

CORPORATE SOCIAL REPORTING IN THE REPUBLIC OF IRELAND: A LONGITUDINAL STUDY

Brendan O'Dwyer

Dublin City University

Rob Gray

University of Dundee

ABSTRACT

This paper reports on the results of a five-year study of the corporate social reporting (CSR) practices of listed companies in the Republic of Ireland. CSR has a long history of both practice and research in western Europe but this is the first detailed study of its kind in Ireland. The results show that disclosure levels in Ireland were quite low throughout the five-year period with larger companies tending to disclose more information. Mandatory disclosures relating to human resources information tended to predominate with only a limited number of companies reporting detailed voluntary information on a consistent basis. The increasing trends in environmental disclosure in western European surveys were not evident in the sample. Although different average volumes of disclosure were found between different industry sectors, these were only statistically significant in the first three years of the study.

INTRODUCTION

There has been much research considering business and its social responsibilities in recent decades (Sethi, 1995). This research has attempted to define the concept of corporate social responsibility (Bucholz, 1991; Carroll, 1979, 1991; Davis, 1973; Frederick, 1987; Frederick, Post and Davis, 1992; Jones, 1980; Stone, 1975, Wood, 1991) and provide guidance to companies on how best to be socially responsive (Ackerman and Bauer, 1976; Frederick, 1987, 1994; Preston

and Post, 1975). It has also encouraged greater emphasis on the consideration of morals and ethics in business decision making and business behaviour (Frederick, 1986, 1987; Swanson, 1995). Attempts to provide a theoretical framework for the area of corporate social responsibility have also been proposed in the form of models of corporate social performance (Wood, 1991; Wartick and Cochran, 1985; Jones, 1983). While much of this research involves consideration of the responsibility of companies to undertake certain actions (or to desist from taking certain actions), Gray, Owen and Adams (1996) also identify a responsibility on the part of companies to provide an account of those actions. They see corporate social reporting (CSR) as a means by which companies can provide an account of their socially oriented actions in order to discharge their accountability to society¹. CSR has been defined as 'the process of communicating the social and environmental effects of organisations' economic actions to particular interest groups within society and to society at large' (Gray et al., 1996, p.3) and since the mid-1970s it has been the subject of much research attention (Neu, Warsame and Pedwell, 1998).

Despite increasing evidence of the use of other media (Zeghal and Ahmed, 1990), CSR concerns itself chiefly with self-reporting by organisations via the annual report. It is predominantly concerned with reporting on organisation-society interactions relating to the natural environment, employees, communities and customers (Gray, Kouhy and Lavers, 1995a) and 'is predicated on the assumption that companies do have wider responsibilities than simply to make money for their shareholders' (Gray et al., 1996, p.3). It may be undertaken voluntarily, as a result of legislation, or as part of a code of practice (Gray et al., 1995a). In fact, according to Gray et al. (1995a), the practice of CSR is not universally recognised or universally defined and there is little about CSR which is not contestable and indeed contested. In general, there appears to be little regulation governing CSR (Adams, Hill and Roberts, 1998).

Despite twenty years or more of empirical investigation of CSR practice world-wide (Gray et al., 1995a), no detailed study of this form of disclosure has been undertaken in the Republic of Ireland (but see Brennan and Pierce, 1996; Brennan, O'Brien and Pierce, 1992). This study seeks to provide an up-to-date description of CSR practice in the particular context of the Republic of Ireland over the five-year period

from 1991 to 1995. It also examines this practice in order to ascertain if associations between company size and the level of CSR exist in each of the five years. Finally, the study examines whether the industry sector of a company is associated with the level of CSR in each year.

The paper is structured as follows. Firstly, the relevant survey literature is reviewed to set the context of the study. This is followed by details of the sample of annual reports analysed and the data collection method used. The results of the survey of Irish annual reports are then presented along with the results of statistical tests undertaken to ascertain whether there are associations between the volume of CSR and industry size and sector. These results are then summarised before a brief conclusion based on the findings is presented.

PRIOR RESEARCH IN CSR

The nature and extent of CSR appears to vary between different countries (Gray et al., 1995a), which some believe indicates that the practice may be culturally relative (Lewis and Unerman, 1997). However, with the increasing globalisation of business and the international harmonisation of accounting standards, country- and culture-specific factors may not weigh as strongly as corporate- and industry-specific factors (Adams et al., 1998). Much empirical investigation of CSR has been undertaken (see next section) and in order to place this in some form of theoretical context, research has also attempted to explain *why* companies might engage in CSR. It has been contended that the practice may be undertaken as it provides useful information for investment decision making (Adler and Milne, 1997; Gray et al., 1995a; Mathews, 1993; Tilt, 1994) or can assist in staving off potential regulatory pressure to be more socially responsible (Adler and Milne, 1997; Gray et al., 1995a; Watts and Zimmerman, 1978). It has also been seen as a means by which companies may attempt to manage their stakeholders in order to gain their support or approval (Gray, Dey, Owen, Evans and Zadek, 1997; Roberts, 1992). Legitimacy theory posits that CSR helps to legitimise companies' actions (Adams, Coutts and Harte, 1995; Adams et al., 1998; Deegan and Rankin, 1996, 1997; Gray et al., 1995a; Guthrie and Parker, 1989; Neu et al., 1998; Patten, 1991, 1992) while political economy theory contends that it may help a company to define itself and project its beliefs, norms, values and perceptions (Adams, Coutts and Harte, 1995; Cooper and Sherer, 1984; Guthrie and Parker, 1990).

