

# The Impact of Corporate Social Responsibility on Workers and Trade Unions in Indonesia

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## ABSTRACT

*Though the concept of corporate social responsibility (CSR) has been evolving for decades, no single all-encompassing meaning has as yet been achieved. The worker and the trade union, both stakeholders in the company, are certainly affected by a company's CSR policy and its implementation. The focus of this chapter is on the implementation of CSR and its effect on workers and trade unions with the assumption that the content of a corporate CSR programme is everything that the company contributes towards the workers' welfare other than that which is already included in the labour laws or in the working agreement or collective labour agreement, reinforcing the belief that the leitmotiv of CSR programmes is to divert workers' demands or weaken, and gradually eliminate the trade union.*

*By investigating the CSR activities in four companies, this chapter shows that CSR is a subtle means by which the company management can showcase its concern for the workers' welfare and thereby arm itself with the tools to persuade the trade union to cooperate with the management. The CSR's effective influence varies from no impact or minimum impact to the busting of Unions, when the company's CSR plans fail. The result of this initial research shows that the formation and development of trade unions is necessary for the workers to avoid a violation of their rights, and to control the company's CSR implementation with a collective labour agreement*

## INTRODUCTION

The evolution of the concept of "Corporate Social Responsibility" (CSR) derives its present status from the 1980's -1990's dramatic global political and economic changes. These are associated with the rise of libertarian values in Western politics and the collapse of collectivist ideologies aided with the improvement in communications and electronics technology, which made the dissemination of information quick and easy. It led to a radical re-thinking of the respective roles of the state and businesses in the Western society. The dominant idea in political thought at the time was to shrink the role of the state and to place greater responsibility on individuals and the business houses. Though the rise in anti-corporate activism over environmental and human-rights issues registered a growth in this period, effective corporate lobbying undermined these attempts to regulate their activities at a global level. CSR, which promised protection from protests against the industries, itself became an established industry in the marketplace. During this period, a plethora of voluntary initiatives and codes of conduct were developed by the individual companies as well as international organisations, and these became the initial guidelines for CSR implementations.<sup>1</sup>

This chapter uses the World Business Council for Sustainable Development's (WBCSD) concept of CSR, and is essentially based on two elements that are frequently used in the definition of CSR, making a clear distinction between a company's obligations and a company's CSR activities.

In the absence of a standard, universal set of guidelines and principles for the practice of CSR, many companies in Indonesia have made their own interpretation of the CSR concept, and thereby adopted a CSR concept, which is suitable for their own purpose and implemented it as a part of their business strategy. In CSR implementation, the scope of CSR coverage (i.e., responsibility) is identified as all corporate stakeholders. In 1971, the Committee for Economic Development (CED) introduced the three-tiered model of CSR, which is still considered valid in determining the stakeholder relationship with the company.<sup>1</sup> The CED's three-tiered model of CSR can be described as follows:

- The Inner Circle is the basic responsibility of a company to make efficient economic decisions related to a company's profit and growth. This circle includes shareholders, management and workers. In the managerial arrangement, the relationship with the stakeholders in this circle is managed through the financial and human resource management departments.
- The Intermediate Circle is the responsibility of a company to be sensitive with the changing social contract that exists between the business and the society, when it pursues its economic interest. This circle includes suppliers, customers, and the competitors. In the managerial arrangement, the relationship with the stakeholders in this circle is managed mostly through operation and

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(marketing) relationship management. CSR in this circle usually takes the form of market education, marketing-cause relationships, and services or sponsorship.

- The Outer Circle is the responsibilities and activities of a company to actively improve the social environment, such as poverty alleviation and urban crowding issues. This circle includes the local community, the society at large, NGOs and government. In the managerial arrangement, the relationship with stakeholders in this circle is managed mostly by the company's public relations department. CSR in this circle usually takes the form of philanthropic projects, community development projects, and awards sponsorship, which targets people outside the company.

At a general level in this chapter, workers are one of the inner circle stakeholders, and the other stakeholders in this chapter are divided into internal and external stakeholders. Specifically for the workers, the human resource management handles the CSR implementation, seen as aiming to provide those facilities and benefits for workers that are not regulated by law, working agreements, and/or a collective labour agreement.

For the purpose of finding and describing the relationship between CSR and trade union development, internal CSR in this chapter is defined as everything the company grants to the worker that is not included in the law, a working agreement or a collective labour agreement. There are some indications that the *leitmotiv* of internal CSR programmes is to divert workers demands or - at its worst - weaken or eliminate the trade union. Although Indonesian law recognizes the right to organize and the freedom of association (Regulation No. 21/ 2000), such practices as union busting are still common and occur frequently. A review of companies' external CSR will be included in this chapter as a comparison made to companies' internal CSR, and as a means to determine the general function of CSR to the companies.

This chapter presumes that companies view the implementation of CSR as superior to the formation of a workplace trade union and the drafting of a collective labour agreement: By implementing CSR, the company will ensure workers' rights and benefits, and there will be no need to create a collective labour agreement and maintain the existence of a trade union.

