School of Accounting

Labour Practices and Decent Work Disclosures in Indonesia

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DECLARATION

To the best of my knowledge and belief this thesis contains no material previously published by any other person except where due acknowledgment has been made.

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university.

Signature: ………………………………………….

Date: 5 October 2011

ABSTRACT

This thesis examines the extent of voluntary Labour Practices and Decent Work Disclosures (LPDWD) in Indonesia Stock Exchange (IDX) listed companies' annual reports and the factors influencing that level from an *isomorphic* institutional theory perspective. Labour issues in Indonesia are considered important given that there is a distinctive gap in the power relationship between companies and their workers, placing workers in a far weaker position *vis a vis* the companies.

223 annual reports for the 2007 financial year are analyzed using the LPDWD component of the 2006 Global Reporting Initiative (GRI) guidelines as the benchmark disclosure index checklist. The 2007 data sample is a normal base year before the 2008 Global Financial Crisis (GFC) and is considered as a critical year for companies to respond to Indonesian CSR-related regulations issued 2006 and 2007 and prior to any potential negative influences of the 2008 GFC. The descriptive results show a low level of voluntary disclosure (17.7%), suggesting that Indonesian companies are not clearly communicating labour responsibility issues as a key precondition of Corporate Social Responsibility (CSR).

The low disclosure level by Indonesian listed companies might be a reflection of the lack of details in the CSR reporting legislation. Alternatively, companies may be attempting to shy away from controversial issues. The implication for the government is the need to provide an explicit reporting framework. Not only will the link between the labour-related regulations and the reporting regulations allow the government to more easily monitor and enforce disclosures, it will also address those issues where companies are avoiding disclosures.

Multiple regression results reveal that government ownership and international operations are positively significant predictors of 'labour' communication. This highlights that there is some *coercive* and *mimetic* pressure on voluntary LPDWD practices in Indonesia. Company size and economic performance are also positively significant. In contrast, leverage, industry type, goal factor, independence of board, foreign company ownership, and age of business are not significant factors.

Pearson correlation test shows that there is a positively significant link between media pressures and IDX listed companies' labour disclosures, within the specific framework of *coercive isomorphism*. The most apparent effect of media is on employee benefit issues as these issues are mostly emphasized in both the media and the companies' annual reports. Overall, Indonesian companies seem to be window-dressing their annual reports to avoid communicating controversial issues especially where they do not perform well.

The overall results of this thesis suggest that the variability of labour disclosures in Indonesia is partially explained by *isomorphic* institutional theory, particularly by its *coercive* and *mimetic* variants. The sources of *coercive* pressures are government ownership and media exposure while the source of *mimetic* pressure is international operations.

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GLOSSARY OF KEY TERMS

BAPEPAM-LK	Badan Pengawas Pasar Modal dan Lembaga Keuangan - The Capital Market and Financial Institution Supervisory Agency in Indonesia (Badan Pengawas Pasar Modal dan Lembaga Keuangan 2008).
Content analysis	"A technique for gathering data that consists of codifying qualitative information in anecdotal and literary form, into categories in order to derive quantitative scales of varying levels of complexity" (Abott and Monsen 1979, 504).
CSR	Corporate social responsibility – "A company's commitment to operating in an economically, socially, and environmentally sustainable manner while balancing the interests of diverse stakeholders" (CSR Asia 2010).
Disclosure index	"A quantitative based instrument designed to measure a series of items which, when the score for the items are aggregated, gives a surrogate score indicative of the level of disclosure in the specific context for which the devise was created" (Coy, Tower, and Dixon 1993, 122).
DKI Jakarta	Daerah Khusus Ibukota Jakarta – Special Capital Territory of Jakarta.
FSPMI	Federasi Serikat Pekerja Metal Indonesia (Indonesian Metal Worker Federation) (*Upah buruh industri merosot* 2009).
G3	The 2006 version of GRI sustainability reporting guidelines.
G3.1	The updated version of 2006 GRI version, issued on 23 March 2011.
GAAP	Generally Accepted Accounting Principles.
GDP	Gross Domestic Product.
GFC	Global financial crisis.
GRI	Global Reporting Initiative.
HRD	Human resource disclosures.
IAI	Ikatan Akuntan Indonesia (The Indonesian Institute of Accountants).
IASs	The International Accounting Standards.
IC	Intellectual capital.

IDX	Indonesia Stock Exchange.
IFRS	The International Financial Reporting Standards.
ILF	Indonesia Labour Foundation.
ILO	The International Labour Organization.
IMF	The International Monetary Fund.
Institutional theory	A system-based theory which explains that organizations are faced with institutional pressures, and due to these pressures, organizations tend to become similar in their forms and practices (Mobus 2005; Islam and Deegan 2008; Deegan 2009).
Isomorphism	Particular practices by an organization because of institutional pressures (DiMaggio and Powell 1983; Dillard, Rigsby, and Goodman 2004; Amran and Devi 2007).
Coercive isomorphism	A situation in which organizations undertake institutional practices (e.g. disclosure practices) because of pressures from influential stakeholders (DiMaggio and Powell 1983).
Mimetic isomorphism	A situation in which organizations copy institutional practices (e.g. disclosure practices) of other organizations, often for competitive advantage reasons in terms of legitimacy (DiMaggio and Powell 1983; Deegan 2009).
Normative isomorphism	The pressures arising from group norms such as managers to adopt particular institutional practices such as disclosure practices (DiMaggio and Powell 1983; Deegan 2009).
Decoupling	A situation in which the apparent practice of an organization is different from the actual practice (Meyer and Rowan 1977; Carruthers 1995).
JSX	Jakarta Stock Exchange.
KKN	Korupsi, kolusi, dan nepotisme (corruption, collusion, and nepotism).
LPDWD	Labour Practices and Decent Work Disclosures.
NGO	Non-governmental organizations.
PAI	Prinsip Akuntansi Indonesia (Indonesian Accounting Principle) - The first Indonesian accounting standard which was issued in 1973 (IAIGlobal 2010).

PIC	Pacific Island Countries.
PSAK	Pernyataan Standar Akuntansi Keuangan (Statement of Financial Accounting Standards) - Indonesian Accounting Standards which are developed by the Indonesian Institute of Accountants (IAI) through its Financial Accounting Standard Board (DSAK)(IAIGlobal2010).
PT, Tbk	Perseroan Terbatas, Terbuka. This abbreviation is usually used for Indonesian listed companies (*Types of corporations* 2006). This term refers to an Indonesian stock limited liability company whose shares are owned by at least 300 stockholders and having a paid up capital of at least 300 million Rupiah or a number of shareholders and paid capital stipulated by the Indonesian governmental regulations (Pemerintah Republik Indonesia 1995).
ROA	Return on assets.
ROE	Return on equity.
SA8000	A new management standard which is recently applied by companies particularly in developed nations concerning companies' social accountability to their workers based on international norms such as *International Labor Organization* (ILO) conventions (*SA8000, standar manajemen baru* 2006).
TKI	Tenaga Kerja Indonesia – An Indonesian citizen working overseas, usually working as a servant in countries like Saudi Arabia and Malaysia.
UNDP	The United Nations Development Programme.

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RELATED THESIS PUBLICATIONS

Refereed Journal:

Cahaya, F. R., S. Porter, G. Tower, and A. Brown. 2011. Indonesia's low concern for labour issues. *Social Responsibility Journal*, Forthcoming.

Refereed Conference Papers:

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Cahaya, F. R., S. Porter, G. Tower, and A. Brown. 2011. Isomorphic propensities to communicate occupational health and safety issues. British Accounting and Finance Association (BAFA) Annual Conference, 12-14 April 2011: Birmingham, England.

Cahaya, F. R. 2010. Media exposure: A reflection of stakeholders' pressure on Indonesian companies' labour disclosures. Curtin Business School (CBS) Doctoral Colloquium 2010, 30 September-1 October 2010: Perth, Australia.

Cahaya, F. R., S. Porter, G. Tower, and A. Brown. 2009. Indonesia's deafening silence on labour issues. 8th Australasian Conference on Social and Environmental Accounting Research (A-CSEAR), 6-8 December 2009: Christchurch, New Zealand.

Cahaya, F. R. 2009. Social disclosure in Indonesian listed companies: Labour practices and decent work disclosures. Curtin Business School (CBS) Doctoral Colloquium 2009, 1-2 October 2009: Perth, Australia.

Cahaya, F. R., S. Porter, G. Tower, and A. Brown. 2009. Labour practices and decent work disclosures in Indonesia. Accounting and Finance Association of Australia and New Zealand (AFAANZ) Annual Conference, 5-7 July 2009: Adelaide, Australia.

Cahaya, F. R. 2009. Labour practices and decent work disclosures in Indonesia. Accounting and Finance Association of Australia and New Zealand (AFAANZ) Doctoral Colloquium, 1-3 July 2009: Adelaide, Australia.

CHAPTER 1: OVERVIEW OF RESEARCH STUDY

1.1. Introduction

The purpose of this thesis is to examine the level of a subset of corporate social responsibility (CSR)[1] reporting namely voluntary Labour Practices and Decent Work Disclosures (LPDWD) in Indonesia and the factors influencing that level.

CSR issues are crucially important to the people and institutions in Indonesia (Fitriana 2009). However, a series of past studies has clearly shown that Indonesian CSR reporting is consistently lower than other developing and developed countries (see for example Nurhayati, Brown, and Tower 2006; Cahaya, Porter, and Brown 2006; Mirfazli 2008).

One option for improving the level of CSR reporting would be to institute more comprehensive and rigorous regulation. Regulation in an accounting sense is defined as ".. the imposition of constraints upon the preparation, content and form of external financial reports …" (Taylor and Turley 1986, 1). Regulation is expected to facilitate the production of information deemed important which the marketplace cannot or will not provide (Mitnick 1980, 290).

In recent times, the Indonesian government has taken a more active role in mandating the dissemination of important CSR information with considerable changes in regulations relating to social reporting practices in Indonesia. From 7 December 2006, under the Indonesian Capital Market and Financial Institution Supervisory Agency (BAPEPAM-LK)'s regulation, all listed companies are required to report any CSR activities in their annual reports (see Badan Pengawas

[1] As there are disagreements over the appropriate role of a corporation in society, CSR can be defined in a number of different ways (Crane, Matten, and Spence 2008). The disagreements themselves are partly credited to the fact that CSR is practiced across sectors (e.g. public and private) and across countries (Crane, Matten, and Spence 2008). This thesis adopts the definition developed by CSR Asia, a leading provider of information, training, research and consultancy services on sustainable business practices in Asia (CSR Asia 2010), as it best represents the concept of CSR in Indonesia. Under the CSR Asia homepage website, CSR is defined as "a company's commitment to operating in an economically, socially and environmentally sustainable manner while balancing the interests of diverse stakeholders" (CSR Asia 2010).

Pasar Modal dan Lembaga Keuangan 2006)[2]. The main purpose of this new regulation is to increase the quality of listed companies' transparency. The regulation is then strengthened by *Act No. 40/2007* which requires limited liability companies in and/or related to the area of natural resources, regardless of whether they are listed or not, to perform social and environmental responsibility activities (Pemerintah Republik Indonesia 2007). Interestingly, this Act (effective from 16 August 2007) requires all limited liability companies (not only companies dealing with natural resources) to disclose their social and environmental activities in their annual reports (Pemerintah Republik Indonesia 2007).

The regulatory changes signal attention by the Indonesian government in regards to CSR activities and reporting practices. However, as argued by Utama (2008), there are still fundamental problems in relation to the implementation of the new regulations as the specific items of the social activities that must be undertaken and reported by the companies are not clearly delineated in those regulations. For instance, in *Act No. 40/2007*, social and environmental responsibility[3] is poorly defined in very general terms as a company's commitment to participate in a sustainable economic development for improving the quality of life and environment which will be beneficial for the company itself, the local community and the society in general (Pemerintah Republik Indonesia 2007). Consequently, with this ambiguity, the extent of CSR reporting may vary across companies (Utama 2008).

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[2] One could argue that CSR reporting has been required since 1996 under BAPEPAM-LK's regulation Number Kep-38/PM/1996. In this 1996 regulation, it is stated that companies are required to communicate their involvement in social activities and community programs. However, this thesis adopts the position that the newer 2006 BAPEPAM-LK's reporting regulation differs significantly from the 1996 version in terms of how companies must now deal with social 'responsibility' reporting. In line with the CSR Asia' definition of CSR, the use of the term 'social responsibility' in the 2006 version arguably emphasizes a higher level of BAPEPAM-LK's requirement of companies' commitment to operate ethically in an economically, socially and environmentally sustainable manner while balancing the interests of various stakeholder groups.

[3] The term 'social and environmental responsibility' used by the Indonesian government basically refers to the term 'CSR' (see Utama 2008). CSR itself encompasses complex issues such as environmental protection, and relations with a wide range of stakeholder groups including employees, local communities, consumers and suppliers (Branco and Rodrigues 2006). This thesis specifically examines the level of voluntary Labour Practices and Decent Work Disclosures (LPDWD) which is an important subset of CSR reporting.

In addition, the CSR activities performed and reported on by an Indonesian company may not conform to the activities actually expected by the government and/or society. This 'expectation gap' can potentially lead to negative consequences such as the imposition of fines or a drop in share price. For example, a company may only disclose data on its customer safety programs but if the government considers employee health protection programs as more important, and the company does not disclose information on their programs, then the company may be viewed by the government as not having complied with CSR and subsequently may be fined. Overall, although ostensibly regulated by the Indonesian government, there is little guidance on what constitutes social activities. It is left to the discretion of each company and remains in effect, voluntary.

CSR has become an emerging area of research since the mid-1970s in the business and particularly accounting literature (Neu, Warsame, and Pedwell 1998). In the reporting and disclosure research, previous studies on social accounting examine social issues in a broad context by looking holistically at a set of labour, human right, community, product responsibility, and environmental information (see for example Naser, Al-Hussaini, Al-Kwari, and Nuseibeh 2006; Mirfazli 2008). In the last two decades, interest in CSR accounting has often been focussed by more specific concerns such as environmental reporting; this is indicated by many disclosure studies analyzing such reporting separately from social disclosure (Mathews 1997; Nurhayati, Brown, and Tower 2006; Suhardjanto, Tower, and Brown 2008a).

More recently, there is an observable trend in a growing number of studies focusing on disclosure of companies' interaction with their workers (e.g. Brown, Tower, and Taplin 2005; Vuontisjärvi 2006) but there remains a literature gap in research on employees. According to Vuontisjärvi (2006), employees are critical components of CSR and therefore studies in this area are valuable. Gray, Kouhy, and Lavers (1995) note that employees feature in the mainstream definitions and criteria of CSR. Johnston (2001) argues that the relationship between companies and their employees is a key precondition of CSR. He further explains that a company cannot perform CSR activities for its outside environment (e.g.

customers and local community) if it does not perform a high level of CSR for its own employees.

Given that CSR reporting is not clearly detailed in Indonesian regulations and there is little research on employee disclosure, it is considered important to examine CSR reporting practices in Indonesia by specifically looking at the level of listed companies' employee disclosure. The employee disclosure category is arguably the most relevant specific theme of CSR disclosure to be examined in Indonesia[4]. Moreover, in this developing nation, there is a distinctive gap in the power relationship between companies and their workers (see Indonesia Labour Foundation 2008). This dichotomy places workers in a far weaker position *vis a vis* the companies (Indonesia Labour Foundation 2008). Such disharmony highlights the need to investigate how Indonesian companies are socially responsible to their workers and, in the context of this thesis, how they then disclose information about this social responsibility.

