will not be able to pursue CSR activities for its outside environment such as their customers, suppliers, and local communities where they operate. Given that labor communication is under researched, further investigation is considered important and valuable.

Past studies on CSRD have argued that the type of business systems influence companies to adopt voluntary corporate disclosure (Millar *et al.*, 2005; Garcia-Meca and Sanchez-Ballesta, 2010). Fundamental differences in the type of business systems comprise a main source of variations in the jurisdictional context with potentially important ramifications on social disclosure and overall corporate communication (Aerts *et al.*, 2006). Subbarao and Zeghal (1997) argue that labor information disclosed by companies would be different in different jurisdictions, as the social, environmental and cultural factors influencing the companies also vary. By analyzing companies from a multitude of diverse countries, this study adds insights concerning how jurisdictions influence labor communication practices.

Previous studies also show that companies now tend to disclose more labor information than many other CSR-style issue in their annual and/or sustainability reports (Teoh and Thong, 1984; Newson and Deegan, 2002; Kuasirikun and Sherer, 2004; Gunawan *et al.*, 2009; Azim *et al.*, 2009; Pratten and Mashat, 2009; Islam and Deegan, 2010; Belal and Cooper, 2011). These studies have been undertaken using some of varieties disclosure items to measure labor communication. They do not consider the importance of the guidelines to improve comparability and to increase the value of reported information (Burritt, 2002). As a result, there is limited understanding on the nature and extent of labor communication practices and degree of the guidelines tracked by companies.

Currently, there are varieties of specific voluntary guidelines for communicating labor disclosure. For instance, at the global level, there is the SA 8000[1] standard, while at the regional level, in 2005 (latest revision in 2011) the Organization for Economic Co-operation and Development (OECD, 2005) produced guidelines for multinational enterprises (MNEs) operating in OECD countries. One of the aims of these guidelines is to encourage MNEs to communicate additional information that could include data on the relationship with labor and other stakeholders. In 2006, the well respected GRI published Version 3.0 (G3) of its sustainability reporting guidelines emphasizing the communication of a comprehensive set of key performance indicators. Most importantly, the G3 guidelines contain a separate section titled "Labor Practices and Decent Work" (LPDW) with 14 performance indicators (LA1-14).

Many companies around the world adhere to the GRI guidelines[2], especially G3, since GRI labor performance indicators are developed based on internationally recognized labor standards such as United Nations Conventions and International Labor Organization Conventions (GRI, 2006). As argued by Cahaya *et al.* (2011), the use of GRI labor disclosure items best represents the most internationally current stakeholder concerns on labor issues. By investigating the extent of labor communication, this study highlights certain current labor communication practices based on the primary global guidelines. This study thus contributes insights for a better understanding of labor communication practices among three jurisdictional business systems.

2. Theoretical framework and hypotheses development

Janggu *et al.* (2007) define CSR as the way in which companies fulfill their social obligations both to their employees and to their wider community including compliance with regulation and social expectation. "A corporate social responsibility is a company's continuing effort to balance the aspect of a social-economy in order to fulfill obligations demanded by all stakeholders fairly and proportionally" (Mirfazli, 2008, p. 391). CSR activities are now felt to exhibit a very broad scope incorporating how an organization relates to its stakeholders and community (Pratten and Mashat, 2009). The World Business Council for Sustainable Development (WBCSD, 1999) defines CSR as the commitment by a business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. Branco and Rodrigues (2009) state that it is related to complex issues such as environmental protection, human resources management, health and safety at work, relations with local communities, and relations with suppliers and consumers.

In relation to the motivation to communicate labor issues, several studies provide evidence that labor communication is needed to satisfy the expectation of stakeholders (Branco and Rodrigues, 2008). Lahteenmaki and Laiho (2011) look at the meaning of social responsibility for human resources in Finnish multinational companies. They argue that in the global business context it is crucially important to recognize the human resource perspective. Public opinion concerning the moral evaluation of a company's operations is influenced by the nature of socially responsible human resource. Subbarao and Zeghal (1997) conduct an international comparison of human resources disclosures. They note that human resources information is required by shareholders to make better investment decisions (Branco and Rodrigues, 2008) while labor unions demand information to bargain with employers for improving the employment conditions of their members.

Kuasirikun and Sherer (2004) add that the motivations of Thai companies to communicate social information is fostered by legislative instead of social pressures. In line with Kuasirikun and Sherer (2004) and Cahaya *et al.* (2011) conclude that companies release labor information as result of coercive pressure from government, while Brown *et al.* (2005) argue that entities may disclose human resource information to legitimize their activities to highly visible employee stakeholder groups. Belal (2001) argues that employee disclosures in Bangladesh are mostly influenced by the presence of an unionized labor force, as it may put pressure on companies for more social disclosure.

