

**CORPORATE EQUAL OPPORTUNITIES DISCLOSURE
IN MALAYSIA: AN EXPLORATORY STUDY**

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of Master of Business Administration**

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ABSTRAK

Malaysia sedang menuju ke arah tanggung jawab sosial perusahaan (CSR) ke tahap yang lebih tinggi dimana kerajaan Malaysia telah menetapkan banyak peraturan dan insentif untuk menggalakkan syarikat-syarikat mengambil bahagian dalam CSR aktiviti. Bursa Malaysai telah megemukakan peraturan baru bagi semua syarikat awam melaporkan tanggung jawab sosial aktiviti dan program. Tempat kerja merupakan salah satu bahagian CSR rangka kerja. CSR konsep menggalakkan pelaksanaan kesamaan peluang di tempat kerja. Kesamaan peluang bukan sahaja menuntukan hak keadilan tetapi adalah national ekonomi objectif dan menggunakan tenaga buruh sepenuhnya. Pelaksanaan kesamaan di tempat kerja mencegah kebaziran tenaga mahir akibat ketidaksamaan kelayakan. Keadilan dan peluang perkerjaan adalah penting untuk mengoptimum produktiviti dan kelebihan yang berdaya saing. Oleh yang demikian, dengan menggunakan 101 buah syarikat yang disenarai di Papan Utama and Papan kedua Bursa Malaysia pada tahun 2006 sebagai sampel, kajian ini dijalankan dengan tujuan untuk meneroka laporan korporat kesamaan peluang and juga hubungan antara ciri-ciri khusus firma dengan bilangan laporan berkenaan korporat kesamaan peluang. Keputusan kajian ini telah menunjukkan bukti bahawa saiz firma dan keuntungan adalah berkadar positif dengan bilangan laporan kesamaan peluang. Selain daripada itu, kajian ini turut mendapati bahawa jenis industri menentukan bilangan laporan kesamaan peluang. Walau bagaimana pun, umur korporat, visi and misi, Pengarah Utusan akademik kelayakan dan pengalaman perkerjaan didapati tidak berkadar dengan bilangan laporan kesamaan peluang.

ABSTRACT

Malaysia is now moving to the next level of Corporate Social Responsibility (CSR) era where government placing many new rules and incentive to encourage companies to get active in CSR. In addition, Bursa Malaysia introduced new requirement for all public listed companies to report on their corporate responsibility and programs. One of the CSR frameworks is workplace. Workplace area relate to basic human right, a quality work environment and health and safety. The CSR concept promotes equal opportunities (EO) in workplace. EO is concerned with the achievement of fair treatment of group facing discrimination in the work place due to race, gender, age, disability, etc. EO is not about securing equal rights but is a matter central to national economic objectives and the need to make the most of all human resources. Such practice will prevent waste of talent arising from unfavorable treatment. EO and diversity are more of a business issue today. Fairness and opportunity are important in optimizing productivity and competitive advantages. Thus, using a sample of 101 companies from the Main Board and Second Board of Bursa Malaysia in 2006, this study attempts to explore the corporate equal opportunity disclosure and firm characteristics that contribute to the amount of EO disclosures. The results of this study evidenced that firm size and profitability are positively associated with the amount of EO disclosure. In addition, findings from the study showed industry type determines the amount of EO disclosure in certain degree. However, corporate age, internal goals, MD education qualification and working experiences are found not related to the amount of EO disclosure.

Chapter 1

INTRODUCTION

1.1 Introduction

Malaysia now moving to the next level of Corporate Social Responsibility (CSR) era where government had now seriously putting many new rules and incentives to encourage companies to get active in CSR. This is evident in the recent budget proposal of 2008 which had been commented by the industries as the Social Responsible Budget. There are many tax incentives were announced with the objectives to attract local companies to practice CSR (MIT, MIA and MICPA, 2008). In addition to the tax incentives, the government had also made mandatory for the public listed companies to disclose the racial composition of their workforce. As such the objective of the disclosure is made known to the public of the racial composition in the companies. However, the government had not made any indication to punish those whose workforces do not include all races. Such effort is align with the concept of CSR and this effort is expected to force companies to rethink about their human resources structure.

The concept of CSR promotes equal opportunities which include not only the racial composition but also involves combating discrimination due to gender, disability, age, class, religion, and sexual orientation, previous offending and etc (Adams, Coutts and Harte, 1995). In Malaysia, all this issues had been addressed by the government and they are fall under the jurisdiction of few ministries to be taken care off. Current development in Malaysia which encourages companies to practice equal opportunities in their work place had created an interesting avenue for these issues to be research.

1.2 Background of the study

Malaysia attempts to legislate for good corporate behavior by introducing new rules to make both domestic and international firms behave more responsibly. Malaysia is moving towards stricter rules forcing companies to be more responsible when the Malaysian stock exchange introduced new requirements for all listed

companies to report on their corporate responsibility policies and programs. Then the Silver Book – a comprehensive social responsibility manual for “government linked companies” – been introduced. And a draft corporate responsibility framework for private companies is on the way. In year 2007, Malaysia became the first country in South-East Asia to have its own socially responsible investment index, created by a local corporate responsibility advisory firm, OWW Consulting. OWW Consulting is working to establish a CSR Responsible Business Tool for Malaysian companies. The new reporting tool, called Responsibility TM will enable firms to measure their performance against a set of comparable standards based on other international indices, which have been customized to reflect the values and perception of stakeholders in Malaysia. The new reporting tool includes demands by stakeholders for greater disclosure and accountability; the growing importance of intangible assets; the need to attract and retain talented employees; supply chain pressures. Besides that, our Prime Minister, Abdullah Badawi said in his budget 2008 speech that companies which practice corporate social responsibility are likely to attract investors, particularly large domestic and international investors.

