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Does labour social responsibility disclosure affect financial performance? Evidence from Indonesia

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ABSTRACT

This study examines the effect of disclosure of labour social responsibility on the company's financial performance as measured by operational aspects (ROA), profitability aspects (ROE), and sales aspects (ROS). This study uses regression analysis to examine the relationship between labour social responsibility disclosure and financial performance of companies listed on the Indonesia Stock Exchange during 2015-2020 and indexed by GRI. The results of this study indicate that the disclosure of employment social responsibility has a significant effect on the achievement of financial performance aspects of operations (ROA) and financial performance aspects of sales (ROS), while if it is associated with the achievement of financial performance aspects of profitability (ROE), there is no significant effect on employee social responsibility disclosure. This research contributes to achieving sustainable development goals by providing views for companies regarding the impact of implementing and disclosing employment social responsibilities and contributing to literature related to labour, financial performance, and sustainability disclosure. This novel research provides groundbreaking insights into the impact of implementing and disclosing employment social responsibilities on financial performance, highlighting the importance of labor, financial performance, and sustainability disclosure in achieving sustainable development goals.

Introduction

In 2015, the United Nations as the world's largest international organization, determined something as a result of the meeting on the discussion of the 2030 Agenda for Sustainability Development, namely the formulation of new goals for all countries to end all forms of poverty, inequality, and global climate change (un.org). Decent Work and Economic Growth is one of the seventeenth sustainable development goals, considering the issue of the quality of creating decent jobs for workers and the inability of a job to ensure the welfare of the workforce is still a significant scourge globally (un.org, 2016). When decent work for the workforce is implemented, it will encourage more equitable, inclusive and sustainable development (un.org).

Sustainable, practical steps are certainly one of the things that need to be considered in implementing the goal of creating decent jobs for workers. Sustainable, practical steps, which are then called sustainability practices, are carried out aimed at increasing the company's long-term profits, maintaining good relations with the community and upholding high ethical standards, which will reduce business and legal risks, in addition to the aim of creating shareholder trust as investors (Han et al., 2016) that the company has contributed positively to sustainability practices. Furthermore, companies that implement sustainability practices tend to provide transparent disclosures to the public regarding socially responsible behaviour and their commitment to ethical standards (Bacha & Ajina, 2019). Another impact that is received when sustainability practices are carried out is that it can protect the interests of shareholders, ensure the separation of management decisions, as well as a role as a control for the organization (Chouaibi, 2020) which investors and stakeholders will later use to make appropriate capital decisions and avoid possible danger that will occur (Alareeni & Hamdan, 2020). This is also in line with the expression quoted from (OECD, 2004), which states that a low level of corporate disclosure and an unclear company image can lead to manipulation, unethical behaviour, and damage to market integrity by imposing high costs for companies and stakeholder interests and the economy.

For the sake of transparency, the sustainability practice is then reported to assess the contribution made to support sustainable development (globalreporting.org). The Global Reposting Initiative (GRI) is a globally

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accepted standard for such reporting. The GRI standard also discusses labour points so that the positive contributions that have been made related to the welfare of the workforce can be disclosed transparently. Awareness of disclosure transparency occurs along with pressure from stakeholders to carry out sustainability practices and provide adequate representation of sustainability practices (Skouloudis & Evangelinos, 2014; Raimo et al., 2021; Hadro et al., 2021).

Disclosure is one of the crucial things where its existence cannot be separated from the continuity of the company because it relates to the availability of helpful information for stakeholders (Alareeni & Hamdan, 2020). Disclosure of sustainability practices applied by companies correlates with the company's economic aspects, where sustainability practices can act as a strategic tool that can help achieve the organization's economic goals by collabourating social goals with business goals (Fahad & Busru, 2020). Disclosure of sustainability also impacts building corporate image and affects financial performance (Herremans et al., 1993; Singh & Chakraborty, 2021).

If examined in more detail, employment practices which are part of the social element of sustainability can also be linked to the achievement of economic performance for the company. This is because the workforce is one of the company's resources whose existence determines the company's productivity (Jalal & Shoar, 2019). The workforce is also a valuable asset for companies in achieving strategic success and competitive advantage (Zingales, 2000; Flugum et al., 2020). Even the performance of the workforce can play an essential role in the ownership of business assets in the form of cash (Flugum et al., 2020). Considering the importance of the role of the workforce for the company, it is necessary to take appropriate steps to maintain and develop the quality of the workforce in order to achieve maximum performance. Mowday and Steers (1979) found that factors such as employee commitment and motivation can improve workforce performance. On the other hand, (Singh & Chakraborty, 2021) also stated that companies could carry out responsible behaviour towards employees to increase employee motivation and satisfaction. Higher employee motivation translates into higher organizational effectiveness (Berman et al., 1999; Koys, 2001).

