CHAPTER 2

THEORETICAL FRAMEWORK

2.1 Concepts and Their Definitions

2.1.1 Employee Reporting

Employee reporting comprises information outwith the routine instructional or operation specific communication (Hill, 1990: p.8). A corporate financial report to employee is defined as a separate report produced independently of any other document or as a supplement in house journal. This report is issued at least annually and usually contains the chairman's message, simplified financial statements and commentary on the activities for the period. Other inclusions can be plans, forecasts and personnel related information (Lewis, Parker & Sutcliffe, 1984a: p.229). This report prepared solely for the employees of an organisation presents financial and non financial information of particular interest to employees (Bollom, 1984: p.51). In wider sense, employee reports include any regular or adhoc report for all employees, dealing with the company's organisational and trading information. It may be a separate printed report or visual presentation (Hill, 1990: p 8). In short, employee reporting is providing company financial and other information to employees according to their needs either in printed form or through audio-visual aids or any other method. For the purpose of the present study employee reporting is taken to include any regular or adhoc printed report, newsletter and/or audio-visual presentation, dealing with the companies financial and other information for the employees. This wider definition is accepted for this research because it gives a comprehensive picture of employee reporting practices.

In different countries and by different researchers some other terminologies are also used for employee reporting such as: Information sharing with the employees, Accounting information disclosure to the employees, Annual report to employees, Financial reporting to employees, Employee communication, etc.

2.1.2 Employee/Worker

The term 'worker' may have different meanings depending on the context in which it is used. Traditionally, the term denotes blue-collar employees i.e. industrial wage earners and contrasted with the white collar employees i.e. salaried person (Mannan, 1987: p.5).

The term 'employee' is defined in the Indian Employees Provident Fund Act, 1952 as, "Employee means any person who is employed for wages in any kind of work, manual or otherwise, in or in connection with the work of a factory, and who gets his wages directly or indirectly from the employer, and include any person employed by or through a contractor in or in connection with the work of the factory." The definition is comprehensive and includes apprentices, operatives, clerks, and even managers. (The Employers Federation of India, 1963).

Employment Protection (consolidation) Act 1978 of UK defines an 'employee' as an individual who has entered into or who has worked under a 'contract of employment,' which means 'a contract of service or of apprenticeship' (Janner, 1979). The terms 'employee', 'worker' and similar expression found in different enactment are intended to connote persons employed in the industry. The actual definition, however, varies from enactment to enactment. For example, some laws cover only operatives employed in factories, while others include supervisory and technical staff as well.

For the purpose of the present study, the term 'employee' is used in wider sense and includes executive, clerks, supervisors, workers and others. In this study, employees are also grouped into workers, trade union leaders and managers. Workers also include production worker, clerks and supervisors.

2.1.3 Company

A company is a voluntary and autonomous association of certain persons with capital divided into numerous transferable shares formed to carry out a particular purpose in common. It is an artificial person created by law to achieve the objective for which it is formed (Jain and Narang, 1989: p.10.1). Section 3(1)(I) of the Indian Companies Act, 1956 defines company as "company formed and registered under this Act or an existing company." It is an abstract person, it can hold, purchase or sell both movable and immovable properties, incur and pay debts, open bank account and can sue and be sued in the same manner as an individual. Law creates it and only law can dissolve it. The study considered only registered joint stock companies which are listed in the Stock Exchange.

2.1.4 Private and Public Sector

The term 'private sector' refers to the economic and social activities performed under individual or group ownership with in the general framework of regulatory laws and rules. The term 'public sector' on the other hand, in general refers to the wide range of economic and social activities undertaken by public authorities (Srivastava, 1990). In India an organisation owned and controlled by public authorities, and is listed in bureau of public enterprises in its annual report, is known as public sector enterprise (Gupta, 1995: p.34). Public sector companies include both state and central government owned companies. Most of the companies of private and public sectors are listed in Indian Stock Exchange.

For this study, sample companies are randomly and purposively selected from both private and public (state and central government owned) sectors, which are Stock Exchange enlisted.