To ensure a safe and conducive working environment for disable workers, our Inland Revenue Board (IRB) has proposed that the expenditure incurred on the alteration or renovation of the premises is allowed as a deduction for income tax purposes under section 34(6)(e) of the Income Tax Act 1967. Such proposal is to encourage the private sector to hire more disabled workers in support of the Government’s efforts to assist the disabled. Besides that, remuneration paid to an employee who is physically or mentally disabled and is not able to perform the work of a normal person is qualified for double deduction provided that such remuneration must be allowable under Sec 33 of the Income Tax Act 1967. But in Malaysia, there no statutory requirement or legislation on disclosure policy in respect to disabled employees.

Equal opportunities (EO) are a matter central to national economic objectives and the need to make the most of all human resources (EOC, 1988). Employments are now regulated to protect workers from discrimination. Many large firms have broadened their efforts beyond legal compliance to promotion of diversity. In 1998, three out of four Fortune 500 corporations had one or more programs to manage

diversity. Diversify management refers to a range of programs that increase worker diversity regardless of race, ethnicity, gender, age, religion, or disability. Non-discrimination has moved from a social responsibility, to a legal duty, to a business imperative.

Adams et al. (1995) study firm's reporting of equal opportunities in Britain and found that the level of reporting of both voluntary and mandatory equal opportunities information was very low. The study is to examine corporate accountability for equal opportunities disclosure. Equal opportunities are concerned with the achievement of fair treatment of group facing discrimination in workplace. Discrimination may be due to race, gender, disability, age, class, religion, etc. Evidence suggests that women are paid less than men. In one study of all men and women holding degrees in 130 major fields, women were paid equally with or more than men in only eleven fields employing just two percent of the women. In all the remaining fields, women averaged only seventy three percent of men's pay (Hecker, 1998). There is a quite a substantial pay gap between men and women. A study by the International Labor Organization showed that women were paid less than men for comparable work in every nation (ILO, press release, 1995).

In Britain, Maunders (1984) review the proposal that firms should report on equal opportunities on employment reporting. Maunders refers to the Labour Party's proposals contained in *The Community and the Company* (Labour Party, 1974), which proposed disclosure of the number of UK registered disabled persons employed with that figure expressed, and details of overseas employment practices. The 1977 Green Paper, *The Future of Company Reports* included a proposal to disclose the number of disabled person employed and a short statement on company policy. Only the later enacted in the legislation. A proposal by the Confederation of British Industry, CBI (1975) included the suggestion that firms disclose numbers employed according to sex, grade, occupation, departments, etc. The Corporate Report (Boothman Committee, 1975) suggested additional disclosure, in an employment statement, on race relations and employment of disabled people, including the number of formal complaints lodged with the Race Relations Board and the number found to be justified.

Three theories to examine the possible reasons for social disclosure are User Utility Perspective; legitimacy theory; and political economy (Guthrie and Parker, 1989a, b, 1990). User Utility Perspective assumes corporate social disclosure is an attempt to portray 'social reality' in a manner which will be useful to decision makers. Legitimacy theory draws on a social contract relationship between firm and society or stakeholders. While political economy theory sees Corporate Annual Reports (CARs) as tool for constructing, sustaining and legitimizing political and economic arrangements, institutions and ideological themes which contribute to corporations' private interests. Adams et al. (1995) findings suggest that the reason for non-disclosure can be found in the poor equal opportunities performance for firms and this can be explained by political economy theory. The firms that have poor equal opportunity may not complying with the legislation or voluntary disclosure as if they do so would open them to challenge which can be prejudice to firm performance.

A good "ethical" report should be transparent and should cover all negative as well as positive aspects of all material impacts. The most serious problem with current reporting is its lack of completeness. To move toward completeness, the key stakeholders must be consulted. As such processes and governance structures should also be covered in the report. Prior work done by Adams et al. (1995), in which a sample of companies have failed to be accountable with respect to equal opportunities disclosure.

The main objective of this study is to explore the current status of corporate reporting on EO in employment. Such effort will provide a deep picture of the current firm practices. This study will then continue to investigate what are the firm characteristics, external and internal factors that influence EO disclosure.