Concerning to the type of labor information being disclosed, numerous studies have explored a range of countries. Vuontisjarvi (2006) explores by means of content analysis, the extent to which the largest Finnish companies have adapted socially responsible human resource reporting practices. The findings suggest that human resource reporting in Finland is still in its early stage of development and show that training and staff development is the most human resource information communicated by Finnish companies, whilst employee work-life balance is the least disclosed. Cahaya *et al.* (2011) advances explanations of the communication level of labor disclosures of Indonesian listed companies. Their findings indicate that the level of voluntary labor disclosure of Indonesian listed companies is low. The highest level of communication is for issues related to skills management and lifelong learning programs for employees; however, very few Indonesian companies disclosed information about health and safety committee and agreements, and gender salary differences.

Subbarao and Zeghal (1997) investigate human resources disclosure in six countries. They find that employment information such as benefit, pension and number of employees are the highest items of information conveyed by companies. Further recent studies show that training and education and health and safety issues are prime labor issues interesting to researchers. Branco and Rodrigues (2008) and Kuasirikun and Sherer (2004) conclude that employee training and profile are the most human resources issues revealed by Portuguese banks and Thai companies. Islam and Deegan (2010) explain that employee training and female employment and empowerment are the most frequently themes of human resources disclosure released by Bangladesh Garment Manufacturers and Exporters Association. Yet, since 2000 the health and safety issues are receiving a substantial attention in recent annual and sustainability reports.

The theoretical framework underpinning the present study consists of legitimacy theory and stakeholder theory. As argued by Gray *et al.* (1995), social disclosure such as labor communication is a complex activity that cannot be fully explained from as a single theoretical lens. Numerous social disclosure studies have applied legitimacy theory and stakeholder theory (Islam and Deegan, 2010). Legitimacy theory posits that the legitimacy of a business entity to operate in society depends on an implicit social contract between the business entity and society. Companies can lose their license to operate in society by breaching society's norms and expectations. Accordingly, legitimacy theory predicts that companies adopt social disclosure to legitimize their operations when society's norms and expectations of the business entities change or the business entities perceive themselves in breach of existing norms and expectations of society (Deegan, 2002; O'Donovan, 2002; Deegan and Blomquist, 2006). Many social disclosure studies apply legitimacy theory (Patten, 1991; Deegan and Rankin, 1996; Adams *et al.*, 1998; Brown and Deegan, 1998; Deegan *et al.*, 2000, 2002; Wilmshurst and Frost, 2000; Cormier and Gordon, 2001; O'Donovan, 2002; Haniffa and Cooke, 2005; Islam and Deegan, 2010; Tilling and Tilt, 2010).

While legitimacy theory considers interactions with society as a whole (Deegan, 2006), stakeholders are central focus of stakeholder theory (Gunawan *et al.*, 2009), which focuses on how an organization interacts with particular stakeholders such as employees, shareholders, government, the local community, and labor union. Van der Laan Smith *et al.* (2005) suggest that the organizational perspective of stakeholder theory describes the relation between the corporation and its stakeholders. Stakeholder theory accepts that different stakeholder groups will have different views about how an organization should conduct its operations. Explicitly, it refers to issues of stakeholder power, how stakeholder power affects their ability to coerce the organization into complying with the stakeholder's expectations (Deegan, 2006). Stakeholder theory has been used by several of social disclosure studies (Roberts, 1992; Van der Laan Smith *et al.*, 2005; Cahaya *et al.*, 2008; Gunawan *et al.*, 2009; Orij, 2010; Michelon and Parbonetti, 2010).

Previous studies show that labor communication practices can be explained by corporate characteristic and contextual variables[3]. Five predictor variables are hypothesized to affect the level of labor communication. These are industry type, jurisdictional business systems, the presence of CSR committee, proportion of independent director, creditor power, and economic performance. First, from a legitimacy theory perspective, type of industry can influence political visibility and drive disclosure in order to minimize pressure and criticism from society (Patten, 1991). Industry type is a common variable employed to explain the content and extent of disclosure (Cowen *et al.*, 1987; Ness and Mirza, 1991; Roberts, 1992; Hackston and Milne, 1996; Adams *et al.*, 1998; Williams, 1999). Overall, more sensitive industries are considered to be those with more risk of being criticized in corporate social matters because their activities lead to the perception of higher risk (Reverte, 2009).

The "sensitivity" of industries is a consistent theme within legitimacy theory. Roberts (1992) and Hackston and Milne (1996) use a dichotomous classification of high profile and low profile industries[4]. Roberts (1992) defines high profile industries as those with consumer visibility, a high level of political risk and/or concentrated intense competition. Hackston and Milne (1996) posit that high profile industries disclose significantly more social information such labor communication than low profile industries. Based on legitimacy theory, tenets it is therefore hypothesized:

H1. Firms in high profile industries will provide higher labor communication in sustainability reports than firms in low profile industries.