2.1.5 Motivation

Motivation is defined as an act of stimulating someone to achieve a particular objective in view. Motivation organises human behaviour in such a manner that the action takes a definite direction. Authorities have referred motivation as a way in which needs, desires, motives, aspirations and drives direct and control human behaviour. Sociologists find motivation as a state of tension which generates energy that impels man to take a desired course of action (Sharma and Agarwal, 1990). Another scholar defined motivation as a process whereby needs instigate behaviour directed towards the goals that can satisfy those needs (Kelly, 1974: p.303). Mamoria (1989) defined motivation as "a willingness to expand energy to achieve a goal or reward. It is a force that activates dormant energies and sets in motion the action of the people. It is the function that kindles a burning passion for action among the human beings of an organisation."

2.1.6 Job Satisfaction

Job satisfaction is defined by Hoppock (1935) as any combination of psychological, physiological and environmental circumstances that cause a person truthfully to say "I am satisfied with my job." Smith (1955) defined job satisfaction as an employee's judgement of how well his job has satisfied his various needs. Locke (1970) has given an acceptable definition of job satisfaction. He defined job satisfaction as a pleasurable emotional state resulting from the perception of one's job values as fulfilling one's important job values, providing these values are compatible with one's needs. In this study five point Likert type scale is used to measure job satisfaction of the employees.

2.1.7 Productivity

The ILO publication, "Higher Productivity in Manufacturing Industries" has defined productivity as the ratio between output of wealth and the input of resources used in the process of production. The organised labour has tried to interpret productivity as the value of all output divided by man-hours of work (Jain and Agarwal, 1995: p.711). In this study productivity is considered in the sense of labour productivity. Value added is used to calculate productivity. Per employee productivity is generally calculated from total value added dividing by number of employees. But in this study actual number of employees of all the respondent companies could not be collected. Therefore, to calculate employee productivity, total value addition of the company is divided by the total amount of labour costs.

2.1.8 Profitability

Profitability is the ability to generate income (Hermanson et al., 1989: p.18). Profitability is the profit earning capacity of a product, process or an undertaking. This is generally known as financial profit and is widely applied in business enterprises (Banerjee, 1988: p.735). Profitability is generally indicated by some terms like: Return on Investment (ROI), Return on Networth (RON), Accounting Rate of Return (ARR), Return on Sales (ROS) and others. In this study return on networth is considered to measure profitability of the sample companies. In this case, net profit after tax is divided by net worth (share capital + reserves + undistributed profits) and multiplied by 100 to get the rate of profitability.

2.1.9 Industrial Relations

Industrial relations is a combination of various social sciences, the cumulative effect of which is to grease the wheels of industry and society. It is also concerned with relations of employee-employer, determination of wage and condition of employment (Pyle and George, 1995: p.3). The concept of industrial relations has been extended to denote the relations of the state with employer, worker and their organisation. The subject, therefore, includes individual relations and joint consultation between employers and workers at their places of work; collective relations between employees and their organisations and trade unions; and the part played by the state in regulating these relations (Encyclopaedia Britannica, p.297)

2.1.10 Employee Turnover

Labour turnover may be defined as the rate of change in the labour force in an organisation during a specified period. It may be taken to mean engagements and losses related to the number of manpower employed at the beginning of a stated period. Labour turnover may be represented by the following ratio:

$$\text{Employee turnover} = \frac{\text{Number of employees leaving during a year}}{\text{Average number employed during that year}} \times 100$$

(Banerjee, 1988: p.172)

In the present study rate of employee turnover was collected from the respondent companies. They have given estimated figures of employee turnover rate.

2.1.11 Labour Cost

The costs of remuneration, such as wages, salaries, commissions, bonuses, etc. of the employees of an undertaking are known as labour costs (Banerjee, 1988: p.19). In this study labour cost is meant by the cost of remuneration of the employees of the company. For convenience of analysis and presentation, labour cost is expressed in ratio of total cost. That is, labour cost is calculated dividing total labour cost by total cost of the company of 1995-96. The figures are also taken in percentage.