1.3 Problem Statement

Previous study on the corporate social disclosure (CSD) mainly focuses on the four main aspects namely environment, social, employee and consumer (Amran, 2006). There are many studies been conducted in the local context in examining the four aspects of corporate social disclosure but none had focused on the equal opportunities disclosure. Adams et al. (1995) reveals little detailed reporting on

voluntary societal disclosure and only minority of firms in the sample comply with legislation. Belal and Cooper (2007) concentrates on the lack of disclosure of three particular eco-justice issues: child labor, equal opportunities, and poverty alleviation. Belal et al. (2007) explored the underlying motives for absence of CSR in general and some eco-justice issues which including equal opportunities. Their study found the main reasons for non-disclosure include the link of legal requirements, lack of knowledge or awareness, poor performance and fear of bad publicity by undertaking 23 semi-structured interviews with senior corporate managers in Bangladesh. Adam (2002) conducted interviews with seven large multinational companies in the chemical and pharmaceutical sectors of the UK and Germany in order to identify any internal contextual factors (including identity of company chair and existence of social reporting committee) affecting the nature and extent of reporting. Nik Nazli et al. (2003) focus on corporate social responsibility disclosures made by 98 listed companies, across industries by examining the incidence of CSR disclosures in annual reports. Teoh and Thong (1984) conducted personal interview with mainly CEO in 100 companies operating in Malaysia to examine the various aspects of social reporting. Teoh and Thong (1984) found that social reporting lags behind corporate social involvement and major focused on activities relating to employees.

The purpose of this study is based on study of Adam (1995, 2002), Belal et al. (2007), Nik Nazli et al. (2003), Teoh and Thong (1984), etc to examine the presence or absence of EO disclosure in individual organizational settings and the characteristics of the company that influence the amount of EO disclosure by using content analysis. Since EO disclosure is a small part of corporate social responsibility reporting, thus the same independent variables used to examine CSR are used to examine EO disclosure. Besides, the firm's characteristics that influence the CSR reporting may have differences or similarity in context with firm's characteristics that influence the amount EO disclosure.

According to Chapter 9 on Continuing Disclosure under Bursa's listing requirements announced in year 2006, listed companies are required to provide a description of their CSR activities or practices, also including their subsidiaries. Companies need to provide a statement to the effect if none CSR activities or practices been held. So going forward, companies may need to consider which best

practices should be adopted. The Bursa Malaysia CSR framework look at four main areas for CSR practices. There are environment, workplace, community and the marketplace, in no order of priority. Workplace dimension relate to basic human right, a quality work environment and health and safety. Ideally, companies should consider those four CSR areas when devising their own visions or a CSR statement. But this does not mean that the company must cover these four dimensions. Malaysia was poised to lead the firms to set CSR as an integral part of their business. CSR awareness among local companies had increased over the year, but at different stages. Some companies may have a very basic understanding of CSR. In response to government initiatives and concern with the economic consequences of inequalities, many companies have started not only focus on community and environment, but also looking on their workplace. People are choosing to join companies that have principle close to their own value. Thus, in turn, pushes firm to practice or promote equality of opportunity in employment to attract or retain the best talents. In Malaysia, there is no mandatory for companies to disclose their EO practices in their annual report, so, to what extent they will disclose EO? Besides, EO disclosure often rely on corporate key management's decision whether to report or not. Further to that, have the companies start practicing to disclose equal reporting before the new mandatory is implemented?

EO disclosure is not necessarily the same as EO practices. But if the company does practices or promotes EO in its workplace, the company may either opt to disclose or not to disclose EO to accountable for EO since it is voluntary social disclosure. Whereas if the company does not practice EO in its workplace, the chances for them to disclose EO is very slim.

Further to that, what kind of equal opportunities practices had been make known to the public? Equal opportunities commitment can be referred as continued employment for newly disabled employers, application or recruitment, training, promotion development, monitoring, flexible contracts, child care, etc.

Besides that, what type of companies that had been practiced to disclose equal opportunities in annual report? So far, there is only study by Adams et al. (1995) to examine the corporate reporting on equity opportunities and no study was found in the

Malaysia context. Thus, a study will be made in Malaysia to examine whether any disclosure on equity opportunities information in annual report, then in which area of equity opportunities the firm emphasis, and what are the factors that influence the disclosure.

1.4 Research Questions

This study intends to answer three questions: -

1. Any disclosure made in annual report pertaining to equal opportunities in employment?
2. If yes, what type of equal opportunities the firms are tended to emphasize?
3. What are the characteristics of company engage in such practices?

1.5 Research Objectives

The objective of this research is to serve three main objectives: -

1. To identify whether any disclosure for EO are made in Corporate Annual Report;
2. To investigate what type of equity opportunities that firms in Malaysia are more likely to adopt in order to meet stakeholder needs and expectations;
3. To determine the characteristic of company engage in such practice.

1.6 Significance of Study

1.6.1 Practical Approach

The purpose of this study was to provide some insights whether the companies start practicing to disclose EO in their work place in the annual report and the commitment and motivation to disclose equity opportunities. This study would be significant for managers to think how they can promote EO in their work place and integrate them into their companies' policy and then transform and translate them into reality in order to attract and retain talented employees. Besides, it may provide insights into the differences of amount of EO disclosure that might occur among firm of different size and different profitability.

In this study, an attempt was made to investigate the characteristics of company engage in such practice. Besides, this study is to see whether the companies are accountable for their ethic and social impacts. Accountability leads to better performance, but much of the current reporting practice does not represent a genuine attempt to be accountable. An understanding of the factors which influence disclosure is necessary in order to improve accountability.

1.6.2 Academic Approach

This study will increase the understanding on the current practice of equal opportunities in the work place by focusing on equal opportunity disclosure. This study contributes to the Malaysia literature in the area of EO disclosures where thus so far, no published studies were found to examine the extent of EO disclosure influenced by company characteristics.

