

THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN COMMUNITY'S SUSTAINABLE DEVELOPMENT AROUND MINING PROJECT

(Case study of PT. Leighton Contractors Indonesia – Toka Tindung Gold Mine Project)

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ABSTRACT

Devil may care. The implementation of Corporate Social Responsibility in mining company has become a popular issue today. This research examines about the implementations of Corporate Social Responsibility of PT. Leighton Contractors Indonesia (LCI) – Toka Tindung Gold Mine Project and its role in Sustainable Development of Community near the mining project. The theories used are corporate social responsibility and sustainable development. This research uses qualitative method with six informants from the community and 2 informants who are the employees of PT. LCI – Toka Tindung. The results of this research are community around mining project are not prosperous, although PT. LCI – Toka Tindung does well in the implementation of CSR, the community thinks that the assistance given by PT. LCI – Toka Tindung is not enough, but they do contribute to the society. The implementation of CSR by PT. LCI also affects the sustainable development by training the local community.

Keywords: *corporate social responsibility, sustainable development*

INTRODUCTION

Research Background

Indonesia is listed as highest gold producing country, where the income reached 95 (metric tons) of gold production in 2012. Indonesia is very rich in the mining sector, but unfortunately the people still cannot adapt and balance themselves with the condition. Indonesia relatively still has many poor people. Based on Central Bureau Statistic period of September 2012, poverty rate was 11.66% and reached its peak of 28.59 million people. It is quite ironic to note that most of the time people who are the occupants of land filled with rich resources like gold, diamond, etc are usually very poor people (Mensah, 2009).

People who live around the mining project are very poor which has become a popular issue because the company has been careless about the environment around project. The mining industry has received a lot of attention, due to the booming mined commodity demand and very high prices for most metals and many minerals. Corporate social responsibility (CSR), which refers to managers' obligation to act in ways that protect and improve the welfare of society over and above the owners' financial self-interest, Dyck and Neubert (2009:160). Base on that statement, CSR is fundamental for any organization and has a role related to ethics which each company is required to have ethics in conducting any business activity they are, care to help communities and natural surroundings. CSR is closely related to sustainable development if the company is less concerned with the more severe the damage will probably happen is not just about the worse off people but also diminishing resources become depleted and likely the most dramatic factor.

This research is taken because somehow CSR is not implemented well in a company or organization. Companies which operate the work in the mining sector really gain much attention because of their contributions or roles to environment around and their care for the community around mining project area.

There are many examples where many companies seem to not care about their responsibility to the environment around. Therefore, this topic is intended to research and measure PT. LCI's contribution to the community around the project area.

Research Objective

There are several main objectives that will be examined, related with all the stated problems at the previous section, which are:

1. How is the implementation of Corporate Social Responsibility policy of PT. LCI in the community around mining project?
2. How can CSR policy of PT. LCI affect sustainable development in the community around mining project?
3. What are the impacts of mining activities of PT. LCI to people who live in area around mining project?

THEORETICAL FRAMEWORK

Theories

Human Resource Management

Noe et al., (2007:2) explained human resource management is the policies, and system that influence employee behavior, attitudes, and performance. French (1978:3) defines human resource management as the recruitment, selection, development, utilization, compensation and motivation of human resources by the organization.

Corporate Social Responsibility

Kotler and Lee (2005:3) explained a commitment to improve community well-being through discretionary business practices and contributions of corporate resources. Bovee and thill (2008:30) defines corporate social responsibility is the idea that business has obligation to society beyond the pursuit of profit.

Sustainable Development

Ebner and Baumgartner (2006) define sustainable development is development that meets needs of the present without sacrificing the ability of future generations to fulfill their needs own The concepts these constitute one of the concepts which exist maintain at this time and not ruin it so that can continue to be useful for the future.

The Relation of CSR and Sustainable Development

CSR and sustainable development are highly contextual in terms of their temporal and societal setting. They are both subject to issue attention cycles in which events or findings give them urgency, organizations respond and adapt, new mores become 'business as usual' and their salience diminishes again until a new set of issues re-energize the cycle.