RECENT INTERNATIONAL CSR PRACTICE

CSR can be divided into three main strands of reporting: reporting on human resources; the environment; and community involvement. Recent international surveys are summarised in **Table 1** based on these three strands. In general, international surveys of CSR have tended to concentrate on the (so-called) developed countries (Gray et al., 1996, but see Andrew, Gul, Guthrie and Teoh, 1989; Choi, 1998) and on larger companies within these countries (Adams et al., 1998). The results of these surveys indicate that companies place the greatest emphasis on human resources disclosures although the types of human resources disclosure tend to vary (see Adams, Hill and Roberts, 1995; Gray et al., 1995a; Guthrie and Parker, 1990; Hackston and Milne, 1996; Roberts, 1990; Savage, 1994). However, much of this disclosure is mandatory in contrast with the comparative lack of mandatory reporting requirements in relation to the environment and the community. During the past decade, most research has tended to focus exclusively on the incidence of environmental disclosure among companies (Adams et al., 1998; Gray et al., 1996; Mathews, 1997).

The concerns of employees, information about products and instances of community involvement *may* be documented in annual reports, but there do not appear to be many accounting researchers who now report on these matters (Mathews, 1997, p.496, emphasis in original).

Human Resources Disclosure

This form of disclosure includes reporting on matters such as employee numbers and remuneration (which are mandatory in many western European countries), equal opportunities, employee share ownership and employment of the disabled. It can also encompass disclosures on health and safety, employee consultation, training, value added statements² and trade union information. Recent comparative studies in western Europe (see Adams, Hill and Roberts, 1995; Roberts, 1990) indicate that, of the companies sampled, almost all disclosed some information on human resources. However, much of the information disclosed was minimal and simply followed the law in particular countries with little disclosure being provided in more sensitive areas such as trade union activities, pay awards and redundancy schemes and costs.

Table 1: Recent International Corporate Social Reporting Surveys

Human Resources Disclosure

Country	Republic of Ireland	UK	UK	Sweden	Switzerland	France
Study (see p. 8)	Current	1	2	2	2	2
Data Year	95	91	92/93	92/93	92/93	92/93
Sample size	50	<i>Note</i>	25	25	25	25
% of companies disclosing	100	100	100	100	100	100
Average pages disclosed	1.65	3.00	2.04	1.56	1.41	1.68
Country	Netherlands	Germany	US	Japan	Australia	New Zealand
Study (see p. 8)	2	2	11	12	11	9
Data Year	92/93	92/93	83	85/86	83	92
Sample size	25	25	47	49	50	47
% of companies disclosing	100	100	75	26	52	79
Average pages disclosed	1.65	3.36	-	-	-	0.45
						2.60

Environmental Disclosure

Country	Republic of Ireland	UK	UK	UK	Sweden	Switzerland	France	Netherlands
Study (see p. 8)	Current	1	2	3	2	2	2	2
Data Year	95	91	92/93	93/94	92/93	92/93	92/93	92/93
Sample size	50	<i>Note</i>	25	124	25	25	25	25
% of companies disclosing	20	87	80	69	88	76	56	64
Average pages disclosed	0.27	0.49	0.59	0.56	0.85	0.60	0.71	0.45
Country	Germany	Finland	Nordic	US	Japan	Australia	New Zealand	South Africa
Study (see p. 8)	2	4	5	6	7	8	9	10
Data Year	92/93	92	95	91	91	92	92/93	92/93
Sample size	25	75	511	94	49	197	47	54
% of companies disclosing	100	48	44	50	34	36	23	63
Average pages disclosed	1.61	-	-	-	-	0.35	0.28	0.50

Community Disclosure

Country	Republic of Ireland	UK	UK	Sweden	Switzerland	France
Study (see p. 8)	Current	1	2	2	2	2
Data Year	95	91	92/93	92/93	92/93	92/93
Sample size	50	*	25	25	25	25
% of companies disclosing	10	92	92	0	28	12
Average pages disclosed	0.15	0.50	-	-	-	-
Country	Netherlands	Germany	US	Japan	Australia	New Zealand
Study (see p. 8)	2	2	11	12	11	9
Data Year	92/93	92/93	83	85/86	83	92
Sample size	25	25	47	49	50	47
% of companies disclosing	12	28	63	19	16	30
Average pages disclosed	-	-	-	-	-	0.39
						0.80

* This study consisted of two samples. From 1979 to 1987 the study used a random sample of 444 companies from which samples were selected in each year. From 1988 to 1991, a sample of the 100 largest UK companies was used. The figures included are estimates based on line graphs included in the study.

Surveys Referred to in Table 1

1. Gray, R.H., Kouhy, R. and Lavers, S. (1995a).
2. Adams, C.A., Hill, W.Y. and Roberts, C.B. (1995).
3. Mohamed, A. and Hill, W.Y. (1996).
4. Niskala, M. and Pretes, M. (1995).
5. Deloitte Touche Tohmatsu International (1996).
6. Gray, R.H. (1993).
7. Kokubu, K., Tomimasu, K. and Yamagami, T. (1994).
8. Deegan, C. and Gordon, B. (1996).
9. Hackston, D. and Milne, M.J. (1996).
10. Savage, A.A. (1994).
11. Guthrie, J. and Parker, L.D. (1990).
12. Yamagami, T. and Kokubu, K. (1991).

The vast majority of disclosures were qualitative with financial or quantitative information being less prevalent. Employee appreciation statements and breakdowns of pay and numbers of employees were particularly popular disclosures, while disclosure on health and safety was low overall.

In comparing US, Australian and UK annual reports for the same year, Guthrie and Parker (1990) found that 75 per cent of US companies making social disclosures made human resources disclosures. This compared to equivalent figures of 98 per cent in the UK sample and 93 per cent in the Australian sample. Different social concerns in the US and in Europe appear to be the main reason for the smaller concentration on human resources disclosure in the US (Gray et al., 1996).