Jurisdictional trait is defined as a particular characteristic of the power or influence that a country or group of similar countries possess to carry out legal decisions, enforce laws and/or affect change to influence firm's communication. There are several factors that impact on disclosure at the national level such as the type of corporate governance systems (Van der Laan Smith *et al.*, 2005), the type of business systems (Buhr and Freedman, 2001; Chapple and Moon, 2005), and the type of legal system and level of enforcement (Williams, 1999; Holland and Foo, 2003). Orij (2010) notes that the relationship between country specific orientation and corporate social disclosure can also be explained by stakeholder theory. As stated in previous section that labor information disclosed by companies would be different in different jurisdictions as the social, environmental and cultural factors influencing the companies also vary (Subbarao and Zeghal, 1997).

Van der Laan Smith *et al.* (2005) argue that firms from countries with a stronger emphasis on social issues and that place more emphasis on their multi stakeholder will have a higher of level and quality of social disclosure than firms from countries with weaker emphases on social issues and that are dominated by shareholders. However, Millar *et al.* (2005) state that the Anglo-American business system is characterized with the expectation of a high degree of information disclosure, while communitarian and Emerging business systems are more likely to provide limited information disclosure and lack transparency consistent with lower legitimacy tenets. Islam and Deegan (2010) provide evidence that labor communication practices in developing countries have frequently been at the center of global criticisms. Their study finds that companies react to mitigate the media pressures by providing positive labor disclosures. Van der Laan Smith *et al.* (2005) note that the manner in which the role of a corporation and its stakeholders will affect the extent and quality of corporate social disclosure. Based on these arguments about jurisdictional-based diversity, it is hypothesized that:

H2. There is an association between jurisdictional business system and the extent of labor communication in sustainability reports.

Stakeholder theory posits that creditor power as a stakeholder relies on the degree to which the firm relies on debt financing (Roberts, 1992). Some previous studies conclude that companies see creditors as important stakeholders. Purushotaman *et al.* (2000) provide evidence that companies with high leverage may have closer relationship with their creditors and use other means to communicate labor disclosure. However, Branco and Rodrigues (2008) find that companies with lower levels of leverage communicate more human resource information. Dominguez (2011) also notes that leverage has a significant impact on human resources disclosures. It implies that firms provide labor information to mitigate pressures from creditors. Based on these studies it can be concluded that creditor pressure is an important factor which induce companies to disclose labor information. The third hypothesis for testing in the study was that:

H3. There is an association between leverage and the extent of labor communication in sustainability reports.

The economic performance of a company provides the means to meet the administrative costs associated with social and environmental disclosures (Brammer and Pavellin, 2008). The profitability of firms is expected to provide manager with funds to contribute to social responsibility activities such as establishment of employee training (Cahaya *et al.*, 2008). Gray *et al.* (2001) argue that the relationship between social disclosure and economic performance is still inconclusive. From a legitimacy theory perspective, profitability can be considered to be related positively or negatively to social disclosure (Neu *et al.*, 1998). On the other hand, stakeholder theory postulates that there is a positive association between profitability and social disclosure practices (Roberts, 1992; Purushotaman *et al.*, 2000). Accordingly, this study hypothesizes:

H4. There is an association between profitability and the extent of labor communication in sustainability reports.

Prior studies suggest that the presence of CSR committee affects the level of social disclosure. As noted by Cowen *et al.* (1987) the existence of such committees could be associated with a greater corporate propensity to communicate social responsibility issues including labor information. From the stakeholder theory, the presence of such a committee is an effective monitoring device for improving the range of disclosures provided to stakeholders. Ullman (1985) notes that the presence of a CSR committee indicates the company has an active strategic posture concerning stakeholders. As argued by Kent and Monem (2008), CSR committees encourage companies to demonstrate greater accountability and commitment to business activities and transparency in CSRD and it constitutes a formal recognition of the social and environmental impact of the activities of the company. Cowen *et al.* (1987) find a significant association between human resources disclosures and social responsibility committee. Thus, the fifth hypothesis is:

H5. There is a positive association between the presence of a CSR committee and the extent of labor communication.

