WIJAYA, Yahya, *Unilever Indonesia*, |s.l.|, |s.n.|, |s.d.|.

1. UNILEVER INDONESIA

Unilever Indonesia was founded in 1933. It now has around 3000 direct employees, whilst those involved in the supply chain jobs (sourcing, manufacturing and distribution) are around 300.000 people. Listed in the Jakarta Stock Exchange with 15% shares held locally, UI products cover those of foods (16%) as well as those of home and personal care (84%). They include both global brands (such as Pepsodent, Lifebuoy and Blue Band margarine), and local brands originated from local companies which UI took over (such as the soy bean sauce "Kecap Bango" and the tea "Teh Sariwangi"). UI products are available in all levels of the marketplace, and thus are affordable for most segments of Indonesian people. It is claimed that 95% of poor Indonesians use at least one UI product.[1]

Several case studies on CSR single out Unilever Indonesia (UI) as an example of a socially responsible company.[2] A research paper presented in the Department of Business Studies, Uppsala University confirms the valuation that UI meets the criteria of a company with good practices of CSR.[3] The company's director of CSR, Muhammad Saleh, claims that UI has a thoughtful design of CSR, taking account of concepts such as that of the Triple Bottom Line. In designing and implementing its CSR programmes, UI cooperates with local as well as international NGOs, including Oxfam GB/Novib. The cooperation often results in an improved understanding on the sides of both organisations about the social and environmental impacts of the company's operation in Indonesia.[4] UI's website describes quite clearly the CSR philosophy of that company and the programme priority that it chooses. To manage the CSR activities, UI has founded a special division, called "Yayasan Unilever Peduli" (the Unilever Care Foundation) which concentrates on 4 programmes: empowerment of small and medium enterprises, water resources reservation, recycle, and public health education.

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[1] ibid

[2] For instance a research by Jason Clay "Exploring the links between international business and poverty reduction" on *http://www.ethos.org.br/ci2006/apresentacoes/jason_clay_pl2_21_jun_9h00_Com123.ppt*

[3] Mathilde Charier, Kin Kei Leung and Christoph Hanser, "What motivates a multinational company to implement a Corporate Social Responsibility strategy?"

[4] See: Muhammad Saleh, "The role of the private sector in poverty reduction: a Unilever case study", paper presented in CSR Asia Workshop, Jakarta, 9th June 2006

We attempt to verify UI's CSR projects in the province of Yogyakarta, focusing on 3 areas:

1. The relation of UI with its retailers, particularly those of local small business
2. The relation of UI with local institution regarding community development
3. The relation of UI with the local community

1. Unilever retailers

We select retailers selling UI products from the category of small business. Our concern about small business is based on the consideration that they represent the relatively poor people of the local community who attempt to overcome economic difficulties through entrepreneurship. Realising the limitation of employment, the government encourages the people to run small businesses as an effective and practical way to survive economically. This may be the reason why UI includes 'the development of small and medium enterprises' in its CSR programme. Our field survey targets 50 outlets, consisting of 4 agents, 14 small shops, 14 kiosks in 2 traditional markets, 8 grocery stores, 2 pharmacies and 6 mini-markets.

We limit our interest into 3 main questions:

1. Do the retailers find difficulties in starting business with UI?
2. How much profit do they gain from selling UI products?
3. Does UI treat them fair or unfair in relation to the payment system and the process of returning expired products?
4. Do they know anything about UI's CSR programme on the empowerment of small medium business enterprise?

All responders find it quite easy to start selling UI products. 68 % of them got the products by approaching local distributors in their offices, and the rest were offered the goods by larger agents coming to their shops. Since most people are quite familiar with UI products, the retailers do not find a serious problem in introducing the products to the customers.

Most (48% for household products and 61% for food products) retailers gain less than 5% profit, but they take advantage from the fast turnover of those products given their popularity. Only 13% of household product retailers and 12% of food product ones gain more than 15% profit. Given the dominance of UI products in the market, most retailers admit that the profit they gain from selling those products is crucial for the survival of their businesses.

There are two options of payment offered to the retailers: ‘cash and carry’ or ‘post selling payment’ depending on the track record of the retailers. The respondents consider that system normal. Regarding products that pass the expiration date, 84 % of the retailers find no difficulty in the process of returning those products, whilst the rest experience the opposite.

Despite the information on CSR in the website of the company, most retailers do not know anything about the UI programme of empowering small and medium enterprise. They consider their relation with UI as purely business.