In South Africa, Savage (1994) reported that 89 per cent of companies in his sample made employee disclosures. He contended that this relatively large level of human resources disclosure may reflect the desire of corporate South Africa to pacify socio-political demands in the post-apartheid era. The most recent survey of disclosure practice in New Zealand (Hackston and Milne, 1996) found that 79 per cent of companies sampled disclosed information on human resources. It should be noted, however, that both of these countries have relatively few mandatory human resources reporting requirements compared to many western European countries.

In relation to overall human resources reporting, Gray et al. (1996) claim that despite the large percentage of companies disclosing, and despite human resources reporting having a much longer history in Europe than environmental reporting, it is liable to changes in subjects, emphasis and focus in accordance with changing 'fashions'. They contend that only information disclosed in response to mandatory requirements appears guaranteed to stay.

Environmental Disclosure

This form of disclosure normally includes disclosures relating to environmental policies, impacts, processes and audits. It can also include environmental related expenditures, the environmental benefits of products and details on sustainable operations. In general, the most popular types of environmental disclosure internationally relate to environmental policies and the environmental impacts of products and processes. The information provided tends to be limited and mainly discursive with very little quantitative or financial information being disclosed.

Much of the environmental reporting in western Europe this decade appears to have been prompted in part by various indirect pressures from EU initiatives and from some representatives of the business world³. Most of these initiatives have been of a voluntary nature and, with few exceptions, there is little extant legislation in Europe requiring the disclosure of environmental information by companies (Gray, 1995)⁴. In recent years, since an initial upsurge in environmental disclosures around the late 1980s and early 1990s, there has been slow and steady growth in environmental reporting in Europe (Gray, 1995).

Recent international survey evidence (UN, 1994, 1995) indicates that an increasing number of large corporations world-wide make environmental disclosures in their annual reports (see also KPMG, 1993, 1997). Surveys by Roberts (1991) and Adams, Hill and Roberts (1995) indicate that German and Swedish (see also Ljungdahl, 1994) companies take the lead in both the number of companies disclosing information on the environment and in the variety of information disclosed. A recent survey of Nordic countries (Deloitte Touche Tohmatsu International, 1996) revealed that 44 per cent of listed companies made environmental disclosures either in their annual report or in a stand-

alone environmental report (see also Ljungdahl, 1994; Niskala and Pretes, 1995). There are also a plethora of UK studies which highlight increasing trends in reporting in this context (Adams, Hill and Roberts, 1995; Gray et al., 1995a; Harte and Owen, 1991; Jupe, 1994; Kelly, 1996; Kirkman and Hope, 1992; KPMG, 1994; Mohamed and Hill, 1996).

In comparison to western Europe and North America, relatively low levels of environmental disclosure have been reported for Australia (Deegan and Gordon, 1996; Guthrie and Parker, 1990), New Zealand (Hackston and Milne, 1996) and Japan (Kokubu, Tomimasu and Yamagami, 1994; Yamagami and Kokubu, 1991). However, many of these studies indicate upward trends in the level of reporting taking place in these countries.

While the incidence of environmental reporting does appear to be increasing among the larger companies in the majority of countries for which research evidence is available, Gray (1995) believes it is close to its voluntary peak in Europe. He maintains that unless it is made mandatory, it will begin to decline and eventually may disappear.

Community Disclosures

Community disclosures include disclosures relating to community involvement and public welfare, sponsorship and advertising, as well as charitable donations and activities. In their western European study, Adams, Hill and Roberts (1995) found that 27 per cent of companies disclosed community based information with 18 per cent disclosing information on sponsorship and advertising. The UK had the highest percentage of companies (80 per cent) making community disclosures, which comprised half of the total of western European companies disclosing in the study. Swiss and German disclosure rates were the closest to the UK. In the majority of cases the information disclosed was brief, discursive and illustrative.

Hackston and Milne (1996) reported that 30 per cent of New Zealand companies sampled made community related disclosures, while in South Africa Savage (1994) reported that 72 per cent of companies sampled disclosed some information on community involvement issues. In both studies, the majority of disclosures were descriptive and quite

general. Gray et al. (1995a) noted a large increase in community related disclosure in the UK from the late 1980s to the early 1990s but in Japan, Yamagami and Kokubu (1991) found that only 19 per cent of companies surveyed made community involvement disclosures in their English version annual reports.

Although the overall level of CSR for which international research evidence is available is quite low, in most instances this low level of disclosure is increasing. This has particularly been the case with the recent increased evidence of environmental reporting among larger companies. However, the quality of CSR internationally does not appear to be improving to any great extent, with the information provided often being partial and insubstantial. A recent overview of Irish CSR practice (Brennan and Pierce, 1996), indicates that there is little disclosure beyond mandatory requirements (see next section) being undertaken by companies. Any voluntary disclosure undertaken appears to provide little information of substance while it appears that only companies in the public sector are making any real attempts to engage in CSR through the annual report.

Legal and Professional CSR Requirements in the Republic of Ireland

Companies legislation in the Republic of Ireland requires three main types of social disclosure. Firstly, certain information on employee numbers and costs must be disclosed. This includes details of the average number of persons employed, along with an analysis of employment costs incurred. Secondly, disclosure of particulars of pension commitments and certain other information is required. Both of these are required by the Companies (Amendment) Act 1986. Thirdly, the Safety, Health and Welfare at Work Act, 1989, requires reference to be made in the directors' report to the health and safety of employees (Brennan and Pierce, 1996). Statement of Standard Accounting Practice 24 *Accounting for Pension Costs* is the only accounting standard that could be said to deal broadly with social reporting as it requires certain disclosures in relation to pensions. Both of the above pieces of legislation, as well as SSAP 24, were in force throughout the years covered by this survey.

