

# Human Capital Disclosure Indicators and Indices: A Systematic Review of Global Literature

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Research Paper



## Background

Since the COVID-19 pandemic dramatically shifted ways of working, a myriad of new workplace trends are constantly emerging in mass media. From 2022's "quiet quitting" where employees are proudly doing the bare minimum at work, to 2023's "quiet hiring" where employers are giving existing employees more responsibilities beyond their current role (Newport, 2022; Castrillon, 2023). Employers are now consistently under the spotlight for their treatment of their human resources given the immense value they bring to an organization. Formica and Sfodera (2022) argue that the paradigm shift experienced in the pandemic must continue to drive human capital to the center of organizational strategy. Mayew and Zhang (2022) investigate firms' response to the COVID-19 pandemic, finding that human capital disclosures enhance firm value through increased employee satisfaction and employee productivity. A comprehensive review is needed to determine the additional insights gained on human capital disclosure in organizations post-pandemic. Therefore, this paper will assess the key human capital disclosures used across global studies to explore if a single index to measure disclosure is viable.

## Research Questions

The purpose of this study was to systematically review the literature to answer three questions:

1. How are the human capital disclosures indices developed?
2. What human capital disclosures are consistently included?
3. Is there potential for human capital disclosures to be standardized globally?

## References

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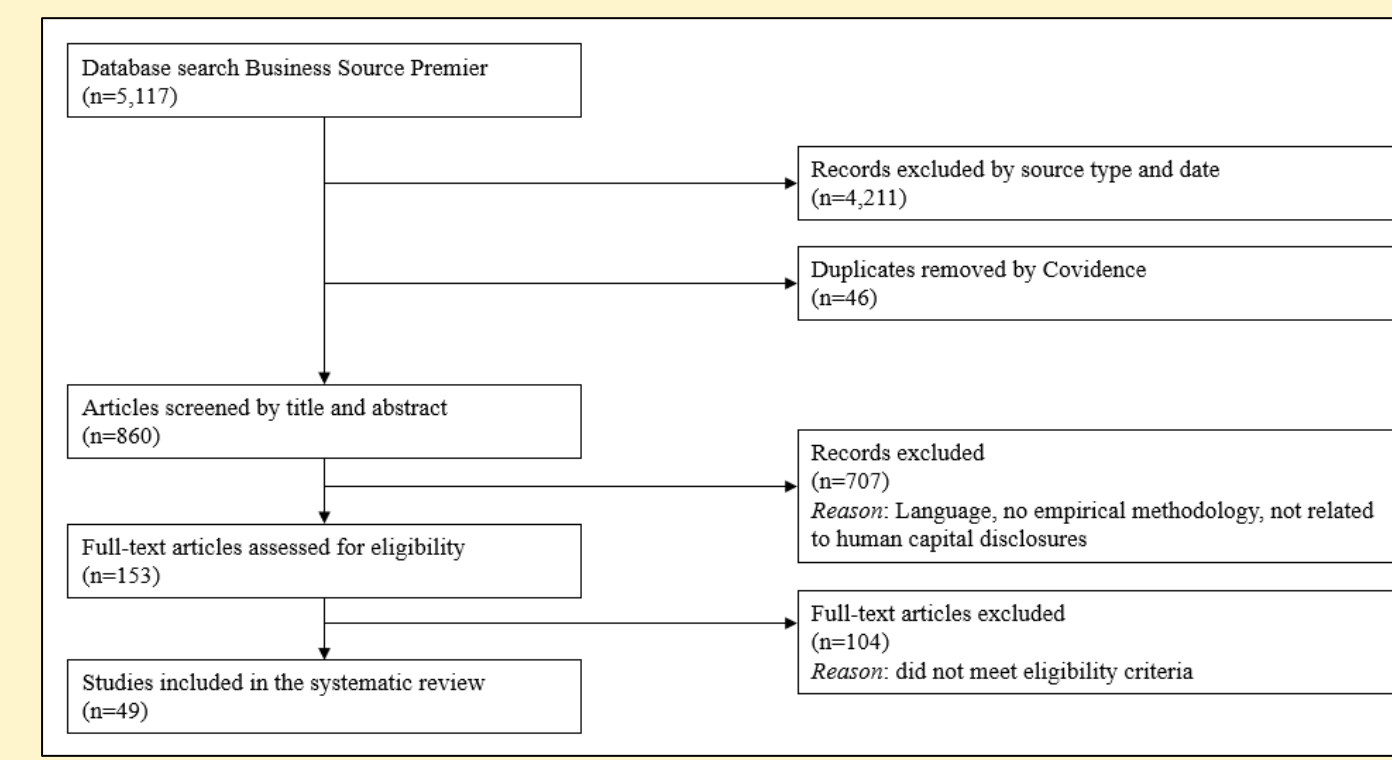
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## Methodology



## Systematic Search

- Developed a systematic search performed in Business Source Premier
- 5,117 results were received and reduced to 49 full texts through inclusion and exclusion criteria

## Literature Analysis

- The 49 full texts were analyzed by date of publication, year of sample, sample size, media used, type of analysis, number of human capital disclosures, scale scheme, source of index, and full list of indicators

## Disclosure Category Formation

- The indicators used across the literature were grouped into 12 primary disclosure categories
- Each article's disclosure index was assessed for its presence of the disclosure categories

## Disclosure Indicator Assessment

- The disclosure indicators were grouped by themes to determine the common disclosures used across each category

## Results

## Disclosure Categories

At a high level, there does not appear to be a pattern of increased number of disclosure categories over time. However, when assessing the articles that have 11 categories and above in their indices, the majority are published after 2019. The outlier is Vuontisjärvi (2006) whose index seems to be quite progressive in nature, especially when compared to other indices around this time, such as Day and Woodward (2004) with only four disclosure categories. More prominent changes over time exist within the categories of disclosure. For instance, the least prominent category was Organizational Culture. Of the eight articles to include this category, seven were published after 2016, with Vuontisjärvi (2006) remaining the only exception.