Haniffa and Cooke (2005) dispute that corporate governance provisions, such as the presence of independent directors on the board, should be considered as an influence on social disclosure. From a legitimacy theory perspective, the presence of independent directors on the board may strengthen the public perception of corporate legitimacy. The public may value an entity highly if it has a high level of independent directors on the board because such a condition might signify a more effective board in supervising the management activities (Nurhayati *et al.*, 2006). Moreover, Haniffa and Cooke (2005) note that increasing the presence of independent directors on the board helps to ensure board independence from management and that these directors could act as a mediator among different stakeholders, if required. Michelon and Parbonetti (2010) indicate that the presence of independent directors may encourage companies to disclose more social information to stakeholders. Independent directors also play an important role in enhancing corporate image and act in a monitoring role, ensuring that companies are properly managed by its management (Said *et al.*, 2009). The *H5* and final hypothesis to be tested states:

H6. The extent of labor communication in sustainability reports tends to be higher the more independent directors the firm has.

3. Research method

The data collection focuses on the 2009 fiscal year sourced from 460 globally prominent public companies across 57 separate countries. A focused sample is produced which captures many globally important companies in a comprehensive range by country, region, size, industry, and type of sustainability reports (stand-alone or integrated). This study employed the GRI list (retrieved on the November 24, 2010) to derive a comprehensive sample. The companies are selected based on stratified proportional random sampling (Table I). The sample companies meet the following criteria:

- data encompasses 2009 activities;
- there is a 2009 stand-alone sustainability report;
- the sustainability report is written in the English language;
- all companies are publicly listed and are the parent entity in their home country; and
- they are listed on the GRI web site.

Consistent with Cahaya *et al.* (2008, 2011), Clarkson *et al.* (2008), Ho and Taylor (2007) and Frost *et al.* (2005) a labor disclosure score is calculated by referring to 2006 GRI guidelines (Table II). GRI labor practices and decent work performance indicators contain 14 items that reflect the spirit of CSR and sustainability reporting. The 14 items are classified into five categories: employment (three items), labor/management relations (two items), occupational health and safety (four items), training and education (three items), and diversity and equal opportunity (two items).

Table III summaries the measurement of the dependent and independent and control variables, including industry type, jurisdictional business systems, leverage, return on assets (ROA), the presence of a CSR committee, and proportion of independent directors. These variables are often used in disclosure studies (Cowen *et al.*, 1987; Roberts, 1992; Hackston and Milne, 1996; Purushotaman *et al.*, 2000; Haniffa and Cooke, 2005; Eljido-Ten, 2007; Kent and Monem, 2008; Said *et al.*, 2009; Cahaya *et al.*, 2011).

This study employs several statistical techniques to test the hypotheses. Independent sample *t*-test and ANOVA are used to test whether there is a significant difference in the extent of labor disclosure between high profile and low profile industry, companies with and without a CSR committee, and across jurisdictions of business systems. This study then utilizes ordinary least squares regressions to test the associations between the dependent and predictor variables.

4. Results

Figure 1 shows the mean of each category of labor disclosure indices with five key categories of labor practices and decent work, namely employment, labor/management relations, occupational health and safety, training and education, and diversity and equal opportunity. As shown in Figure 1, among the five categories, employment has the highest number of disclosure of labor practice categories (72.7 percent), followed by training and

Total companies listed on GRI's report lists on November 24, 2010	1,418
Less companies that do not have a stand-alone report (e.g. integrative report)	(195)
Less companies that do not have a sustainability report in English version	(383)
Less companies that are not a public and parent company	(272)
Available	568
Final sample[a]	460

Note: [a]The sample has been representing 81 percent of the available population

Table I.
Sample selection

Category	GRI code	Indicator
Employment	LA1	Total workforce by employment type, employment contract and region
	LA2	Total number and rate of employee turnover by age group, gender and region
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations
Labor/management relations	LA4	Percentage of employees covered by collective bargaining agreements
	LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements
Occupational health and safety	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases
	LA9	Health and safety topics covered in formal agreements with trade unions
Training and education	LA10	Average hours of training per year per employee by employee category
	LA11	Program for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings
	LA12	Percentage of employees receiving regular performance and career development reviews
Diversity and equal opportunity	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity
	LA14	Ratio of basic salary of men to women by employee category

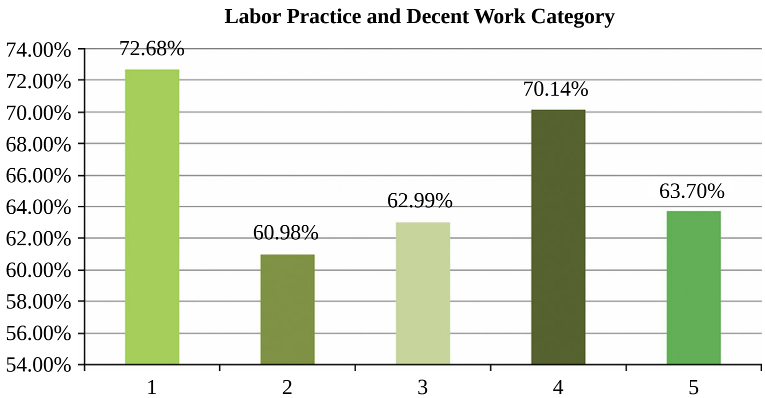
Table II.
Labor disclosure items

education (70.1 percent), diversity and equal opportunity (63.7 percent), occupational health and safety (63.0 percent), and labor/management relations categories (61.0 percent).