METHOD

Research Design and Data Collection

The annual reports of the largest 50 companies listed on the Irish Stock Exchange at 31 December 1995 were selected for this study. The CSR practices of these companies were recorded for every year from 1991 to 1995. Market capitalisation was used to rank the size of a company in line with previous research by Hackston and Milne (1996) and Guthrie and Parker (1990). The companies selected accounted for approximately 99 per cent of the total market capitalisation of the Irish Stock Exchange at that date and represented a number of different industrial sectors (see Appendix).

The data collection was achieved by means of a form of content analysis. Berelson (1952) defines content analysis as 'a research technique for the objective, systematic and quantitative description of the manifest content of communication' (p.18). The analysis involves codifying the text (or content) of a piece of writing into various groups (or categories) depending on selected criteria (Weber, 1988, quoted in Hackston and Milne, 1996). This form of analysis has been used in numerous studies of CSR practice (see Adams et al., 1998; Adler and Milne, 1997; Deegan and Gordon, 1996; Ernst and Ernst, 1976; Hackston and Milne, 1996; Gray et al., 1995a; Guthrie and Parker, 1989, 1990).

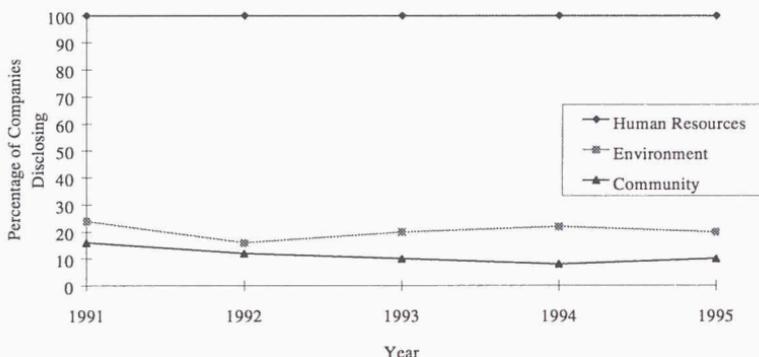
This study replicates the methodology of Gray et al. (1995a) in their longitudinal UK study. The interrogation instrument used was that developed by Gray, Kouhy and Lavers (1995b) in their description of the CSR content of UK annual reports from 1987 to 1991. This instrument also attempts to assess both the quality of disclosure (monetary quantitative, other quantitative, declarative) and the type of news (good news, bad news, neutral news) communicated by each disclosure in the annual reports.

For descriptive purposes, it was possible to summarise the data collected into three broad disclosure categories: human resources; environment; and community.

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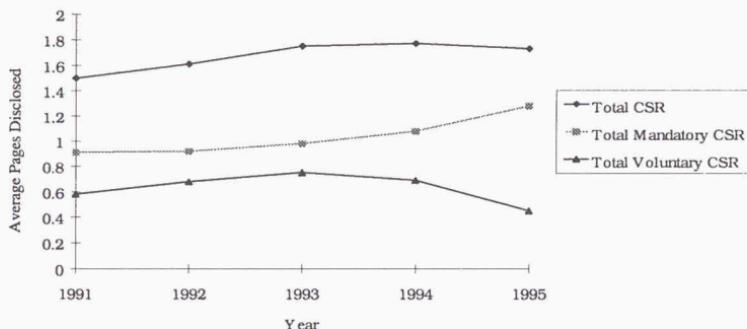
Over the five-year period, all of the reports sampled contained some social disclosures. From **Figure 1** it is clear that this was mainly due to all companies undertaking some form of human resources disclosure. However, environmental disclosure never rose above 24 per cent of companies in any year whereas community disclosures were undertaken by only 16 per cent of companies or less in all years. For the purposes of analysis, the disclosures were divided into mandatory and voluntary categories.

Figure 1: Incidence of Total CSR



The average volume of total CSR rose slightly from 1991 to 1993 and then remained reasonably constant from 1994 to 1995 (see **Figure 2**). However, over the corresponding period the average pages contained in the annual report rose from 37 pages in 1991 to 49 pages in 1995. It is clear that as a proportion of the overall annual report, the space devoted to CSR declined. The average volume of mandatory disclosure exceeded that of voluntary disclosure in all five years. From 1991 to 1995 the average volume of mandatory disclosure rose gradually. The average volume of voluntary disclosure rose slightly from 1991 to 1993 but then appeared to decline sharply between 1994 and 1995. This decline corresponded with the sharpest increase in the volume of mandatory disclosure, suggesting that perhaps as companies devoted more space, on average, to mandatory social disclosures, the space, on average, devoted to voluntary disclosures fell correspondingly.