Several studies have been conducted previously that discuss the disclosure of sustainability with company performance. For example, research conducted (Singh & Chakraborty, 2021) to examine the relationship between sustainability disclosure and financial performance shows a significant relationship between sustainability disclosure with the company's financial performance. Fahad and Busru (2020) also conducted a test to determine the effect of sustainability disclosure on company performance by considering the profitability and firm value of companies in India. The results showed a negative influence between sustainability disclosures on profitability and firm value. Another similar study was conducted by (Alareeni & Hamdan, 2020) to investigate the relationship between environmental, social, and governance sustainability disclosures on operational performance, financial performance, and market performance with findings showing a different relationship between each aspect of sustainability, where environmental and social aspects show a negative relationship with operational performance and financial performance, but have a positive relationship with market performance, while governance aspects has a positive relationship with operational performance and market performance but have a negative relationship with financial performance. (Flugum et al., 2020) Who conducted a study examining the effect of employee performance on the company's future cash holdings and obtained research results showing a positive and statistically significant relationship between company employee performance and future cash balances. Based on this description, it can be seen that there are several previous studies regarding the disclosure of the company's sustainability aspects on the company's operating performance or the company's financial performance. However, only some studies have focused on disclosing specific corporate responsibilities to the workforce. So, the author wants to do empirical evidence regarding the effect of employment disclosure on the company's financial performance.

In dealing with these social problems and to support national development, the Indonesian government issued a law aimed at Limited Liability Companies, namely Law no. 40 of 2007, which was updated in Financial Services Authority (OJK) Regulation No. 51/POJK/03/2017, which regulates the social responsibility that the company must carry. On the other hand, for the past few years, the workforce in Indonesia has continued to increase every year, until 2020, it will reach 131 million or an increase of 1.2% from the previous year (bps.go). Along with this increase, it is interesting to see the impact of social responsibility applied, especially to the workforce in Indonesia.

Based on this, this study aims to determine the effect of disclosure of employment social responsibility on the company's financial performance. This study uses a sample of Indonesian companies listed on the Indonesia Stock Exchange (IDX) and indexed by the GRI during 2015-2020, along with setting goals for sustainable development that have been agreed upon since 2015. The analytical tool used in this study uses STATA 14 software. This research contributes to sustainable development by providing views for the company regarding the effect of fulfilling the workforce's responsibility on the company's financial performance so that a step arises to create a productive work environment. In addition, this research also provides contributions to the literature on labour, financial performance, and sustainability disclosure, as well as to companies, which are intended to convey information about the importance of preparing sustainability reports and fulfilling responsibilities to employees.

Literature Review

Labour, Financial Performance, and Stakeholder Theory

Labour is a series of tasks that require a combination of energy and thought (Olabosipo et al., 2011). Labour is also the company's main asset which acts as a planner, executor, and determinant of the realization of company goals (Agung and Damayanti, 2020). As one of the stakeholders for the company, workers often demand the implementation of social responsibility, especially regarding employment (McWilliams & Siegel, 2001). On the other hand, companies as implementers of social responsibility view the workforce as a critical stakeholder (Flugum et al., 2020) where the knowledge possessed by the workforce is an intangible resource that impacts company performance results (Lee & Sukoco, 2007).

The existence of labour in the company is indeed inseparable from the achievement of the company's financial performance. Therefore, when the fulfilment of social responsibility is carried out, the company's financial performance will have an impact, where the performance achievements of the workforce have a significant effect on the efficiency of the company and the economy of a country (Shoar & Banaitis, 2018). This follows the statement (Dhaliwal et al., 2012) that when stakeholder orientation is carried out, social performance is likely to significantly impact the company's financial performance.

