

The Dilemma of Corporate Social Responsibility (CSR); Case Study of PT. Inco

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Abstrak

Sejak wacana CSR marak diperbincangkan, perdebatan tentang konsep CSR sebagai salah satu bentuk ekspresi pertanggungjawaban moral dan kepekaan terhadap dunia sosial dan lingkungan, menuai resistensi sebagian kalangan. Penyebabnya, sebagian kalangan berupaya menghindar dari kewajiban CSR. Tulisan ini berbicara tentang bagaimana pergulatan wacana dan pemikiran tentang CSR. Apakah CSR merupakan sebuah kesukarelaan (voluntary) bagi perusahaan ataukah kewajiban (mandatory)? Kemudian penulis menentengahkan konteks ke-Indonesia-an CSR. Dan sebelum kesimpulan, penulis mencoba mendeskripsikan contoh kasus program CSR yang dijalankan oleh salah satu perusahaan di Indonesia dan mencoba menganalisisnya dari perspektif human security. Hasilnya, dari perspektif human security, konsepsi CSR di Indonesia sejauh ini masih menjadi persoalan. Penyebabnya, para sarjana masih terjebak pada upaya merumuskan secara detail definisi tentang CSR. Akibatnya, secara praktis program CSR belum dilihat secara utuh sebagai program kemanusiaan. CSR masih terbatas di lihat hanya pada persoalan teknis.

Keywords: CSR; Keamanan Manusia; Perusahaan.

Abstract

Since the CSR discourse has been widely discussed, the debate about the concept of CSR as an expression of moral responsibility and sensitivity to the social and environmental world has received resistance from some circles. The reason is that some people are trying to avoid CSR obligations. This paper talks about how the discourse and thinking about CSR struggles. Is CSR a voluntary activity for the company or is it an obligation (mandatory)? Then the authors describe the Indonesian context of CSR. And before the conclusion, the author tries to describe a case example of a CSR program run by a company in Indonesia and tries to analyze it from a human security perspective. As a result, from a human security perspective, the concept of CSR in Indonesia is still a problem. The cause, scholars are still trapped in efforts to formulate a detailed definition of CSR. As a result, practically the CSR program has not been seen as a humanitarian program. And it is still limited to a technical matter of fulfilling the company's procedural obligations.

Keywords: CSR; Human Security; Inco.

INTRODUCTION

Although the term Corporate Social Responsibility (CSR) is often heard, the meaning of this concept is still subject to much debate among practitioners and academics (Kim et al., 2018; Liu et al.,

2019; Maqbool & Zameer, 2018). There is no single agreement regarding what CSR should be interpreted as. However, various definitions and meanings of CSR, at least there are some definitions that can be taken and used to provide an

overview and understanding of CSR. CSR is an action or program or social activity carried out by a company to contribute to the benefit of people's lives (especially for people who live around the company's operating locations) as well as to maintain good relations with stakeholders, build an image and maintain the company's business (sustainability).

In Indonesia, the implementation of CSR is regulated in Article 15 b of Law no. 25 of 2007 concerning Investment states, that every investor is obliged to carry out corporate social responsibility. The elucidation of this article states that what is meant by corporate social responsibility is the responsibility inherent in investment companies to continue to create harmonious, balanced relationships and in accordance with the community's environment, values, norms and culture. Other regulations are also contained in Law no. 40 of 2007 concerning Limited Liability Companies. Article 74 paragraph (1) of this Law states that companies that carry out their business activities in the field of and or related to natural resources are obliged to carry out social and environmental responsibility. Paragraph (2) of this article states that these obligations are

calculated as company costs, the implementation of which is carried out with due regard for appropriateness and reasonableness. Furthermore, paragraph (3) states that companies that do not carry out the obligations referred to in paragraph (1) will be subject to sanctions in accordance with the relevant laws and regulations. Then paragraph (4) states that further provisions regarding social and environmental responsibility are regulated by a Government Regulation.