In the realm of CSR reporting, it is evident from the literature that social and political stakeholders such as shareholders and lenders are influential in pressing companies to provide CSR information (Brammer and Pavelin 2004). In particular, the existence of Indonesian stakeholders' influence on CSR disclosures is documented in Suhardjanto, Tower, and Brown (2008a) and Gunawan (2009). Such pressure is also reflected in media exposure concerning CSR issues undertaken by a particular company and information exposed in the media potentially becomes a threat (or an opportunity) for companies' legitimacy (see Cormier, Magnan, and Van Velthoven 2005). This is because media disclosure can result in early public identification of any companies' actions (see Miller 2006). After the fall of Soeharto[5], the Indonesian media is widely regarded as

[4] For example, *Employee Benefit* is a mandatory disclosure item under the Indonesian accounting standard PSAK 24 since 1994 (see Ikatan Akuntan Indonesia 2007) indicating the relevance and the importance of labour issues in an Indonesian accounting setting.

[5] According to Haryanto (2004), after the fall of Soeharto in 1998, the media industry in Indonesia started enjoying its honeymoon period as the new government relaxed its control over the media. This honeymoon period still exists to date since the current government consistently implements gentler control. The current Indonesian president, Susilo Bambang Yudhoyono, even argues that the media industry in this developing nation is the freest within the Asian region (ANTARA 2009). Such freedom enables the media to evaluate and criticize the government as well as companies' policies.

having more power and freedom to influence and evaluate not only the government's policies but also companies' practices (see Sasongko 2000; Haryanto 2004). Accordingly, this thesis also examines the potential impact of media exposure on the variability of employee disclosure practices.

Consistent with a recent social accounting study in Indonesia by Cahaya, Porter, and Brown (2006), the globally accepted reporting guideline, Global Reporting Initiative (GRI) social indicators (see also Fraser 2005; Suhardjanto, Tower, and Brown 2008a; Simnett, Vanstraelen, and Chua 2009), are adopted as the benchmark disclosure index checklist in this doctorate research. The social indicators are grouped by the GRI within four major categories: *Labour Practices and Decent Work, Human Rights, Society*, and *Product Responsibility* (see Global Reporting Initiative 2006). Of these four, the first category is considered most relevant for this thesis as it provides an extensive and accepted detailed disclosure item list in relation to companies' social performance indicators to their employees. Accordingly, to mirror the use of GRI social indicators, the set of disclosures examined in this thesis are labeled as Labour Practices and Decent Work Disclosures (LPDWD). This label will consistently be used as the name of the dependent variable in the thesis.

GRI *Labour Practices and Decent Work* performance indicators consist of five main categories being *Employment*, *Labor/Management Relations*, *Occupational Health and Safety*, *Training and Education*, and *Diversity and Equal Opportunity*. The overall set of LPDWD as well as each of these main categories is empirically examined in this thesis, as reflected in the research questions formulated in the following section.

1.2. Research Questions

This thesis aims to identify the level of voluntary Labour Practices and Decent Work Disclosures (LPDWD) in Indonesia and the factors affecting that level, including the possible impact of media exposure. Therefore, the key research issues of this thesis are:

To what extent do companies listed on the Indonesia Stock Exchange (IDX)[6] *voluntarily provide labour disclosures (LPDWD) in their annual reports, and what factors explain the extent of disclosure?*

To obtain the best insights on LPDWD practices in Indonesia, this thesis further breaks down these research issues into the following research questions:

1. To what extent do IDX listed companies voluntarily provide LPDWD in their annual reports?
2. To what extent do IDX listed companies voluntarily provide information pertaining to GRI *Employment*, *Labor/Management Relations*, *Occupational Health and Safety*, *Training and Education*, *Diversity and Equal Opportunity* disclosure sub-categories in their annual reports?
3. What is the relationship between the quantity of voluntary LPDWD in the annual reports and key predictor variables?
4. What is the relationship between the disclosures of voluntary GRI *Employment*, *Labor/Management Relations*, *Occupational Health and Safety*, *Training and Education*, and *Diversity and Equal Opportunity* sub-categories in the annual reports and key predictor variables?
5. What is the relationship between media exposure of labour issues and LPDWD practices?

1.3. Significance of Research

This thesis is very important as it contributes to the literature in a number of ways. Firstly, it provides insights into the disclosure practices on labour issues, a specific social disclosure theme which is rarely examined by accounting scholars. Specifically, this thesis captures details of disclosure items within the Labour Practices and Decent Work category, a disclosure area which is considered vitally important for CSR as the quality of the internal labour workforce is a key precondition for CSR to outside stakeholders (see Vuontisjärvi 2006). As such, it is expected that this thesis will give a clear picture regarding how Indonesian companies communicate their social responsibility to their workers.

[6] The Indonesia Stock Exchange is a new name of the Jakarta Stock Exchange after the merger with Surabaya Stock Exchange in 2007.

Secondly, the 2007 data sample year examined in this thesis is considered vitally important as it is the normal base year before the 2008 Global Financial Crisis (GFC). In the context of Indonesian CSR reporting, this thesis treats the 2007 financial year as a critical year for the government and companies as well as their stakeholders. This is because the CSR reporting regulation from BAPEPAM-LK was released for implementation on 7 December 2006. Arguably, companies in Indonesia did not implement that regulation in 2006 as the 2006 financial year ended on 31 December. As noted in Section 1.1, another CSR regulation, which is *Act No. 40/2007*, was released in 2007. The issuance of the latter reflects an official support from the Indonesian parliament on the CSR practices (Rosser and Edwin 2010; Waagstein 2011). Importantly, the 2007 year is the only financial year period enabling companies in Indonesia to respond to CSR-related regulations issued in 2006 and 2007 and prior to any potential negative impacts of the 2008 GFC (Akira 2009; Djaja 2009; Sukarmi 2010; Cahaya, Porter, Tower, and Brown 2011a; International Labour Organization 2011). A more detailed discussion on the GFC in an Indonesian context is presented in Chapter 5.

Thirdly, it contributes to the social accounting literature by testing institutional theory, a relatively newer approach for explaining social disclosure phenomenon. Scholars in the field of social and environmental accounting have argued that theories previously used in the literature such as stakeholder theory and legitimacy theory only provide a partial explanation on the CSR reporting phenomenon (see for example Milne and Patten 2002; Deegan 2009). Academics in CSR accounting research have recently recommended and started employing institutional theory (see Milne and Patten 2002; Amran and Devi 2008; Deegan 2009; Amran and Haniffa 2011). Institutional theory is one of the system-based theories which explains that organizations tend to become similar in their practices because of institutional pressures (Islam and Deegan 2008; Deegan 2009). It is considered important to test this theory to obtain a more comprehensive explanation of CSR activities. The use of institutional theory as a theoretical framework in this thesis can therefore be considered as a positive response to CSR scholars' recent recommendation. A detailed examination of this theory is provided in Chapter 3.

Fourthly, this thesis includes 'goal factor', a variable which is not commonly examined in previous disclosure studies, to be tested as one of the independent variables potentially explaining LPDWD practices. According to Amran and Devi (2007) who examine this variable in a CSR reporting study in Malaysia, goals affect future and short term planning of the companies. In the context of this doctorate study, goals related to the sustainable value of employees stated in the annual reports, may signal companies' serious commitment in how they socially behave to their workers. This commitment can be reflected in their social performance and is potentially reported in the annual reports. In line with Amran and Devi (2007) and Amran and Haniffa (2011), this thesis sees goal factor as a possible important variable that needs to be examined in order to better obtain a comprehensive understanding of the companies' LPDWD practices.

Fifthly, this thesis uses the 2006 version of GRI, which is also termed G3[7]. Most previous studies, particularly in Indonesia such as Cahaya, Porter, and Brown (2006) and Suhardjanto, Tower, and Brown (2008b), examined the 2002 version of GRI or earlier. It is thus considered important and timely to employ G3 as a disclosure benchmark after its release in 2006 (see Global Reporting Initiative 2006). Importantly, the use of the 2006 version is most suitable for the financial year examined in this thesis, which is 2007. It is thus expected that the use of the

[7] On 23 March 2011, GRI launched the updated version of G3, which is labelled as G3.1 (Global Reporting Initiative 2011a). This was when the writing process of this thesis was virtually finished. The issuance of G3.1 is considered to have no effect on this thesis because the disclosure data utilised in the thesis are taken from 2007 annual reports; a time period where only the G3 GRI 2006 is valid.
At present, GRI still allows organizations to use G3 but recommends that new reporters start using G3.1 (Global Reporting Initiative 2011a). G3.1 itself will be replaced by the next generation of GRI sustainability reporting guidelines sometime in the future (Global Reporting Initiative 2011). This next generation is termed as G4 and now under development (Global Reporting Initiative 2011).
Appendix A details the G3 items used in this thesis as well as examines the differences between G3 and G3.1 labour disclosure items. As illustrated in that appendix, there appears to be minimal differences in the labour practices and decent work performance indicators between the two versions. The main differences are the inclusion of gender component within some items and the addition of one item related to work return after parental leave. Overall, the use of the GRI (2006) G3 variant in this thesis is appropriate to generate key insights during the critically important 2007 (beginning of GFC) time period.

2006 GRI version can best represent the stakeholder viewpoints[8] on labour issues in the year of the examined annual reports.

Finally, this thesis captures an additional valuable proxy for the pressure from key stakeholders through an analysis of Indonesian printed media. According to Suhardjanto, Tower, and Brown (2008b), very little research has been undertaken on the role of media in affecting companies' policies on their social and environmental performance although, in a developing country such as Indonesia, the press is considered influential. This clearly signals a need to also examine the effect of media pressure on voluntary LPDWD practices in this thesis. Most previous studies examining press coverage focus on media which are available in online databases such as ABI Inform (see for example Miller 2006; Cormier, Magnan, and Van Velthoven 2005). In Indonesia, however, key newspapers are generally not available in online databases (Cahaya et al. 2011a). As newspapers are frequently used for responding to or representing public concerns (see Suhardjanto, Tower, and Brown 2008b), the printed form of media is arguably the most important in this developing country. To best investigate the possible link between media pressure and voluntary LPDWD practices in an Indonesian setting, this thesis focuses on media exposure published in a printed form.

1.4. Assumptions and Limitations

This thesis contains two key assumptions. Firstly, it assumes that the annual report is the main communication medium used by Indonesian companies to communicate their performance. As documented in recent disclosure studies (see for example Clarkson, Li, Richardson, and Vasvari 2008; Guthrie, Cuganesan, and Ward 2008), other mediums such as companies' websites might also be used by companies to report their performance. However, in a developing country, the use of websites is rarely used by most companies (see Chambers, Chapple, Moon, and Sullivan 2003; Khan, Halabi, and Samy 2009; Pahuja 2009). This is because the level of internet use in developing nations is generally much lower than that of

[8] GRI reporting guidelines have been developed based on consultations with and feedback from a wide range of stakeholder groups internationally (Global Reporting Initiative 2006). Such an approach is referred to as a multi-stakeholder approach (Global Reporting Initiative 2006).

developed countries[9] (see Chambers et al. 2003; Brown 2007). This also supports the use of hard copy as the source of media exposure data in this thesis. Moreover, information on the websites may often be updated but they remain unaudited. This creates difficulties for researchers in examining the disclosure practices of companies within any one financial year period as there cannot be any level of certainty in the validity of this unaudited information. In fact, other mediums such as employee reports are not even available in Indonesia. As such, and in line with most disclosure studies particularly in developing countries (see for example Cahaya, Porter, and Brown 2008; Barako and Brown 2008; Othman, Darus, and Arshad 2011), this thesis uses annual reports as the source of LPDWD data rather than websites or other sources[10].

Secondly, this thesis assumes that each issue within the LPDWD index checklist is equally important. As stated previously, this thesis adopts the GRI LPDWD items as the disclosure index checklist. There are 13 items in the disclosure index as detailed in Appendix A. One could argue that the level of importance among these thirteen items is different (see Suhardjanto, Tower, and Brown 2008b for a discussion). However, subjectivity potentially exists when assuming such a 'weighting' difference given that each stakeholder group's view on the importance of each item might be different, depending on their own interest. For example, the government might argue that *Ratio of basic salary between male and female employees* is more important information to be reported than *Average hours of training* information whereas creditors might see the latter information is more important than the former. To minimize subjectivity, equality among the thirteen items is therefore assumed (e.g. all items will be equally weighted). This assumption is consistent with most previous disclosure studies (see for example Haniffa and Cooke 2002; Nurhayati, Brown, and Tower 2006).

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[9] For illustrative purposes, in 2007, the national level of internet use in Singapore was 68.2% of total population whereas, in Indonesia, the level was only 5.54% (see CIA 2008). This supports the premise that the national level of internet use in developed countries is much higher than that of developing countries.

[10] A related limitation is that this thesis does not analyze separate CSR/sustainability/employee reports. This is because, in Indonesia, there are no requirements for companies to provide such reports and as such there are very few sustainability reports in this developing country. In particular, in the context of employee reports, such reports are quite rare (see a more detailed explanation regarding this issue in Chapter 5).

As with most research, this thesis has limitations. Firstly, only one kind of media, newspapers, is used to examine the effect of media exposure on LPDWD practices. In practice, media exposure can also be reflected in other types of media such as magazines, radio, and television. However, past literature argues that newspapers are the most useful and reliable source of information particularly in a developing county setting (Bokhorst-Heng 2002; Suhardjanto, Tower, and Brown 2008b). Accordingly, the use of newspapers in this thesis is considered a sufficient and appropriate source and proxy measure of media exposure data in an Indonesian context.

Secondly, in relation to the independent variable of government ownership, only companies with a direct government ownership are considered as those having a proportion of government ownership. Companies which are indirectly owned by government-owned-enterprises are not considered as having a proportion of government ownership. This is because Indonesian listed companies usually do not communicate such an indirect ownership in their annual reports. The use of direct ownership as a proxy measure of government ownership itself is arguably appropriate since such an ownership clearly reflects direct control and pressure of the government on companies through their representatives in the board of directors to undertake particular practices including LPDWD practices (Amran and Devi 2008).

Lastly, this thesis only examines publicly listed companies. Specifically, companies listed on the Indonesia Stock Exchange (IDX) in 2007 are investigated as the sample data. In addition to the ease of obtaining listed entities' annual reports (accessible from the IDX website or directly from the companies' websites), these entities play a crucially important role within the Indonesian economy and gain considerable interest from key stakeholders (Nurhayati 2005; Okuda and Take 2005). However, as stated by Nurhayati (2005), Indonesia has many non-listed companies, government business and not-for profit entities. Accordingly, the generalization of the thesis findings is limited to listed companies.

1.5 Summary and Thesis Outline

This chapter poses the following research issues: To what extent do companies listed on IDX voluntarily provide LPDWD in annual reports and what factors explain the extent of that disclosure? This chapter provides an overview of the thesis by outlining the recent development of CSR reporting regulation and practices in an Indonesian setting and on the growing trend of research in the area of CSR reporting. This chapter then notes the significance of the thesis and identifies core assumptions as well as limitations.

Chapter 2 discusses the context of labour issues LPDWD reporting practices in Indonesia. This is followed by Chapter 3 which explains the research paradigm and examines the theoretical framework of the thesis. Chapter 4 reviews prior literature and develops the hypotheses. The research methodology, encompassing the justification on the selection of the country, companies, the use of annual reports as well as printed media as the source of data, is defended in Chapter 5. The measures and the statistical tools used are also justified in this chapter. Chapter 6 presents the results of the descriptive statistics. The findings of the inferential statistics are then highlighted in Chapter 7. Chapter 8 separately reports the examination of media exposure. Lastly, the implications and the conclusions of this doctorate study, as well as recommendations for future research, are presented in Chapter 9.