Implementing social responsibility can improve company performance in line with increasing reputation and competitiveness (Maharani & Soewarno, 2018). Companies that consistently follow a stakeholder approach by implementing social responsibility will perform better than other companies (Rivera et al., 2017). Performance can be interpreted as the achievement of activities to realize company goals, where the important goal is to increase company value (Brigham & Houston, 2001; Mahrani & Soewarno, 2018). Financial performance can be measured based on several aspects: operational, profitability, and sales. Measurements based on operational aspects are closely related to the effectiveness of using existing resources within the company, such as capital resources, raw materials, and technology (Moeheriono, 2010). Another measurement aspect of financial performance is profitability, which can be interpreted as one of the analytical tools used to assess a company's ability to make a profit (Kasmir, 2016). According to (Hery, 2016), besides aiming to generate profits for the company, measurement using profitability can also be used to assess management effectiveness in carrying out company operations. The financial aspects can then be measured by looking at the achievements of the company's sales. Achievement of sales is one of the interesting things as a direct performance indicator (Ullman, 1985; Ameer & Othman, 2012; Khan & Hassan, 2013) in (Asiamah & Ghulam, 2019).

According to (Freeman, 1984; Lange & Bundi, 2018), stakeholder theory leads to no difference between the company's business interests and the interests of the various groups or individuals that compose it. Stakeholder theory also contains several key ideas which are characterized by a network of relationships between different stakeholders within the organization, managers who play a role in creating value for stakeholders, and most of the business decisions made have ethical content (Freeman, 1984; Freeman 2010; Horisch et al., 2020). On the other hand, stakeholder theory also includes effective communication and corporate ethical accountability as part of a strategy to build a positive image (Sonnenfeld, 1982; Singh and Chakraborty, 2021). The interests of stakeholders cannot be separated from why a business is running, and prioritizing the interests of stakeholders will act as a means to achieve other company goals (Lange & Bundi, 2018). Given that their role and existence are very important for the company, each company tries to provide a clear picture to stakeholders regarding the company's responsible practices and efforts (Alareeni & Hamdan, 2020). When a company gets a positive image from stakeholders for the disclosure of responsibilities that are carried out and the fulfilment of interests, stakeholders will likely maximize their role for the company to achieve company goals. This is in line with the statement that companies can only develop in the future by identifying and meeting the needs of stakeholders, either based on government regulations or self-imposed policies to address the contemporary demands of stakeholders (Gupta & Lad, 1983; Mintzberg, 1983; Carroll & Hai, 1984; Singh & Chakraborty, 2021).

A study related to labor disclosure was conducted by Maji (2022), which found that the disclosure of labor practices and decent work significantly affects corporate financial performance in Asian countries. However, in companies in Indonesia, with the lowest level of LA disclosure, there was no significant impact on their financial performance. In the study by Cahaya et al. (2023), Indonesian labor union leaders expect companies to provide a specific section on labor-related Corporate Social Responsibility (CSR) in their annual reports, emphasizing the importance of written communication. Additionally, Indonesian respondents stress the need for disclosures regarding Equal Remuneration for Women and Men, particularly in the plantation industry, reflecting concerns over gender-based wage disparities. In cases related to labor issues such as modern slavery, the study by (Christ et al., 2019) finds that the disclosures are predominantly narrative in nature, focusing on issues of corruption and human rights, thus encouraging further engagement and disclosure regarding modern slavery issues. Thus, it is relevant to the study by Cahaya et al. (2015), which implies that companies in Indonesia need influential independent commissioners on their boards to counteract possible pressure from the government that results in lower labor disclosure levels.

Hypothesis Development

Social responsibility can be implemented strategically as something that triggers, maintains, and shares dominant core values (Marques-Mendes & Santos, 2016). Social responsibility can also be interpreted as a tool for implementing strategy Simons (1991) in Rinawijayanti et al. (2021). Given this, social responsibility cannot be separated from the existence of a company's strategy and must be managed optimally according to company goals (Virakul et al., 2009). In terms of its implementation, the company is not only responsible to shareholders but also to stakeholders such as owners, managers and workers, who are within the scope of the company (Freeman, 2010) in (Rinawijayanti, 2021) , where these stakeholders are the motivating factors for companies to carry out social responsibility (Gond et al., 2012; Laguir et al., 2019; Zhu et al., 2016; Rinawijayanti, 2021).

On the other hand, disclosures made by companies, especially material information related to labour, often need to be included, which causes the comparability of information to have no meaning (Parsa et al., 2017). Moreover, companies need more positive behaviour related to corporate social responsibility activities, and investment also often makes investors and other stakeholders aware of social responsibility practices. This is also in line with the results of research conducted by Fahad and Busru (2020) which found results that were inversely proportional to social responsibility disclosure on financial performance.