However, there are definitional problems in both laws. The difference in definition causes confusion for business actors to carry out CSR. The definition of CSR in article 15 b of Law no. 25/2007 is limited to "creating a harmonious, balanced relationship and in accordance with the environment, values, norms and culture of the local community". Whereas in article 1 point 3 of Law no. 40 of 2007 concerning limited liability companies, the definition emphasizes more on participation in economic development. The two meanings above are too broad to mean that they do not specify the specific contribution that the company must make to the community.

Apart from the problem of definition, the debate that has been quite boisterous has colored since the birth of the concept

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of CSR, one of which is the legal status of CSR. Is it an obligation or a volunteer? The argument that asserts that CSR is only a form of voluntary contribution from companies to the social world is born from the assumption that corporate organizations were actually born for the purpose of making profits. Requiring companies to implement CSR is considered contrary to the principle of profit accumulation. Although initially the company was formed as a service and dedication to the state and religion from the viewpoint of the spirit of modernism (need for achievement) developing in the west, the provision of this obligation violates the business principle of "to provide product or service for a profit".

The above paragraph is in line with the law of private property in John Locke's thinking. Locke insisted that private property must be preserved exclusively and that no one should take it. Therefore, the owners of capital / shares in the company have the power to manage the company's finances with the pragmatic objective of profit accumulation. This reason then received support from several company managerial experts who revealed that CSR implementation actually opens

opportunities for company managers not to carry out business activities fully because they are no longer absolutely responsible for increasing profits. Even CSR can be used by managers for personal gain with support and good judgment from the community. The obligation to implement CSR can also create managerial chaos because managers must prioritize their responsibilities to stakeholders. This is dangerous because everyone will feel entitled to sue the company to make a donation.

The reality of the international world, especially from international institutions such as the World Bank, ILO and WTO and even the European Union, also does not stipulate that CSR is a form of obligation for companies but only voluntarily. The Green Paper on Promoting a European Framework for Corporate Social Responsibility policy states that CSR is a voluntary responsibility. Likewise with the WTO which is more explicit in saying that WTO regulations regulate the government and not corporations, even the WTO's non-discrimination principle is considered contrary to CSR where the principle of non-discrimination does not give

privileges to companies that care for the environment and the social world and those that don't.

Judging from some of the explanations above, it does not mean that every company avoids running CSR programs. CSR can be run by any company based on the principle of volunteerism. Because from the very beginning the term CSR itself has been problematic. The term social responsibility cannot be interpreted as a binding legal obligation. CSR is more directed towards ethical issues that are normative in nature and this means that it is voluntary as an effort to manifest the best capacity development as a human being. Or for those who think that the quality of human beings who are moral and responsible is those who care about social life and the environment.

While, For those who think that CSR is an obligation, argue that business activities are not an empty space for other actors. Direct or indirect decision-making in the business world is largely influenced by external factors. The world is not as narrow as it used to be where decision making was based solely on cost benefits. At the present time, companies are also concerned with the welfare issues of workers and deal with

stakeholders such as labor organizations, political parties, government and society.

Several thoughts emerged in response to the emergence of the discourse on CSR as an obligation and to demand that the government regulate CSR issues with laws that bind companies. Including, debating the CSR voluntary argument, which considers that the obligation to advance social life and improve the welfare of society is the sole responsibility of the state, while companies only pay taxes. This is opposed on the grounds that the current economic globalization allows its main companies Multi National Cooperations (MNCs) to operate in other countries by cooperating with local partners so that they can avoid tax regulations. Because the tax is only charged to local partners at the same time, MNCs can continue to reap large profits. This is where the role of government is needed to intervene in the business world.

Even if the above idea is opposed by the notion of liberal capitalist economics which increasingly minimizes the role of the state in the economy, another objection is also raised by the same economic paradigm. That, if the company's activities are solely for profit, it can threaten the sustainability of the

company's business activities. Internal risks for labor exploitation and pressure on partners can contribute to the political risk of companies dealing with stakeholders. The international community today has also changed. There is great concern among fellow citizens of the world. The inherent rights of consumers can be used to recommend products of companies that carry out CSR or boycott products that are not sensitive to the social and environmental world as sanctions imposed by consumers in the world.

RESEARCH METHODS

This study is a literature study combined with field observations in the form of case studies. The main focus of research is on SCR activities by observing PT Inco as a case. Researchers use a human security approach as an approach to take a close-up on the CSR process taking place at PT Inco.