Table IV exhibits an overview result of labor disclosures per jurisdiction, and per country. It can be seen that the overall mean of labor disclosures is 66.4 percent. This result is consistent with previous studies that labor issues are the most communicated items by companies in their annual or sustainability reports. The result is consistent with past studies (Teoh and Thong, 1984; Newson and Deegan, 2002; Kuasirikun and Sherer, 2004; Gunawan *et al.*, 2009; Azim *et al.*, 2009; Pratten and Mashat, 2009; Islam and Deegan, 2010; Belal and Cooper, 2011). With regard to the level of labor disclosures in each jurisdiction,

Table III. Variable measurement

Predictor variables	Measurement
Dependent	
Labor disclosure index (LDI)	14 items. The formula of the index as follows (Haniffa and Cooke, 2005): $LDI_j = \left(\sum_{t=1}^{nj} Xij\right)/nj$ LDI_j – corporate social disclosure index for firm j *nj* – number of items expected for *j*th firm, $nj \leq 14$ *Xij* – 1 if *i*th item disclosed, 0 if *i*th item not disclosed $0 \leq Ij \leq 1$
Independent	
Industry type (IT)	1 – high profile and 0 – low profile
Business system (BS)	BS_1 – communitarian, BS_2 – emerging market, BS_3 – Anglo-American
Leverage (LEV)	Total liabilities divided by total assets
Profitability (ROA)	Total net profit divided by total assets
The presence of CSR committee	1 – yes, have a committee and 0 – no
Proportion of independent director	Number of independent directors divided by total directors



Notes: 1 – Employment; 2 – labor/management relations; 3 – occupational health and safety; 4 – training and education; 5 – diversity and equal opportunity

Figure 1. The category of labor disclosure

companies in emerging market countries have the highest labor communication (72.5 percent). This is followed by companies in communitarian (69.8 percent) and Anglo-American jurisdictional business systems (58.5 percent). Four countries from the communitarian regions, Spain (91.9 percent), Portugal (87.9 percent), South Korea (87.8 percent), and Italy (87.4 percent) have top scores regarding in labor disclosures index. Surprisingly, Japan communicates the least labor information (43.2 percent).

Regarding the category of labor disclosure, it can be seen that employment category is the highest communicated category in two jurisdictions, emerging market and communitarian countries while training and education category is the most category disclosed by Anglo-American jurisdiction. Concerning to the mean of each category per

Country	n	Disclosure (%)	(1)	(2)	(3)	(4)	(5)
Emerging							
Colombia[a]	1	100	100	100	100	100	100
Indonesia[a]	1	86	100	50	75	100	100
Chile[a]	2	85.71	83.33	100	100	100	25
Brazil	12	82.74	91.67	79.17	72.92	97.22	70.83
Mexico	7	78.57	80.95	92.86	82.14	76.19	57.14
India	11	79.22	78.79	86.36	75	81.82	77.27
Malaysia	4	78.57	83.33	62.5	87.5	75	75
Argentina[a]	2	92.86	83.33	100	87.5	100	100
Taiwan	5	82.86	86.67	100	65	86.67	90
South Africa	14	74.49	80.95	78.57	73.21	69.05	71.43
Israel[a]	1	79	100	50	50	100	100
Hungary[a]	2	78.57	83.33	75	50	100	100
Croatia[a]	2	57.14	50	100	75	16.67	50
Philippines	4	66.07	83.33	62.5	56.25	66.67	62.5
UAE	3	71.43	88.89	33.33	66.67	77.78	83.33
Turkey	5	65.71	73.33	40	50	93.33	70
China	18	61.9	66.67	41.67	61.11	68.52	66.67
Russia[a]	2	60.71	100	75	50	66.67	0
Thailand	4	50	75	12.5	50	50	50
Nigeria[a]	1	57	100	0	50	66.67	50
Sri Lanka[a]	2	42.86	50	50	25	66.67	25
n (mean)	103	(72.47)	(82.84)	(66.16)	(66.78)	(79)	(67.82)
Communitarian							
Spain	15	91.9	97.78	93.33	88.33	93.33	86.67
Portugal	10	87.86	86.67	90	90	83.33	90
Italy	17	87.39	90.2	97.06	79.41	90.2	85.29
South Korea	26	87.76	89.74	80.77	87.5	85.9	92.31
Austria	7	72.45	80.95	71.43	67.86	66.67	78.57
Germany	14	77.55	78.57	89.29	71.43	73.81	82.14
Greece	11	74.68	90.91	68.18	59.09	78.79	81.82
Finland	10	68.57	76.67	50	57.5	96.67	55
Sweden	13	58.24	53.85	69.23	53.85	53.85	69.23
Switzerland	9	56.35	62.96	50	44.44	62.96	66.67
The Netherlands	15	57.62	71.11	50	43.33	62.22	66.67
France	15	57.14	68.89	50	51.67	55.56	60
Belgium	6	52.38	61.11	25	41.67	72.22	58.33
Japan	19	43.23	47.37	18.42	51.32	50.88	34.21
Denmark	5	47.14	53.33	40	50	46.67	40
Norway	3	45.24	55.56	50	58.33	22.22	33.33
n (mean)	195	(69.78)	(72.85)	(62.04)	(62.23)	(68.45)	(67.52)
Anglo-American							
Ireland[a]	2	82.14	83.33	100	62.5	100	75
Australia	24	68.45	76.39	58.33	65.63	73.61	64.58
New Zealand[a]	2	71.43	83.33	50	62.5	66.67	100
Canada	26	58.79	64.1	65.38	57.69	53.85	53.85
USA	74	56.66	61.71	44.59	56.76	65.32	47.97
UK	30	51.67	62.22	48.33	50.83	51.11	41.67
Singapore	4	64.29	66.67	50	50	91.67	62.5
n (mean)	162	(58.51)	(72.59)	(61.39)	(59.18)	(75.18)	(67.32)
Total (mean)	460	(66.41)	(76.09)	(63.20)	(62.73)	(74.21)	(67.55)