2. Unilever and Gadjah Mada University’s agricultural project

Our neighbouring university, the Universitas Gadjah Mada (UGM) Yogyakarta, has a research project of developing black soybean farming. In Indonesia, soybean is a main ingredient of the most popular traditional food: tofu, tempe and soybean sauce. Despite the importance of soybean in the people’s diet, the domestic production of soybean is insufficient in terms of both quantity and quality, so that the market demand of soybean has to be met by imported products which brings no benefit to the domestic farmers. It is therefore a concern of the UGM Department of Agriculture to improve the quality of the domestic soybean farming. The research by that university, which started in 2001, has resulted in the invention of a new variant of black soybean which is more productive and resistant to bug attack. The new variant has been officially recognised by the government in September 2007.

As the producer of one soybean sauce brand, ‘Kecap Bango’, UI also has an interest in soybean farming. This common interest between the company and the university drive them to collaborate in the research project and the follow up of the findings. Our observation in the local community surrounding the soybean farm in Bantul area indicates that the project has improved the welfare of the people. The role of UI is not only as a fund provider for the research. It also plays an important role in the post harvest works, including educating the broader community on farming the new variant of soybean and processing the crops, promoting the black soy bean farming nationally, lending of machinery, and buying the products. According to Widiandayani, a leader of a local NGO ‘Padmaya’ in Bantul, the project has also increase the income of women as they participate in the project works, such as selecting the crops.

3. Public Health Aid and Education

The earthquake on 27th May 2006 caused massive destruction in the provinces of Yogyakarta and Central Java. The most affected area was Bantul county in Yogyakarta, where thousands of houses, schools, worship places and public service buildings collapsed. UI has rebuilt 5 public health centres (PHC) in 4 villages of Bantul, namely Bambanglipuro (2 units), Pandak, Piyungan, and Banguntapan. We visited the health centres in Pandak and Bambanglipuro, but our interview took place in Pandak. There are 4 GP doctors, 2 dentists, and 40 other employees in that health centre including nurses and midwife.

Far more spacious than the old one, the new building donated by UI is very functional as a centre of health services. Unlike the old building which was a simple, one undivided hall with old fashioned equipments, the new one is a modern designed clinic with separate rooms for different services. The construction of each health centre building costs around IDR. 750,000,000 (US$ 84,000).

The role of UI as a main sponsor of the health centre can be identified quite easily as each room is named a product of UI. Apart from the building, UI donates important medical equipments that are new for that health centre, particularly those for dental treatments. The emphasis on dental treatment is understandable since among main products of UI are those of toothpaste (Pepsodent and Signal).

In addition to the physical donation, UI is involved in public activity programmes intended to educate people on healthy life. The programmes include hand washing campaign, trash recycling, healthy walking exercise and epidemic dengue prevention.

The employees we interviewed admit that the donation helps to increase their working spirit, since work space is now sufficient. It also eases their job by the availability of modern equipments. Overall, the quality of the health centre's services increases as demonstrated by the significant decrease in the number of complains from the patients.

It is obvious that the project has a promotional element, given the naming of the health centre's rooms with the UI's product brands, and the fact that the public activity programmes can be clearly associated with particular UI's products. Nevertheless, our interviewees feel no pressure to use UI's products in the operation of the health centre. They have also no obligation to recommend any UI's product to the patients.

Conclusion

1. In term of CSR, Unilever Indonesia seems to be more advanced than other multinational companies operating in Indonesia. The founding of 'Yayasan Unilever Peduli' demonstrates the seriousness of that company in shaping an image of a socially caring company. We have the impression that the CSR projects of the company are planned thoughtfully and implemented professionally.

2. Unilever Indonesia shows a serious attempt in building mutually constructive relationships with NGOs, educational institutions and local community organisations.

3. Despite the extensive and variety of its CSR programmes and the availability of the information regarding those programmes in the company's website and the NGO as well as academic forum, many direct stakeholders such as local retailers are ill informed about the programme that is precisely relevant for them.

4. We have not yet looked at the possibility of the involvement of Unilever Indonesia in the practice of corruption. Our presumption is that a multinational company, working in the area of consumer products, is in an advantageous bargaining position to resist corruption, given the government's effort to invite more foreign investment. For a company in such position, collaboration with a political figure would not be necessary.

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2. CARREFOUR INDONESIA

The Economic Crisis started in 1997 has forced the Indonesian government to sign a Letter of Intent as a part of the recovery programme designed by IMF. The programme requires Indonesia to open its market more widely, including the retail sector, to foreign investors. As a result, since 1999 hypermarkets, mostly belong to multinational corporations, grow rapidly in Indonesian cities and towns. According to the data provided by the Association of Food and Beverage Companies in Indonesia (GAPPMI), during 2001-2005 hypermarkets in Indonesia grow as high as 34 %.