2.2 Development of Employee Reporting

The practice of corporate financial reporting to employees is by no means a recent phenomenon, it has experienced a marked resurgence during the past decades (Lewis, Parker & Sutcliffe 1984a: p.229). This is because since the 1970's many interest groups have voiced their opinions in favour of employee reporting including employees, employers, accounting academics, researchers, professionals, governments and its agents (Pope and Peel 1981: p.139; Lewis, Parker and Sutcliffe 1984a: p.229). Most of the accounting literature published in 1970's treated reporting to employees as a new or emerging issue (Lewis, Parker and Sutcliffe 1984b: p.275; Parker, 1977a: p.5; and Holmes, 1977: p.64). But literature on this topic had been published well before the 1970's in various countries and with different notions. Examples of employee reporting emerged in Canada, Australia, the USA and the UK (Malgwi, 1993: p.16). However, by the beginning of the 20th century, employee communication channels took the form of a house journal, reporting mainly social and personal data considering a panacea to sweep away disloyalty, unrest, inefficiency and strikes (Saberson, 1920 in Lewis, Parker and Sutcliffe 1984a: p.230). In Canada, the issue began as a generalised conceptual problem of how best to impart knowledge to employees and it was discussed in Plant Magazines in 1921 (Department of Labour, Canada, 1921: p.7-12) and the need for special report was discussed in 1923 (Botsford 1923: p.84).

Among early stirrings, Bostford (1923) considered plant level publication as an investment in employees' morale and pride in their work, and a media of explaining corporate financial conditions, demonstrating employee contribution to performance and a tool of promoting attention to organisational efficiency. Same idea is expressed by Budd (1923), who supported communication with both customers and employees. During 1930's and 1940's the disclosure of financial information in the form of an employee report as distinct from a 'house journal' became fully developed (Lewis, Parker and Sutcliffe 1984a: p.230). According to Derry (1948: p.44) in USA, the earliest special financial report to employees called "Report to Employees" was produced by the International Harvester Co., USA, in 1936 (National Association of Manufacturers of the USA, 1938: P.84 in Lewis, Parker and Sutcliffe 1984b: p.275). The greatest change in preparing financial reports came in 1937 when Johns Manville (USA) became one of the companies to issue a special annual report to the employees, such companies include Kodak, Monsanto chemical, Banking company, Union Bag and Paper Boys (Derry, 1948: p.44 in Malgwi, 1993: p.19).

Irvine (1939) highlighted his company's experience in issuing a special edition of financial report designed for employees. Heacock (1940) president of Caterpillar Tractor Company in USA experiment a radio broadcast following the issue of an annual report mailed to both stockholders and employees. Hartwell (1941) in his paper listed thirty-five companies who provide report and the report ranked by quality of disclosure. Bennett (1941) discussed employee interest and evaluate report content for its ability to attract interest. Wallace (1946) proposed a number of normative standards for employee reports' effectiveness including making report understandable to readers, giving confidence in validity, being factual and accurate, and being short in length. However, in 1947, financial report was greatly improved and filled with unusual charts, graphs, photographs and detailed information on the operations which the company felt wood appeal to employees (Malgwi, 1993: p.23). Burnham (1949) contributed to this literature and examined the format of simplified income statements as well as items of significance to employees.

Myers (1956) presented a comprehensive picture of employee reporting practices in 1950's based on analysis of sixty reports. The post world war II period of public antagonism towards union power, and the mid 1950's period of public and legislative antagonism co-existed with a rapid increase in the literature and interest in reporting to employees. Heckert and Willson (1952 in Malgwi, 1993) looked at problems of employee report on an individual basis and covered objectives, information presented in financial statements, simplified and per employee statements, format, media, and dangers in reporting to employees.

