

THE INTERNATIONAL JOURNAL OF HUMANITIES & SOCIAL STUDIES

Corporate Environmental Reporting: A Panacea to Job Creation

Soetan, Timothy Adisa

Senior Lecturer, Department of Business Administration and Marketing,
Babcock University, Ilishan Remo, Ogun State, Nigeria

Dr. Festus Folajimiadegbie

Associate Professor, Department of Accounting,
Babcock University, Ilisan-Remo, Ogun State, Nigeria

Ishola Rufus Akintoye

Professor, Department of Accounting,
Babcock University, Ilishan-Remo, Ogun State, Nigeria

Abstract:

The business organizations globally are realizing that making environmentally friendly business decisions is not an option but a business strategy that would result in the growth of their business activities. This is more relevant to the business organizations today especially when the pressure is mounting on the business organizations to reduce the impact of their business activities on the environment. The business organizations are using lesser resources as inputs and getting more outputs due to their decisions to engage in environmental-friendly business activities. This has resulted in the expansion of their business activities thus necessitates the employment of more workers. The benefits of engaging in environmentally friendly business activities by the organization include expansion of business activities that would transform to job creation, reduction in the environmental damage, improvement in the well-being of the community, and preservation of the resources that the business organizations need. This study analyzes the importance of the organizations' environmental activities on the job creation. The study links the engagement of the business organization in environmentally friendly business activities to job creation. The study establishes that environmentally sensitive business organizations have potential for value creation that would transform to job creation.

Keywords: Environmental information, environmental disclosure, value creation, employment creation, corporate sustainability

1. Introduction

The growth of a business organization is very crucial to its survival and sustainability (Dosi, Grazi, Moschella, Pisano, & Tamagni, 2019). It will be difficult if not impossible for the business organization to survive without growing. Firm growth is an indicator of successful business activities. The growth of business organization can be in terms of consistent increment in revenue generation, value added, and volume of business activities over long period of time (Ali, 2018; Akinlo & Iredele, 2014). Gupta, Guha, and Krishnaswami (2013) indicate that some people believe that when the business organization is established, it will encounter many obstacles before it matures. After the maturity stage, it will grow and later in its life cycles it will start to decline. They also indicate that there are two schools of thought about the firm growth. On one hand, those that belong to the first school of thought believe that firm growth is predictable. On the other hand are those that belong to the second school of thought. The people in this group believe that firm growth is not predictable. They believe that the growth of the firm is just an opportunistic term therefore the firm growth is unpredictable. They argue that it is not possible for the entire firms to grow in the same pattern as some may grow; face challenges that will make them to stagnate, and then continue to grow, and then decline in any pattern rather than linear or predictable pattern. They indicated that the stages taken by the firms in their growth may be repeated several times or sometimes revised their growth pattern.

The value, performance, or growth of the corporation is very much dependent on its ability to engage in environmental-friendly business activities. The firm growth enhances the possibility of employing more employees while declining firm will not have the chance of employing more employees. In other words, the business organization's employment growth rate is a result of the firm growth rate. A link has been established between the environmental activities of the firm and its growth that would result in creating employment opportunity (Curcio & Wolf, 1996). The firm can only create job when it grows in size as a stagnant or a firm that its business activities are declining cannot create job for the citizen. The business organizations that engage in environmentally friendly business activities are witnessing positive growth in their business activities and expansion in business activities would result in employing more workers (Dinca, Madeleno, Baba, & Dinca, 2019).

The rest of the article is structured as follow: next, the corporate environmental reporting is defined. This is followed by the review of empirical evidence of the relationship between the corporate environmental reporting and job creation. The last section contains discussion and concluding remarks.

2. Corporate Environmental Reporting (CER)

The corporation incurred expenses in taking care of the environment in which it operates its business activities. The corporation can reduce the cost of preventing degradation of its environment by taken proactive environmental strategies. The financial implication of taken proactive environmental strategy differs from the remediation of the damaged environment. Whether the action taken by the corporation is former or latter, the cost incurred must be provided in its annual reports as the environmental financial information. The disclosure of the environmental activities in terms of the financial implication is very crucial in providing accurate, reliable, and useful annual reports to the stakeholders of the corporation. The inclusion of the financial implication of the environmental activities enhances the quality of the annual reports in the corporate annual reports. This will help the stakeholders of the corporation to make informed business and economic decision. Environmental financial information is therefore the process of preparing and communicating the information about the cost incurred on the environmental activities by the corporation to its various stakeholders (Mongrut & Chang, 2008).