CHAPTER 2: LABOUR PRACTICES AND DECENT WORK ISSUES IN INDONESIA

2.1. Overview

The first chapter presented an overview of this thesis, research questions were framed and the importance of the study noted. Chapter 2 outlines the demographic characteristics of Indonesia and describes the overall situation of 'labour' in this developing nation. This is followed by a detailed examination on key labour issues. A review of reporting regulations, especially those concerning Labour Practices and Decent Work Disclosures (LPDWD) practices, in an Indonesian context is then provided.

2.2. Demography and Conditions of Labour in Indonesia

Indonesia is a developing nation in Southeast Asia, situated between the Indian and Pacific Oceans. This country is an archipelago consisting of 17,508 islands in a 1.91 million km^2 area and surrounded by Malaysia, Singapore, the Philippines, Papua New Guinea, East Timor, and Australia (CIA 2010). The estimated population of Indonesia is 242,968,342[11] with about 300 different native ethnic groups (CIA 2010). The largest group is the Javanese (41%) who are culturally and politically dominant (Adnan and Nankervis 2003; CIA 2010). All these different groups have different local languages and dialects and therefore, to be able to communicate between groups, they use a common national language namely Bahasa Indonesia (Adnan and Nankervis 2003; CIA 2010).

Like other Asian countries, Indonesia was badly affected by the 1997 monetary crisis (Bennington and Habir 2003)[12]. At that time, its currency against the U.S. dollar suddenly dropped from around 2,000 Rupiah to about 14,000 Rupiah and the economy shrank by 13.7% (Nanto 1998; Schuler 1999). This resulted in

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[11] Due to its large population, Indonesia is known as the world's fourth most populous country (Bennington and Habir 2003; Wikipedia 2009).

[12] Another financial crisis occurred globally in 2007/2008. The world stock market suddenly dropped and huge financial institutions such as Lehman Brothers collapsed (Akira 2009; Shah 2009). This started with the subprime mortgage problem in the U.S. (Akira 2009). This thesis, however, does not address the impact of this crisis as this thesis' sample data set is for the 2007 calendar year. In the context of CSR reporting in Indonesia, 2007 is considered as a critical year following the issuance of CSR-related regulations by the Indonesian government in 2006 and 2007. Further discussions on the 2007/2008 global financial crisis are addressed in Chapter 5.

serious economic, social, and political problems. By the end of 1998, for example, the number of people below the poverty line increased to 95.8 million, which is approximately 48% of the 1998 total population (Harsono 1999). Subsequently, these problems have been compounded by catastrophic natural disasters including the 2004 Tsunami in Aceh and North Sumatra, the 2009 earthquake in Padang, and the 2010 Tsunami in Mentawai, killing more than 110,000, 400, and 108 people respectively (Hagiwara and Sugiyarto 2005; Cahaya, Porter, and Brown 2006; Febrianti 2009; The Jakarta Post 2010).

Recovery efforts of the monetary crisis as well as the economic, social, and political problems have been made but are very slow (Cahaya, Porter, and Brown 2006). As stated by Hill and Shiraishi (2007), the efforts are even slower than those in other countries such as Thailand and South Korea and are considered extremely complex. The complexity was particularly relevant to the recovery efforts from the Aceh and North Sumatra tsunami and existed due to political instability in Indonesia at that time which occurred as a consequence of the transition from centralized authoritarianism in the Soeharto era to a decentralized democracy in post-Soeharto era. Berger (2008) argues that Soeharto, Indonesia's second president, led a dictatorial government for 32 years and has been considered one of the most brutal and corrupt regimes in the world during the 20th century. Soeharto finally stepped down on 21 May 1998 after chaotic university student demonstrations and widespread riots in several large Indonesian cities such as Jakarta and Yogyakarta. Five hundred student protesters died during those demonstrations (Berger 2008).

Vice president B.J. Habibie served as the Indonesian president immediately after Soeharto's resignation in accordance with the Indonesian Constitution. This era is termed as post-Soeharto and is generally known as the "Reformation Era" (see McCarthy and Warren 2009). During this period, the government, particularly the president, relaxed its political control over the parliament, the election, local governments, and other politically related aspects. McCarthy and Warren (2009), for example, note that the parliamentary and the direct presidential elections after the fall of Soeharto could be considered fair and free from the government's intervention.

The start of the reformation era in 1998, however, can also be seen as the start of political instability in this developing nation. This is because the Indonesian society was not used to living in a democratically political environment. Between 1998 and 2004, three presidents came and went (Hill and Shiraishi 2007). They were B.J. Habibie (1998-1999), Abdurrahman Wahid (1999-2001), and Megawati Sukarno Putri (2001-2004). Until the time of writing this thesis, three general elections have been conducted (1999, 2004, and 2009) with a direct presidential election approach in the last two. The current president of Indonesia is Susilo Bambang Yudhoyono who won both the 2004 and 2009 presidential elections (see Hill and Shiraishi 2007; CIA 2010).

A decade has passed since the 1997 monetary crisis but Indonesia has not fully recovered (Adiningsih, Rahutami, Anwar, Wijaya, and Wardani 2008; Wuisang 2009). As reported in the *Economist* (October 7, 2006), the Gross Domestic Product (GDP), the basic economy's economic performance indicator, has improved, exceeding 5% in both 2004 and 2005. However, this rate then started decreasing in 2007 to 4.91% following the beginning of the 2007/2008 GFC (International Monetary Fund 2009). This highlights that 2007 is a key time period of another great uncertainty after the 1997 Asian monetary crisis. Such an unstable condition of course causes difficulties in overcoming endemic problems such as unemployment and poverty levels (see World Bank 2006). In 2007, for example, approximately 17% of the total population still lived below the poverty line and the unemployment rate was about 10% (World Bank 2006; Badan Pusat Statistik 2009). While a vast improvement over the estimated 48% living below the poverty line in 1998, the employment percentage remains much lower than the percentages in other countries in Southeast Asia such as Singapore (98%) and Malaysia (96%) (CIA 2008)[13].

The employed labour force in Indonesia works in nine main industries (Badan Pusat Statistik 2009). Most workers (about 41%) are employed in agriculture, forestry, hunting and fishery industries (Badan Pusat Statistik 2009). The detailed

[13] This thesis uses 2007 unemployment percentage figures in order to best illustrate the labor-related conditions in Indonesia within the year of the examined annual reports. As such, the demographic numbers and percentages in Table 2.1 are not updated to those in more recent years such as 2009 or 2010.

breakdown of the labour force working within each of the nine industries is presented in Table 2.1.

Table 2.1: Labour Force by Main Industry in Indonesia

Main Industry	Number of Workers	Percentage
Agriculture, forestry, hunting and fishery	41,206,474	41.23%
Mining and quarrying	994,614	1.00%
Manufacturing industry	12,368,729	12.38%
Electricity, gas, and water	174,884	0.17%
Construction	5,252,581	5.26%
Wholesale trade, retail trade, restaurants and hotels	20,554,650	20.57%
Transportation, storage and communications	5,958,811	5.96%
Financing, insurance, real estate and business services	1,399,940	1.40%
Community, social and personal services	12,019,984	12.03%
Total	**99,930,667**	**100%**

Source: Badan Pusat Statistik (2009) as in August 2007.

Although Indonesia has complex political, economic, and social problems, it is important to note that some significant improvements, particularly in the freedom to express ideas and disagreements, have occurred since the fall of Soeharto. For example, under *Act No. 13/2003*, which regulates manpower issues in Indonesia, workers are now allowed to protest or express their opinions and establish independent labour unions (Manning and Roesad 2007; Bennington and Habir 2003). Previously, in the Soeharto era, the existence of labour unions was prohibited and many workers who protested this prohibition or demanded better welfare were usually jailed, or mysteriously disappeared and were thought to have been killed (Woodward 1996)[14].

According to Manning and Roesad (2007), the Ministry of Manpower in the post-Soeharto government is more serious in addressing Indonesian labour issues. This

14 As stated previously in this section, the Soeharto's government is considered one of the most brutal regimes in the world. One example of this brutality is the case of Marsinah. It is widely believed that Marsinah, a worker activist employed by a watch manufacturing company in East Java, was killed in May 1993 due to her role in leading workers to protest against the factory management's policies, demanding better payment (Casey 2002). It was alleged the military was involved in her murder (Casey 2002). At the time of writing this thesis, the killers have not been identified and the case remains a mystery (see La Botz 2001; Casey 2002). This case has been considered by the International Labour Organization as one of the world's tragic labour cases and noted as Case No. 1713 (Rohadian, Marsudi, and Santos 2000).

focus may result in more pressure on companies in Indonesia to comply with manpower-related regulations (Manning and Roesad 2007). This is evidenced by the issuance of *Act No. 13/2003* whose contents, at least to some extent, benefit workers' interest[15] (Manning and Roesad 2007; Ford 2009). Under this Act, for example, freedom of trade unions is now formally guaranteed (Article 104). The rates of severance pay have also increased for workers with three or more years of service (Article 156). Employee training programs must be provided (Articles 11 and 12), and minimum wages must now be set at provincial and district levels and must be reviewed annually so that they can meet the 'decent' standard of living in each province (Articles 88 to 98). Given that some critical aspects related to how companies must socially behave to their workers have been addressed in the current government regulations[16], it can be said that companies are now expected to be socially responsible to their workers.

From the above discussion, it can be inferred that, on the surface, the attention of the Indonesian government on labour is improving conditions for workers. However, in practice, there remain any number of major issues confronting workers. For example, workers are often employed without any clear contracts, required to work very long hours without enough pay, or fired without any clear reasons (White 1990; Sprague 2009). It appears that there are gaps within the government's regulation, or the enforcement of that regulation is weak (see Manning and Roesad 2007). The following section examines in detail the problems of labour conditions in Indonesia and highlights the need to investigate how Indonesian companies address labour problems in their annual reports.

2.3. Key Contemporary Labour Problems in Indonesia

This thesis considers six key Indonesian labour issues identified in the literature as problematic (Bennington and Habir 2003; Markkanen 2004; Surbakti, Suharno,

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[15] According to Manning and Roesad (2007), certain articles in *Act No. 13/2003* have contributed to the significant increase in the Indonesian companies' wage costs.

[16] Before the issuance of *Act No. 13/2003*, labour related issues were governed in *Act No. 1/1951* and *Act No. 14/1969*. These acts, however, only contained basic protection for workers (e.g. hours of work) and broad principles guiding employment, health and safety norms and labour protection (Manning and Roesad 2007). These acts completely ignored other critical labour issues such as employee training programs and freedom of labour unions.

Noerdin, and Aripurnami 2005; Setiawan 2006; APINDO 2008; Damayanti 2008; Indonesia Labour Foundation 2008; Ford 2009). These include:

- compensation
- contract employment
- distinctive gap in the power relationship between companies and their workers
- occupational health and safety
- workers' competence
- gender discrimination

All six issues correspond to the five GRI Labour Practices and Decent Work disclosure categories used as the disclosure benchmark in this thesis, which are *Employment*, *Labour/Management Relations*, *Occupational Health and Safety*, *Training and Education*, and *Diversity and Equal Opportunity* (see Appendix A for full details of the GRI checklist). The following sub-sections examine these six key issues in detail, as well as highlighting the relevance of using GRI LPDWD indicators in an Indonesian context. Further justification on the use of GRI as the disclosure index checklist in this thesis is also presented in Chapter 5.

2.3.1. Compensation

The GRI acknowledges the issue of compensation under the category of *Employment* with a specific key indicator within the category of *Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations* (see Appendix A).

There are two main compensation issues faced by Indonesia's labour market. The first problem is the very low minimum wage level. It does not cover an individual person's living cost (Setiawan 2006; Nankervis and Chatterjee 2003; Hadiz 1993). This minimum wage level, which differs somewhat across provinces in Indonesia, is lower than in other Asian countries such as Thailand and the Philippines[17] (International Labour Organization 2008).

[17] The monthly minimum wage level in Daerah Khusus Ibukota (DKI) Jakarta in 2007, for example, was 900,560 Rupiah whereas the monthly minimum standard living cost for a person in that province was 991,988 Rupiah (Setiawan 2006).

Moreover, employers still sometimes pay less than the amount of wages required by the government (Bennington and Habir 2003). Their stated reason is that they cannot afford the cost of those wages (*Buruh kecewa ditolak Disnaker bahas UMK* 2009). Lack of education or knowledge is also cited as a reason with many Indonesian managers simply not knowing what they are required to do in dealing with wage issues (Bennington and Habir 2003). These very low payments adversely affect the workers and their families, placing workers in a dilemma. They need jobs to earn money, but the amount of money they earn is often not sufficient to cover their living costs. Therefore, in Indonesia, strikes by workers as a protest against unfair payments often occur[18]. As argued by Sprague (2009), strike action is the best way for workers in this developing country to fight against employer exploitation.

The second problem related to compensation is the huge difference between the lowest and highest paid employees in Indonesian companies (see Bennington and Habir 2003). According to Rohdewohld (1995), in the private sector, the difference ranges from about 1:20 to 1:150. In other words, there are very highly paid and very lowly paid employees. This dramatic inequality causes a gap between the highest positioned employee and the lowest positioned employee. This problem is addressed in more detail in sub-section 2.3.3.

2.3.2. Contract Employment

The issue of contract employment is addressed within the GRI category of *Employment* through the sub-category or indicator of *Total workforce by employment type, employment contract, and region* (see Appendix A).

There are two types of employment in Indonesia (Surowidjojo 1999). The first type is a fixed period employment which requires a written contract and the second type is permanent employment. Fixed period employment has become more popular in the last few years and can be seen as part of the current global business phenomenon (APINDO 2008; Ford 2009). However, fixed contracts

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[18] In early 2009, for instance, a strike by the cigarette workers of PT Cakra Guna Cipta in East Java occurred (Sprague 2009). They demanded the company pay their monthly wages in accordance with the regional minimum wage set by the government (Sprague 2009).

have exacerbated the compensation issues as employers recruit fixed period workers to particularly minimize costs as such workers do not receive pension pay and other social protection (*Upah buruh industri merosot* 2009). In addition, employers do not have a long term social responsibility to contracted workers as their employment will terminate at a certain point of time.

Recruitment for a fixed period worker is legally supported by the government through *Act No. 13/2003*[19] (Manning and Roesad 2007). Through this legislative support, the government expects continuous growth in the business sector which can further improve the Indonesian economy (see APINDO 2008). Because of cost reduction considerations and the present government's support, many companies now use contracted workers. According to the President of the Indonesian Metal Worker Federation (FSPMI), Said Iqbal, manufacturing companies such as textile and electronic companies recently have greatly increased their contract workers, with the proportion of almost 80% of total employees within the companies (*Upah buruh industri merosot* 2009).

From a cost consideration, contracted work looks attractive to employers. However, such an employment type is not welcomed by most workers (APINDO 2008) as fixed period employment has many disadvantages which negatively impact on them. The disadvantages include no job future certainty, no social protection, no health and safety assurance, no gratuities for fired workers, no pension payments, and no other welfare allowance (APINDO 2008). On World Labour Day, 1 May 2007, workers in Indonesia reacted by conducting a large demonstration demanding the government completely remove the contract employment system from *Act No. 13/2003* (APINDO 2008). They state that such a system significantly weakens their bargaining position at work (APINDO 2008).