The presence of hypermarkets has been controversial from the outset. Having power of multinationals with modern management and huge capital, hypermarkets can easily take over the market share of the traditional local markets which accommodate small traders of the local communities. A survey conducted by the Association of Indonesian Traditional Market Traders (APPSI) indicates that whilst hypermarkets increase by 35% in the last 5 years, traditional markets decrease by 8%. The operation of a traditional market involve a large number of people from the local community, including those of small shop keepers, suppliers who are basically small business actors, farmers and daily workers. In a country with a high rate of unemployment and limited industrial job opportunities, the role of traditional markets is important for the welfare of the local community. The downsizing of a traditional market, therefore, significantly affects the economic performance of the local community.

The proponents of hypermarket argue that hypermarkets do not actually threaten the local economy. They just change the shopping way and location, since hypermarkets also sell the same products sold in traditional markets in partnership with small business suppliers. That theory assumes that even if it is true that traditional markets are downsizing, it does not necessarily result in impoverishment of the people involved, since hypermarkets provide an alternative opportunity and even create new ones for them to continue working either as employers or suppliers.

The largest hypermarket chain in Indonesia is Carrefour Indonesia (CI) which operates 32 hypermarkets by October 2007. Our interest in studying that company is stimulated not only by its position as the market leader, but also by the frequency of complains of its customers as appeared in the media. The complains, which are mostly about the dissatisfaction regarding the way the hypermarket personnel do their jobs in service of the customers, rise questions about how the employees themselves are treated by the management. Thus, one point of our survey focuses on the work condition in Carrefour Indonesia.

The second point of our survey is regarding the way the company treat its suppliers, particularly the small business ones. We concern about small business actors, because they represent the relatively poor people of the local community who attempt to overcome economic difficulties through entrepreneurship. Realising the limitation of employment, the government encourages the people to run small businesses as an effective and practical way to survive economically. However, in the situation where giant investors play roles in the local economy, the position of small business actors, and therefore the economy of the local people, are seriously challenged. Our survey intends to verify the claim issued by the hypermarket camp that hypermarkets do not damage the business opportunities which used to be available in the traditional local market.

1. Work Condition

We made an observation by visiting a Carrefour store in Yogyakarta, to have a depiction on how tight the schedule of those working in the front line, such as cashiers and customer service officers. We then selected 6 employees who were willing to participate in a series of in depth interviews on the agreement that their identities will not be disclosed publicly. We conducted both individual interviews and group interview, as well as an observation to verify the findings. Most questions we asked in the interviews were open-ended to encourage interviewees provide details and examples. To ensure the accuracy of their answers, we asked particular questions repeatedly to the same interviewees.

CI workers are categorised into three grades: trainee, contract worker, and permanent employee. The term for trainees is 3 month, extendable to the total 6 month. A trainee is normally upgraded to the status of a contract worker after completing his/her term, but it is not guaranteed to be the case for everyone. The status of a permanent employee can be obtained after minimum 1 year working in CI.

All workers of all grades sign letters of contract. According to the Indonesian law, a contract of employment must describe in detail the rights and obligations of both the employer and the employee. Yet, regarding the contract with trainees, the letter of contract provided by CI does not mention the rights of the trainees apart from those concerning salary and meal allowance. Job description is not included in the contract.

All workers must pass the manual physical inspection every time they leave the store. The inspection includes physical touch that demonstrates a high level of distrust. The employees are not allowed to have a pocket on their clothes. Since the inspection and non-pocket rules are not clearly informed, new trainees, not expecting such rules, are often forced to let their pockets stitched in the store.

A trainee is assessed by his/her supervisor, but the standard of assessment is unclear for the trainee. There is no transparent information about the competency expected from a trainee apart from the fulfilment of the work time.

The normal work time for a worker is 40 hours with one day off per week, which is in accord with the Indonesian Labour Law. However, the workers are often encouraged to work extra time with extra pay, particularly on weekends and public holidays. Trainees working overtime are exempted from extra pay, but their overtime is compensated with loyalty points which increase their chance to be promoted to the grade of contract worker. In practice, most workers work between 48 to 50 hours per week. However, the problem lies not in the length of the work time, but in how the workers must spend the time effectively. For instance, cashiers are not allowed to take a seat during their 7 hour work time. As a result, several cashiers have suffered from foot swelling, and there is even an incident where a cashier fainted.

Daily wage for a trainee is IDR 20,600 (US$ 2.2) plus a meal voucher of IDR 5,500 (US$ 0.60). Total income of a trainee ranges from IDR 652,500 to IDR 678,600 per month, which is above the minimum regional wage (IDR 500,000). The monthly salary of a permanent worker is between IDR 800,000 to IDR 1,000,000. plus transport, meal vouchers, medical allowance and medical check up allowance for pregnant workers. The company participates in the 'social insurance for workers' ('*jamsostek*') for its permanent employees, but not for trainees and contract workers. Female workers who are recommended by a doctor to take a sick leave, are allowed to do so with full payment. Pregnant workers are released from the obligation to work in the evening shift. In terms of religious facility, CI provides a prayer room in its store for Muslim workers. Our interviewees consider the facility sufficiently meets their need.