Figure 2: Average Volume of Total Mandatory and Voluntary CSR



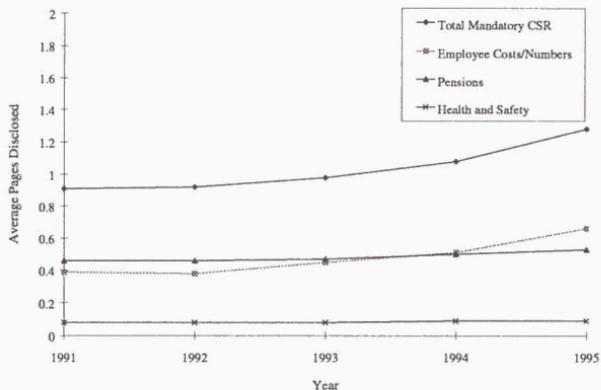
Mandatory Reporting

All mandatory information disclosed related to human resources and indicated no more than minimal compliance with legislation (see **Figure 3**). For example, in the health and safety area, companies made no attempt to indicate any procedures in place to ensure compliance with the Safety, Health and Welfare at Work Act, 1989, but simply included a statement indicating compliance within the directors' report. The average volume of disclosure exhibits a slightly increasing trend from 1991 to 1993. A steeper climb in disclosure is noticeable from 1993 to 1995. This was mainly due to the increase in the average pages of disclosure of employee costs and numbers which reflects the increased amount of space given to disclosures of directors' emoluments.

Voluntary Reporting

The incidence of voluntary disclosure declined marginally from 1992 to 1994 and peaked at 94 per cent of companies in 1995. In all voluntary areas the majority of disclosures were discursive, with very little quantitative or financial information being provided.

As is apparent from **Figure 4**, the most popular area of voluntary disclosure over the five-year period was human resources disclosure. This was the case both in terms of the percentage of companies disclosing in that category and the average volume of disclosure undertaken. However, the environmental and community related categories provided minimum disclosure both in terms of average volume and numbers.

Figure 3: Average Volume of CSR in Mandatory Categories

The rise in the volume of voluntary disclosure from 1991 to 1993 followed by the subsequent decline in disclosure from 1993 to 1995 is not indicative of an overall trend (see **Figure 5**). It reflects mainly the impact of the relatively high volume of voluntary disclosure undertaken in the annual reports of one company, Jefferson Smurfit Group (JSG) plc, for 1992, 1993 and 1994. This company undertook a large volume of human resources disclosures in 1992. Environmental disclosures dominated in 1993 and 1994, while in 1995, the company's overall level of voluntary disclosure dropped significantly.

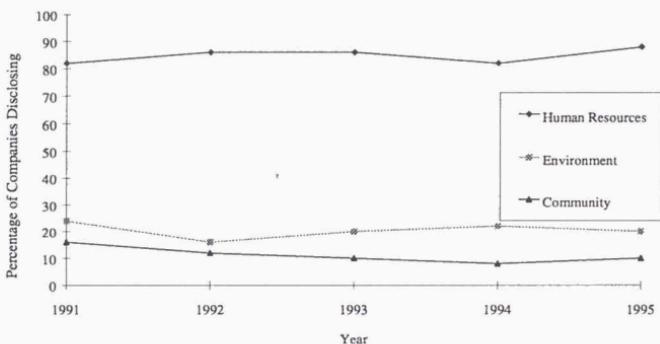
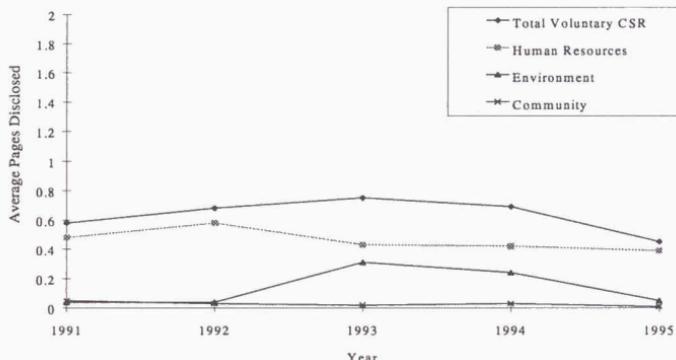
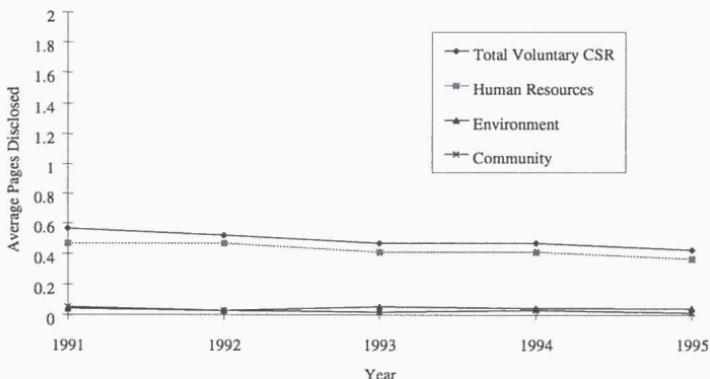
Figure 4: Incidence of Voluntary CSR

Figure 5: Average Volume of Voluntary CSR



Given the strong distorting influence of the annual report of JSG plc on average disclosure over the five-year period, the annual reports of JSG plc are excluded from the analysis in Figure 6. There appears to be a slight downward trend in the average volume of voluntary disclosure from 1991 to 1995. This is caused primarily by the small decline in the average volume of human resources disclosure over the period. The peaks of voluntary disclosure experienced in 1992, 1993 and 1994 in the original sample are no longer evident when JSG plc is excluded.

Figure 6: Average Volume of Voluntary CSR (excluding JSG plc)



Given the variety of voluntary social disclosures, these are now considered in more detail under the three main category headings of human resources, the environment and the community.

Voluntary Human Resources Disclosure

The majority of disclosures in this area tended to be discursive with very little quantified data even where this may have been relevant. Disclosures which could have appeared negative in relation to a company (for example, redundancy schemes) generally tended to be presented in a very positive light. General statements of appreciation to employees was the most common form of disclosure undertaken. A typical example is found in the 1993 Cement Roadstone Holdings (CRH) plc annual report:

The result for the year was I believe an outstanding achievement and I have no hesitation in attributing this to the sustained and dedicated efforts of management and staff throughout the group and I wish to thank them on your behalf and on behalf of the board (p.9).

