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**EMPLOYEE REPORTING -
INVESTIGATING THE DEMAND
FOR INFORMATION AMONGST EMPLOYEES
IN THE WESTERN CAPE**

Presented to the Department of Accounting
University of Cape Town

In fulfilment of the requirements for the
Master of Commerce degree

by
Philip Struckmann
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Abstract

Employee reporting is a concept which gained increasing popularity in Europe from the late 1970's, and a similar trend appears to be emerging in South Africa. This growth highlighted the paucity of research in this area, particularly in the South African context.

This study therefore undertook to conduct a detailed review of prior research and existing theories of employee reporting. Based on the outcome of the review, a research design was constructed, to test, on an exploratory basis, the nature and extent of the demand for information amongst employees at a company in the Western Cape.

The results indicated that a strong demand for information does exist, and that this demand is affected by a number of considerations, most notably the job level, age and education. In this respect, the results tended to confirm the findings of prior research elsewhere. It was however also noted, that the employees' choices and decisions appeared to be influenced by the socio - political conditions in South Africa, which resulted in employees attaching greater importance to their employer's involvement in society than has been the case in studies elsewhere.

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1. Introduction

Employee reporting - loosely defined as the disclosure of information about a company to the employees of the company - is a topic which has enjoyed fairly extensive coverage in the literature overseas, but which only began to attract attention in South Africa during the late 1980's.

Initial interest was shown in the production of television programmes, "Egoli" and "Gauteng", aimed primarily at Black viewership in an effort to increase awareness of the benefits and advantages arising from employee reporting. At the same time, the number of publications on the topic increased (Stobie, 1986; Schuitema, 1988) and the South African Institute of Chartered Accountants introduced an annual award for the best employee report.

With this increase in interest in the topic, it was disturbing to note that there had been little or no research conducted in this area in South Africa. In fact, even the existing body of literature internationally, was subject to criticism. Lewis, Parker and Sutcliffe (1984a and 1984b) were critical of existing research, as it tended to re-examine the same issues and appeared to have neglected what they called the demand side of employee reporting.

Lewis, Parker and Sutcliffe (1984b) pointed out that existing research had tended to accept the employees' demand for information as given, and had attempted to build a theory of employee reporting without first establishing empirically that a demand for information actually existed. By implication, existing research had thus also been unable to establish the nature of this demand and its impact on the reporting process.

In view of the apparent lack of empirical work in this field in South Africa, and working from the criticisms of Lewis *et al*, there appeared to be considerable scope to explore the field of employee reporting in South Africa. The research design recommended by Lewis *et al* (1984b) provided an ideal basis for an exploratory study of employee reporting in South Africa.

In view of the problems experienced by previous attempts to explore this topic (Carson, 1988), it was felt that the best approach to this study would be to adapt the suggestions of Lewis *et al* and incorporate these in a case study examining employee attitudes at one company in the Western Cape.

This study is thus largely of an exploratory nature, concentrating on a restricted sample and population in an effort to identify possible areas of interest to both future research and the preparers of the employee reports.

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2. Historical background and prior research

2.1. Introduction

The provision of financial information to employees must be seen as two related, but very different concepts - the provision of information to trade unions and employee representatives for use in collective bargaining, and the provision of information about the employer to all employees of the company. Although the two share a common history, they have, as will be seen later, evolved into two entirely separate issues, and the focus of this study falls on the reporting of information to all employees.

Initially, such communication was part of an attempt by management to maintain cordial worker - employer relationships, and most information was disclosed on the initiative of management. Cynics suggested that this was to suit the needs of management rather than the employees. Hilton (in Burne, 1978, 44) points out that much of the current employee reporting is "not a totally genuine effort at communications, but something which management thinks is tactically expedient", while Lewis, Parker and Sutcliffe (1984b, 229) note that "employee preferences have been neglected by many report producers". During the 1970's and 1980's however, an increasing number of people began to support the view that employees were stakeholders in an enterprise, along with shareholders, banks and creditors. The Corporate Report (1975) espoused this view, identifying employees as users of financial information and thus granting them a right to at least the same information as is presented to shareholders.

This right to information was however never entrenched in any statute or accounting standard (although France and Germany form notable exceptions - refer 2.2 below), with the result that disclosure to employees largely remained a voluntary exercise on the part of management. Furthermore, with no standard or guideline to regulate such disclosures, the form, content and quality of publications has tended to vary dramatically, leading Stobie to describe them as "much fine rhetoric, sparingly interspersed with statistics" (Stobie, 1986, 341). Under such circumstances, there is a real danger that the exercise will rapidly lose credibility and become a further reason for labour to distrust management.

Although this study focuses mainly on what information employees require, the concept of reporting to employees involves a myriad of issues and problems, which need to be considered in order to place the study in its context. This chapter will therefore trace the historical development of employee communications in order to build up and define the concept of employee reporting as an issue separate from collective bargaining. Issues such as the format and contents of the reports, employee and employer attitudes and reactions to reports, as well as the perceived advantages and disadvantages thereof will be examined.

Where applicable, reference will be made to prior research, and the areas noted for further investigation will be highlighted.

2.2 Historical development

Little is known about the origins of reporting to employees and no clear history emerges from the existing literature. Hussey suggests that the practice of communicating financial performance to employees stems from the profit sharing schemes which were popular in Britain during the latter half of the nineteenth century (Hussey, 1981a, 12). This practice was however fairly limited and would presumably only have applied to those employees entitled to share in profits, with the remainder not having access to the information.

There is some consensus in the literature that the notion of communicating with the workforce as a whole probably stems from the work of Elton Mayo in the 1920's. Mayo found that poor productivity was often caused by low morale, which in turn could be ascribed to poor communication between the employers and the employees (Bollom, 1984, 52). The result was the introduction of in - house journals, reporting mainly social or personal data, and aimed at worker morale and productivity. These were probably the first steps in the direction of an employee report.

In Britain, the concept only really found favour during the early 1940's and this interest was largely a result of the war effort. To ensure optimum usage of scarce resources, employees were drawn into the process of solving production problems and increasing efficiency. " Consultative committees ", which had no negotiating powers and concerned themselves purely with the above issues of productivity and efficiency, were formed, and obviously had to have access to information about the company's performance. Many companies then continued this practice after the war, viewing the provision of information as a way of stabilising and improving relations within the firm, as well as raising productivity.

Burchell, Clubb and Hopwood point to another reason for the continuing communication during the post war years (Burchell, Clubb and Hopwood, 1981, 98). As widespread unemployment and depression set in, resentment amongst the working classes grew, as they perceived all the benefits of their efforts accruing to the shareholders. In order to defuse the tension, as well as foster a team image or spirit, employers began to set up formal structures for reporting to employees, focusing particularly on how all parties - worker, shareholder, government and financier - worked together to generate rewards.

Once the post war economic gloom had eased however, the practice of reporting to employees appeared to fade from the scene. The British Institute of Management did publish

a booklet in 1957 on how and why to communicate to employees, but there was little else to suggest that employers on either side of the Atlantic were still producing employee reports.

The late 1960's saw a resurgence of employee reporting, although the concept had by now undergone fairly fundamental changes. On the one hand, the unions were beginning to press for the provision of information required in the collective bargaining process, while on the other, the school of thought which viewed employees as fellow stakeholders in a business, with an equal right to information, was gaining strength. As Taylor put it : " The real question is whether financial information for employees should be regarded as just another hopeful device to increase productivity and loyalty, or whether it is regarded as information to which a man or woman who spends her working life in the company has a natural right. " (Taylor, in Hussey, 1981b, 124). With these developments, the concepts of communicating to trade unions and to employees emerged as separate issues, whose further progress needs to be traced separately.

In the United Kingdom, the unions' right to information was rapidly embodied in the legislation. Both Labour's 1970 Industrial Bill, and the Conservative's 1971 Industrial Relations Act made it mandatory for all companies to make information available to unions for the purpose of collective bargaining. Neither of these Acts was however formally approved by parliament and it was only with the Employment Protection Act of 1975, that the unions' right to information formally became law.

During this time, reporting to employees as individuals received a stimulus from three sources. Firstly, the Industrial Relations Act 1971, although never passed, envisaged all companies employing more than 350 people issuing six - monthly financial statements to their employees. Many companies thus began to prepare reports in anticipation of the legislation being promulgated. Secondly, the Corporate Report identified employees as a user group of financial information, having a " reasonable right " to this information. And thirdly, the growing viewpoint that the company is more than just a profit maximising vehicle, but is an entity which is accountable to society, to investors and to employees, encouraged companies to disclose to employees at least some of the information available to shareholders. These three factors have had the effect of entrenching the concept of employee reporting as a business practice, although the form and content still tends to vary considerably, from staff newsletters to formal, glossy reports, and from chatty news to detailed financial results. In fact, much of the debate surrounding employee reporting has changed from whether to report, to what and how to report.

At this point, it is worth noting that employee and social reporting has come through a somewhat different development process outside of the English speaking world. In France, the recommendations of the Sudrean Report were embodied in the statute, and all firms employing more than 300 employees are required to present a social balance sheet, as well as

detailed information on employment, wages, health and safety, working conditions and industrial relations. In Germany, where there is a high degree of labour representation in corporate decision making, the Works Constitution Act of 1971, requires employers to provide certain information on individual, social and personnel matters to employee representatives (Works Councils). A similar pattern of reporting to Works Councils exists elsewhere in Europe.

In the English speaking countries though, the phenomenon of employee reporting has proven to be fairly fickle historically. It appears to have been largely a management tool, used to address problems and to counter worker demands in difficult times, and quietly ignored once prosperity returned. Burchell, Clubb and Hopwood (1981, 100) note, in a discussion on value added and employee reporting, that "with us during the economic crises of the immediate post war era, the value added statement disappeared during the prosperous years of the 1950s and 1960s, only to return, albeit with little or no consideration as to what might have been its earlier effectiveness, when similar strategic postures were adopted towards the management of the economy in the mid 1970s". On the other hand, it could be argued that the increase and decrease in reporting was simply in response to changing user needs and that the form and content of the information were being adapted to meet these changing user needs. The key to the fluctuating popularity thus appears to lie in the motivation behind reporting to employees.

Hilton (in Hussey, 1981a, 13) developed a model whereby companies' motives for reporting to employees are categorised into three groups. The first group recognises that while employees have no legal right to information, their status as fellow stakeholders in a business gives them a moral right to information. The second, while not explicitly recognising the employees' right to information, identifies the employees' need for information and meets this demand in the hope of raising productivity by creating a more harmonious work environment. The third group advocates reporting on a regular basis, as informed workers are able to work more effectively and efficiently. To these three, Hussey has added the "bandwagon" effect, suggesting that many companies report to employees simply to maintain their progressive image (Hussey, 1981a, 13).

Kynaston Reeves took a more simple view on the matter, splitting management's motives into two groups - company oriented, designed to reinforce management control and raise productivity, and employee oriented, a more ethical approach, based simply on the employees having a right to information (Kynaston Reeves, in Hussey, 1981a, 13).

Proving either of these models empirically and thus explaining why interest in employee reporting has grown and faded at such regular intervals during this century, is rather difficult. The best attempt has been the work of Lewis, Parker and Sutcliffe, who measured the incidence and importance of employee reporting in terms of the number of

academic publications on the topic from 1919 to 1979 (Lewis, Parker and Sutcliffe, 1984a). They found that interest in the subject peaked on five occasions during this period, as illustrated in Table 2.1 below.

Table 2.1 : Total publications on employee reporting 1918 - 79

<u>Period</u>	<u>Number of publications</u>
1919 - 23	5
1924 - 37	0
1938 - 43	16
1944 - 49	53
1950 - 55	8
1956 - 65	47
1966 - 72	9
1973 - 79	78

Adapted from Lewis, Parker and Sutcliffe, 1984a, 279.

Extending their study, they found that these peaks tended to coincide with four factors :-

1. *New technology.* Both World Wars saw tremendous advances in mechanisation and automation, while the 1960's and 1970's saw the emergence of computers and the accompanying support technology.
2. *Increased merger activity.* The periods 1920 - 1924, 1945 - 1949 and 1955 - 1964 witnessed a marked increase in the number of corporate mergers, which drew sharp criticism and caused a good deal of public concern as fears of collusion, price fixing and monopolies surfaced.
3. *Increased anti - union sentiments.* Increased publication also tended to occur when depression and unsuccessful strikes eroded union popularity, paving the way for welfare programmes and profit sharing schemes to be introduced.

4. *Economic recession.* While publications did increase during the post war years, the almost total lack of literature on employee reporting from the years of the Great Depression must place an element of doubt against this factor.

Although Lewis *et al* make no reference to the fact, the factors listed above all point towards the resurgence in employee reporting stemming from management initiatives. In each case, one could argue that the reports were serving management purposes rather than recognising the employees' right to information. In the times of new technology and merger activity, employee reports could be used to allay workers' fears as to employment cuts and to emphasise the benefits of increased productivity. The report could capitalise on anti - union sentiment and build support for management, playing down the " us and them " relationship which often exists. It must be stressed that there is little evidence in the literature to support this viewpoint, but it cannot be ignored as a possible conclusion.

What is clearly evident from a review of the history of employee reporting, is that there has been a move, albeit erratic, towards this becoming an entrenched business practice. The belief that an employer has a responsibility to share information with his employees has gained increasingly wide acceptance. In Europe in particular, the move towards a Common Market has seen some of the practices of the Scandinavian and German countries, where worker participation in management and access to information are more prevalent, being adopted by the EEC. The Vredeling Directive, for example, envisaged annual disclosure of a company's results and activities to employee representatives. Surveys conducted have found that the occurrence of disclosure to employees has increased significantly - the British Institute of Management Report of 1975, found 56 % of companies reporting financial information to employees and Skerratt's 1979 Survey of Published Accounts found that 60 % of the 300 companies examined produced an employee report. In Australia, Parker found 25 of the 74 " Top 100 " companies in his survey producing reports (Parker, 1977b, 67) ; in New Zealand, the number reporting rose to 45 % (Smith and Firth, 1984, 5) and in the USA, the American Productivity Centre and American Compensation Association's 1986 survey, found that 42 % of manufacturing and service companies shared financial and competitive information with non - management employees (Bollom, 1988, 4).

2.3 A conceptual foundation for employee reporting

With the concept of reporting to employees going through such an erratic development, it is not surprising that it has attracted some criticism as being a theoretically unsound, *ad hoc* solution to the problem of labour communications. This criticism is not

without merit, as most of the academic work on the subject has taken the existence of employee reports and the demand for information as given, and has concerned itself with such issues as levels of readership, interest and understanding. The lack of a conceptual framework underpinning this research has resulted in each study producing much the same results as prior work, with the same problems as before remaining unsolved. Lewis, Parker and Sutcliffe, in their review of all publications on the subject during the period 1919 - 79, found that not only were the same topics covered each time interest in employee reporting increased, but only 6 % of these publications took cognisance of prior work. Their major criticism was that this research failed to build a framework of employee or user needs and preferences, before evaluating the success of the employee reports (Lewis, Parker and Sutcliffe, 1984b).

Parker (1977b, 79) has stressed that while an employee report must aim to provide users with decision useful information, simply producing all information demanded is not enough. The provision of information must be in terms of an established conceptual framework and the information itself must meet set criteria within that framework. As an example, Parker points out that several studies have called for disclosure of such statistics as turnover per employee, or profit per employee. While employees may well express an interest in such information, the provision of these ratios would need to be carefully considered, as the implication that x rand of sales or profit is attributable to the efforts of each employee is potentially very misleading.

The implication of the above is clearly that some form of theoretical foundation needs to be established prior to debating what should be disclosed, why it should be disclosed and how it should be disclosed. Perusal of the existing literature fortunately reveals that the cupboard is no longer as bare as Lewis, Parker and Sutcliffe and Parker suggested. In the first instance, the conceptual frameworks developed by various accounting bodies establish fundamental principles which should be applicable to employee reporting, while in the second instance, both Maunders (1981b) and Pope and Peel (1980) have put forward models on which to base employee reports. By analysing and merging these, it should be possible to build a framework from which a definition of employee reporting can be developed, and in terms of which, existing research can be evaluated.

Although the conceptual frameworks developed for financial reporting are concerned primarily with reporting to investors and creditors, their applicability extends to employee reports as well. In fact, AC 000 " Framework for the Preparation and Presentation of Financial Statements ", the South African framework, specifically includes employees as a user group of financial information.

" Employees and their representative groups are interested in information about the stability and profitability of their employers. They are also interested in information which enables them to assess the ability of the enterprise to provide remuneration, retirement benefits and employment opportunities. "

SAICA, 1990, para 9 (b)

However, AC 000 also cautions that the financial statements cannot meet all the information needs of each user group. AC 000 thus provides the basic framework in terms of objectives and qualitative characteristics of reporting, on which an employee report should be based.

The basic objective given by AC 000 is to provide information about the financial performance and position of an enterprise to enable users to make economic decisions. AC 000 does not however identify economic decisions for which such information is required, but the obvious implication is that the information will need to be tailored towards the decisions to be taken. The framework also identifies four qualitative criteria that the information needs to meet in order to be useful in a decision making context. Briefly, these four criteria are :-

1. *Understandability.* Information must be readily understandable by the user group. AC 000 assumes users to have " a reasonable knowledge of business and economic activities and accounting ", an assumption which, as will be seen later, should be made with some caution in the case of employee reporting.
2. *Relevance.* Information must be relevant to the decisions at hand. Relevance includes both the predictive and confirmatory roles of information, and this point in particular, emerges as a key element in both Maunders' and Pope and Peel's models. Materiality is another key component of relevance and is defined as anything liable to impact on a user's decision if omitted or misstated.
3. *Reliability.* The information should be free from material error or bias and should faithfully represent the economic event which it purports to represent. This would extend to reporting the economic substance or reality of an event, where it is not evident from the legal form. Given a user group such as employees, where a natural degree of suspicion with regard to the information provided by management may well exist, reliability is probably the key practical consideration in formulating a policy of disclosure. To this end, the concept of prudence, exercising a degree of caution in making any

judgements in the preparation of the information, is of critical importance. One might even go so far as to say that whenever the preparers of an employee report are called upon to exercise judgement, full disclosure of the events underlying the judgement call should be made, so as to remove any suspicion of bias.

4. *Comparability.* In many ways, this is closely related to the predictive and confirmatory roles referred to earlier. Users must be able to compare results or information sets, both over time, and between different enterprises. Clearly, this requires that information be presented on a consistent basis, something that further strengthens the call to have a basic, conceptual framework underlying the information.