Despite these pressures, the Indonesian government has still not made revisions to the legislation as the use of contract employment is seen as an alternative way to support the Indonesian business growth, particularly through the reduction of labour costs (see APINDO 2008). The government believes that a reduction in

[19] *Act No. 13/2003* is the Indonesian government act which regulates manpower issues.

labour costs will attract foreign investment in Indonesian businesses and thus, as discussed previously in this section, the national economy can be improved (APINDO 2008). The government decided to postpone any revisions of the act until the end of the 2009 general election (APINDO 2008). As of October 2011, the revision of the Act is still being discussed and preliminarily processed by the government through its Ministry of Manpower and Transmigration and the People's Representative Council (see Pikiran Rakyat 2010; Sari 2010; Kementerian Tenaga Kerja dan Transmigrasi Republik Indonesia 2011). From the workers' viewpoint, the problem of the use of contract employment therefore still exists.

2.3.3. Distinctive Gap in the Power Relationship between Companies and Their Workers

The issue of a distinctive gap in the power relationship between companies and their workers falls under the GRI category of *Labour/Management Relations*. The indicators or items within this category are:

- *Percentage of employees covered by collective bargaining agreements*, and,
- *Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements* (see Appendix A).

As discussed previously in Chapter 1 and sub-section 2.3.1, there is a distinctive gap in the power relationship between Indonesian companies and their workers (see Indonesia Labour Foundation 2008). As in many other developing countries, this gap is potentially caused by the culturally hierarchical style of superior and subordinate relationships (Adnan and Nankervis 2003). In such a style, people are given different levels of power and manifest in a top/down management structure (Adnan and Nankervis 2003). All workers at lower levels are expected to follow the decisions from the top unquestioningly, particularly on major issues such as those involving spending money (Adnan and Nankervis 2003).

The above condition is compounded by the huge differential in the amount of salary between employees in high and low level positions (see again sub-section 2.3.1). In the Indonesian finance industry, for example, the minimum salary for an accounts clerk is 2,000,000 Rupiah/month whereas the minimum salary for a finance manager is twenty times higher at 20,000,000 Rupiah/month (Kelly Services 2009). If there is an increase in salary, employees in high level positions usually also receive a higher percentage increase than employees in low levels do. In PT Bank UOB Buana Tbk, for instance, high level employees received a salary increase as much as 6% whereas low level employees received an increase amounting to only 1% (*Kesenjangan upah, pemicu perselisihan di Bank UOB Buana* 2009). These gaps of course place workers in a far weaker position *vis a vis* the companies (Indonesia Labour Foundation 2008).

The above gap potentially becomes a barrier to the successful ongoing operations of companies. It can create conflict and disharmony between the management and workers, resulting in reduced productivity (Mangkuprawira 2007). If workers feel they are working under 'unfair' pressure, their performance will be sub-optimal (see Sirota, Mischkind, and Meltzer 2005; Chi and Gursoy 2009). Although such problems may not be completely avoidable, there are strategies that can minimize the possibility of such conflict within Indonesian companies. According to Mangkuprawira (2007), managers should carefully manage their relationship with the workers by considering the individual purposes and the needs of the workers. A good CSR system focusing on employees can also help reduce the possibility of conflicts (see Johnston 2001). This is particularly where bargaining agreements come into play, enabling better communication between managers and workers so that information such as operational changes within the companies allow workers to be better informed.

2.3.4. Occupational Health and Safety

The GRI addresses the issue of workers' health and safety in a stand alone category of *Occupational Health and Safety*. This category has four indicators. These indicators are:

- *Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs*,

- *Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region,*
- *Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases*, and,
- *Health and safety topics covered in formal agreements with trade unions* (see Appendix A).

In developing countries such as Indonesia, occupational health and safety protection is often ignored by both employers and employees (Markkanen 2004). There are four possible reasons for this (Markkanen 2004; *Kesehatan dan keselamatan kerja* 2006). Firstly, companies cannot afford the cost of buying safety protection tools such as ear protection devices. Secondly, employers simply do not realize the importance of their workers' health and safety. Thirdly, employers do not provide sufficient health and safety training. Lastly, employees themselves generally do not have high levels of education.

The number of accidents during work in this developing country is very high. In 2007, for instance, 65,000 known accidents occurred at Indonesian workplaces (Damayanti 2008). This is approximately four times higher than the number of work-related accidents in developed countries in which occupational health and safety programs by companies are generally well established (see Markkanen 2004). Health and safety problems result in diseases, injuries or even deaths due to a lack of knowledge in operating machines, lack of vehicle maintenance, pesticide-related and other chemical poisons, working without protective clothes and helmets, and gas explosions (Markkanen 2004). These mostly occur in five of the nine industry classification (agriculture, forestry and fishery, mining, manufacturing, transportation, and construction industries) and cause an estimated 40,000 billion to 50,000 billion Rupiah loss[20] (Suprapto 2010). Given the high number of accidents and that the majority of workers (more than 60%, see again Table 2.1) are employed within the aforementioned industries, it is logical to

[20] In the context of this thesis' data analysis, these industry types are categorized as high profile industries. Detailed explanations of the high-low profile industry classification are presented in Chapter 5.

argue that health and safety issues are one of Indonesia's key labour problems and worthy of study.

Under *Act No. 13/2003*, the government clearly requires companies to provide occupational health and safety programs (Pemerintah Republik Indonesia 2003). The International Labour Organization (ILO) strongly argues that occupational health and safety is one of the basic human rights (Markkanen 2004). As such, whatever the condition of a country is, whether or not it is suffering from a financial crisis, this right should always be protected. ILO further states that companies should not solely consider profits and ignore their workers' health and safety (Markkanen 2004) as such actions are considered inappropriate corporate behaviour. Companies in Indonesia should therefore be responsible in managing health and safety issues and (most cogent from this thesis' focus) communicating this responsibility in their annual reports.

2.3.5. Workers' Skill Levels and Competence

The issue of workers' competence is acknowledged within the GRI category of *Training and Education*. All indicators within this category are related to workers' competence. The indicators are:

- *Average hours of training per year per employee by employee category*,
- *Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings*, and,
- *Percentage of employees receiving regular performance and career development reviews* (see Appendix A).

Indonesia is well known for its low level of skilled workers with about 20%[21] of permanent full time employees in the formal private sector considered unskilled (Bennington and Habir 2003; Nankervis and Chatterjee 2003; Enterprise Surveys 2010). In an international context, this developing country's human development level is ranked 110th by the United Nations Development Programme (UNDP),

[21] The percentage is based on the current results of a survey by Enterprise Surveys in 2009. Enterprise Surveys is a research unit of the World Bank which specifically deals and provides the world's most comprehensive firm-level data in developing countries (Enterprise Surveys 2010).

which is lower than close neighbours such as Malaysia and Thailand[22] (see United Nations Development Programme 2009). The managerial skills of managers are also rated poorly (Nankervis and Chatterjee 2003; Patung 2007). Both the government and corporations are considered responsible for solving these critical problems. For the government, responsibility includes the issuance of regulations for companies to improve their workers' skill through good training programs and professional recruitment and promotions. For corporations, responsibility includes implementation of the government's regulations and, if possible, voluntary and innovative provisions of training programs at a level which is higher than the minimum required by the government. Through the improvement of workers' skills, companies can produce better products and subsequently win a bigger share of the market.

The Indonesian government has been addressing worker competency issues through its regulations. Under *Act No. 13/2003*, for example, employers are required to improve their worker's competence through training programs (Pemerintah Republik Indonesia 2003). The stated purpose of such improvement is to further enhance workers' ability, productivity, and, importantly, welfare. Each worker has the right to participate in any training programs relevant to his or her job. In addition, more recently, the Indonesian Ministry of Manpower and Transmigration also released its programs concerning the general development of Indonesian workers and specifically on employee quality and productivity (Kementerian Tenaga Kerja dan Transmigrasi Republik Indonesia 2008). The programs include the development of work competence standards and certification systems for trained workers, establishments of competence-based training programs within companies, improvement of trainers' professionalism, and improvement of training facilities (Kementerian Tenaga Kerja dan Transmigrasi Republik Indonesia 2008).

The quality of enforcement of the above regulations is still an open question. This is because many authors argue that regulatory enforcement in Indonesia is weak (see Bennington and Habir 2003; Setyadi, Rusmin, Brown, and Tower 2007;

[22] The human development levels of Malaysia and Thailand are higher than that of Indonesia. They are ranked 66th and 86th respectively (United Nations Development Programme 2009).

Rusmin and Brown 2008; Waagstein 2011). Statistical data, however, does show an improvement of human resource development in Indonesia. Enterprise Surveys notes that the percentage of unskilled permanent full time workers in the Indonesian private sector decreased from about 45% in 2003 to 20% in 2009 (Enterprise Surveys 2010). Indonesian companies also tend to have improved the level of disclosures on training program information (see Cahaya, Porter, and Brown 2006; Cahaya, Porter, Tower, and Brown 2011b). It is unclear whether Indonesian companies do so for compliance reasons or simply for a competitive advantage. Whatever the motivation is, however, it is acknowledged that corporations and the government have started to address the issue of Indonesian workers' competence.

Other key issues relating to workers' competence are unprofessional recruitment and career review practices. According to Adnan and Nankervis (2003), recruitment and career reviews of workers are commonly decided and acted upon based on family and colleague relationship considerations, not on their competence. This is arguably a part of the Indonesian political landscape namely KKN[23], which is an abbreviation of *korupsi*, *kolusi*, and *nepotisme* (corruption, collusion, and nepotism) (see Adnan and Nankervis 2003). Although KKN practices mostly occur in the public sector, it should be acknowledged that, in some cases, such practices also occur in the private sector (see Adnan and Nankervis 2003; Bennington and Habir 2003). An employee in a company, for example, may approach the decision maker in the promotion area through a memo from an influential person within that company. The influential person is usually a family member of the employee. Some employees can also try to bribe either the influential person or the promotion official, or both (Adnan and Nankervis 2003). These practices potentially result in higher training costs as companies must provide training classes for those who have been recruited or promoted based on

[23] The abbreviation, KKN, was initially used by the reform groups to describe the characteristics of the Soeharto regime (see Adnan and Nankervis 2003). This abbreviation is now well known and is still used even after the fall of Soeharto. This is because corruption, collusion, and nepotism practices still occur in this emerging country. A recent survey in 2009 by Transparency International, a global organization leading the fight against corruption, shows that corruption in Indonesian public sector, the sector in which corruption mostly occurs, is perceived as one of the highest across 180 surveyed countries in the world (see Transparency International 2009).

KKN and actually do not have the relevant capability to perform competently in their new positions. Such uneconomic practices make the human resource management role within an Indonesian company more complicated.

2.3.6. Gender Discrimination

The issue of gender discrimination is addressed within the GRI under the category of *Diversity and Equal Opportunit*y. All of the indicators within this category relate to the disclosure of gender diversity issues. The indicators are:

- C*omposition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity*, and,
- *Ratio of basic salary of men to women by employee category* (see Appendix A).

Under *Act No. 13/2003*, employers are required by the government to give equal treatment and opportunity to their workers (Pemerintah Republik Indonesia 2003). In practice, however, gender discrimination at work still occurs (Bennington and Habir 2003). Female workers, for instance, receive lower wages than male workers (Cukier, Norris, and Wall 1996; Bennington and Habir 2003). A study by Surbakti et al. (2005) shows that the amount of wages received by Indonesian women, on average, is only 75% of the amount received by men. Such discrimination is especially problematic in the manufacturing sector (Bennington and Habir 2003).

Apart from this, female workers are often contracted by employers as day contract employees, not as permanent employees (Bennington and Habir 2003). This is because employers want to avoid providing maternity leave and any other child-care related benefits. The condition is even worse when women are treated as sub-contracted workers (Surbakti et al. 2005). In the small scale textile industry, for example, women's wages depend on the weaves they produce. If there are no orders, there will be no income for the workers. The worst affected by such a contract are those women who become the main breadwinners[24] of their families (Surbakti et al. 2005).

Indonesian employers may be ignoring the equality-related regulation. As argued in previous sections, this is a problem of poor regulatory enforcement. Surbakti et al. (2005) argue that gender equality in Indonesia is difficult to achieve. Some companies may be more professional in treating their male and female workers equally because they adopt a western management system or simply recruit highly-educated female workers (see Irwanto and Prabowo 2009). However, it seems more likely that many Indonesian companies do discriminate against their female employees. This is evidenced with the involvement of women in the manufacturing sector, an industry in which female workers generally receive far lower wages compared to their male counterparts (see Warouw 2008). Disclosures on gender equality issues in Indonesian companies' annual reports are thus critically important to garner a clearer picture concerning how companies deal with their female workers.

In summary, workers in Indonesia face a myriad of complex problems. Some of the problems are negatively impacted by the lack of completeness and lack of enforcement of government regulations. There are also low compensation rates and an overuse of benefit-stripping employment contracts. Other important problems include occupational health and safety, workers' competence, and gender discrimination. Potentially, these concerns can be addressed by the government in requiring employers to provide health and safety protection, good training programs, and equal treatment between male and female workers. However, the enforcement of safety and gender equality regulations remains weak (Damayanti 2008; Warouw 2008). Another major problem, the distinctive salary gap between workers, is more likely caused by the hierarchical culture of Indonesia. This is also not well addressed within the Indonesian government regulations.

[24] There is a perception that women in Indonesia work in a type of subsidiary fashion for their family income, or in other words, supporting the income earned by their husbands (Surbakti et al. 2005). A husband is deemed as the main breadwinner of the family and a wife is responsible for domestic work (Hermawati 2007). However, not infrequently, a woman can also be the primary breadwinner of the family because she has become a single parent or her husband's income is very low.

Having presented the Indonesian key labour issues and discussed the government actions addressing those issues, the following section specifically examines reporting-related regulations, including the Indonesian accounting standards, to determine what components of Labour Practices and Decent Work Disclosure practices in Indonesia are mandatory or voluntary.

2.4. Labour Disclosure Practices

Companies in Indonesia are governed by the Company Act, which is *Act No. 40/2007* (Pemerintah Republik Indonesia 2007). Under this Act, all companies, whether listed or not, are required to provide annual reports and financial statements in accordance with Indonesian accounting standards. The Indonesian accounting standards mentioned in *Act No. 40/2007* are the *Pernyataan Standar Akuntansi Keuangan* (Statement of Financial Accounting Standards) or PSAK (IAIGlobal 2010). The Act itself does not have specific requirements for companies to provide LPDWD in the annual reports but, as previously discussed in Chapter 1, *Act No. 40/2007* does require companies to provide information about their CSR performance.

PSAK is developed by the Indonesian Institute of Accountants (IAI) through its Financial Accounting Standard Board (*Dewan Standar Akuntansi Keuangan* or DSAK) The first accounting standard was named *Prinsip Akuntansi Indonesia* (PAI) and issued in 1973. This standard was developed based on the U.S. Generally Accepted Accounting Principles (GAAP) (Perera and Baydoun 2007).

PAI, however, only addressed accounting issues in general terms (Rosser 1999). Even in its revised 1984 version, it still did not focus on accounting practices in specific industries such as insurance and banking. There were strong pressures in Indonesia to replace PAI with more comprehensive and robust accounting standards in the early 1990s (Chariri 2009). The pressures arose particularly due to a series of reporting scandals in some Indonesian companies such as Bank Duta[25] (early 1990) and Plaza Indonesia Realty (mid 1992), showing that the

[25] The Bank Duta scandal was the most serious Indonesian reporting issue in the 1990s (Rosser 1999). This bank did not disclose several hundred million dollars in foreign exchange losses when it went public. There was finally a massive withdrawal of investor funds from the Indonesian

accounting standards used in that time were weak (Chariri 2009). To avoid similar scandals, PAI was finally replaced with a new set of accounting standards namely PSAK in 1994 (Asian Development Bank 2003).