Suppose it is associated with employment responsibilities to achieve financial performance based on operational aspects. In that case, companies can change or develop the workforce's skills and knowledge into an output relevant to the knowledge economy era so that it becomes a competitive advantage for the company (Pfeffer, 1994). Decision-makers within the company must build a solid system to create a win-win situation for the company and the workforce to maximize financial performance based on operational aspects (Lee & Cheng, 2018). Research on workforce and operational performance were previously carried out by (Rinawiyanti et al., 2021) to investigate the application of management control systems in relation to the integration of social responsibility into a business strategy, which can have an impact on company performance, the results found indicate that there is a positive impact significant difference between the integration of social responsibility and corporate performance which includes workforce performance and financial performance based on operational aspects. In terms of carrying out social responsibility through its practices, the companies involved strive to provide transparent disclosure, socially responsible behaviour, and a commitment to ethical standards to all company stakeholders (Bacha & Ajina, 2019) for the benefit of transparency, and the contributions made, implemented by the company. Based on research carried out by Singh and Chakraborty (2021) to test the relationship between CSR disclosure and company performance using Return on Asset (ROA) measurements which show positive results. Thus, the authors propose the first hypothesis as follows:

H_1: There is a relationship between disclosure of labour social responsibility and achievement of financial performance in the operational aspect (ROA)

Profitability is also an aspect that is affected by the disclosure of social responsibility. Companies can achieve high profitability by increasing social responsibility towards various stakeholders (Fahad & Busru 2020). Research previously conducted by Singh and Chakraborty (2021) to obtain empirical evidence regarding the relationship between disclosure of corporate social responsibility and company performance in India showed results which stated that disclosing social responsibility transparently and broadly would have an impact in line with company profitability. (Bodhanwala, 2018) His research also found empirical evidence that by practising social responsibility strategies, companies tend to report higher profitability, and the dependence on debt to carry out company activities will be low. Aspects of profitability related to external stakeholders are reflected in the amount of investors' capital presented in the company equity. Thus, the authors propose a second hypothesis as follows:

H_2: There is a relationship between disclosure of labour social responsibility and achievement of financial performance in the profitability aspect (ROE)

The sales aspect in achieving financial performance is one of the impacts of implementing corporate social responsibility for the workforce. The success of the workforce, especially the sales department, is an achievement of the existence of a work environment and work behaviour, which are vital determinants of performance achievements Verbeke et al. (2011) in Kalra et al. (2020). This is in line with previous research by Kuzey et al. (2020), which was intended to find out the relationship between social responsibility performance and company performance where the sales aspect is one of the measurements moderated by the social responsibility implementing committee. The results stated that changes in social responsibility performance were very influential in achieving sales growth. This also relates to sectors that aim to achieve high sales growth efficiency, likely to increase workforce motivation through investment in socially responsible efforts. This is also in accordance with the statement (Parmer et al., 2010) whereby to carry out positive impacts, companies can create value and communicate with stakeholders, in this case, the workforce, through disclosure of social responsibility. Thus, the authors propose a third hypothesis as follows:

H_3: There is a relationship between disclosure of labour social responsibility and achievement of financial performance in the sales aspect (ROS).

Research Method

This research uses a quantitative approach. The quantitative approach is considered more objective because it is free from nomothetic statements, defined as free from context and time ties (Williams, 1988; Musianto, 2002) so that researchers can measure the results obtained objectively. The data sources used in this study are secondary data obtained through Osiris, the Company's Sustainability Report, and the Company's Annual Report. The authors use Osiris to obtain data relating to all control variables consisting of Firm Size, Debt to Asset, Cash and Equivalent to Asset, Tangible, and Asset Turnover, as well as the dependent variable, ROA, ROE, and ROS. In addition, the sustainability report is used to obtain data related to the disclosure of social responsibility of labour based on the GRI standards, including the GRI Standard and GRI G4, and the annual report is used to obtain additional relevant data for this research.

The population in this study are all public companies listed on the Indonesia Stock Exchange (IDX) and indexed by GRI in 2015-2020. There is an impact of the COVID-19 pandemic on Indonesian companies' financial performance in 2020, such as business restrictions, lockdowns, and changes in consumer behavior increasingly shifting towards online shopping. In terms of sample selection, the researcher used a purposive sampling technique with the following sample selection criteria (Table 1).