Value added statements were disclosed by 30 per cent of companies in 1991. By 1995 this had dropped to 22 per cent. Four of the companies disclosing in 1991 had ceased to disclose by 1995. Two companies commenced disclosing value added statements during the period but one of these had discontinued disclosure by 1995. The Leinster Society of Chartered Accountants (LSCA) Published Accounts Awards Scheme allocated marks for the disclosure of value added statements in the early 1990s. The recent removal of these marks may account partially for this drop in disclosure.

Equal opportunities disclosures and disclosures relating to disabled employees were rarely in evidence, while Waterford Wedgwood plc's 1994 annual report provided one of the few examples of disclosures relating to consultation with employees:

The three-year labour agreement . . . was reached through negotiations with the trade unions and after mature and balanced consideration by our workforce. Everyone at Waterford Crystal is reaping the benefits of the two-way

communication programme which we have implemented throughout the manufacturing operations (p.10).

Environmental Disclosure

In 1991, 24 per cent of companies in the sample made environmental disclosures. This was the highest proportion of companies disclosing in any year throughout the five-year period. The incidence of disclosure reached a low of 16 per cent in 1992. Only five companies made environmental disclosures in all of the five years.

The majority of the environmental disclosures were discursive, with very little financial or quantitative data being provided. The tone of almost all disclosures was very positive. There was little evidence of any bad news disclosures relating to the environment in any annual report over the period. Those companies that did disclose information relating to the environment tended to concentrate mainly on general environmental policy with disclosures relating to products and waste recycling being the second most popular category. JSG plc highlighted the latter form of disclosure in their 1993 annual report:

In Ireland, the Group operates the only remaining paper mill in the country and it is 100% waste-based, recycling material supplied by its own reclamation operations for Smurfit's domestic corrugated operations and for export (p.25).

The potential for economic benefits deriving from attention to the environment was also highlighted by some companies, as illustrated in the 1992 CRH plc annual report:

We view environmental development as an opportunity rather than a threat. New business opportunities have opened up, for example on recycling of demolition waste into asphalt in the Materials Group in the US. Likewise, the Precast Group there has been extremely successful in its range of environmentally driven products such as oil/water separators and double containment fuel tanks (p.6).

On some occasions the annual report was used to make laudable commitments to the environment, but this was rarely followed up with any

detail on what actions were taken to fulfil these commitments. In fact, in some cases, commitments were made in one annual report with no subsequent follow up provided in future reports. For example, one of the corporate objectives of Greencore plc, as stated in their 1991 and 1992 annual reports, was 'to be environmentally and socially responsible corporate citizens' (p.1). However, from 1993 onwards, the corporate objectives no longer included any reference to environmental or social responsibilities. In fact, no disclosures in relation to the environment were made in any of Greencore plc's annual reports from 1993 onwards.

Community Disclosure

The most common disclosures in this category included charitable donations, sponsorship of sport and the arts, and donations to help develop local communities. The proportion of companies making community related disclosures throughout the five-year period was quite low.

As with voluntary human resources and environmental disclosures, community disclosures were predominantly discursive and reflected positively on the disclosing companies. This was particularly the case in the financial sector which was the most consistent discloser over the five-year period. Typical of this form of disclosure is the following extract from the 1993 Bank of Ireland Group plc annual report:

Bank of Ireland recognises its duties to support the communities from which it draws its business and earns its profits ... the Group provides practical help and support to a wide variety of social, cultural and charitable projects (p.4).

Specific financial details of sums contributed for the benefit of communities were rare and no company in the survey provided community disclosures for all five years.

EFFECTS OF COMPANY SIZE AND INDUSTRY SECTOR ON THE VOLUME OF CSR

A number of studies have attempted to identify whether there is an association between company size and the level of CSR (see, for example,

Adams et al., 1998; Adler and Milne, 1997; Belkaoui and Karpik, 1989; Cowen, Ferreri and Parker, 1987; Deegan and Gordon, 1996; Hackston and Milne, 1996; Kirkman and Hope, 1992; Mohamed and Hill, 1996; Neu et al., 1998; Patten, 1990, 1992). Most, but not all, of these studies (Roberts, 1992) indicate some association.

The nature of a company's industry is another factor which may potentially affect levels of CSR and there are numerous prior studies which have attempted to identify associations between industry sector and CSR (see, for example, Adams et al., 1998; Cowen et al., 1987; Deegan and Gordon, 1996; Hackston and Milne, 1996; Kirkman and Hope, 1992; Mohamed and Hill, 1996). Results of this research are somewhat unclear and are not consistent enough to assess what, if any, the industry affects might be (Gray et al., 1996).

In light of the this prior research, testing was undertaken with the Irish CSR data collected to attempt to identify whether there were associations between company size and the average volume of CSR. Testing was also undertaken in order to determine whether there were significant differences in the average volume of CSR between industrial sectors. The statistical tests used were non-parametric as it could not be assumed that the distributions underlying the variables of interest were normal⁵.

Effect of Company Size

Testing was carried out using Spearman Rank Correlation Co-efficients in an attempt to determine whether a relationship could be found between company size and the average volume of a company's social disclosures (see **Table 2**)⁶. For all five years there was a significant and positive association between company size and the average volume of total CSR undertaken. A similar significant and positive association between company size and the average volume of human resources disclosure was reported for all five years. The average volume of voluntary disclosure was significantly and positively associated with company size from 1991 to 1993. However, no significant association was found in 1994 and 1995. In 1992, there was a positive and significant association between company size and the average volume of environmental disclosure but no significant associations were reported in any other year. Although not significant, an apparent negative association

between the average volume of environmental disclosure and company size was evident in 1995. The average volume of community disclosure was significantly and positively associated with company size in 1991, 1992 and 1995 only.