Notes: [a]These countries only represented by 1-2 companies so they are excluded when interpreted these results; 1 – employment; 2 – labor/management relations; 3 – occupational health and safety; 4 – training and education; 5 – diversity and equal opportunity

Table IV.
Descriptive statistics for level of labor disclosures and category

country, as shown in Table IV, Spanish companies communicate the highest employment issues (97.8 percent). Italian companies are leading in disclosing labor and management relation's information (97.1 percent). As regards to occupational health and safety, Portuguese companies have the highest index (90.0 percent), while Brazilian companies are foremost in communicating training and education (97.2 percent). Finally, Korean companies disclosed the maximum diversity and equal opportunity category (92.3 percent).

The frequency of each labor disclosure items is shown in Table V. It can be seen that information concerning total workforce by employment type, employment contract and region (LA1) is the highest item disclosed by companies (89.6 percent). It is followed by issues concerning to the rates of injury, occupational diseases, lost days, absenteeism, and total number of work-related fatalities by region (LA7) (88.5 percent) and the composition of governance bodies and breakdown of employees per category according to gender, age, group, minority group membership, and other indicators of diversity (LA13) (77.0 percent). Whilst, the information about health and safety topics covered in formal agreements with trade unions (LA9) is the lowest items released by firms (40 percent).

Table VI displays the results of independent sample t-tests for industry type and the presence of a CSR committee. The results indicate that the mean labor disclosure score for high profile industries is 60.3 percent while the mean of low profile industries

Labor disclosure items	GRI code	Number of firms	%
Category			
Employment	LA1	412	89.6
	LA2	338	73.5
	LA3	253	55
Labor/management relations	LA4	324	70.4
	LA5	237	51.5
Occupational health and safety	LA6	218	47.4
	LA7	407	88.5
	LA8	350	76.1
	LA9	184	40
Training and education	LA10	347	75.4
	LA11	326	70.9
	LA12	295	64.1
Diversity and equal opportunity	LA13	354	77
	LA14	232	50.4

Table V. Frequency of labor disclosure items disclosed by companies

Labor disclosure	Mean	t-value	p-value
Industry type			
High profile ($n = 235$)	66.29	3.023	0.003*
Low profile ($n = 225$)	58.51		
Presence of a CSR committee			
Yes ($n = 117$)	64.40	0.863	0.388
No ($n = 343$)	61.83		

Note: Significant at: *0.01 level

Table VI. Independent samples t-tests is much lower at 58.5 percent. There are statistically significant differences across high profile and low profile industries ($t = 3.023$ and p-value = 0.003) with respect to the labor disclosure index. The result indicates that political visibility is influenced by industry membership (Patten, 1991). Thus, the finding of this study is in line with legitimacy theory and many previous studies. However, this study does not find statistically differences level of labor communication between firms with a CSR committee and without ($t = 0.863$ and p-value = 0.388).