This chapter aims to review the following:

- (a) Workers' and management's perspectives on CSR;
- (b) The manifestation of CSR by the companies;
- (c) Codes of conduct in CSR implementation;
- (d) Impact of CSR implementation on companies; and
- (e) Impact of CSR implementation on trade union development

The purpose of this chapter is to provide a description of how CSR implementation can be used as a tool of analysis and perspective for workers' movement and how it can increase workers' collective bargaining power.

The trade unions of companies in various industrial sectors are an important subject of research in this chapter. The views of the research subject on CSR were taken, as were the perceptions of the management of the company and these are shown and compared. Additionally, comparison of the company's CSR

positions and the union's collective labour agreement were made. In this chapter, we portray CSR implementation as having a negative, positive or neutral affect on trade union development in the companies. Companies from four different industries were selected to demonstrate that in the midst of the variety of CSR programmes there remains a central idea that CSR is a benevolent spill-over of business profits. Since Trade Union development is highly related to the company management where the Trade Union exists, the company's business activities will also be briefly sketched in this chapter.

The methodology used in the research for this paper is the qualitative approach and the descriptive research. This chapter will be developed into a variety of campaigns to endorse a sustainable dialogue between all stakeholders on how to create boundaries that stimulate a more possible development in bridging the gap between parties. Data that supported this chapter is classified into: Primary data, which is directly collected through focus group discussions and interviews with research informants; and secondary data, which is all documented data obtained through the trade unions, management or other sources. The validation technique used is ecological validation and the data analysis method used is the illustrative method. The data collection process was conducted and obtained from February 5, 2011 to July 20, 2011.

## CSR IN INDONESIA AT A GLANCE

In many Asian countries, CSR is generally understood as corporate activities to compensate for social and economic injustices. This perspective has created certain implications, such as making people think that it is a company's obligation to fulfil people's rights for better social, economic, and environmental conditions and in the process providing justifications for the government to escape its obligations towards society. However, the fact is that CSR has brought more benefits to the company than to a society by virtue of it being a simple yet effective method of bestowing legitimacy on the corporate as a responsible social actor. This has not only improved a corporate public image but has also resulted in increasing its esteem in society and an increase in its level of profits. In the 21st century, CSR has reduced the government's role in bettering the social economic and environmental conditions, while expanding the role of the corporate in a society.

Indonesia can be considered as one of the leading countries in the world vis-a-vis the level of implementation of CSR, which is mandatory for a company with limited liability. Under Law No.40/2007, section 74, it states:

*"(1) Companies doing business in the field of and/or in relation to natural resources must put into practice Environmental and Social Responsibility. (2) The Environmental and Social Responsibility contemplated in paragraph (1) constitutes an obligation of the Company which shall be budgeted for and calculated as a cost of the Company performance of which shall be with due attention to decency and fairness. (3) Companies who do not put their obligation into practice as contemplated in paragraph (1) shall be liable to sanctions in accordance with the provisions of legislative regulations. (\*) Further provisions regarding Environmental and Social Responsibility shall be stipulated by Government Regulation."*

It is also required in any capital investment project under Law No.25/2007, section 15 article (b) which states:

"Every investor shall have obligations [...] to implement corporate social responsibility."

Further in section 34 of Law No.25/2007 it states that:

"(1) Business entities or sole proprietorships as intended by Article 5 that fail to fulfill obligations as provided for by Article 15 may be imposed administrative sanctions in the form of (a) a written warning; (b) a restriction of the business activity; (c) freezing of the business activity and/or investment facilities; or (d) closure of the business activity and/or investment facilities. (2) Administrative sanctions as intended by section (1) shall be imposed by an authorized agency or institution in accordance with provisions of laws and regulations. (3) In addition to administrative sanctions, business entities or sole proprietorships may be imposed other sanctions in accordance with provisions of laws and regulations."

The above mandatory clauses are controversial in nature and have become the epicenter of many heated debates, since they contradict the general concept of CSR, which stresses the element of voluntary and management initiatives from the company. In addition, government regulations which were supposed to be further provisions of the Law No.40/2007, but were never made, caused confusion in the implementation, monitoring and controlling of CSR. Furthermore, the implementation of the above clauses also became justification for the government of Indonesia whereby it shifted its social responsibilities (in this case of the social protection i.e. the regulation of minimum wage payment, health care access, etc.) over to companies that operate in Indonesia.

Generally, CSR implementation has been related to the issues of human rights, labour rights, environmental protection, and anti-corruption, which are often violated by businesses seeking to maximize profits. Theoretically, CSR is a wonderful concept in aid of social development; however, practically CSR combined with company interests becomes only the means by which a company acquires a personal and humane face.

