Employee disclosures in the grocery industry before the COVID-19 pandemic

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Abstract

We provide evidence on the consumer staples industry’s commitment and accountability to employees prior to the COVID-19 pandemic by analysing their employee-related disclosures in annual reports. A high level of disclosure exists from 2004 to 2019 with 93 percent of the industry disclosing some information about employees. The highest categories of disclosure are remuneration, health and safety, and training and development. We find that total disclosure is significantly related to having employee share ownership, a Big 4 auditor, a larger board of directors, a majority independent board, independent chair, an audit and nomination committee and higher ROA.

Key words: Employee disclosures; Health; Pandemic; Training

JEL classification: M41, M48, J50

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1. Introduction

We provide evidence on employee-related disclosures in the consumer staples industry in annual reports to determine whether employees were prepared to adapt to an emergency such as the COVID-19 pandemic. We focus on the consumer staples industry because the supply of food and household products are essential in a pandemic. The community in general, those infected by the virus and those in quarantine require food and household products supplied by

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grocery stores (Ekici et al., 2014). Grocery stores also need to prevent transmission of the virus through frozen and refrigerated foods and shared surfaces including tongs, handles on bakery and refrigerated cabinets, shopping trolleys and payment terminals (Han et al., 2020). Employees are key agents in ensuring the orderly provision of essential items in the community for online and in store delivery and in the prevention of transmission of the virus. Employee-related disclosures provide a signal or otherwise that firms in this industry are committed and accountable to their employees’ welfare. These disclosures potentially provide information on employees’ training, which allows them to adapt to community requirements for the safe supply of food and household products during the crisis. We also provide evidence on factors that are likely to increase the level and category of employee-related disclosures independent of the pandemic.

The World Health Organization recommended diverse actions from different sectors to prepare firms for the consequences of the COVID-19 pandemic (Ducharme, 2020; GRI, 2020). Supermarkets, along with service stations, freight, logistics and home delivery are considered essential businesses and services in the pandemic (Australian Government, 2020a, 2020b). Retailers of food, groceries and healthcare have increased demand for serving consumers at home with added problems of inventory control, supply chain management, delivery and maintaining a safe environment for their employees and consumers. New issues arising from COVID-19 relating to employees are creating a safe environment for employees and consumers, supply and use of protective apparel such as masks and screens, use of robots in frontline activities, shortages of essential goods and services and management of the public.

We analyse employee-related disclosures in the consumer staples industry to assess how the industry values their staff through the disclosure categories of remuneration, health and safety, training and development, profiles, industrial relations, assistance and benefits and employment of minorities or women. In addition, we provide more detailed information of disclosures of the two key competitors in the Australian industry (Woolworths and Coles) because of their dominance in delivering goods and services to the public during the pandemic. This is important research because the Organisation for Economic Co-operation and Development (OECD) and the Global Reporting Initiative (GRI) emphasise the importance of disclosing employee-related information as a governance mechanism for firms (OECD, 2015; GRI, 2020). Employees and other key stakeholders play a vital role in contributing to the success and performance of the firm (Kent and Zunker, 2013, 2017), especially during the COVID-19 crisis. Human resources are one of the key foundations of a firm’s competitive advantage. For firms such as Woolworths and other grocery retailers, the employees, community and shareholders expect firms to manage and use human resources for the competitive advantage of the firm and the public. Disclosure of information relating to the management of human
resources in annual reports provides a signal of the organisation’s commitment to the training and welfare of employees (Zheng et al., 2015), helping them adapt to the crisis environment.

An analysis of 859 Australian publicly listed firms within the consumer staples industry over a 16-year period (2004–2019) indicates that 93 percent of firms are voluntarily disclosing employee-related information in their annual reports. Approximately 94 percent of firms disclose information about their health and safety practices and 92 percent provide information about training and development. Key issues for retailers during the pandemic are to maintain a safe environment for staff and consumers (Towers, 2020) and ensure goods and services are equitably distributed for all consumers (ACCC, 2020). Health, safety, education and training disclosures relating to employees suggest that the industry had partially prepared their staff for new issues arising from the pandemic.

We contribute to research by first, extending past corporate social responsibility (CSR) disclosures that analyse energy production, environmental, ethical practices and human resources and community concerns (Bebbington et al., 2008; Williams and Adams, 2013; Soobaroyen and Mahadeo, 2016; Phiri et al., 2019). Prior Australian studies examining CSR disclosure of listed firms focus on the extent and determinants of compliance (Chapple and Truong, 2015). Limited studies have analysed employee-related disclosures in isolation from other CSR disclosures (Kent and Zunker, 2013). Our examination is specific to employees and one industry involved in essential services during the pandemic.

Second, we extend Vourvachis et al. (2016) who analyse CSR disclosure following catastrophic accidents suffered by major airlines. Our extension involves employee-related reporting practices leading up to the current COVID-19 pandemic. Third, we contribute to our understanding of how firm disclosures may, or may not, encourage transparency and accountability toward employees prior to a pandemic that has a significant direct impact on the health, safety and welfare of employees and consumers within the industry.

Finally, we provide evidence that firms disclose more employee-related information when they have higher accounting financial performance indicated by return on assets (ROA). We extend previous research from US firms that finds that only firms with high levels of profit available to shareholders rather than high profit levels in terms of assets appear to achieve higher corporate sustainability performance (Artiach et al., 2010).

The paper proceeds as follows. Section 2 discusses the background and theory. Section 3 explains the research design, including sample selection and measurement of the variables. Section 4 reports and discusses the results of the study’s main analysis. Conclusions are drawn, opportunities for further research are noted, and the limitations of the study are acknowledged in Section 5.
2. Background and hypotheses development

The retail industry contributes significantly to the Australian economy and employment in Australia. From a consumer perspective, retail services provide an important relationship that enables them to access an extensive range of products from suppliers. From an employee perspective, Australian retailers employ around 1.25 million people or nearly 10 percent of the total workforce (Australian Government, 2020b). The overall impact of the COVID-19 pandemic on employment levels in the retail industry is diverse and relatively uncertain. Demand for non-discretionary items has increased in the short term, while many discretionary purchase retailers, particularly those reliant on physical stores, have had to close stores and stand down staff (Fadel et al., 2020). Interventions by the Australian Government imposed new health and safety measures to protect staff and consumers. From 22 March 2020, Australia introduced major social distancing and other business-related restrictions to slow the spread of COVID-19. Government support packages were also announced, including changes to the mutual obligations of the JobSeeker program (announced on 24 March),¹ and the temporary suspension of the requirement for people to actively look for work (Australian Government, 2020a, 2020b).

