Corporate Social Responsibility on Human Development

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2013

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Abstract

Corporate Social Responsibility is an increasingly becoming important issue for economic agents due to a new attention to all aspects of the firms activities and their relationship with stakeholders. The success of a company is not only measured in terms of higher profits, expenses, earnings per shares, but also assessed in terms of non-financial, such as CSR. Problems to be answered in this study is the effectiveness of CSR on Human Development (HD) from the standpoint of society and employment. The result are the top issues of CSR disclosure is employment, second place is social (public), third place is product and consumers, and the last is environmental. Examples of CSR in employment such as employee training, for the society is become community sponsorship activities and scholarships. It can be proved that the company in Indonesia supporting human development and CSR is effective supporting human development.

Keywords : Corporate Social Responsibility, Human Resource Development, CSR, HRD

1 Background

Corporate Social Responsibility is becoming an increasingly important issue for economic agents due to a new attention to all the aspects of firms activities and their relationship with stakeholders. An increasing number of competitive factors, such as greater and more sophisticated customer expectations, regulations, stakeholders relevance and environmental concerns, are now exerting important influence on strategy.

CSR is a voluntary action of the company to improve the condition of the society and environment [10]. Bowen (1953) in Falck et al [3] states that CSR is related to the obligation of the entrepreneurs to continue their politic according to the purposes and values of the society. World Bank [2] states that CSR is an obligation of the company to give responsibility to all stakeholders in cases of operation and company’s activities. The company justifies its effect to the society and environment when making a decision which impacts the stakeholders. The company should balance the needs of stakeholders and their needs in achieving the profit. European Union states that CSR is a business action upon the needs according to the accepted rules.

Friedman [9] in Falck et al [3] do not support CSR and the commitment of the company to the society. In Friedman’s point of view, the managers have the obligation to increase the values of shareholders, because their principal duty is to maximize the values of the company. According to Friedman [9], the commitment towards the needs and interests of the society does not give the profit, and therefore the commitment should not always be done. If the managers want to give goodies to the society, they should use their own money, they should not act as agent from principals (Friedman, 1970).

Freeman (1984) states that CSR is an optimal choice to minimize the expense of transaction and potential conflict with the stakeholders. CSR is an effective tool to improve the reputation of the company and reduce the risk of the politic at interest and law action. Another purpose of CSR is as a means to improve the competition benefit for the company, so as to protect the values of stakeholders [6]. The implementation strategy of CSR activities should be in line with the mission and vision of the company and the expense of CSR can be minimized to get a higher ROI [6].

According to the World Business Council for Sustainable Development describes CSR is a con-
continuing commitment by business to act ethically and contribute to the economic development from the local community or public, along with an increased standard of living of the worker and his family. Meanwhile, according to ISO 26000 on social responsibility guidelines will soon be unveiled November 2011, CSR is the responsibility of an organization against the impacts from the decisions and activities on society and the environment are realized in the form of a transparent and ethical behavior in line with sustainable development and social welfare; consider the expectations of stakeholders, in line with established laws and norms of international behavior; and interfaced with the organization.

Corporate social responsibility (CSR) is the theoretical basis of the need for a company to build a harmonious relationship with the community. CSR regards the company as a moral agent. The success of a company in view of CSR is to promote the moral and ethical principles, namely, to the best results by taking into account the interests of other groups [17].

CSR is one of the obligations that must be implemented by the company in accordance with the contents of article 74 of the Company Law (Law no. 40 in 2007), which contains 4 (four), namely:

1. The Company is conducting its business activities in the field and / or related to the natural resources required to implement social and environmental responsibility.
2. Social and environmental responsibility as referred to in paragraph (1) is a liability obligation is budgeted and accounted for as cost of implementation is the company that carried out by considering the appropriateness and reasonableness.
3. Obligations of the Company which are not referred to in paragraph (1) subject to sanctions in accordance with the provisions of legislation.
4. Further provisions on social and environmental responsibility is regulated by the Government.

Corporate Social Responsibility (CSR) containing the same meaning as an individual, the company has a moral duty to be honest, obey the rule of law, uphold the integrity of, and not corruption. CSR emphasizes that companies should develop ethical business practices and sustainable economic, social and environmental (Yakup, 2004).