In the same year, it was also decided that the International Accounting Standards (IASs) would be used as the main reference in further developing PSAK. (EStandardsForum 2009). This decision aims to not only strengthen the accounting regulation but also, importantly, to increase the global comparability of financial information reported by Indonesian listed companies. The enforcement of PSAK, however, is still not strong (World Bank 2005; Chariri 2009). As argued by Chariri (2009), commitment to quality financial reporting in Indonesia is essentially determined by companies themselves based on their own ethical culture instead of any government enforcement actions.

2.4.1. Overview of 2007 Changes to Accounting Standards

Since the issuance of PSAK in 1994, IAI states that it has revised the accounting standards six times (IAIGlobal 2010). The most recent version, issued in 2007, has 62 accounting standards and is documented in *Standar Akuntansi Keuangan Per 1 September 2007* (refer Appendix B for a detailed examination of the 2007 changes to PSAK).

The list of the 62 PSAK (as of 31 December 2007) is presented in Table 2.2. PSAK is still being converged with the International Financial Reporting Standards (IFRS) (Ikatan Akuntan Indonesia 2007). On 31 December 2007, only 43.5% PSAKs comply with IFRS (see the shaded areas in Table 2.2 for those which comply with IFRS). Differences exist because some PSAKs were developed based on sources other than IFRS such as the U.S. GAAP (see Osman Ramli Satrio and Rekan 2007). *Dewan Standar Akuntansi keuangan* (DSAK), the Indonesian Financial Accounting Standard Board, is now striving to best revise the existing standards and issuing new ones so that PSAKs will be in line with

capital market immediately after the revelation of Bank Duta's losses, causing a sharp drop in the Jakarta Stock Exchange (JSX) Composite Index. A detailed review and discussion of Bank Duta scandal and other Indonesian reporting scandals in the 1990s can be found in Rosser (1999).

IFRS (EStandardsForum 2009). The international accounting standards will be fully applied in Indonesia on 1 January 2012 (Ikatan Akuntan Indonesia 2009).

Table 2.2: 62 PSAK Standards (As of 31 December 2007)

PSAK	Regulated Issues
PSAK 1	Presentation of Financial Statements
PSAK 2	Cash Flow Statements
PSAK 3	Interim Financial Statements
PSAK 4	Consolidated Financial Statements
PSAK 5	Segment Reporting
PSAK 6	Accounting and Reporting by Development Stage Enterprises
PSAK 7	Related Party Disclosures
PSAK 8	Contingencies and Events Occurring after the Balance Sheet Date
PSAK 10	Transactions in Foreign Currencies
PSAK 11	Translation of Financial Statements in Foreign Currencies
PSAK 12	Financial Reporting of Interest in Jointly Controlled Operations and Assets
PSAK 13	Investment Property
PSAK 14	Inventories
PSAK 15	Accounting for Investments in Associates
PSAK 16	Fixed Assets
PSAK 18	Accounting for Pension Plans
PSAK 19	Intangible Assets
PSAK 21	Accounting for Equity
PSAK 22	Accounting for Business Combinations
PSAK 23	Revenue
PSAK 24	Employee Benefits
PSAK 25	Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies
PSAK 26	Borrowing Costs
PSAK 27	Accounting for Cooperation
PSAK 28	Accounting for Casualty Insurance
PSAK 29	Accounting for Oil and Gas Industry
PSAK 30	Accounting for Leases
PSAK 31	Accounting for Banking Industry
PSAK 32	Accounting for Forestry Industry
PSAK 33	Accounting for Mining Industry
PSAK 34	Accounting for Construction Contracts
PSAK 35	Accounting for Revenues from Telecommunication Services
PSAK 36	Accounting for Life Insurance
PSAK 37	Accounting for Toll Roads
PSAK 38	Accounting for Restructuring under Common Control Entities
PSAK 39	Accounting for Operational Cooperation
PSAK 40	Accounting for Changes in Equity of Subsidiaries/Associates
PSAK 41	Accounting for Warrants
PSAK 42	Accounting for Securities Enterprises
PSAK 43	Accounting for Factoring
PSAK 44	Accounting for Development of Real Estates
PSAK 45	Financial Reporting in Not-for-Profit Organizations

PSAK 46	Accounting for Income Taxes
PSAK 47	Accounting for Land
PSAK 48	Impairment of Assets
PSAK 49	Accounting for Mutual Funds
PSAK 50	Financial Instruments: Presentation and Disclosures
PSAK 51	Accounting for Quasi-Reorganizations
PSAK 52	Accounting for Reporting Currencies
PSAK 53	Accounting for Stock Based Compensation
PSAK 54	Accounting for Troubled Debts and Receivables Restructuring
PSAK 55	Financial Instruments: Recognition and Measurement
PSAK 56	Earning per Share
PSAK 57	Provisions, Contingent Liabilities and Contingent Assets
PSAK 58	Discontinuing Operations
PSAK 59	Accounting for Syariah Banks
PSAK 101	Presentation of Syariah's Financial Statements
PSAK 102	Accounting for Murabahah
PSAK 103	Accounting for Salam
PSAK 104	Accounting for Istishna'
PSAK 105	Accounting for Mudharabah
PSAK 106	Accounting for Musyarakah

Source: (Ikatan Akuntan Indonesia 2007; Osman Ramli Satrio and Rekan 2007). Note: PSAK 9, PSAK 17, and PSAK 20, which are standards for *Disclosures on Current Assets and Short Term Liabilities*, *Depreciation Accounting*; and *Research and Development Costs*, are no longer stand-alone standards. They have now been incorporated within PSAK 1, PSAK 16, and PSAK 19 respectively. The shaded areas in Table 2.2 represent PSAKs which were developed based on IFRS.

It should be noted, however, that there are even some differences between PSAKs in the shaded areas in Table 2.2 and IFRS which are used as the reference (see Osman Ramli Satrio and Rekan 2007). The accounting method in PSAK 22, for example, allows companies to use either the purchase method or the pooling of interest method in a business combination whereas the accounting method in IFRS 3 only allows companies to use the purchase method in a business combination. Another difference is the accounting treatment for income taxes. Under PSAK 46, there is no specific guidance for deferred tax on government grants while, under IAS 12, there is a specific guidance for such a tax. Details of the differences between PSAK and IFRS are available in Osman Ramli Satrio and Rekan (2007).

The most recent update of PSAK revision after 31 December 2007, which does not have any impact on this thesis, includes the issuance of a new standard for entities that are not publicly accountable and revisions as well as withdrawals of certain accounting standards. The revised standards are PSAK1, PSAK 2, PSAK 4, PSAK 5, PSAK 12, PSAK 14, PSAK 15, PSAK 25, PSAK 26; PSAK 48, PSAK 57, and PSAK 58 (IAIGlobal 2010; PricewaterhouseCoopers 2010). These standards dealt with presentation of financial statements; cash flow statements; consolidated financial statements; segment reporting; financial reporting of interest in jointly controlled operations and assets; inventories; accounting for investments and associates; net profit or loss for the period, fundamental errors and changes in accounting policies; borrowing costs; impairment of assets; provisions, contingent liabilities and contingent assets; and, discontinuing operations respectively.

The withdrawn standards are PSAK 31, PSAK 32, PSAK 35, PSAK 37, PSAK 41, PSAK 42, PSAK 43, PSAK 49, and PSAK 54 (IAIGlobal 2010; PricewaterhouseCoopers 2010). These standards dealt with accounting for the banking industry, accounting for forestry industry, accounting for revenues from telecommunication services, accounting for toll roads, accounting for warrants, accounting for securities enterprises, accounting for factoring, accounting for mutual funds, and accounting for troubled debts and receivables restructuring respectively. The aim of the deletion is again to further converge PSAK with IFRS as well as to minimize overlaps between PSAK standards.

2.4.2. Lack of 'Labour Disclosure' Changes in 2007

As identified from Table 2.2 PSAK does have one specific labour-related component for disclosure requirement. The requirement is regulated under PSAK 24, which is a standard for *Employee Benefits* (see again Chapter 1). This requires that information disclosure on any compensation given to employees and benefits provided to full-time employees must be communicated. This disclosure item has been made mandatory since 1994, showing the importance of employee benefit information in an Indonesian context. This is the sole mandatory labour item required to be disclosed under Indonesian law or regulations. In contrast, there are thirteen other labour-related items under the GRI G3 Labour Practices and Decent Work category which are potentially regulated, as outlined in Appendix A.

Table 2.2 also shows that PSAK 18, which is a standard for *Pension Plans* relates to employee benefits. However, this accounting standard actually regulates accounting practices of a retirement benefit plan as a separate reporting entity from the companies whose employees are the members of that plan. This separate reporting entity manages the pension funds of those employees. In other words, the pension fund managing entity actually acts as the third party in an employee benefit relationship between employers and workers. Therefore, it can be said that there are actually no specific requirements in PSAK 18 for companies to communicate their labour-related CSR disclosures of pension plans. Given that the majority of labour-related disclosure items are not regulated, it can be said that LPDWD practices in an Indonesian context is esentially voluntary.

2.4.3. Other Regulatory Mechanisms in Indonesia

In addition to *Act No. 40/2007* and PSAK, there is another regulatory body which must be complied with by listed companies and financial institutions. BAPEPAM-LK (Badan Pengawas Pasar Modal dan Lembaga Keuangan) is the regulatory body concerning capital market matters, including listed companies, in Indonesia. It is a government agency which is responsible to the Minister of Finance (Badan Pengawas Pasar Modal dan Lembaga Keuangan 2008). BAPEPAM-LK was established in 1976, one year before the re-activation of the Indonesian capital market[26].

The initial functions of BAPEPAM-LK were to evaluate whether companies who sell their shares through the capital market complied with the requirements and were sound and fit, organized an effective and efficient capital markets, and continuously supervised the development of Indonesian listed companies (Badan Pengawas Pasar Modal dan Lembaga Keuangan 2008). In 1990, the Indonesian government eliminated the capital market organizer function of BAPEPAM-LK so that it could focus on the supervisory function. The supervisory function of BAPEPAM-LK was then expanded in 2005 to also include all financial institutions in Indonesia. The current functions of BAPEPAM-LK therefore include:

[26] The Indonesian capital market actually has operated since 1912 in Jakarta under Dutch colonialism (Badan Pengawas Pasar Modal dan Lembaga Keuangan 2008). This capital market developed fast and therefore it attracted the interest of societies in other cities. Two stock exchanges were then established in Surabaya and Semarang in 1925. However, these three capital markets were closed in 1940 due to the second world war and re-activated in 1975 (Badan Pengawas Pasar Modal dan Lembaga Keuangan 2008).

- developing, issuing, and enforcing capital market regulations,
- supervising listed companies, financial institutions, and all other institutions operating in a capital market,
- dealing with appeals from parties sanctioned by Indonesian stock exchange,
- determining accounting requirements and reporting practices in a capital market,
- preparing policies for financial institutions,
- issuing standards, norms, criteria guidelines, and procedures for financial institutions, and
- supervising as well as evaluating the performance of financial institutions (Badan Pengawas Pasar Modal dan Lembaga Keuangan 2008).

Under BAPEPAM-LK's regulation, Indonesian listed companies are required to disclose any CSR activities in their annual reports (Badan Pengawas Pasar Modal dan Lembaga Keuangan 2006). They are also required to report how they develop their employees' competence (Badan Pengawas Pasar Modal dan Lembaga Keuangan 2008). However, that regulation does not detail what specific CSR disclosure items must be communicated or what specific GRI LPDWD item (whether *the Description of training programs*, *the Average hour provision of training*, or *the Percentage of employees receiving regular performance and career development review*) must be reported to explain the development of employees' competence.

In summary, there are three sources of regulation affecting the disclosure practices of IDX listed company. These are *Act No. 40/2007* (Requirements for all companies to provide annual reports and financial statements in accordance with PSAK as well as requirements for limited liability companies to provide information regarding their CSR performance), PSAK (specific accounting standards), and BAPEPAM-LK's regulation. The review of these rules and regulations reveals that there are no specific mandatory LPDWD items in Indonesian reporting practices except for *Employee Benefits* (PSAK). One could argue that disclosure of *Training and Education* is mandatory under BAPEPAM-LK's regulation. However, the specific items of training and education themselves are not clearly delineated in that regulation. Therefore, LPDWD practices in an Indonesian context, which are the focus of this doctorate research, are arguably voluntary.

2.5. Summary

The demographic background, social complexity of Indonesia and a picture of the general condition of labour in this country are presented in this chapter. Six key labour issues are also reviewed. These are compensation, contract employment, distinctive gap in the power relationship between companies and their workers, occupational health and safety, workers' competence, and gender discrimination. The GRI incorporates all of these issues as specific LPDWD items presented in Appendix A under the categories of *Employment*, *Labour/Management Relations*, *Occupational Health and Safety*, *Training and Education*, and *Diversity and Equal Opportunit*y.

Three sources of reporting regulations in Indonesia, *Act No. 40/2007*, PSAK, and BAPEPAM-LK's regulations, are then examined. It is argued that LPDWD practices in this developing nation are essentially voluntary. *Act No. 40/2007* requires Indonesian companies to provide annual reports and to disclose social and environmental information in those annual reports as well as to disseminate financial statements in accordance with PSAK. Neither the Act nor BAPEPAM-LK's regulation has specific requirements on LPDWD. BAPEPAM-LK does have a requirement for companies to disclose CSR activities and how they develop their workers' competence but it does not further explain what specific CSR and competence development issues must be reported.

The only clear requirement in relation to LPDWD is contained in PSAK 24, which is the requirement for companies to disclose information about *Employee Benefits*. This standard requires that information disclosure on any compensation and benefits given to employees must be communicated. This disclosure item has been made mandatory since 1994, showing that employee benefit information is critical in an Indonesian setting. This is the sole mandatory LPDWD item required to be disclosed under Indonesian law or regulations. Thus, with this one exception, LPDWD practices in Indonesia are essentially voluntary. The full list of these voluntary LPDWD disclosures is provided in Appendix A.

The next chapter outlines the paradigm and the theoretical framework of this thesis. The theoretical review includes the examination of theories that have been used in social reporting research. This is followed by a detailed discussion on institutional theory, the approach which is chosen as the underlying theoretical framework in this thesis. The decision to choose this theory is based on the current recommendation by many CSR accounting scholars who argue that theories previously used in CSR accounting research such as legitimacy theory and stakeholder theory fail to fully explain CSR disclosure phenomenon. Therefore, the use of institutional theory is potentially helpful and provides greater insights of CSR reporting practices.

CHAPTER 3: THEORETICAL FRAMEWORK

3.1. Overview

In Chapter 2, an overview of demographic background, social complexity, and the general condition of labour in Indonesia was presented. Indonesian key labour issues and Labour Practices and Decent Work Disclosures (LPDWD) reporting regulations and practices were also examined, noting the voluntary nature of such communication. Chapter 3 focuses on the theoretical framework of this thesis and begins with the discussion of the research paradigm adopted for this thesis. This is followed by an analysis of several major accounting theories used in prior CSR reporting studies. This chapter then discusses institutional theory, which is adopted as the underlying theoretical framework in this thesis. The review includes a detailed examination on the definition and the variants of that theory.