Firms such as Woolworths and Coles had to implement many new procedures to ensure their frontline workers are operating in a safe environment. Employee disclosures prior to the pandemic provide evidence of measures already in place due to the employee focus (or otherwise) of the industry. A general culture of commitment to health, safety and training of employees assists the transition to pandemic conditions despite additional input being required to ensure the firms are addressing the Government’s requests. An investigation of information disclosed regarding their employees prior to COVID-19 provides evidence of employees’ ability to adapt to new conditions.

Employees in the retail industry are essential to a firm’s competitive advantage and a key factor to the success of a firm’s operations. The type, quantity and quality of employee-related disclosure found in annual reports is associated with the importance firms place on human resources (Vuontisjärvi, 2006). Many firms support the OECD initiative identifying the importance of their employees to their firm (Petty and Guthrie, 2000; Guthrie et al., 2001; Fernandez-Feijoo et al., 2014). For example, Woolworths Group (2019, p. 34) state in their annual report that:

Our team members are key to the success of our business, including our ability to build retailers of the future by attracting, retaining and motivating team members with diverse skills, capabilities and backgrounds. To achieve a

¹The JobKeeper payment, paid through employers, aims to keep eligible employers connected to their workforce and help businesses restart quickly when the crisis is over (ABS, 2020a, 2020b).

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Customer 1st, Team 1st mindset, team members need to feel empowered to drive change at pace consistently with our culture to continue to learn and develop.

Coles Limited (2019, p. 19) state in their annual report that:

We are making progress on our journey to drive generational sustainability, supported by our dedicated team members, loyal customers and committed suppliers. Looking ahead, our focus will be on: increasing the number of Indigenous team members to 5,500 including 500 in trade and leadership positions by 2023; achieving a year-on-year reduction in TRIFR; achieving 40% women in leadership positions by 2023; continuing to enhance our Ethical Sourcing Program to protect human rights.

Wesfarmers Limited (2019, p. 9) state in their annual report that:

our aim of providing satisfactory returns to shareholders goes hand-in-hand with a focus on the interests of employees, customers, suppliers, the environment and the communities in which our diverse set of businesses operate; and on ethical and honest behaviour. If a company does not maintain that focus, customers will desert it, employees will leave and potential partners will decline to do business with it.

Legitimacy theory provides an understanding of the motivations that drive firms to disclose employee-related information in the consumer staples industry similar to the statements made above. Firms recognise the importance of operating in accordance with their social license\(^2\) to meet the expectations of society and avoid activities that society deems to be unacceptable (Melé and Armengou, 2016; Deegan, 2017; Kuruppu et al., 2019). Prior research suggests that disclosure is driven by concerns with legitimation and image enhancement (Li et al., 2018; Deegan, 2019), and that the purpose of disclosure is to inform investors (Cho et al., 2015).

However, a normative view of legitimacy (Williams and Adams, 2013) is also important to our study of consumer staples’ commitment to their employees indicated by employee disclosures in annual reports. The importance to society of the consumer staples industry distributing essential goods and services efficiently and effectively increases during crisis times. The disclosure motives examined in previous studies (Deegan, 2019) are less likely to apply in a pandemic. The normative view is that managers of firms disclose employee-related information because they are accountable to the legitimate rights of employees and society in general.

We adopt a normative view that the consumer staples industry must be accountable to society in a pandemic and have the well-being of their staff and consumers as their primary consideration. However, the probability of firms preparing their staff for a pandemic and demonstrating transparency and

\(^2\)Social license is defined as ‘the ongoing acceptance of a company or industry’s standard business practices and operating procedures by its employees, stakeholders, and the general public’ (Kenton, 2019).
accountability to their employees is indicated by factors including the existence of employee share ownership, the identity of the auditor and adoption of best practice corporate governance practices.

Employee share ownership is a factor that increases the power of employees, potentially being associated with increased disclosure of employee-related information in annual reports. Firms enable employee ownership to ensure that employees and employers’ interests are aligned to increase firm value. It is expected that employees’ share ownership leads to employees participating in corporate governance and demanding that employers meet employees’ expectations (Aguilera and Jackson, 2003; Young and Thyil, 2009; Kent and Zunker, 2017). Therefore, we expect employee share ownership to be related to employee-related disclosures leading to our first hypothesis.

H1: Employee-related disclosures are higher when firms in the consumer staples industry have more employee share ownership.

A further explanation for the level and category of disclosure is provided by the identity of a high-quality auditor. Research indicates that auditors are involved in the disclosure in annual reports, particularly for text disclosures that represent other information (Brown and Knechel, 2016) and auditors could have a significant influence on disclosures of employee-related information. Research also focuses on auditor industry specialists that have expertise in auditing in a particular industry, generally indicated by larger market shares in the industry (Jayaraman and Milbourn, 2015; Brown and Knechel, 2016). We examine employee-related disclosures in one industry so that industry specialisation is held constant in our study. Previous research indicates that a Big 4 auditor is associated with higher quality auditing (Francis and Yu, 2009; Keshk et al., 2020). The four largest accounting firms in Australia are identified as the Big 4 and include Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers, who provide audit, assurance, taxation, management consulting, actuarial, corporate finance and legal services to their clients (Francis and Yu, 2009). We expect that firms that employ a Big 4 auditor are more likely to have more employee-related disclosures leading to our second hypothesis.

H2: Employee-related disclosures are higher when firms in the consumer staples industry appoint a Big 4 auditor.

Consumer staples’ firms preparing their employees for emergencies and employee disclosure practices are expected to be associated with their corporate governance practices. Corporate Governance Principles and Recommendations (CGPR) adopt the comply or explain principle allowing firms to choose to not comply with the recommendations, provided non-compliance is disclosed and explained in corporate annual reports. These principles cover recommendations that relate to employees with principle three (instil a culture of acting lawfully, ethically and responsably) (ASX Corporate Governance Council, 2019), suggesting that it is the responsibility of senior executives to ensure that all employees receive the appropriate training on ethical values required by the entity. It also recommends disclosing a code of conduct for employees, and this
is expected to assist staff in the grocery industry in dealing with consumers in the pandemic (ASX Corporate Governance Council, 2019).