When a company takes CSR as part of their strategy, the types of activities that the company usually undertakes to be seen to be socially responsible are:<sup>5</sup>

1. *Corporate philanthropy*, where the corporate donates money or products for charity. This way the company can avoid criticism from the public and enhance its reputation.
2. *Cause-related marketing* is a form of partnership between company and a charity, where the charity will support the company in product or brand promotion and will benefit in the form of donations and enhanced profile, while the company will benefit through greater product sales.
3. *Sponsoring awards* is meant to position the company as an expert on a social issue and a leader in CSR and includes large donations.
4. *Codes of conduct* are an explicit way to show the company's commitment to CSR by publishing its values and standards of behaviour.
5. *Social and environmental reporting* is a way to show a company's accountability to a broad range of stakeholders.
6. *Community development* is a type of company propaganda aimed at its social environment meant to demonstrate the company's concern with social problems that occur in its environment.
7. *Eco-efficiency* is company action taken to minimize the company's environmental impact, particularly around highly visible aspects or in areas where it makes financial savings. This activity is usually taken by a company whose products are inherently destructive to the environment.
8. *Investing in socially focused companies* is a current trend wherein large multinational companies buy smaller companies that have been set up with ethics as their primary guiding motivations.

As regards a company's stakeholders, theoretically, in order to obtain maximum profits a company needs to satisfy its stakeholders and the more stakeholders a company can satisfy the more benefit the company will get. But practically, a company is in a position to choose which stakeholders are its priority, and CSR is an effective means that can be used to satisfy several stakeholders at the same time.

In conducting CSR, a company will take certain strategic actions, such as cooperating with local authorities in CSR implementation, using the broadcasting and print media to socialize a company's CSR activities, put company banners in the company CSR sites and organizing events such as discussion forums, seminars, and competitions, which in the end will influence public opinion and create a good image for the brand and the company.

## THE CASE STUDIES: DESCRIPTION OF COMPANIES & TRADE UNIONS

To obtain an overview of the impact of CSR on workers' organizations and trade unions in Indonesia, interviews and focus group discussions were conducted with four trade unions in four companies. Topics covered were based on the level of trade union development in the companies, which included the company profile, trade union information and CSR implementation. For various reasons we have kept confidential the companies' and unions' identity to ensure worker's security, but it can be provided upon request.

### THE CASE OF PT. GAMMA

#### Company profile

PT. Gamma is a multinational company engaged in the manufacture and marketing of consumer products. It produces various consumer products in the category of insecticides, repellents, air fresheners and household cleaners. PT. Gamma was born as a result of the acquisition of the household business unit of Alpha Co., by Beta Co., in 2002.<sup>6</sup>

PT. Gamma is a subsidiary of Beta Co., based in Racine, Wisconsin in the United States. Beta itself is a family-owned company that operates in 70 countries and sell products in more than 100 countries around the world.<sup>7</sup> In Indonesia PT. Gamma owns three factories that operate in Jakarta, Medan and Surabaya, with the management located in Jakarta. The biggest factory is the Jakarta factory, producing a wide range of products and has superior technology, while Medan is



the biggest profit maker, because of the low cost of raw materials. The PT. Gamma factory in Jakarta located in Pulo Gadung Industrial Area comprise of 500 workers divided into 400 shop floor workers and about 100 managerial staff.<sup>8</sup>

In managing the worldwide company, Beta Co., as the parent company, has formally created a corporate philosophy that functions as guidance for the company in doing operations and in managing relationships with its stakeholders. This philosophy is socialized internally and externally by the company. Internally, it serves as basic principles and guides the company's policies and actions, including CSR implementation; externally, it serves as a part of its corporate identity.<sup>9</sup>

In managing external CSR, the company has integrated their CSR programmes into their marketing programmes, so the company's external CSR programme is managed by its marketing department.<sup>10</sup>

#### Trade union information<sup>11</sup>

The Trade Union PT. Gamma is the successor of the trade union of Alpha Co. that was established in 1988. Since the Trade Union of PT. Gamma already had a collective labour agreement when they were a unit of Alpha Co., the practice has been continued and the present collective labour agreement is also a continuation of the agreement drafted during the days of Alpha Co.

According to information obtained from the trade union through their Collective Labour Agreement, the company has provided for rights above the required standards that are stated in the national labour law and regulations. Although in certain cases related to workers' health care, disputes and inequities are possible. If, for example, medical expenses exceeding the insurance limit are required, the case will be determined by the president director's decision. But so far, for work-related problems, the trade union states that it can communicate with the company management and the company management has always been willing to listen, although they have not always yielded to workers' demands.

At certain points, friction has occurred between the trade union and the management. In these instances, the management has been found to be violating their own regulations and principles, such as implementing outsourcing of core production operations, arguing that the matter is debatable; or when management has tried to change the working hour policy from three to four shifts and the workers refused. Although friction between management and staff has occurred whenever the management violated certain industrial right of the worker, the matters have usually been solved through communication between Trade Union PT. Gamma and the company management. If the matter could not be solved between the two parties, then it has been taken to the local office of the Manpower Ministry.

