Available online at www.sciencedirect.com
SCIENCE DIRECT
Accounting Forum 28 (2004) 43–59
ACCOUNTING FORUM
www.elsevier.com/locate/accfor

Disclosure of information about employees in the Directors' report of UK published financial statements: substantive or symbolic?

R. Day[a,*], T. Woodward[b]

[a] *Bournemouth University Business School, Centre for Corporate Governance and Regulation, Fern Barrow, Poole BH12 5BB, UK*
[b] *Kingston Business School, Kingston University, Kingston Hill, Kingston-upon-Thames, Surrey KT2 7LB, UK*

Abstract

The evolution of reporting about employees in the 20th century culminated in the mandatory disclosures of the Companies Act (1985). This paper reports upon a study of the employee reporting practices of FTSE 100 companies that was carried out by examining the year 2000 annual report and accounts.

The analysis whilst noting a wide range of practice among these companies, finds that their annual reports indicate an apparent disregard for the statutory disclosures. Even where such disclosures are made, they often appear to lack any conviction, adhering only to threshold compliance.

Keywords: Employee reporting; Disclosure; Regulatory compliance

1. Introduction

The disclosure of corporate information about employees has its present basis in company law in the UK and, as such, forms a statutory item in the published report and accounts of larger companies. The significance of such disclosure is embedded in the fact that it serves several diverse yet interdependent objectives. As well as discharging the accountability of the organisation towards society, disclosure may also provide a device for monitoring corporate action from a regulatory perspective where law requires such disclosure. Actions taken

* Corresponding author. Tel.: +44-1202-595359; fax: +44-1202-595261.
E-mail address: rday@bournemouth.ac.uk (R. Day).

0155-9982/$ – see front matter
doi:10.1016/j.accfor.2004.04.003

by the organisation may also be legitimised through the medium of disclosure. Additionally in the context of reporting information about employees, the specific needs of that user group may be addressed and rights to information are specified in the various conceptual framework projects referred to in this paper. However, to be useful to employees (or indeed to other users), information must be both available and sufficiently explicit to fulfil any of the previously identified roles.

The paper commences with a discussion of the role of companies' annual reports in discharging social accountability. This is followed by a review of the history of reporting about employees before the extant statutory requirements of the Companies Act (1985) are debated. Next follows details of the empirical research comprising of an examination of the disclosure practices of major companies to discover whether compliance with the Companies Act takes place and the particular detail (or usefulness) of the disclosure. Following the analysis of the findings, the conclusion attempts to explain the actions of companies in both adherence and non-adherence to the legal requirements and the wider implications of this research.

2. The annual report and the discharge of accountability

Accounting is often referred to as the language of business and the reporting of organisations' corporate social responsibility activities form part of this accounting language. Guthrie and Parker (1990) suggest that corporate social reporting (CSR) is used to 'set and shape the agenda of debate and to mediate, suppress, mystify and transform social conflict' (p. 351), whereas others suggest media agenda setting theory (as espoused by Brown & Deegan, 1998, for example) and signalling theory (which is the concern of Morris, 1987) as offering viable explanations for such reporting. Additionally there is a large body of literature that proposes it is used as a means of legitimising corporate action, with the underlying assumption that business operates via a social contract with society, and has accordingly to justify its continued existence by proving to society that it is doing the 'right' things (Dowling & Pfeffer, 1975; Parsons, 1956, 1960; Shocker & Sethi, 1974; Wilkinson, 1983; Woodward et al., 1996). Dowling and Pfeffer (1975, p. 122) describe organisational legitimacy as an attempt by organisations to

> Establish congruence between the social values associated with or implied by their activities and the norms of acceptable behaviour in the larger social system of which they are part. Insofar as these two value systems are congruent we can speak of organizational legitamacy.

Within the context of the legitimisation debate the terms 'substantive' and 'symbolic' have been used to describe the strategies employed by organisations seeking to maintain their acceptability to society with substantive activity involving material changes in organisation goals, structures or behaviour, whereas in contrast symbolic activity rather reflects not a change in behaviour but an attempt at portraying corporate activities in the most favourable light (Ashforth & Gibbs, 1990). Others have used this classification to develop a framework to examine corporate environmental disclosure with Savage et al. (2000, 2002) identifying three substantive strategies ('role performance', 'coercive isomorphism',