Principle two (structure the board to be effective and add value) (ASX Corporate Governance Council, 2019) focuses on the importance of a high-performing effective board for the appropriate governance of listed firms. The board has overall responsibility for disclosure of employee-related information in the annual report and has a role in ensuring transparent disclosures of employee-related information. Recommendations are made for the composition of the board regarding several non-executive or independent directors and operations of the board that are expected to improve the disclosure transparency of information about employees. A further recommendation is for the establishment of a nomination committee that reviews and makes recommendations to the board on evaluating board performance, committees and directors, recruitment, and aligning skills, knowledge, experience, independence, diversity and professional development (ASX Corporate Governance Council, 2019). The existence of a nomination committee is expected to be associated with disclosure of employee-related information.

Principle four (safeguard the integrity of corporate reports) (ASX Corporate Governance Council, 2019) makes it clear that the content of the annual reports is the responsibility of the full board but also recommends the appointment of an audit committee. The audit committee advises on the quality of internal and external reporting processes and selection of the external auditor (ASX Corporate Governance Council, 2019, recommendation 4.1). Appointment of an audit committee is expected to be associated with disclosure of employee-related information.

Board structures and related committees that indicate best corporate governance practice in terms of ASX Corporate Governance Council recommendations are expected to be associated with the level and content of employee-related disclosures. Therefore, our third hypothesis tests for an association between employee-related disclosures and corporate governance as follows.

\[ H3: \text{Employee-related disclosures are higher when firms in the consumer staples industry adopt best practice corporate governance recommendations.} \]

3. Research design

3.1. Sample selection

The study employs a sample of all listed firms on the Australian Securities Exchange (ASX) in the consumer staples industry from 2004 to 2019 downloaded from Morningstar DatAnalysis. The year 2004 was selected as the starting point because the disclosure of a corporate governance statement first applied to the annual report published in 2004 for firms with a 30 June balance date (ASX...
Corporate Governance Council, 2003). Most annual reports are not available for 2020 for our full sample although the key grocery providers of Woolworth and Coles released their reports in time for our study. The sample consists of 859 firms for our longitudinal analysis of sentences and categories from 2004 to 2019. Three of these firms are direct competitors in the supermarkets and grocery stores industry (Woolworths, Coles and Metcash), a subsector of the consumer staples industry. Woolworths Group Limited, and to a lesser extent Coles, are examined in further detail because of their primary activities in supermarkets and the major role their employees play as agents of the firm in delivering essential services to the public. The sample size is 802 for our multivariate analysis because 57 firms have missing corporate governance data.

3.2. Empirical design

We estimate Tobit regressions as per Equation (1) to test levels of total disclosure and proportion for the categories of training and development, health and safety, remuneration, employee profile, industrial relations, employment of minorities or women, and assistance or benefits. We summarise the variable measures in Table 1. Our model is specified in Equation (1) as:

\[
\text{Disclosure} = \beta_0 + \beta_1 \text{Employee share ownership} + \beta_2 \text{Big 4} + \beta_3 \text{Ownership} + \beta_4 \text{Board size} + \beta_5 \text{Independent board} + \beta_6 \text{Independent chair} + \beta_7 \text{Dual CEO/chair} + \beta_8 \text{Audit} + \beta_9 \text{Nomination} + \beta_{10} \text{ROA} + \beta_{11} \text{Leverage} + \text{Year} + e
\]

(1)

3.3. Measurement of variables

3.3.1. Dependent variables

Individual sentences are identified in annual reports from 2004 to 2019 as employee-related disclosures and are counted to calculate the firm’s quantity of disclosure. An analysis of other CSR content analyses reveals that sentences are the basis for most coding decisions (Loh et al., 2015). The GRI Reporting Standards (GRI, 2020) comprise a total of 37 categories, with employee-related standards relating to employment, labour/management relations, occupational health and safety, training and education, diversity and equal opportunity. We classify the GRI Standards into seven employee-related categories because there are numerous reporting principles that are covered from GRI 101 to GRI 419 and these categories include all employee-related information covered in our sample. These categories are identified and explained as follows.

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Remuneration includes disclosures relating to base pay, bonuses, share-based payments, granting of options or rights, restraint payments and all other benefits. Health and safety disclosures include the percentage of the workforce represented in occupational health and safety programs, rates of injury, occupational diseases, lost days, absenteeism and total number of work-related fatalities by region, prevention, and risk control programs in place to assist workforce members, their families or community members regarding serious diseases. Training and development examples include education and training, counselling, average hours of training per year per employee, programs for skills’ management and lifelong learning that support the continued employability of employees and assist them in managing career endings, percentage of employees receiving regular performance and career development reviews. Employee profile information includes reporting number of employees, new hires, ages, gender and

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regional breakdown of employees and employee turnover. *Industrial relations* disclosure records the percentage of employees covered by collective bargaining agreements, freedom of association and right to organise, collective bargaining, consultation, grievances and settlement of disputes. *Employment of minorities or women* provides a composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity. It also includes a ratio of basic salary of men to women by employee category. *Assistance or benefits* disclosure includes benefits that are standard for full-time employees but not provided to part-time employees such as life insurance, health care, disability and invalid coverage, parental leave, retirement provision or stock ownership. Key words are used to identify disclosure as shown in Table 2.

3.3.2. Test variables

*Employee ownership* is measured as a dichotomous variable that equals one or otherwise zero. *Big 4* auditor is also measured as a dichotomous variable with appointment of a *Big 4* auditor equal to one and zero otherwise.

Corporate governance variables are measured with reference to ASX Corporate Governance Council recommendations and include measures of board monitoring including board size, independent board, independent chair, dual CEO/chair (Abu Bakar *et al*., 2020; Hartnett and Shamsuddin, 2020), and existence of audit (Keshk *et al*., 2020; Khoo *et al*., 2020), nomination and remuneration committee (ASX Corporate Governance Council, 2019).

3.3.3. Control variables

Ownership concentration (*Ownership*) has been found to be associated with corporate governance and firm performance (Balatbat *et al*., 2004; Kent and Zunker, 2017) and is included as a control variable. It is measured by the percentage of outstanding ordinary shares held by shareholders who own 5 percent or more of the outstanding shares. *Size* is measured by log of assets (Keshk *et al*., 2020). *Leverage* is an estimate of creditor power (Kent and Zunker, 2017) and measured by total liabilities divided by total assets at balance date (Hsu *et al*., 2020). *ROA* is measured by net profit after tax divided by total assets at balance date. *Tobin's Q* is measured by market value of the firm plus preference shares plus total debt divided by total assets (Wei *et al*., 2020).