Trade Union PT. Gamma is an independent trade Union, with a secretariat and its own facilities. The union has not accepted any support from the company. The company's facility for the trade union is arranged in the collective labour agreement.<sup>12</sup>

#### CSR in PT Gamma

External CSR in PT. Gamma is integrated into its marketing programmes. Strategically, the company conducts product

promotion activities through its social activities. Several forms of activities are conducted in their product promotion, such as fogging (spreading pesticide). The activities are done with the purpose of educating the market about the product.<sup>13</sup>

Specifically for the CSR code of conduct, the company does not have a specific document which they have published as a code of conduct. Instead they have used the 'company philosophy' as guidance in managing its relationship with stakeholders. The impact of the company philosophy internally is seen in communications between the company management and the trade union, and externally in the company's commitment to provide and promote consumer goods.<sup>14</sup>

Internally, towards its workers, the company does show a commitment to CSR in the form of profit sharing. This profit sharing is part of the parent company's policy. However, the company's local management has refused to put this policy in the collective labour agreement, since the total profit share differs for each subsidiary company, and depends on the subsidiary company's profit contribution to the parent company. (There is a breakeven point calculation which has been used since the time of acquisition.) This profit sharing is done twice a year, and each time is equal to 10 percent of salary. Besides this profit sharing scheme, the company provides only occasional assistance to the workers, for example in cases where subsidies are provided to workers affected by natural calamities such as floods.<sup>15</sup>

## THE CASE OF PT. ZETA

### Company profile

PT. Zeta is a multinational company engaged in the manufacture of plastic accessories for automobile parts. PT. Zeta produces air spoilers, bumper guards, console box lids, armrests, sun visors, air conditioning ducts, reserve tanks, and windshield washer tanks for automotive industry customers. The company was established in Japan in 1917, and entered the plastics industry in 1947. It set up its plant in Indonesia in 1997.<sup>16</sup>

PT. Zeta is a subsidiary of Delta Co., Ltd - Japan, which operates in Japan, Thailand, Indonesia, China and America. PT. Zeta shareholders are Delta Co., Ltd - Japan (90 percent), Epsilon & Co., Ltd - Japan (5 percent), and Epsilon Singapore (Pte) Ltd - Singapore (5 percent).<sup>17</sup> In addition to the PT. Zeta factory, the company also has five sub-contractors supporting production to these plastic accessories. Currently, the company orders have decreased by up to 60 percent due to the impact of the March 2011 earthquake and tsunami that hit Japan. Specifically for PT. Zeta factory in Indonesia which is located in Karawang International Industrial City (KIIC), the company employs 640 workers, of which 55 percent (352 workers) are permanent workers and 45 percent (288 workers) are contract workers and trainees.<sup>18</sup>

In managing the company, Delta Co., Ltd formally created two corporate mottos that function as foundations in building the business. The company has five decades of experience in supplying an extensive range of highly reliable plastic products. The company also boasts of its advanced technology and latest research and development facilities in developing these products.<sup>19</sup>

PT. Zeta in Indonesia is a factory that is a supplier of products to the automotive industry and is not directly linked to consumer products. The company therefore, manages external CSR by

giving contributions to the industrial area management, which handles the external CSR for all the companies in the industrial area.<sup>20</sup>

### Trade union information

Trade Union of PT. Zeta was formed around three years ago. The collective labour agreement between the union and the management of PT. Zeta has been established in the last two years. According to Trade Union information, the trade Union has put in their agenda to negotiate with the company management to increase their assistance through their collective labour agreement, since it is still at the standard or basic level stipulated under government law and regulations. Several allowances are provided through the collective labour agreement, but the total amount is still inadequate to cover for their needs. In the matter of providing adequate support for workers, the workers of PT. Zeta always have to ask the management for changes since the management does not always automatically understand or give adequate support to the workers.

In its relations with the company's management, Trade Union PT. Zeta states that it encounters problems related to transparency and limitations on company information as well as access to that information. Friction occurred between Trade Union PT. Zeta and its management when the company complained about the high labour cost due to the rising premiums of UMK and In-Health every year. However, the company is providing high salaries and high-cost entertainment and facilities for its expatriate workers. When the trade union questioned this, the management argued that the Japanese expatriates bring different skills. Trade Union PT. Zeta also questioned the regulation of technology transfer from foreign (expatriate) workers to local workers, since the management has never implemented it. The management answered that it is still in the panning process.

Other point of friction between the union and management is related to the company's programme for apprenticeship in Japan. The problem is that workers who choose to join the apprenticeship programme will lose all their rights in the local Indonesian company and they will only receive an allowance equal to one-third of the Japanese worker's monthly wages and low overtime payments. However, the Indonesian workers receive lodging, lunch and health and safety coverage. If these workers, chosen for apprenticeship in Japan, question why their rights in the local Indonesia Company are not available to them anymore, the management's response is that either they accept the conditions or lose the chance to take the apprenticeship. At the same time, while they are paid low wages on the apprenticeship in Japan, they may still be able to save money, which would be enough to cover their needs when they return to Indonesia; and workers that have undertaken this apprenticeship will have priority for promotion in the company. Thus, these issues are problematic for the trade union, since they do not want this programme to weaken the trade union's fight for basic rights.<sup>21</sup>