The data collection process was carried out by collecting various reports on CSR funds used by PT Inco. In addition, other supporting documents, such as reports released by credible institutions such as BPS, are used as supporting data for this research. Furthermore, the data that has been

obtained is analyzed with the interpretation of human security.

Triangulations were carried out to ensure that the data and the results of the author's interpretations were not too subjective. Prores triangulation is carried out by combining the results of the interpretation of the results together with previous studies that took place elsewhere. Then, the final stage of the results of the triangulation process is presented in the form of research results.

RESULTS AND DISCUSSION

The scope of CSR itself can be divided into two definitions, namely in a narrow sense and a broad meaning. In a broader sense, CSR includes responsibility for the environment and responsibility to respect and uphold human rights. While the scope of CSR in a narrow sense includes; social responsibility to employees.

This social responsibility to employees is heavily influenced by labor regulations and human rights issues. In the historical context, during the early phase of industrialization in Europe and America, the workforce received a lot of unfair and exploitative treatment. This has inspired many economic, legal and social thinkers to criticize social

inequalities and injustices that occur. One of them was Karl Marx who sued the capitalist system used and wanted to replace it with socialism and at the same time abolish the bourgeois and proletarian social systems. Marx wanted to create a communal society, and to do so must be by way of revolution.

Even though some of these revolutions were successful - such as in Russia and China - and generally failed mainly in Western European countries, at least the contribution of Marx's thought provided a way of changing the treatment of companies to employees. Another thinker who also contributed thoughts was Max Weber. This sociological thinker thinks that the economic system of capitalism has violated the rights of many workers. He agrees with Marx that the capitalist system run by the owners of capital has exploited workers on the grounds of efficiency and maximization and profit accumulation.

Therefore, in response to the claims of thinkers and the resistance movement of workers affiliated with the Marxists, as a measure to protect company employees, several rules and regulations were made. In the US, for example in 1911, due to pressure from many parties,

the Employee Security Act which regulates minimum wages and work safety was passed by President of FD. Roosevelt. And in 1935 Roosevelt also passed the National Labor Relations Act which regulates the improvement of workers' rights (Ochieng & Waithaka, 2019).

Labor protection issues related to CSR are also associated with many human rights issues as stated in the Declaration of Human Rights and in the Covenant on Civil and Political Rights / the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR). These provisions are also strengthened by several other instruments such as the ILO Convention Concerning the Prohibition and Immediate Elimination of the Worst Forms of Child Labor; Geneva, 17 June 1999, ILO Convention Occupational Safety and Health and the Working Environment; Geneva, 22 June 1981, ILO Declaration Fundamental Principles and Rights at Work, adopted at the 86th of the International Labor Conference; Geneva, June 1998. All of these instruments are norms of international law and have become labor

standards that are accepted and recognized internationally.

Social Responsibility to Stakeholders

Stakeholders are groups or individuals who can influence or greatly influence the achievement of company goals, so that it can be explicitly concluded that stakeholders can influence the company's survival (going concern). Stakeholders, including consumers, are parties who can influence the course of corporate activities (Kowalczyk & Kucharska, 2020; Puncheva-Michelotti et al., 2018; Rodríguez-Fernández et al., 2020). All of them have a legal relationship with the company and therefore the company needs to develop a relationship with every stakeholder and CSR is one way for that.

The relationship between companies and consumers is woven in a contractual pattern, where consumers use or reduce the value (consume) of goods or services from the producers. There are rights inherent in consumers and should be obeyed and respected by producers. In the US, for example, President John F. Kennedy fought for consumer rights through the Consumers Bill of Rights 1962. This rule gives consumers the right

to choose, right to safety, right to be informed, right to be heard, right to be satisfaction of basic needs, right to be redress, right to be consumer education and right to be healthy environment. This Consumers Bill of Rights also inspired the birth of the Republic of Indonesia Law No. 8 of 1999 concerning consumer protection.