During 1950's and 1960's the modernisation of plant and equipment with modification and improvements of existing technology continued. The late 1960's and early 1970's again experienced a period of accelerated automation with advances in computer and support technology being applied to both production and administration in industry and commerce (Gappert, 1979: p.30-40; Albin, 1978: p.34-36, 52-56 in Lewis, Parker and Sutcliffe, 1984b: p.282). In the late 1960's and early 1970's another resurgence of interest in reporting financial information to employees coexisted with that innovation in the work place (Lewis, Parker and Sutcliffe, 1984b: p.282).

During the 1970's an increased interest in employee reporting has been shown from different corners including accounting literature in western world (Lewis, Parker and Sutcliffe, 1984a: p.230; Hussey and Morris, 1987; in Hill, 1990: p.43). Dyson (1973) argued in favour of employee entitlements in corporate reporting on the basis of their larger personal contribution of time and effort to the organisation. Contributions since 1977 concerned with analysing the incidence and nature of company effort in this area. The first review of incidence and report type in Australia was made by Parker (1977a). The language and style used in reporting and employee understanding were discussed by some researchers (Harrison, 1977; Parker, 1977a; Taylor 1975; and Goodlad, 1978 in Hill 1990: p.44). Some authors advocated simple form of report easily understood by average employees and use of informal everyday language, and bright and colourful style (Dillon, 1977 in Hill, 1990: p.44). There was a rejuvenation of interest in company practice of issuing a separate printed employee report in late 1970's, when increasing number of companies have started providing report to employees directly rather than through unions (Norkett, 1976; Purdy, 1977; Marsh and Hussey, 1979; in Hill, 1990: p.44). Professional practice guides have also been brought out on employee report and employee communication (Smith, 1975; Hilton, 1978; Page, 1978; in Hill, 1990: p.44). Further detail of reporting practices and report contents published by some researchers (Myers, 1979; Taylor, Webb and McGinley, 1979; and Marsh and Hussey 1979; in Lewis et at., 1984a: p.230). Hussey and Craig (1980) conducted a survey in

Australia and concentrated upon company reporting practices, reasons, costs and communication methods. It was a comprehensive attempt to assemble empirical evidence on employee attitudes to employee report and report content. Other literature focused upon question of government regulation for employee reporting practices (Webb and Taylor, 1980 in Lewis et al. , 1984a: p.231).

There are different suggestions explaining the development of employee information in 1970's, for example, the increasing political, industrial and commercial influences of the work force (Norkett, 1977), the incidence of merger, recession and anti-union feelings (Lewis et al., 1984b), the threat impeding legislation (Parker, 1977b; Hussey and Morris, 1987), and the management aim to increase or preserve power (Purdy, 1988 in Hill, 1990: p.45). Some other contributors in this literature of this period are Maunders (1981), Hussey (1988), Purdey (1988) and others.

Latest development of employee reporting may be traced in some recent studies in this area. The effect of employee reporting studied by Andrews (1988). Comprehensive work on managerial behaviour and attitude regarding employee reporting was done by Hill (1990), the impact of information sharing on negotiation and industrial relations were studied by Kleiner and Bouillon (1988) and Morishima (1991a), the relationship between information sharing and productivity, profitability and labour cost was investigated by Kleiner and Bouillon (1991) and Morishima (1991b), and impact of information disclosure to employees on labour-management relations was analysed by Brown and Trumble (1995).

2.3 Legal Basis of Information Disclosure to Employees

In some countries of the world (like USA, Germany, UK, and India) there are some legislative provisions directly or indirectly related to information disclosure to employees. Review of some legal provisions is given below:

In USA industrial relations have been regulated for past 40 years by two major Acts of congress: the National Labour Relations Act, 1935 (Wagner Act) and the Labour Management Relations Act, 1947 (Tuft-Hartley Act). A third Act of congress, the Landrum-Griffin Act was passed in 1959. The administration and interpretation of these statutes are carried out, in the first instance, by the National Labour Relation Board (N.L.R.B). The right of employees and trade union officials to obtain information from management is no where specifically stated in the above Acts. Rather such rights have been inferred by the N.L.R.B. from a more general provision of the Acts (Foley & Maunders, 1977: p.1-4).