In identifying these criteria, the framework also draws attention to the constraints which exist in applying them. The information must be communicated in good time, in order to be relevant to any decision, while the cost of obtaining the information should not exceed the benefit to be derived therefrom. This implies a trade off, as introducing a time and cost cut off point may well reduce the reliability of the information. Obtaining a balance between relevance and reliability is thus the challenge facing the preparers of the information.

The next step in developing a framework for employee reporting, is to focus the very general terms of AC 000 towards the employee as a user group. Essentially, this will involve defining which economic decisions information is required for, identifying the information needs arising from these decisions and then applying the qualitative criteria to the resulting information set. Maunders and Pope and Peel provide two different approaches to this exercise and each needs to be considered in turn.

Maunders' (1981b) model uses conventional economic analysis, with employee decisions taken on the basis of maximising utility. In order to maximise utility, the employee takes certain decisions, which Maunders groups into two categories :-

1. Participation - whether or not to change employers or roles within an organisation;
2. Effort - what quality and quantity of service to provide.

In evaluating alternatives and taking decisions, employees are then assumed to have a two parameter utility function, in which some measures of risk (job security) and return (earnings) exist. Employees will thus need information to enable them to forecast these parameters and thus to make decisions.

Forecasting earnings under this model is a fairly complicated task. What the employee really needs to do, is to forecast the outcome of the wage negotiations, which in turn requires him to assess the employer's ability to pay increased rewards to labour. This could be defined as the expected profit for the period, less the minimum return to shareholders, which could in turn be estimated using the capital asset pricing model. This implies that the employee will require the same basic information as the shareholder, as they are both attempting to forecast the same parameters, namely profits and systematic risk (Maunder, 1981b, 177). The employees' information needs will however extend even further, as they require disaggregated data in respect of labour force data, pay scales and so on, in order to make their own personal decisions.

In assessing earnings or job security, the main concern would be that earnings - the ability to pay - are less than expected. The employee thus needs to determine the possibility of this occurring and to this end, needs to estimate three risks :-

- a) *Company risk.* Like the investor, the employee must consider the risk of the company failing. Unlike the investor though, the employee is unable to diversify away the impact of this risk.
- b) *Job risk.* The employee needs to assess the likelihood of his becoming redundant or less important to his employer. This is in effect a function of both company risk and of management's strategic plans.
- c) *Individual risk.* The employee needs to consider the possibility of his being unable to fill existing jobs, due to ill health or a lack of suitable skills.

The information needed would thus once again include that required to forecast earnings and their variability, disaggregated labour force data, manpower planning data and health and safety data.

Maunder's model is subject to several weaknesses. Assuming that employees' utility functions can be expressed in purely financial terms is an oversimplification, as it fails to consider such factors as job satisfaction. The process of estimating earnings via the capital asset pricing model is also extremely complex and almost certainly unrealistic to all but the most educated employees. Despite these drawbacks however, the model provides a useful basic framework from which to construct an information set.

Pope and Peel follow an altogether different line of reasoning, criticising many of the existing calls for increased disclosure as being "founded on an emotional commitment to greater worker participation as a universal panacea to industrial strife" (1980, 139). Pope and Peel identified two approaches to information disclosure which enjoyed academic support. "Consumer sovereignty" recognises the employees' right to information and any

information requested is provided, whereas the " decision - oriented " approach identifies which information employees would require if they were acting in accordance with a theoretically correct decision model. Maunders' model would be an example of the latter.

Pope and Peel are however critical of both approaches, as neither considers how employees will react and make decisions if the information required is withheld. In other words, the consequences to the employees' decision of missing information or incorrect estimates are overlooked. Pope and Peel thus use the theory of rational expectations as an alternative model which overcomes this weakness.

In simple terms, the rational expectations hypothesis argues that the actual value of a variable X at time t , is equal to the expected value of X , estimated in the previous period (at time $t-1$), plus a forecast error (u_t). Expressed as an equation :-

$$X_t = {}_{t-1}X_t + u_t$$

In the context of employee reporting, the theory suggests that the employees requiring information (X_t thus representing the information required) will, in the absence of such information, make estimates based on prior periods (${}_{t-1}X_t$) which could be subject to error (u_t) and lead to incorrect decisions. Clearly, the margin of error in the decision can be reduced by providing the information required, thus setting ${}_{t-1}X_t = X_t$ and eliminating the estimating error (u_t). It therefore makes sense to continue to supply information until such time as the cost of providing information exceeds the benefit, benefit being measured in terms of the reduced forecast error.

What Pope and Peel's argument does is to effectively extend the information set identified by Maunders. Maunders identified the decisions for which information is required and developed an information set from which to make these decisions. Pope and Peel add to that any other item of information which may not necessarily be required for decision making purposes, but for which the benefit of disclosure exceeds the cost. Finally, the conceptual framework completes the picture by identifying the qualitative criteria which the information should meet in order to form a useful input into the employees' decisions.

It must be stressed that the above framework is not without its flaws, particularly insofar as the employees' use of information in decision making is concerned. The models discussed above assume that a direct relationship between the information and the decision exists. In reality however, it is unlikely that an employee will react to the information provided. It is more likely that the employee would view the information as part of a set of variables which will ultimately lead to a decision. The link between the information provided and the decision made is thus not as clear cut as in the case of the investor, whose buy or sell decision is directly influenced by the published financial results, or in the collective bargaining process, where demands and decisions depend on the information provided.

Notwithstanding the above, the framework does provide a sufficiently sound base for the concept of employee reporting, allowing for the provision of information which enables the employee to make decisions to maximise utility. It should be noted that this framework does not restrict the information provided to that required for decision making purposes and allows for the provision of any information that may be of interest to employees, provided that the disclosure remains subject to the cost - benefit constraint.

2.4 The concept of employee reporting

Working from this conceptual base, it is now possible to construct a definition of employee reporting, and to consider issues such as the format, content and readership of employee reports, as well as considering employee and employer attitudes to these concepts.

2.4.1 A definition of employee reporting

In defining employee reporting, it is important to distinguish it from the provision of information for collective bargaining. In the case of collective bargaining, management provides certain information to labour representatives, usually trade unions, for use in the process of wage and other negotiations. The information is not intended for consumption by the average worker, and in fact, as Cooper (1984, 120) noted, the decision makers within the unions may not necessarily be representative in their use of, or demand for, information. Disclosing information to labour representatives is a well documented and researched field of study (Amernic, 1985; Bougen, 1989; Maunders & Foley, 1984) which gives rise to a host of ancillary issues, such as giving unions access to the accounts. All of these tend to fall outside the scope of this study, which focuses on the provision of information to all employees.

In formulating a definition of employee reporting, it is perhaps useful to consider some of the definitions offered in the existing literature.

" A statement produced at least annually, in written form, specifically for all employees and which provides information relevant to a financial period of the undertaking. "

Hussey, 1980, 149.

" A separate report produced independently of any other document or as a supplement in a 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. "

Lewis, Parker and Sutcliffe, 1984b, 229.

"...the communication of information by companies in some printed form, usually on an annual basis, to individual employees. "

Maunder, 1981b, 171.

" It is not just a simplified version of the annual report to shareholders. It is a no - jargon company financial report explaining the workings and performance of the organisation to its employees. "

Martin, 1977, 341.

Although some of the above define an employee report as opposed to employee reporting, it is submitted that the report is really a subset of employee reporting, and the definitions are thus equally applicable. Analysing these definitions, it is evident that there are several fundamental points, each of which is stressed to a greater or lesser degree by the various definitions. These are, that the communication should take place at least annually, should be for all employees, should be relevant to a financial period and should be in printed form. All of these are consistent with the conceptual framework. In order for employees to be adequately informed, the information must be relevant and this requires timely communication. Exactly how frequent " timely communication " should be, will vary in each situation, but, in line with shareholders' reports, should be on at least an annual basis. This would also be a vital element in ensuring that the information retains both its predictive and corroborative value to the employees. Furthermore, since the framework is based on the utility maximisation of each employee, it is important that the information be made available to all employees. The framework does not however explicitly require the information to be communicated in written form. The information must merely be in a form that can be easily understood, which implies that clear, concise, non - technical language be used and leaves the manner in which the information is to be passed on, open to discussion.

All of these points can thus be summarised into the following definition of employee reporting :-

" Employee reporting is an on - going process of communicating on at least an annual basis, financial and other information about an enterprise, to all employees of that enterprise. "

It is further submitted that this on-going process of communication should include an employee report, an annual report on the activities of the enterprise, tailored to the information needs and cognitive abilities of the employees. Thus, while the employee may be kept up to date with developments, either through meetings, newsletters or other informal means, it is vital that the communication be formalised at least once a year. Such a report will greatly enhance the reliability and comparability of the employee reporting process, and

should accordingly form the cornerstone of the communications, consolidating all disclosures since the last report and placing them in their true context.

2.4.2 Exploring employee report formats

The next issue which needs to be confronted is how to communicate the required information to employees. As has already been indicated, employee reports are just one form of communication, and there may be a host of others. A fair amount of empirical work has been done in this field, with studies generally falling into one of two categories - those examining where employees obtain their information, and those examining how employers are currently distributing the information.

In the case of the former - where employees get their information - the study conducted by Friedman (see Table 2.2 below) is of particular significance.

Table 2.2 - Actual versus preferred sources of information

<u>Source</u>	<u>Actual Source - Rank</u>	<u>Preferred Source - Rank</u>
Immediate Supervisor	1	1
Grapevine	2	15
Employee handbook	3	4
Bulletin boards	4	9
Small group meetings	5	2
Regular general employee publication	6	6
Annual report to employees	7	7
Regular local employee publication	8	8
Mass meetings	9	11
Unions	10	13
Orientation programme	11	5
Top executives	12	3
Audio - visual programmes	13	12
Mass media	14	14
Upward communication programme	15	10

Source : Friedman (1981), as reproduced in Gourlay, 1984, 61.

The results present a rather disconcerting picture. The employees' primary sources of information appear to lie among their peer group. They tend to rely on rumours heard via the grapevine and on what they are told by their supervisors, with the only "official" input being that provided on notice boards. In complete contrast, management ("top executives") as a source ranked 12 out of 15, with the various publications being ranked in the middle of the grouping. When asked for their preferred source however, employees presented a completely different picture - although the immediate supervisor remains the "best" source, "top executives" are now ranked third, while the grapevine plummets to last place. This dramatic swing from the actual situation where the prime information sources are informal, to the preferred situation, where employees look to management to provide information, clearly reinforces the framework developed earlier, as employees seek to replace potentially inaccurate information sources with ones that are more reliable.

A clear onus thus rests on management to respond to this trend, and the question which thus arises is how employers ("top executives") should be communicating this information. Friedman's study is not clear in this respect, possibly due to the fact that there may be considerable overlap in many of the categories of source, resulting in confused rankings. Top executives, for example, may well be the source of the information, while the means chosen by them to communicate could be any one of the annual report, local report, audio - visual presentation and so on. Thus not too much importance should be attributed to the indifferent rankings of the reports and audio - visual presentations.

A clearer picture emerges when a few of the empirical studies into actual disclosures are considered. Mitchell, Sams and White, in a case study amongst four Scottish companies, found that employees' preferred means of communication - in order of preference - were senior management meetings, middle management meetings, special reports for employees, company magazines and notice boards (Mitchell, Sams and White, 1981b, 52). It is thus clear that amongst written formats, employees preferred an employee report, but that they expected to see it backed up by regular personal contact with management.

This contrasts with the findings of the 1980 Charles Barker Lyons survey referred to by Hussey, which found that the most commonly used forms of "media" communication were notice boards, employee newspapers, employee reports and special bulletins (Hussey, 1981a, 15). Neither mass meetings, nor an "internal phone in system", both of which would constitute a form of contact with management, were used on a regular basis.

The results of the New Zealand survey in Cost and Management Accounting Bulletin No 26 provide yet another picture of actual disclosure practices. Of the companies communicating financial information to employees, 59% used employee reports, 23% used the shareholders' annual report and 18% relied on a house bulletin or staff newsletter. It also emerged that those companies using employee reports supplemented this disclosure with

staff newsletters (84 %) and audio visual presentations (34 %), while 46 % also gave the shareholders' annual report to employees and 21 % communicated certain details via the trade unions (Firth and Smith, 1984).

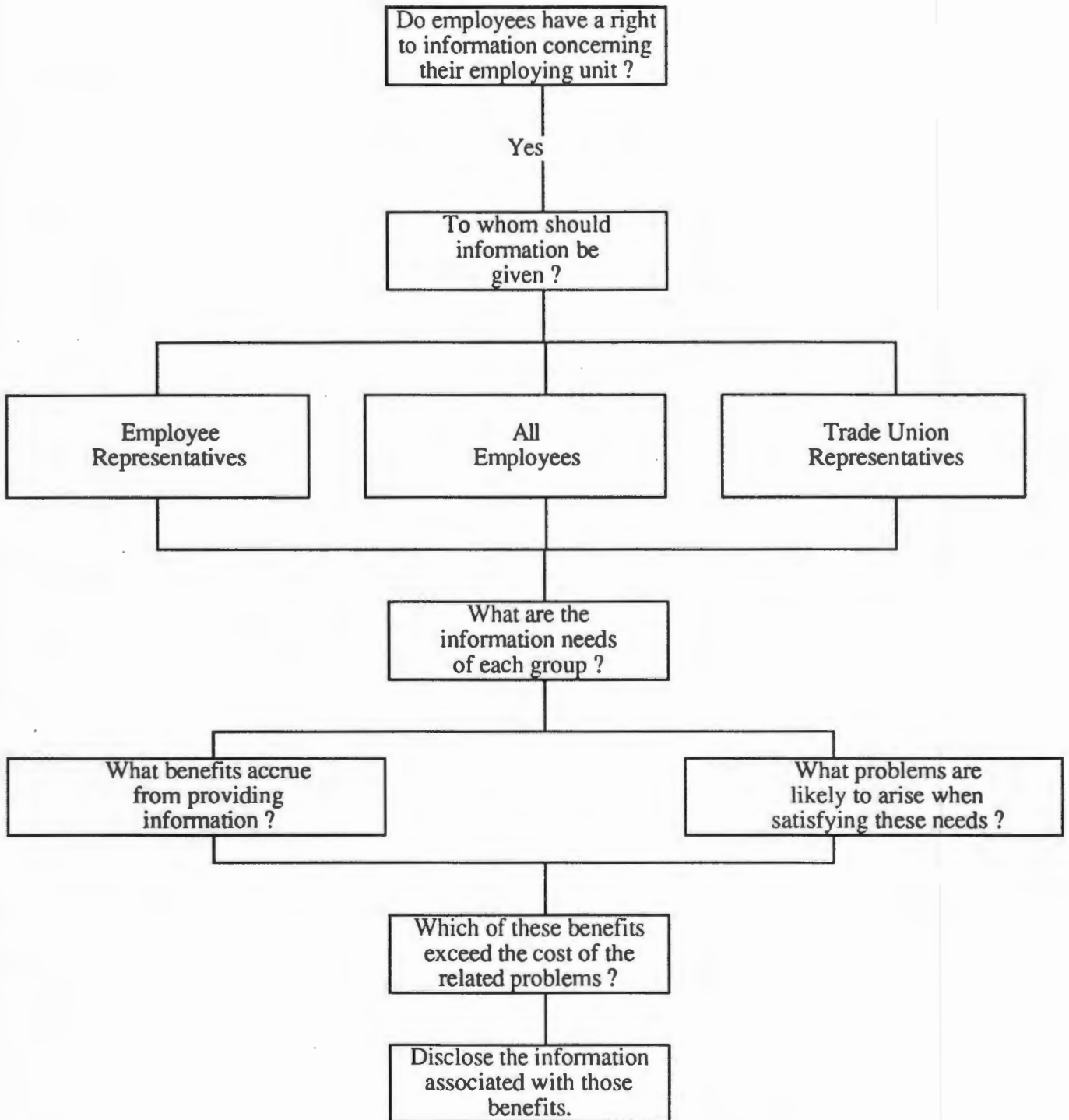
The evidence presented above is inconclusive and should be interpreted with some caution. It is however possible to make a few tentative observations. Firstly, while employees themselves appear to prefer a more formal document such as an employee report above notice boards and similar media, this is not always forthcoming from employers. Secondly, employees look to top management to initiate and direct the communication programme, and place some importance on being able to meet with management, presumably to clarify issues and to seek further information while being able to hold management accountable for disclosures. Such meetings, and the opportunity to question management, would also enhance the reliability of the information. Thirdly, while the employee report appears to be the main component of the written communications, it should be supplemented by regular updates in the form of newsletters or bulletins.

Thus while no clear favourite emerges as the chosen communications format, it is clear that the employee report holds a central position in the communications process. Thus the bulk of research to date has focused on the content and presentation of an employee report.

2.4.3 The content of employee reports

In terms of the conceptual framework, all information which employees require for decision making, plus any other information requested that is cost beneficial to provide, should be disclosed. Following this to the letter could clearly result in a huge information set and lead to a possible information overload, which is why the cost benefit and materiality constraints need to be observed very closely.

Before considering the empirical work to date, it is worth discussing what information should in theory be published. The diagram overleaf (adapted from a similar one in Norkett, 1977, 116) provides an overview of the decision process.



Adapted from Norkett, 1977,116.

Most of the literature on employee reporting assumes that employees require information primarily for decision making purposes. However, as Lewis, Parker and Sutcliffe pointed out, this has never been proven empirically (Lewis, Parker and Sutcliffe, 1984b, 231). Lewis *et al* criticise existing research, as is bases its conclusions as to what to

disclose on an assumption which may well prove to be unfounded. In the absence of any evidence or opinions to the contrary, this study will, for the time being, assume the assumption to be true.

Cooper provides us with three guidelines as to what should theoretically be disclosed to employees (Cooper, 1984, 127). Firstly, the information should be decision specific. In other words, the particular decisions to be made should be identified and the information required as input disclosed. Secondly, the information must be future oriented, allowing the employee to predict both the value and the probability of the variables which would influence his or her decisions. And thirdly, information relating to the environment or industry in which the enterprise operates will be required to enable the employee to assess his or her position *vis a vis* conditions outside of the employer. While much of this third sub - set of information may well be beyond the reach of the average employer, the implication is clearly that where industry averages are available, these should be communicated to the employees.

It is submitted that a fourth set of information can be added to the above. As the process of communication is an ongoing exercise, the corroborative role of the information should not be overlooked. The employee makes predictions and takes decisions, and will require information to enable him to assess the accuracy thereof.

Translating these theoretical information sets into actual disclosures is another matter altogether, and is also an area where Lewis, Parker and Sutcliffe have criticised existing research. The studies conducted to date have either recommended what should be disclosed, or analysed what is being disclosed. Where employees were asked for their preferred information sets, no attempt was made to relate this to any set of decisions or to a conceptual framework. In no instance have researchers attempted to build an information set from first principles, and it is hoped that this study will go some way to addressing this imbalance.

