IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY FROM MULTINATIONAL COMPANY IN INDONESIA BASED ON PERSPECTIVE OF HUMAN RIGHTS

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ABSTRACT

Purpose: The purpose of this research is to identify the obstacles to implementing corporate social responsibility (CSR) based on a human rights perspective, particularly for multinational companies in Indonesia.

Theoretical Framework: At its narrowest, it refers to a framework for measuring and reporting company performance against economic, social, and environmental parameters.

Method: The research methodology involves a comprehensive analysis of relevant literature and Indonesian regulations pertaining to CSR and human rights. The analysis of Indonesian regulations focuses on understanding the legal framework and its strengths, weaknesses, gaps in relation to CSR and human rights.

Results and conclusion: The research recommends addressing these obstacles, such as learning from successful practices in other countries, unifying regulations, socializing new regulations, and establishing a penal and penal system to promote compliance. By setting out these recommendations, the study suggests that Indonesia can strengthen the scope of its CSR, promote responsible business activities and ensure compliance with CSR obligations.

Research implications: The findings of this research have implications for policymakers, businesses, and other stakeholders in understanding the challenges and potential solutions for improving CSR implementation in Indonesia. The research highlights the importance of considering human rights principles in CSR practices and emphasizes the need for effective regulations and enforcement mechanisms.

Originality/value: This research contributes to the existing literature by focusing on the intersection of CSR and human rights in the Indonesian context. By identifying obstacles and providing recommendations, the research offers insights that can help enhance CSR practices and protect human rights in the country.

Keywords: Corporate Social Responsibility, Human Rights, Indonesia, Multinational Companies, Regulations.

IMPLEMENTAÇÃO DA RESPONSABILIDADE SOCIAL DAS EMPRESAS MULTINACIONAIS NA INDONÉSIA COM BASE NA PERSPECTIVA DOS DIREITOS HUMANOS

RESUMO

Objetivo: O objetivo desta pesquisa é identificar os obstáculos à implementação da responsabilidade social corporativa (RSE) com base na perspectiva dos direitos humanos, particularmente para empresas multinacionais na Indonésia.

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Estrutura teórica: Em sua forma mais restrita, refere-se a uma estrutura para medir e relatar o desempenho da empresa em relação a parâmetros econômicos, sociais e ambientais.

Método: A metodologia de pesquisa envolve uma análise abrangente da literatura relevante e dos regulamentos indonésios relativos à RSE e aos direitos humanos. A análise dos regulamentos indonésios concentra-se na compreensão do quadro jurídico e dos seus pontos fortes, fracos e lacunas em relação à RSE e aos direitos humanos.

Resultados e conclusão: A pesquisa recomenda enfrentar esses obstáculos, como aprender com práticas bem-sucedidas em outros países, unificar regulamentações, socializar novas regulamentações e estabelecer um sistema penal e penal para promover o cumprimento. Ao estabelecer essas recomendações, o estudo sugere que a Indonésia pode fortalecer o escopo de sua RSC, promover atividades empresariais responsáveis e garantir o cumprimento das obrigações de RSC.

Implicações da pesquisa: Os resultados desta pesquisa têm implicações para formuladores de políticas, empresas e outras partes interessadas na compreensão dos desafios e possíveis soluções para melhorar a implementação da RSE na Indonésia. A pesquisa destaca a importância de considerar os princípios de direitos humanos nas práticas de RSE e enfatiza a necessidade de regulamentos e mecanismos de aplicação efetivos.

Originalidade/valor: Esta pesquisa contribui para a literatura existente, concentrando-se na interseção da RSE e dos direitos humanos no contexto indonésio. Ao identificar obstáculos e fornecer recomendações, a pesquisa oferece insights que podem ajudar a aprimorar as práticas de RSC e proteger os direitos humanos no país.

Palavras-chave: Responsabilidade Social das Empresas, Direitos Humanos, Indonésia, Empresas Multinacionais, Regulamentos.

