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Reporting human resources in annual reports

An empirical evidence from top Indian companies

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Abstract

Purpose – The purpose of this paper is to investigate the extent of corporate disclosure on human resources (HR) in the annual reports of top performing Indian companies.

Design/methodology/approach – The paper explores the extent to which top 82 companies from India present information about HR in their annual reports. This study examines the annual reports of each of the top Indian firms listed on the Bombay stock exchange, using the "content analysis" method. Statistical tests have been performed to analyse the difference between the HR disclosure score across public and private sectors and disclosure variations among various industrial sectors.

Findings – In-house training programmes has been noticed to be the favourite item of disclosure followed by safety awards/certifications and statements regarding cordial relations with the employees/unions. A majority of the Indian firms have ignored significant HR issues such as employee welfare fund, maternity/paternity leaves, holiday benefits, employee loans and adopting old age homes, etc. Overall, the study reflects low HR related disclosures. No statistically significant difference has been found between the mean HR disclosure from one industry to another and disclosure practices of the private and the public sector companies.

Practical implications – The disclosure pattern of the Indian companies suggests that they only a few companies are concerned about employees' welfare than the rest. This may motivate a change of the disclosure policy of the rest of the firms who may follow the reporting pattern of the most disclosing ones.

Originality/value – This is first study on the disclosure of HR by the Indian corporate sector in the CSR domain with a disclosure analysis for a period of nine years . This research provides new directions for the literature in this area and may promote comparative studies on HR-based studies from different perspectives.

Keywords Human capital, Disclosures, Human resources, Indian companies

Paper type Research paper

1. Introduction

Human resources (HR) are the most important resources for nations and organisations. The Indian Planning Commission's India Vision 2020 visualises that "By 2020 the people of India will be better educated, healthier and more prosperous than at any time in its long history (p. 3)." This report also projects HR as the most important determinant of overall development, and promotes human development in all its dimensions as the highest strategic priority of India, at present as well as in the future (Planning Commission, Government of India, 2002). These views are in line with the philosophy of the United Nations Development Program (UNDP), which states that "People are the real wealth of a nation" (United Nations Development Program, 2010).

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A key emphasis of the UNDP's Human Development Report for the past 20 years has been that development is primarily and fundamentally about people. Keeping in view the strategic and national importance of HR, nations and organisations need to manage, develop and sustain this crucial resource.

The importance of HR for a developing country like India lies in establishing a global presence, gaining enhanced access to outsourcing opportunities (Jain and Khurana, 2013) and higher quality work, such as in research and development. Organisations undertake many activities focusing on training, development and the welfare of their HR. From a corporate perspective, HR are not only crucial to the progress of the organisation but are also important stakeholders in the corporate structure for two reasons. First, organisations gain the support of employees as stakeholders by providing information on HR endeavours in their financial statements. Empirical research validates the belief that employees are prominent stakeholders in companies (Branco and Rodrigues, 2009; Infosys Annual Report, 2008-2009, p. 16). Second, organisations depend on HR to achieve corporate objectives (Wright *et al.*, 2001; Bart, 2001; Ballou *et al.*, 2003; Fulmer *et al.*, 2003; Murthy and Abeysekera, 2007).

Human capital includes knowledge, skills and technical ability, and personal qualities such as aptitude, attitude, energy, intelligence, commitment, the ability to learn, aptitude, creativity, imagination, collaboration, team participation and a focus on achieving the objectives of the employer company. Managers are inclined to report on HR for reasons such as alignment of organisational capabilities with threats and opportunities in their environment (Collins, 1988); for the satisfaction of the informational needs of employees as shareholders in public limited companies (Worland and Anderson, 1991); to improve communication channels; to correct rumours; and to develop direct rapport with employees on crucial issues (Craig and Hussey, 1980). Such reporting results in greater levels of transparency throughout organisations, and communication with outside parties. Greater transparency lowers political costs (Lang and Lundholm, 2000) and facilitates other stakeholders to envisage the future intellectual capital value from HR (Olsson, 1993).

With the growth of knowledge-based industries around the world, HR are an increasingly important and critical component of the operational efficiency of all businesses. Human capital is viewed increasingly as a value driver asset in leading industries in an era of fast growing technological innovations and service sector growth (Lajili and Zeghal, 2006). Therefore, the accounting profession has been under pressure from various stakeholders – such as investors, creditors, suppliers, financial analysts and employee groups – to provide financial and non-financial disclosures regarding human capital-related accounting issues, such as executive and employee salary information, stock-based compensation and employee health and safety provisions.