Considering firstly the recommended disclosures, these have been summarised in Table 2.3. Hussey interviewed 238 employees already receiving information as to what information they considered important (Hussey, in Macintosh, 1987, 51); Mitchell, Sams and White interviewed 85 employees and 18 managers, asking them what disclosures they required (Mitchell, Sams and White, 1981a and 1981b); Smith and Firth presented both employees and employers with a set of information which they were asked to rank (Smith and Firth, 1986 and 1987); and Craig and Hussey sent out 1 297 questionnaires and interviewed 231 employees (Craig and Hussey, 1981).

Table 2.3 : Recommended and requested information disclosures

	Hussey (1979)	Mitchell et al (1981)		Smith and Firth (1986)		Craig & Hussey (1981)
		Emp.	M'ment	Emp.	M'ment	
Sample Size	238	85	18	n/a	n/a	n/a
Information	Rank	Rank	Rank	Rank	Rank	
Profits / Income Statement	2	1	1	8	3	√
Future plans and policies	1	8	4=	1	1	√
Financial position / liquidity	-	7	2=	11	5 / 11	-
" How is the company doing ? "	-	2	-	-	-	-
Sales / Orders	3	3	2=	-	-	-
Employment conditions	5	4	-	-	-	-
Organisational details	4	-	-	-	-	-
Capital investment plans	-	5	4=	15	8	√
Return on capital employed	-	-	6=	-	-	-
Segmented results	-	6	6=	-	-	√
Employee statistics	6	-	-	3	6	-
Productivity / New products	7	-	-	2	4	-
Health and safety	8	-	-	12	9	√
Chief executive's report	-	-	-	9	2	-
Marketing information	-	-	-	6	7	-
Training	-	-	-	5	10	√
Ownership	-	-	-	13	13	-
Staff news	-	-	-	10	15	√
Pension information	-	-	-	7	12	-
Community news	-	-	-	14	16	-
Value added statement	-	-	-	-	14	-
Fringe benefits	-	-	-	-	17	-

A number of observations can be made here. Both Hussey's and Smith and Firth's surveys were emphatic in choosing the future plans and policies of the enterprise as the most important item of information. This is at odds with the result of the study of Mitchell *et al*, where future plans rank well down the list. It is submitted that the reason for this inconsistency is that the respondents tended to regard profitability, or " how is the company doing ? ", as a means of assessing the company's prospects. This would then also explain the strong demand for profit related information noted in the Mitchell *et al* study.

It is also interesting to note that the balance sheet - described as financial position or liquidity - enjoyed only moderate support, suggesting that there is some demand for such information, but that the information is possibly not considered crucial to the employees' decisions. Other noticeable points include the low ranking attributed to health and safety information, although that may have been influenced by the industries chosen for examination; and the frequent differences between the employees' and management's ranking.

In Mitchell *et al* 's study, management attributed more importance to financial information and little or none to such details as employment conditions, whereas the employees' interest was more evenly spread. A greater divergence is noted in the Smith and Firth study, where perhaps the biggest discrepancy arises in the case of the chief executive's report, ranked second out of seventeen by managers, but only ninth out of fifteen by employees. This situation could be ascribed to the fact that employees view the report with some suspicion, or could indicate that they would prefer to receive the raw information and interpret it themselves, rather than have management spell it out for them. A surprising feature was the low importance attached to any income statement information, although employees may have regarded that as part of the future plans information set. Also worth noting is the higher rankings which employees attributed to employment statistics and product related information, thus supporting to a certain extent the Mitchell *et al* study, which also reflected a more even distribution of interest between financial and non - financial information.

Moving from these suggested disclosures to the actual contents of employee reports examined is a fairly interesting exercise. Four studies were selected - the British Institute of Management's 1957 survey, Marsh and Hussey's 1979 study (Marsh and Hussey, as discussed in Hussey, 1981a, 14), Cost and Management Accounting Bulletin No.26, prepared in New Zealand by Firth and Smith and Anderson's unpublished 1987 survey in South Africa.

Table 2.4 : Contents of published employee reports

	BIM (1957)	Marsh and Hussey (1979)	CMA 26 (1986)	Anderson (1987)
Sample Size	89	302	49	13
Information	%	%	%	%
Trading Forecast	70	-	43	62
Profits / Income Statement	64	25	86	62
Balance Sheet	52	39	71	46
Sales analysis	52	-	35	31
Reserves	49	-	-	-
Industry Information	49	-	-	-
New assets	45	-	-	-
Return on capital employed	36	-	25	-
Cost of employee services	36	-	-	-
New machine costs	36	-	18	46
Labour costs	33	-	-	-
Depreciation	30	-	-	-
Product costs	28	-	-	-
Analysis of unit sales price	20	-	-	-
Value added	15	41	18	92
Financial highlights	-	77	-	92
Source & Application of Funds	-	26	16	38
Divisional results	-	-	20	54
Inflation adjusted information	-	-	12	-
Chief executive's report	-	-	88	92
Corporate objectives	-	-	8	-
New products	-	-	14	-
Research & development	-	-	14	-
Product review	-	-	6	31
Management profiles	-	-	55	-
Ownership	-	-	10	31
History	-	-	6	-
Social / Community Involvement	-	-	12	-
Labour details (various)	-	-	√	54
Health and safety	-	-	-	23

The first thing to note is the dramatic change in content from the BIM survey in 1957 to the more recent reports. The BIM survey shows a heavy emphasis on financial statement type information and would almost suggest that the employee reports of the time were little more than expanded and probably simplified management accounts. By way of contrast, the latter day reports contain a great deal more non - financial information. The results of the BIM survey will thus be excluded from the discussion which follows in order to keep the discussion focused on current issues.

The key financial information - forecasts, current year profits and balance sheet - were the most frequent disclosures in all four surveys, a result consistent with the disclosures suggested earlier. It is interesting to note that both Marsh and Hussey, and Anderson, found considerable support for a financial highlights statement, something not specifically alluded to in earlier research. Similarly, a substantial number of companies also appear to be publishing a value added statement. The value added statement is often recommended as a simplified means of communicating the results of a company, but did not enjoy much support amongst employees (see Table 2.3). The remainder of the financial results are pretty much in line with the recommendations, with limited disclosure of sales, capital investment and return on capital employed.

One important point to note is the treatment of divisional results. Clearly, if the employee is to make decisions regarding his own well-being, he would need information pertaining to the business segment in which he works, as well as the enterprise as a whole. It is thus a little surprising that both the demand for such information, as well as the actual provision thereof, are somewhat weak. One can only surmise as to the possible reasons for this - it may be that the company is too small to report segmental information, or that employees do not evaluate threats to their job security in terms of the closure of a division, but rather look at the future of the company as a whole.

Product reviews enjoyed only limited support in published reports, in sharp contrast to the importance attached thereto in the Smith and Firth survey. There was also extensive disclosure of items such as the owners of the company, narrative or chief executives' reviews, management profiles and the company's objectives, none of which enjoyed particular support amongst the employees. On the other hand, information on aspects such as pensions and training is conspicuous by its absence in the list of information published.

Obviously, the above comparison must be made with certain limitations in mind. None of the studies claim to have used a representative sample, and the comparisons may thus be among several very different groups. Furthermore, the absence of certain items of information on the list of recommended disclosures may be attributable to those items not being suggested by researchers or could result from employees, not being used to the concept of an employee report, not being immediately aware of the full extent of the information set

available to them. What is apparent though, is that there is a certain divergence between information demanded and information supplied, which suggests that any employee reporting programme should be undertaken in consultation with the employees themselves, so as to meet their information needs as closely as possible.

2.4.4 Presentation of information to employees

Deciding on what information to disclose has in practice proved to be only the first of many problems. Research has shown that merely presenting the information is not enough, as employees have difficulty in coming to terms with many of the complexities of accounting. Even employees with tertiary education, such as engineers or doctors, may have difficulty in correctly interpreting a set of accounts. To complicate the issue further, it has been shown that readership, interest and understanding of employee reports varies considerably, and may well be influenced by factors such as age, education, job classification and experience (Craig and Hussey, 1981; Hussey, 1980; Mitchell *et al* , 1980). In order to gain an appreciation of these problems, it is necessary to briefly look at some of the work done to date.

In one of the most comprehensive surveys to date, Craig and Hussey considered the issues of readership, understanding and interest, using a sample of 1 297 questionnaires and 231 interviews at seven Australian companies (Craig and Hussey, 1981). They found that while 83 % of their questionnaire respondents had received an employee report, the reaction in terms of readership and understanding varied considerably. Both interest and readership levels were higher amongst more senior staff, with 84 % of managerial staff claiming to have read most or all of the report, as opposed to 67 % of clerical staff and 75 % of unskilled manual workers. Similarly, 91 % of managerial staff found the report very or quite interesting, while this percentage dropped to 69 % for clerical staff, 64 % for skilled manual and 72 % for unskilled manual workers. Craig and Hussey explain this trend by suggesting that managers would feel a need to be well informed in order to answer queries, while less skilled workers consider the information of little relevance to their position and may well feel that the information is of little use to them as they are unable to influence the activities of the company. Clerical staff having access to the accounts may feel that they know this information already. Another reason not considered by Craig and Hussey, is that certain employees may have struggled to understand the report and thus rejected it as being of little interest. The above statistics clearly indicate that clerical and skilled manual staff had the greatest difficulty in understanding the report. Craig and Hussey stress that their survey measures the employees' own perception of understanding and is thus naturally subject to some degree of optimistic bias. It was noted during the interviews that many employees did not grasp the concept of a fraction, failed to understand the significance of certain figures in financial statements and were confused by accounting terminology.

Similar results were found by Hussey in his 1979 Touche Ross sponsored survey, which involved 17 companies and a sample of 1 373 questionnaires and 385 interviews (Hussey, 1980). Once again, the issues of readership, interest and understanding were examined, although Hussey also analysed responses to see whether age impacted thereon. The results were virtually identical to the Australian study, with management showing greatest interest and higher readership levels, and with lower levels amongst clerical and unskilled manual workers. On the point of understanding, Hussey again noted many employees struggling with issues such as accounting jargon. He also noted that employees struggled to grasp really large numbers, while some were confused by the profusion of financial statements, for example, where both income statement and value added statement were used to present financial results. Hussey also found that age had a clear impact on the variables - older employees showed both higher readership and interest levels. Hussey suggests that this may be due to the more experienced, older employees being able to appreciate the information better, being less likely and less able to change employers and thus having a greater attachment to their employer. Older employees also felt that they understood the reports better, although the difference here was marginal.

Smith and Firth found similar results in New Zealand (Smith and Firth, 1986). Age and job level were found to impact on both readership and interest, with Smith and Firth suggesting that the greater responsibility generally carried by older employees could account for their showing more interest. Again, understanding the information proved to be a stumbling block to less skilled workers.

What thus emerges from the above studies, is that the mere presentation of the information is not sufficient. Employers will have to find some way of overcoming the difficulty employees experience in understanding the information. To this end, it is useful to refer to some work done by Hussey, and Mitchell *et al* (Hussey, 1981c ; Mitchell *et al*, 1980).

As part of his ongoing research in the field of employee communications, Hussey tested the ability of a small, non - representative sample of employees in three areas - arithmetic, accounting concepts and accounting terminology. The results should make somewhat alarming reading to the preparers of employee reports. A sizeable number of employees were unable to calculate a simple percentage. The majority of employees were unable to select the largest item of expenditure from a value added statement, while a considerable majority equated accounting profit to cash in the bank. The only area where employees had little difficulty was in selecting definitions for certain terms, although Hussey concedes that this may be the result of the multiple choice approach taken in this section.

These findings are largely consistent with those of Mitchell *et al*. Mitchell chose 70 employees lacking in accounting training and asked them to analyse several situations. In

the first, the employees were given a profitable company whose balance sheet suggested a severe liquidity crisis. Of the 70 respondents, only 5 noted the cash crisis, while 27 were unable to offer any comment at all. The employees were then asked to define certain accounts and only in the case of "profit", "depreciation" and "dividends" did the answers of just over half the employees reveal a vague understanding of the terms. Terms such as current assets or reserves proved to be beyond the majority of the sample. Finally, the employees were asked to perform a series of accounting calculations. In calculating profit, 37 employees (53 %) used a cash basis, while when asked to present the company's financial position, 26 (37 %) used selling price to value assets, 21 (30 %) used historic cost and 6 (9 %) used replacement cost.

Although neither study used a representative sample, they do provide some idea of the difficulties facing the preparers of employee reports. Not only is there the problem of deciding what to disclose, but how to disclose it in a manner that can be understood by the majority of employees is an even more daunting task. It is thus not surprising that many employee reports have been criticised by employees and researchers as either providing the wrong information, or presenting the information in a confusing manner (Mitchell *et al*, 1982; Parker, 1980; Burne, 1978; Gorb, 1980 and Hussey, 1980). These problems are not however insurmountable and should not negate the concept of an employee report. Both the correct information set and the manner in which to present it, are problems which can be overcome by involving employees in the preparation of the report, by obtaining feedback and by reacting in good time to that feedback.

2.5 Advantages and disadvantages of employee reporting

At this point, given the interest in employee reporting, and the problems noted, it is perhaps worth digressing and looking at some of the advantages and disadvantages claimed for the employee report.

Some of these advantages are clearly a little optimistic, and to the best of the author's knowledge, none of these has been proven by empirical research. However, provided that the report is a genuine effort to communicate by management, and is seen as such, there is no reason why at least some of these claimed advantages should not be realised, and by the same token, the disadvantages should not be overcome. Misunderstandings can be avoided through education and feedback, while union or employee hostility should not be allowed to deter a genuine effort at communications. The excessive cost criticism is easily countered by the cost benefit constraint imposed by the conceptual framework - if the cost of the report exceeds the benefit, there would appear to be little point in disclosing the information. The same logic applies to the charge of confidentiality, as the risk of competitors gaining access to

confidential information must surely be seen as one of the costs of disclosure. If the risk / cost is excessive, this should be brought to the employees' attention to avoid misunderstandings.

Table 2.5 : Advantages and disadvantages of employee reporting

<u>Advantages</u>	<u>Disadvantages</u>
1. Improved industrial relations.	1. Miscomprehension of information.
2. Improved public relations.	2. Excessive costs.
3. Promotion of a corporate identity.	3. Confidentiality.
4. Reduction of employee hostility toward management.	4. Union hostility.
5. Improving understanding of the role of profit and shareholders.	5. Seen as management propaganda.
6. Countering inaccurate rumours.	
7. Promote goal congruence.	
8. Foster sense of responsibility.	
9. Motivation.	
10. Improve understanding of business.	
11. Improve accountability.	

It is thus clear that most of the problems relating to the employee report can be resolved to a greater or lesser extent, and that the advantages of introducing a successful communications programme, if realised, are potentially very rewarding. It should be noted though, that the extent to which these claimed advantages are achieved, has not yet been tested empirically.

2.6 Concluding remarks

In conclusion to this section, and as an introduction to the research conducted in this dissertation, it is necessary to consider the work of Lewis, Parker and Sutcliffe (Lewis, Parker and Sutcliffe, 1984b). Lewis *et al* criticise the existing body of research on three grounds :

1. Much of the work is characterised by conjecture as to why management might produce employee reports.
2. Most of the research consists of descriptions of ad hoc surveys.
3. Employee preferences appear to have been neglected in many studies.

Lewis *et al* quote Craig and Hussey that any theory of employee reporting would be based on one or more of the following principles :-

1. Management has an obligation to disclose.
2. Employees demand information.
3. It is in management's interests to disclose in order to improve performances.
4. It is in management's interests to disclose in order to create a progressive image.

Points 1, 3 and 4 are clearly supply driven, stressing the potential benefits to management, and Lewis *et al* argue that this is the line taken by the bulk of the research to date. A brief review of the list of advantages claimed for the employee report would tend to support this view. Lewis *et al* stress that while this supply side approach is not without foundation, some work must be done on the demand side in order to present a complete picture. This argument is supported by Friedman's study (see 2.4.2 above), where it was noted that employees clearly look to reliable information from management as their preferred information source, and ties in with the conceptual framework developed earlier, where it was suggested that information was provided to enable employees to maximise their utility by making decisions based on the information provided.

Lewis *et al* then develop a research framework to investigate the demand side of employee reporting, and this framework is adapted for use in the next chapter. In this way it is hoped that some of the shortcomings identified by Lewis *et al* can be overcome.

2.7 Employee reporting in South Africa

Very little has been published on the topic of employee reports in South Africa, and the phenomenon appears to be a rather more recent one. Anderson's study was referred to earlier, while Carson found that only one of the gold mining companies surveyed actually produced an employee report (Carson, 1988). Terhoven found that managers in the retail and wholesale industries were generally reluctant to disclose information to employees (Terhoven, 1986).

Interest in the topic has however increased dramatically, as evidenced most clearly by the production of TV programmes on the topic and the introduction of an annual award by the South African Institute of Chartered Accountants to the best employee report, and it would appear that employee reporting is gaining some degree of acceptance.

Two points must be stressed with respect to employee reporting in South Africa. Firstly, management, as preparers of the reports, are faced with a potentially strong hostility to concepts such as profits, capitalism and ownership. This hostility would presumably take the form of mistrust and make the problem of producing an acceptable employee report a very demanding one. As Beaty and Harari (1987) pointed out, many black workers view their workplace as an extension of the apartheid system and draw little distinction between apartheid and capitalism. Breaking down employee reservations and producing an effective report, would thus involve management taking an active stand to oppose apartheid and communicating this together with the other information in the report. While the notion of employees wanting to see management actively opposing apartheid may be somewhat dated in the current political context, many of the social and economic inequalities caused by that system remain, and workers' hostility towards capitalistic ideals is unaffected by political reforms and developments.

Secondly, preparers of employee reports must be prepared to encounter the problems in understanding noted by Hussey and Mitchell *et al.* The average education level of South African employees is generally very low, thus making communication of information in clear, simple terms even more vital. Carson experienced difficulties in getting employees to understand questions in his survey. One would also expect to find very varied education levels between, say, the clerical and management staff of a mining company, and the miners themselves, which would make the task of communicating to all employees in one report even more difficult.

Having said that though, it should also be apparent that the potential benefits of instituting a successful communications programme could be significant. Certainly, the concept is one which warrants further investigation.