By combining some of the sense described above, CSR is a concept associated with the organization’s responsibility towards the people of the present and future, in the which an organization dealing with stakeholders outside liability law and create a healthy balance Between man, earth, and profit (Van Dongen, 2006).

Based on Human development is an effort to improve the quality or capacity of human resources through the planning process of education, training and personnel management or employees to achieve an optimal outcome (Notoadmodjo, 2003). Purpose of human development has two dimensions, which are individual dimensions and the dimensions of the institutional / organizational. Purpose of individual dimension refers to something that is achieved by an employee. Purpose of the institutional dimension refers to what can be achieved by the institution / organization as a result from the human development programs [8].

Human development is important both for the company, employees, communities surrounding the company economy of a country. According to [16], which is potential benefits to organizations of career development, obtain certification of a national standard, fare value held in competence, enhance their skills and marketability as an employee. For the organization, improve the effectiveness of recruitment by adjusting the required competence in the work to that of the applicants, decision-making within the organization will be more confident because the employee has the skills to be acquired in education training, facilitate change through the identification of competencies needed for managing change.

In 1999, Environics International conducted a survey of 25,000 people in twenty three countries. Respondents were asked about Corporate Social Responsibility (CSR) [14]. The survey results are:

- 90% of respondents wanted the company to pay more attention to things outside of profitability.
- 60% of respondents said that they image of a company based on the social responsibility of the company (to the general public, communities and the environment).
- 40% of respondents gave negative comments against companies that are not considered social responsibility.
- 17% of respondents said they avoid products from companies that are not considered social responsibility.

From the survey, it can be concluded that the success of a company is not only measured in terms of higher profits, costs, prices of shares on the stock, but were also assessed in terms of non-financial, is one of CSR.

In addition to Environics International, GlobeS can also conducted a survey in 2002. Total respondents to this survey as many as one hundred respondents in twenty countries. Respondents were asked to describe what should be done by large companies in order to say social responsibility.

From the under picture one can see the respondents answer that the treatment of employees (26%) became the most important factors that describe the extent of corporate social concern in many countries, among others in France, the United States, Italy, the Philippines and countries...
in Latin America. The second factor is the protection of employees (19%) as stated respondents in Canada, United Kingdom, Australia, and Indonesia. While other factors are creating jobs, doing social service, and quality and safety of products and services.

2 Research Method

The population in this study is a company registered in Indonesia Stock Exchange (BEI) and included in the manufacturing sector. Samples in this study are selected using purposive sampling method and based on criteria specified by the author which are, the company is listed on the Stock Exchange, the company is still active until 2012, included in the manufacturing sector. Total sample of the companies are 30 companies.

The data used are secondary data (checklist data), that is sources that do not directly provide data to data collectors, such as through others or through a document. Secondary data used in this study is the 2011 Annual Report for CSR. The variables used in this study as used by [5]. For social variables this study uses four indicators of the 10 indicators used by [5]. As for the employment variables using three of the 15 indicators used by [5].

3 Result and Discussion

The study Gray et al. (1995) concluded that there is a relationship between the type of industry with CSR disclosure. This means that each sector has the type of disclosure which the company is different. In the fourth theme of CSR manufacturing company that has been discussed in the introduction it is still a popular theme in the company up to date.

Based on existing data, the theme of employment was first place, second place is social themes, product and consumer was third place, while the theme of the environment was last place in this case. The statement was similar to previous studies conducted by [5], of the 34 companies studied only five that do not express the theme of community. This suggests that these themes to the attention of the company. Meanwhile, when viewed from the fourth theme, the theme is ranked the third most annual reports revealed. For the theme of employment, the thirty four companies all expressed this theme in the annual report. This theme was ranked first as the theme of CSR of the most widely disclosed by the company.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Detail</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social</td>
<td>1. Participation in community activities around the office / factory</td>
<td>76.67%</td>
</tr>
<tr>
<td></td>
<td>2. Support to educational institutions</td>
<td>70%</td>
</tr>
<tr>
<td></td>
<td>3. Social facilities and public</td>
<td>46.67%</td>
</tr>
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<td></td>
<td>4. Priority of employment for local people</td>
<td>50%</td>
</tr>
<tr>
<td>Employment</td>
<td>1. Pension</td>
<td>83.33%</td>
</tr>
<tr>
<td></td>
<td>2. Education and training</td>
<td>80%</td>
</tr>
<tr>
<td></td>
<td>3. Allocations and other welfare</td>
<td>73.33%</td>
</tr>
</tbody>
</table>