3.2. Research Paradigm

Guba and Lincoln (1994, 105) define a paradigm as “the basic belief system or worldview that guides the investigator, not only choices of method but in ontologically and epistemologically fundamental ways”. It defines “the nature of the world, the individual’s place in it, and the range of possible relationships to that world and its parts” (Guba and Lincoln 1994, 107). In the literature, a researcher often does not state his or her paradigm but the methodology he or she uses implicitly reflects a particular belief or paradigm.

To clearly understand the definition of a paradigm and to examine whether or not it is important to explicitly choose a paradigm, several terms within that definition, namely ontology, epistemology, methodology, and method, need to be explained. These terms are basically assumptions underlying a paradigm (see Burrell and Morgan 1979; Guba and Lincoln 1994; Peile 1994). Ontology refers to assumptions of “the form and nature of reality” (Guba and Lincoln 1994, 108). Epistemology is “the nature of the relationship between” the researcher and the object (Guba and Lincoln 1994, 108). Methodology is the way researchers find out what they believe (Guba and Lincoln 1994) and requires methods to be identified that will be used to analyze the data of the examined phenomenon

(Guba and Lincoln 1994). It can therefore be seen from the definition of a paradigm and the explanation of the related terms that there are structured steps a researcher needs to undertake to explain a phenomenon. These structured steps are also referred to as the research process (see Crotty 1998) and are guided by and dependent on the researcher's paradigm. To best understand and explain a phenomenon, it is therefore argued that a researcher needs to explicitly state his or her paradigm position that he or she believes in.

In social science research, there are five major paradigms: positivism; postpositivism; critical theory and related ideological positions; constructivism; and participatory research (Guba and Lincoln 2005). As research on LPDWD practices is part of accounting research, and accounting itself is a social science (Henderson, Peirson, and Harris 2004), it is considered important to outline the characteristics of the five paradigms in this thesis. Such an overview will be used as the basis for determining the paradigm of this thesis. The outline of the five paradigms and their characteristics is presented in Table 3.1.

Table 3.1: Basic Beliefs of Paradigms and Their Characteristics

Paradigm	Ontology *(How the world is viewed)*	Epistemology *(How knowledge is gained)*	Methodology *(procedures for gaining knowledge)*	Methods *(How data are gathered and analyzed)*
Positivism	Naïve realism - 'real' reality but apprehensible	Dualist/objectivist; findings true	Experimental/manipulative; verification of hypotheses; chiefly quantitative methods	Statistical analysis; sampling; measurement and scaling; data reduction
Postpositivism	Critical realism – "real" reality but only imperfectly and probabilistically apprehensible	Modified dualist/objectivist; critical tradition/community; findings probably true	Modified experimental/manipulative; critical multiplism; falsification of hypotheses; include qualitative methods	Statistical analysis; sampling; measurement and scaling; data reduction; inclusion of qualitative techniques such as oral history
Critical theory *(This includes but is not limited to neo-Marxism, feminism, and materialism)*	Historical realism – virtual reality shaped by social, political, cultural, economic, ethnic, and gender values; crystallized over time	Transactional/subjectivist; value mediated findings	Dialogic/dialectical	Life history; oral history
Constructivism	Relativism – local and specific co-constructed realities	Transactional/subjectivist; co-created findings	Hermeneutical/dialectical	Participant observation; Non-participant observation, visual ethnographic methods, and interpretative methods.
Participatory	Participative reality – subjective-objective reality, cocreated by mind and given cosmos	Critical subjectivity in participatory transaction with cosmos; extended epistemology of experiential, propositional, and practical knowing; cocreated findings	Political participation in collaborative action inquiry, primacy of the practical; use of language grounded in shared experiential context	Observation through an involvement or an engagement within a researched process

Sources: Adapted from Janesick (1994); Heron and Reason (1997); Crotty (1998); Coughlan and Coghlan (2002); and Guba and Lincoln (2005). The shaded row represents the position taken in this thesis.

As can be seen from Table 3.1, positivism views a phenomenon as a 'real' reality. The phenomenon itself is assumed "predictable, knowable, and measurable" (Peile 1994, 21). In addition to this, positivism also sees that behaviours within a phenomenon can be explained and predicted based on a "certainty of sense experience” (Peile 1994, 21). Under positivism, a researcher is independent from the researched object and therefore there are no researcher’s influences on the results of the investigations (Guba and Lincoln 1994).

The above characteristics are different from those within the paradigm of postpositivism. In postpositivism, although the reality of a phenomenon is also seen as real, there is an extent to which the reality cannot be perfectly apprehensible (Guba and Lincoln 1994). This is because “human intellectual mechanisms” are not always perfect and the nature of the phenomenon itself is intractable (Guba and Lincoln 1994, 110). The reality within postpositivism’s perspective is therefore partly constructed by the surrounding social environment (see Crotty 1998). Such a construction shows that the way knowledge is gained in this paradigm is less purely objective than that in positivism.

Unlike positivism and postpositivism, the other three paradigms, namely critical theory, constructivism, and participatory research, do not see any ‘real’ realities within a phenomenon. The reality of a phenomenon is considered totally developed by social, political, cultural, economic, ethnic, gender factors which are crystallized overtime or constructed by the phenomenon’s local and specific nature (Guba and Lincoln 1994; Heron and Reason 1997). To understand a phenomenon, researchers believing any of these three paradigms are interactively linked, involve or interact with a process or an action within that phenomenon (Guba and Lincoln 2005). The results of the research undertaken under any of the three are therefore literally created as the investigation proceeds (Guba and Lincoln 1994; Heron and Reason 1997). This leads to the conclusion that, within critical theory, constructivism and participatory, knowledge is more subjectively gained.

The position adopted in this thesis is that a phenomenon is understandable and true knowledge is best obtained through an objective investigation of physical reality. However, it is believed that the reality of the phenomenon is also constructed by the surrounding social environment. This thesis therefore chooses postpositivism as its research paradigm. Consequently, quantitative and qualitative techniques are used for answering the research question of this thesis.

The main steps of the quantitative technique include: developing theory-based hypotheses; measuring the hypothesized variables; and, empirically testing the hypotheses by using statistical tools. Such hypothesis testing is generally considered as the main characteristic of a quantitative method (Cooper and Schindler 2006). The qualitative technique adopted in this thesis includes an in-depth analysis on published articles in the media. This in-depth analysis aims to explore how a variety of stakeholder groups influence companies to disclose labour-related information.

Having discussed the major paradigms within the area of social science and outlined the choice of the paradigm of this thesis, the following section presents the key components of the theoretical framework. The discussion firstly focuses on the examination of theories that have been used in prior literature for explaining CSR reporting practices. It then focuses on the justification and explanations of the theory adopted in this thesis which is then used as the basis for developing the hypotheses. The reasons for reviewing the theories in the CSR reporting literature, not in the specific literature of labour reporting, are because labour reporting itself is a subset of CSR reporting and, importantly, that reporting area is still under-researched.

3.3. Theoretical Framework

Studies on CSR reporting, including those examining disclosures of labour information, have adopted a variety of theories. These include agency theory, media agenda setting theory, information cost theory, contingency theory, accountability theory, information dynamic theory, political economy theory, stakeholder theory, legitimacy theory, strategic legitimacy theory, and institutional theory. Examples of previous studies using these theories are displayed in Table 3.2, together with a brief description of each of the theories. More detailed discussions on these theories, including the theory adopted in this thesis, are presented in the next two sub-sections.

Table 3.2: Theories Used in CSR Reporting Literature

Theory	Description	Examples of Studies
Agency theory	Explaining voluntary reporting practices in terms of manager (agent) and owner/shareholder (principal) relationships	Ness and Mirza (1991)
Media agenda setting theory*	Viewing media as a powerful factor shaping public awareness and expectation on particular issues and therefore companies use disclosures to address those issues	Brown and Deegan (1998); Deegan and Islam (2009); Islam and Deegan (2010)
Information cost theory	Strictly viewing corporate reporting as a 'product' or a result of cost and benefit assessments by the management	Cormier and Magnan (1999)
Contingency theory**	Explaining voluntary disclosure practices in terms of how organizations respond to the demand of their environment with which they interact and seek to control that environment in order to survive	Brown, Tower, and Taplin (2005)
Accountability theory	Postulating that parties having power of resources are required to explain and justify the use of that power through disclosures of information	Naset et al. (2006)
Information dynamic theory	Focusing on possible information provisions by several sources within a social and business environment and explaining the symbiotic relationships among them	Aerts, Cormier, and Magnan (2008)
Political economy theory	Explaining voluntary reporting practices from the perspectives of both stakeholder theory and legitimacy theory	Williams (1999); Williams and Pei (1999); Purushothaman, Tower, Hancock, and Taplin (2000); Nurhayati, Brown, and Tower (2006)
Stakeholder theory	Postulating that companies disclose information to manage their relationship with influential stakeholder groups or because they assume that all stakeholder groups have the rights to be provided with information	Roberts (1992); Brammer and Pavelin (2004); Cahaya, Porter, and Brown (2006; 2008); Isack and Tan (2008); Suhardjanto, Tower, and Brown (2008a; 2008b)
Legitimacy theory	Explaining voluntary disclosure practices in terms of how companies behave to close a legitimacy gap	Patten (1991); Adams, Hill, and Roberts (1998); Cormier and Gordon (2001); Newson and Deegan (2002); Campbell, Craven, and Shrives (2003); Hamid (2004); Haniffa and Cooke (2005); Basalamah and Jermias (2005); Murthy and Abeysekera (2008); Cuganesan, Guthrie, and Ward (2010)

Strategic legitimacy theory (impression management theory)	Focusing on the way in which organizations manipulate information for gaining societal support	Neu, Warsame, and Pedwell (1998); Adams (2002); Chatterjee and Mir (2008)
Institutional theory	Viewing disclosures as a tool to respond to institutional pressures	Cormier, Magnan, and Van Velthoven (2005); Kolk (2005); Amran and Devi (2007; 2008); Amran and Siti-Nabiha (2009); Amran and Haniffa (2011)

Sources: Adapted from Ness and Mirza (1991); Brown and Deegan (1998); Cormier and Magnan (1999); Brown, Tower, and Taplin (2005); Naser et al. (2006); Aerts, Cormier, and Magnan (2008); Nurhayati, Brown, and Tower (2006); Cahaya, Porter, and Brown (2006); Murthy and Abeysekera (2008); Chatterjee and Mir (2008); and Amran and Devi (2008).
Note: * Media agenda setting theory was jointly examined with legitimacy theory in Brown and Deegan (1998), Deegan and Islam (2009), and Islam and Deegan (2010); **Contingency theory was jointly examined with legitimacy theory and stakeholder theory in Brown, Tower, and Taplin (2005).

3.3.1. Theories Used in Prior Studies

This sub-section reviews the theories displayed in Table 3.2. The purpose of reviewing these theories is to determine the most appropriate theory to be adopted for explaining voluntary LPDWD practices in this thesis. The analysis begins with a description of agency theory, a theory which is at times known as the basic framework of accounting (see Henderson, Peirson, and Harris 2004).

Agency theory explains social disclosure practices in terms of manager (agent) and owner/shareholder (principal) relationships (Henderson, Peirson, and Harris 2004). Within the framework of agency theory, information disclosures serve as a means for reporting the company’s performance to their investors and for attracting potential investors (Hossain, Perera, and Rahman 1995; Henderson, Peirson, and Harris 2004). As such, the focus of the explanation given by agency theory is on a specific stakeholder group such as investors or owners of a company. Agency theory focuses solely on economic arguments in seeking to explain the extent of voluntary disclosures in companies’ annual reports. This thesis argues that agency theory is not sufficient for explaining CSR disclosures, including voluntary LPDWD, because those ‘non-financial’ disclosures are provided for a wider range of stakeholder groups such as creditors, governments, communities, and workers (see Gray, Owen, and Maunders 1987; Christopher

2010; Gray, Owen, and Adams 2010). Arguably, a narrow focus on economic drivers does not well explain such non-financial communication.

Media agenda setting theory sees media exposure as a powerful factor shaping public awareness and expectation on particular issues such as company labour issues (McCombs and Shaw 1972; Ader 1995). When the image or reputation of companies regarding particular issues is negatively exposed in the media, there is a potential negative impact on the ongoing success of the company (Brown and Deegan 1998; Deegan and Islam 2009). Under this theory, companies then respond to that public awareness and expectations by disclosing certain information such as good worker-related CSR information in their annual reports (see Brown and Deegan 1998; Deegan and Islam 2009). The media agenda setting theory is arguably too narrow for explaining voluntary LPDWD practices in this thesis as its emphasis is only on the relationships among companies, media, and the public. Accordingly, this theory is not adopted in this thesis[27].

In contrast, information cost theory strictly views corporate reporting as a result or 'product' of cost and benefit assessments by the management (Cormier and Magnan 1999). Corporate reporting is thus seen as an economic decision (Cormier and Magnan 1999). The costs can include the use of the disclosed information by outside parties such as competitors against the companies' interests (Cormier and Magnan 1999) while the benefits include ongoing support by stakeholders on the companies operations. It is true that managers often consider costs and benefits before undertaking particular practices. However, in the context of contemporary voluntary CSR reporting practices, this theory's assumptions appear too narrow. As CSR reporting has now become a global public concern (see Fraser 2005), there are potentially far more pressures other than cost-benefit considerations motivating companies to disclose CSR information. Pressures from various stakeholder groups and even company competitors are notable examples (see Fraser 2005; Amran and Siti-Nabiha 2009). Arguably, such pressures should not and cannot be ignored. Accordingly, given that information cost theory does not

[27] However, an aspect of media exposure is dealt with in Chapter 8 as a possible factor explaining the variability of LPDWD.

take into account the wider social implications, this thesis does not adopt this theory as the theoretical framework of voluntary LPDWD practices.

Contingency theory explains voluntary disclosure practices in terms of how organizations respond to the demand of their environment in which they interact and seek to control that environment in order to survive (Burrell and Morgan 1979; Thomas 1986). This theory has been criticized because of its deterministic nature (Thomas 1986). Schreyögg (1980) argues that organizations cannot control their environmental situation, which is arguably contrary to contingency theory's basic premise itself. Thomas (1986, 257) argues that contingency theory also suffers from conceptual and methodological problems, such as "lack of clarity in theoretical statements, lack of recognition of the fact that contingency-based arguments produce interactive propositions, and lack of an explicit statement regarding the precise mathematical function of the implied interaction"[28]. All these weaknesses might explain why this theory is not popular in the CSR accounting literature. As such, this theory is not used in this thesis.

Accountability theory postulates that parties having power over resources are required to explain and justify the use of that power through disclosure of information (Burchell, Cooper, and Sherer 1982; Gray, Owen, and Maunders 1987). Usually, such an accountability process is related to some desirable 'normative' properties (Perks 1993). This thesis argues that, if this theory is applied in the private sector's disclosure practices, including LPDWD, it implicitly focuses on how companies provide information to the stakeholder group with the greatest influence over resources, such as the owners or investors. Similar to agency theory, accountability theory is therefore considered by some researchers too narrow in scope and by other researchers as too normative in nature. Accordingly, this thesis does not use an accountability approach to explain voluntary LPDWD practices in an Indonesian setting.