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3. Methodology

3.1 Introduction

As was noted in the concluding remarks to Chapter 2, much of the existing research in the field of employee reporting has examined the concept in terms of the potential benefits to management (supply side) and has neglected to consider employee preferences, the demand side of the equation. Furthermore, it is submitted that where research has considered the employees' demand for information, the research has tended to focus on the information requested by employees (or supplied in an existing report) and the relative importance thereof, without ever trying to build an information set based on a conceptual framework and related to the reasons for the employees requesting the information in the first place.

The purpose of this study is thus to address the above shortcomings and to examine the feasibility of constructing an information set from first principles. It must be stressed that the study is limited to exploratory work at one company in the Western Cape and the results can thus in no way be seen as providing conclusive evidence in relation to employee reporting beyond the population from which the sample was drawn.

3.2 Objectives

The study has four basic objectives.

1. To establish whether a demand for information exists amongst employees.
2. To determine the reasons for the employees requesting or rejecting the information.
3. To establish what information employees require.
4. To determine whether certain factors impact on the information required.

3.3 Research Design

3.3.1 Introduction

The research is loosely based on the framework constructed by Lewis, Parker and Sutcliffe (Lewis, Parker and Sutcliffe, 1984b). Lewis *et al* argue that any research which examines the employees' demand for information, should follow a series of logical propositions, beginning with whether information is actually demanded and working through to identifying the reasons for the demand, and the information required to meet that demand. The propositions put forward by Lewis *et al* were thus adapted to form a logical chain of questions which would enable the objectives of this study to be met.

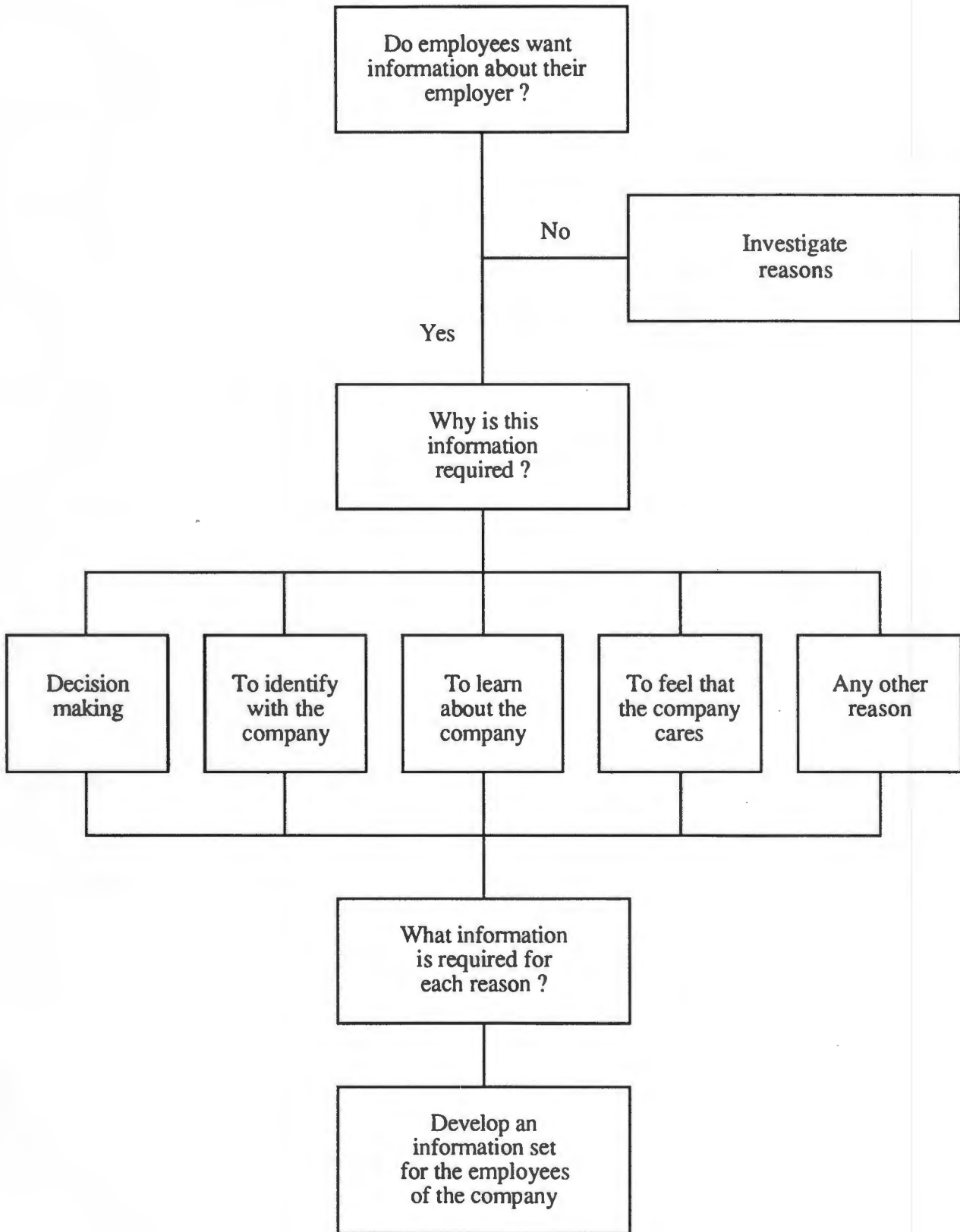
These questions are represented in Table 3.1, and a questionnaire (Appendix F) was developed to provide answers to the questions and to mirror the logical flow of the questions. Employees participating in the survey would thus be faced with questions and choices which would establish their demand for information, the reasons for the demand and the information required.

3.3.2 Questionnaire design

The questionnaire (Appendix F) was split into four sections. Section 1 was designed to gather details such as the employee's age, educational level, type of job and level of experience. These details allowed responses to be categorised and analysed to determine whether any of these factors influenced the responses to the later questions. Section 2 asked employees whether they required information about their employer and directed "Yes" replies to Section 3 and "No" replies to Section 4.

Section 3 sought to establish why employees wanted the information, which decisions, if any, they required information for, and finally which information they required. In each case, the employees were given a series of options and asked to tick one or more appropriate boxes. The possible responses to each of the questions were based on those suggested in existing research, as well as those recommended by Lewis *et al* in their research design (Lewis *et al*, 1984b, 238). While offering employees a predetermined set of responses may have had a limiting effect on the scope of the replies, employees were encouraged - both in the questionnaire and in discussion - to add to the list wherever necessary.

Table 3.1 : Approach to construction of information set



Section 4 examined the reasons for employees rejecting an employee report and was included to gain some insight into the "negative" responses. The questions in this section were not intended to contribute to any of the objectives of the study, and responses were interpreted in that light.

Once a draft of the questionnaire had been completed, it was tested on a pilot sample of 17 employees. The employees were asked to complete the questionnaire and to discuss their feelings towards it. Most of these employees had little difficulty in completing the questionnaire, although a few indicated that they had difficulty in understanding certain questions. These problems were discussed with the employees and the phrasing of the questions amended, based on the employees' suggestions. To ensure that no questions which might antagonise the employees were asked, the final version was then submitted to management for approval. No changes were necessitated as a result of this exercise.

3.3.3 Sample selection

The population for the survey was defined as all employees on the weekly and monthly permanent staff payrolls in the Western Cape region of the company concerned. This gave a population of 2 752 employees, which was stratified according to age, gender and type of job (Table 3.2). A random sample was selected from each of the 30 strata, to give a sample of 500 employees which was representative of the population. After discarding certain replies (see 3.4 below), a final usable sample of 347 was obtained.

The age stratification stems from the work of Hussey (1980), who found that older employees were able to appreciate information better, and showed higher readership and interest levels. Hussey felt that this was possibly due to older employees being less likely and less able to change employers, and thus having a greater attachment to their employers. One would thus expect age to also impact on the type of information required, as the needs and concerns of employees would shift as they become older. The three strata loosely represent the younger, more mobile employees with fewer family and social commitments, a middle aged group with possible family responsibilities and the oldest group for whom retirement is between five and ten years away.

Table 3.2 : Stratification of population and sample

Category	Population	Theoretical Sample Size	Actual Sample Size
1. Under 35, manual, male	621	78	71
2. Under 35, supervisor, male	75	9	20
3. Under 35, clerk, male	5	1	1
4. Under 35, prof/technical, male	13	2	1
5. Under 35, manager, male	121	15	16
6. Age 35 to 50, manual, male	109	14	11
7. Age 35 to 50, supervisor, male	25	3	6
8. Age 35 to 50, clerk, male	1	0	0
9. Age 35 to 50, prof/technical, male	9	1	2
10. Age 35 to 50, manager, male	120	15	9
11. Over 50, manual, male	25	3	3
12. Over 50, supervisor, male	7	1	1
13. Over 50, clerk, male	1	0	0
14. Over 50, prof/technical, male	4	1	0
15. Over 50, manager, male	32	4	1
16. Under 35, manual, female	989	125	127
17. Under 35, supervisor, female	71	9	7
18. Under 35, clerk, female	55	7	7
19. Under 35, prof/technical, female	15	2	4
20. Under 35, manager, female	5	1	1
21. Age 35 to 50, manual, female	260	33	34
22. Age 35 to 50, supervisor, female	35	4	6
23. Age 35 to 50, clerk, female	33	4	4
24. Age 35 to 50, prof/technical, female	17	2	5
25. Age 35 to 50, manager, female	3	0	0
26. Over 50, manual, female	74	9	7
27. Over 50, supervisor, female	13	2	1
28. Over 50, clerk, female	3	0	1
29. Over 50, prof/technical, female	8	1	0
30. Over 50, manager, female	3	0	1
TOTAL	2 752	347	347

The categories of job level are largely self explanatory, with each group encompassing a different set of responsibilities. The categories are loosely based on the survey conducted by Craig and Hussey (1981).

It should also be noted that the company concerned, while not issuing an employee report *per se*, produced a regular newsletter, which contained information of a general, rather than a financial, nature. In addition, employee shareholders (the company has an employee shareholder scheme) receive an "employee shareholders' annual report", which is a simplified form of the annual report sent to shareholders. No attempt was made to distinguish between those employees who received such reports and those who did not.

With hindsight, it would have been interesting to analyse the responses between those employees owning shares and those not owning shares. As will be discussed further in chapter 4, a number of trends noted in the results, may well have been the result of employees either owning or wishing to own shares. Subsequent research (Peel, Pendlebury and Groves, 1991) suggests that the existence of employee share ownership schemes does affect the disclosure practices of companies, although the results did not prove that share ownership affected an employee's ability to comprehend or use the information.

3.4 Data collection

The sample was sorted by location and each of the 31 locations visited in turn. Although all employees remained anonymous, the specific employee selected was contacted in order to keep the sample representative. Employees did not need to put their names on the questionnaire, and the responses to Section 1 of the questionnaire were later used to place the reply into the correct category. Where a specific employee was unavailable, he or she was replaced by another employee from that strata at that particular branch.

The employees were then given the questionnaire and the purpose of the study was explained to them. Employees were encouraged to ask questions or discuss points, and while few problems emerged, it was found that many employees would have preferred the questionnaire to be in Afrikaans. The employees were however generally confident that they understood the questions, while every attempt was made to translate the questions verbally where it was perceived that the employees were experiencing difficulty. Based on the results and on discussion with employees affected by this language problem, it was felt that the results had not been affected significantly and consequently no replies were excluded on the basis of language difficulties alone.

In subsequently analysing the replies, several cases of possible confusion or lack of understanding were noted. These are detailed below, together with the treatment adopted in each case.

1. The employee completed all sections. This was taken to imply that the employee clearly did not understand the questions and the replies could thus not be relied upon. The questionnaire was discarded from the sample.
2. The employee indicated certain decisions for which information would be required, but had not identified decision making as a reason for requiring information (question 10 of the questionnaire). This suggested that the employees either did not understand the question, or that the employee related to specific decisions (question 11) rather than to decision making as a general term. Discussion with some of the employees concerned tended to point to the latter option, and these replies were thus amended to specify decision making as a reason for requiring information.
3. The employee answered Section 3, but had failed to answer Section 2 ("Do you want information?"). In this case, the answers to Section 3 clearly indicated that an affirmative reply to Section 2 was intended, and the questionnaire was amended accordingly.
4. The employee left out a key detail, such as age or gender, or failed to complete the questionnaire. These replies were discarded.

Applying these criteria to the replies reduced the sample size from the planned 500 to 347 usable replies, which was still considered adequate for this study. A comparison between the theoretical composition of a sample of 347 replies and the actual composition was presented in Table 3.2 above.

3.5 Interpretation of results

The final sample was deemed to be close enough to a representative sample to allow the results to be extended to the population as well. The replies were captured into spreadsheets, sorted and analysed. As this study is largely an exploratory one, the results were not subjected to any form of statistical testing and trends identified in the results are simply identified as such, without attempting to attach any statistical significance thereto. The results are presented in Chapter 4.

Certain limitations must be borne in mind when reviewing the results, and these are set out below.

1. The study is not statistically based and results cannot therefore be extrapolated with any degree of confidence.
2. Employees' replies may have been influenced by the perception that certain answers were "wrong" or "right", and the replies may thus have been aimed to please, rather than give a reflection of genuine intent.
3. Employees may have been suspicious of the survey, viewing it as a management ploy to obtain information from them. In this case, the replies would have been neutral or would have favoured replies which employees believed would satisfy management.
4. Employees were not asked to rank items of information. Thus equal importance is attributed to every item selected, whereas some of these may be far more important to the employees. It was however felt that the number of employees selecting a particular item was a fairly good guideline as to the relative importance of that item.
5. In comparing the differing responses between various categories, such as managers and manual workers, the possibility of differing response levels had to be considered. Thus if 67% of managers responded positively to a certain item, this did not necessarily indicate that they rated that item as more important than manual workers, of whom only 40% displayed an interest in that item. The average response level of managers may have been 60%, compared to 15% for manual workers, and the item would thus have been relatively more important to the manual workers. In order to avoid this distortion on the results, comparisons between the groups tended to focus on the rank (in terms of number of votes), rather than the absolute percentage.
6. The study was restricted to one company operating in one region only. The results can thus not be conclusively extrapolated to South Africa as a whole, although they do give a fairly good idea of the trends to be expected.
7. The "multiple choice" approach of the questionnaire may have restricted or influenced the replies of the employees, who felt bound by the options presented.

8. While every attempt was made to ensure that all employees understood the questions, it is possible, in view of the low education levels encountered, that some employees did not understand certain questions, their assurances to the contrary simply stemming from a desire not to embarrass themselves or the interviewer.
9. The questionnaire and the issues confronted therein, are largely based on prior research which took place in a first world environment. To what extent these issues are relevant in our South African business and social environments, is debatable.
10. The employees at the company concerned had already been exposed to the concept of an employee report, and their experiences with that report, negative or positive, may have influenced their replies.
11. Although the cost-benefit constraint was stressed in developing the conceptual framework, no such limitation was imposed on the employees when asking them to select their information set. It was felt that this would probably make the questionnaire too difficult for the average employee. In any event, the approach adopted here, identifies the broad information set demanded, and the cost - benefit constraint could be applied as a next step, if desired.

3.6 Concluding remarks

Notwithstanding the above limitations, it was felt that the research design was adequate to address the objectives specified at the outset. Rather than invalidating the responses, the limitations should, in several cases, be viewed as the type of problem which the preparers of employee reports will themselves face. What is vital, is that the results of the study be analysed, and conclusions drawn, with these limitations in mind.

References to Chapter 3

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4. Analysis of Results

The results of the survey will be presented and discussed under each of the objectives set out in Chapter 3. The implications of the responses will be considered, and in this way, the final recommended information set can be built up in a manner which is consistent with the conceptual framework and supported empirically.

4.1 The demand for information

The first objective specified was to test whether employees actually required or demanded information about their employer. The results, as set out in Table 4.1 below, indicate an overwhelming response in favour of information disclosure.

Table 4.1 : Employee demand for information

	Number of employees (n = 347)	Percentage
Demand information	342	98.6 %
Do not demand information	5	1.4 %

The one sided results set out above must be seen as either representing an emphatic demand for information, or be ascribed to some form of bias being present in the employees' replies. In other words, the results could :-

1. reflect a genuine demand for information;
2. be the result of employees wanting to give the "right" answer and perceiving a preference for disclosure to be the desired response; or
3. be indicative of employees failing to understand the question.

While the latter two factors may have influenced the result, it is submitted that the impact could not have been significant. As outlined in Chapter 3, those responses which reflected a clear lack of understanding were discarded from the sample. Furthermore, the questionnaires were generally backed up with discussion with the employees, and the impression was that the responses were sincere and representative of the employees' interest in the information.

With so few negative responses, it is not possible to form a clear picture of why employees would reject an employee report, particularly as no two employees cited the same reason for their negative response. The five negative replies are thus ignored in the remainder of the study.

4.2 Reasons for demanding information

All employees requesting information were asked to identify reasons for their request, and the results are summarised below (Table 4.2). As employees were not restricted to one option only, the sum of the replies exceeds the sample size.

Table 4.2 : Reasons for demanding information

Reason for demanding information	No. of employees (n = 342)	Percentage
It makes me feel part of the company	236	69
To make decisions about my employment	300	88
To learn about the company and what it does	214	63
It shows that the company cares about its employees	216	63

As Table 4.2 indicates, decision - making clearly emerges as the single most important reason for requiring information. Equally significant, is the fact that the corporate

identity reason (" It makes me feel part of the company ") ranked second, well ahead of the report as an educational aid or as an indicator of the employers' concern for employees.

This clearly indicates that the employees are serious in their demand for information and places considerable responsibility on the preparers of the employee report. Employees view the information as an input to their decisions, and any report which falls into the trap of being condescending or paternalistic, would not only be rejected as failing to provide reliable information, but would also destroy any motivational benefits inherent in the report. Furthermore, specifying decision making as the primary use for information increases the relevance of the conceptual framework to this topic. Employee reports must provide decision useful information and should measure up to the criteria of relevance, reliability, understandability and comparability. This suggests that employers should be devoting similar amounts of care and effort to the preparation of the annual and employee reports. One need only compare the form and content of existing employee reports to annual reports for the same period in order to establish that this is not the case.

The strength of the response in favour of " feeling part of the company " is interesting. While not suggesting that the employee report serves as a great motivator and results in improved productivity levels, it does imply that employees do identify with, and take pride in, the performance of their employer. Regular disclosure of information obviously puts the employees in a more informed position and suggestions are that they do feel pride at good results. This was borne out in discussion with several employees, who indicated that they regularly " compared notes " with employees at competitors, and the comparisons were generally on an " us and them " basis.