Based on the above, the problems/questions to be answered in this study is the effectiveness of CSR for Human Development (HD) from the perspective of social and employment.
Based on table 1 above, the most widely expressed in the views from the corporate social themes examined are the company’s participation in community activities around the office or factory. This should be because the people around the office or car makers do accept direct impact plant operations. Community participation for companies around the office or factory in the form of asphalt that was bad, do not dispose of waste that can pollute the environment and sanitation around the settlements, and others. Second best is to support educational institutions, social facilities and the general hereinafter, the priority of employment for local communities and other activities. To the concentration of activities performed on the theme of social enterprises have done things that are helpful in terms of human development.

For the theme of employment, further highlighting the company's pension fund of its employees than the education and training of employees, salaries and wages of employees, as well as benefits and other welfare. It is worthy of the spotlight for companies in Indonesia that employees pay more attention to human development. Companies do not just look at the amount from the labor but also have a lot more attention to education and training of employees in order to increase the company’s human resources. Also to support the development of human resources businesses need to be supported by salaries, wages and employee benefits and other welfare in order to improve their standard of living is better for employees. With a better standard of living of employees expected to be more loyal to the company.

For example, Goodyear Indonesia worked together with several other organizations which promote civil society development, economics, education, physical health, social health and employee training. The activity is manifested in various forms, including grants, sponsorships, events, donations, and activities of an active role. Implementation activities include: Goodyear Indonesia Bird Flu Alert and Goodyear Indonesia Yogyakarta Earthquake Victims Care (http://www.goodyear-indonesia.com/). But it is different is shown by PT Toyota Astra Motor in carrying out CSR programs. PT Toyota Astra Motor make CSR more to the environment in some regions and cities in Indonesia, such as the Environmental Improvement Project Verifikasi Toyota Eco Youth (Tey) in Surabaya, Jakarta and Pekanbaru Pontianak on February 14, 2008, was in Belfast and Semarang will conducted on February 28, 2008 (http://www.toyota.co.id/).

According to research Hendrasaputra (2007) CSR index value is influenced by several things. When a company’s performance deteriorated - indicated by the value of ROA and ROE are negative, then the value of its CSR index is low. When only one indicator of the deteriorating performance, the value of CSR index declined but not as low as the value of ROA and ROE deteriorated simultaneously. It can be concluded that human development by the company to the public and the workforce is strongly influenced by the ROA and ROE. This is in line with research Arlow and Gannon (1982) and Pava and Krausz (1996) which states that there is a positive relationship between CSR index with ROA and ROE (Mahoney and Roberts, 2001) in [5]. Consistently implement CSR in the long run will develop a sense of community acceptance of the company's presence. These conditions which in turn can provide benefits to the companies concerned economic and business. Economic and business benefits companies characterized by an increased value of the firm (firm value) and profit (earnings). According Achda [1], there is a positive correlation between the implementation of CSR by increasing appreciation of the international and domestic companies. Therefore, the application of CSR should not be considered as a cost per se, but rather as a long term profitable investment.

4 Conclusion and Suggestion

Conclusion

Based on the results from the data analysis that has been discussed in previous chapters can be concluded that most of the CSR disclosure is the theme of employment, followed by the community, and consumer products, and the last of the environment. The items most frequently disclosed relating to human development and civic participation and employment, which are on the company’s community activities around the office or factory, employee pension funds and employee training. This indicates that the company concerned about the development community around the company or not.

Thus, fitting to say that manufacturing companies in Indonesia which listed on the Indonesia Stock Exchange (BEI) on 2011 to support human development. This is in accordance with the above findings which also supported by previous studies conducted by Hendrasaputra. The company has always supported the activities carried out by local communities and educational institutions by way of a sponsorship activity, helps build and repair buildings for teaching and learning process. For internal human development, the company made a wide range of training for employees and also pay attention to the welfare of employees, especially employees of pension that can still grow to be better.
**Suggestion**

The company is expected to provide help / social programs better and consistent with the community about the company or factory, for example, scholarships, mass circumcision, hygiene and health activities, etc. In addition the company expects about providing more attention to the welfare of employees like family gatherings, giving scholarships to high performing employees, etc.

**References**