In **Germany** industrial relations regulated by the Works Construction Act, 1972, which contain some provisions relating to employees' right of codetermination, consultation and information. In fact, to be more specific, information must be provided on stocks, production, planned changes in production and investment, plant level changes in production objectives, planned cut-backs in production and any issues which could threaten the interests of employees. Further to make this provisions more effective, if an employer does not provide adequate information with in a satisfactory period of time, he may be reported to an arbitration tribunal which may impose a fine of 20,000 Deutschemarks (Foley & Maunders, 1977: p.10,12).

In **UK**, the information needs of employees have recognised in various Acts of parliament (Lee, 1982: p.114). The first of such Act is the Health and Safety at Work Act, 1974 which requires companies to provide information to their employees about their health and safety policies and programs. The health and safety inspectorate also has the responsibility of passing on information on health and safety practices to employees. Specifically section 79 of the Act states that the published directors' report must contain information concerning the company's arrangements to secure the health and safety of its employees and of other persons affected by the work of employees (Foley & Maunders, 1977: p.114). The Social Security Pensions Act passed in 1975 which requires both employees and trade unions to be informed, and recognised trade unions to be consulted, if an employer elects to contract out of the Act (Foley & Maunders, 1977: p.14). The employment protection Act passed in 1975. Its provisions on disclosure of information were similar to those of the Industrial Relations Act, 1971 with slightly different procedures for their implementation (Hussey and Marsh, 1983: p.5). Section 17-21 of this Act related to disclosure of company information which may be important to employees or trade unions (Hussey and Marsh, 1983: p.9). Section 18 provides for some exemptions to the information disclosure (for example, information which either would go against the interest of national security or would be regarded as confidential) (Lee, 1982: p.114). The Industry Act received Royal assent on 12 December 1975 (Foley & Maunders 1977: p.18). Section 27-34 of the Act deal with disclosure of information required of those companies making a significant contribution to the UK manufacturing industry. A minister of the crown can require companies to supply information to him and if he thinks fit, to representative of relevant trade unions (Hussey and Marsh 1983: p.35). If the information is not given voluntarily, the minister may issue an order for the information to be supplied. Unlike the provisions of the Employment protection Act, 1975 on disclosure, the Industry Act clearly lays down the information to be provided. Section 30(2) of this Act lists the information required either in actual or forecast format. Information or forecasts are not to be passed also contained in the provisions of the Act (i.e. If against national/company/employee interest, etc.) (Foley & Maunders, 1977: p.22; Hussey and Marsh, 1983: p.35). Finally, the importance of the employee in contemporary corporate activity in the UK is evidenced in section 46 of companies Act, 1980. This part of the Act includes financial reporting function - that is, the information needs of employees may have to be taken into account when presenting financial statements (Lee, 1982: p.133).

In **Sweden**, the Joint Regulation of Workers Life Act, 1976 first introduced on information disclosure (Bellace and Gospel, 1983: p.68-71). In contrast to the law of United States and the UK, the aim of Swedish Act is that all information delivered to the union should be made available to all employees (Fahlebeck, 1980: p.26 in Bellace and Gospel, 1983). Swedish legal situation is favourable and employers are more positive in attitudes on disclosure. Financial information disclosure in Sweden increased in few years and understanding from employees' side has also increased.

In **Belgium**, Royal Order in favour of financial and economic information disclosure to works council was issued on 27 November 1973. Which enable the workers to be given a complete picture of the situation in their undertaking and the way it is developing in every aspect of its activity through works council or employee representative (Chr. Breviere, 1983: p.199) .

In **India** Employees' right to get information also recognised by Acts of parliament. The Factories Act, 1948 provides in section 111(A)(i) that every worker shall have the right to obtain from the occupier, information relating to worker's health and safety at work (Indian Factories Act, 1948). This Act also provides for compulsory information disclosure. Section 41B(i) provides that the occupier of every factory involving a hazardous process shall disclose in prescribed manner all information regarding dangers, including health hazards and the measures to overcome such hazards (Indian Factories Act, 1948). The Payment of Bonus Act, 1965 [section 23(2)] also recognised employees' & trade unions' information and explanation needs relating to financial statements (Payment of Bonus Act, 1965).