Learning about the company and showing that the company cares both received a fair amount of support, although considerably less than the above - mentioned. While these are important to many employees, they are clearly not the primary reasons for wanting information. It is submitted that an employee report should thus aim to supply information for decision making purposes, allowing the other reasons to be met in the process. Any report which aims to teach employees about the company, or show how the company cares for its employees, not only runs the risk of appearing paternalistic or simplistic, thus destroying the information's credibility in decision making, but would almost certainly fail to provide decision useful information in the first place.

While a substantial number of employees gave an " other reason " for wanting information, most of these could be classified into one of the existing categories, and only two are worth noting. Both indicated that the information would be useful in assessing how the " cake " was split up and why the workers only received the " crumbs " (sic). Both were union officials and thus clearly sought information to use in the course of wage negotiations.

Employees wanting information for decision making were then asked to indicate in which decisions information would help them, and this produced some interesting results (Table 4.3).

Table 4.3 : Decisions for which information is required

Decision type	No. of employees (n = 300)	Percentage
Transfer to another branch or store	76	25
Accepting or rejecting promotion	126	42
Taking a job at another company	41	14
Deciding to work harder	116	39
Wages and other benefits	142	47
Retirement benefits and pensions	153	51
The safety of my job	199	66
Joining a union	62	21

Assessing job security is clearly the employees' primary concern, confirming the predictions generally put forward in the literature (Maunder, 1981b). What is interesting to note though, is that retirement benefits and pensions received marginally more votes than current wages and benefits. While the difference is not significant, one would have expected the positions to be reversed, given that 74 % of the sample is under the age of 35 and thus hardly nearing retirement age. What this suggests, is that employees wish to assess and decide on the medium to long term security of their employment and the related benefits. While current remuneration is important, employees appear to be looking at it in the broader picture of long term stability in employment.

The mid - table ranking of " working harder " throws some doubt on the use of the report as a motivator. Given that some employees may have indicated this response as a result of wanting to please management or giving a " right " answer, the lukewarm response suggests that simply communicating results such as say, productivity, to employees, will not in itself make workers sit up and work harder. What is possible though, and this supports the trends noted in looking at reasons for disclosure, is that the introduction of clear and sincere communications between employer and employee may well remove many mutual suspicions, promote a healthier relationship and thus indirectly raise productivity levels.

The least popular decisions were transfers to other stores, joining a union and joining another employer. Again, the low response here may have been due to employees not wishing to give a " wrong " or negative response. On the other hand, these results may well be motivated by the same concerns which led to job security being the most common decision, with employees attaching more significance to retaining their existing employment, than with seeking greener pastures elsewhere. Of significance to this latter possibility, is the current depressed state of the economy. With high levels of unemployment and a scarcity of work, employees may attach less significance to these decisions than they would under better economic conditions.

The low interest in joining a union could also suggest that employees will tend not to rely on management for information in this area, but will rather look to the union itself for such information.

A clear picture thus emerges, with employees seeking information primarily to assist in the making of decisions. Of particular concern will be information relating to the security of the employee's job and future benefits. In terms of Maunders' model, the suggestion is thus that employees will be looking to the profitability and stability of the company, as well as to specific details relating to retirement benefits. Consistent with the results of prior research, the employees will be looking at future oriented information (Hussey, 1979; Smith and Firth, 1986 and 1987).

4.3 Information selected for disclosure

Employees were given 39 items of information and asked to tick those they required, with the option of adding to the list. The information was categorised into 5 groups - financial performance and position, financial outlook, corporate outlook, staff information and social performance (refer Appendix F).

As a first step, the average number of votes per category was calculated and is presented in Table 4.4.

Table 4.4 : Average number of votes per category

Information	Number of votes n = 342	Percentage
Financial Performance and Position	160.44	47 %
Financial Outlook	159.16	47 %
Corporate Outlook	168.50	49 %
Staff Information	159.19	47 %
Social Performance	179.25	52 %

It is interesting to note that the highest average arose in the social performance category, with details of donations, bursaries, community projects and customer complaints averaging 179 out of 342 votes. If one further considers that the single most popular item of information was " what are the company's aims " (under "Corporate Outlook"), a rather interesting trend emerges. Beaty and Harari make note of the fact that many South African workers expect more than just an income from their employers . They want their employers to use the economic leverage they can exert to assist them in fighting apartheid and expect them to take an active stand in promoting opposition to apartheid (Beaty and Harari, 1987, 104). The above results tend to support this view, as the employees are clearly looking at the activities of their employer on a much broader scale than simply a source of income. Rather than seeing their employer as a profit maximising vehicle - the classic, shareholder oriented view of the company - the employees are also concerned with its socio - economic, and thus, political, role. Nowhere in any of the prior studies has such a trend emerged, and the indications are that this may well be a unique reflection of South Africa's economic and political conditions.

The " corporate outlook " category ranks second, but this result is to a large extent influenced by the presence of " what are the company's aims ", the single most popular item of information which has clearly pulled the average up. The implications thereof have been discussed above.

The remaining three categories scored virtually identical averages, and a clearer picture as to the information demanded thus only emerges once the results are analysed in detail. Table 4.5 presents the results in order of popularity, without considering which category each item belongs to. The category for each item of information can be seen in Appendix F.

By and large, the above information set reflects the decision types identified in 4.2 above, with information such as staff, health and retirement benefits all scoring well, along with profits, bonuses and new stores. What is surprising though, is that information such as profit histories and balance sheets, which indicate stability, as well as the future oriented and divisional information identified as vital by existing research, all rank well down the list. These points will be elaborated on below.

The significance of " what are the company's aims " in first place has already been alluded to, and would appear to reflect the employees' interest in their employer taking on a social as well as economic responsibility. It can also be related to the fact that many employees wanted information as it made them " feel part of the company ", and in this case, employees would clearly like to know about the company's aims before identifying with the company.

It is noticeable that a significant proportion of the " top 10 " items are benefit related. Staff benefits rank second, health benefits seventh, retirement benefits eighth and bonuses ninth. As was mentioned above, this is consistent with the decisions identified earlier, reflecting the employees' need to evaluate and decide on wages, pensions and other benefits. The trend is further borne out by the presence of profits (third) and dividends (sixth). Profits are possibly looked at as providing a measure of the ability to pay increased wages, or possibly as a means of comparing shareholders' returns to employees' remuneration. The latter point could also be applied to dividends, although it must be stressed that the company does run an employee shareholder scheme and employees would thus be interested in the benefits arising from participation in such a scheme. Such an interest is mirrored in the information item " how to get shares " being ranked fourteenth.

Table 4.5 : Demand for each item of information

Information Item	Number of votes	Rank
What are the company's aims	248	1
Staff benefits available to employees	225	2
Profits	222	3
Details of bursaries given by the company	207	4
How has inflation affected the company	203	5
Dividends paid to shareholders	195	6
Health benefits offered to employees	194	7
Details of retirement benefits or pensions	188	8
Bonus schemes available to employees	185	9=
Details of customer complaints	185	
New stores	184	11
Details of training schemes	182	12
How many employees were promoted	181	13
How employees can get shares in the company	175	14
Details of donations made by the company	173	15
General staff news	171	16
Message from the chairman or directors	169	17
Estimated profits for next year	165	18
How much will be spent on new assets	162	19
Details of minimum wages	158	20
How many employees received training	157	21
How has each division / store performed	156	22
Will more machines be used	152	23=
Community projects paid by the company	152	
Details of this year's wage negotiations	150	25
Sales	147	26=
New products	147	
What does the company own (assets)	145	28=
Estimated sales for next year	145	
How does the company hire new employees	139	30
Who receives the wealth created	138	31=
Details of any accidents which occurred	138	
Who runs / manages the company	136	33
Results for the last 5 years	132	34
Who owns the company	121	35
What does the company owe (liabilities)	106	36=
Information about the unions	106	
How many new employees joined the company	104	38
How many employees left the company	94	39

A rather puzzling result is the failure of any information relating to the job security decision or consideration to feature among the more popular information items. Staff turnover (" how many employees left / joined the company ") was the least popular information item. Information relating to the financial stability of the company attracted little attention, with profit histories ranking thirty - fifth, liabilities thirty - seventh and assets twenty - eighth. Future oriented information, identified in existing literature (Hussey, 1979, 32; Smith and Firth, 1986, 26) as vital to the determination of future job security, fared equally badly, with only new stores (eleventh) achieving any measure of support. There is thus a suggestion that the information set selected does not support the choice of job security as a vital decision.

There are however several possible explanations for this phenomenon. Firstly, employees may see the provision of employment as a responsibility of the company. They will thus not relate job security to such matters as profitability or staff turnover, but rather look at the aims of the company, wanting to see whether a stated intention to provide and to continue to provide employment exists. Secondly, employees may not have sufficient experience or knowledge to realise how such information could assist them in a job security decision. Past surveys have pointed to problems in understanding accounting related information (Hussey, 1980, 153 ; Mitchell et al, 1982, 23), and when one considers that 241 employees (70%) had a Standard 8 education or lower, a real possibility exists that many employees do not comprehend the relevance of such information to their decision. They may simply assess job security in terms of current profitability - if the company makes a profit, my job is secure - and this could be an added reason for the high ranking of profitability. A third possibility is that job security is not necessarily the most important decision, but rather the primary concern of the employee. Selecting it as a vital decision is thus a reflection of this concern, rather than an expression of the need to take decisions about staying or leaving. In this situation, one might expect the information set to show a slightly reduced preference for job security related information.

Several other interesting points emerge. Bursaries given rank as the fourth most popular item (207 votes), with details of training schemes twelfth (182 votes). Clearly, employees see education and training as a means of improving their and their childrens' positions, almost, as it were, holding the key to the future. They thus place considerable importance on this information. A further possibility is that they see such factors as enhancing their job security, as training would imply a more senior job which is perceived to be less open to the risk of retrenchment.

Also worth noting is the high priority given to the impact of inflation. Inflation related information virtually escapes notice in prior studies, but is clearly of significant interest to employees in this study. This is probably a reflection of the South African

economy, where the high rate of inflation and its impact on living standards are much talked about items. It also raises a rather awkward question for the accounting profession - if no consensus can be reached on how to inflation adjust historic cost data for a theoretically more educated user group of shareholders and analysts, how can a suitable format for presenting simplified, understandable inflation adjusted information be developed ?

At the other end of the scale, relatively few employees expressed an interest in divisional or decentralised information. This is largely consistent with earlier studies which, while viewing segment results as fairly important, noted that these were rarely disclosed (refer Table 2.4). This isolated disclosure is thus to some extent justified by the limited interest expressed by the employees. The conclusion which must then be drawn is that employees do not assess their position in relation to their operating unit, but rather look to the performance of the company as a whole. It is also possible that the employees do not view themselves as functioning as separate units within one company. Branches are not differentiated, the employer has one name, projects one image, and fulfils one function (retail) and employees thus tend to relate to that single identity.

The value added statement (" wealth created and its distribution ") also enjoyed little support. While this is consistent with prior research (refer Table 2.4), it has been noted that much of the literature on value added statements recommends it as a useful part of an employee report (Struckmann, 1989, 21) and its inclusion in an employee report attracts marks in the SAICA Employee Reporting contest. The results here though, suggest that the employees themselves do not place great store in the statement.

Details of shareholders and unions were also not seen as particularly relevant. In the case of the union information, this mirrors the lack of interest in union related decisions, and hence the same considerations as mentioned earlier, apply here. Employees may not want management to know of their interest in unions, or may rather obtain such information directly from the unions themselves. Who owns the company was clearly not of particular interest to employees, and this lack of interest in the ownership / management is also evident in " who manages the company " attracting little interest. The lists, profiles and photographs of directors often included in the employee reports may thus make little impression on the employees.

The above lack of enthusiasm is also evident in the lukewarm response to a chairman's message. Its mid - table ranking suggests that it should not be written off completely, but by the same token, it does not carry a particularly high priority. To some extent, this may reflect the point made by Parker (1977b, 80), who noted that this message is often paternalistic and condescending, leading to a negative reaction amongst staff. Employees may well have had some experience of this, and reflect this in their non - committal response.

As noted earlier, there was only limited interest in the future - oriented information, with only new stores, future profits and planned capital expenditure enjoying any support. Again, one must assume that employees regard current profits as a more relevant and reliable measure of job security. The low interest in capital expenditure is understandable, as the retail industry is not generally one where mechanisation is a threat to job security. A similar point can be made with respect to new products. As employees are not involved in the manufacture of products, and due to the general nature and number of products, the low interest would appear to be reasonable. In a more focused manufacturing environment, where new products would mean new manufacturing lines, the situation may well be different.

Finally, 85 employees added items of information which were not on the list. Virtually all of these were specific versions of points raised on the list, such as, what transport services were available (staff benefits) and how does one get a loan (staff benefits). It is worth noting though, that six employees wanted the report to include a clear statement on the company's commitment to dismantling apartheid.

In summary then, a fairly clear information set emerges. Employees want information relating primarily to their benefits, to the role the company plays in the community and to the current year's financial results. Balance sheet information, and details such as staff turnover, enjoy relatively less support, despite their potential relevance to the job security decisions.

4.4 Factors influencing the demand for information

With the demand for information being virtually unanimous, there is little point in debating whether or not any factors influence the desire for information disclosure. The discussion will thus focus on how various factors impact on the reasons for wanting information, on the types of decision and on the desired information set.

4.4.1 Job Level

The employees were split into 5 groups, as set out in Table 4.6.

With the numbers in the professional / technical and clerical groups being so low, the results for these categories will be ignored, except where they differ markedly from the other groups.

In each case below, the number of employees in a category responding positively to the question is expressed as a percentage of the number of employees in that category.

Table 4.6 : Sample analysed by job level

Job Level	Number in category	Percentage
Manual	249	72.8 %
Supervisory	41	12.0 %
Clerical	13	3.8 %
Professional / technical	11	3.2 %
Managerial	28	8.2 %
TOTAL	342	100.0 %

The reasons for demanding information

Table 4.7 summarises these responses and it is clear that decision making ranks as the primary reason, irrespective of the job level. One might have anticipated a slightly different response between, say, managerial and manual staff, due to the different responsibilities carried by each group. However, the results clearly dispel this notion. This would tend to suggest that the job level will not so much impact on the reason for wanting information, that is, decision making, but may rather manifest itself in the type of decision taken.

Table 4.7 : Reasons for information demand by job level

Reason for demand	Manual %	Super. %	Manager %
It makes me feel part of the company	65	68	75
To make decisions about my employment	89	80	86
To learn about the company and what it does	61	61	61
The company cares about its employees	64	59	61

It is worth noting that clerical and professional / technical staff ranked " it makes me feel part of the company " in joint first place. While the sample size is too small to draw any meaningful conclusion from this, it does appear to be a rather confusing response, especially when one considers the gap between decision making and this reason for other staff categories. The only explanation which can be offered is that the clerical and professional / technical staff, being involved in administrative work and thus removed from any interaction with customers and shopfloor staff, see an employee report as a means of drawing them into the " family ". The report reflects the results of their combined efforts and thus strengthens their perception of corporate identity.

Types of decision

As illustrated in Table 4.8, job level appears to have had little impact on the types of decision regarded as important, with job security, retirement benefits and wages still seen as the key decision areas. Closer inspection does however reveal one or two interesting points.

Supervisory staff ranked " accepting or rejecting promotion " in third place, with 55 % regarding it as an important decision. This compares to manual staff (39%) and managers (50%). The possibility exists that supervisors are those workers who have displayed initiative and an ability to accept responsibility, and the further development of their career is important to them. For manual staff on the other hand, promotion opportunities may be more limited and thus of less significance than, say, wages.

Also noticeable is the lower percentage of manual workers opting for retirement benefits - 45% - as opposed to 64% for supervisors and 67% for managers. This result could be expected though, as the manual workers are both younger (average age 29.6 years versus 32.2 and 35.5 respectively) and less experienced (average period of employment 6.4 years versus 8.2 and 9.7). They would thus view retirement related decisions as being less relevant to them.

Table 4.8 : Decision types analysed by job level

Decision Type	Manual %(rank) (n=221)	Super. %(rank) (n=33)	Manager %(rank) (n=24)
Transfer to another branch or store	24(7)	30(6)	29(6)
Accepting or rejecting promotion	39(4)	55(3)	50(5)
Taking a job at another company	11(8)	24(7)	13(7)
Deciding to work harder	39(4)	33(5)	54(4)
Wages and other benefits	45(2)	36(4)	71(1)
Retirement benefits and pensions	45(2)	64(2)	67(2)
The safety of my job	66(1)	67(1)	67(2)
Joining a union	25(6)	9(8)	4(8)

Interesting to note, is that 54% of managers indicated that they would use information to decide about working harder. This is a substantially higher percentage than manual staff and supervisors (39% and 33% respectively). Clearly, the managers view the results of the branch as their responsibility, and thus look to information to provide feedback on their performance. This is also reflected in managers ranking wages and benefits as their most important decision, as their benefits would be linked to the performance of their branch or business segment. One would thus expect their information set to place greater emphasis on

segment and forward looking information, as this would reflect both on their historical, as well as their expected, performance.

A final point to be made, is the significantly higher proportion of manual workers indicating union - related decisions as an option. Clearly, supervisors and managers have already made their decision with respect to union membership, but a fair proportion of manual staff would still look at the information available before making their decision. In some respects this is a surprising result, as one would not have expected workers to accept management prepared information as a valid input in this decision. To what extent such disclosure would influence the decision is open to debate, but it does strengthen the argument in favour of preparing credible employee reports.

Given that some differences in the specified decisions are apparent, one would expect to find similar differences in the information requested.

Information Sets

The information chosen by each group is depicted in Appendix A, with each response being expressed as a percentage of the group size. The results clearly illustrate the significant impact which job level has on the information demanded.

Looking firstly at the five most popular items in each category (Table 4.9), a number of significant points emerge. The analysis of decision types above had suggested that the information set of manual workers would reflect a concern with job security and benefits, supervisors would include information relating to career development and training while managers would be focusing on segment and future oriented information. Table 4.9 confirms this prediction (Table 4.9 gives five items for each group, with the comparative rank for the other groups in brackets).

Table 4.9 : Five most popular items per category

Manual staff (*Supervisors, managers*)

1. Aims (3,4)
2. Staff benefits (2,17)
3. Profits (1,2)
4. Bursaries (7,9)
5. Health benefits (9,14)
Inflation (5,9)

Supervisors (*Manual staff, managers*)

1. Profits (3,2)
2. Staff benefits (2,17)
3. Aims (1,4)
4. Training schemes (17,14)
5. Number of employees promoted (11,20)
Inflation (5,9)

Managers (*Manual staff, supervisors*)

1. Estimated profits for the next year (23,13)
2. Profits (3,1)
3. New stores (14,13)
4. Estimated sales for the next year (34,19)
Aims (1,3)

The manual staff's choices reflect a clear concern with benefits. Although the aims of the company remain the key concern (presumably for the same reasons as discussed earlier), the remaining items are all benefit related, especially if one regards profit as the ability to pay benefits and inflation as a factor reducing benefits. What is noticeable, is that although job security and retirement benefits ranked high on the list of decisions, none of the information relating directly to these decisions - staff turnover, promotions, retrenchment, retirement benefits - appears on the list in Table 4.9. Reasons for this trend in the sample as a whole were discussed earlier and apply here as well.