Social Responsibility to the General Public

In one of the global agreements, the word development was stated in the UN General Assembly in 1986 in the Declaration of the Right to Development. The UN defines the word

"Development" as "a comprehensive economic, social, cultural and political process, which aims at the constant improvement of the wellbeing of the entire population and of all individuals ... in which all human rights and fundamental freedoms can be fully realized".

Development (development) is a means of improving the welfare of the entire population and individuals which enables the realization of all basic human rights and freedoms that are seen as in line with basic objectives in humanitarian activities throughout the world.

Basically, the responsibility for the welfare and fulfillment of the basic needs

of society is indeed the duty of the government (Axjonow et al., 2018; Byun & Oh, 2018; Chen & Zhu, 2020; Nave & Ferreira, 2019). However, in its development, the responsibility of the state to citizens has begun to shift. Facts in contemporary times show that globalization and the market economy provide a large space for the role of corporations in people's lives. Therefore, the development process to address social problems in society involves three economic pillars in a country, namely, government, society and companies. In the context of CSR, companies get a wide proportion of roles to get involved and take part in development. One of the ways that have been taken by many companies is a community development program, especially for the poor.

Case Study of PT. INCO

PT Inco is a nickel producer in the world that produces nickel in matte, a semi-finished product processed from laterite ore at an integrated mining and processing facility near Sorowako, Sulawesi. All PT Inco production is sold in US Dollars under long-term contracts for refining in Japan. The companies whose shares are 60.8% owned by Canada, 20.09% by Sumitomo Metal Mining Co., Japan, 20.0% are publicly

owned and the rest by four other Japanese companies. PT INCO interprets CSR as a company's commitment in carrying out operational activities by paying attention to economic, social and environmental aspects and respecting the interests of stakeholders, namely investors, customers, employees, business partners, local residents, the environment and the general public (PT. INCO, 2007).

CSR programs that are run between

In 2009 PT. Inco provides educational assistance for employees' children and local communities. The 2009 scholarships were awarded to 79 employees' children for senior secondary and tertiary education. Other community members also receive scholarships. The same year scholarships were given to 114 elementary to university students in South Sulawesi and to 21 students in Southeast Sulawesi. The total amount of these scholarships is more than US \$ 52,600 and is awarded to high-achieving students from poor families. In 2007 and 2008 PT. Inco begins construction of a public library in Malili. In 2007 PT. Inco purchased 5,000 books for a total of US \$ 6,000 and the library was completed in 2009 at a total cost of US \$ 37,000.

Assistance to improve the quality of health services: PT INCO is working with local governments in 3 provinces (Central Sulawesi, South Sulawesi, Sulawesi Tenggara) to increase access to quality health services, through PT Inco Hospital and Puskesmas including renovation of Puskesmas and provision of equipment, medical assistance medicines, free and affordable health services for local people. PT. Inco also collaborated with Hasanuddin University to fund research in 2007 and 2008. In Towuti District, PT. Inco provided US \$ 8,600 to support health campaigns in six Kindergartens and 10 Elementary Schools in Bantilang, Tokalimbo, Loeha, Timampu, Mahalona and Pekalooa.

Assisting Local Economic Development: During 2007, PT INCO continued its efforts to increase economic development by providing school buses, managing waste collection, building bridges, repairing and constructing road pavements to improve access to remote areas, distributing clean water, provided street lighting, provided generators for villages with shortages of electricity and improved drainage facilities.

In the agriculture and fisheries sector, PT INCO is active in a number of programs to promote silkworm farming and boost the local agricultural economy. Provides farmers and fishermen with a wide variety of tools, including hand tractors, fertilizer and rice seeds.

Fostering understanding through arts, culture and peace campaigns includes contributions to programs for the younger generation, such as youth groups. PT INCO provides various musical instruments, supports the preservation of traditional music, and finances a number of music festivals.

Providing Emergency Response Aid efforts include assistance to flood victims in Wulu Timur and landslide victims in Morowali in Central Sulawesi. PT INCO provided a medical team, humanitarian volunteers, heavy equipment to make access roads, medical supplies and medicines, food, textbooks and 2500 school uniforms, and lent a helicopter.