1.7 Major variables of study

In this study, total seven hypotheses are to be developed.

1. Dependent Variable

The dependent variable of this is the number of sentences of EO disclosure in the annual report. A set of interrogation list will be developed in order to identify the EO disclosure.

2. Independent Variables

This study will examine the influence of firm characteristics toward the extent of the EO disclosures. In this regards, the firms' characteristics are size, industry, profitability and few corporate governance variables.

1.8 Organization of Remaining Chapters

This study consists of five chapters. Chapter 1 serves as introduction and overview of the study with some background of the study, problem statement, objectives, significance of the study, and organization of chapters. Chapter 2 presents the review of literature that has been undertaken with related to corporate equal opportunities disclosure. The theoretical frameworks and hypothesis development are also discussed in chapter 2. The methodology used in this study, variables measurement development, sampling design, data collection, coding and analysis are explained and covered in chapter 3. Results and findings are presented in chapter 4. Chapter 5 provides a discussion, implication, limitation, suggestion and conclusion of the study.

Chapter 2

LITERATURE REVIEW

2.1 Introduction

Over the decades, Malaysia has undergone tremendous economic and social changes. As a result, the business environment is becoming more complex and demanding, the pressure on firms to engage in corporate social responsibility (CSR) has increased. One of the emerging issues is that of equal opportunities (EO) in employment.

This study will emphasize on corporate reporting of equal opportunities - the subset of corporate social disclosures. Much of the research on CSR disclosures has been done in the developed countries, but developing countries, including Malaysia, are slower in responding to the increased concern about CSR issue. Despite some increase done in Malaysia context, study in EO disclosure has never been done before. The earliest published studies on CSR done in the Malaysian context are the works of Teoh and Thong (1984) and Andrew et al. (1989).

Malaysia has significant legislation on the subject of EO and has existence code of practice with respect to employment. But there appear to have been no detailed study of firms' reporting of EO performance in Malaysia. This study is to examine corporate accountability for EO. Thus, this study will examine EO reporting disclosure of the 101 firms listed on Bursa Malaysia for financial year ended 2006.

2.2 The concept of Corporate Social Responsibility (CSR)

The idea of the corporate social contract has been emerged and which today underlies the CSR concept. The concept of corporate social responsibility is predicated on the notions of transparency and accountability. There is no single authoritative definition of CSR. CSR is defined as the duty of the organization to respect individuals' rights and promote human welfare in its operations (Manakkalathil and Rudolf, 1995). Businesses not only have the economic responsibility to maximize its profit and the legal responsibility to follow the laws that guide their ability to achieve their economic requirements, but they also have ethical

responsibilities that including a range of societal standards (Carroll, 2000a), such as environmental protection, relation with local communities, working conditions and donation to charities. One of the most referred definitions is by World Business Council for Sustainable Development (WBCSD) (1999) that defines CSR as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”. In summary, CSR means that corporations have an obligation to consider the interests of employees, clients, communities, shareholders, and ecological concerns in all aspect of business operations.

2.3 Corporate Social Reporting

Many recent studies of the impact of corporate characteristics on social reporting (Cowen et al., 1987; Gray et al., 1995; Trotman and Bradley, 1981) have inclined to concentrate on environmental reporting. Although most studies have looked at large companies, the samples differed from study to study in term of both size and industrial composition.

The emergence of various NGOs and environmental pressure groups in Malaysia, the public now appears to be more concerned with the adverse impact of businesses on society suggests that stakeholders are concerned with the manner in which businesses are responding to social responsibility concerns. Thus, companies may use the annual report as a means of communication in order to respond this increased public concern about CSR. This can be explained by legitimacy theory.

Presently, there is no literature on EO disclosure in Malaysia. It would be interesting to find out if companies are tended to emphasize EO disclosures in particular content-category themes, depending on their industry sector. For example, companies in the construction, industrial and consumer products sectors may focus on the environment-related disclosure while companies in the banking and finance industry may focus on human resources and community involvement.

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2.4 Equal opportunities (EO)

EO concerned with the achievement of fair treatment of groups facing discrimination. It involved combating direct and indirect discrimination due to race, gender, disability, age, religion, sexual orientation, previous offending, etc. This study is focuses on the disclosure of whether discrimination in the workplace and with equal right for and in employment for all individuals focusing on all stages of the employment relationship, application, recruitment, promotion, transfer, training, health and safety, term of employment, benefits, facilities and services, grievances, disciplinary procedures, dismissals, redundancies, and other unfavorable treatment of employees.

It is interesting to see that the term “diversity” appears almost everywhere. There was a time where EO or equal employment opportunities were preferred, but now this no longer seems to be the case (Holton, 2005). Managing Diversity involves understanding that there are differences among employees and these differences, if properly managed, are an asset to work being done more efficiently and effectively (Bartz et al., 1990). Examples of diversity factors are race, culture, ethnicity, gender, age, disabilities and work experience (cited by Strachan, Burgess and Sullivan, 2004). To differentiate between equal employment opportunities (EEO) & managing diversity is that EEO ensuring all people access to employment opportunities and conditions, on the other hand, diversity means accepting, welcoming and valuing the differences inherent in every individual and recognizing the contribution that a diverse workforce can make to organizational effectiveness and performance (Department of Employment and Workplace Relation Australia, 2003)

EO and diversity are more of a business issue today. Evidences suggest that women’s relative earnings are significantly lower than men’s (Vickers, 1991). Women executives at senior levels are rare in UK, Germany, and everywhere else across Europe and Asia. Women participation in the workforce has been increasing, but the numbers moving through to senior executive or board level appointments remain low (Holton, 2005).