1 INTRODUCTION

CSR is not a new concept in Indonesia, as it was the first country in the world to regulate CSR in detail in the 2007 company law (Simon et al., 2009). Company policies and rules regarding CSR are essential for the development of CSR in Indonesia. The number of company policies may vary depending on factors such as company financial condition, environmental conditions, market conditions, and other factors that influence company policies. Additionally, the activities of companies engaged in certain sectors (mining, waste-generating production, manufacturing) can have side effects on workers, the environment, and the people living around the company. These side effects can directly or indirectly disrupt the stability of the area where the company operates. The impact of company activities can affect the quality of life of the surrounding community, such as waste or the results of company activities, as well as the level of security and work safety. Despite the rights of individuals to a good quality of life, this matter is still ignored by some companies and even the government.

The lack of implementation and updating of corporate social responsibility laws is a problem that leads to companies engaging in activities detrimental to the environment and society. CSR can be an alternative or solution to reduce various problems arising from company activities in Indonesia, provided that the programs are managed and implemented properly and effectively. In other countries, CSR, particularly in Europe or in countries that regulate its implementation, is considered a way to distribute resources to society fairly and according to societal needs. Additionally, corporate CSR is supervised and reported to the government as a form of oversight. However, in Indonesia, CSR is primarily regulated by non-governmental organizations, which are highly vulnerable to manipulation depending on the purpose and initial
intention of the CSR. There are also risks that can occur if supervision and implementation are not carried out properly.

On the other hand, local communities often perceive CSR initiatives from companies as mere promotional tools without clear continuation plans (Ambadar, 2013). The government, including regional authorities, has not been able to establish a strong partnership with the business sector in implementing CSR. In many cases, government involvement only leads to a high-cost economy. Due to these reasons, CSR implementation in Indonesia seems to face difficulties.

One common problem in implementing CSR, both for foreign and local companies, is that the local community often prefers to directly receive money or seek personal gain from the company's CSR programs. For example, Universal Luggage Indonesia in Balaraja Banten and the well-known Chinese mobile phone company VIVO in Cikupa struggle to implement their CSR programs due to these challenges. They often choose to compromise with the community instead of being labeled as companies that neglect CSR for the surrounding community.

The Concept of CSR
There are three aspects of CSR that outline what companies should do: a) Companies have a responsibility for their impact on society and the natural environment; b) Companies have a responsibility for the behavior of others with whom they do business; c) Businesses need to manage their relationship with the wider community for commercial viability or to add value to society (Blowfield & Frynas, 2005). Several arguments support why companies take CSR seriously, including Beneficence, Profitability, and Insurance. The Beneficence argument states that CSR is a function of doing well, paying attention to broader environmental forces rather than just corporate profits. It emphasizes corporate sustainability by incorporating economic, environmental, and social dimensions into business decisions. The Profitability argument highlights that CSR can bring profit or income to an organization, although there is limited empirical research to prove the extent of the profit. By using CSR as a means to advertise the organization or company brand and its products or services, it can attract customers to purchase or rent from them (Griffin & Mahon, 1997).

2 THEORETICAL FRAMEWORK

The Triple Bottom Line (TBL) theory, pioneered by the Institute of Social and Ethical Accountability (Elkington, 1998), emphasizes that companies are responsible for multiple impacts on society, leading to associated benefits. TBL is a systematic approach to managing the full range of corporate responsibilities. At its narrowest, it refers to a framework for measuring and reporting company performance against economic, social, and environmental parameters. Broadly, it encompasses all the values, issues, and processes that companies need to address to maximize the positive impact of their activities and generate additional economic, social, and environmental value.

Human rights are an inherent part of being human. No one has the right to deprive any human being of their human rights. Human rights affirm that every individual has inherent dignity and is inviolable (Michael J. Perry in El-Muhtaj (2017). All humans are born free and equal in dignity and rights. They possess reason and conscience and should act towards one another in a spirit of brotherhood. Human rights consist of norms that govern the treatment of individuals and groups by state and non-state actors based on ethical principles that society considers necessary for a decent life (Marks, 2014). These norms are incorporated into national and international legal systems, which establish mechanisms and procedures for holding duty bearers accountable and providing reparations for victims of human rights violations.