In their own contribution to shed more light on the environmental financial information, Ibanichuka and James (2014) posit that "Environmental financial accounting deals with accounting for, and reporting on environmental transactions and events that affect or are likely to affect the financial position and the performance of an enterprise" (p. 41). The reporting of the environmental financial information helps the corporation to provide environmental financial information needed for the internal and external usage. For internal usage, it will help the management to make informed business and economic decision during the decision making process. The external users of financial statements will also have access to the environmental financial information that will help them to assess the corporation on its environmental stance. This will help the external users of annual reports to make informed business and economic decision.

Environmental non-financial information is a measure of corporation's environmental activities that have tendency of having financial implications but due to their nature, they cannot be quantified by assigning certain amount of money to them (Sherman, 2019). The conventional means of measuring the corporation performance has solely focused on the financial aspect of the organization. However, the corporation's stakeholders are demanding for both the financial and nonfinancial information of corporation's environmental activities. The corporation's stakeholders realized that certain environmental activities can be measured monetarily but there are others environmental activities that cannot be measured monetarily. The stakeholders are interested in what the corporation is doing when it comes to taken care of the environment in which it operates its business activities (Steelman, Hall, Naish, & Mazzariello, 1977).

The stakeholders, including the shareholders are now realizing that the environmental information based only on the environmental financial information without the environmental non-financial information is not complete environmental information as the two must complement each other. The environmental non-financial information is also crucial to the accuracy of the environmental information because of its likely implications on the financial information. The stance of the corporation on environmental issues makes a lot of difference on its performance especially in this era of increasing demand for environmental-friendly products or green products. The environmental non-financial information is a process of communicating information about company's environmental objectives and policy, compliance with the environmental rules and regulation in terms of the significant fines and non-monetary sanctions to the stakeholders (Ministry of the Environment Government of Japan, 2003).

3. Empirical Evidence on CER and Job Creation Relationship

The sustainability of the corporate depends on its ability to enhance its environmental activities as demanded by the consumers. The relationship between the green growth or environmentally friendly activities and the sustainability of the business organization has been established as indicated by Saufi, Daud, and Hassan's (2016) study. It will be difficult, if not impossible; for any business organization to sustain itself in its industry without taking care of the environment in which it operates its business activities. The growth of the business organization is usually reflected in the size of its workforce as this is one of the measures of the company size. The implication of their study is that the environmentally friendly business organizations will be able to increase the size of their employees while the environmentally unfriendly business organization will not be able to increase the size of their employment. This will be so because the environmentally unfriendly business organizations will not be able to satisfy the demand of the consumers. Once the consumers' demand cannot be satisfied by the business organization, such organization may not have enough cash needed to expand its business activities which will require recruiting more employees.

Licht and Peters (2013) studied the effect of environmental innovation on employment growth in sixteen (16) European countries. The sample companies include environmental-friendly and non-environmental-friendly companies as well as service and manufacturing companies. The effect of the environmental product innovation and environmental process innovation on employment growth was tested on both the manufacturing and service companies. The findings of their study indicated that both environmental-friendly products and non-environmental-friendly products do actually have positive employment growth in most of the countries studied. It is also established that environmental-friendly products contribute more in the manufacturing sectors than the service sectors. However, environmental process innovation and non-environmental process innovation do not contribute much to the employment growth in both service

and manufacturing sectors. They concluded that government should give the companies tax incentive as it takes time before they can recover the money spent on environmental innovation.

Dinca, Madeleno, Baba, and Dinca (2019) examined the relationship between the environmental information disclosure and the number of employees of the listed companies on the Bucharest Stock Exchange. The data for the study were collected between 2013 and 2017 from the hundred (100) companies that participated in the study. The finding of the study established significant relationship between the number of the employees and disclosure of environmental information. The study concluded that the number of employees in the companies is very crucial to the quantity of environmental information disclosed in their annual reports. The number of employees is very often used to measure the size of the companies. It is expected that size of the companies would influence the amount of environmental information in their annual reports. The large companies that constantly grow their employment rate are expected to have enough resources to disclose more environmental information in their annual reports. On the other hand, the expectation from the smaller companies with few employees regarding the environmental information disclosure should not be high.