Considering the importance of HR for the company's growth and a need for HR related disclosures in the corporate sector, this study aims to investigate the nature and level of HR information provided by the top performing Indian companies in their annual reports. The study also explores the differences in HR disclosures across various industrial sectors. Using stakeholder theory perspective, the focus of this study is on how corporations project the importance of HR to various stakeholder groups by exploring the answers to the following research questions:

RQ1. What is the extent and quality (narrative, quantitative and monetary) of HR disclosures made by the top listed Indian companies from 2001-2009?

RQ2. What are the items (content) of HR disclosures made by listed Indian companies for 2008-2009?

RQ3. Which industries and sectors make the most HR disclosures?

From the contribution perspective, the study makes three major contributions to the existing literature on HR disclosures. First, the review of literature on HR disclosures in the next section demonstrates that a limited number of studies have been conducted on exploring HR reporting practices in developing countries, and most of these studies are sector specific with smaller samples. This study of Indian companies will add significant value to the existing literature as it includes a larger sample of companies from a variety of industrial sectors. Second, studies falling in the domain of IC show that human capital disclosures have been a less reported category than other IC categories. Therefore, an independent study specifically on HR disclosures may add a new dimension to the IC literature. Third, there is no recent longitudinal study on HR disclosures in general or the Indian context in particular. Therefore, this research may add another dimension to research in the HR domain, as it explores the pattern of changes in level and quality of HR disclosures over time.

The study uses content analysis approach to examine the overall HR reporting by top 100 companies from India over a period of nine years (2001-2009), and provides a detailed analysis of HR disclosures in 2008-2009. Statistical tests analyse the difference between the HR disclosure score across public and private sectors, and disclosure variations among various industrial sectors. In the findings, the study reflects low HR related disclosures by the Indian companies and reports that a majority of Indian firms have not reported significant HR issues. However, the study finds a strong support for in-house training programmes, employees' safety and maintaining good relations with employees/unions. The remaining parts of this paper include a theoretical framework (Section 2), summary of the relevant literature including the research gap and research objectives (Section 3), a description of research methodology (Section 4), empirical analysis and discussion of the results (Section 5); conclusions and managerial implications of the study (Section 6).

2. Theoretical framework

The earlier discussion points to the importance and benefits of HR disclosures for the organisations, as well as the need for such disclosures. Theories explaining companies' decisions to disclose HR information voluntarily in their annual reports include agency, stakeholder, legitimacy and resource dependence. Many researchers working in the CSR and IC fields have argued that the stakeholder theory explains the mechanism for corporations' HR disclosures. Brown *et al.* (2005) used stakeholder and legitimacy theories to explain HR disclosures. Further, Guthrie *et al.* (2006) demonstrate that stakeholder theory and the closely linked legitimacy theory suggest that organisations, as part of their legitimating processes, voluntarily disclose HR information over and above mandatory requirements, in order to meet real or perceived stakeholder expectations (Huang *et al.*, 2013). Gray *et al.* (1997) defined a stakeholder as "someone with a right to account". Companies should fulfil expectations and work for the gain of all the stakeholders, and the efforts made by these companies are conveyed to various interested parties. Choi and Mueller (1992) asserted that companies disclose HR issues because investors, employees and society value such information. Several empirical studies explain and support this assertion. For example, investors need high quality and reliable human capital information to distinguish between good and poorly performing firms when making investment decisions (Samudhram *et al.*, 2010). Potential employees take into consideration the social endeavours and social image of the employers before deciding to join the organisation. This also draws upon signalling theory, which suggests that the perceived social performance of employers matters to employees, and this information is regarded as a signal of the company's working conditions so influences decisions about joining an organisation (Turban and Greening, 1997; Greening and Turban, 2000; Backhaus *et al.*, 2002). Job seekers value disclosure of employee related activities, such as participation and benefits (Subbarao and Zeghal, 1993; Branco and Rodrigues, 2009). Employees need HR information to understand how organisations will protect them from accidents and improve their skills. Society also needs HR disclosures, especially those relating to efforts made by organisations to improve national resources, working days lost due to accidents and provision of equal employment opportunities (Subbarao and Zeghal, 1993).

This discussion allows us to realise that HR information is provided by organisations to manage HR resources effectively and to satisfy the informational needs of various organisational stakeholders. Adequate disclosure of human capital information is important as it affects not only a firm's ability to recruit and retain the best people, but also conveys a firm's potential to create value, and thus its share price and ability to attract funding nationally and internationally (Huang *et al.*, 2013).