The results of ANOVA tests are shown in Table VII. The results show that there is a significant relationship between jurisdictional business system and labor disclosures ($F = 9.718$ and p-value = 0.000). This result is consistent with previous studies that country orientation affects nature and extent of labor communication (Adams *et al.*, 1998; Van der Laan Smith *et al.*, 2005; Orij, 2010).

The Tukey HSD tests indicates that there are statistically significant mean differences between levels of labor communication between communitarian, Anglo-American, and emerging market jurisdictions. The emerging market jurisdiction disclosed more labor information than Anglo-American jurisdiction (mean difference = 0.13809 and p-value = 0.000). The communitarian jurisdiction communicated higher labor issue than Anglo-American (mean difference = 0.10069 and p-value = 0.002). The result also shows that the emerging market disclosed more than communitarian labor issue (mean difference = 0.03740), however it is not statistically significant (p-value = 0.499).

Table VIII provides the result of multiple regression analysis. The results indicate that there is a positive association between industry type and labor disclosures ($t = 2.307$ and p-value = 0.022). *H1* is accepted. This result is consistent with previous studies (Cowen *et al.*, 1987; Patten, 1991; Roberts, 1992; Hackston and Milne, 1996; Adams *et al.*, 1998; Nurhayati *et al.*, 2006; Reverte, 2009). The result supports the independent sample t-tests that high profile industries communicate more labor information than low profile.

Table VIII regression suggests that there is a positive relationship between jurisdictional business system and labor disclosures. *H2* is supported. The result is consistent with the result of ANOVA tests. The coefficient for the communitarian jurisdiction is positive and significant at 1 percent level ($t = 4.410$ and p-value = 0.000). This finding is in line with Van der Laan Smith *et al.* (2005) and Orij (2010). They find that firms from stakeholder countries are more likely to communicate social issues such as labor information to their multiple stakeholders. The coefficient on emerging market

	F	p-*value*	
Levene's test of equality of error variance	0.646	0.422	
Tests of between subjects effects	9.718	0.000*	
Multiple comparisons (Tukey HSD)	*Business system types*	*Mean differences*	p-*value*
Anglo-American	Communitarian	−0.10069	0.002*
	Emerging market	−0.13809	0.000*
Communitarian	Anglo-American	0.10069	0.002*
	Emerging market	−0.03740	0.499
Emerging market	Anglo-American	0.13809	0.000*
	Communitarian	0.03740	0.499

Note: Significant at: *0.01 level

Table VII.
One-way ANOVA

Independent variables	Predicted sign	Coefficient	t-value	p-value
Constant		0.359	6.224	0.000**
Industry type	+	0.056	2.307	0.022*
Communitarian[a]	±	0.125	4.410	0.000*
Emerging market[a]	±	0.163	4.747	0.000**
Leverage	±	0.165	2.839	0.005**
ROA	+	0.139	0.727	0.468
Presence of CSR committee	+	0.041	1.452	0.147
Proportion of independent director	+	0.106	2.066	0.039*
Adjusted R^2	0.086			
F-statistic	7.116			
p-value	0.000			
n	460			

Notes: Significant at: *0.05, **0.01 levels; [a]Anglo-American is the excluded dummy variable

Table VIII. Multiple regressions

jurisdictional countries is also positive and significant at 1 percent level ($t = 4.741$ and p-value $= 0.000$) and it higher than coefficient on communitarian jurisdiction.

The regression results show that there is a positive association between leverage and labor disclosures. *H3* is accepted. The result is consistent with past studies that companies with higher leverage tend to disclose more social information to mitigate pressure from creditors (Roberts, 1992; Naser *et al.*, 2006; Clarkson *et al.*, 2008; Dominguez, 2011). The results show that economic performance (measured by ROA) is not statistically significant. *H4* therefore is not supported. The insignificant result between profitability is consistent with the prior studies (Cowen *et al.*, 1987; Cahaya *et al.*, 2008; Clarkson *et al.*, 2008; Reverte, 2009). Several studies argue that the influence of economic performance is weak and inconsistent (Williams, 1999), as social disclosures such labor communication are primarily driven by non-economic factors (Ho and Taylor, 2007).

This study also fails to show that the presence of a CSR committee is related to labor communication ($t = 1.452$ and p-value $= 0.147$). *H5* is thereby also rejected. Michelon and Parbonetti (2010) argue that the presence of a CSR committee is relatively new, thus its effectiveness may not be evident yet. Lastly, the regression results show that there is evidence that the proportion of independent director in board structures affects the level of labor communication. *H6* is accepted. This finding is consistent with past studies (Haniffa and Cooke, 2005; Said *et al.*, 2009; Michelon and Parbonetti, 2010). This finding may indicate that the corporate governance system, particularly the percentage of independent directors have a differential impact in influencing these very large firms' labor communication.

