HOW DO EMPLOYEE SALARY/BENEFITS AND CSR/ESG PERFORMANCE AFFECT EMPLOYEE PRODUCTIVITY AND FIRM PERFORMANCE - EVIDENCE FROM STEEL INDUSTRY LISTED FIRMS IN TAIWAN

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ABSTRACT

Based on the data of 45 listed firms in the steel industry on the Taiwan Stock Exchange and the Taipei Exchange Market from 2000 to 2020, this study examines how employee's salary/benefits and firm's corporate social responsibility (CSR) performance affect employee productivity and firm performance. Employee salary/benefits is measured by the salary/benefits per employee, the ratio of salary/benefits to net sales, and the ratio of salary/benefits to net income. CSR is measured by social contribution value, social return on assets and social contribution value per share, current CSR performance, cumulative CSR performance and repeated CSR performance. Employee productivity is measured by net sales per employee, gross profit per employee, after tax net income per employee, and yearly change in market value of common equity per employee. Firm performance is measured by return on assets, return on equity, earnings per share, annualized gross stock return, annualized excess stock return, and Tobin's q. Through correlation analysis and multiple regression estimation, evidence shows that larger employees salaries/benefits and better CSR performance are associated with superior performance on employee productivity and firm performance. Additional tests through various dimensions on CSR performance and ESG ratings show similar outcomes.

Keywords: *Employee Salary/Benefits, CSR, ESG, Employee Productivity, Firm Performance*

1. INTRODUCTION

Even profit-oriented firms must increase their response or involvement in social issues such as environmental pollution prevention and improvement, improving employee salaries and benefits, maintaining diversity and protecting human rights, and corporate governance and regulatory compliance in the face of global climate change, the awakening of public and media awareness, and increasingly frequent reporting on these issues. Otherwise, the increasing demands of the public and regulatory requirements will make companies that do not take action on corporate social responsibility (CSR) unable to sustain their business. Whether it is a large enterprise or a small and medium-sized enterprise, CSR has become one of the unavoidable and crucial issues in today's management practices. If a successful company does not take responsibility and invest in CSR, it is likely to be interpreted by the public as self-interested, selfish, or representing the rich and unscrupulous.

The World Business Council for Sustainable Development (WBCSD) defines CSR as "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". The broader definition of CSR refers to a firm's socially responsible behavior that is ethical and honest, not only responsible to shareholders but also to all stakeholders, including employees, creditors, consumers, upstream and downstream suppliers, governments, and communities. Other definitions of CSR can be referred to Frooman (1997), Carroll (1979), and McWilliams and Siegel (2001). Elkington (1997) proposed the Triple Bottom Line principle, which suggests that a firm must not only perform well financially but also win social respect in terms of governance and environmental protection in order to sustain its business. In addition, the United Nations' Sustainable Development Goals (SDGs) include 17 major