Previous Research

Mensah (2009), policies are not enough to ensure the sustainability and sustainable development of the people living in the community. Ebner and Baumgartner (2008), recommended using CSR as social strand of the SD-concept which is mainly built on a sound stakeholder approach. Moon (2007), responsible business is important but not sufficient condition of sustainable development. Herrmann (2004), CSR has a important role to sustainable development in a country, as long as the concept of CSR has good implemented so can works well. Orjuela (2012), mining is important because it can support the economy of Colombia, although it already causes negative environmental and social impacts. So that industry, government and society should more aware about the negative impact.



Figure 1. Conceptual Framework

RESEARCH METHOD

Type of Research

This research uses the qualitative method approach to analyze data from multiple sources to a data collecting. And case study is uses as a research method, because it can use in many situations.

Place and Time Research

The research is placed in East Likupang Winuri Village North Minahasa on September 2013.

Population and Sample

The population for this research is all the people who live in around the mining project area. In this research, the number of sample is not the only focus. The important thing is the information. If the informants give the same information then the collection of information through interview will stop. There are 8 informants as a sample in this research. The sample includes the community and the employee of PT. LCI – Toka Tindung Gold Mine Project.

Data Collection Method

For this current research, there are two types of data that are used to make a appropriate result, which are: (1) primary data refer to information that come directly, which originated by the researcher specifically to address the research problem through interview, and (2) secondary data is the existing data that collected for some purpose other than the problem at hand taken from books, journals, and relevant literature from library, internet and others.

Operational Definitions

The definition of corporate social responsibility and sustainable development, based on the interviewed with the PT. LCI's employees can be described:

1. Corporate social responsibility is a program conducted by the company goals and objectives for the community prosperity where a company working in. and CSR is the responsibility of the company (LCI) which involves the community, creating jobs, training to develop the skills of workers.
2. Sustainable Development is a program based on community involvement and associated companies in the development of a society sustainable and can be enjoyed by the next generation

Data Analysis Method

Validity and Reliability Test

There are some tests to validity test the data in qualitative research such as credibility, transferability, dependability, and conformability.

1. Credibility is the test that can be done by Triangulation in data source or data collection procedures.
2. Transferability test is a validity external which shows the constancy or even can implement the result to population where the samples are taken.
3. Dependability or reliability, in qualitative dependability test is about doing an audit to whole research process.
4. Conformability is a resemble test with dependability so both can be done together.

RESULT AND DISCUSSION**Interview Result**

The respondent consists of two categories they are the community of people who live nearby the mining project and PT. LCI employee as well.

Communities

The first Informant says there is a significant difference when PT. LCI began their operations. She claims their family's economy rose because her husband was working in PT. LCI as well. Not only that, but the knowledge and their social relationship also increased, because there are some workers from outside who are looking for job either in PT. LCI or PT. MSM and stay in their villages. She commented on the economic aspects such as like food aid every Christmas. Social aspects are such as educational funds provided for events in the Indonesian Independent Day. There are free health check up and clean water aid from the Mining Company. She says the sufficiency of assistance offered by the company is not enough yet. There are some of her neighbors, and people who are not working in the company, do not get any help from company. She also explains the inconvenience due to the disordered operator of PT. LCI that is not so disturbing. She admits there are blasting sounds but its unhearable. She also comments that if PT. LCI no longer operates her husband will lose his job as heavy equipment operator in PT. LCI. The villagers will also lose their job, since most of the villagers work in PT. LCI and PT. MSM. She hopes PT. LCI will presumably provide more and PT. LCI should do apportionment when giving social assistance so that everyone can feel the benefits.

The second informant, her husband is a citizen who does not work in both PT. LCI and PT. MSM. She admits there is a change when the Mining Company began their production. However, it is not beneficial at all for her and her family. She agreed the assistance provided by PT. LCI as jobs opened to the public. But unfortunately her husband is not employed in PT. LCI or PT. MSM. Her husband had continually sent application letter to PT. LCI but there were no replies of acceptance. She was very disappointed because the company had promised to prioritize the community around the mining project but her husband did not get a chance to work in the company. According to her, the help of PT. LCI is still not enough and are caused by such things. She also added that the people who received help are only the people who work in PT. LCI, so her family was not touched by the company. Also giving honest inconvenience related with the activity of PT. LCI. Second informant also comments that if the company closes, there is no adverse impact on their families due to the unequal distribution of aid because she and her family are not receiving anything from the company. In the future she hopes the company will make the community around the mine as priority regardless of their status as an employee of company or not. Apportionment and fairness should be made sure in giving assistance to the community around, whether to employees of the company or non – employees.