The supervisors' "top five", while similar in certain respects, differs notably in the inclusion of training schemes and promotions. This is entirely consistent with the predicted information set, reflecting a concern for job security, benefits and career development prospects. It is worth noting the much lower ranking attributed to these items by the other two groups.

The managers' selection on the other hand, clearly reflects the need for forward looking, segmented information. All five information items are ones that provide managers with feedback on their expected performance. An unexpected result though, is the low ranking attributed to benefit related information. Despite selecting wages, retirement benefits

and job security as the most important decisions, relatively few managers selected information relating to these decisions. Retirement benefits ranked ninth, health benefits fourteenth and staff benefits seventeenth. The most likely explanation is that the future oriented information probably has greater relevance to the managers' decisions on benefits and job security than the items suggested above. Managers' performance and thus indirectly their job security is judged in terms of their ability to meet targets and budgets. Their benefits in terms of remuneration would also be linked to their performance in the form of incentives or bonuses and it is noticeable that information on bonuses ranked sixth.

Clearly, managers assume more responsibility for the results of the company. They are accountable for the performance of their profit centre and thus evaluate their job security in terms of the company's results and the expectations placed on them. The interest in future - oriented information is also consistent with the managers' earlier response indicating that information would be used in order to decide whether to work harder.

Thus while all three groups identified similar decisions as important, the information they require to make their decisions varies considerably. Each group operates under different circumstances and evaluates itself according to different criteria, resulting in different information needs. This point is also clearly illustrated by the clerical staff, who ranked bursaries, training and staff benefits as their most important items. In their field of employment, improved education means being able to do more difficult and responsible work, and thus results in higher pay.

The remainder of the results also reveal some rather interesting points. Divisional or branch information generated considerable interest amongst managers (ninth, 71%) and supervisors (ninth, 63%), but held little appeal for the manual staff (twenty - second, 41%). Again, this would be a reflection of the fact that managers and supervisors are responsible for operations and accountable for results, and that poor results at their store may affect their job security.

The message from the chairman or directors also enjoyed contrasting popularity. Managers ranked it sixth (75%), supervisors ninth (63%) and manual workers eighteenth (44%). It would appear that managers relate easier to the authority, or it may be that any strategic information in the message, such as new stores, has greater relevance to the managerial staff. Another possibility, is that managers are on the same side of the "worker : boss" divide as the directors and would thus not be as distant towards the higher authority.

In analysing decision types, the difference in the importance of promotion decisions was noted, and the information preferences reflect this perfectly. Supervisors ranked the item " How many employees were promoted " fifth (68%), clearly reflecting the importance of career decisions to themselves. Manual staff on the other hand, ranked it eleventh (49%) and

managers twentieth (61%), indicative of the lower priority placed on that decision. The same trend is evident under training schemes, which supervisors ranked fourth (71%), significantly higher than managers or manual staff.

Looking at the benefit related information, another interesting characteristic emerges. Details of minimum wages enjoyed a much higher ranking (sixteenth) amongst manual workers (supervisors thirty - sixth, managers twenty - fifth) and the same point applies to staff benefits (manual second, supervisors second and managers seventeenth) and health benefits (manual fifth, supervisors ninth and managers fourteenth). Clearly, these "bread and butter" issues have more relevance to the lower worker groups. This trend is then reversed when looking at bonuses on offer, which managers ranked sixth, supervisors nineteenth and manual staff ninth, reflecting the fact that bonuses are more likely to accrue to managers.

In the social performance category, it is also noticeable that manual staff tended to rank items such as donations and bursaries higher than other groups. This is in many ways consistent with their choosing "aims" as their primary information item. To reiterate the point made at the outset, it is clear that the workers look to their company to take on a broader role in their community and this is reflected in their information set. The lower ranking given to "community projects" is thus inconsistent in this regard. A possible explanation is that workers see community projects as relating to sponsoring food schemes or helping the needy, whereas the company initiatives workers are looking for are more in the line of challenging inequalities caused by apartheid.

Another apparent inconsistency is the lack of interest in union information. Manual workers had earlier shown more interest in union related decisions than any other group, but clearly do not look to the employee report to give them information in this regard as a matter of priority. It should be noted though, that manual workers did not rate union decisions as a priority - their interest was merely high relative to the other groups.

On the financial side, it is interesting to note that information relating to assets and liabilities achieved little support from any group. Financing and expansion decisions are clearly more strategic in nature and fall outside the scope of all groups concerned, thus holding little interest for them.

One final point can be made. Neither staff turnover nor sales categories enjoy much support from any group. As these are two of the more commonly disclosed items, the lack of interest should be significant to preparers of reports.

In summary then, it is very clear that job level does not simply impact on factors such as readership and understanding. It has a marked affect on the information demanded and the implications of this will need to be considered in drawing conclusions in this study.

4.4.2 Age

Studies done by Hussey (1980) and Mitchell *et al* (1980) have shown that age does affect such points as understanding and interest, and the results were thus categorised into age groups and analysed.

Table 4.10 : Sample analysed by age category

Age Category	Number in category	Percentage
Under 35 years	251	73.4 %
35 to 50 years	76	22.2 %
50 years and older	15	4.4 %
TOTAL	342	100.0 %

The reasons for using the above age groups were discussed in chapter 3. Note that the relatively small size of the over 50 sample suggests that these results should be interpreted with some caution.

The reasons for demanding information

The results for this section are summarised in Table 4.11 below, with each being expressed as a percentage of the number of people in that age group wanting information.

Table 4.11 : Reasons for information demand by age category

Reason for demand	Under 35 %	35 to 50 %	Over 50 %
It makes me feel part of the company	67	71	93
To make decisions about my employment	91	79	80
To learn about the company and what it does	62	63	73
The company cares about its employees	63	63	73

Age clearly has had very little impact on the reasons for wanting disclosure, with decision making remaining the most commonly chosen item. It is worth noting that the over 50 age group chose "feeling part of the company" as the most popular reason, which appears somewhat strange. Given that this group is nearing retirement age, one might rather have expected them to opt for decision making or the "company cares". On the other hand, their impending retirement may make it important for them to feel a part of the company, as they may see themselves as being most at risk of retrenchment. It must however be borne in mind that the sample size is really too small to draw any meaningful conclusions from this result, and further research would be necessary to confirm the above reasoning.

Types of decisions

In view of the differing circumstances and choices which one would expect each age group to be facing, it would be logical to predict that age would have an impact on the decisions concerning each age group. This is confirmed in Table 4.12 below.

Table 4.12 : Decision types analysed by age category

Decision Type	Under 35 %(rank) (n=228)	35 to 50 %(rank) (n=60)	Over 50 %(rank) (n=12)
Transfer to another branch or store	27(6)	20(6)	25(7)
Accepting or rejecting promotion	44(4)	35(4)	33(5)
Taking a job at another company	14(8)	12(8)	17(8)
Deciding to work harder	39(5)	35(4)	58(3)
Wages and other benefits	46(2)	48(3)	58(3)
Retirement benefits and pensions	45(3)	68(1)	75(1)
The safety of my job	68(1)	60(2)	75(1)
Joining a union	21(7)	15(7)	33(5)

While the three most important decisions are the same for all three groups, the changes in ranking raise several interesting points. The younger employees place retirement benefits third, opting for job security and current benefits as the more important decisions. However, both the 34 to 50 and over 50 age groups rank retirement benefits as more important. The older employees clearly take a more long term view to their work, with their employment being intended to support them both now and in the future. It is also interesting to note that the over 50 group are more concerned with the safety of their job than the 34 to 50 age group. This result is not altogether unexpected though. As was noted earlier, older employees may see themselves as being more vulnerable to retrenchment.

For the remainder, there was little to choose between age groups, although there is a suggestion that the older employees feel more responsibility for operating results and thus to some extent base their work efforts on this ("deciding to work harder"). This might be linked to the fact that older employees would occupy more responsible positions and hence this

trend mirrors that noted in the discussion on the impact of job category. The difference is however too slight to attach any great significance to it.

Information Sets

Appendix B sets out the responses for each item of information.

Looking initially at the five most popular items in each group (Table 4.13), the information required reflects the trend noted in decision making, with the older employees looking more towards retirement related information. It is also noticeable how the aims of the company are more important to the two younger age groups, but drop to thirteenth in the over 50 group. Of further interest is the emergence of "dividends" as an item of particular interest to both the 34 to 50 and over 50 groups. To some extent, this would be the result of the perception that dividends or shares will continue to be a source of income even once the employee has stopped working and is thus consistent with the greater weight attached to job security and retirement decisions. The result will also be influenced by the terms of the employee share incentive scheme, which entitles employees to shares after five and ten years service.

Table 4.13 : Five most popular items per category

Under 35 (35 to 50, over 50)

1. Aims (2,13)
2. Profits (3,2)
3. Staff benefits (1,2)
4. Bursaries (7,5)
5. Inflation (5,19)

35 to 50 (Under 35, over 50)

1. Staff benefits (3,2)
2. Aims (1,13)
3. Dividends (9,1)
- Profits (2,2)
5. Retirement benefits (13,5)
- Inflation (5,19)

Over 50 (Under 35, 35 to 50)

1. Dividends (9,3)
2. Profits (2,3)
- Staff benefits (2,3)
- How employees can get shares (14,14)
5. Various

It is also interesting to note that the oldest group showed far more interest in who manages and owns the company. It is suggested that this may well be the result of many of these older employees being in more senior positions, and their choices thus being related to those of managers discussed earlier.

Where another significant variance is noted is in the case of staff turnover. The older employees showed a much greater interest in this area, ranking the item thirteenth as opposed to rankings in the thirties for the other groups. Again, this may be because the older manual staff are probably the ones least able to delay their retirement and thus most concerned with their job security. Those older employees in managerial positions may also be interested in staff turnover and its impact on their workforce, and it should be noted that while managers did not rank this information any higher than say, supervisors, the percentage of managers choosing this information was considerably higher.

Training schemes and bursaries also produced interesting results. While there was more interest in training schemes amongst younger employees (ranked seventh by the under 35's, against fourteenth and nineteenth), all these groups expressed similar interest in bursaries. Clearly, the younger employees have more to gain from internal training schemes which improve their skill and expertise within the company. The older employees' interest in bursaries may well stem from their wanting to provide an education for their children and they thus seek information in this regard.

One puzzling result noted is the lower ranking attributed to health benefits by the older employees. One would have expected these employees to be most concerned with how the employer assists in these areas as they are presumably more at risk to illness than the younger staff. A possible explanation is that the older employees are taking a longer term view on these benefits, including them as part of their retirement benefits and needing to establish whether these will be sufficient to cover their future needs. Older employees may be trying to establish whether health benefits will continue after retirement, something which would in all probability have greater relevance to them than existing health benefits. This scenario would be consistent with their strong interest in retirement benefits.

There are thus few major differences between the under 35 and the 35 to 50 age groups. The major variations appear in the over 50 group, although as was noted at the outset, the small sample size tends to plead caution in interpreting this trend. It does appear reasonable though, to suggest that the older employees concentrate more on retirement and personal income related information, and less on company information such as profits and aims.

4.4.3 Gender

Although not identified as a possible determinant of choices anywhere in the literature, it was felt that any differences between male and female choices should be considered. Many industries lean predominantly towards employing one group - the textile industry employs mainly women, while the labour force on the mines is mostly male. If any differences do arise, they may well be of relevance to the preparers of employee reports.

At the outset, it should be noted that a higher percentage of men occupy supervisory and managerial positions, and thus one would expect the results to be influenced by this. The breakdown of the sample is presented in Table 4.14 below.

Table 4.14 : Sample analysed by gender

	Number in category	Percentage
Male	140	40.9 %
Female	202	59.1 %
TOTAL	342	100.0 %

The reasons for demanding information

As Table 4.15 indicates, there is little to choose between the two groups. Decision making is clearly the most important reason, and scores a virtually identical percentage in each group. Feeling part of the company ranked second for both, although achieving a much higher percentage amongst women, with men then taking learning about the company and women opting for " the company cares ". Little, if any, significance can be attached to this, as these two reasons attracted a virtually identical number of votes amongst men.

Table 4.15 : Reasons for information demand by gender

Reason for demand	Male %	Female %
It makes me feel part of the company	61	75
To make decisions about my employment	87	88
To learn about the company and what it does	60	64
The company cares about its employees	56	68

Indications are thus that gender has only negligible impact on the reasons for wanting information.

Types of decision

Table 4.16 summarises the responses to this category, and as was the case above, the rankings and results were virtually identical between the two groups.

What is worth noting though, is the different proportions opting for certain decisions. 73 % of women saw job security as the key decision, while only 57 % of men felt likewise. In fact, amongst the men, only 9 votes (7%) separated job security from retirement decisions, compared to 37 votes (21%) for the women. The probable reason for this is that a much higher proportion of women fall into the manual staff category (82% against 60%), and, as was noted earlier, job security is more likely to be a concern to manual staff.

Table 4.16 : Decision types analysed by gender

Decision Type	Male %(rank) (n=122)	Female %(rank) (n=178)
Transfer to another branch or store	25(6)	25(6)
Accepting or rejecting promotion	44(4)	40(4)
Taking a job at another company	12(8)	15(8)
Deciding to work harder	43(5)	35(5)
Wages and other benefits	46(3)	48(3)
Retirement benefits and pensions	50(2)	52(2)
The safety of my job	57(1)	73(1)
Joining a union	16(7)	24(7)

Similarly, there was a higher proportion of men who would use information to decide on working harder (43.4% against 35.4%). The most likely explanation here lies in the distribution of the sample. It has already been shown that a greater proportion of managers opted for this decision, and since men tended to hold more senior posts, one would expect this analysis to reflect a similar pattern.

Once again, there is little to choose between the groups. What differences there are appear to be related more to job level than to gender and one would thus expect this trend to be reflected in the information chosen.

Information Set

Looking at the most popular items of information (Table 4.17 and Appendix C), there appears to be little difference between the two groups. Both chose aims, staff benefits and

profits as their first three, with bursaries another common item in the top five. What is interesting though, is the higher priority placed on inflation and health benefits by women, and on new stores and retirement benefits by men. Quite why there should be more interest in inflation amongst women, is unclear. It may be though, that the women, through doing the shopping for their families, or through being exposed to changing prices when working at the tills, are more aware of the impact of inflation on basic commodities, and thus take greater interest in this information set. Amongst men, the greater interest in new stores is consistent with the difference in rankings and percentages for the other forward - looking information - estimated sales, estimated profits and new assets. A higher proportion of men selected each of these items. The most feasible explanation would again appear to be the higher proportion of men occupying managerial positions, as it was found that interest in future oriented information was highest at the managerial level.

Table 4.17 : Five most popular items per category

Men (*Women*)

1. Aims (1)
2. Profits (3)
3. Staff benefits (2)
4. Bursaries (5)
5. New stores (13)
Retirement benefits (11)

Women (*Men*)

1. Aims (1)
2. Staff benefits (3)
3. Profits (2)
4. Inflation (8)
5. Health benefits (18)
Bursaries (4)

In fact, most of the differences can to some extent be matched to similar variances in the job level analysis. There may well be other factors which account for the differences. Health benefits, for example, were of importance to a far higher proportion of women and this reflects the family oriented concerns many expressed in discussion. It was clear that women placed far more emphasis on maternity leave, their subsequent re - employment and medical aid than did men.

The remaining noticeable differences - the greater interest amongst men in divisional results, in five year summaries and in training schemes - can all be attributed to the differing job levels.

It would thus appear that while gender does play a role in determining the information set, this is definitely overshadowed by job level, which exerts a much greater influence on the choices and preferences of the employees.

4.4.4 Education and Experience

Although the sample was not stratified according to these criteria, and can thus not strictly speaking be seen as representative in these categories, the significant impact of job levels on the information requested, suggests that education and experience, which to a large extent determine job level, are worth investigating.

Education

Employees were asked to indicate their highest academic qualification, and the answers to this question are set out in Table 4.18.

Table 4.18 : Sample analysed by education

Highest Educational Level	Number in category	Percentage
Standard 8 or below	238	69.6 %
Standard 9 or 10	99	28.9 %
Tertiary education	5	1.5 %
TOTAL	342	100.0 %

Clearly, very little can be gleaned from the tertiary education group and the comparison must thus focus on the other two groups. It must also be stressed that this

analysis takes no cognisance of any in - house training, which may have enhanced the employees' understanding of information and improved his or her job level.

The reasons for choosing information were identical for both groups, and are thus not reproduced here. In each case, decision making was the primary reason, and the analysis thus focuses on the types of decision chosen, as set out in Table 4.19.

Table 4.19 : Decision types analysed by educational level

Decision Type	< Std 8 %(rank) (n=205)	Std 9-10 %(rank) (n=90)
Transfer to another branch or store	25(6)	23(7)
Accepting or rejecting promotion	36(5)	56(2)
Taking a job at another company	9(8)	21(6)
Deciding to work harder	40(4)	34(5)
Wages and other benefits	46(3)	49(3)
Retirement benefits and pensions	53(2)	46(4)
The safety of my job	58(1)	63(1)
Joining a union	22(7)	17(8)

While both groups predictably opted for job security as their first choice, it is very interesting to note that accepting or rejecting promotion featured as a clear second choice (as opposed to fifth) for the Std 9 - 10 group. Clearly, the better educated employees recognise more promotion opportunities for themselves and thus want information to assist them in planning their careers. The fact that the under Std 8 group opted for retirement decisions as their second choice, ahead of current benefits, appears strange at first glance. It should

however be borne in mind that many of the older employees have less formal education, and it is probable that their presence in the under Std 8 group produces this result.

One final point worth noting is that all five employees with tertiary education elected taking a job at another company as a decision for which they required information. In contrast, only three of the five elected job security. Although the sample is too small to draw any conclusions, there is a suggestion that the more educated employees' decision and information sets will reflect not only a higher level of understanding, but also an increased job mobility. This last point is to some extent supported by the much higher percentage opting for "taking a job at another company" amongst the Std 9 - 10 group.

The differing outlooks in the decisions are also reflected in the choice of information, as illustrated in Appendix D.