4. Results

4.1. Descriptive statistics

Variables are defined in Table 1, while the continuous variables for the sample are reported in Table 3. Panel A of Table 3 reveals the number of
| Employee categories applied in this study | Key words | Global Reporting Index (2016) |
|------------------------------------------|-----------|-------------------------------|
| 1 Employee remuneration                  | ‘salary’, ‘wage’, ‘remuneration’, ‘compensation’, ‘profit sharing’, ‘performance bonus’, ‘stock options’ | GRI 102-36, GRI 102-38, GRI 102-39 |
| 2 Health and safety                      | ‘health’, ‘safety’, ‘accident’, ‘first aid’, ‘hazard’, ‘incident’, ‘injury’, ‘OHS’, ‘risk assessment’, ‘risk management’, ‘emergency plan’, ‘fire’, ‘lock down’, ‘toxic’, ‘accident prevention’, ‘compliance’, ‘hazmat’, ‘workers compensation’ | GRI 403, GRI 413 |
| 3 Employee training and development      | ‘training’, ‘development’, ‘learning’, ‘education’, ‘knowledge’ | GRI 102-17, GRI 404, GRI 410, GRI 412 |
| 4 Employee profiles                      | ‘employee’, ‘staff’, ‘people’, ‘workers’, ‘human’, ‘satisfaction’, ‘appraisal’, ‘enrichment’, ‘enlargement’, ‘work life’, ‘employee retention’, ‘discrimination’, ‘harassment’, ‘stereotypes’ | GRI 102-7, GRI 102-8, GRI 102-19, GRI 102-40, GRI 401, GRI 410 |
| 5 Industrial relations                   | ‘labour union’, ‘trade union’, ‘union’, ‘unionised workers’, ‘industrial relations’, ‘bargaining’, ‘negotiation’, ‘arbitration’, ‘picketing’, ‘strike’, ‘dispute’, ‘lock out’, ‘fair wage’, ‘dismissal’, ‘redundancy’ | GRI 102-41, GRI 402, GRI 407 |
| 6 Employment of minorities or women      | ‘minorities’, ‘minority’, ‘women’, ‘diversity’, ‘representation’ | GRI 405, GRI 406, GRI 411 |
| 7 Employee assistance or benefits        | ‘holiday’, ‘vacation’, ‘retirement benefits’, ‘employer contribution’, ‘health care benefits’, ‘personal leave’, ‘sick leave’, ‘family leave’, ‘disability benefits’, ‘employee assistance programs’, ‘flexible work schedule’, ‘salary sacrifice’, ‘stock options’, ‘transport allowance’, ‘transit allowance’, ‘travel allowance’, ‘housing allowance’, ‘living allowance’, ‘long service leave’ | GRI 102-35, GRI 103-2 |
sentences of employee-related disclosure ranges from zero to 867, with a mean of 211. The number of employees varies between firms, with a total sample range of 1 to 205,797 and a mean of 9,338 employees. Total assets differ substantially across the firms in the sample with mean total assets of $1,889.7 million. Similarly, the sample firms have diverse net profit levels with the mean being $132.1 million. The mean ROA is −11.53 percent, leverage averages 1.60, while the average Tobin’s Q is 1.91.

The binary variables shown in Panel B of Table 3 indicate that 93.01 percent of the 859 sample firms are disclosing employee-related information in their annual reports between 2004 and 2019. This high level of disclosure reflects the power of employees in the consumer staples industry (Kent and Zunker, 2013, 2017). Some 16.60 percent of firms have employee ownership and 57.50 percent of firms use a Big 4 auditor.
Table 4 shows the longitudinal means of sentences and categories of employee-related information from 2004 to 2019. Remuneration disclosure has the highest mean over the sample period, followed by health and safety disclosures and training and development. Employee assistance or benefits is the least disclosed of all the categories. Our analyses find most firms do not report specific quantitative information.

Table 5 compares Woolworths, Coles and Metcash with the remainder of the firms in the industry for 2019. Both Woolworths (195 percent of the mean) and Coles (209 percent of the mean) provide significantly more employee-related disclosure than other firms and the amount of disclosure exceeds the industry mean for every category except assistance and benefits. Metcash, in contrast, reports less than the industry total (71 percent of mean) and less for all categories. Furthermore, firms like Woolworths provide separate reports that provide additional information relating to sustainability, CSR and governance practices.

4.2. Examples of major grocery stores

The consumer staples industry is one of Australia’s largest and most competitive industries based on the number of people employed per firm (average of 9,338 employees). Extra details are provided of the employee-related disclosures of the two leading grocery providers in Australia for 2020 before and during the pandemic to increase our understanding of the industries’ disclosure practices. Both firms focused on disclosing positive information that portrays the firm as a good corporate citizen but few disclosures involving hard quantitative information. Woolworths is the largest employer in the supermarkets and grocery stores industry (subsector of the consumer staples industry) (Mitchell, 2020a), operating 3,357 stores with 215,000 employees at year end 2020 (Woolworths, 2020a). Woolworths is a key contributor in Australia and New Zealand to the delivery of essential goods to consumers for the benefit of society throughout the pandemic. Other operations include BIG W department stores, petrol through the Woolworths/Caltex alliance and hotels (Woolworths, 2020a).

Price-based competition has been increasing over the past 2 years with the expansion of ALDI and departure of Kaufland. Woolworths and their key competitor Coles have reduced prices and focused on their brands and operations. Industry profit margins have fallen over the past 5 years as firms have accepted lower margins to stay competitive (ABS, 2020a, 2020b). This could have indicated a movement away from ensuring staff receive ongoing training for any emergencies. However, Woolworths spent $10 million in 2019 on their staff and operations to increase their competitive position (Woolworths, 2019). This illustrates that employers see that protecting and enhancing employee interests have economic sustainability for the future.
Table 4
Longitudinal means of sentences and categories from 2004 to 2019, \( n = 859 \)