Trade Union PT. Zeta is an independent trade union, with a secretariat room and its own facilities. The trade union does not accept any support from the company management, but gets the funds it needs from members' contributions which provides for trade union requirements and other secretariat facilities such as office supplies.<sup>22</sup>

### CSR in PT. Zeta

As regards the company's external CSR, PT. Zeta contributes to the industrial area management. The industrial area management determines the minimum amount that the industrial area tenants should contribute, though each tenant can contribute more if they choose to do so. The industrial area management then implements CSR projects in communities around the industrial area. Though the industrial area management does not publish any reports on their CSR activities, the activities are affectively visible in the industrial area. For example, this CSR fund provides annual free health care; fogging (spreading pesticide) and Abate (pesticide) distribution annually or per case if a dengue fever epidemic is spreading in the area; training and education for local people; capital assistance to the village youth community to open and run car or motorcycle repair shops; capital assistance to local community to start a catfish farm using tarps. In addition to this contribution for CSR to industrial area management, the company makes donations in the event of a catastrophe such as following the Yogyakarta earthquake. However, this policy is ever changing and generally depends on the decision of the local company's director.

As for the code of conduct, the company does not have a specific code of conduct. But the company has created two corporate mottos that function as a foundation for building the company. However, there is no information as to how these mottos guide its CSR implementation. For PT. Zeta, we can say that external CSR is not part of the company's strategy to enhance profits, since external CSR programmes cannot directly benefit the company's operations.

Internally, PT. Zeta does not have a CSR programme with regard to the workers, since everything that is related to the workers is managed through the collective labour agreement or proposed by the trade union to the company management. But the company management has several times offered to fund Trade Union activities, though the offers were refused by the union. The only time that the trade union accepted money from the company management, the trade union and the management agreed that after the money was accepted, the company management would not offer the trade union more fund in future.

### THE CASE OF PT. KAPPA

#### Company profile

PT. Kappa is a private national television station. The company is known for popular local soap operas, reality shows, and infotainment. The company was established in 1991 and started to broadcast in 1995.<sup>23</sup>

PT. Kappa previously was a subsidiary of PT. Theta and at present is a subsidiary of PT. Iota, following the acquisition of the company in May 2011.<sup>24</sup> The company's acquisition is still controversial, since it violated the national broadcasting law.<sup>25</sup> The company is located in West Jakarta, and following the acquisition the company is reshuffling its management. After mass layoffs in 2010, PT. Kappa has more or less 1,200 staff.<sup>26</sup>

In managing the company, the management says it is guided by its company vision and mission. The company's priority is to broadcast high quality in-house productions. As of 2011, PT. Kappa has relay transmitters in 34 cities and the broadcast coverage reaches 180 cities in Indonesia.

PT. Kappa is implementing CSR both internally and externally. The CSR implementation is derived from the company vision and mission, and also because the company felt compelled to conduct social activities to support society. Specifically for external CSR, the company management has formed a special team which manages the company's programmes that are targeted to raise funds for social purposes and a cross division of workers are assigned to conduct the programmes.<sup>27</sup>

#### Trade union information

PT. Kappa has two trade unions with the same name, but with different acronyms. The first is the Kappa Workers Union which was formed in 2008 and the second is the Kappa Employees Union, which was set about a year later. The difference between the two is Kappa Workers Union has been formed by workers and Kappa Employees Union has been formed by company management.<sup>28</sup>

For this chapter, the researchers focused on Kappa Workers Union. At the time of the interviews, Kappa Workers Union was under attack by PT. Kappa management which did not want to deal with the union. The management was in the process of negotiating a collective labour agreement with the company's union PT. Kappa Employees Union.

The Kappa Workers' Union has been trying to draft a collective labour agreement with PT. Kappa and claims that the company management has not complied with the law and provided workers with their basic rights for the past 15 years.<sup>29</sup>

As a trade union formed by workers' at their own initiative, the Kappa Workers Union is facing intimidation and discrimination from the PT. Kappa management. In massive layoffs carried out by the company management, 150 trade unions members were sacked. Of those sacked, 22 members have filed law suits against the company.<sup>30</sup>

#### CSR in PT. Kappa

The company's annual report publications and interviews with the company's Public Relations Department show that PT. Kappa conducts its external CSR by producing two television programmes: The first is "Love 8 Care" and the second is "We Care." Through these two television programmes, the company raises funds from the public to be allocated to support people who need financial assistance. Funds raised through the "Love 8 Care" programme, are allocated to support people in need of financial assistance in health care and through the "We Care" programme, the funds raised are allocated to support the victims of natural disasters. In implementing the two programmes, the company itself covers all operational costs for the team involved, thus not resorting to or reducing the funds that have been collected from the public.<sup>31</sup>

As for a code of conduct, the company does not have a specific code of conduct. But for CSR implementation, the company is using company vision and mission as guidance for CSR projects. The impact of company's CSR projects on the company itself is in the enhanced trust in the company that the public grants it through garnered public funds for social purposes.