3. Review of literature

Previous research on the disclosure of HR related information has been conducted in two broad categories, namely, CSR oriented research emphasising employee related disclosures, and IC based research emphasising human capital disclosures. This paper follows a CSR based research approach, but also collates literature from studies using the IC approach, because IC researchers have also used similar themes while researching the human capital element of intellectual capital. Most studies draw upon a resource-based view, considering HR a crucial strategic resource for the business (Wright *et al.*, 2001; Bart, 2001; Ballou *et al.*, 2003; Fulmer *et al.*, 2003; Murthy and Abeysekera, 2007). Subbarao and Zeghal (1993) consider HR an important national resource. This enhanced attention on HR makes the other resources of production – such as natural and capital resource – less important from the perspective of competitive advantage (Thurow, 1992; Fernandez, 1993; Pfeffer, 1994). Most IC based studies demonstrate that investment in human capital contributes to higher financial performance and higher market value (Goh, 2005; Shiu, 2006; Calisir *et al.*, 2010; Ståhle *et al.*, 2011; Mosavi *et al.*, 2012). Goh (2005) reported that this return is more than that by physical and structural capital. A large body of literature exclusively on HR also concludes that better HR management leads to a positive influence on the long-term financial performance of the firm (Boudreau, 1991; Harrison, 1992; Wright and McMahan, 1992; Low, 2000; Seetharaman *et al.*, 2002; Skoog, 2003). This view is strengthened by several other studies suggesting that effective management of HR improves financial performance by creating a competitive advantage (Barney, 1991; Subbarao and Zeghal, 1993; Edvinsson and Sullivan, 1996; Effron *et al.*, 2003; Branco and Rodrigues, 2009), by reducing costs and enhancing HR productivity (Branco and Rodrigues, 2009). Further, empirical research provides favourable results for organisations through effective management and reporting of HR. It attracts valued HR (Mouritsen *et al.*, 2004), better meets shareholder expectations by transforming HR capabilities (Meer-Kooistra and Zijlstra, 2001), creates value (Wright and Snell, 2005) and enhances shareholder value (Murthy and Abeysekera, 2007).

The review of CSR based studies show HR disclosures as being more prominent when compared to other themes, such as community, environment, energy, product and so on. Social disclosure studies in different countries found that HR related information is the most disclosed information (Andrew *et al.*, 1989; Porwal and Sharma, 1991; Savage, 1994; Hegde *et al.*, 1997; Tsang, 1998; Belal, 1999; Sunee *et al.*, 2006; Murthy, 2008; Mirfazli, 2008; Sobhani *et al.*, 2009). Similarly, Sobhani *et al.* (2009) showed that all 100 listed sample companies in Bangladesh disclosed at least one item of disclosure on HR issues. Huang *et al.* (2013) have emphasised a need to match the demand for, and supply of, human capital information in annual reports to narrow the information gap. They further suggested that greater emphasis in annual reports on information about corporate value creators and decision makers would be welcomed by the investment community, particularly in the context of developing economies. Kansal and Joshi (2014) highlight that the efforts towards employee health and safety are quite visible to stakeholders, that is, investors and brokers of Indian companies.

The review of literature on HR disclosures identifies that studies exploring HR reporting practices in developing countries are scarce (Murthy and Abeysekera, 2007). These studies deal only with specific sectors, like the software industry and service exporter firms (Murthy and Abeysekera, 2007), the information technology and software sector (Joshi *et al.*, 2010) and the textile sector in Pakistan (Chaudhry and Roomi, 2010). Studies falling in the domain of IC that explore the content of human capital disclosures have reported that human capital is a less reported category than other IC categories (Abhayawansa and Abeysekera, 2008; Singh and Kansal, 2011). Das (2013) examined the extent of HR disclosures in India, but the sample was limited in size and industry to only 26 insurance companies in India. Sharma and Kumar (2014) conducted a study on HR disclosures by only five banks in the public sector and five in the private sector. Therefore, these studies fail to capture the breadth of HR practices in India across time and industry. Some recent studies (Jindal and Kumar, 2012; Kansal *et al.*, 2014) have used HR items (30 items of HR), but focus on determinants of HR or CSR disclosures. Therefore, HR disclosure trends in India remain largely unknown. No recent longitudinal studies on HR disclosures in the Indian context have been conducted. Jindal and Kumar (2012) called for longitudinal research to discern patterns of change in the level and quality of human capital disclosures over time. Thus, the number of studies exploring HR reporting grounded in stakeholder theory is limited, and their scope is confined to either a single corporate sector or a smaller sample of companies.

4. Research methodology

The top 100 companies have been selected from the BSE 500 index, based on market capitalisation in the years 2008-2009. Out of these 100 companies, 18 financial sector companies were excluded, because financial sector companies may have different disclosure requirements; for example, retail banking, life insurance, superannuation and unit trust companies are governed by the specific legislation that applies to banks, life insurance companies, superannuation trustees and unit trust companies.