This research aims to identify the obstacles to implementing CSR based on a human rights perspective, particularly for multinational companies in Indonesia. The goal is to find ideal solutions to address these problems (Paula Araújo et al., 2022).
3 METHODOLOGY

The research methodology involves a comprehensive analysis of relevant literature and Indonesian regulations to gain a deeper understanding of the subject matter.

1. Literature Review: The research begins with a thorough review of existing literature on CSR, human rights, and their intersection. The review focuses on conceptual frameworks, theories, and previous studies related to CSR implementation, human rights principles, and the challenges faced in the Indonesian context. The literature review serves as the foundation for identifying key issues and potential solutions.

2. Analysis of Indonesian Regulations: The research examines Indonesian regulations relevant to CSR and human rights, such as the 2007 company law and the 2009 environmental management law. These regulations provide the legal framework for CSR implementation and highlight the importance of protecting human rights in the context of business activities. The analysis aims to understand the strengths, weaknesses, and gaps in the current regulatory landscape.

3. Identification of Obstacles: Based on the literature review and analysis of Indonesian regulations, the research identifies the main obstacles to CSR implementation in Indonesia from a human rights perspective. These obstacles may include the lack of unified regulations, weak enforcement mechanisms, and challenges in community engagement. The identification of obstacles helps to pinpoint areas that require improvement and informs the subsequent recommendations.

4. Development of Recommendations: Drawing on the findings from the literature review, analysis of regulations, and identification of obstacles, the research develops recommendations for enhancing CSR implementation in Indonesia. These recommendations may involve learning from successful practices in other countries, unifying existing regulations, socializing new regulations, and establishing a system of rewards and punishments to incentivize compliance. The recommendations aim to address the identified obstacles and promote responsible business practices that align with human rights principles.

By following this methodological approach, the research seeks to contribute to the understanding of CSR implementation challenges in Indonesia and provide valuable insights for policymakers, businesses, and other stakeholders. The research methodology ensures a systematic and rigorous analysis of the subject matter, leading to well-informed recommendations for improving CSR practices and protecting human rights in the Indonesian context.

4 RESULTS AND DISCUSSION

Indonesian Regulation (Undang-undang) law number 40 of 2007 concerning Limited Liability Companies, Article 1 point 3 describes the definition of Social and Environmental Responsibility as follows: "Social and Environmental Responsibility is the company's commitment to participate in sustainable economic development to improve the quality of life and the environment, benefiting the company itself, the local community, and society in general." Law No. 32 of 2009 concerning Environmental Management, Article 68, establishes that humans have the right to a good and healthy environment as part of their human rights. The right to a protected a preserved environment requires the assistance of humans, and therefore, everyone's role, whether individuals, groups, or legal entities, is necessary. By regulating the right to the environment in national legal regulations, this establishes two functions: the defense function, which allows individuals to protect themselves against external disturbances that harm
the environment, and the performance function, which enables individuals to demand action to preserve and restore the environment.

The environment is also recognized as part of human rights and must be fully protected by the state. This is clearly stated in the Universal Declaration of Human Rights and the UN Declaration on the Rights of Indigenous Peoples. Thus, mandatory CSR in Indonesia is a part of the state's policy to protect the human rights of its people. Indonesia is one of the countries that genuinely cares about the well-being of its people. The steps taken by the Government of Indonesia to protect the environment for the benefit of its people and the world should be appreciated through the implementation of mandatory CSR policies.

However, the implementation of CSR in Indonesia faces challenges from the perspectives of the government, business activities, and the local community, each having their own definition of "right action" regarding CSR. The local community often demands direct monetary contributions from companies rather than focusing on the programs that can benefit the community as a whole (Suciani & Setyawan, 2022). Business activities, especially multinational companies, perceive CSR as voluntary rather than mandatory, resulting in no sanctions or consequences for non-compliance (Fragoso Silva et al., 2022).