Internally, the company's human resource management practices violate the national law related to workers' rights. In an interview, a representative from the company's Public Relations Department stated that the company is not only giving salaries

to workers but also providing health care, safety, and career opportunities, since it is the company's obligation to provide these to workers. But the facts demonstrate a different scenario. Gross violations of the law by the company abound, which include salaries below the minimum wage, an unclear salary scale, discrimination in giving workers insurance or Jamsostek,<sup>32</sup> unclear overtime calculations and company regulations that persecute workers and violate legal procedures.<sup>33</sup>

## THE CASE OF SIGMA

### Company profile

Sigma is a multinational company engaged in seaport container terminal operations. The company is serving container traffic in and out of Jakarta through Terminal I and II Tanjung Priok Seaport. Sigma, a subsidiary of Lambda of Hong Kong (51 percent) and PT. (Persero) Omicron of Indonesia (49 percent), was established in 1999.<sup>34</sup> Sigma is the largest container terminal in Indonesia and strategically located in the industrial heartland of West Java. In its operations, the company is supported by more or less 900 workers, which include permanent and outsourced workers. Operations are also supported by five partners who serve as suppliers (including agencies supplying outsourced workers) for the company and workers who are handling goods and port security.<sup>35</sup>

In managing the company, the management is establishing a corporate culture, which serves as guidance in conducting operations and in managing its relationship with company stakeholders' in order to provide excellence in service and obtaining trust-based relationships which will result in increasing levels of profits.<sup>36</sup>

Sigma is implementing external CSR as part of the company's strategy to build the company's image in society. Sigma develops their public image through external CSR activities in the fields of education, health, environment, economy and through social and cultural programmes. For the company's needs in implementing the external CSR programmes, a foundation which serves as the organizer has been established by the company. The purpose of the company's external CSR programme is to create and support a positive corporate image in the society, through the development of independent and welfare community programmes, which support the company to operate smoothly and to grow its business sustainably<sup>37</sup>

### Trade union information<sup>38</sup>

Sigma has two trade unions, an official trade union known as Sigma Trade Union and an unofficial workers' alliance formed by the company's outsourced workers known as Sigma Outsourced Workers' Alliance. Sigma Trade Union as the company's official trade union is supported by the company's management, while Sigma Outsourced Workers Alliance is discriminated against by the management in wages and treatment.

In this chapter, the Sigma Outsourced Workers' Alliance will be the focus of discussion. Sigma Outsourced Workers' Alliance faces union busting from Sigma management, the management of the outsourced worker agency, and the Sigma Trade Union. The daily running operations of Sigma is carried out by 20 percent permanent staff and 80 percent outsourced workers. In conducting the work, permanent workers are always



assisted by outsourced workers. According to the outsourced workers, they are performing the heavier work since the permanent worker takes frequent breaks from the work. Outsourced workers are assigned the more dangerous and dirty jobs and thus face greater personal risk, while at the same time, they are not entitled to the same level of medical and injury insurance.

### CSR in Sigma

Sigma is conducting external CSR as part of the company's strategy to build good reputation with the public. Sigma is conducting CSR by cooperating with local authorities in implementing community development projects.

One result of these company CSR programmes is that the local authority ensures the company's security in its operations. Another impact is that the company also receives proposals from the local authority to support the funding of local development projects.<sup>39</sup>

As for a code of conduct, the company does not have a specific code of conduct, but its 'corporate values' can be considered as the guiding factor for the company's CSR activities and it is in compliance with the company's strategy of image building. The direct result of the corporate value and the image building strategy is a secure environment for its daily operations.

Internally, the company is implementing CSR through its human resource management practices which ensure the permanent workers have standard employment rights, though it violates national and international regulations as well as human rights in its outsourcing practices.<sup>40</sup>

## CSR & TRADE UNION DEVELOPMENT: COMPETING PERSPECTIVES

Between the trade unions and the company managements, different perspectives on CSR can be clearly seen. This is partly because CSR is not a concept that is well understood among workers, and the company often does not bother to instruct its workforce on the concept, since CSR is a voluntary programme act and a management initiative. The different perspectives are as observed below.

### MANAGEMENTS' PERSPECTIVE ON CSR

To the management, CSR is mandatory by law and violating it can directly affect its business operations. For the company, CSR is a strategic means to obtain a good public reputation and thereby increase profits. Based on our research, below are the four companies' perspectives on CSR.

#### PT. Gamma

CSR from the management's perspective is a strategic means to produce and market the company's goods, since the more stakeholders the company satisfies the greater the benefit the company will receive. Internally, CSR is also seen as a means to increase production, while external CSR is the means to increase product sales. Both programmes when combined will ensure the company achieves maximum profit and sustainable growth.

#### PT. Zeta

The management views CSR as a contribution to society by producing high quality goods for society and specifically for the

customer.<sup>41</sup> From this it can be interpreted that the company is not using external CSR as a strategy to increase their profit, but to develop the customer's trust in the company, by providing high quality goods. For the contribution that the company gives to the industrial area management for external CSR, this is seen as an act of fulfilling its obligations as a foreign investor that operates in Indonesia and as a tenant in the industrial area. Donations given by the company following a natural disaster can be considered as incidental and are based on individual concern and judgment. The policy on donations changes with each change of company director.