CSR program run by PT. INCO, has targeted several pillars that support human security to be targeted. Such as economic, food, health, environmental, personal, community, political security. For example, in terms of developing and increasing the capacity of individuals and

communities with empowerment programs. PT. INCO has integrated various community development activities that have been implemented into a systematic program since 2004. The objective of the community development program is to improve the welfare of the local population. Meanwhile, the social mission in this empowerment process is to provide financial assistance and technical support based on participatory needs assessment.

However, what is considered less than optimal is the environmental dimension. PT. INCO is not serious in dealing with environmental problems. PT. INCO does encourage the participation of local residents in environmental management. The participation includes various programs including soil rehabilitation through revegetation, provision of fertilizers through cooperatives and waste recycling through empowerment of small ceramic industries. But what about PT. INCO itself? Data for 2005 states that from the cultivated area based on the PTINCO work contract covering an area of 218,528.99 ha and only a small portion of land has undergone a revegetation process, which is 2,885 ha.

Answering this matter, PT. INCO in 2008 revealed that the company, which produced nearly 170 million pounds of nickel in material, had reclaimed 3,000 hectares of post-mining land with various types of reforestation and productive crops, especially those of species endemic to Sulawesi. The company has also developed a nursery that produces thousands of green plant seedlings both for reclamation needs within Inco and for environmental conservation purposes outside the company.

However, the facts show that the large nickel content in this area is a trigger factor for the land conversion process that results in deforestation. Mining activities carried out have caused forest destruction in the PLTA development project area owned by PT. INCO in the Larona River, Karebbe Village, East Luwu, which is also a protected forest area. The preservation of flora and fauna in the area is being threatened. Deforestation will certainly have an impact on disasters. Deforestation, apart from causing floods and landslides and threatening the preservation of flora and fauna, also disturbs the balance of tropical rainforest vegetation. Especially with the current

issue of climate change, it will be further exacerbated by human activities who do not care about the environment.

Another impact is the open pit mining model (strip mining) in areas of high rainfall, such as Sorowako, which causes land from the hills to easily flow into the lake. When it rains, it changes the color of the lake water, and also results in silting the lake due to silt. In addition, levels of E-coli bacteria in Lake Matano continue to increase and have reached more than 2,400 ppm, from a tolerance level of only 200 ppm. Not to mention the allegation of hazardous and toxic waste (B3) pollution from PT. INCO, after the discovery of several open waste disposal locations.

In addition, the social impact of environmental damage, especially the community, is the reduced level of soil fertility and decreased water quality. Apart from being threatened by natural disasters, local people also experience forced alienation / marginalization because from an economic perspective they are unable to compete with migrants who generally work at PT. INCO. Some of the indigenous people are forced to build houses on the lake, because there is not enough land. In

contrast, the employees' homes have large yards. The streets in Old Sorowako are unpaved, in contrast to the paved roads in employee residences. Local residents generally act as manual laborers while workers with better qualifications arrive from outside of Sorowako. This is of course a latent danger that saves the seeds of conflict around the mining operation area. The pillars of economic, health, personal and political security will in fact be disrupted by environmental problems and the impact of existing social inequalities.

CONCLUSION

The unclear definition of CSR regulations in the law creates confusion as well as an opportunity for companies to avoid their social responsibilities. Therefore, Indonesia needs new, binding and clearer regulations on CSR implementation in Indonesia.

Other than that, Based on the case study seen from the human security perspective above, the CSR program that is being implemented is not optimal because it only touches on some aspects. CSR case by PT. INCO illustrates that social responsibility with a variety of humanitarian assistance and social empowerment programs is considered to

have only a small contribution to social life, especially for human security. Residents living near the mining area are threatened by natural disasters due to erosion and environmental damage. Environmental problems that are not handled properly have become "ulcers" for the company and emphasize that the CSR program that is carried out is only as a cover for the company's image.

However, to fully blame the Company certainly seems unfair. The government as the main responsibility for the welfare of citizens should be more progressive in dealing with existing problems and be firm. The government has the authority and authority to pressure companies to maximize their CSR programs. Apart from requiring clear rules, good communication and cooperation between the government and companies and the community is also needed so that CSR implementation can be more optimal and right on target.

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