Table 1. Sample selection criteria.

Description	Total Observation
All companies listed on the Indonesia Stock Exchange (IDX) and indexed by GRI for the 2015-2020 period	548
Excluded:	
SIC 6	(147)
Incomplete data – FSIZE	(15)
Incomplete data – FAGE	(17)
Total research sample	369

Table 2. Variable definitions

Variable	Definition	Measurement	Data Source
Dependent Variable			
ROA	Operation Aspect	Measured by using the ratio ROA = Net Income/Asset (Harymawan et al., 2019)	Annual Report
ROE	Profitability Aspect	Measured by using the ratio ROE = Net Income/Shareholder Equity (Harymawan et al., 2019)	Annual Report
ROS	Sales Aspect	Measured using ROS = Net Income/Sales (Harymawan et al., 2019)	Annual Report
Independent Variable			
LABOUR_D	Disclosure of Labour Social Responsibility	Measured using the GRI score revealed in the sustainability report. Dummy score 1 if labour responsibilities items are disclosed, score 0 otherwise. The scores that serve as the basis for disclosure are GRI Standards The score is then compared with the GRI index based on the criteria (core, comprehensive) (Ratri et al., 2021) (Zhang et al., 2019) (GRI Standard) (GRI G4).	Annual Reports and/or Sustainability Reports
Control Variable			
FSize	Firm Size	Natural logarithm of total employee (Khan, 2021)	Osiris
DAR	Debt to Asset Ratio	Total Debt compared to Total Asset (Anokhin et al., 2021)	Osiris
SLACK	Cash and Equivalent to	Total Cash and Cash Equivalents compared to Total Assets (Boubaker et al., 2020)	Osiris
TANG	Fixed asset Tangible	By comparing TANG = Fixed Assets/Total Assets (Boubaker et al., 2020)	Osiris
ASTURN	Asset turnover	Percentage of net sales compared to total assets AT = Net Sales/Assets (Qiu et al., 2014)	Annual Report
TANG	Fixed asset Tangible	By comparing TANG = Fixed Assets/Total Assets (Boubaker et al., 2020)	Osiris

In terms of variable testing, this study used multiple regression analysis techniques. The variables used include independent variables that are tested for their influence on the dependent variable, and avoid bias, the researcher involves the control variable as the factor studied in this study. The variables used in this study are defined as follows (Table 2).

Concerning this research hypothesis, there are 3 models of empirical evidence formulation. In the first model, researchers want to obtain answers to the effect of disclosure of social responsibility on employment on aspects of the company's operations. The second model is used to obtain answers regarding the effect of disclosure of employment social responsibility on aspects of profitability. Finally, the third model is used to obtain answers related to the disclosure of employment social responsibility on the sales aspect. The model is presented as follows:

Model 1:

$$ROA = \beta 0 + \beta 1\ LABOR\_D_{i,t} + \beta 2\ FSIZE_{i,t} + \beta 3\ DAR_{i,t} + \beta 4\ SLACK_{i,t} + \beta 5\ TANG_{i,t} + \beta 6\ ASTURN_{i,t} + \beta 7\ YEARFE_{i,t} + \beta 8\ INDUSTRYFE_{i,t} + \varepsilon$$

Model 2:

$$ROE = \beta 0 + \beta 1\ LABOR\_D_{i,t} + \beta 2\ FSIZE_{i,t} + \beta 3\ DAR_{i,t} + \beta 4\ SLACK_{i,t} + \beta 5\ TANG_{i,t} + \beta 6\ ASTURN_{i,t} + \beta 7\ YEARFE_{i,t} + \beta 8\ INDUSTRYFE_{i,t} + \varepsilon$$

Model 3:

$$ROS = \beta 0 + \beta 1\ LABOR\_D_{i,t} + \beta 2\ FSIZE_{i,t} + \beta 3\ DAR_{i,t} + \beta 4\ SLACK_{i,t} + \beta 5\ TANG_{i,t} + \beta 6\ ASTURN_{i,t} + \beta 7\ YEARFE_{i,t} + \beta 8\ INDUSTRYFE_{i,t} + \varepsilon$$

Data analysis techniques are carried out after the data management process. Data management is a series of processes used to process raw data into ready-to-use data. One of the important stages in this process is winsorizing. Winsorizing works by re-coding the values in the tails of the distribution so that they are not too extreme. Thus, the value at the tail of the distribution is not erased. After data management was completed, the researcher processed the data through STATA 17.0 software using several data analysis techniques, namely descriptive statistics, Pearson correlation test, and multiple linear regression. The use of industry and year fixed effects controls every data in the model, including differences in conditions during the pandemic year. This allows us to take into account fixed differences or special characteristics of each entity that do not change over time. This approach can help reduce bias in estimates and improve interpretation of results in panel data analysis.

