

Vanessa A. Countryman, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

December 17, 2019

RE: Submission on the Modernization of Regulation S-K Items 101, 103, and 105 (File Number S7-11-19)

Dear Secretary Countryman:

We are writing to support the Commission's efforts to improve the disclosure of human capital resources.

In the paper entitled "Employee Turnover and Firm Performance: Large-Sample Archival Evidence" (available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3505626), we find that one of the key human capital metrics—employee turnover—is informative about future financial performance for a broad cross-section of firms. We use turnover data compiled from employees' online profiles for a large sample of public companies. We find that high turnover is associated with worse next-quarter financial performance, while a low level of turnover might be beneficial. Furthermore, we find a significant negative association between turnover and future earnings announcement returns, suggesting that investors do not fully incorporate turnover information.

These results are consistent with the alleged importance of employee turnover. The findings support the argument in favor of requiring firms to disclose employee turnover and potentially other comparable key human capital metrics. Such a requirement would provide investors with information that is material and comparable across firms.

Sincerely,

Qin Li
Assistant Professor of Accounting
Hong Kong Polytechnic University
[REDACTED]

Alexander Nekrasov
Assistant Professor of Accounting
University of Illinois at Chicago
[REDACTED]

Ben Lourie
Assistant Professor of Accounting
University of California-Irvine
[REDACTED]

Terry Shevlin
Professor of Accounting
University of California-Irvine
[REDACTED]