5. Discussions, implications and conclusions

This study aims to analyze the company characteristics, contextual variables and internal factors which influence level of labor communication made by 460 companies around the world using a theoretical framework which combines legitimacy theory and stakeholder theory. The findings of this study show that the overall mean of labor disclosure is 66.4 percent. This finding indicates that level of the extent companies communicate labor information is at medium level. The information most frequently disclosed by companies is employment (72.7 percent).

Given this study finds that the extent of labor disclosure is at medium level, the result should be reflected upon. The improvements in the extent of labor disclosure may be influenced by influential guidance frameworks for reporting. The 2010 GRI survey notes that there is an increase in national and international voluntary guidelines and/or global frameworks for sustainability reporting. As stated before, for example, at the international level there are more contemporary guidelines rooted in very prestigious international organizations such as OECD guidelines for multinational enterprises, and the UN Global Compact Principles. The presence of such guidance frameworks for reporting including the GRI (G3) guidelines, CERES Principles, ISO 26000, SA 8000, and OHSAS 18001, may stimulate and foster companies to enhance reporting their labor performance information more holistically for wider stakeholder dissemination.

This study provides new insights on labor disclosure practices. The study results indicate that companies from the emerging market countries have the highest labor communication level (72.5 percent) followed by companies from communitarian (69.8 percent) and Anglo-American (58.5 percent) countries (Table IV). Perhaps, the relatively high level of labor disclosure in the emerging market countries reflects more contemporary developments of standard-setting and regulatory environment in the emerging market region. As noted in GRI (2010) the rapidly increasing trends of reporting guidelines have been shown by some emerging countries like Brazil, China, India, and South Africa. For example, Brazil, China, India, and South Africa have voluntary standards such as Ethos Indicators on CSR, the guidelines for the state-owned enterprises on fulfilling CSR, and the guidelines on CSR for industrial corporations the King Report on corporate governance guidelines.

The results of this study suggest that companies communicate more labor information in their sustainability reports to mitigate stakeholder pressures and satisfy stakeholder's expectation in order to legitimize their operations. By communicating that their operations are socially responsible, companies can build a positive image. Generally, our results support empirical predictions that type of industry influences level of labor disclosures. High profile industries are more likely to generate labor communication. More sensitive industries are more susceptible to scrutiny from stakeholder group, since they are more highly visible to external groups. A key reason that high profile industries make more social disclosure is to improve their accountability and visibility. High profile industries have a bigger effect on their community, and therefore normally have a broader group of stakeholders to satisfy.

We find strong evidence of an association between jurisdictional business systems and the extent of labor disclosures, with companies from the emerging market and communitarian countries are being more likely to communicate labor issues. This result implies that the firms in emerging countries in particular are now placing greater emphasis on labor disclosure to alleviate criticism from a particular stakeholder such as labor unions better address stakeholder expectations in order to attract capital and build a more successful business image. Summing up, this study provides evidence that the proportion of independent directors on the board has a significant impact on labor disclosures. Our finding demonstrates that the role of board independence in enhancing the extent of labor disclosures is crucial. The independence of board directors is an important corporate governance mechanism that ensures that companies will influence the accessibility and readability of information for stakeholders. Providing more labor information in their sustainability reports may indicates the commitment of company to stakeholder engagement.

The findings of this study must be interpreted carefully. This study has a number of assumptions and limitations including that there are many additional variables that could be used as proxies of company characteristics and contextual factors may influence labor communication practices, that it is not at all possible to analyze all possible variants. In addition, this study assumes that the 14 items used as checklist benchmark from GRI (2006) are voluntary in each country.

Notes

1. The SA8000 standard is a voluntary, universal and auditable standard concerning decent work conditions that was developed by Social Accountability International, a multi-stakeholder NGO initiative. The SA8000 standard is based on the core conventions of the International Labour Organisation (ILO), the United Nations Convention on the Rights of the Child, and the Universal Declaration of Human Rights (Social Accountability 2008).
2. Data from the GRI web site reveals that there are now more than 1,000 organizations across the world using the GRI (2006) guidelines.
3. Williams (1999) find a positively significant relationship between human resources disclosure and industry type in five ASEAN countries. Adams *et al.* (1998) provide evidence that industry type affects employee disclosures in eight European countries. Subbarao and Zeghal (1997) noted that the incidence of employee disclosure is affected by country domicile.
4. In this study, basic materials, financials (exception for real estate), utilities, automobiles, airlines, and tobacco are classified as high profile industries. While, industrial, consumer goods (exception for automobiles and tobacco), telecommunications, technology, consumer services (exception for airlines), real estate, and healthcare are categorized as low profile industries. This dichotomous classification is consistent with past literature (Roberts, 1992; Hackston and Milne, 1996; Newson and Deegan, 2002).

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