In lunch time workers take 1 hour break in groups by turns. They are not allowed to leave the store, but the company provides a small room where the workers are supposed to enjoy their lunch. Our interviewees consider the lunch room too small and crowded with the workers' belongings, and therefore does not support the rest atmosphere.

Our interviewees do not find it easy to channel their aspirations, let alone complains concerning the policy of the company. A workers' union does not exist in CI. The weak position of workers in Indonesia, given the high rate of unemployment, restrain them from struggling for a better work condition.

Conclusion:

1. The wage rate of CI employees is slightly above the standard minimum of regional wage set by the government. The company also provide allowances that help the employees maintain their basic health and safety.
2. The company also pays enough attention to female workers who are pregnant and sick, as well as to those fulfilling their religious obligation during work hours. However, the regulation requiring employees to stand up for long hours should be improved to avoid illness and extreme tiredness of employees.
3. The position of trainee employees is vulnerable to exploitation. The company should provide a clearer contract and job description, defining the competency required and a certain process of promotion that guarantee the permanent position for those meeting the

conditions. The company should also provide more proper training system to help trainees increase their capacity.

4. The company should find a more humane way of inspecting employees, that respect them as members of the community rather than treat them as potential thieves.
5. The company should create an atmosphere that eases the employees to channel their aspiration.
6. We do not find an indication of gender discrimination or child labour in CI.

Treatment of Small Business Suppliers

CI was brought to the special court for business competition upon the charge of its supplier, PT Sariboga Snack, a small business firm producing local brands of light refreshment products. Proven guilty for violating the Indonesian law no.5/1999, concerning anti-monopoly and unhealthy competition, the company was punished by a penalty of IDR 1,500,000,000 (US$ 1700,000).

Based on the facts found in a series of investigations involving 17 witnesses and 5 experts, the court considered CI has put a pressure on its suppliers to accept the conditions of contract that prevent them to sell the same products with the same prices to other retailers. The items of the contract singled out by the court were the 'listing fee' and 'minus margin' conditions. Listing fee is the money to be deposited by a supplier to guarantee the continuation of supply and order provided the goods are in demand. In practice, the amount of the listing fee has limited the financial capacity of small business suppliers so that they are unable to extent their business to reach another retailer. The listing fee charged by CI to Sariboga Snack was IDR 47,000,000, which makes the small firm unable to increase its production to serve another buyer. Minus margin is a guarantee that the suppliers have offered the cheapest prices for their products, so that CI can also offer the cheapest prices to its customers. According to the minus margin condition, a supplier has to pay a penalty if one can find the same product as that supplied cheaper in another retailer. Apart from listing fee and minus margin, CI also requires opening fee, fix rebate, promotion fee and various kinds of penalty. The court was convinced that CI has made use of its market power as a giant international retailer to push its suppliers to accept additional items of the trading terms which were disadvantageous for the suppliers.

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We interviewed 2 key people from different CI suppliers whose answers indicate that the penalty does not change much the behaviour of the company. Apart from Sariboga Snack, most small business suppliers do not dare to disclose the matter publicly at the fear of loosing the hypermarket's orders. Our interviewees are willing to talk to our research team, thanks to the personal relations that had already established between them. Therefore we agree not to disclose the identity of our interviewees.

Most suppliers cannot avoid offering their goods to CI since the amount of its orders compensate the lessening demand of the traditional market. Yet in dealing with CI, the suppliers have to sacrifice their liberty to do the same business at the same condition with other outlets. An interview with Mr.Susanto, chairperson of the Association of Modern Market Suppliers (AP3MI) demonstrates that CI does not offer an equal let alone better opportunity than the traditional market to small business suppliers. Instead of being treated as partners, small business suppliers feel much pressure and potential hostility if they refuse to follow the condition set by the hypermarket chain. Being a multinational company, CI is able to confront local small business players against importers of similar products. In negotiation, thus, the position of small business suppliers, which represent the position of the local community's economy, is much weaker than that of the hypermarket.

Conclusion:

1. CI as a leading hypermarket in Indonesia does take over a significant portion of the market share of the traditional market sellers.
2. Whilst it is true that CI offers an opportunity to the small business suppliers to sell their products to compensate the reducing order from the traditional market, the suppliers gain less profit and less liberty than when trading with the traditional.
3. It is doubtful that the way the hypermarket manages the business benefits customers, since its luxury and multinational ownership demand a level of profit higher than that normally satisfies traditional market traders.

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4. CI should improve its relations with its suppliers, particularly those of small business within the local community. It also needs to be more sensitive to the impact of its operation for broader stakeholder contexts, including the traditional local market.