The lack of CSR implementation and weak oversight of social responsibility in Indonesia can lead to various human rights violations. Juridically, weak state functions in managing natural resources, people's welfare, and human rights principles in the legal and corporate context contribute to human rights issues. The law, through the medium of CSR and human rights, can serve as an alternative for conflict resolution and empowering local communities. CSR aims to balance the interests of the company and the local community. Conflicts arise when the needs and interests of either party, or both, are not fulfilled in the management of natural resources (Firdaus, 2008).

CSR should serve as a tool to hold corporate behavior accountable rather than being a realm of self-justification. It implies that companies’ activities cannot be solely accountable to themselves and their own criteria. Freedom without justification is not acceptable. Although it is true that CSR cannot be fully legislated due to the nature of modern ethics, ethical reflection and reasoning should not be dismissed. Moral responsibility cannot be reduced to mere obedience. In this sense, there will always be a need for "voluntary" or "proactive" initiatives by enlightened companies, which go beyond merely compliance with laws and regulations.

To establish ideal regulations for the implementation of social responsibility in the context of human rights, specific steps are required from the Indonesian government to effectively implement these laws. The numerous regulations governing corporate social responsibility and the weak enforcement of these rules pose significant obstacles to the implementation of social responsibility in Indonesia. The government must take a more active role in maximizing the influence of social responsibility, particularly from multinational companies. This includes active supervision of the company's CSR programs by the central and regional governments, and clear reporting requirements to ensure transparency and accountability. Unifying CSR regulations in Indonesia.
Figure 1. How CSR regulations should be implemented in Indonesia

Source: Prepared By The Author (2023)

From the figure above, in order to improve the implementation of CSR in Indonesia, several recommendations can be considered. Firstly, Indonesia should learn from the CSR regulations of other countries, particularly in terms of CSR reporting systems. This would involve obligating companies to prepare reports on their CSR programs and submit them to the government for accountability and evaluation purposes. Drawing inspiration from successful practices in other countries can provide valuable insights.

Additionally, it is crucial to unify the existing CSR regulations in Indonesia. The country currently has multiple regulations pertaining to CSR, which can lead to confusion and
inconsistency in implementation. By unifying these regulations, Indonesia can streamline the CSR framework, making it more coherent and easier to enforce.

Furthermore, regional governments should actively socialize the new CSR regulations, including provisions related to human rights, to both multinational and local companies operating within their jurisdictions. This will ensure that companies are aware of their responsibilities and obligations under the new regulations.

Finally, the government should establish a system of rewards and punishments to incentivize compliance with CSR regulations. This can include providing tax reductions, awards, and other forms of recognition for companies that demonstrate exemplary CSR practices. Conversely, non-compliant companies should face appropriate penalties to discourage negligent behavior. By implementing these recommendations, Indonesia can strengthen its CSR framework, promote responsible business practices, and ensure accountability in the fulfillment of CSR obligations.

5 CONCLUSION AND SUGGESTIONS

The implementation of reward and punishment systems, unification of CSR regulations, and the establishment of CSR reporting systems are key factors in creating a comprehensive and effective CSR framework in Indonesia. These measures can contribute to the development of new regulations that are more concrete and well-defined, starting from the central government and extending to local governments, taking into account the specific needs and conditions of each region. Learning from the experiences and regulations of other countries, particularly in terms of CSR reporting systems, can provide valuable insights and help Indonesia in designing an ideal arrangement for the implementation of corporate social responsibility and the enforcement of human rights. By adopting these measures, Indonesia can strengthen its CSR practices, ensure accountability and transparency in corporate behavior, and ultimately contribute to the improvement of social and environmental conditions in the country. It is important for the government, businesses, and local communities to work together to create a sustainable and responsible business environment that prioritizes the well-being of society and the protection of human rights.

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