| Category                          | 2019 Mean | 2018 Mean | 2017 Mean | 2016 Mean | 2015 Mean | 2014 Mean | 2013 Mean | 2012 Mean | 2011 Mean | 2010 Mean | 2009 Mean | 2008 Mean | 2007 Mean | 2006 Mean | 2005 Mean | 2004 Mean |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Number of sentences              | 214.07    | 206.86    | 192.67    | 203.67    | 215.16    | 233.79    | 249.06    | 224.02    | 228.70    | 230.26    | 228.22    | 213.55    | 205.56    | 184.02    | 187.91    | 198.20    |
| Remuneration                     | 54.29     | 51.38     | 49.18     | 57.52     | 59.50     | 63.15     | 67.15     | 65.00     | 63.08     | 61.42     | 60.96     | 62.68     | 59.64     | 54.55     | 53.02     | 46.34     |
| Health and safety                | 47.75     | 48.72     | 43.89     | 45.28     | 47.20     | 51.52     | 52.56     | 45.42     | 52.26     | 55.80     | 54.27     | 49.60     | 44.04     | 35.25     | 35.67     | 45.46     |
| Training and development         | 48.81     | 46.81     | 44.89     | 42.69     | 44.92     | 48.27     | 51.56     | 42.75     | 45.74     | 47.62     | 49.75     | 42.40     | 39.55     | 39.57     | 41.15     | 44.05     |
| Profiles                         | 42.71     | 40.33     | 37.23     | 38.79     | 42.24     | 46.63     | 49.73     | 46.10     | 48.06     | 46.62     | 44.14     | 43.57     | 42.38     | 42.04     | 39.83     | 43.02     |
| Industrial relations             | 6.43      | 6.58      | 5.77      | 5.86      | 5.76      | 5.33      | 6.67      | 6.33      | 6.28      | 7.72      | 5.88      | 5.89      | 7.49      | 4.45      | 7.47      | 7.14      |
| Minorities or women              | 10.51     | 9.42      | 8.08      | 9.43      | 11.16     | 14.10     | 16.42     | 13.54     | 8.20      | 5.66      | 7.82      | 6.68      | 6.84      | 6.63      | 4.22      | 7.53      |
| Assistance or benefits           | 3.57      | 3.61      | 3.62      | 4.10      | 4.38      | 4.79      | 4.98      | 4.88      | 5.08      | 5.64      | 5.39      | 5.74      | 5.64      | 5.29      | 6.54      | 4.64      |
| Remuneration %                   | 0.27      | 0.26      | 0.24      | 0.28      | 0.28      | 0.27      | 0.27      | 0.28      | 0.28      | 0.27      | 0.28      | 0.28      | 0.02      | 0.29      | 0.25      |           |
| Health and safety %              | 0.20      | 0.21      | 0.21      | 0.22      | 0.20      | 0.20      | 0.19      | 0.22      | 0.23      | 0.22      | 0.21      | 0.18      | 0.15      | 0.17      | 0.21      |           |
| Training and development %       | 0.22      | 0.22      | 0.21      | 0.21      | 0.20      | 0.19      | 0.19      | 0.19      | 0.20      | 0.19      | 0.17      | 0.18      | 0.21      | 0.21      |           |           |
| Profiles %                       | 0.18      | 0.17      | 0.16      | 0.17      | 0.18      | 0.18      | 0.18      | 0.18      | 0.19      | 0.18      | 0.19      | 0.18      | 0.18      | 0.18      | 0.21      | 0.21      |
| Industrial relations %           | 0.03      | 0.03      | 0.03      | 0.03      | 0.02      | 0.02      | 0.02      | 0.03      | 0.02      | 0.03      | 0.03      | 0.03      | 0.03      | 0.03      | 0.03      | 0.03      |
| Minorities or women %            | 0.04      | 0.04      | 0.03      | 0.04      | 0.04      | 0.06      | 0.06      | 0.05      | 0.03      | 0.03      | 0.03      | 0.03      | 0.03      | 0.03      | 0.02      | 0.03      |
| Assistance or benefits %         | 0.02      | 0.02      | 0.02      | 0.02      | 0.02      | 0.02      | 0.02      | 0.02      | 0.02      | 0.02      | 0.02      | 0.02      | 0.02      | 0.02      | 0.02      | 0.03      |

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There was increased demand for essential products in the first half of 2020 partly because consumers stockpiled groceries during the early stages of the COVID-19 outbreak. Consequently, industry revenue is anticipated to increase by 4.60 percent (ABS, 2020a, 2020b). Woolworths hired 20,000 people into new roles across its supermarkets, e-commerce, supply chain and drinks businesses in Australia during the COVID-19 months of April and May 2020. The additional positions and extra hours for existing team members allowed the retailer to better meet the increased demand for food and drinks across Australia. They also improved their online operations to support the changing shopping needs of the community as the health crisis continued to unfold. Further, Woolworths introduced exclusive shopping hours for the elderly and other consumers who needed priority for acquiring goods (Woolworths, 2020b).

Woolworths hired 3,000 ALH Group team members impacted by mandatory hotel closures in new roles across BWS, Dan Murphy’s and Woolworths supermarkets. They planned to provide 5,000 short-term roles to Qantas Group employees taking leave without pay, including more than 1,500 in their distribution centres. Woolworths is setting up similar streamlined application processes with Village Entertainment, Michael Hill Jewellers, Cotton On, Accor and Super Retail Group. It expects to make thousands of short-term roles available to employees from these businesses (Woolworths, 2020b).

Despite these positive disclosures, a lack of commitment to staff is indicated by failure to pay staff their correct wages and this must be balanced against

| Variables                        | Mean other firms | Woolworths | Coles | Metcash |
|----------------------------------|------------------|------------|-------|---------|
| Employee numbers                 | 4,297.74         | 196,017    | 113,409 | 6,378   |
| Employee ownership               | 0.17             | 0          | 0     | 0.01    |
| Disclosure %                     | 94               | 100        | 100   | 100     |
| Number of sentences              | 205.85           | 402        | 430   | 146     |
| Remuneration                     | 56.08            | 87         | 107   | 25      |
| Health and safety                | 45.57            | 127        | 109   | 41      |
| Training and development         | 43.56            | 82         | 89    | 35      |
| Profiles                         | 41.16            | 75         | 80    | 33      |
| Industrial relations             | 6.25             | 9          | 20    | 3       |
| Minorities or women              | 8.68             | 18         | 21    | 7       |
| Assistance or benefits           | 4.80             | 4          | 4     | 2       |
| Training and development %       | 0.20             | 0.20       | 0.21  | 0.24    |
| Health and safety %              | 0.20             | 0.32       | 0.25  | 0.28    |
| Remuneration %                   | 0.27             | 0.22       | 0.25  | 0.17    |
| Profiles %                       | 0.18             | 0.19       | 0.19  | 0.23    |
| Industrial relations %           | 0.03             | 0.02       | 0.05  | 0.02    |
| Minorities or women %            | 0.04             | 0.04       | 0.05  | 0.05    |
| Assistance or benefits %         | 0.02             | 0.01       | 0.01  | 0.01    |

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their employee-related disclosures indicating preparedness of employees for the pandemic. In October 2019, Woolworths joined Wesfarmers, Qantas, Commonwealth Bank, Super Retail Group, Michael Hill Jewellers and others in failing to ensure that staff were receiving their lawful entitlements. In one of Australia’s biggest wage theft scandals, Woolworths owes salaried staff approximately $500 million from underpayments over the past 10 years (Mitchell, 2020b). This indicates a lack of commitment to staff and questions the validity of their employee-related disclosures.