The study uses a content analysis method, as it was popularly used in earlier disclosure based studies (Hegde *et al.*, 1997; Cowen, 1987; Chander, 1992; Vasal, 1995; Chaudhri and Wang, 2007; Murthy, 2008; Murthy and Abeysekera, 2008; Joshi *et al.*, 2010; Singh and Kansal, 2011). Earlier HR research mainly used one of two methods of measurement: the space incidence method or the HR disclosure index. Only a few researchers preferred the space incidence method for measuring disclosures

(Subbarao and Zeghal, 1993; Vasal, 1995; Sunee *et al.*, 2006). Most of the earlier disclosure measurement studies used the disclosure index method and ascertained disclosures without assigning any weights for the extent of the disclosures (Belal, 2001; Carol and Zutshi, 2004; Raghu, 2006; Barut, 2007; Hossain and Reaz, 2007; Murthy, 2008; Sobhani *et al.*, 2009; Khan and Khan, 2010; Menassa, 2010).

For the first research question, the space incidence method was used, taking a sentence as a unit of analysis for measuring HR disclosures. Every sentence reported on HR in the annual report was further categorised into narrative, quantitative or monetary, depending on the nature of the disclosure. For the second research question, the study considered the items under an HR theme, in an index formulated by Kansal and Singh (2012) in a study on the Indian corporate sector. An item-wise analysis of HR disclosures from 2008-2009 was measured in terms of how many companies reported a particular item in the HR disclosure index:

$$R_p = \frac{\text{Number of companies disclosing } i\text{th item}}{\text{Total number of companies in the sample } (n)\text{, i.e. } 82} \times 100$$

where R_p is percentage of companies reporting specific items of HR.

The weighted mean disclosure has been calculated with the following formula, based on a 0-5 rating scale, to calculate the extent HR:

$$HRD\, is.score_i = \sum_{1}^{j} \sum_{i=1}^{n} d_{ij}$$

where j represents the number of companies (82 in the sample); $d_{ij} = 0$, if the item has not been disclosed; $d_{ij} = 1$, if only one, or less than one, sentence has been disclosed; $d_{ij} = 2$, if the more than one sentence has been disclosed; $d_{ij} = 3$, if only one quantitative figure is reported; $d_{ij} = 4$ if the disclosure is non-monetary and comprises more than one figure; $d_{ij} = 5$, if the disclosure is expressed in money terms; n, the maximum number of HR items in the HR index (30 items).

To address inter-rater reliability concerns, all data was compiled by only one researcher. The HR information was collected from the annual reports of the sample companies because of their ease of access, reliability and widespread use in earlier studies (Vasal, 1995; Raghu, 2006; Sobhani *et al.*, 2009; Azim *et al.*, 2009; Singh and Kansal, 2011; Joshi *et al.*, 2010). The items used in the disclosure index are classified into various subheadings, based on the checklist of items of social importance (Hackston and Milne, 1996; Hall, 2002). For the purposes of the third research question, the sample companies were re-coded into nine industry groups, based on the nature of the industry. In total, 82 sample firms belonged to 21 industrial sectors, according to the BSE classification of industries. The industries for which the number of companies was $\leqslant 2$ have been placed in a miscellaneous category.

Refineries and oil drilling and exploration, telecommunications and computers, and software and engineering and automobiles are the three dominant groups, with ten companies each, and collectively representing 37.5 per cent of the total sample in the study. Steel and metals industry consists of 8.8 per cent of the sample, whereas power generation/distribution and the construction and contracting industries each comprise 7.5 per cent of the sample. In total, 77.5 per cent of the sample companies are privately owned, and 22.5 per cent under public ownership.

5. Analysis and discussion

5.1 Longitudinal analysis (2000-2001 to 2008-2009) of HR disclosures

Table I depicts the average number of disclosed sentences relating to HR for a nine-year period.

In 2001, the average number of sentences disclosed was 11.07. HR reporting was inconsistent throughout the period of study. In 2009, narrative disclosures in HR almost doubled, whereas quantitative disclosures registered an increase of just 2.51 sentences, on average. Improvement in monetary HR disclosures was almost negligible. Sandhu and Kapoor (2010) suggested that 50.4 per cent of Indian firms make some disclosures about HR. Joshi *et al.* (2013) found that all firms in the Indian BSE TECk sector made employee related disclosures in 2008-2009, and 60 per cent of these disclosures are qualitative. Figure 1 shows that the trend line fitted in HR narrative depicts a steep upward trend, which is encouraging. Quantitative HR disclosures are increasing at a slower rate than narrative disclosures. This increased trend is apparent not only in India but in other emerging economies too. For example, Khan and Khan (2010) examined the extent of HC reporting in leading Bangladeshi firms, using the HC reporting framework. Their study revealed that the HC reporting practices of leading Bangladeshi firms is not very low, and witnessed an increase during 2009-2010. The slope of linear monetary HR disclosures over the year is downwards.