From the above discussion it is evident that the information disclosure to the employees is legally required and these requirements widened gradually.

2.4 Claimed Advantages of Employee Reporting

An increasing number of companies has come to recognise that there is a net benefit to them in improving communication with their employees. To see how this net benefit might result, it is perhaps useful to list the major arguments which have been put forward in favour of reporting to employees. An illustrative listing of them in note form is presented below. Information disclosure will be useful to:-

Stimulate with good news, Discourage exaggeration of bad news, Stop rumours, Have a well-informed work force, Match education and changing attitudes among employees, Help understanding company and economic affairs, Educate the employee to understand financial performance, Greater understanding of company discipline and control, Greater understanding of management viewpoint, Minimise misunderstanding, Avoid dissatisfaction, Provide greater job satisfaction, Increase positive motivation towards higher productivity, Stimulate willingness to work, Improve workmanship, Create sense of achievement, Encourage sense of responsibility, Ensure commitment to objectives, Maintain performance, Improve performance, Increase efficiency, Increase confidence, Involve more in the company affairs, Cultivate employee identification with employer, Reduce industrial disputes, Greater goal congruence between company and employee, Lower resistance to change, Increase possibilities of industrial peace, Create good public relation, Facilitate joint consultation of employee and company, Ensure effective participation, Encourage integrative bargaining, Attitudinal structuring in collective bargaining, Moderate high wage demand, Democratisation of decision making, Help in cutting costs, Satisfy employees' needs to know, Influence investors by demonstrating industrial relations, Discharge moral obligation of the company.

This list refers to benefits of information disclosure to employees and even in this context, it is probably neither exhaustive nor internally mutually exclusive. Nevertheless, it does serve to illustrate the wide range of possible effects of information disclosure to employees on the company, employees themselves and society in general (Maunders, 1981: p.173-5; Hussey and Marsh, 1983: p.60-4; Foley and Maunders, 1977: p.27-34; Jackson-Cox, Mcqueeney & Thirkell, 1987: p.39-40; Bollom, 1984: p.51).

2.5 Possible Contents of Employee Report

The items of information that an employee needs to know are matters which affect him directly or indirectly by affecting the environment in which he works. The employees information needs as identified in this study are given below:

Possible Items of Information to be Disclosed

(1) Objectives and policies

Company history and philosophy; Company objectives; Unit/departmental targets; Summary of master budget; Employees education and training plan; Individual employees target; Personnel policy; Production policy; Technical policy; Marketing policy; Objectives of policies; Repercussion of national policies.

(2) Payment and benefits

a. Payment system: Basic payments (salary and wages); Rate of payment; Time and method of payment; Rate of overtime pay; Increment; Leave pay, Sick pay;

b. Amenities and fringe benefits: Bonus scheme; Contribution to pension scheme; Contribution to provident fund; Criteria for pension payment; Criteria for merit increment; House rent allowance; Medical allowance; Conveyance allowance; Gratuity

c. Others: Employee education and training - Cost, Hours/days/course, Number of employees trained. Incentives; Welfare details; Safety details; Residence; Insurance; Recreation; Library service; Health service

(2) Conditions of services

a. Work related: Job description; Day/shift work; Time keeping; Place of work; Nature of work; Temperature; Noise and vibration; Safety standard; Behaviour standard; Method of doing work; Skills needed; Instruments to be used

b. Discipline: Rules of work; Grievance procedure; Lateness penalty; Termination procedure; Self defending opportunity; Redundancy payment

c. Leave: Holidays; Casual leave; Earned leave; Sick leaves; Leave with pay;

d. Others: Company operation; Reasons for actions; Job evaluation system; Trade union rules; Status; Boss, etc.