The pandemic did not necessarily reduce the financial accounting performance of members of the consumer staples industry. Supermarkets had a major rise in sales as panic buying took place in March 2020 (Powell, 2020). Woolworths shoppers almost doubled spending on food in a single week in late March. Coles’ third quarter results revealed the full extent of the panic buying and food hoarding across the country, with 13.10 percent higher sales growth compared to its half-year result. Revenue in Coles’ supermarket division increased 13.80 percent to $8.2 billion for the quarter, including liquor sales and Coles’ petrol station convenience stores that increased by 7.20 percent and 4.30 percent respectively. Sales across all divisions increased 12.40 percent to $9.2 billion (Powell, 2020).

Retailers have also been required to increase expenditure on new staff members, additional cleaning costs and protective equipment such as clear screens on registers. Woolworths has estimated it may have to spend more than $250 million for the COVID-19-led measures. Coles reported that they rewarded 100,000 staff with a special one-off bonus for their hard work during the intense early weeks of the pandemic (Brook, 2020).

Product discounting was limited over this period, resulting in wider per product margins. However, profit gains are expected to be moderated by rising expenses attributable to the COVID-19 outbreak, such as costs associated with improved safety measures including glass barriers to protect checkout staff. Additionally, produce prices have risen sharply due to supply shortages brought on by drought and bushfires (Duke, 2020).

Consumer staples’ emphasis on remuneration in their annual reports could be an attempt by retailers to repair legitimacy and neutralise employees’ dissatisfaction with wage growth (Deegan, 2019). The employee-related disclosures in 2020 by the two leading grocery providers in the consumer staples industry suggest that firms recognise value creation by their employees and a desire to ensure sustainability of their workforce. However, failure to pay staff their legal entitlements and a focus on self-laudatory disclosures provide concern regarding the credibility of the disclosures.

4.3. Tobit regression models

Table 6 provides a correlation matrix for variables included in the Tobit regression models. High significant correlations exist between log of assets as a
Table 6
Correlation matrix

|                          | (1)  | (2)  | (3)  | (4)  | (5)  | (6)  | (7)  | (8)  | (9)  | (10) | (11) | (12) | (13) |
|--------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Employee ownership (1)   |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Big 4 (2)                |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Ownership (3)            | -0.09*|      |      |      |      |      |      |      |      |      |      |      |      |
| Board size (4)           |      |      | 0.04 |      | 0.42**|      | -0.14**|      |      |      |      |      |      |
| Independent board (5)    | 0.09*|      | 0.01 |      |      | -0.09*|      | -0.07*|      |      |      |      |      |
| Independent chair (6)    | 0.08*|      | 0.08*|      |      | -0.17**|      | -0.04 |      | 0.38**|      |      |      |
| Dule CEO/chair (7)       | 0.01 |      | 0.14**|      |      | -0.06 |      | 0.09**|      | 0.03 |      | 0.30**|      |
| Audit committee (8)      | 0.07*|      | 0.14**|      |      | -0.25**| 0.12**|      | 0.12**|      | 0.30**|      | 0.17**|
| Remuneration committee (9)| -0.02|      | 0.28**|      |      | -0.20**| 0.21**|      | 0.26**|      | 0.16**|      | 0.71**|
| Nomination committee (10)| 0.07*|      | 0.30**|      |      | -0.18**| 0.22**|      | 0.20**|      | 0.05 |      | 0.46**| 0.68**|
| Log of assets (11)       | 0.15**|      | 0.63**|      |      | -0.19**| 0.70**|      | 0.10**|      | 0.13**|      | 0.05 | 0.19**|
| ROA (12)                 | 0.02 |      | 0.28**|      |      | -0.04 |      | 0.27**|      | 0.09**|      | 0.13**|      | 0.05 |
| Tobin’s Q (13)           | -0.01|      | -0.16**|      |      | -0.03 |      | -0.07 |      | -0.14**| 0.01 | -0.12**|      |
| Leverage (14)            | 0.07*|      | -0.01 |      | -0.04 | -0.01 |      | 0.01 |      | 0.03 |      | 0.01 |      | 0.01 |

**Correlation is significant at the 0.01 level (two-tailed).
*Correlation is significant at the 0.05 level (two-tailed).
measure of size and board size \((r = 0.70)\) and \(ROA\) \((r = 0.55)\) so that we leave log of assets out of our regressions to ensure that multicollinearity is not threatening the computational accuracy of the results. High correlations also exist between the remuneration and nomination committee \((r = 0.68)\) and the remuneration and audit committee \((r = 0.71)\), so the remuneration committee is excluded from further analysis for the same reason. Finally, Tobin’s \(Q\) is excluded as it does not have significant explanatory power in our results being negatively correlated with \(ROA\) \((r = −0.33)\). Other significantly high correlations such as the correlation between nomination committee and audit committee \((r = 0.46)\) are checked by systematically excluding each variable and re-analysing the data to ensure the results do not qualitatively vary with the inclusion and exclusion of the variables.

Table 7 reports the results of the Tobit regression for total number of sentences and proportion of these sentences devoted to remuneration, health and safety, training and development, employee profiles, industrial relations, minorities or women, and assistance or benefits. All models are significant at \(p < 0.00\) with employee ownership having significant explanatory power for total sentences \((\beta = 27.64, \ p \leq 0.01)\), proportion of employee profiles \((\beta = 0.03, \ p \leq 0.01)\), proportion of industrial relations \((\beta = 0.01, \ p \leq 0.01)\) and proportion of assistance or benefits \((\beta = 0.01, \ p \leq 0.01)\) in support of H1. This indicates that employee share ownership encourages employee participation in the firm to ensure that employees’ interests are disclosed in annual reports.

H2 is supported in that appointing a Big 4 auditor explains total sentences \((\beta = 95.31, \ p \leq 0.01)\), proportion of training and development \((\beta = 0.04, \ p \leq 0.01)\), employee profiles \((\beta = 0.04, \ p \leq 0.01)\), industrial relations \((\beta = 0.01, \ p \leq 0.05)\) and minorities or women \((\beta = 0.01, \ p \leq 0.05)\). This confirms previous research (Brown and Knechel, 2016) that auditors influence narrative disclosure in annual reports.