The third informant is an elderly woman where her husband used to work in a mining company whom now has already retired. She says that before the company was operating, water was still hard to get. But now it has become much easier because the company has been helping to build the source of clean water for the community. In addition, the company helped the economy of the community by creating new jobs for the surrounding society. PT. LCI also provided low cost parcel to the community during the holidays. There is also another social assistance which provides funding to rural communities. This informant admits that PT. LCI have not enough assistance given to the public. She also says that the assistance has not been distributed fairly to all the families. She also explains about the pros and cons that occur before the company was incorporated. She also admits that a lot of people will be unemployed if the company no longer operates. There would also be a loss of assistance provided by the company. And hopes PT. LCI will be more thoughtful and careful to keep the environment from waste and adverse impacts.

The fourth Informant is one of important the person who has taken a big part of the Rinindoran Village. They call him "Hukum Tua". He says that there is a difference before the mining company began their production and after they started the operation. Community still lack of jobs and have high crime rates because of the low economy. But since the company provided jobs for the community, the crime rate decreased and the safety of the village is more controllable because people are busy with their work. Hukum Tua explains PT. LCI does not really give contribution because their role is limited as contractors who work for PT. MSM. But he

says that PT. LCI is always ready to become a sponsor for events held in the Rinondoran village. However, he said the assistance of the company still does not meeting the needs of the community. Hukum Tua convey about the disturbances caused by PT. LCI is not much, even for noise related with blasting sounds in Rinondoran which is unhearable so it not disturb the villagers at all. He adds if PT. LCI no longer operates the community will lose their permanent jobs, which means people will be unemployed. So the economic turnover of the village also declines. Hukum Tua admitted that since PT. LCI had been hiring the locals, it is very helpful to increase the economy and knowledge of the community. He explains when a person want to work in the company she/he will submit to the rules offered by the company include training. So the company directly teaches them to work in the mining business, and that skill can be used in other companies that have the same workplace like PT. LCI. If the company no longer operates at the site, the community is equipped with various skills particularly operator skills of heavy equipment. Hukum Tua also explains about the cons that occur when company would be opened. The mining company has existed from around 1996, but there are still some people and communities who hamper the company. There are no permits and approvals from the local and central government. Therefore, the result is the delay that continues to occur, and finally they started to do their activities in 2005 to 2007 and back in 2010 until now.

The fifth informant, who is a secretary of a village describes the economy rose, so was the construction. The awareness of their children's education increased because of the parents' economy also grew. Companies open new job for community around, so people have a permanent job which impacts the community's economy. Not only that, PT. LCI also did a partnership with the local business nearby. The informant also confirms that if the company no longer operates, the community can stand by themselves. She hopes former employees of the company will be employed again, if PT. LCI has new projects. She also adds when the company leaves the village, the village already has a variety of facilities and infrastructure such as educational facilities, health, and so on.

The sixth informant who is a senior high school student, also commented about the company. He claimed the changes that occurred at the time. The company cutting down the trees replaced those trees with buildings and other mining infrastructures. But there is also assistance provided to communities such as food, free healthy check, and help football sports equipment. He also adds that although the trees were cut down, there are replanting by PT. LCI and PT. MSM. Even so, he says the assistance that has been given is still lacking. He suggested that the company should support the educational aspect of the community surrounding. He describes the noise that blasts to be bothering him. Recently he commented on social assistance of the company where he expects PT. LCI to give them more support.