Table 2: The Correlation between the Average Volume of CSR and Company Size using Spearman Rank Correlation Coefficients

Average Volume of CSR	1991	1992	1993	1994	1995
Total CSR	0.4713*	0.3491*	0.3796*	0.2600**	0.3424*
Mandatory CSR	0.4667*	0.3716*	0.3799*	0.4629*	0.4550*
Voluntary CSR	0.3363*	0.3055*	0.3214*	- 0.400	0.1599
Human Resources	0.4547*	0.3963*	0.3221*	0.2990*	0.3670*
Environment	0.1494	0.2378**	0.1247	0.0284	- 0.1462
Community	0.2703**	0.2895*	0.1514	- 0.0881	0.2387*

* Significant at 5 per cent level

** Significant at 10 per cent level

Effect of Industry Sector

The companies sampled were divided up into six broad industry categories: food and drink; retail and leisure; general manufacturing/processing; extractive; financial and other services; and 'other' (see Appendix). The general manufacturing/processing sector had the highest average volume of CSR in 1992, 1993 and 1994. In 1991, the food and drink sector reported the highest average volume of total disclosure with the financial sector providing the highest average in 1995. The extractive sector reported the lowest average volume of social disclosure in all five years but the volume of these disclosures increased every year. In all years, apart from 1991, the general manufacturing/processing sector had the highest average volume of voluntary disclosure. A non-parametric statistic in the form of the Kruskal Wallis test was used to test for significant differences between the average volume of CSR among sectors as no explicit assumptions could be made about the normality of the distributions in the population.

**Table 3: Results of the Kruskal Wallis test for
Significant Differences in the Average Volume of CSR
between Industrial Sectors**

Categories of Disclosure						
	Total CSR	Mandatory	Voluntary	Human Resources	Environment	Community
1991						
Chi square	15.4048	19.1145	7.2095	18.5272	8.0957	5.1191
p value	0.0880	0.0018	0.2055	0.0024	0.1510	0.4015
1992						
Chi square	15.0100	10.7659	14.6676	15.7248	11.0977	4.9694
p value	0.0103	0.0562	0.0119	0.0077	0.0495	0.4196
1993						
Chi square	10.8727	14.2771	14.1335	12.8229	8.8198	3.1775
p value	0.0540	0.0139	0.0148	0.0251	0.1165	0.6726
1994						
Chi square	5.5832	11.9119	8.1501	7.4643	8.7079	3.6640
p value	0.3489	0.0360	0.1482	0.1883	0.1213	0.5987
1995						
Chi square	5.2919	2.5676	5.8046	8.7178	10.8628	2.8123
p value	0.3813	0.7663	0.3257	0.1209	0.0542	0.7289

The results of the Kruskal Wallis test indicate that there are significant differences between sectors in relation to the average volume of total CSR in 1991, 1992 and 1993. However, there are no significant differences reported for 1994 and 1995 (see **Table 3**). This trend is also evident when one examines human resources disclosure and it is partially evident in mandatory CSR (all of which relates to human resources disclosure) where in all years apart from 1995 significant differences between sectors are encountered. These trends would appear to be primarily due to the higher average volume of both voluntary and particularly mandatory CSR in the extractive sector relative to all other sectors in 1994 and especially in 1995 which contrasts with the extremely low relative volumes of voluntary and mandatory CSR in this sector in the earlier three years. In 1992 and 1993, there are significant differences reported between sectors in terms of their average volume of voluntary social reporting but for all other years no significant differences are reported. Only in 1992 and 1995 were significant differences found

between sectors in relation to the average volume of environmental reporting undertaken. In no year were significant differences found between sectors in relation to the average volume of community disclosures.

Summary

Given its particular emphasis on human resources disclosure, Irish CSR practice appears in line with the results of most international studies. The high incidence of disclosure relating to employee costs and numbers accords with western European evidence and, as in western Europe, these tend to reflect compliance with legislation, with little additional voluntary information being provided. Expressions of appreciation to employees is the most popular form of voluntary human resources disclosure in both the Republic of Ireland and other western European countries. Also, excluding mandatory information requirements, little evidence of financial or quantitative disclosure is reported in either this or other western European studies. The relatively low levels of human resources disclosure found in recent New Zealand, South African and Japanese studies would seem to be due to the relative lack of legislation in these countries in comparison to the Republic of Ireland.

One area of human resources disclosure where Irish companies appear to differ substantially from international practice is in the disclosure of value added statements. The extremely low incidence of disclosure reported internationally (Adams, Hill and Roberts, 1995; Burchell, Chubb and Hopwood, 1985; Gray et al., 1995a; Roberts, 1990) is not evident in the Irish sample as the value added statement remains an area of disclosure for a small but significant percentage of Irish companies. As mentioned earlier, the initial popularity of this form of disclosure in Ireland may have been partially due to the availability of marks in the LSCA published accounts awards scheme for disclosing companies. However, despite marks no longer being available for this disclosure, a significant number of companies continue to disclose the value added statement. The only other country where the statement appears to remain popular is in South Africa (see Savage, 1994).

The incidence of environmental disclosure reported in this study appears significantly below that found in most other western European

countries. Adams, Hill and Roberts (1995) contend that all companies impact on the environment in some way, and expressed their disappointment that 23 per cent of their western European sample reported nothing at all in relation to the environment. In the Irish sample, 80 per cent of companies made no environmental disclosures in 1995 reflecting clearly the low relative importance attached to the environment in Ireland.