Support is also found for H3 with many of the corporate governance variables indicating that adopting recommended corporate governance practices are associated with more disclosures and disclosure choices for remuneration, health and safety, training and development, employee profiles, industrial relations, minorities or women, and assistance or benefits. A bigger board is associated with significantly more sentence disclosures \((\beta = 8.27, \ p \leq 0.01)\) and the proportion of assistance and benefits \((\beta = 0.01, \ p \leq 0.10)\) but associated with a lower proportion of remuneration \((\beta = −0.01, \ p \leq 0.01)\) and training and development \((\beta = −0.01, \ p \leq 0.01)\) disclosures. A majority independent board is associated with increased total disclosures \((\beta = 24.23, \ p \leq 0.05)\) and a significantly higher proportion of remuneration disclosures \((\beta = 0.02, \ p \leq 0.05)\), employee profiles \((\beta = 0.02, \ p \leq 0.01)\), industrial relations \((\beta = 0.01, \ p \leq 0.05)\) and minorities or women \((\beta = 0.01, \ p \leq 0.05)\). Other measures of independence on the board also explain total sentence disclosure and choice of disclosure categories. An independent chair significantly explains
Table 7
Tobit regressions

| Dependent variable                  | Total sentences coefficient ($t$) | Proportion remuneration coefficient ($t$) | Proportion health and safety coefficient ($t$) | Proportion training and development coefficient ($t$) | Proportion employee profile coefficient ($t$) | Proportion industrial relations coefficient ($t$) | Proportion minorities or women coefficient ($t$) | Proportion assistance or benefits coefficient ($t$) |
|-------------------------------------|----------------------------------|------------------------------------------|-----------------------------------------------|-----------------------------------------------------|-----------------------------------------------|-----------------------------------------------|-------------------------------------------------|---------------------------------------------------|
| Employee ownership                  | 27.64*** (2.58)                  | −0.01 (−0.94)                            | −0.01 (−0.97)                                 | 0.01 (1.58)                                          | 0.03*** (3.93)                                | 0.01*** (3.71)                                | −0.01 (−0.42)                                   | 0.01*** (7.64)                                     |
| Big 4                               | 95.31*** (10.44)                 | 0.01 (0.82)                              | 0.04*** (5.75)                                | 0.04*** (6.59)                                       | 0.01*** (2.04)                                | 0.01*** (2.01)                                | 0.01*** (0.34)                                   | 0.01***                                           |
| Ownership                           | 0.03 (0.42)                      | 0.01 (1.59)                              | 0.01*** (3.14)                                | 0.01 (1.38)                                          | −0.01 (−1.03)                                 | 0.01 (0.32)                                    | 0.01 (1.13)                                     | 0.01***                                           |
| Board size                          | 8.27*** (4.68)                   | −0.01*** (−5.14)                         | 0.01 (0.63)                                   | −0.01*** (−2.98)                                     | −0.01*** (−0.55)                               | 0.01*** (1.10)                                 | 0.01*** (0.28)                                   | 0.01*** (1.76)                                     |
| Independent board                   | 24.23** (2.42)                   | 0.02** (2.10)                            | 0.02*** (0.23)                                | 0.02*** (0.62)                                       | 0.02*** (2.61)                                | 0.02*** (2.07)                                 | 0.01*** (2.11)                                   | 0.01*** (1.01)                                     |
| Independent chair                   | 51.17*** (4.93)                  | 0.02** (2.05)                            | 0.02*** (2.85)                                | 0.01 (1.35)                                          | 0.01 (1.58)                                   | 0.01 (0.01)                                    | 0.01 (1.16)                                     | 0.01*** (3.00)                                     |
| Dual CEO/chair                      | −11.03 (−0.86)                   | 0.01 (0.05)                              | −0.04*** (0.96)                               | −0.01*** (−3.79)                                     | 0.01*** (0.99)                                | −0.01*** (−0.34)                               | −0.01*** (2.19)                                  | −0.02*** (−8.42)                                    |
| Audit committee                     | 29.17** (2.33)                   | −0.01 (−0.89)                            | 0.05*** (4.47)                                | −0.01*** (1.69)                                      | 0.01*** (1.04)                                | 0.01*** (1.04)                                 | −0.01*** (2.62)                                  | −0.01*** (0.28)                                     |
| Nomination committee                | 52.07*** (5.38)                  | 0.01 (0.85)                              | −0.01*** (−1.28)                              | −0.02*** (−2.54)                                     | −0.01*** (−2.20)                               | −0.01*** (−2.29)                               | −0.01*** (2.60)                                  | −0.01*** (−0.27)                                    |
| ROA                                 | 0.23** (2.06)                    | −0.01*** (−0.89)                         | 0.01*** (3.69)                                | 0.01*** (0.13)                                       | 0.01*** (2.14)                                | 0.01*** (0.06)                                 | 0.01*** (2.76)                                   | 0.01*** (0.31)                                     |
| Leverage                            | 0.28 (0.58)                      | 0.01 (0.41)                              | −0.01 (0.69)                                  | −0.01*** (−1.03)                                     | 0.01*** (2.13)                                | 0.01*** (0.56)                                 | 0.01*** (0.27)                                   | 0.01*** (0.09)                                     |

(continued)
| Dependent variable | Total sentences coefficient ($t$) | Proportion remuneration coefficient ($t$) | Proportion health and safety coefficient ($t$) | Proportion training and development coefficient ($t$) | Proportion employee profile coefficient ($t$) | Proportion industrial relations coefficient ($t$) | Proportion minorities or women coefficient ($t$) | Proportion assistance or benefits coefficient ($t$) |
|--------------------|---------------------------------|------------------------------------------|-----------------------------------------------|-------------------------------------------------|---------------------------------------------|----------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Constant           | 9.83 (0.55)                     | 0.29*** (17.20)                          | 0.14*** (9.46)                                | 0.21*** (16.33)                                 | 0.13*** (11.94)                              | 0.02*** (4.01)                              | 0.02*** (4.59)                                | 0.03*** (8.30)                                |
| Model $p$          | 0.00                            | 0.00                                     | 0.00                                          | 0.00                                            | 0.00                                        | 0.00                                         | 0.00                                          | 0.00                                          |
| Chi$^2$            | 396.51                          | 51.92                                    | 71.38                                         | 65.12                                           | 105.39                                     | 34.04                                       | 53.24                                         | 490.13                                       |
| Pseudo $R^2$       | 0.04                            | 0.04                                     | 0.05                                          | 0.04                                            | 0.06                                       | 0.01                                        | 0.02                                          | 0.05                                          |

***Correlation is significant at the 0.01 level (two-tailed).
**Correlation is significant at the 0.05 level (two-tailed)
*Correlation is significant at the 0.10 level (two-tailed).