Information dynamic theory is concerned with possible information provisions by several sources within a social and business environment and seeks to explain the

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[28] A more detailed discussion on these conceptual and methodological problems can be found in Schoonhoven (1981).

symbiotic relationships among them (Aerts, Cormier, and Magnan 2008). An example is the symbiotic relationship among voluntary environmental disclosure by companies, forecast information by analysts, and press coverage by the media (Aerts, Cormier, and Magnan 2008). The basis for these symbiotic relationships are cost and benefit considerations that potentially are derived from each party within the examined relationships (Aerts, Cormier, and Magnan 2008). This theory is not as narrow in focus as information cost theory as it also considers the relationships among various potential disclosure providers. This thesis does not adopt information dynamic theory since relationships among different information providers and cost-benefit considerations are not the focus of this thesis.

Several theories come under what is generally termed systems-based theories (Gray, Owen, and Adams 1996; Deegan 2009). These theories include political economy theory, stakeholder theory, legitimacy theory, strategic legitimacy theory, and institutional theory (Gray, Owen, and Adams 1996; Perera 2007; Deegan 2009). Within the framework of system-oriented theories, a company is assumed to be affected by, and in turn to have affects upon, the society in which it operates (Deegan 2009). As such, system-oriented theories focus on the role of information and disclosure in the relationship between companies, the government, individuals and groups, indicating their relevance and appropriateness in explaining CSR reporting phenomenon. Islam and Deegan (2008) argue that these theories have been developed based on a similar philosophical background. It is therefore acknowledged in the literature (see Islam and Deegan 2008; Deegan 2009) that there is much overlap among those theories, as the following examination reveals.

Political economy theory has two variants: 'classical' political economy theory and 'bourgeois' political economy theory (Henderson, Peirson, and Harris 2004). In the literature, the variance which is used for explaining CSR reporting practices is the bourgeois variant (Williams and Pei 1999; Purushothaman et al. 2000; Henderson, Peirson, and Harris 2004). This variant focuses on the interaction between groups in society (Henderson, Peirson, and Harris 2004). Circumstances which can be best explained by the bourgeois tenet can include: when companies have a particularly bad, widely publicized accident about, for example, workers' safety; or, when a particular stakeholder group gains an increased influence over the companies (Gray, Owen, and Adams 1996). As stated by Henderson, Peirson and Harris (2004), bourgeois political economy theory provides the framework for both stakeholder theory and legitimacy theory.

Stakeholder theory explains disclosure practices in terms of company and stakeholder relationships (Henderson, Peirson, and Harris 2004). This theory has two branches, namely an ethical (accountability) branch and a managerial (organization-centered) branch (Harrison and Freeman 1999; Frooman 1999; Guthrie, Petty, Yongvanich, and Ricceri 2004). The ethical branch of stakeholder theory postulates that all stakeholder groups have a right to be provided with information about how a firm affects them, even if they choose not to use that information, and even if they in turn cannot directly affect the firm (Deegan 2009). The managerial branch of stakeholder theory postulates that firms identify important groups of stakeholders and seek to manage each group to benefit the firm through disclosure practices (Abeysekera 2006).

Legitimacy theory explains voluntary disclosure practices in terms of how companies behave to close a legitimacy gap (Henderson, Peirson, and Harris 2004). A legitimacy gap occurs when an entity's value system is not congruent with the value system of the larger social system within which the entity operates (Henderson, Peirson, and Harris 2004). Under legitimacy theory, companies disclose voluntary information, for example regarding labour issues, to legitimize themselves with respect to the community as a whole (Henderson, Peirson, and Harris 2004). According to Perera (2007), legitimacy theory consists of two distinct tenets, the strategic and the institutional. These two tenets can either complementarily or separately explain the legitimization efforts of companies (see Bansal and Roth 2000).

Strategic legitimacy theory "emphasizes the way in which organizations manipulate information in order to garner societal support" (Perera 2007, 94). Under this theory, communication is seen as an easier technique for improving or window-dressing the companies' image in front of the eyes of the public, rather than changing some methods of core operations or goals (Dowling and Pfeffer

1975). Disclosures can therefore be regarded as a symbolic action by companies (see Dowling and Pfeffer 1975; Elsbach 1994). Strategic legitimacy theory, which is also referred to as impression management theory, assumes that information is disclosed because of societal demand (see Perera 2007). Voluntary provisions of LPDWD by companies thus mainly aim to communicate legitimacy messages to relevant audiences (Perera 2007).

Institutional theory posits that society is looking in and forcing conditions for legitimacy (Mobus 2005). Such conditions create institutional pressures on companies to undertake particular practices. Managers therefore potentially disclose information such as labour-related CSR information in order to respond to those pressures (see Milne and Patten 2002; Perera 2007). Under institutional theory, it is assumed that information disclosures are driven by not only societal demand but also other possible sources of demand or pressure (Perera 2007). For example, a subsidiary of a foreign company may provide voluntary LPDWD to be consistent with the parent company's unique labour disclosure policy rather than in response to local community's demand (see Perera 2007). As CSR, including labour-related CSR, is not always driven by societal demand, the institutional tenet is deemed more helpful than the strategic legitimacy tenet in explaining disclosure practices of corporate responsibility (Perera 2007).

It is evident from the social accounting literature that the above system-based theories, particularly legitimacy theory, are the most widely employed by researchers (see Tregidga, Milne, and Kearins 2007; Murthy and Abeysekera 2008; Gray, Owen, and Adams 2010). However, political theory, stakeholder theory, and legitimacy theory have been criticized because of their inability to fully explain the CSR reporting phenomenon (Deegan 2009; Gray, Owen, and Adams 2010). In Cahaya, Porter, and Brown (2008), for example, it is argued that stakeholder theory only provides a partial explanation for CSR reporting practices. Scholars in this area of research now often recommend the use of institutional theory as it potentially provides greater insights of CSR reporting practices (see for example Milne and Patten 2002; Deegan 2009). In addition, as discussed earlier, this theory is considered to be a more helpful and appropriate theory compared to the strategic variant of legitimacy theory. Accordingly, this thesis adopts institutional theory as the underlying theoretical framework explaining LPDWD in Indonesia. A more detailed explanation on institutional theory is presented in Section 3.3.2.

It is also considered important to discuss old and new institutional theories to, firstly, show the development of institutional theory over time, and secondly, to show the version which is currently employed in the current literature and, of course, in this thesis. The older variant of institutional theory was introduced by Philip Selznick and his associates in 1949 (Selznick 1949, 1957; DiMaggio and Powell 1991a) while the newer one was ‘born’ in 1977 by the publication of Meyer and Rowan (1977) (see DiMaggio and Powell 1991a). The latter one is also referred to as contemporary institutional theory (see Scott 1995; Larrinaga-González 2007).

As noted by DiMaggio and Powell (1991a, 12), both approaches have similarities. Firstly, the old and new institutional theories “share skepticism toward rational-actor models of organizations”. The term ‘rational-actor model’ refers to a model in which an organization attempts to maximize the use of its resources to achieve its goal but ignores a number of its surrounding political and societal variables such as the interests of the local community, labour unions, and religious groups (see DiMaggio and Powell 1991a; DiMaggio and Powell 1991b; Friedland and Alford 1991). Secondly, each approach sees “institutionalization as a state-dependent process that makes organization less instrumentally rational by limiting the options they can pursue”. In other words, organizations, in practice, choose to undertake certain actions which are in line with the society’s expectation (this is what is referred to as an institutionalization) in order to obtain social legitimacy. Thirdly, both emphasize the association between organizations and their environments[29]. Fourthly, both approaches “promise to reveal aspects of reality

[29] An environment in this context represents the institutional environment within which an organization operates (see Scott 1991). This system contains components such as the government, the society, competitors, and parent companies which influence and are influenced by the organization’s operation as well as its policies and practices. An organization can survive if it undertakes innovative business practices, obeys rules, and meets the socially defined categories as well as cultures within that environment.

that are inconsistent with organizations' formal accounts"[30]. Lastly, each theory "stresses the role of culture in shaping organizational reality" (DiMaggio and Powell 1991a, 12).

In spite of the above similarities, these two theories are considerably different. According to DiMaggio and Powell (1991a), there are fourteen areas of differences between the two versions. The differences are explained in detail in Table 3.3.

Table 3.3: Differences between Old and New Institutional Theories

Areas of differences	Old	New
Conflict of interest	It is straightforwardly political in its analysis of group conflict and organizational strategy.	It usually downplays conflicts of interest within and between organizations, or else notes how organizations respond to such conflicts by developing highly elaborate administrative structures.
Source of inertia	It emphasizes the vesting of interests within organizations as a result of political tradeoffs and alliances.	It stresses the association between stability and legitimacy and the power of "common understanding that are seldom explicitly articulated" (Zucker 1983, 5).
Structural emphasis	It recognizes informal interaction, illustrating how the informal structure deviates from and constrains aspects of structure and demonstrating the subversion of the organization's intended, rational mission by parochial interests.	It locates irrationality in the formal structure itself, attributing the diffusion of particular departments and operating procedures to inter-organizational influences, conformity, and the persuasiveness of cultural accounts, rather than to the functions they are intended to perform.
Organization embedded in	Local community	Field, sector, or society
Nature of embeddedness	It describes organizations that are embedded in local communities, to which they are tied by the multiple loyalties of personnel and by inter-organizational treaties hammered out in face-to-face interaction.	It focuses instead on nonlocal environments, either organizational sectors or fields roughly coterminous with the boundaries of industries, professions, or national societies. Environments are seen more

[30] An example of this aspect is the recruitment of unskilled workers from the local community. Such recruitment is costly since the organization has to make a serious investment to train these workers. The recruitment of course does not represent professional business practices. An organization in some cases, however, needs to consider implementing this type of recruitment for obtaining legitimacy from the local community.

		suitable in their influence. They penetrate organizations, creating the lenses through which actors view the world and the very categories of structure, action, and thought.
Locus of institutionalization	It regards organizations as both the units that were institutionalized and the key loci of the process.	It sees institutionalization as occurring at the sectoral or societal levels, and consequently inter-organizational in locus.
Organizational dynamics	Change is an endemic part of the organization's evolving adaptive relationships to its local environment.	It tends to stress the stability if institutionalized components.
Basis of critique of utilitarianism	Theory of interest aggregation	Theory of action
Evidence for critique of utilitarianism	Based on theory of interest aggregation, it assumes individuals pursue material and, especially, ideal interests. It sees organizations as 'recalcitrant tools' and efforts to direct them yield 'unanticipated consequences' beyond anyone's control.	Based on theory of action, it stresses the unreflective, routine, taken-for-granted nature of most human behaviour and views interests and actors as themselves constituted by institutions.
Key forms of cognition	Values, norms, and attitudes	Classifications, routines, scripts and schema
Social psychology	Socialization theory which sees institutionalization as a 'socialization' practice undergone by newcomers. It assumes that the 'socialization' is shaped by values, norms, and attitudes. It also assumes that the 'socialization' leads to 'internationalization' of organizational values.	It sees schemas and scripts lead decision makers to resist new evidence. It provides theories that emphasize how individuals organize information with the assistance of social categories. It is also based on attribution theory where actors infer motives post hoc from menus of legitimate accounts.
Cognitive basis of order	Commitment	Habit, practical action
Goals	Displaced	Ambiguous
Agenda	Policy relevance	Disciplinary

Adapted from: Selznick (1949); Rosch (1978); Zucker (1983); DiMaggio (1983); DiMaggio and Powell (1991a); Scott and Meyer (1991).

Greenwood and Hinings (1996) also review and differentiate the two variants using DiMaggio and Powell (1991a) as the main reference but in a more simplified way. Greenwood and Hinings (1996, 1022) state that "issues of influence, coalitions, and competing values were central along with power and informal structures" in old institutional theory. The focus is on the individual organization (Selznick 1949; 1957). In contrast, the key emphasis of new institutional theory is "on legitimacy, the embeddedness of organizational fields, and the centrality of classification, routines, scripts, and schema" (Greenwood and Hinings 1996, 1023). This view of new institutional theory is supported by scholars such as DiMaggio and Powell (1983) and Meyer and Rowan (1977), and is primarily related to organizations-in-sectors.

Interestingly, in the development of institutional theory, the old and new approaches converge to explain institutionalization[31] practices (see Scott 1994). This is because the environment in which an organization operates today (e.g. regulatory processes and governance systems) becomes more complex (Scott 1994). Greenwood and Hinings (1996) label the convergence of the two theories as neo-institutional theory. They further argue that such a combination is the way institutional theory best explains the current phenomenon of organizational practices. Accordingly, scholars have started using the combined approach neo-institutional theory (see for example Kolk 2005; Bebbington, Higgins, and Frame 2009).

It is important to note, however, that the overarching term 'institutional theory' is still used in the current literature, (see for example Cormier, Magnan, and Van Velthoven 2005; Amran and Devi 2008). The use of such a term basically refers to the converged old and new institutional theories, which is neo-institutional theory itself. This is evidenced by the argument and definition of institutional theory in that literature, reflecting a comprehensive explanation on organizational practices in a complex environment. The complexity of environment encompasses any possible pressures occurring within a local community and nonlocal community as well as within an organizational sector. In line with this, the term institutional theory employed in this thesis and illustrated later in Figure 3.1 also refers to neo-institutional theory.

3.3.2. Theory Adopted in This Thesis: Isomorphic Institutional Theory

As stated by Deegan (2009), institutional theory has been developed within the management literature since the late 1970s (Meyer and Rowan 1977; Zucker 1977). Deegan (2009) further argues that a key paper examining a similarity of practices across organizations under the umbrella of this theory was DiMaggio

[31] For the purpose of this thesis, institutionalization refers to how organizations respond to institutional pressures in disclosing labour-related CSR information.

and Powell (1983)[32]. Since 1998, this theory is also adopted in the accounting literature, but not specifically in the CSR reporting literature (see for example Covaleski and Dirsmith 1988; Brignall and Modell 2000). Institutional theory is then applied in CSR accounting area by scholars such as Cormier, Magnan, and Van Velthoven (2005) and Amran and Devi (2008). This theory is therefore regarded as a relatively new but potentially very useful tenet for explaining CSR reporting (Deegan 2009).

Institutional theory has two main dimensions: *isomorphism* and *decoupling* (Deegan 2009; Amran and Haniffa 2011). *Isomorphism* refers to particular practices by an organization because of institutional pressures (DiMaggio and Powell 1983; Dillard, Rigsby, and Goodman 2004; Amran and Devi 2007) while *decoupling* refers to a situation in which the apparent practice of an organization is different from the actual practice (Meyer and Rowan 1977; Carruthers 1995). In the context of this thesis, it thus can be said that *isomorphism* is the process by which LPDWD by an organization is influenced by institutional pressures whereas *decoupling* is a situation in which LPDWD is used by an organization to create an image which is different from that organization's actual interaction activities, programs, and policies with its employees (see Deegan 2009).

Results of past studies suggest that Indonesian companies communicate information about their CSR activities when they actually perform those activities. In contrast, companies do not disclose CSR information when they do not have favourable CSR activities (Basalamah and Jermias 2005; Cahaya, Porter, and Brown 2006). In Cahaya, Porter, and Brown (2006), for instance, it is suggested that Indonesian companies did not disclose some social issues such as anti-corruption programs because the management of the companies might be involved in corrupt activities[33]. This implies that *decoupling* is less relevant for an LPDWD study in an Indonesian context. In addition, the focus of this doctorate is exclusively on the process of organizations in undertaking LPDWD practices, not

[32] As evidenced in the literature, most articles discussing and/or examining institutional theory (see for example Larrinaga-González 2007; Amran and Devi 2008) use DiMaggio and Powell (1983) as one of the main references.

[33] As discussed previously in Chapter 2, corruption in Indonesia is considered one of the highest across nations in the world.

on the relationship between companies' LPDWD practices and their actual labour responsibility performance. Accordingly, this thesis adopts the *isomorphic* institutional dimension as the underlying theoretical framework.