Gardiner and Tiggemann (1999) note women fill approximately 42 percent of managerial position but less than 15 percent of senior level management positions.

Despite considerable change in workforce composition, many women in the workforce are still considered to be disadvantaged in one form or another. The different experiences in terms of opportunities and outcomes between men and women have been challenged as unfair, biased and discriminatory. Fairness and opportunity are important in optimizing productivity and competitive advantages.

EO is not about securing equal rights but is a matter central to national economic objectives and the need to make the most of all human resources (EOC, 1988). The effect of unfair age discrimination in employment is a “bottom line” business issue and that it undermines effective human resource (IPM, 1991a). The Institute of Personnel Management (IPM) suggests that age is a poor indicator of job performance, and that it is misleading to equate physical and mental ability with age. In a proposed EO code, the IPM (1991b) stresses the ‘misuse and/or waste of human resources’ arising from discrimination.

A range of government-driven initiatives in the European Union and Australia have been implemented which recognize the necessity to counter age discrimination affecting older workers. In Malaysia, the mandatory retirement age for civil servants has been extended from the current 56 years to 58 years, effective 1 July 2008. Civil servants have a choice to opt retire at age 56 or work until they reach 58 years. The decision to increase retirement age was based on the current life span of Malaysians.

As a result of changing demographic, economic and social trends, and in particular skills shortages, Equal Opportunities Commission (EOC) changed its role from being an organization focusing securing equal rights for women into a body which play a main role in implementation of effective EO practice in order to achieve central national economic objectives (EOC 1988). The EOC stresses the need to make the most of human resources.

In civil matters, there are legislation such as the Married Women Act 1950 (Act 450), Married Women and Children (Maintenance) Act 1950 (Act 263) and other legislation which have provisions for women such as the laws relating to employment. For example, under the Employees’ Social Security Act 1969 (Act 4), a husband’s social security payment goes to his wife upon his death. In addition,

legislation have been enacted or amended by the Government on its own initiative or in response to calls by women's organizations in order to eliminate discrimination against women. These changes include an amendment to Article 8(2) of the Federal Constitution in 2001 to expressly prohibit discrimination on the ground of the gender, etc.

In addition to Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), Malaysia is a party to other international instruments, which protect the rights of women such as the Convention on the Nationality of Married Women and the ILO Convention No. 100 (on equal remuneration for men and women workers for work of equal value). Malaysia Government, through the Ministry of Women and Family Development, has provided forums for debates on areas of concern identified by women's organizations and legal groups. It also recognizes that legal provisions alone cannot eliminate discrimination. Providing education and training, implementing legal literacy programs and upgrading health status and are also important in achieving the objective of eliminating discrimination against women and promoting the advancement of women in all sectors of the economy.

Malaysia aims to become a fully modern economic state, like Singapore. In some respects, Malaysia, an Islamic state, has succeeded in achieving some measure of balance between religious belief and economic pragmatism. But Malaysians are not as wealthy as Singaporean. One of the reasons is the different way women are treated. Decades ago, Singapore, with less than a fifth of Malaysia's population, decided to double the size of its workforce (which then largely consisted of men) by educating, promoting and compensating women fairly. This policy of education and employment equality paid off handsomely as Singapore grew into a society with one of Asia's highest standards of living.

The Ministry of Human Resource deals with employment, industrial relations and social security. Its functions include workers' welfare, skills development and increasing employment opportunities. The Ministry has produced the Code of Practice on the Prevention and Eradication of Sexual Harassment in the workplace and has also conducted training and retraining programs for retrenched workers.

Malaysia is a politically stable country has successfully sustained strong economic growth together with a stable currency and low inflation for the past three decades. The country is culturally diverse: ethnic Bumiputras comprise 66% of the population, Chinese around 26% and Indians and indigenous groups make up the remainder (www.statistics.gov.my, 2006). However, the ethnic Bumiputras benefit from positive discrimination in business, education and the civil service. The ethnic Bumiputras dominate the political life, while the ethnic Chinese hold the economic power. Political parties are largely based on ethnicity, locality or religion. There must be equal opportunities in employment so that we are able to face the challenges of globalization, and not waste of talents arising from the employment of minorities. Hard work must be reward equally. Human resources are the nation's key economic progress. All people must be liberated and not just privileged few.

Generally, Malaysian Government encourages foreign direct investment (FDI). The country's stable economy, good infrastructure and tax abatement agreements have attracted large inflows of FDI, economic prospects remain promising. In addition, if companies practice CSR are likely to attract quality foreign or international investors. As a result, many companies actively pursuing CSR.