Results and Discussion

In this study, the subjects used included all non-financial companies listed on the Indonesia Stock Exchange (IDX) and indexed by GRI during 2015-2020, where the sample used was 369 observations. The results of the descriptive statistics (Table 3) are listed as follows where, the dependent variable, which is the company's financial performance measured using three financial ratios based on their aspects, namely operations (ROE), profitability (ROS), and sales (ROA), each of which has an average of 0.105, - 0.011, and 0.038. In terms of profitability (ROE), there are companies with the lowest financial performance, which is -1,621, but in the same aspect, there are companies with the highest financial performance, which is 1,481.

Table 3. Statistic Descriptive

	Mean	Median	Minimum	Maximum
ROE	0.105	0.081	-1.621	1.431
ROS	-0.011	0.054	-3.442	0.662
ROA	0.038	0.034	-0.531	0.432
LABOUR_D	0.376	0.333	0.000	1.000
FSIZE	8.157	8.091	4.277	12.294
SLACK	0.112	0.094	0.003	0.364
DAR	0.541	0.527	0.118	1.740
TANG	0.600	0.624	0.114	0.920
ASTURN	0.687	0.598	0.006	2.240

The following analysis (Table 4) is carried out using the Pearson Correlation Test to see the relationship's direction and determine the level of closeness between the two variables. In the following table, some asterisks represent the level of significance of the variable, where one star (*) means a significant level of 10%, two stars (**) means a significant level of 5%, and three stars (***) means 1% significant level. The asterisk shows a good meaning as the number of stars increases or the level of significance decreases, which means the limit for tolerating errors is getting lower. The table shows two signs in the value, namely positive and negative. A positive sign indicates a unidirectional relationship, while a negative sign indicates an inverse relationship. The results of the Pearson correlation test are as follows:

Table 4. Pearson Correlation

		[1]	[2]	[3]	[4]	[5]
[1]	ROE	1.000				
[2]	ROS	0.097*	1.000			
		(0.063)				
[3]	ROA	0.487***	0.649***	1.000		
		(0.000)	(0.000)			
[4]	LABOUR_D	-0.035	0.103**	0.007	1.000	
		(0.508)	(0.048)	(0.900)		
[5]	FSIZE	0.005	0.183***	0.066	0.079	1.000
		(0.928)	(0.000)	(0.203)	(0.129)	
[6]	SLACK	-0.011	0.208***	0.236***	-0.013	-0.042
		(0.834)	(0.000)	(0.000)	(0.798)	(0.419)
[7]	DAR	0.103**	-0.337***	-0.436***	0.015	-0.030
		(0.049)	(0.000)	(0.000)	(0.780)	(0.561)
[8]	TANG	-0.054	-0.065	-0.169***	0.059	0.134**
		(0.301)	(0.211)	(0.001)	(0.261)	(0.010)
[9]	ASTURN	0.328***	0.233***	0.511***	-0.103**	0.091*
		(0.000)	(0.000)	(0.000)	(0.049)	(0.079)

		[6]	[7]	[8]	[9]
[6]	SLACK	1.000			
[7]	DAR	-0.441***	1.000		
		(0.000)			
[8]	TANG	-0.484***	0.118**	1.000	
		(0.000)	(0.023)		
[9]	ASTURN	0.178***	-0.190***	-0.493***	1.000
		(0.001)	(0.000)	(0.000)	

p-values in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

This study was carried out using multiple linear regression to obtain empirical evidence related to hypothesis testing. Tests using multiple linear are chosen because there are independent variables and control variables that are tested to see their effect on the dependent variable. The dependent variable is financial performance measured using ROA, ROE, and ROS. The independent variables used are disclosure of employment social responsibility (LABOUR_D), and the control variables used are Firm Size (FSIZE), Debt on Assets (DAR), Cash and Equivalent to Total Assets (SLACK), Tangible (TANG), Asset Turnover (ASTURN). Multiple linear regression in the test was carried out three times. Vce robust is used as a command in multiple linear regression testing that function related to standard error correction.