The gradually increasing trend in western European environmental disclosure is not evident among Irish companies with no clear trend in the incidence of disclosure being apparent from 1991 to 1995. The predominance of declarative and positive disclosures in western Europe is, however, also found in disclosing companies in the Republic of Ireland. Also, western European studies report similar popular categories of environmental disclosure to those found in the Republic of Ireland. The incidence of environmental disclosure also appears to be much higher in Australia, South Africa and North America. Both the total and average volume of disclosure in Ireland appear much closer to the levels found in New Zealand (see Hackston and Milne, 1996).

From the limited evidence available there appears to be a lower incidence of disclosure of community issues in the Irish sample compared to a number of western European countries as well as New Zealand and South Africa. However, the incidence of disclosure of these issues is similar to France and The Netherlands.

The significant positive association between company size and total CSR is in line with prior studies. However, there is no significant association between company size and voluntary CSR in the latter years of the study. Also, given the results of prior research (see, for example, Deegan and Gordon, 1996) the lack of a significant association between company size and the volume of environmental disclosure in four of the five years is somewhat surprising.

Although there were differences in the volume of disclosure between each industry sector, these differences were significant only for the first three years. The absence of significant differences in 1994 and 1995 may have been due to the higher average volume of disclosure in the extractive sector relative to all other sectors in these years compared with the three earlier years. Given that it might be expected that envi-

ronmental disclosures may be more likely in certain sectors (for example, the extractive sector) it is also surprising to note that only in 1992 and 1995 do significant differences exist between sectors in the volume of environmental disclosure.

CONCLUSIONS

It is clear that the practice of CSR in the Republic of Ireland is not widespread and what disclosure exists appears to be primarily influenced by legislative guidance. Company size is also associated with the overall level of disclosure. Any voluntary disclosure undertaken is minimal with little information of substance being provided. Also, there is no evidence of increasing trends in voluntary CSR and total CSR declined as a proportion of the annual report from 1991 to 1995.

There have been calls for more regulation relating to CSR (Gallhofer and Haslam, 1997; Gray, 1995; Gray et al., 1996) in order to compel companies to demonstrate some form of accountability to society through this form of reporting. While this may be one way of increasing the level of CSR in Ireland, there are few suggestions in the literature as to exactly what form this regulation might take (but see Gray et al., 1996). Also, it needs to be considered if an increase in reporting in compliance with regulation would actually lead to an increase in responsibility and a demonstration of accountability on the part of companies.

Recent research (O'Dwyer, 1998) has attempted to explain the low priority of CSR in Ireland by eliciting the views of individuals involved in preparing annual reports. The results of this research suggest that if regulation relating to CSR is to be proposed then business will have to be consulted widely in order for any proposals to avoid stiff resistance. Future research may need to consider what form any regulation on CSR in Ireland might take, or if indeed it is desirable. It may also need to consider whether a voluntary approach involving non-mandatory guidance for certain industries would be more successful in increasing the level of this reporting in Ireland.

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NOTES

¹ Gray et al. (1996) define accountability as 'the duty to provide an account (by no means necessarily a *financial* account) or reckoning of those actions for which one is held responsible' (p.38). For a more detailed discussion of the accountability framework, refer to Gray et al. (1996), chapter 2.

² The value added statement is effectively a re-arrangement of existing financial information. It highlights the distribution of the value added of a business among its various constituents, including the employees. Attention is focused on the wealth created by the business as a whole, and on how that created wealth has been divided for various subgroups of the community as a whole. Thus, it removes the exclusive emphasis on shareholders in the profit and loss account (Alexander and Britton, 1998). There are no formal requirements relating to its disclosure in financial statements.

³ See Gray et al. (1996, pp.168-170) for a discussion of some of these influences.

⁴ See Gamble, Hsu, Jackson and Tollerson (1996) for a synopsis of the environmental reporting requirements in a number of western European countries.

⁵ Mohamed and Hill (1996) have called for more use to be made of non-parametric tests in this form of study as they believe that these tests command better validity for the data types being studied.

⁶ Market capitalisation was used as the proxy for company size. It is recognised that a variety of measures can be used to proxy for company size and that the selection of market capitalisation is a relatively arbitrary decision. Spearman's Rank Correlation Coefficients were also run using the number of employees as the proxy for company size and the results were found to be broadly in line with those reported using market capitalisation as the proxy.

APPENDIX

Industrial Sectors of Sample Companies

1. Food and Drink (7)

Avonmore Foods

Fyffes

Golden Vale

Greencore

Kerry Group

Lyons Irish Holdings

Waterford Foods

2. Retail and Leisure (5)

Arnotts

Jurys Hotels

Ryan Hotels

Heiton Holdings

Grafton Group

3. General Manufacturing/Processing (13)

Adare Printing Group

Barlo

Clondalkin Group

Cement Roadstone Holdings

Jefferson Smurfit Group

Readymix

Waterford Wedgwood

Kingspan

Jones

IWP

Ardagh

Flogas

Elan

4. Extractive (6)

Arcon

Dragon Oil

Glencar Exploration

Navan Resources

Brendan O'Dwyer and Rob Gray

Tullow Oil

Ivernia

5. Financial and Other Services (10)

Allied Irish Banks Group

Bank of Ireland Group

Anglo Irish Bankcorp

FBD

Hibernian Group

Irish Life

Irish Permanent

Woodchester Investments

Independent Newspapers

ICG

6. Other (9)

United Drug

Unidare

Fitzwilton

DCC

James Crean

IAWS

Silvermines

Abbey

Green Properties

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