Malaysia is signatory to numerous conventions with regard to EO and equal treatment for disabled persons. However, in Malaysian, disabled persons are often stereotyped into "welfare" cases instead of being seen as productive persons who can contribute to the economy. Disabled people have the potential to make a valuable contribution in the workforce. Some companies have started to tap this potential by employing disable workers in great numbers. Some of the good examples are, Tan Chong Motors (M), OYL Sdn Bhd., Leong Bee Soo Bee Sdn. Bhd, Agilent Technologies Sdn. Bhd., International Footwear Sdn. Bhd. and Pen Apparel Sdn. Bhd. Besides that, those companies hiring disable workers will get relief for double deduction for remuneration paid to disable workers under Sec 33 of the Income Tax Act 1967.

Many governments have introduced legislation, policies and programs to promote employment opportunities for jobseekers with disabilities, job retention by

people who acquire a disability while in employment, and return to work by those who have left their jobs due to their disability.

According to the World Bank calculations (using a factor of 9.9% disabled persons for High Human Development [HHD] countries), Malaysia would have around 2,200,000 disabled persons in 2000. Since there is a lack of data in Malaysia to verify such a high figure, an estimate of 1% is usually used by local authorities lowering the figure to 220,000 disabled persons. However, only 99,000 persons are registered and the Welfare Department has only been able to place 4,490 disabled persons to work in the public sector from 1990 to 2001. Government Service Circular No. 10/1998 stipulated that at least 1% of job opportunities in the public sector is to be allocated to disabled persons. However, according to the Ministry of Human Resource, only 538 disabled persons have been successfully placed in the Government service till now. The Labor Department has tried to play its role in aiding disabled persons play an active role in national development and expose disabled persons to the appropriate field and type of jobs. On 9 November 2001, the Ministry launched a Code of Practices for the Employment of Disabled Persons in the Private Sector. An insurance scheme for disabled persons is also being formulated and the Ministry is also looking into developing a databank for employment of disabled persons in the private sector.

In order for fuller attention and support to be given to disabled issues, there must be adequate legislation in the country to support this. The Malaysian Employers Federation (MEF) has play an important role in creating greater awareness among employers and the public on the abilities of disabled persons and provide guidance and support to those enterprises that are starting to employ disabled persons.

The following equal opportunities legislations enforced in Malaysia as below: -

- Industrial Relations Act, 1967
- Employment Act, 1995
- Wages Councils Act, 1947
- Occupational Safety and Health Act, 1994
- Petroleum (Safety Measures) Act, 1984

- Factories and Machinery Act, 1967

Although there is detailed legislation on EO in respect of race and gender, there are no provisions for the disclosure by firms of their EO impact. It is important for Malaysia companies to disclose EO information in their annual reports. But, presently, there are no accounting standards for disclosing CSR information which including EO information. Thus, in the absence of such standard, companies have full discretion whether to disclose EO information in their annual report. Nevertheless, the nature, content and the amount of EO disclosures can be expected to be very much different among companies.

2.5 Corporate Social Reporting in Malaysia

In year 2006, Bursa Malaysia had introduced a CSR framework to guide public listed company in adopting CSR. Listing companies are required to provide a description of the CSR activities or practices or a statement to the effect if there are no such activities or practices. The involvement of government and regulators to promote CSR benefits through the government-linked companies (GLCs) transformation program. Besides the stringent demands on GLCs to meet the CSR obligation set out in the Silver Book, the adoption of globally-pursued frameworks like GRI guideline (the type followed by Fortune 500 members) is also recommended. ACCA's Malaysia Environmental and Social Reporting Awards (MESRA) were introduced in year 2002 to encourage and reward voluntary CSR reporting among local companies. Institute of Corporate Responsibility Malaysia (ICRM) has played a major role in influencing and educating the business community with the best practices and international standard to integrate CSR ideas into their business. Malaysia was poised to lead the way for companies to set CSR as integral part of their business. CSR awareness among local firms had increased over the year, but at different levels. Some companies have a very elementary understanding of CSR.

The Malaysia governments passed many Acts such as Industrial Relations Act 1967, Employment Act 1995, Wages Council Act, 1947, Occupational Safety and

Health Act, 1994, etc. These Acts were intending to place some responsibility on corporate entities towards their employees.

Since the mid-1970, academic research much focus on CSR disclosures. The popularity of this research may be contributed to the apparent increasing recognition within the business community of the importance major stakeholders attach to socially and environmentally responsible corporate behavior (Zadek, 1998). CSR disclosures have been defined by a number of researchers (Gray et al., 1987; Deegan and Rankin, 1996). Deegan and Rankin (1996) describe CSR disclosures as disclosures relating to the interaction between an organization and its physical and social environment inclusive of disclosures relating to human resources, community involvement, the natural environment, energy, and product safety. Many empirical studies have been undertaken to examine the content of annual reports for CSR disclosures in the developed countries such as the U.S., Canada, the U.K., Australia and Western Europe (Ernst and Ernst, 1978; Guthrie and Parker, 1990; and Roberts, 1992). There no or few studies on CSR disclosure practices that related to EO in the developing countries, e.g., Bangladesh, Jordan, Malaysia and Singapore (Tsang, 1998).