5.2 Item-wise (content) analysis of HR disclosures, 2008-2009

The item-wise disclosures of HR are calculated and summarised in the Tables II and III.

Tables II and III depicts the direction of HR efforts pursued by the top companies in India. Taking into account all items, "in-house training programmes" is the favoured way of displaying HR performance (61 per cent of companies disclosed this information). In total, 42.7 per cent of companies claimed to receive safety awards/certifications, and 41.5 per cent made statements regarding cordial relations with employees/unions. Specific efforts for safety, physical and mental health (31.7 per cent), constituting safety department/committee/safety policy, were mentioned by 26.8 per cent of companies. A majority of Indian firms ignored some significant HR issues. For example, none of the 82 companies created an employee welfare fund. The provision of day care, maternity/paternity leave, holiday benefits or adopting old age homes are reported by only one company. Only two companies reported provision of facilities

Table I.
Extent and quality of HR disclosures – year 2001-2009

	Average number of sentences		
Year	Narrative	Quantitative	Monetary
2001	11.07	3	1
2002	17.59	3.65	4.5
2003	18.58	4.8	1.75
2004	19.11	5.58	1.6
2005	15.62	4.32	0.67
2006	17.26	4.28	0.23
2007	18.18	5.28	1.36
2008	22.47	4.63	1.22
2009	22.98	5.51	1.23

Source: Corporate annual reports 2001-2009

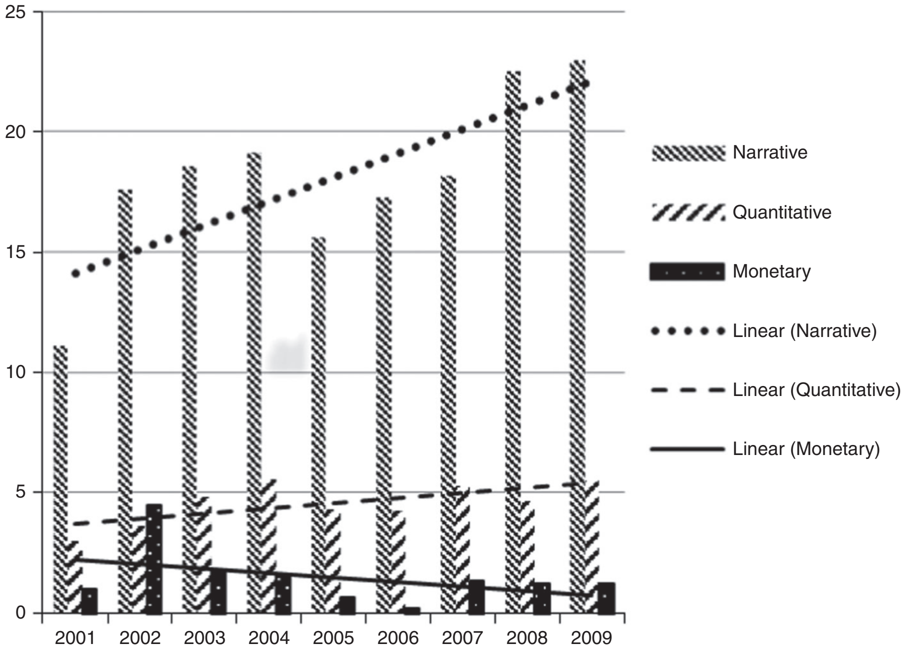

Figure 1.
Trends of HR disclosures (2001-2009)

such as a subsidised canteen and employee loan facilities. Least mentioned items were holiday benefits, day care and maternity/paternity leave, with just 1.2 per cent of companies disclosing this information. The Government of India has passed the Women's Reservation Bill to ensure that 33 per cent of places are reserved for women, to enhance gender balance, with future plans to increase this to 50 per cent. On the question of gender balance, the situation is highly disappointing, as just 4.9 per cent of the selected companies disclosed the percentage or number of women employees in the workforce and/or in managerial roles (Table IV).

A maximum score of 150 (approximately 60 per cent of selected companies) disclosed fewer than ten items. In total, 11 per cent of the sample companies made HR disclosures in the range of 11-20, and 29 per cent had a HR disclosure score between 16 and 50. This highlights the low level of disclosures made by the top Indian companies. Figure 2 presents this. As the present study measures HR disclosures on a rating scale, a low HR disclosure score indicates the low quality of disclosures, with the information mainly narrative in narrative form. A few studies conducted in South Asian countries show that HR disclosures are quite low. For example, Abhayawansa and Azim (2014) found that HC information is the least reported category in the Bangladeshi pharmaceutical sector. Wickramasinghe and Fonseka (2012) also reported the limited number of HR indicators externally disclosed in manufacturing and service sectors in Sri Lanka. Worland and Anderson (1991) concluded that the space devoted to HR issues in the annual reports of Australian companies is quite small. Several other studies confirm low levels of HR disclosures (Olsson, 1993; Ahonen and Grojer, 2005; Ahonen, 2009; Singh and Kansal, 2011). Brown *et al.* (2005) contend that HR issues are not a central feature of annual reports in Pacific Island countries.