Liu, Shadbegian, and Zhang (2017) evaluated the effect of implementing environmental regulation on job creation in the textile printing and dyeing industry in China. The study is carried out in two phases. First, the study established that the companies in the study actually implemented the environmental regulation with evidence to support the implementation of the regulation. Second, the study then determined the effect of the environmental regulation implementation on the job creation in the industry that participated in the study. The finding of the study revealed a significant negative effect of environmental activities on the number of employees added by the companies in the study. The companies that implemented the environmental regulation experienced seven (7) percent reduction in their job demand. The disclosure of the environmental activities of the companies that implemented the environmental regulation did not result in expanding their workforce, rather; the job demand for these companies was reduced by 7%. The study concluded that environmental activities of the Chinese companies in the textile production and dyeing industry have negative effect on employment growth. The data for the study were collected from two sources: China's Industrial Enterprise Database (CIED) and China's Environmental Statistics Database (CESD) and analyzed with the help of descriptive and regression statistical procedures.

The issue surrounding the implication of corporate environmental activities on the job creation has been widely researched and the results of the previous findings are mixed with some negative employment growth and others with positive employment growth. In the same reasoning, Jacob, Quitzow, and Bär studied various researches that have been carried out on the effect of corporate environmental activities on employment. Though their findings indicated both positive and negative employment growth, however, they indicated that most of the results showed positive employment growth. They concluded that engaging in positive corporate environmental activities tend to result in positive employment growth in a long term.

In their own study, Cecere and Mazzanti (2015) evaluated the effect of environmental activities on the employment growth of the European companies. The study used the data collected by the Eurobarometer survey from nine thousand two hundred and thirty three (9, 233) companies. The data were analyzed using descriptive and regression statistical techniques. The finding of the study indicated positive relationship between environmentally friendly products and services and employment growth in the companies that participated in the study. Introducing environmentally friendly technologies in the production and process of the products and services create opportunity for the companies to employ more workers. This process would therefore increase the number of employees the companies need due to the introduction of environmental innovation. The study concluded that while innovative environmentally product is relevant to the creation of employment, the innovative environmentally process is less relevant to the creation of more jobs in the companies studied.

Cao, Wang, Ying (2017) studied the effect of environmental regulation implementation on firm employment growth in the five (5) resource-based regions of China. The data were collected from various sources such as China Labor Statistical Yearbook, China Environmental Statistical Yearbook, China Science and Technology Statistical Yearbook, China Statistical Yearbook. The data were analyzed through descriptive and panel regression statistical procedures. The findings of the study indicated that corporate environmental activities have positive effect on the employment. That is, engaging in the compliance with the environmental rules and regulations results in employment growth. The study also established that the implementation of the environmental rules and regulations creates employment indirectly. The companies will need to reorganize their business activities in order to comply with the environmental rules and regulations. This process will in turn create opportunity to employ more workers. The study concluded that engaging in environmentally friendly production process enhances the possibility of employing more workers both directly and indirectly.

The companies around the world have incorporated environmental policy as one of their business strategical tools. The question raised on the rationale behind the companies' environmental spending resulted from either complying with mandatory environmental rules and regulations or voluntary engagement in the environmental activities is a contentious one. There are two schools of thought on the question. On the one hand, some people believe environmental cost increases the production cost thus increases the companies' products' price and reduces the demand for such products. The people that belong to this school of thought believed declined demand in the companies' products will reduce the workforce. On the other hand, some people believe that environmental spending is an investment thus creates jobs. The issue of whether corporate environmental activities resulted into negative or positive employment growth was looked into by Russ and Schaeffer (2017).

They studied the works that have been done on the job gains and losses through the implementation of the environmental rules and regulations. They looked at three types of studies in their work. First, they looked at the studies

that focused on the negative employment growth due to the companies' implementation of environmental rules and regulations. Second, they studied the studies that looked at the positive employment growth due to the engagement in environmental activities. Third, they also looked at the studies that focused on both negative and positive employment growth resulting from companies' engagement in environmental activities. The finding of their study established that corporate environmental activities have positive significant effect on job creation. The investment in corporate environmental activities and reporting such in the corporate annual reports creates more opportunities for such corporate thus enhances the possibility of employing more workers. The study concluded that while job opportunity may decline in certain sectors due to the implementation of the environmental rules and regulations, other sectors create job opportunity. They argued that the job gained by implementing environmental rules and regulations is far more than the job lost. They argued that corporate engagement in the environmental activities is good for the environment, human health, and national economy.