Generally, research in the developing countries has found that the extent of CSR disclosures in annual reports is lower than in the developed countries. Tsang (1998) performed a longitudinal study of 33 of corporate social reporting of public listed companies in Singapore, in the banking, food and beverages and hotel industries. The study covers the period from 1986 to 1995. The findings of the study showed that CSR disclosures of these companies were mainly in the area of human resources and community involvement. Even though the study found some increases in the amount of CSR disclosures over the ten-year period, but the extent of disclosure is low.

Teoh and Thong (1984) focused on three related issues, namely, the concept of CSR, the nature and extent of corporate involvement in such activities and corporate social reporting by surveying one hundred foreign and locally owned companies in Malaysia. They found that only 29 percent of companies in the sample reported on

social performance in their annual reports. Moreover, foreign-owned companies made more CSR disclosures than Malaysian companies. The areas reported on most frequently were human resources and products/services to companies. However, Teoh and Thong (1984) did not examine the extent of CSR disclosures. Meanwhile, Andrew et al. (1989) examined 119 annual reports of publicly listed companies in Malaysia and Singapore in 1983. They found that only 26 percent of the companies had some CSR disclosures. They also found that a higher number of large and medium size companies disclosed social information as compared to smaller sized ones. The industry that had the highest proportion of companies with CSR disclosures in their annual reports is the banking and finance industry. Interestingly, human resource was also the dominant theme. The study clearly showed that the level of CSR disclosures was very low. Both studies also did not examine CSR disclosures in terms of location in the annual report.

2.6 The need to disclose.

For the purpose of this study, EO reporting is defined as any reference in the Corporate Annual Report to policies, activities, opinions, monitoring of outcomes concerned with equal rights for and in employment for all individuals. Generally, annual report is the main form of corporate communication (Guthrie & Parker, 1989b). Annual report is potentially influential in shaping what is seen to be important in society, where management has the opportunity to report on what it sees as appropriate (Neimark, 1992).

Companies may refer to moves to counter discrimination on the ground of gender, race, disability, age, class, religion, sexual orientation, etc., in their EO reporting. There have been numerous research projects which have studied the EO practices of individual firms, but there is relatively little research specifically on corporate disclosure of EO impact. Voluntary and mandatory disclosure requirement should be distinguished to determine the extent to which corporate provide additional information or the extent to which they comply with legislation

In Britain, a short statement on company policy in respect of disabled people have been enacted in legislation [The Companies (Directors' Report) (Employment of

Disabled Persons) Regulations 1980]. Ecumenical Committee for Corporate Responsible (ECCR) has developed the Wood/Sheppard Principles for equality of opportunity, which include recommendation that firms publish an annual employee profile by ethnic origin, gender and grade in annual report and accounts (ECCR, 1993). All organizations with more than 250 employees are required to disclose, in the Directors Report, their policy with respect to applications from disabled persons; continuing employment of, and appropriate training for, persons who become disabled during employment; and, the training, career development and promotion of disabled persons.

Companies with operations in South Africa are also recommended to comply with the EC Code of Conduct. Information on consultation and collective bargaining, pay, trade unions rights, migrant labour, EO, fringe benefits and desegregation is submitted to the Department of Trade and Industry (DTI) about employees in South Africa, and a statement that the report is available from the Company is to be contained in the CAR (Cmnd 7233, 1978, which was enacted in 1978, was replaced by Cmnd 9860 in 1986). Any other EO disclosures in the CAR are voluntary. In Malaysia, there no mandatory EO reporting requirements been enforced.

The trends for CSR reporting is steadily growing, and alongside this Equal Opportunity reporting, which often is included as part of a CSR report, is also growing. The CSR reports which have now become an annual report in addition to the traditional annual financial report is one of the vehicles used to demonstrate how caring they have been over the financial periods that has just ended and how they intend to continue to be even more so in the future periods. It was the rights of employees that entrepreneurs and business managers first recognized to form the CSR. CSR report was an unregulated voluntary report with no standard format or specified layout.

Ramanathan (1976) argued that there is a social contract between organizations and society. Organizations are aware that society will not hesitate to use different sanctions to punish organization which fail to recognize and support important societal values. Accounting researchers, in an attempt to understand what has encouraged the development of CSR reports, have classified the reasons under

four perspectives. These are agency theory, legitimacy theory, political economy of accounting theory and stakeholder theory (Gray et al, 1995, 1996; Guthrie and Parker, 1990). Holland and Foo (2004) noted that the unregulated nature of the disclosure in CSR reports can only allow the development of relationship between reporter and readers which provides a degree of accountability. Gray et al. (1996) defined accountability as “the duty to provide an account of action or reckoning of those actions for which one is held responsible”. Hence, the provision of information which satisfies this need is known as accountability.

Advocates of CSR reports have put forward some perceived benefits which an organization may derive from its provision. Examples are increased customer loyalty, more supportive communities, the recruitment and retention of more talented employees, improved quality and productivity and the avoidance of potential reputation risks which may arise from employment incidents. Some companies noticed that instead of the provision of the reports enhancing companies’ reputation, it actually attracted adverse comments by drawing attention to divergences between the values espoused by the company and its actual behavior. Cooper’s survey of FTSE 250 companies found that less than 33 percent of companies considered that their CSR activities resulted in improved customer loyalty while only 20 percent believed that it enhanced staff recruitment and retention. Cooper concluded that the benefits may be more subtle and realize over a longer timescale and will be enormous in the long run.