PT. LCI

According to the informant of PT. LCI, CSR is the responsibility of the company (LCI) which involves the community, creating jobs, training to develop the skills of workers, because he explains that North Sulawesi is different from other places. This informant who is an Administration and commercial Manager of PT. LCI Toka Tindung explains that there was some relief that they provide to the surrounding community. Some of them involve local suppliers providing assistance in the form of capital. Also, by hiring local people it indirectly participates to the raise of their economy as well. He also added when there are people from outside the area who work in the company, communities can take chances to make boarding houses or residences for the immigrant workers. For social assistance and the environment, he explains that the LCI supports the program of PT. MSM. He also added that due to PT. LCI having a lot of employees and uses the shuttle system, they hire transportation in the form of buses and mini buses in which they use the services of the local business. PT. LCI also uses the local business services to supply the food, office administration equipment, and other supplies that needed in the office. The company always uses the services of local business or a nearby store. He also explains that the investment of the company to the community is skill. With that they can be able to work with other clients, either he or she was a worker or a supplier of PT. LCI.

The second informant from PT. LCI argues that CSR is a program conducted by the company for the goals and objectives to achieve community prosperity where the company is working in. PT. LCI helps the community's utilization, not only men but also women. He explains that the presence of PT. LCI helps the community because of the increasing standards of living around the mine. For other things like aids for community around, PT. LCI only supports PT. MSM in implementing the existing program or other policy. This

HR Superintendent says that there is some cooperation between the local people and PT. LCI such as sustaining infrastructure, construction of roads, schools and worship places such as churches and mosques. When asked about sustainable development, according to him, it is a program based on community involvement and associated companies in the development of a sustainable society which can be enjoyed by the community in the years ahead. He also commented that the community can stand by themselves, because company trains their workers to have skills as an operator and sufficient mechanic. Therefore, they can develop their careers, and later on former employee can seek jobs in other places based on the skills and knowledge that have received before from PT. LCI.

Discussion

The CSR Implementation of PT. LCI

People start to understand the importance of corporate responsibility in the environment and the development of local economy. Along with the influx of mining company, the societies are also starting to know and understand about mining, both the positive effects and negative impacts caused by the mining company. All informants who have been interviewed admitted that there are changes, whether it in environment aspect or in economic aspects. PT. LCI only works at PT. MSM, so the aid and other CSR programs are the sole responsibility of PT. MSM. PT. LCI do not take much part in the implementation of CSR programs, but PT. LCI claims to be ready to help and continue to support the programs of PT. MSM. Although PT. LCI is only a contractor, PT. LCI takes a big role in the economic improvement of the citizens. PT. LCI does their best to adapt to the existing environment.

Social responsibility of PT. LCI itself seems enough because they give a great contribution to the society. Herrmann (2004) explained that CSR may provide human rights, labor, and environmental protections to the communities in which they live and to the people they employ. Besides work opportunities for the local community, PT. LCI also gives a chance to existing local firm to work with them. PT. LCI has rights related to their relations with the community around. Leighton realizes that wherever they are, they just visitors at the community surrounding. So they have some policies to do as a commitment and responsibility by social approach.

They refer to the contribution of PT. LCI which although is not as a main company but they are able to participate and perform duties that are considered as their social responsibility. Overall it is fairly good of the company. The policy has remained as a company's principle where it is located. The company also adapts to the existing theories. So to optimize the contribution and CSR well applied, there are much needed cooperation. In this case, those are PT. MSM, PT. LCI, and other companies that belong in the project. Not only that, the surrounding communities can also help the existing programs, instead of only depending on or blaming the companies to take responsibility. In order to optimally fulfill everything so there will be no party who lose, the company should be more thoughtful to make decisions related to the use of resources, the use of friendly environmental materials and tools and become more sensitive to hear the aspirations of the people around. With that the company can win the trust of the public and even create more prosperous community.

The Impact of PT. LCI

The loss of permanent livelihood remains and the economy of community declines, as the impacts if the company no longer operates. Because of PT. LCI - Toka Tindung have quite a large number of non - staff employees which is 411 people, where almost all of them come from the local community. The community cannot impose PT. LCI by requiring them to expand social programs to help them, because PT. LCI is only an auxiliary enterprise. Based on the review above, it is not surprising that even though the informants claimed unsatisfied with the social responsibility that they receive currently, but they still felt it would be harmed if the PT. LCI no longer operates. Job losses remain a major factor. Not only that, it would affect the economy where the economic cycle will go down if the local firms are no longer getting orders from companies.