Table II.
Item-wise disclosure by selected companies

S. no.	Items in HR index	R_p (No.)	R_p %
Employee health and safety			
1	Statements regarding reduction of pollutants, irritants, hazards, injuries	16	19.5
2	Promoting employee safety and physical or mental health	25	30.5
3	Compliance with health and safety standards and regulations	19	23.2
4	Receiving a safety award	34	41.5
5	Establishing a safety department/committee/safety policy	22	26.8
6	Providing low cost health care for employees	12	14.6
Employment of minorities or woman			
7	Disclosing percentage or number of minority employees in the workforce and/or in the various managerial levels	13	15.9
8	Employment of differently abled people/ex-servicemen	14	17.1
Employee training			
9	Training employees through in-house programme	50	61.0
10	Giving financial assistance to employees in educational institutes or continuing education courses	13	15.9
11	Establishment of trainee centers	20	24.4
Employee assistance/benefits			
12	Staff accommodation	5	6.1
13	Providing recreational, cultural and activities/facilities	8	9.8
14	Improvements to the general working conditions – both in the factories and for the office staff	11	13.4
15	Awards given for motivation of employees	12	14.6
16	Stock option plans for the employees or employee share purchase schemes	4	4.9
17	Retirement benefits	7	8.5
18	Subsidised canteen	2	2.4
19	Subsidised transport	6	7.3
20	Feedback from employees	6	7.3
21	Employee loan facilities	2	2.4
22	Employee welfare fund	0	0.0
23	Information about support for day care, maternity and paternity leave	1	1.2
24	Holiday benefits	1	1.2
Employee others			
25	Disclosing percentage or number of women employees in the workforce and/or in the various managerial levels	4	4.9
26	Providing the number of employees in the company and/or at each branch/ subsidiary	12	14.6
27	Providing information on the company/management's relationships with the employees in an effort to improve job satisfaction and employee motivation, e.g. Strikes/ statements regarding cordial relations	34	41.5
28	Providing per employee statistics, e.g. assets per employee and sales per employee	4	4.9
29	Information and statistics on employee turnover	8	9.8
30	Winning an award for being a good employer	11	13.4

5.3 HR disclosure score across industries

To understand whether significant differences exist in the HR disclosures across industries, the analysis of variance test was conducted (Tables V and VI).

The F-ratio in this case equals 1.29, and is the ratio of the between-group estimate to the within-group estimate. Since the p-value of the F-test is greater than or equal to 0.05, no statistically significant difference was found between the mean HR disclosures from one industry to another at 95 per cent confidence level. The multiple range test shows that the steel industry has a maximum HR disclosure score of 20.5, followed marginally by the metal non-ferrous sector with a disclosure score of 19.33 and the power generation and computer software industry with HR disclosures of 17.6 and 15.17, respectively. Power generation, metals and steel have made more HR disclosures, whereas telecommunications, pharmaceuticals, cement and construction and contracting (with disclosure scores of 6.25, 6.66, 7 and 7.5, respectively) have made fewer HR disclosures than other industries. The steel industry is a group in itself and does not comprise a homogenous group with any other industry. Telecommunication, cement, construction and contracting, auto, engineering, oil, refineries, computer software and metals make similar HR disclosures, and are classified into one group in multiple range tests (Figure 3).

Five most disclosed items	*Rp* %	Five least disclosed items	*Rp* %
In-house training programme	61.0	Subsided canteen	2.4
Receiving safety awards	42.7	Employee loan facilities	2.4
Strikes/ statements regarding cordial relations	41.5	Day care, maternity, paternity benefits	1.2
Safety, physical and mental health	31.7	Holiday benefits	1.2
Safety department, committee, policy	26.8	Employee welfare fund	0.0

Source: Corporate annual reports 2008-2009

Table III. Five most disclosed and least disclosed items in HR

Score range	Companies with disclosure score	
Disclosure score[a]	No. of companies	% in the sample
0-5	27	32.93
6-10	22	26.83
11-15	9	10.98
16-20	12	14.63
21-30	6	7.32
31-50	6	7.32
Above 50	0	0
Total	82	100.00