In general, there is limited evidence of the extent of EO disclosure can be found in various study of corporate social disclosures. Studies have revealed the numbers of firms disclosing details of particular aspects of EO performance, they do not focus on equal opportunity disclosures in significant detail. Despite the perceived lack of interest in ethical reporting by many stakeholders, Adams, 2002 identified the following benefits of social reporting from a corporate perspective: -

- Minimizes risks (e.g. of unforeseen issues);
- Better understanding of corporate activities reduces criticisms;
- Influence or delay legislations;

- Attract and retain the most talented people;
- Communicates the group's values and targets to all group companies.

Adams (2002) found that British companies appeared to place more emphasis on the importance of reports as internal management tools, which they can benchmark their own performance. This reflects that facts that in the UK reporting results in more information being available unlike in Germany, where information has to be collected to satisfy regulatory authorities. The relative weight attached to these various benefits might be expected to influence both the extent and nature of reporting. The British companies expressed concerned over increase pressure to meet targets, criticism when targets were not met and potential cynicism from stakeholders regarding corporate motives for reporting (Adams, 2002). The standardization of reporting styles has now been tackled by the Global Reporting Initiative's (2000) Sustainability Reporting Guidelines incorporating outline social and ethical audit guidelines.

2.7 Factors that encourage Corporate Social Reporting.

2.7.1 Firm Size

Within the Corporate Social disclosure literature on developed countries, a positive association was found between the corporate size and the amount of the Corporate Social Disclosure (Trotman & Graham, 1981). Corporate size appears to be an important variable (Adams et al., 1998; Cowen et al. 1987; Patten, 1991). Andrew et al. (1989), Haniffa and Cooke (2002) found that a higher number of large and medium size companies disclosed CSR information as compared to smaller sized companies. Thong & Teoh (1984) find that corporate size is relevant in reflecting the extent of social commitment made by companies. They argued that smaller companies were less tended to assume a social role compared to large publicly-based companies. Their findings on the extent of social involvement apply equally to social reporting. For this study, involvement or practicing of equal opportunity in employment applied equally to EO disclosure.

Idowu & Towler (2004) stated that the development of CSR reporting is the influences of several international and local organizations with different frameworks, indices, directive and initiatives etc., many of which are voluntary but likely to hinder rather than assist the development in the reporting systems. Samuel & Brian noticed that a large number of organizations are rightly concerned about quality of life and how people are treated. Besides that, large companies make more social disclosure for reason of accountability and visibility as outlined in legitimacy theory (Cormier and Gordon, 2001).

2.7.2 Profitability/Financial Performance

There is unclear relationship any linkage for disclosure and profit. For example, Cowen et al. (1987) and Patten (1991) found no relationship between disclosure and profitability, but Roberts (1992) found that social disclosure was related to strong economic performance in the previous period as measured by growth in return on equity.

Previous research use profitability as a determinant of disclosure in corporate annual reports (Incahusti, 1997; Owusu-Ansah, 1998). Wallace et al. (1994), Owusu-Ansah (1998), and Haniffa and Cooke (2002), Andrew et al. (1989) found that companies having higher profitability disclose more information than those with lower profitability.

2.7.3 The role of senior management/the attitudes of the key players

The amount of EO disclosure depends on the involvement and support of senior management in setting EO. Internal context of the organization received little attention in the literature review, which examines the theories of social reporting. Reporting structures and processes determine who is involved and at what level, whilst views and attitudes of corporate players should provide important insights into what companies are trying to achieve in their reporting. In the past decades changes in the personnel functions of organizations and their development into HRM

departments has brought a change of focus, so that many management texts advise that HRM managers are part of the formulations and implementation of an organization's strategic goals. There is a realization that employees are critical in the achievement of an organization's objectives and are a major part in its competitive advantage, and therefore that the policies that recruit and maintain this workforce are rightly part of senior management consideration (Strachan, Burgess and Sullivan, 2004). The senior management change their thinking about employees' condition generally will embrace managing diversity. As noted in the Annual Report, certain industry sectors lag behind others in their understanding and adoption of EEO policies.

DiMaggio and Powell (1983) stated that normative pressure stem from a collective struggle of members of an occupation to define the conditions and methods of their work, known as professionalisation. Professionalisation rests on formal education and the professional network. DiMaggio and Powell (1983) add that university and professional training institutions are important centre for the development of organizational norms. Bebbington et al. (1994) finds that membership in certain professional accountancy bodies relatively has some association with increased awareness on environmental accounting. The Institutionalists propose that top management can influence company behavior since they are powerful and only they can make decisions. Top management whose normative belief is compatible to the external pressure would also be easier to acquiesce. Managing Director, who have experience working with other foreign companies will have high level of awareness of CSR. Besides, Managing Directors with overseas education tend to have a higher awareness of CSR. This may be due to their exposure to environments where such issues are considered important. Influence from the education gained from developed countries might have modified some of the century-old values peculiar to society (Merchant et al., 1995). Haniffa and Cooke (2005) cited Chuah (1995) propose that the mind of Malaysian managers is influenced by ethnicity, education and the type of organization they work for.

A prior study conducted by Haniffa and Cooke (2002) investigate the relationship between the qualifications of Malay Finance Director and Board of Director and the extent of disclosure. But they fail to find any association between