There is another impact of company, related with disorders caused by the company. Some of the informants do not feel disturbed by its works. Their complaints are only about blasting. Noises, which does not affect most people. But there are some of them who are frankly disturbed by the noises of blasting.

The mining company did not always run smoothly. At the start of this year, PT. LCI got complaints from the community related to the environmental pollution where the water of the river was blurred. Protests also came from the community due the lack of new employee's acceptance notice, even though the person has continually sent their application letters. The informants also give information regarding the history of PT. LCI – Toka Tindung Gold Mine Project, saying before the mining company was founded there were pros and cons between residents and existing communities. So the mining company faced difficulties in getting permission from the government that time, and is required to wait and there is no certainty about it. However, due to the larger number of people who support this company, finally it can officially operate, in 2005-2007 and re-joined in 2010 until the end of the contract in 2016.

Implementation of CSR affected Sustainable Development

Sustainable development is an important aspect in the implementation of CSR. Good responses were gained by PT. LCI, where skill is a major investment of the company to local surrounding community. Besides hiring people, PT. LCI also provides supporting trainings, so it can help the employees to do better performance. Training is needed especially by the local communities due to the lack of knowledge about the job they will do. It is very helpful in the future to build self-reliance of local communities when this company no longer operates, then workers can instantly adapt to the same work environment as PT. LCI. Not only that, the company also has a role to make local communities to be more self-sufficient. It proved through empowerment of the local firms in which they learn how to provide and do good business, so that later they can adapt and compete with other businesses in the market.

The informants hope PT. LCI, can be more sensitive about their welfare and do more social programs that have not been implemented and the expectations are very rational to be considered by PT. LCI. In view of the natural wealth owned by the local community, it is not commensurate with their perceived well-being at this time. However, it seems less appropriate if people insist that PT. LCI has to work extra to improve the welfare of current residents. Therefore, it is not full responsibility of PT. LCI, this company has already contributed appropriate with its proportion rank as sub - con. Therefore, there might be different arguments if the public demands on PT. MSM because they are the core company who has the full responsibilities to the communities around the mine along with the existing environment.

CONCLUSION AND RECOMMENDATION

Conclusion

The implementation of corporate social responsibility of PT. Leighton Contractors Indonesia – Toka Tindung Gold Mine Project is enough, appropriate with its standard as a sub-con company. Based on the result and discussion, the conclusions of this research are:

1. CSR does have an important role in the increasing the prosperity of the community well-being, and CSR is closely related to sustainable development, where through the implementation of CSR, sustainable development itself appear and take part in community well being . Although it seems PT. LCI doing a good job in its CSR, unfortunately it has not been able to meet the needs of the community surrounding.
2. The implementation of corporate social responsibility of PT. LCI – Toka Tindung Gold Mine Project affects the sustainable development because by training the employee which are mostly villagers around the mining project. Skill became an investment of PT. LCI to them, which later on will be useful.
3. There are some impacts when this company started their activity. This company creates new job for the community around and increased their economy level. Extended the knowledge because the entry of new people, new situation and adapt with the difference of culture. Sometimes the community gains help from the company which makes their life become easier. Despite that there are also some negative impact when this company opened, such as they cut down so many trees because of the building the workplace, and noise of blasting sound that disturb some community. This may develop as time goes by if there is no attention from company.

Recommendation

It is good for the company to continuously implement programs which help the increase of the existing community life. PT. LCI must do more to give away themselves again in helping existing programs. They must also have a commitment to give more of the corporate social responsibility to community well being, because corporate social responsibility presents itself as a very useful tool for the implementation of sustainable development if the policies are well applied (Mensah, 2009). The active elements and components of company are an important factor in CSR so the community will fulfill their needs. In addition to supporting programs run by the company's core, all employee of PT. LCI should support policies created by both PT. MSM and PT. LCI, so it can be ensured that they can give a positive contribution to the community where they are operating in. besides the standard implementation of CSR the company should create new ideas as a program of CSR.

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