Multiple linear regression testing that was carried out showed that there was a significant influence between the dependent variable of financial performance on the sales and operating aspects (ROS and ROA), the results of the multiple linear regression test further revealed that there was no significant effect between the disclosure of employment social responsibility (LABOUR_D) on financial performance aspects of profitability. The result shows in Table 5.

The test results based on ROA are in line with research conducted by Rinawidayanti (2021), where the results were found to indicate a significant positive impact between the integration of social responsibility and company performance which includes workforce performance and financial performance based on operational aspects. The practice of social responsibility carried out by the company is intended to increase the loyalty and productivity of the workforce (Yoon & Chung, 2018) so that its existence can have a positive and significant impact on the company's financial performance case, the operational aspect.

The test results based on ROS follow stakeholder theory related to aligning various interests to achieve company goals (Lange & Bundi, 2018). When social responsibility practices are implemented and fully disclosed, the increase in company performance will also be affected in line with the increasing reputation and competitiveness of the company (Maharani & Soewarno, 2018). Companies will tend to invest in labour through social responsibility efforts that are carried out to achieve efficiency in sales growth (Parmer et al., 2010). The results of the third test are also in line with previous research by (Kuzey et al., 2020), which found that changes in social responsibility performance will also impact sales growth. The higher the social responsibility performance, the higher the sales achievement.

Table 5. Regression Result

	ROE (1)	ROS (2)	ROA (3)
LABOUR_D	0.080	0.163*	0.034*
	(1.36)	(1.72)	(1.69)
FSIZE	-0.038***	0.052**	-0.004
	(-3.22)	(2.19)	(-0.82)
SLACK	0.701***	0.583	0.154*
	(3.03)	(1.35)	(1.96)
DAR	0.305***	-0.477*	-0.138***
	(3.09)	(-1.83)	(-3.28)
TANG	0.414***	0.208	0.117***
	(3.52)	(0.79)	(3.15)
ASTURN	0.297***	0.225*	0.119***
	(4.53)	(1.94)	(6.19)
_cons	-0.209	-0.714	-0.059
	(-1.46)	(-1.45)	(-1.40)
Year FE	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes
R^2	0.236	0.208	0.441
R^2_adjusted	0.197	0.167	0.412
N	369	369	369

Conclusions

Creating decent jobs and ensuring the welfare of the workforce is one the critical issues, along with its relevance to being one of the goals of sustainable development proclaimed by the United Nations (un.org). Creating a decent job for the workforce is important, considering the workforce is an essential asset for the company, where its existence can determine its productivity (Jalal & Shoar, 2019). Furthermore, when the workforce needs in the work environment are met, work motivation will be created, affecting the workforce's performance achievement (Mowday & Steers, 1979).

This is following the results of this study, where the company's financial performance, especially those measured by aspects of operations (ROA) and aspects of sales (ROS), showed significant positive results, which indicates that by disclosing social responsibility practices that are carried out will be able to increase labour productivity work and have an impact on the achievement of good financial performance. Furthermore, the achievement of the financial performance can occur because the motivation and loyalty of the workforce increase with the guarantee and fulfillment of the needs of the workforce. This implies that companies that engage in socially responsible practices towards employees can experience increased work productivity and financial success.

However, in some cases, the company wants to look attractive by disclosing social responsibility that is not being done or can be called an overclaimed act. This action certainly does not have a good impact on the company because the information disclosed is often immaterial, not by standards, and stakeholders feel no real benefits. Empirically, this action can be proven by the results of this study with measurements using ROE which show contradictory and insignificant results between social responsibility of employment on financial performance aspects of profitability (ROE).

Based on these findings, as well as considering the relationship between the workforce and company activities, it would be better for the company to participate in implementing social responsibility practices for the workforce in order to implement ethical actions as well as one of the strategies to achieve optimal financial performance considering the motivation of the workforce for the practice sustainability is an investment for the company (Kuzey et al., 2020).

This study has limitations, namely, the measurement of disclosure of employment social responsibility is only standardized by the GRI Index, where it is still voluntary, so the sample used is small. The implication is that the results of this study can only be generalized to companies that use the GRI standard. So, for companies that do not use the GRI standard, further testing needs to be done.

Based on the research results and the limitations presented, some suggestions can be given for further research, which is expected to use a different and more comprehensive measurement of employment social responsibility disclosure so that the research results can be generalized more broadly.

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