Although the top five information items for the two groups are very similar (Table 4.20), it is noticeable that in each case a much higher proportion of the Std 9 - 10 group opted for these items. This was the case for virtually every item of information and would thus suggest that the greater understanding which comes with further education both strengthens and broadens the employees' outlook.

Table 4.20 : Five most popular items per category

Std 8 or less (Std 9 - 10)

1. Aims (1)
2. Staff benefits (5)
3. Profits (2)
4. Dividends (10)
5. Bursaries (3)

Std 9 - 10 (Std 8 or less)

1. Aims (1)
2. Profits (3)
3. Inflation (7)
Bursaries (5)
5. Staff benefits (2)

The presence of dividends in the Std 8 and under group must be seen as the result of the older employees making up a greater proportion of this group. As was noted earlier, the terms of the share incentive scheme are such that older employees will hold more shares and would thus be expected to show greater interest in dividend information. It may also be seen

as a further reflection of the less educated employees' concern with personal benefits (see below).

Perhaps the most striking difference is in the case of forward looking financial information where estimated sales, estimated profits, new products and new stores all attracted more interest. Clearly, the better educated employees appreciate the significance and relevance of this information better than the less educated. It is interesting though to note that the under Std 8 group showed relatively more interest in new asset acquisitions (sixteenth as opposed to twenty - sixth), possibly because they recognise that improving technology may create a demand for skills which they do not possess. They must thus view such information as important to their job security.

Another noticeable difference arises in the case of staff benefits, with virtually all benefits enjoying a higher ranking amongst the less educated employees. The better educated employees however showed relatively more interest in training schemes. This is a clear reflection of the differing choices of decision noted earlier, where the less educated employees looked more at benefit related decisions, while the others looked towards promotion and career advancement, seeing benefits as derivatives of such career enhancement.

For the rest, the information selected was fairly similar. It would thus appear that the higher level of education does result in greater understanding and hence stronger demand for information. It would also appear to have some influence on the decisions taken and thus has a similar impact on the information chosen.

Experience

Employees were grouped into the three categories in Table 4.21 below.

Table 4.21 : Sample analysed by experience

Years of experience	Number in category	Percentage
0 to 4 years	119	34.8 %
5 to 9 years	139	40.6 %
10 or more years	84	24.6 %
TOTAL	342	100.0 %

The categories were defined based on the terms of the share incentive scheme, which grants shares to employees after five and ten years of service. Generally, one would expect the older, higher job level employees to have the greater experience and this category should thus reflect the trends shown in those analyses.

All three categories opted for decision making and " makes me feel part of the company " as their reasons for wanting information, with very similar percentages across the board. The level of experience thus only really made itself felt in the decisions specified, as illustrated in Table 4.22 below.

Table 4.22 : Decision types analysed by experience

Decision Type	0 to 4 yrs %(rank) (n=109)	5 to 9 yrs %(rank) (n=123)	10+ yrs %(rank) (n=68)
Transfer to another branch or store	31(6)	24(6)	18(7)
Accepting or rejecting promotion	48(3)	40(4)	37(5)
Taking a job at another company	17(8)	13(8)	9(8)
Deciding to work harder	39(4)	37(5)	41(4)
Wages and other benefits	50(2)	46(3)	46(3)
Retirement benefits and pensions	39(4)	54(2)	63(1)
The safety of my job	65(1)	69(1)	63(1)
Joining a union	21(7)	20(7)	21(6)

Quite clearly, retirement decisions attained increasing prominence with added experience, reflecting not only the increasing age of the groups, but presumably also the increasing benefits which arise through the increased years of service.

Another difference, although slight, is the stronger interest in the " work harder " decision amongst the most experienced group. This is in line with the trend under job level, where managers, who carried the greatest responsibility and also presumably have the greatest experience, also gave a higher ranking to this decision.

One final point to be made is how interest in the promotion decision declined with increased experience. This does appear to be a little strange, as supervisors showed the greatest interest earlier and one would have expected the more experienced staff to have more promotion opportunities. It may well be that the less experienced workers, being new to the firm, are keen to learn as much as possible about their career options and thus influence this result. In addition a number of the manual staff would fall into the most experienced group, but, due to a combination of age and education, have poor prospects of promotion.

The information demanded for these decisions, falls into a fairly predictable pattern, as shown in Appendix E.

The top five items are very similar (Table 4.23), with groups one and two having identical items, albeit with slightly differing rankings. Group three - having 10 or more years experience - provides an interesting change, with both dividends and retirement benefits being selected.

Table 4.23 : Five most popular items per category

0 to 4 years (5 to 9 years, 10 or more years)

1. Aims (1,1)
2. Staff benefits (2,3)
3. Profits (4,2)
4. Bursaries (3,6)
Inflation (4,8)

5 to 9 years (0 to 4 years, 10 or more years)

1. Aims (1,1)
2. Staff benefits (2,3)
3. Bursaries (4,6)
4. Profits (3,2)
Inflation (4,8)

10 or more years (0 to 4 years, 5 to 9 years)

1. Aims (1,1)
2. Profits (3,4)
3. Staff benefits (2,2)
4. Dividends (22,6)
5. Retirement benefits (18,11)

Retirement information is understandable as the more experienced employees would tend to be older and closer to retirement. Dividends too, are consistent with the picture formed earlier, where it was noted that share ownership impacted on the information selected. The employees in Group Three would have received share options after five and ten years service and thus their share ownership explains their interest in dividends. It is thus not surprising that Group Two (five to ten years service) ranked dividends sixth, but Group One, not yet entitled to any options, twenty - second. Further supporting the contention that share ownership affects the information chosen is the ranking of "How employees can get shares", which exactly reverses the earlier trend - Group One (eighth), Group Two (fourteenth) and Group Three (nineteenth).

Interestingly enough, experience did not affect the preferences for future oriented information. One might have expected the more experienced employees to have a better understanding of the significance of such information. However, the results here tended to suggest that factors such as job level and education play a far greater role, and that experience has only a limited effect.

This is further supported by the fact that the least experienced employees showed greatest interest in training. These two points are clearly related, as is the fact that the more experienced employees showed greatest interest in retirement information. In both cases though, the trend could equally be ascribed to the age of the respondents.

The picture that thus emerges, is that while experience has some impact on the information demanded, this impact can also be attributed to factors closely related to experience, such as age. Perhaps the most significant impact noted, is the effect that share ownership had on the information preferences.

4.5 Summary

What emerges from the results presented in this chapter, is that there is a very definite demand for information amongst employees. Even when one makes allowances for possible bias in the responses of the employees interviewed, the almost universal preference for information disclosure displayed by the employees presents a strong case in favour of reporting to employees.

The results also suggested that decision making was in most cases the primary reason for requiring this information, and, consistent with the predictions made earlier in this study, job security and benefit related decisions were the ones most commonly specified by employees.

The information set chosen by employees proved to be consistent with the decisions specified. Benefit related information featured prominently, as did the aims of the company and other information providing feedback on performance and potential rewards or benefits. Dividends and profits, along with details of training schemes were the prime examples of the latter. It is interesting however, to note that other items of information which were earlier identified as being potentially useful to job security and benefit type decisions, did not feature at all. Examples of this included staff turnover, along with balance sheet and forward looking information. Several possible reasons for this phenomenon were put forward, including the fact that this may have been a reflection of the employees' inability to appreciate the usefulness of the information.

Finally, the influence of a number of factors on the above was examined. It was found that the type of job that the employee had, had a significant impact on the employees' choices. As the responsibility accompanying the job increased, the employees became more sophisticated in their use of the information, and the information set began to resemble the predicted one more closely. Another significant aspect was that the employees occupying the higher positions tended to look at job security more in terms of the company's position, than in terms of their own individual situation.

The other factors - age, gender, education and experience - all impacted on the information set, albeit to a lesser degree than job level. As was pointed out above, in many cases the trend identified in analysing the impact of one of these factors, could be related back to job level. More educated and experienced employees for example, would tend to occupy more responsible and senior positions, and their responses would thus be similar to the ones given by managerial or supervisory staff.

Clearly, the above contains several important implications for the preparers of reports, and also points to several areas where further research is warranted or needed, in order to draw firmer conclusions or to clarify and extend some of the above results. These implications are considered in Chapter 5.

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5. Conclusion

In summing up the results of this study and drawing conclusions from these results, it is important to bear in mind the purpose of the work and the limitations set out in chapter 3.

The research is based on a case study and is largely exploratory in nature. The sample selection was restricted to the employees of one company operating in the Western Cape, and the conclusions drawn can thus only hold for this one company. Nonetheless, it is felt that the results and conclusions can be of use to both future research and to preparers of employee reports elsewhere.

5.1. Summary of results

5.1.1 Introduction

Chapter 3 specified three objectives for this study, and before proceeding on to possible implications and conclusions arising from the results, it is necessary to consider to what extent the results presented in Chapter 4 met these objectives.

In terms of the conceptual framework discussed in chapter 2, it should be possible to construct an information set that will address the needs of the majority of employees. As has already been stressed, the following will need to be considered :

1. Decision making will be the primary use for this information, and information should thus be presented in a form suitable for decision making.
2. Job security and current and future benefits will be the primary concerns of most employees.
3. The information disclosed will need to be presented for the purpose of making the above decisions.

5.1.2 The demand for information

Of the 347 replies eventually included in the sample, 342 (98,6%) showed an interest in receiving some form of information about their company. As was noted in Chapter 4, it is possible that this response was affected to some extent by an element of bias which could

have been present in the employees' replies. It is however submitted (for the reasons outlined in Chapter 4), that this bias would not have influenced the results in any material fashion, and thus the replies must be seen as constituting an emphatic and definite demand for information.

As was noted by Lewis *et al* (1984b), the provision of information to employees has historically been initiated by management, with very little attempt being made to establish exactly what information employees required or for what purposes this information was required. What this study has shown, is that there is a demand for information amongst employees. If employee reporting is to gain the necessary credibility required to become an accepted and useful part of the business environment, both research and the preparation of employee reports will need to consider this demand for information before presenting any form of report.

5.1.3 Reasons for information disclosure

Prior research discussed in Chapter 2 had identified decision making as the primary reason for which employees would require information, and the results of this study proved to be consistent with this prediction. While other reasons clearly also played a role, almost 88% of the employees indicated that they would need information to assist them in the making of various decisions.

One point which emerges from the study, is that employees will rely on the information provided in making decisions about their employment. This increases the responsibility resting on the shoulders of the preparers of the accounts, who would need to stay within the confines of the conceptual framework, in order to produce decision useful information. In effect, the preparers of the employee report thus carry the same responsibility as the preparers of the annual report to shareholders. The only difference between the two is the user group, and in the light of the differing cognitive abilities of the two user groups, the major difference between the two reports should thus become the manner in which the information is presented. The content, and the extent of the disclosure, should in both cases be guided by the needs and demands of the users.

The research framework then went on to determine those decisions for which the employees required information. Again, the results were by and large consistent with the predictions made from past studies, with job security and benefit related decisions emerging as the key decision areas.

5.1.4. The information set demanded

Although the information demanded was in many respects similar to the predicted information set and to the results of prior research, a number of unexpected differences emerged.

The emphasis placed by employees on the aims of the company and its involvement in social affairs, appears to be a result unique to this study. As is discussed in chapter 4, this may be a result of the political and economic conditions in South Africa. This is further supported by the importance attached to information relating to bursaries and education, which it was argued, would be seen as a means of upliftment by the employees.

The relatively high ranking given to current and future benefits was an expected result, and is consistent with the decisions identified, where employees regarded job security and benefits as their most important concerns.

As far as balance sheet and health and safety information are concerned, the employees' information set was in line with that identified in prior research (refer Table 2.3). Both Mitchell *et al* (1981) and Smith and Firth (1986) noted the fact that information pertaining to financial position or liquidity enjoyed very little support amongst employees. While one might expect employees to show interest in such information, since the financial well being and stability of the employer must give the employee some indication of the security of his job, it is clear from both the results of the prior research and this study, that employees tend to look more towards the employer's financial performance as a measure of job security and the employer's ability to pay. The choice of profits and dividends as two of the more important information items is thus consistent with this argument.

An interesting result to emerge from this study is the relative lack of interest shown in future oriented information. Prior studies had identified this as a vital disclosure - Hussey's 1979 study (in Macintosh, 1987) found that this was the most frequently requested disclosure, while in Smith and Firth's study (1986), both employees and employers considered it to be the most important disclosure. In this study however, future oriented information such as forecast profits or sales attracted little support amongst the employee body as a whole.

The situation changed however, once the results were analysed in terms of factors such as job level. Management staff tended to place increased emphasis on this future information, which it was felt, reflected their increased responsibility for future results as well as the increased understanding and ability to use the information. That such forecasts, if based on sound facts and principles, can be a vital input to decisions on job security and benefits, cannot be disputed. The results however show that the average employee in this

sample was not in a position to make full use of this information, and consequently expressed little interest. This should not be seen as a reason for excluding the information from employee reports. Preparers of reports may need to accept the added responsibility of educating or training the employees in the interpretation and use of financial information. While this may fall outside the scope of a reporting process, it is clear that effective communication demands that the party receiving the information must be in a position to understand it, and thus places a responsibility on the person communicating the information to do so in a manner which the employee is able to comprehend.

Another unusual result noted was the importance attached to the disclosure of the effect of inflation. As was discussed earlier, this may be a reflection of the high rate of inflation which has prevailed in South Africa over the last ten to twenty years. Employees are aware of the impact of rising prices on their standard of living and since their primary concerns are job security and benefits, one could expect them to show an interest in the effect of inflation on these areas.

5.1.5 Factors influencing the demand for information

Five factors - job level, age, gender, education and experience - were identified as possible influences on the employees' decisions or choices.

The main factors exerting an influence were found to be job level, age and education. While differences were noted between male and female responses, it was felt that these could be attributed to the fact that men tended to hold more senior positions, and that the differences were thus due to differing job levels. Similarly, experience also influenced the replies, but again it was felt that the trends noted here could be ascribed to the underlying factors of job level, age and education.

As far as job level, age and education are concerned, it would appear that the two key elements explaining the differing responses here, were the increased responsibility for the performance of the business unit which comes with a more senior job, and the higher level of education present amongst the more senior employees.

It is clear that as the employees' ability to understand the information increases, the preferred information set moves closer to the predicted one. The more senior, educated employees showed greater interest in forward looking and divisional results, and their choices reflected the responsibility which they carried for the results of their unit. As will be discussed below, the changes in the responses which occur as the employees become more educated, have several implications for the preparers of the employee reports.

5.2 Other issues arising

Apart from addressing the direct objectives of this case study, the results also highlighted a number of issues which merit some discussion, and in certain cases, may present areas for future research.

5.2.1 Users' understanding of the information

The results of this study confirmed the findings of Mitchell *et al* (1980) and Hussey (1981c), with the understanding of the accounting information and its uses clearly emerging as key areas in the concept of employee reporting.

The better educated and more senior staff tended to choose information sets which were closer to the predicted, "classical" selections. The predicted information sets were to an extent based on the assumption that employees would make their decisions according to certain models which would require them to determine measures of risk and reward. From the evidence in this study, read together with the findings of Hussey (1981c) and Mitchell *et al* (1980), it is clear that it is rather unrealistic to attribute such a level of sophistication to employees in their use of accounting information. In most cases, employees would simply take information at face value, thus measuring rewards in terms of current benefit levels and current profits, rather than in terms of some formula or model.

The results thus point to what would appear to be a three way contrast emerging, between what could be considered the theoretically correct information set, that which is actually demanded and that which the employees will actually be able to use.

This potentially represents a major stumbling block to an effective employee reporting programme, as employers who simply disclose the predicted, theoretically correct information, run the risk of not meeting employees' expectations and thus derailing communications at the outset. The point which needs to be made, is that the information requested by employees in this survey should form the basis of the disclosure process and effectively represents the minimum level of disclosure. Failure to communicate the requested information would undermine employees' confidence in the process. There is however, nothing to prevent the preparers of the reports from including potentially useful information, such as future profitability. In time, employees' understanding of the concepts should improve and this information would presumably slowly enter into their information set.

It is thus clear that the employee report, while addressing the demands of the employees as a first priority, should also aim to educate the employees as to the significance

of the information disclosed. This information should be disclosed in a manner which illustrates the information's usefulness to the employee, and could be backed up by explanations and definitions. Any employee looking at a set of accounts should be able to know exactly how the various captions have been prepared and what the results represent, and should furthermore be able to compare these accounts with the accounts of the same or other companies, without having to make any adjustments to make the accounts comparable. Any need to make adjustments to accounts in order to achieve comparability, may be seen by employees as evidence of management having manipulated results, and would thus immediately undermine the communications process.

Assuming that the communication is an interactive and on-going process, the preparers of the report should soon be in a position to establish whether the employees are using or are able to use that information. As was stressed earlier, this should be approached with some caution, as there exists a very real danger of being condescending or patronising. However, in time, it is not inconceivable that the majority of employees in an organisation can come to appreciate the significance of the various items disclosed, and this will greatly simplify the process of communication.

5.2.2 Format of the report

Closely linked to the employees' ability to understand the information presented to them, is the format in which the information is presented. In preparing this study, it was assumed that the employee report would at the very least form the basis of the communications between employer and employee.

Prior research has however shown that this need not necessarily be the case. Friedman's study (in Gourlay, 1984) suggested that employees preferred to receive the information from their immediate supervisor or in small group meetings, while Mitchell, Sams and White (1981b) found that employees ranked meetings with senior and middle management ahead of special reports.

While neither study can claim to provide conclusive evidence on this issue, it is important to note that in both cases, emphasis was placed on personal contact with the providers of information, presumably because this would allow the employees to ask questions and to clear up any confusion immediately. Given the exceptionally strong interest in information shown by the employees, together with the impact which the employees' ability to understand and use the information (seen in the change in results by job level and education) had on the items selected, it is clear that the choice of medium can be critical to the entire communications process. Further research may well be necessary to determine the

most effective means of communication, as alternatives to written reports, such as videos, audio tapes or presentations by senior officials may well prove to be more effective.

At the same time, it is important that the format chosen should not oversimplify the information, as that would lead to the reporting process losing credibility. Effectively, the challenge facing the presenters of information, is to report in a manner which is easy to understand, credible and reaches all employees.

An idiosyncrasy of the South African situation, is that the problems associated with the understanding of the information are increased by the low literacy levels and the issue of language. This point was clearly illustrated in Carson's study (1988), where the employees (all employed on the mines) struggled to read and understand questions posed to them, simply because they had difficulty in understanding English.