(4) Manpower

Company organisation; Manpower plans; Personnel details: Age, Sex, Geography, Job/grade, Location /dept., Part time /full time, Permanent temporary, Length of service, Total; Registered trade union; Transfer; Promotion; Turnover; Absenteeism, Lateness; Number of strikes; Number of grievance; Lost time; Number of accident; Industrial relations; Number of disabled employed; Number of vacancies; Key people; Local unemployment level

(5) Performance

Work target; Time cycle; Evaluation of performance; Analysis of lost work; Work standard; Supervision; Colleagues impact on Job; Cost of performance; Unit/Department's performance; Productivity per employee; Productivity and profitability; Market share; Product development; Output; Exports/overseas business; Trading position; Distribution of products; Competitors performance; Pollution control/environment protection; Company relations with society; Research and development; Awards and prizes received.

(6) Financial

Budget projection; Costing estimates; Actual costs; Sales; Profit and surpluses; Return on investment; Return on sales; Dividend; Investment; Employees participation in equity; Market price of shares; Loans; Govt. assistance received; Overheads; Pricing products and services; Financial viability of the company; Break-even-analysis; Summary of financial results; Units/departments financial results; Summary of assets and liabilities; Simplified statements: Income statement, Balance sheet, Cash flow statement, Value added statement, Working capital statement.

(7) Prospects

a. Company prospects: Growth rate; Expansion possibilities; Market expansion; Technological advancement; Product development;

b. Employee prospects: Salary increase; Promotion; Education and training; Improvement of working condition; Work units development

(8) Future changes & Projected Statements

Objectives of the company; Policies; Cost target; Production target; Manpower; Working condition; Pay and benefits; Hours of work; Placement of an employee; Technology; Boss; General manager; Standard and quality of work; Possible impact of changes

Projected income statement; Cash flow statement; Cost structure; Break-even point, etc.

(9) **Employment ratios**

Sales/employees; Gross profit/employees; Net profit/employees; Assets/employees; Investment/employees; Export/employees; Output/employees; Labour cost/total cost; Labour cost/employees; Value added/ employees

(10) **Comparative Information**

a. Internal comparison of data over time.

b. External comparison of data nationally or internationally: Profit; Wages and salaries; Productivity; Man power detail; Working condition; Lost hours; Number of strikes and costs; Education and training; Accidents and sickness; Welfare details; Safety details; Employment ratios.

(Sengupta and Shaikh, 1997a: p.63-65; Hussey and Marsh, 1983: p.21-22; Maunders, 1981: p.181-2; Irvine, 1970: p.20-7; Foley and Maunders, 1977: p.130-2; Batty, 1978: p.82-9; Bollom, 1984: p.51; Firth, 1990: p.293; Hill, 1990: p.177a; Hilton, 1978: p.31-41; BIM, 1957: p.17; Seybold, 1966: p.14-19)

2.6 Costs and Benefits of Employee Reporting

Every business decision is based on cost and benefit analysis. Therefore, employee reporting decision should also be based on cost and benefit analysis. The disclosure of information to employees involves both costs and benefits. Costs include: processing costs of information and employee report, cost of wage increase, worse outcome in wage bargaining, cost of information leakage to competitors and others. On the other hand, benefits include: increase of productivity and profitability, improvement of industrial relations, easier bargaining, strike's costs and others.

Social benefits and costs are also applicable to the disclosure of information through employee report. Though measurement of benefits and costs is by no means easy (Firth, 1990). Among the benefits that are claimed for employee reports, some are: i) improved industrial relations, ii) better public relations, iii) the promotion of a corporate identity among employees, iv) a reduction of employee hostility to management, v) the countering of unfounded rumours, and vi) enhanced understanding by employees of the nature of profits, corporate financial policies, and the role of shareholders (Craig and Hussey, 1982: p.11; Maunders, 1981: p.178). Costs involved in employee reporting such as i) miscomprehension of information by employees, ii) costs of producing report, iii) trade union hostility, and iv) information demanded by employees may exceed that provided to shareholders (Craig and Hussey, 1982: p.13; Maunders, 1981: p.180). Pope and Peel (1981: p.143) stated that processing cost is only constraint in providing employee report. Regular disclosure of future oriented information including planned changes in production and employment should not carry any hidden costs for management but disclosure will reduce conflicts.