#### PT. Kappa<sup>42</sup>

From the management's perspective, CSR is a part of the company's vision and mission, and is implemented in social activities aimed at addressing social problems. The company includes CSR in its strategic planning, since the implementation of CSR could have a positive impact on the company's corporate image and generate trust from the community. The company manages a community charity fund and disperses the fund to those who need it. Internally, the company uses CSR to strengthen relationships and raise the sense of togetherness in the internal environment. In addition, the company also has a policy to involve and support trade union activities conducted in the company environment, although the company does not subsidize these activities.

#### PT. Sigma<sup>43</sup>

CSR at Sigma, from the management's perspective, is a strategic means to create a good reputation in the community for the purpose of obtaining community support and developing a positive partnership with the community through sustainable community development programmes. CSR programmes that the company has undertaken have had a positive impact on the company. These include providing the community and the government support in maintaining security in the neighborhood where the company is operating. In addition, the company has also been targeted by the local government to participate in funding government development projects, such as government construction projects, but the company has so far avoided doing construction projects as part of their CSR activities.

### TRADE UNIONS' PERSPECTIVE ON CSR

The term CSR is unpopular among workers, since most of the activities related to the workers, including internal CSR, is managed by the human resources department. To many workers CSR is related solely to company activities focused on its external environment and this is managed separately by the company. Most workers are not familiar with the scope of CSR coverage, so they never realize that they are one of the recipients or beneficiaries of CSR. Based on our fieldwork and interviews with members of the four trade unions, the workers' perspective on CSR is as follows:

#### Trade Union of PT. Gamma<sup>44</sup>

PT. Gamma Trade Union defines CSR as the company's social activities for the community at large where the company gives part of its profit for social purposes. PT. Gamma Trade Union is of the opinion that the company does not have any CSR programmes for the community. All social activities that the company conducts are for the purpose of product promotion

and no sustainable CSR programme is conducted by the company.

To those in the PT. Gamma Trade Union, CSR, if conducted as it should be, probably could be better than the collective labour agreement, but at present internal CSR initiatives that the workers receive from the company can be considered insignificant compared to the things that they receive through their collective labour agreement. Any CSR-related benefits that the workers receive are derived from the parent company policies which local management refuses to put in the collective labour agreement to avoid future demands from the workers if one day the policy is terminated. Though friction occurs between the management and the trade union due to the local management's violation of national law and because of the company philosophy, both parties can still maintain good communications.

#### Trade Union of PT. Zeta<sup>45</sup>

PT. Zeta Trade Union defines CSR as the company's social activities for the community at large. However, the union also believes that the company does not conduct any CSR activities for the community, since all CSR programmes are managed by the industrial area management. Donations given following local catastrophes depend on the policy of the local company director in charge at the time of occurrence.

The company does not carry out any CSR-related programmes internally. Everything that the workers receive, they have to ask for from the management and it thereafter becomes a part of the collective labour agreement. Although the Trade Union is not familiar with company CSR, they are aware that collective labour agreement is more important in ensuring their rights. At the same time, there is growing interest in CSR, because the local government of Karawang is instigating CSR regulations and these are likely to have some impact on the trade union.

#### Trade Union of PT. Kappa<sup>46</sup>

The Kappa Workers Union defines CSR as a fund from the company for social activities, funds which are not allowed to be used for the company's internal operations. In the Kappa Workers Union, though the members are familiar with social activities that are conducted in the name of CSR, they do not know that it is mandatory and that private companies also must implement CSR. In fact, they consider it as a trend or a fad.

Internally, the Kappa Workers Union is striving to create a collective labour agreement with the company, since they believe it will ensure the fulfillment of the workers' standard rights which have been violated by the company. In the past in the process of negotiations with the company, management stated that it considered the presence of the Kappa Workers' Union as intrusive. Intimidations and threats to union members followed. The company then set up another trade union which they could control and called it the Kappa Employees Union. Before the trade union was suspended from work, the company management made them an implicit offer, asking "how much money would make them drop their demands?" This offer was rejected by the Trade Union leaders, since they only asked for work and fair wages. Since the Kappa Workers' Union leaders maintained their stand, the management fired the union organisers, effectively busting the Kappa Workers' Union.

#### Sigma Outsourced Workers' Alliance<sup>47</sup>

Sigma Outsourced Workers' Alliance is not familiar with the term CSR, but they are familiar with the form of activities that the companies conduct in external CSR. Internally, the company has shown little regard for the welfare of outsourced workers. Instead of fulfilling their basic rights and improving the working conditions, the company continues to implement outsourcing practices. In the process of obtaining their basic rights, these workers have to deal with the company management, the agency supplying outsourced workers and the Sigma Trade Union, which has refused to assist these workers, since it will significantly decrease their profits. As a result of their actions, the union's organisers are being singled out and intimidated to stop their actions. Subsequently, they were excluded from the work place, a move which made it impossible for them to work and receive wages and finally lead to their termination.