$N = 802$. 
higher total disclosures ($\beta = 51.17, p \leq 0.01$), proportion of remuneration ($\beta = 0.02, p \leq 0.05$), health and safety ($\beta = 0.02, p \leq 0.01$) and assistance and benefits ($\beta = 0.01, p \leq 0.01$). A non-dual CEO/chair, suggesting increased independence of the board, is also significantly associated with proportionately more training and development ($\beta = -0.04, p \leq 0.01$) and assistance and benefits ($\beta = -0.02, p \leq 0.01$) related disclosures. However, a non-dual chair/CEO is significantly associated with a lower proportion of disclosures about minorities or women ($\beta = 0.01, p \leq 0.01$).

The existence of committees as recommended best corporate governance practices also contribute to increased disclosures of employee-related information. The audit committee ($\beta = 29.17, p \leq 0.05$) significantly explains higher total sentences, proportion of health and safety disclosures ($\beta = 0.05, p \leq 0.01$) and training and development ($\beta = 0.01, p \leq 0.10$) but lower disclosures about minorities or women ($\beta = -0.01, p \leq 0.01$). The nomination committee significantly explains higher sentences disclosure ($\beta = 52.07, p \leq 0.01$) and a higher proportion of information related to minorities or women ($\beta = 0.01, p \leq 0.01$) but is associated with significantly less proportional disclosure about training and development ($\beta = -0.02, p \leq 0.05$), employee profiles ($\beta = -0.01, p \leq 0.05$) and industrials relations ($\beta = -0.01, p \leq 0.10$). The results reflect the specific roles of the two committees. Audit committees have a role of ensuring high-quality reporting internally and externally for the firm in general while the nomination committee is more focused on skills, experience and expertise on the board and one of their stated roles is to ensure diversity on the board. Diversity of the board is likely to extend to diversity in employment for non-board members and be reflected by increased employee-related disclosures for minorities or women.

Finally, higher ownership is only significantly related to proportion of training and development ($\beta = 0.01, p \leq 0.01$) but otherwise has limited explanatory power. ROA is significantly higher for total sentences ($\beta = 0.23, p \leq 0.05$), proportion of health and safety ($\beta = 0.01, p \leq 0.01$), employee profiles ($\beta = 0.01, p \leq 0.01$) and minorities and women ($\beta = 0.01, p \leq 0.01$) but lower for remuneration ($\beta = -0.01, p \leq 0.01$). Leverage only has significant explanatory power for a higher proportion of employee profiles ($\beta = 0.01, p \leq 0.05$) disclosures.

It is interesting that ROA is associated with increased employee disclosures as previous studies find conflicting results for the association between financial performance and CSR disclosures (Roberts, 1992; Kent and Zunker, 2013). Our result is consistent with previous research that finds that financial performance is associated with higher financial performance when performance is measured by profit per employee (Kent and Zunker, 2017). This could reflect that employees are powerful stakeholders in the consumer staples industry because their labour is necessary for the economic success of the firm. (Ullmann, 1985; Kuasirikun and Sherer, 2004; Freeman, 2010; Kent and Zunker, 2017). Significant results for health and safety, employee profiles and
minorities and women reflect that firms deemed socially responsible with respect to employees can be important to purchase decisions by consumers assisting firms to increase financial performance. Ensuring the health and safety of employees and caring for social, human rights and information disclosure are joint interests of the firm and its stakeholders. It is important that firms build closer relationships with their stakeholders and take a long-term rather than a short-term perspective (Cho et al., 2019). Our longitudinal study indicates that the consumer staples industry has been reporting employee-related disclosures in the long term and this has an association with financial performance measured by ROA. The limited significance of the total and categories of disclosure for leverage suggests that creditor power is relatively less important than employees as a stakeholder in the consumer staples industry.

5. Conclusion

We explore whether employees in the consumer staples industry were well prepared to adapt to COVID-19 conditions evidenced indirectly by firms’ employee-related disclosures in annual reports. We are unable to directly observe employee preparation for the emergency but rely on information disclosure by firms in the industry about their employees as an indirect indicator of employees’ ability to adapt to new circumstances created by the pandemic.

We find from a sample of 859 Australian firms in the consumer staples industry between 2004 and 2019 that the amount of employee-related disclosure is high and reasonably consistent across the years, increasing in 2013 with a mean of 249 sentences. The highest category across the years is employee remuneration followed by health and safety, and training and development. The high level of disclosure of employee information regarding health, safety, training and development indicates that the industry values their employees and prepares their employees for unexpected circumstances. We also find that total disclosure is significantly related to having employee ownership, a Big 4 auditor, a larger board of directors, a majority independent board, independent chair, an audit and nomination committee and higher ROA.

An implication of our results is that CSR disclosures should remain largely voluntary because employee-related disclosures occur when a firm has high employee stakeholder power indicated by employee concentration in the industry and employee ownership. Adoption of recommended corporate governance mechanisms and appointment of a high-quality auditor are also associated with increased disclosures providing evidence of benefits from best practice corporate governance mechanisms. This also has the added benefit of being associated with increased financial performance for a long-term period of 16 years. These benefits encourage firms with higher employee stakeholder power and adoption of recommended corporate governance mechanisms to

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report employee-related information without the intervention of disclosure regulation.

The association between employee-related disclosures and ROA provide evidence of the importance of valuing employees and disclosing this information publicly in annual reports. Many of the firms in our sample have no employee-related disclosures and the quantity and quality of employee disclosures can be improved for all firms. High-quality disclosures that reflect the value of employees to firms are important in ensuring firms recover from the current pandemic and prepare for future disasters.

A limitation of our study is that disclosure of employee-related information may not be associated with improved employee-related outcomes. Studies testing whether environmental disclosure is related to environmental performance are inconclusive (Clarkson et al., 2008; Clarkson et al., 2011; Boiral, 2013). Future research should examine whether positive employee-related disclosures are associated with improved employee outcomes.

We recommend future research in this field to revisit these firms in future years to examine whether they have made changes to their disclosure practices and employee-related procedures, examining specific references to the pandemic and whether firms report more information on disaster recovery and risk management. Optimistically, firms have learned the value of their employees during the pandemic and will place more emphasis on training employees to recover from COVID-19 and prepare for future pandemics.

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