A root and branch approach to the identification of what should be disclosed requires the assistance of a logically sound, empirically verified model by means of which the relationship between information input and output there of could be predicted, and with such a model the expected costs and benefits of disclosure could be quantified and disclosure decisions 'optimised'. Unfortunately, such model does not exist (Foley and Maunders, 1977: p.151).

2.7 Annual Report and Employee Report Controversy

Some researchers argued that copy of annual report may serve the information need and purposes of the employees. Annual report puts the predominant emphasis on financial and economic coverage, the bulk coverage is about sales and profit performance. It is well-accepted media of expressing views of companies. On the other hand, employee report utilises value added and fund statements with graphic techniques and narrative explanations. It overshadowed by economic success story, the employee report also carries more propaganda message on the issue of survival and capital investment. Some scholars also argued that employee reporting is a luxury for large prestigious companies only (Hill, 1990).

Others argued that annual report is for shareholders and the information need of shareholders and employees are quite different. Therefore, annual report can not satisfy employees' information needs. In addition, the special employee report is generally more varied and also cheaper and smaller than annual report. Employee report also covers employee welfare, shareholder interest and wider social interest group issues. Hence, it is argued that employee report should be provided.

Hilton (1978) stated that much of the information provided in corporate annual report is not relevant to employees. He added that average employee will fail to understand normal annual statement because he lacks the knowledge even of the most basic rudiments of how the financial world operates, a balance sheet, even although it is the key to his future, the statement of risk which shows whether the company is likely to stay in business for the next twelve months. He argued in favour of separate report and added that copy may be given to the shareholders so that employees are told nothing which shareholders do not know. Hill (1990: p.226) found that some managers are against separate employee report. On the other hand many of them expressed favourable views towards a special employee report.

Bollom (1984: p.54) argued in favour of separate employee report by stating that annual report is meant for shareholders not for employees; employee is interested in such things as the performance of his own unit, an explanation of productivity measurements, and the effects of streamlining the product line, these items are not in annual report; another reason for separate employee report is to simplify statements and other presentation of information.

2.8 Employee Report, Accountant and Computer Technology

Accountants are involved in employee reporting by providing accounting information. Recent legislative developments allied to changing social attitudes towards management-employee relationship, make it predictable that this involvement of accountants will increase in future. If claimed benefit of increased information disclosure to employees could be realised, employee reporting will be newly added dimensions of financial reporting and additional responsibility for the accountants. Accountants are involved by means of financial, management and control accounting. Financial accountants directly related for financial accounting information including profit and loss, balance sheet and cost information. Management accounting information also needed for employee reporting, e.g. evaluation of strike cost, probable increase in production, cost involved with wage increase and others. Auditing is also involved for making employee report information reliable to all the users.

The computer has opened new horizons for improved communication and computation in the business world. But new computer graphic technology has the potential for creating a revolution in financial reporting that may broaden the accounting professions ability to present complicated data in a simple and dramatic form (Jarret, 1981: p.46). When computer graphics systems are used properly to the presentation of information by accountants, they can help user to make quicker and more effective decisions, using the same data-display tools that have been applied in the fields of mapping, engineering and architecture. The multidimensional computer graphics may help to communicate financial information to non-sophisticated users. Persons who are uncomfortable working with quantitative data may be able to evaluate the financial status of a firm using the graphics, without the formal financial analysis. Similarly, persons unwilling to invest the time in financial analysis may still be able to see if there has been a major structural change in a firm through the use of computer graphics. Moreover, persons who do not fully understand the implications of raw financial information may be able to make better financial decisions based on the graphs that can be made by using the original data (Moriarity, 1979: p.206).

Some companies already using computer packages for their accounting and reporting works. By using computer technologies recording, processing, analysing and presenting financial and economic information have become easier and cheaper. Those can be used in producing employee report in the format and quality as desired by employees.