Disclosure Category	Description	No. of articles	%
Employee Training and Development	This includes information about the company's training initiatives, employee skills, knowledge, and abilities development, and opportunities for career growth.	45	92%
Employee Benefits and Compensation	This includes information about the company's benefit packages, compensation structures, and pay equity practices.	41	83%
Employee Engagement and Retention	This includes information about employee satisfaction, motivation, and retention strategies.	40	82%
Human Rights and Labour Practices	This includes information about the company's policies and practices for promoting human rights, preventing discrimination, relationships with unions, and ensuring fair labour practices.	39	80%
Workforce Demographics	This includes information about the size, composition, and diversity of the company's workforce.	35	71%
Health, Wellbeing, and Safety	This includes information about the health and well-being of its employees, occupational safety and health procedures, and workplace accidents or incidents.	36	71%
Talent Management	This includes information about the company's talent acquisition, performance management, and succession planning processes.	34	69%
Financial Performance and Value-added	This includes information on how the company's human capital management practices contribute to its financial performance, how it manages costs, improves efficiency, and drives revenue growth.	26	67%
Human Capital Governance, Strategy and Leadership	This includes information about the way a company is governed, including how it sets its strategic direction, communicates with stakeholders, manages risk, and ensures leadership accountability.	23	47%
Diversity, Equity, and Inclusion	This includes information on the company's policies and practices related to diversity, equity, and inclusion, including equal opportunities, and supporting underrepresented groups.	23	47%
Social Impact	This includes information about the company's social and environmental initiatives, such as CSR programs, sustainability efforts, and community engagement initiatives.	17	35%
Organizational Culture	This includes information on the company's values, principles, and overall culture.	8	16%

## Disclosure Indicators

The most commonly used indicators by category differ in their prevalence across indices. This may be attributed to the varying legislation across geographies that require the disclosure of specific indicators. On the other hand, there are certain categories that have indicators consistently used across indices.

- Financial Performance and Diversity, Equity, and Inclusion each have a top indicator used unanimously across the indices with that category.
- Health, Well-being, and Safety and Social Impact have near unanimous use of their top indicators.

These serve as examples of how disclosure indicators can be standardized and applied to various geographies and industries across time.

Disclosure Category	Disclosure Indicator	No. of articles with the indicator	Total No. of Articles with the Category	%
Diversity, Equity, and Inclusion	Equity/Equality	23	23	100%
Financial Performance	Value-added per employee/HR value	26	26	100%
Health, Wellbeing, and Safety	Health and Safety (General)	33	36	92%
Social Impact	Employee Involvement in the Community	15	17	88%
Employee Training and Development	Training and Development (General)	35	45	78%
Organizational Culture	Company Culture	5	8	63%
Workforce Demographics	Number of Employees	22	35	62%
Talent Management	Recruitment and Selection	20	34	59%
Employee Benefits and Compensation	Employee Share/Stock Option Scheme	24	41	59%
Employee Engagement and Retention	Employee Satisfaction/Loyalty	19	40	48%
Corporate Governance and Leadership	Communication Channel (Internal or with supervisor)	11	23	48%
Human Rights and Labour Practices	Union Activity	18	39	46%

## Discussion

Shukla (2017) argues that the lack of a standardized human capital disclosure framework results in less importance being given to human capital disclosure in annual reports. Similarly, Startseva (2015) in their study of 15 Estonian firms, finds that companies do not provide many details of human capital disclosure, which may be attributed to a lack of understanding of the significance of human capital reporting, a lack of long-term practice of human capital reporting, and no unanimous approach to human capital reporting. Considering the results show very few distinctions across geographies, it appears that a standardized human capital disclosure index is possible at a global scale.

The unification of sustainability disclosure standards is already underway. For instance, in 2022 the European Financial Reporting Advisory Group (EFRAG), the U.S. Securities and Exchange Commission (SEC), and the International Sustainability Standards Board (ISSB) formulated several proposals for sustainability disclosure standards (Ly et al., 2023). This shift toward a global convergence of disclosure standards comes as a response to criticism over a lack of alignment and a need to mitigate the potential of misrepresentation, reduce the effects of greenwashing, and minimize complexity (Ly et al., 2023). While climate-related disclosures have gained consensus, requirements for wider sustainability issues remain outstanding (Ly et al., 2023). Human capital disclosures are part of the wider sustainability disclosure considerations. Therefore, continued collaboration is needed to harmonize global reporting standards and prioritize disclosures most important for sustainability.