The impact of the corporate business activities on the environment has led to the global business community searching for natural resources and recyclable materials. The global business community is under pressure to be innovative in its usage of the natural resources in order to prevent further degradation of the natural resources and pollution of water, air, and land. The environmental-friendly production and process has been proposed as a means of reducing the impact of the corporate business activities on the environment. However the uncertainty surrounding the implication of innovative environmental production and process on employment growth has made some people uncomfortable about the proposal. In the study carried out by ECORYS (2012) on the consequence of the environmental-friendly production and process on the employment growth in the European Union's (EU) companies sheds more light on the uncertainty. The implementation of the energy efficiency policies in the EU resulted in positive employment growth in the region. Changing from fossil fuel to renewable energy has resulted in reduction in resources inputs for the organization thus enhanced resource efficiency. This has led to the expansion in the business activities of the companies studied and therefore creates opportunity to employ more workers. The study concluded that environmentally friendly production and process is good for the business organization as this would give them competitive advantage.

Bowen and Kuralbayeva (2015) performed meta-study of the implication of adopting environmentally friendly technology on employment growth in different continents of the world. The study was carried out in two phases. In the first phase, they looked at the employment changes in the existing companies that are producing environmental-friendly products and services. In the last phase, they examined the job created by the companies that adopt environmentally friendly technologies that resulted in reduction in environmental damage. The finding of the study established positive effect of environmental rules and regulations implementation on employment growth. The study also indicated that the implication of implementing environmental rules and regulations differs between developed and developing nations due to the different levels of development globally. The study concluded that creating employment is one of the advantages of engaging in environmentally friendly production process and services.

Triaguero, Cuerva, and Alveraz-Aledo (2017) established the relevance of environmental technology on the employment growth. They studied six thousand one hundred and twenty nine (6,129) Spanish firms to determine the implication of engaging in environmental activities on employment growth. Two thousand eight hundred and ninety two (2,892) of the firms are environmental innovators while the remaining three thousand two hundred and thirty seven (3,237) firms are non-environmental innovator. The collected data were analyzed with descriptive and regression statistical procedure. The finding of the study indicated that environmental innovation has positive effect on the employment growth. They also compared the environmental innovative firms with non-environmental firms. The finding confirmed that environmental innovative firms have better employment growth than the non-environmental innovative firms. They concluded that environmental innovation is good for the firms and the authority should develop policies that would encourage environmental innovation among the firms.

4. Discussion and Conclusion

This study analyzed the environmental activities of the business organizations and their link to the opportunity for job creation. The empirical studies on the relationship between corporate environmental reporting and job creation were analyzed to establish the importance of organizations' environmental activities on job creation. The negative impact of the business organizations' activities on environment has become economic and political issue globally. Though some business organizations still see the additional cost incurred from engaging in environmental-friendly business activities as a burden. However, researches have established that being environmentally friendly business organizations is in their best interest. The environmentally sensitive business organizations are witnessing increment in their ability to create job and expand their business activities when compared to environmentally insensitive business organizations.

The findings of the researches have also indicated that the future employment growth depends on the ability of the business organization to engage in environmentally friendly business activities. The business organizations that engage in environmentally friendly business activities create opportunity for value creation for their organizations that would result to job creation. The positive increment in the value of the business organization would result in creating job opportunity as the increment in the demand for their environmentally sensitive products and services would need more employees to handle such increment in the products and services demand. The natural resources, the potential employees, and the community that the business organizations need to operate their business activities may not be there in the long run if they fail to take care of their environment. Given the fact that the consumers globally are pressuring the business organizations to engage in environmental-friendly activities, it may be hard to see business organizations flourishing

without paying attention to this call. The consumers are powerful stakeholders of the business organization and the survival, growth, and sustainability of the organizations depend on the consumers.

This study concludes that business organizations that want to survive, grow, and have long term sustainability with opportunity to create employment need to be environmentally sensitive. Doing this would give such business organizations the opportunity to sell their products or render their services thus give them the opportunity to expand their business activities, create value to the stakeholders, and create job opportunity to the community.

This study contributes to the knowledge in these areas. First, it sheds more light on the understanding of the importance of environmental activities on the organization's business activities. Second, it links the environmental activities of the business organization to the job creation through value creation. Third, it adds to the scanty literature on environmental activities of the business organization especially in the developing countries.

The limitation of this study is that it is not an empirical study as it depends on other people's works to draw its conclusion. However, the authors still believe that the study contributes to the knowledge as mentioned above. The study also has decision making implication for the management of the business organizations. It is established in this study that any business organizations that want to expand their business activities must be sensitive to the impact of their business activities on the environment. Taking care of the environment is in the best interest of the business organizations as they need everything in the environment for their survival, growth, and long term sustainability.