Note: [a]Expected score is $30 \times 5 = 150$

Table IV. Frequency distribution of HR disclosure scores

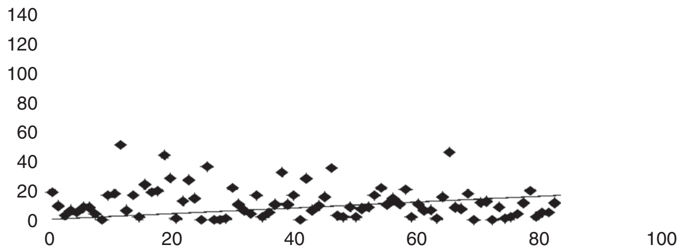

Figure 2. Scatter plot of HR Disclosure score of 82 sample companies (year 2008-2009)

5.4 *Difference between HR disclosure scores across public and private sectors*

Table VII shows the mean HR disclosures made by public and private sector companies in India. Private companies make fewer disclosures than public sector companies do. The mean HR disclosure in the private sector is 9.63, as opposed to a mean disclosure score of 17.72 by public sector companies. Additionally, public companies are more consistent than private companies in HR disclosures.

Table V. ANOVA result for human resources disclosure by industry

Source	Sum of squares	df	Mean square	*F*-ratio	*p*-Value
Between groups	1,673.85	12	139.487	1.30	0.2415
Within groups	7,431.87	69	107.708		
Total (Corr.)	9,105.72	81			

Table VI. Multiple range test on industry based HR disclosures

Industry	Count	Mean	Homogeneous groups
Telecommunications	4	6.25	XXX
Cement – major	3	6.66	XXX
Pharmaceuticals	6	7.0	XX
Construction and contracting	6	7.5	XXX
Auto	5	8.2	XXX
Engineering	5	8.2	XXX
Misc	19	8.63	X
Oil drilling and exploration	5	13.4	XXX
Refineries	6	13.83	XXX
Computers – software	6	15.17	XXX
Power – generation/distribution	10	17.6	XX
Metals – non-ferrous	3	19.33	XXX
Steel	4	20.5	X

Notes: The series of X presents the similarity of HR disclosures made by various industries, e.g. all industries with XXX are making similar disclosures. Thus, fall into one homogenous group

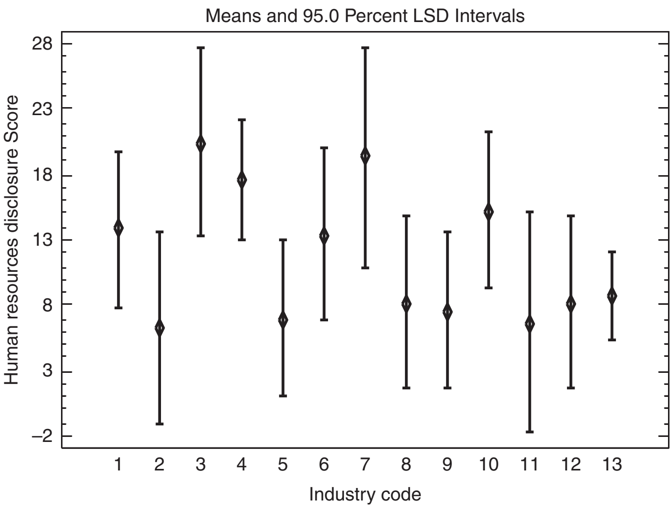

Figure 3. Multiple range tests for HR by industry

These results correspond to earlier studies conducted in India. For example, Porwal and Sharma (1991) contended that private companies made fewer disclosures than public companies. Chander (1992) reported that both the item and company-wise disclosures were significantly better in public sector companies than the private sector. Das (2013) found that Indian public sector insurance companies place more emphasis on HR disclosures than private sector companies and other categories of CSR. Sharma and Kumar (2014) have shown that public sector banks made more HR disclosures than private sector banks in India. Haji and Ghazali (2013) suggested that the sector determines the disclosures of HR, and that the public sector makes more HC disclosures than the private sector in Malaysia.

Table VIII shows the results of Levene's test of equality of variances. As the *p*-value for Levene's test is greater than 0.05, the null hypothesis proposing equality of variance cannot be rejected at the 95 per cent confidence level. The *t*-test is conducted to determine the significance of the difference between the means HR disclosure scores of public and private samples. The *p*-value for the *t*- test being greater than 0.05 indicates that the null hypothesis cannot be rejected at the 95 per cent confidence level. It signifies that there is no statistically significant difference between the means disclosure scores of public and private sectors. HR issues are equally important to the public and private sectors.