## CONCLUSIONS

#### The impact of CSR on unions' collective bargaining

Generally, as regards the government regulations on CSR and the issue of corruption in the government, we can say that the CSR regulations appear to be only a trend derived from global influence. Moreover, it has provided a justification for the Government of Indonesia to avoid fulfilling their obligations with regard to the rights of the citizens on social, economic, and environmental issues, after having transferred that responsibility to the companies. With corruption being rampant in the government, CSR is only a trading item between the government officials and the capital owners, whereby companies which are not fulfilling their social responsibilities will bribe the government agent(s) to avoid punishment, and the companies which fulfill their responsibilities will receive rewards, such as tax deductions.

One research unit has found that instead of fulfilling the responsibility of monitoring and controlling the CSR implementations, the government institutions target the companies for the funding of projects, and as a reward, the government institutions provide security to the company's operations and reduce the bureaucratic hurdles.

Specifically, based on the examples of companies' external CSR activities and a review of managements' perspectives on CSR, we can see that the purpose of CSR for the companies is "image building", whether it is for building the brand's image, or the company's image, or both. A good public image helps the companies' cause in begetting the trust of the society, which in turn provides a measure of safety in running their operations; increased sales; a good rating to attract more investors; and in the end, greater profits.

Why then is CSR only popular for external use? It is because, CSR is a strategic and flexible tool for the company; strategic because it will create a good image as a social actor, and flexible, because for other managerial purposes CSR can be integrated to each management programme such as marketing and human resource managements.

When CSR is used as a human resource management tool, it is used in a subtle way to influence each worker and or trade union development by showing that the company management is concerned with worker welfare, or to persuade the trade union



to cooperate with the management. But CSR's influence on workers depends on how independent and solid the workers in the trade union are in their efforts to strive for their rights. Our initial research shows a variety of results from CSR programmes, starting from 'no impact' to 'minimum impact' (that can be ignored by the trade unions) to 'union busting' when CSR has failed.

Conflicts between a management and the trade union do occur in matters related to human resource policies and practices, and in cases of inadequate financial transparency. For the trade union, when comparing the content of a collective labour agreement with internal CSR policies, the union finds the collective labour agreement much more preferable, since it provides assurances that the internal CSR cannot provide.

Workers' rights are often being violated by companies in pursuit of profits. Ostensibly, offsetting this are human resource management practices which are a company's way to deliver CSR to workers. The collective labour agreement is the workers' instrument to ensure the fulfillment of workers' rights, and the presence of the trade union is necessary for the workers because the collective labour agreement can only be formed with the existence of a trade union. It is in just those conditions where the worker is and could strive for the fulfillment of his rights through Trade Union, that the trade union's presence is considered intrusive by most of the companies. And not to mention the collective labour agreement which is a direct challenge to a company's financial transparency and profits, since with the existence of a collective labour agreement, a company will have to be transparent in its dealing with the trade union about their financial conditions. And the plans to fulfill workers' basic rights will surely increase a company's labour cost and shave off profits.

Since the right to form a trade union is protected by law, most companies cannot refuse the formation of a Union by its workers, but most of the time they will try to direct the workers to form a workers' forum and persuade them by providing them with many CSR programmes. When the companies cannot bar the formation of a union, then CSR is covertly used to weaken trade union's influence or to persuade it to be cooperative with the company's management. If the company's management fails to persuade the Trade Union to cooperate with them, then discriminatory action against the trade union's leaders takes place, in order to discourage other workers from joining the trade union. One finding uncovered in all four companies discussed in this paper was that trade union leaders and other members have all been discriminated against, with respect to receiving benefits such as in training and development opportunities, scholarships and promotion. In addition, in some cases (found in the third and fourth cases presented above) union members are denied wages and allowances. Discriminatory acts are one way that the management can make the workers obey their will. Rewards are given to the worker or a trade union, which is obedient and cooperative. If the management's action to weaken the trade union fails, then union busting would take place, despite the fact that this is in violation of the law. But since most of the time companies win their cases against workers in court, they are not afraid to violate the law. Therefore, CSR, as one of the human resource management tools indirectly impacts the development of trade

unions because it becomes a factor influencing workers' decisions to form or join a trade union.

As regards the CSR stakeholders, both internally and externally, as company beneficiaries, all stakeholders should function as controlling agents of a company's CSR programme and its implementation. The worker, too, as one of the company stakeholders, should function as a controlling agent of the company's internal CSR implementation through the trade union. As a controlling agent, the trade union should actively monitor and evaluate the company's human resource management policies, practices and other action that affects human resources. If we accept that the trade union should function as a controlling agent of the company's internal CSR implementations, then a company's objection to the existence of the trade union can be seen as an act of refusing to accept the existence of a controlling agent of the company's internal CSR implementation. Regardless of how it is accomplished, it is necessary for the trade union to ensure that the company is committed to and respects national and international labour rights' standards. This can be done by negotiating with the company to put these standards in the collective labour agreement and actively monitor the company's commitment to their implementation.

## ENDNOTES

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