5. References

- i. Akinlo, O. O., & Iredele, O. O. (2014). Corporate environmental disclosures and market value of quoted companies in Nigeria. *The Business & Management Review*, 5(3), 171-184
- ii. Ali, T. F. (2018). The influence of economic value added and market value added on corporate value. *Russian Journal of Agricultural and Socio-Economic Sciences*, 2(74), 90-98
- iii. Bowen, A., & Kuralbayeva, K. (2015). Looking for green jobs: The impact of green growth on employment. Retrieved on March 26, 2020 from http://www.lse.ac.uk/GranthamInstitute/wp-content/uploads/2015/03/Looking-for-green-jobs_the-impact-of-green-growth-on-employment.pdf
- iv. Cao, W., Wang, H., & Ying, H. (2017). The effect of environmental regulation on employment in resource-based areas of China - An empirical research based on the mediating effect model. *International Journal of Environmental Research and Public Health*, 14(1598), 1- 11
- v. Cecere, G., & Mazzanti, M. (2015). Green jobs, innovation and environmentally oriented strategies in European SMEs. Retrieved on March 16, 2019 from https://pdfs.semanticscholar.org/7bda/67cfb173c1446dec6a3fee5d7d249afa0d2c.pdf?_ga=2.7396539.867857595.1589371778-22739155.1580174292
- vi. Curcio, R. J., & Wolf, F. M. (1996). Corporate environmental strategy: Impact upon firm value. *Journal of Financial and Strategic Decisions*, 9(2), 21-31
- vii. Dinca, M. S., Madaleno, M., Baba, M. C., & Dinca, G. (2019). Environmental information transparency - Evidence from Romanian companies. *Sustainability*, 11(5040), 1-22
- viii. Dosi, G., Grazzi, M., Moschella, D., Pisano, G., & Tamagni, F. (2019). Long-term firm growth: An empirical analysis of US manufacturers 1959-2015. Retrieved on December 12, 2019 from <https://academic.oup.com/icc/advance-article-abstract/doi/10.1093/icc/dtz044/5536331>
- ix. ECORYS (2012). The number of jobs dependent on the environment and resource efficiency improvements. Retrieved on March 26, 2020 from <https://ec.europa.eu/environment/enveco/jobs/pdf/jobs.pdf>
- x. Gupta, P. D., Guha, S., & Krishnaswami, S. S. (2013). Firm growth and its determinants. *Journal of Innovation and Entrepreneurship*, 2(15), 1-14
- xi. Ibanichuka, E. A. L., & James, O. K. (2014). The relevance of environmental cost classification and financial reporting: A review of standards. *Journal of Economics and Sustainable Development*, 5(7), 39-49
- xii. Jacob, K., Quitzow, R., & Bär, H. (2015). Green jobs: Impacts of a green economy on employment. Retrieved February 26, 2020 from <https://www.researchgate.net/publication/273767132>
- xiii. Licht, G., & Peters, B. (2013). The impact of green innovation on employment growth in Europe. Retrieved on March 26, 2020 from https://www.econstor.eu/bitstream/10419/125705/1/WWWforEurope_WPS_no050_MS5_3.pdf
- xiv. Liu, M., Shadbegian, R., & Zhang, B. (2017). Does environmental regulation affect labor demand in China? Evidence from the textile printing and dyeing industry. *Journal of Environmental Economics and Management*, 86, 277-294
- xv. Ministry of the Environment Government of Japan. (2003). *Environmental performance indicators guideline for organizations*. Tokyo, Japan: Ministry of the Environment Government of Japan
- xvi. Mongrut, S., & Chang, J. T. (2008). A framework for environmental reporting through financial statements. *Academicos Tecnológico de Monterrey Campus Queretato*, 3(5), 82-98
- xvii. Russ, A., & Schaeffer, E. (2017). Don't believe the "job killer" hype. Retrieved on March 26, 2020 from <https://environmentalintegrity.org/wp-content/uploads/2017/01/Jobs-and-environment-report.pdf>
- xviii. Saufi, N. A. A., Daud, S., & Hassan, H. (2016). Green growth and corporate sustainability performance. *Procedia Economics and Finance*, 35, 374-378
- xix. Sherman, F. (2019). Nonfinancial vs. financial information. Retrieved August 20, 2019 from <https://bizfluent.com/info-7758431-nonfinancial-vs-financial-information.html>

- xx. Steelman, B. L., Hall, J., Naish, C. P., & Mazzariello, A. (1977). Improving environmental performance through effective measurement. In D. J. Richards (Ed.), *The industrial green game: Implications for environmental design and management* (pp. 132-147). Washington, D.C.: National Academy of Sciences
- xxi. Triaguero, A., Cuerva, M. C., & Alveraz-Aledo, C. (2017). Environmental innovation and employment: Drivers and synergies. *Sustainability*, 9(2057), 1-22