6. Conclusion, managerial implications and scope for further research

This study adopted a quantitative analysis and exploratory approach to examining the overall HR reporting by top companies in a developing economy over nine years (2001-2009), and provided a detailed analysis of HR disclosures in 2008-2009. It not only explores the number of HR items disclosed but also the quality of HR reporting and trends in the reporting of HC in a developing economy where HR development is an explicitly stated national priority. Unfortunately, this study found low HR disclosures, which is similar to the findings of earlier research on the reporting of HR in CSR and IC domains (Olsson, 1993; Ahonen and Grojer, 2005; Ahonen, 2009; Singh and Kansal, 2011). Concurrently, it is encouraging that narrative disclosures are improving at a decent rate. The top Indian companies emphasise training and safety. Winning safety awards is proudly communicated in annual reports. The disclosure of such efforts help companies minimise the intervention of concerned authorities regarding safety,

Ownership	*n*	Mean	SD	SE of Mean
Public sector	18	17.7222	9.76070	2.30062
Private sector	64	9.6250	10.20815	1.27602

Table VII. Means for human resources disclosure by ownership

Condition as to equality variances assumed	Levene's test for equality of variances *F*	Sig.	*t*-test for equality of means *T*	df	Sig. (2-tailed)	Mean Diff.	SE Diff.
Yes	3.075	0.083	−1.079	80	0.284	−0.5850	0.54201
No			−1.428	47.14	0.160	−0.5850	0.40962

Table VIII. *t*-Test for HR weighted disclosure score by ownership and indirectly help attract and retain employees. These results are similar to the results of Subbarao and Zeghal's (1993) study emphasising that safety and training are the two most significant HR items as they protect and enhance HC. Training and safety efforts improve productivity, and consequently lead to corporate growth and improved corporate reputation for HR. The steel industry – one of the most polluting industries – makes concerted efforts to disclose employee health and safety, indicating the application of the stakeholder and legitimacy theory. The public sector has shown more accountability in HR reporting than the private sector.

This study presents its findings about a large and growing economy of India and is based on the assumption that the world's economy has shifted, and is continuing to shift, from a manufacturing economy driven by the use of tangible assets to a knowledge economy driven by the use of knowledge resources and business innovations. India had a major economic re-shuffle in 1991, and the Indian government at that time followed a policy of economic liberalisation. During the post-liberalisation period multi-national corporations entered India and Indian business experienced a global transfer of HR, the growth of technology firms and competitive business innovations. These changes may have had a major influence on the ways in which companies approach their HR in general, and led to the recognition of HR as in important factor of production. Joshi and Ubha (2009) expressed that the future drivers of the Indian economy will no longer be capital, land or equipment but people and their knowledge, because in a knowledge economy intangible assets are the key drivers of market value. They further mention that the real sources of success in this system are the intelligence, flexibility and innovativeness of people. Therefore, the importance of HR should be recognised by companies. India has the potential to become a leading knowledge-based economy with its young population and growing information technology, although it needs to overcome some barriers in these regards. Required are changes in HR management programmes, policies, practices or systems designed to influence employee skills, behaviours and interactions with the intention to achieve corporate objectives.

The findings of this study show low HR disclosures and increasing trends in narrative disclosures over time, reflecting the Indian corporate sector's positive approach towards their HR. The findings may motivate the management of Indian companies to improve their efforts in this direction, as much literature in HR management in India has highlighted the need for business innovations and the recognition of HR as important to corporate growth (Venkata Ratnam, 1998; Budhwar and Boyne 2004; Jain *et al.*, 2012). Therefore, the findings of this study present not only a case for the generalisation of the findings to other similar jurisdictions, but also seek major changes in reporting practices of the Indian corporate sector, with a view to highlighting their acknowledgement of the contribution of HR to their growth.

More specifically, the findings of this study have implications for HR managers and can provide them with insights into various constructs of HR reporting, which can also be used to benchmark their HR reporting against other firms/industry. As effective HR practices can reduce costs and improve employee productivity (Branco and Rodrigues, 2009) and positively associate with the corporate bottom line, HR managers should revisit their HR reporting practices to depict a higher level of open mindedness regarding their HR, and focus upon the positive endeavours required to manage this crucial resource.

The study is limited by the fact that HR data extracted from the company's annual reports is taken as a given. These reports differ significantly regarding content and the format of disclosures, thus hindering comparability. Inter-rater reliability has been considered but the possibility of minor inconsistencies in assigning the weights to items of HR information cannot be ruled out, despite efforts to minimise these errors.

Further research can be conducted to explore the views of employees on various HR issues. For example, are they satisfied with corporate efforts to meet their expectations? The views of HR managers can also be investigated, to understand the managerial and strategic perspectives of HR reporting. Transnational comparisons and a replication of this study to explore HR disclosure issues in SMEs can further augment research in this emerging area.

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