Clearly, any communication to employees, whether it be written or verbal, needs to consider which language would be the most effective. The standard practice of producing reports to shareholders in either English or Afrikaans, cannot be applied here and an added responsibility rests on the shoulders of the preparers of the reports, to determine the predominant language of their employee group, and to adapt the report accordingly. It is essential that the any problems employees experience in interpreting the numerate side of the report should not be compounded by difficulties in understanding the language as well.

5.2.3 Advantages and disadvantages

As was noted earlier, none of the claimed advantages of the employee report have been proven empirically, and while none of the claimed advantages are proved by the results of this study, there is a suggestion that at least some of these benefits can become reality, if the reporting process is one which the employees trust and accept, and, perhaps more importantly, is one which addresses the employees' explicit needs in a manner which the average employee can understand.

The idea that providing information to employees would promote or strengthen the corporate identity gained some support in this study. The corporate identity motive for wanting information ranked second behind decision making, with 69% of the sample indicating that this was a reason for their interest in information. The implication is fairly significant, as it would suggest that where the communications process becomes a reliable and mutually acceptable one, there may be benefits to both employee and employer in terms of a stronger team spirit and hence, greater motivation in the workplace.

Another claimed advantage was that employee hostility towards management and shareholders would be reduced. While there was no evidence in this study that this would be the case, it is clear that the lack of understanding of certain of the key information items could prove a barrier to employees understanding the true position in which a business or even an industry finds itself at a particular point in time. If a structured and acceptable method of communicating to employees is put in place, it may well result in the employees having a better understanding of the situation, and thus serve to dispel or counter rumours or inaccurate conclusions.

As far as the disadvantages are concerned, little can be read into the results. What can be said however, was that emerging from discussions with employees and union representatives, it would seem that the claim that unions would oppose such communication with employees is unfounded. Although it must be stressed that this viewpoint is based on isolated discussions with individuals rather than on specific research into union attitudes, the impression gained during the course of the interviews, was that the unions would have little objection to an employee report, if that report was a genuine attempt on the part of management to communicate openly and honestly. The point which once again emerges then, is that the report must address the specific information needs of the employees, and must under no circumstances be seen as an attempt to influence worker opinion.

5.2.4 Share ownership

One area not specifically considered in this survey was the impact which share ownership had on the employees' preferences. It was noted that employees who were more experienced in terms of years of service, showed greater interest in dividends and profitability. As was noted earlier, this could well be the result of these employees owning shares through the share scheme. It may thus be possible that the employees' outlook and information preferences change once they assume the dual role of employee and shareholder, and this definitely presents itself as an area warranting future research.

5.2.5 Extending the study

Another obvious direction in which to extend the research, would be to consider other industries and other areas. This study focused on one company in a certain industry in the Western Cape and it would seem reasonable to assume that responses may vary if other industries or regions are considered.

Factors such as education levels which affected the results above, would vary considerably between industries and one could thus expect the answers to vary accordingly. Similarly, industries exposed to different levels of industrial conflict could produce different results, while responses could vary simply due to the nature of the industry. In this survey, where the focus fell on a retail operation, there was little concern or interest in the level of mechanisation and expansion of capital goods, as these were clearly not perceived as threats to the employees' jobs. The situation may well be very different in a manufacturing concern.

It is equally possible that industries or areas which are politically more unstable, or experience greater economic uncertainty, such as the mining industry, may produce yet another set of responses as there may be greater hostility towards management or the concerns of the employees may be different.

5.3 Concluding remarks

One factor which emerges from this study, is that the question of employee reporting remains ill defined and uncertain. While a need and a demand for communicating to employees would appear to exist, the usefulness and success of such a venture still needs to be established. Often, the potential benefits of an effective reporting process can be obscured by the problems of understanding and using the information.

What this study did highlight, is the need for research into the reporting process to be ongoing. The employee report and the communications process need to be revised on a continual basis to take into account the expected improvement in the employees' ability to understand and use the information, as well as changes in the composition and outlook of the employee group. Political, social and economic events could all influence the employees' perceptions and affect their demand for information, and in order to preserve the credibility of the reporting process, this too will need to adapt to these changes.

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Information Item	Manual		Supervisor		Manager	
	%	Rank	%	Rank	%	Rank
Sales	39	28=	56	17=	57	25=
Profits	61	3	80	1	86	2
Who receives the wealth created	37	31=	44	28=	54	32
How has inflation affected the company	54	5=	68	5=	71	9=
Dividends paid to shareholders	53	7	59	15=	71	9=
How has each division / store performed	41	22	63	9=	71	9=
What does the company own (assets)	40	25	41	30=	57	25=
What does the company owe (liabilities)	27	38	39	32=	46	34=
Results for the last 5 years	37	31=	39	32=	57	25=
Estimated sales for next year	36	34	54	19=	79	4=
Estimated profits for next year	41	23	61	13=	89	1
New products	39	28=	54	19=	61	20=
New stores	47	14	61	13=	82	3
How much will be spent on new assets	42	20	63	9=	64	17=
Will more machines be used	40	24	54	19=	61	20=
Message from the chairman or directors	44	18=	63	9=	75	6=
What are the company's aims	70	1	76	3	79	4=
Who runs / manages the company	37	33	39	32=	57	25=
Who owns the company	33	35	39	32=	46	34=
How does the company hire new employees	39	30	41	28=	50	33
How many employees left the company	26	39	34	37=	36	38=
How many new employees joined the company	29	37	34	37=	43	37
How many employees were promoted	49	11	68	5=	61	20=
How many employees received training	44	18=	51	25=	57	25=
Details of training schemes	46	17	71	4	68	14=
Details of minimum wages	46	16	37	35	57	25=
Staff benefits available to employees	62	2	78	2	64	17=
Bonus schemes available to employees	51	9	54	19=	75	6=
Details of retirement benefits or pensions	49	10	66	7=	71	9=
Health benefits offered to employees	54	5=	63	9=	68	14=
How employees can get shares in the company	49	12	54	19=	61	20=
Details of this year's wage negotiations	39	25=	56	17=	57	25=
Information about the unions	29	36	32	39	46	34=
Details of any accidents which occurred	42	21	44	29=	36	38=
General staff news	47	15	51	25=	64	17=
Details of donations made by the company	47	13	59	15=	61	20=
Details of bursaries given by the company	57	4	66	7=	71	9=
Community projects paid by the company	39	26=	49	27	68	14=
Details of customer complaints	52	8	54	19=	75	6=

Appendix A : Demand for information by job level

Information Item	Under 35 years		35 to 50 years		Over 50 years	
	%	Rank	%	Rank	%	Rank
Sales	45	24	33	33=	53	19=
Profits	66	2	61	3=	73	2=
Who receives the wealth created	41	30=	37	29	53	19=
How has inflation affected the company	60	5	59	5=	53	19=
Dividends paid to shareholders	55	9	61	3=	80	1
How has each division / store performed	47	22	42	22	40	35=
What does the company own (assets)	43	27=	39	24=	40	35=
What does the company owe (liabilities)	33	36	25	38	33	37=
Results for the last 5 years	38	33	38	26=	53	19=
Estimated sales for next year	43	27=	38	26=	47	29=
Estimated profits for next year	51	15=	43	19=	33	37=
New products	43	29	43	19=	47	29=
New stores	55	7=	47	14=	67	5=
How much will be spent on new assets	49	19	43	19=	47	29=
Will more machines be used	47	21	33	33=	53	19=
Message from the chairman or directors	48	20	53	10=	60	13=
What are the company's aims	76	1	64	2	60	13=
Who runs / manages the company	39	32	36	30	67	5=
Who owns the company	34	35	34	31=	67	5=
How does the company hire new employees	37	34	46	18	67	5=
How many employees left the company	26	39	25	37	60	13=
How many new employees joined the company	27	38	34	31=	60	13=
How many employees were promoted	53	12	50	11=	60	13=
How many employees received training	44	26	47	14=	67	5=
Details of training schemes	55	7=	47	14=	53	19=
Details of minimum wages	50	17=	32	35	60	13=
Staff benefits available to employees	63	3	72	1	73	2=
Bonus schemes available to employees	54	11	53	10=	66	5=
Details of retirement benefits or pensions	53	13	59	5=	66	5=
Health benefits offered to employees	57	6	58	7=	53	19=
How employees can get shares in the company	51	14	47	14=	73	2=
Details of this year's wage negotiations	45	25	39	24=	53	19=
Information about the unions	31	37	26	36	47	29=
Details of any accidents which occurred	41	30=	38	26=	47	29=
General staff news	50	7=	50	11=	53	19=
Details of donations made by the company	51	15=	50	11=	53	19=
Details of bursaries given by the company	61	4	58	7=	66	5=
Community projects paid by the company	46	23	41	23	33	37=
Details of customer complaints	54	10	55	9	47	29=

Appendix B : Demand for information by age

Information Item	Male		Female	
	%	Rank	%	Rank
Sales	46	24=	41	29
Profits	69	2	64	3
Who receives the wealth created	38	33=	42	25=
How has inflation affected the company	56	8	61	4
Dividends paid to shareholders	54	11=	59	7
How has each division / store performed	54	11=	40	30
What does the company own (assets)	44	29=	41	27=
What does the company owe (liabilities)	34	38=	29	36
Results for the last 5 years	46	24=	33	35
Estimated sales for next year	50	22	37	32=
Estimated profits for next year	55	10	44	21
New products	44	29=	42	25=
New stores	59	5=	50	13
How much will be spent on new assets	51	18=	45	19=
Will more machines be used	52	15=	39	31
Message from the chairman or directors	52	15=	48	17
What are the company's aims	72	1	72	1
Who runs / manages the company	42	31	37	32=
Who owns the company	36	36=	35	34
How does the company hire new employees	38	33	43	24
How many employees left the company	36	36=	22	39
How many new employees joined the company	34	38=	28	37
How many employees were promoted	54	13=	53	9=
How many employees received training	46	24=	46	18
Details of training schemes	59	7	50	14=
Details of minimum wages	49	23	45	19=
Staff benefits available to employees	61	3	69	2
Bonus schemes available to employees	56	8=	53	9=
Details of retirement benefits or pensions	59	5=	52	11
Health benefits offered to employees	51	18=	60	5=
How employees can get shares in the company	54	13=	50	14=
Details of this year's wage negotiations	45	28	43	22=
Information about the unions	38	33=	26	38
Details of any accidents which occurred	39	32	41	27=
General staff news	51	20=	50	14=
Details of donations made by the company	51	20=	51	12
Details of bursaries given by the company	61	4	60	5=
Community projects paid by the company	46	24=	43	22=
Details of customer complaints	52	15=	55	8

Appendix C : Demand for information by gender

Information Item	< Std 8		Std 9 to 10	
	%	Rank	%	Rank
Sales	38	31	52	21=
Profits	61	3	74	2
Who receives the wealth created	39	29=	42	32=
How has inflation affected the company	54	7	72	3=
Dividends paid to shareholders	56	4	58	10=
How has each division / store performed	42	21=	53	18=
What does the company own (assets)	40	25=	46	28=
What does the company owe (liabilities)	26	39	42	32=
Results for the last 5 years	36	32=	43	31
Estimated sales for next year	36	32=	56	15=
Estimated profits for next year	42	23=	64	7
New products	39	29=	53	18=
New stores	52	10=	58	10=
How much will be spent on new assets	47	16=	48	26
Will more machines be used	42	23=	51	24
Message from the chairman or directors	46	18	56	15=
What are the company's aims	68	1	83	1
Who runs / manages the company	36	34	45	30
Who owns the company	35	35	33	37
How does the company hire new employees	40	26=	40	34=
How many employees left the company	26	38	28	39
How many new employees joined the company	29	36	31	38
How many employees were promoted	50	12	60	9
How many employees received training	43	20	49	25
Details of training schemes	47	16=	68	6
Details of minimum wages	45	19	47	27
Staff benefits available to employees	63	2	71	5
Bonus schemes available to employees	53	8=	55	17
Details of retirement benefits or pensions	53	8=	58	10=
Health benefits offered to employees	55	6	61	8
How employees can get shares in the company	48	15	58	10=
Details of this year's wage negotiations	42	21=	46	28=
Information about the unions	28	37	35	36
Details of any accidents which occurred	40	26=	40	34=
General staff news	49	14	52	21=
Details of donations made by the company	49	13	53	18=
Details of bursaries given by the company	55	5	72	3=
Community projects paid by the company	41	25	52	21=
Details of customer complaints	52	10=	58	10=

Appendix D : Demand for information by education level

Information Item	0 to 4 years		5 to 9 years		10 or more years	
	%	Rank	%	Rank	%	Rank
Sales	49	20=	42	32	37	25=
Profits	66	3	61	4=	70	2
Who receives the wealth created	41	33=	43	27=	35	28=
How has inflation affected the company	61	4=	61	4=	54	8
Dividends paid to shareholders	48	22=	59	6	67	4
How has each division / store performed	51	14	45	23=	38	22=
What does the company own (assets)	45	26	45	26	35	28=
What does the company owe (liabilities)	29	39	39	35	20	38
Results for the last 5 years	42	32	40	33	31	34=
Estimated sales for next year	48	22=	42	30=	35	28=
Estimated profits for next year	50	15=	47	22	48	13=
New products	45	27=	43	27=	40	21
New stores	55	10=	57	9	48	13=
How much will be spent on new assets	49	20=	52	13	38	22=
Will more machines be used	46	25=	49	18=	35	28=
Message from the chairman or directors	50	18=	50	16=	49	11=
What are the company's aims	76	1	71	1	71	1
Who runs / manages the company	44	29=	40	34	32	33
Who owns the company	34	36	38	36	33	32
How does the company hire new employees	41	33=	42	30=	37	25=
How many employees left the company	31	38	29	39	19	39
How many new employees joined the company	33	37	30	38	27	36
How many employees were promoted	54	12	54	11=	50	10
How many employees received training	44	29=	49	18=	44	18
Details of training schemes	60	6	51	14=	48	13=
Details of minimum wages	50	15=	47	20=	38	22=
Staff benefits available to employees	67	2	63	2	68	3
Bonus schemes available to employees	53	13	58	7	49	11=
Details of retirement benefits or pensions	50	18=	54	11=	64	5
Health benefits offered to employees	57	8=	58	8	55	7
How employees can get shares in the company	57	8=	51	14=	43	19=
Details of this year's wage negotiations	47	24	45	23=	37	25=
Information about the unions	36	35	32	37	21	38
Details of any accidents which occurred	44	29=	43	27=	31	34=
General staff news	55	10=	47	20=	48	13=
Details of donations made by the company	50	15=	50	16=	52	9
Details of bursaries given by the company	61	4=	63	3	56	6
Community projects paid by the company	45	27=	45	23=	43	19=
Details of customer complaints	58	7	55	10	46	17

Appendix E : Demand for information by experience

Appendix F : Questionnaire

Section 1 : General Information

1. How old are you ? years
2. How many years have you been working for the company ? years
3. What job do you have at the moment ?
4. Please tick the box representing your highest educational level.

Standard 8 or below	<input type="checkbox"/>
Standard 9 or 10	<input type="checkbox"/>
Technicon	<input type="checkbox"/>
University degree	<input type="checkbox"/>

5. Are you married ?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

6. How many children do you have ?
7. Do you provide most of the income in your family ?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

8. Please state your sex :

Male	<input type="checkbox"/>
Female	<input type="checkbox"/>

Section 2 :

9. Many companies prepare a report to employees. This report contains information about the company, its operating results, its prospects and its people. Would you like to receive such information about your company ?

Yes	<input type="checkbox"/>	Please answer Section 3 only
No	<input type="checkbox"/>	Please answer Section 4 only

Section 3 :

10. Why would you like information about your company ? (Please tick the boxes which describe your feelings.)

It makes me feel part of the company	<input type="checkbox"/>
To make decisions about my employment	<input type="checkbox"/>
To learn about the company and what it does	<input type="checkbox"/>
It shows that the company cares about its employees	<input type="checkbox"/>
Any other reason (please write this in the space below)	<input type="checkbox"/>

.....
.....
.....

11. Do not answer this question if you do not use the information to help you make decisions.

Please tick the boxes which describe the way in which this information will help you to make decisions.

I would use information to help me make decisions about ...

a transfer to another branch / store	<input type="checkbox"/>
accepting or rejecting promotion	<input type="checkbox"/>
taking a job at another company	<input type="checkbox"/>
deciding to work harder	<input type="checkbox"/>
wages and other benefits	<input type="checkbox"/>
retirement benefits and pensions	<input type="checkbox"/>
the safety of my job	<input type="checkbox"/>
joining a union	<input type="checkbox"/>
any other reason (please fill these in below)	<input type="checkbox"/>

.....
.....
.....

12. Below is a list of items of information. Please tick all items of information which you would like to know about. Please add to the list if there are other items which would interest you.

Financial Performance and Position

Sales	
Profits (how much the company earned)	
Who receives the wealth created	
How has inflation affected the company	
Dividends paid to shareholders	
How has each division/store performed	
What does the company own (assets)	
What does the company owe (liabilities)	
Results for the last 5 years	

Financial Outlook

Estimated sales for next year	
Estimated profits for next year	
New products	
New stores	
How much will be spent on new assets	
Will more machines be used	

Corporate Outlook

Message from the chairman / directors	
What are the company's aims	
Who runs / manages the company	
Who owns the company	

Staff Information

How does the company hire new employees	
How many employees left the company	
How many new employees joined the company	
How many employees were promoted	
How many employees received training	
Details of training schemes available to employees	
Details of minimum wages	
Staff benefits available to employees	
Bonus schemes available to employees	
Details of retirement benefits and pensions	
Health benefits offered to employees	
How employees can get shares in the company	
Details of this year's wage negotiations	
Information about the various unions	
Details of any accidents which occurred	
General staff news	

Social Performance

Details of donations made by the company	
Details of bursaries given by the company	
Community projects paid by the company	
Details of customer complaints	

Other Information

Please make a note of anything else you would like to know.

- i)
- ii)
- iii)
- iv)
- v)

Thank you for your help. Section 4 should only be answered by those people who were not interested in receiving information about the company.

Section 4 :

Do not answer this section if you answered Section 3.

13. Which of the following best describes your experience of a report to employees ?
(Please tick)

I have never seen such a report	<input type="checkbox"/>
I have seen such a report, but do not understand why it is given to employees.	<input type="checkbox"/>
I have seen such a report, and understand why it is given to employees.	<input type="checkbox"/>

14. Answer this question only if you have seen such a report before.

Please tick the boxes which describe your feelings.

I do not want a report to employees because :-

the report does not give me the information that I want	<input type="checkbox"/>
the report is management propaganda	<input type="checkbox"/>
the report is difficult to understand	<input type="checkbox"/>
any other reasons (please fill in below)	<input type="checkbox"/>

.....

Thank you for your time and assistance. It is much appreciated.

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