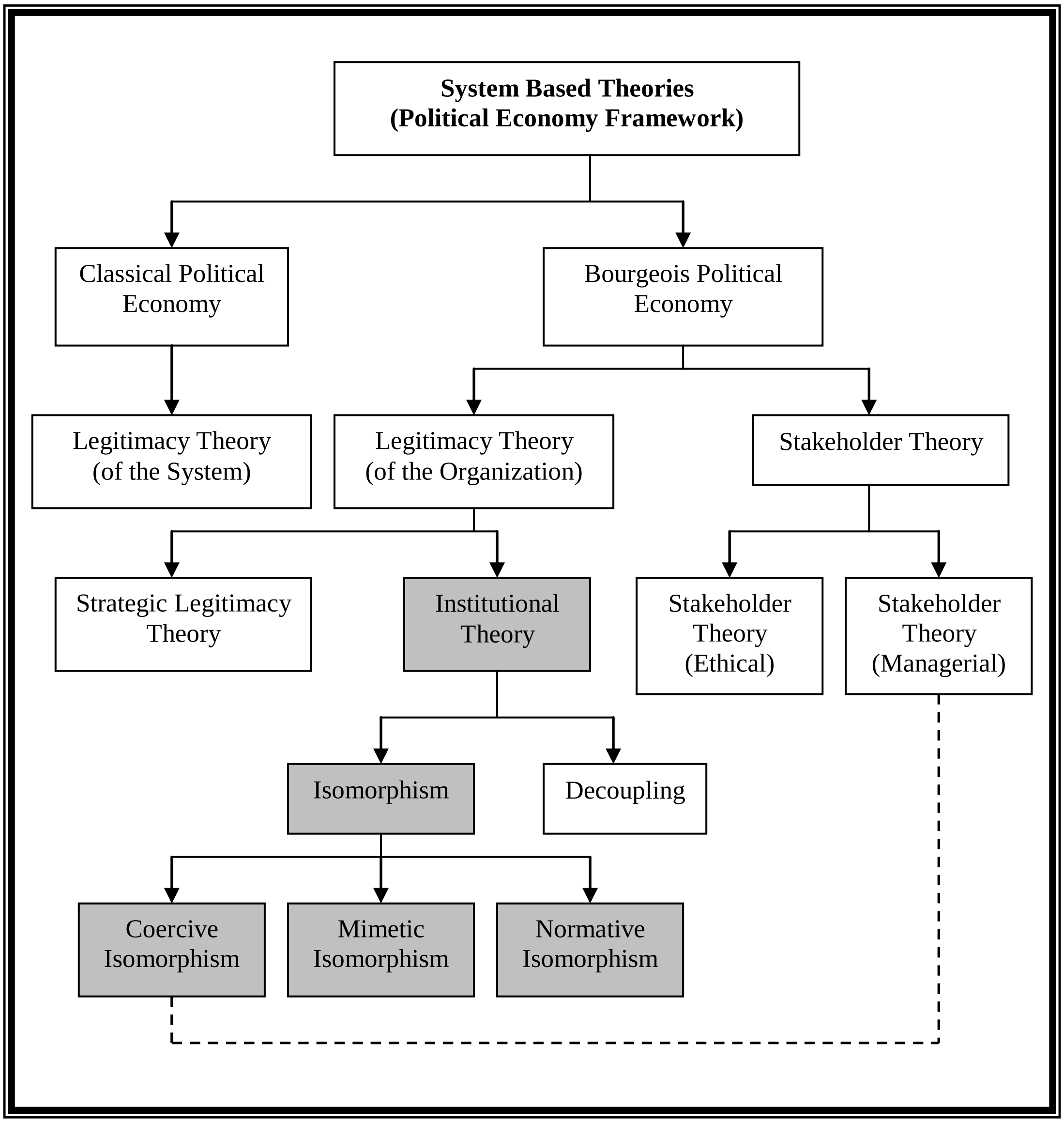
One could argue that the *decoupling* concept may help explain the impact of media exposure on LPDWD practices, particularly when an article in a printed media signals a difference between an actual practice of an organization and the information disclosed in that organization's annual report. However, the information reported in the media may not always be true. This is because, according to Lavers (1993), reports in such a medium are subject to the risk of journalistic interpretation and distortion. Moreover, *decoupling* itself does not deal with the relationship between companies' actual performance and any information reported by parties outside the organization. Thus, as previously stated, it is argued that the *decoupling* concept is not as relevant for explaining LPDWD practices examined in this thesis.

As detailed by DiMaggio and Powell (1983), *isomorphism* consists of three variants: *coercive isomorphism, mimetic isomorphism*, and *normative isomorphism*[34]. *Coercive isomorphism,* similar to managerial stakeholder theory, refers to a situation in which organizations undertake institutional practices (e.g. LPDWD practices) because of pressures from influential stakeholders (DiMaggio and Powell 1983). *Mimetic isomorphism* refers to a situation in which organizations copy institutional practices (e.g. LPDWD practices) of other organizations, often for competitive advantage reasons in terms of legitimacy (DiMaggio and Powell 1983; Deegan 2009; Gray, Owen, and Adams 2010). *Normative isomorphism* refers to the pressures arising from group norms such as managers to adopt particular institutional practices such as LPDWD practices (DiMaggio and Powell 1983; Deegan 2009). Consistent with Amran and Devi

[34] These variants are phrased or termed differently by Scott (1995) as regulative, cognitive, and normative structures respectively. The meaning of these structures is essentially the same as DiMaggio and Powell's three isomorphic variants (see Larrinaga-González 2007; Bebbington, Higgins, and Frame 2009). In the literature, the three isomorphic terms by DiMaggio and Powell are more popularly used and therefore this thesis does not adopt Scott's terms (see more detail discussions on DiMaggio and Powell's isomorphic institutional variants and Scott's structurally institutional variants in Larrinaga- González (2007)).

(2007; 2008), this thesis examines LPDWD practices by testing components of all three variants with accompanying possible explanatory variables. To clearly explain the position of the three variants of *isomorphic* institutional theory, a schema illustrating those variants and other tenets within the context of political economy framework is presented in Figure 3.1 below.

Figure 3.1: Schema of *Isomorphic* Institutional Theory within a Political Economy Framework



Sources : Adapted from DiMaggio and Powell (1983), Gray, Owen, and Adams (1996), Perera (2007), and Deegan (2009). The shaded areas represent the tenets adopted in this thesis.
--------- : The dotted line indicates a similarity between *coercive isomorphism* and managerial stakeholder theory (see Deegan 2009).

One could also argue that institutional theory has more than two dimensions. However, what is explicitly apparent from the literature is that there are only two main dimensions, which are *isomorphism* and *decoupling* (see Meyer and Rowan 1977; DiMaggio and Powell 1983; Dillard, Rigsby, and Goodman 2004; Rodrigues and Craig 2007; Islam and Deegan 2008; Deegan 2009; Cahaya et al. 2011b). Moreover, it is stated in Rodrigues and Craig (2007) and Islam and Deegan (2008) that the key element of institutional theory is *isomorphism*. Accordingly, this thesis focuses on *isomorphism*; it is adopted as the underlying theoretical framework of the thesis.

While institutional theory could be applied to a longitudinal study to explain a process of adaptation or changes by companies in CSR reporting practices over time (see for example Cormier, Magnan, and Van Velthoven 2005), the theory is employed in this thesis as an explanatory tenet of a cross-sectional LPDWD phenomenon. Such an analysis is considered appropriate and important to solely focus the examination on the financial year of the application of legislated CSR reporting practices in Indonesia, and prior to the full impact of the global financial crisis (GFC). The cross-sectional data set approach itself is regarded consistent with Amran and Devi (2007; 2008). According to DiMaggio and Powell (1983), managers' actions in responding to institutional pressures are not necessarily strategic in a long-run sense. Greenwood and Hinings (1996) further argue that institutional theory is usually regarded as an explanation of similarity (*isomorphism*). The version of GRI used as the disclosure index checklist in this thesis was released in 2006. This is most relevant as the disclosure data examined in this thesis are taken from 2007 annual reports (key first year of the GFC). Accordingly, it is considered appropriate to cross-sectionally examine voluntary LPDWD practices using *isomorphic* institutional theory in this research.

3.4. Summary

This chapter addresses the research paradigm and theoretical framework employed in this thesis. The theoretical framework is discussed by firstly examining theories which have been used in prior CSR accounting studies. This is followed by a justification of and an analysis of the theory adopted in this doctorate research.

The research paradigm chosen in this thesis is postpositivism. This thesis believes that a phenomenon is understandable and true knowledge is best obtained through an objective investigation of physical reality but the reality itself is also constructed by its surrounding social environment. This thesis therefore uses quantitative and qualitative techniques for answering the research question. The main steps of such techniques include developing theory-based hypotheses, measuring the hypothesized variables, empirically testing the hypotheses by using statistical tools, and undertaking an in-depth analysis on the published articles in the media.

This thesis adopts institutional theory as the underlying theoretical framework. Under institutional theory organizations are faced with institutional pressures, and because of these pressures, organizations tend to become similar in their disclosure forms and practices. One key dimension of institutional theory, *isomorphism*, is the specific tenet used in this thesis for explaining LPDWD in an Indonesian setting. This thesis examines such a phenomenon by testing three variants of *isomorphism*, which are *coercive isomorphism*, *mimetic isomorphism*, and *normative isomorphism*.

The hypotheses development using the above specific variants of *isomorphic* institutional theory is presented in Chapter 4. This is followed by the presentation of the overall conceptual schema for the thesis.

CHAPTER 4: LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

4.1. Overview

Chapter 3 discussed the research paradigm of this doctorate study and reviewed several theories that have been used in previous CSR reporting studies. It then presented the justification for the clear adoption of institutional theory as the theoretical framework for this thesis. Chapter 4 examines extant CSR literature, identifies the conceptual schema, and reports on the hypotheses development of the thesis. Similar to the theoretical critique presented in Chapter 3, the literature reviewed in this chapter is not solely limited to labour disclosure literature. Such a broader scrutiny, by looking at related CSR studies undertaken, is considered important to particularly explain and defend the possible explanatory variables to be examined within the framework of *isomorphic* institutional theory.

4.2. Literature Review

Chapter 1 notes that most prior studies in the area of social accounting look holistically at a whole set of labour, human right, community, product responsibility, and environmental information (see for example Murray, Sinclair, Power, and Gray 2006; Belal and Owen 2007; Bebbington, Larrinaga, and Moneva 2008; Islam and Deegan 2010). There are recent studies on a specific subset of CSR reporting but they usually examine environmental reporting (see for example Chatterjee and Mir 2008; Monteiro and Aibar-Guzmán 2009). Few studies focus on disclosure of companies' interaction with their workers. There are several studies examining CSR reporting practices in Indonesia (e.g. Basalamah and Jermias 2005; Mirfazli 2008; Rahman and Widyasari 2008) but, again, none of them specifically investigates labour-related CSR reporting. This section reviews prior studies which focus on labour-related CSR disclosures.

Before the 1990s, the emphasis of studies (e.g. Pound 1980; Webb and Taylor 1980; Craig and Hussey 1982) is mainly on the provision of reports by companies to their employees. The reports contain information about the companies themselves such as references to organization objectives, simplified balance sheets, and data about shareholders (Webb and Taylor 1980). Such reports are labeled as employee reports (Guthrie and Mathews 1985). Employee reports, however, are not common in Indonesia. Some sample companies that have been contacted prior to the write up of this thesis state that they do not have those reports (refer Section 5.2.3 for a more detailed result of the communication with the sample companies regarding the possible availability of employee reports in this emerging country). Importantly, since the focus of this doctorate study is on the specific annual report disclosure of companies' corporate social responsibility to their employees (e.g. information about training and employee health and safety) and the annual reports themselves are directed to a variety of stakeholder groups (not only employees), this thesis does not review past employee report-based studies in detail. Detailed critiques of such studies can be found in Lewis, Parker, and Sutcliffe (1984) and Guthrie and Mathews (1985).

It is difficult to find literature which specifically lookes at labour-related disclosure as part of social accounting studies. Most papers in the current social accounting literature instead deal with the whole set of social issues or environmental issues, including specific issues of carbon and climate change (see for example Bebbington and Larrinaga-González 2008; Kolk, Levy, and Pinkse 2008; Othman, Darus, and Arshad 2011). However, this thesis notes three recent research papers which look at disclosures of companies' policies on employees. These studies include Brown, Tower, and Taplin (2005), Vuontisjärvi (2006), and Alvarez (2007)[45]. The disclosure items and research approaches in those papers are not exactly the same as those examined and employed in this doctorate research. However, it is important to note that, to some extent, the results of those studies can be helpful as a comparison with the results of this thesis. The three papers are summarized in Table 4.1.

[45] Brown, Tower, and Taplin (2005) and Vuontisjärvi (2006) are refereed journal articles whereas Alvarez (2007) is a refereed conference paper which was presented at the Thirtieth Annual Congress of the European Accounting Association.

Table 4.1: Prior Studies on Disclosure of Companies' Interaction with Their Workers

Study	Country	Focus of Study	Explanatory Variables	Measurement of Disclosure	Data Sources	Theory	Methodology	Main Findings
Brown, Tower, and Taplin (2005)	Nine Pacific Island countries (PIC): Fiji, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu	• Level of human resource disclosures (HRD) • Users and preparers rating of components of HRD	• Ethnic background • Industry type • Entity type • Company size	Unweighted disclosure index by using eight items as the index checklist. The items were: • Health and Safety • Employment of Minorities or Women • Employee Assistance/Benefits • Employee Profiles • Employee Morale and Relations, • Industrial Relations • Training Initiatives • Employee Other	• 110 annual reports (23 for 1997, 42 for 1998, and 45 for 1999) • 925 completed questionnaires (485 users and 440 preparers) during 2000	Stakeholder theory, legitimacy theory, and contingency theory	Descriptive statistics, multiple regression, chi-square, and ANOVA	• Low level of HRD • The level of HRD decreased from 45% in 1997 to 38% in 1999. • *Training Initiatives* was the most disclosed item at 68% while *Industrial Relations* was the least disclosed item at 13%. • None of the proposed explanatory variables were significant. • There are no significant differences between users and preparers' rating of components of HRD.
Vuontisjärvi (2006)	Finland	The presence of human resource (HR) reporting themes	None (Descriptive only study)	Content analysis – presence or absence of certain themes and indicators of HR reporting. The main themes were: • Training and staff development • Pays and benefits • Participation and staff involvement • Values and principles	160 biggest companies' annual reports for 2000 financial year	Not explicitly stated	Descriptive statistics	*Training and Staff Development* was the most disclosed theme (79%) while *Work-life Balance* was the least disclosed theme (4%).

				• Employee health and well-being • Measurement of policies • Employment policy • Security in employment • Equal opportunities • Work-life balance				
Alvarez (2007)	Spain	Level of human resource (HR) disclosure	• Company Size • Leverage • Ownership concentration • Type of industry • Profitability • Intangibles investment	Content analysis – number of sentences. The main themes were: • Information on human capital (Description of the staff; training and human capital; and, staff performance) • Social information (staff compensation, incentives, motivation; interaction with staff; health and safety at work; and, staff recruiting) • Ethical information (workers' rights and industrial relations)	• 105 companies' annual reports for 2004 financial year • The financial data and the employee number data were taken from the database SABI.	Not explicitly stated	Descriptive statistics and multiple regression	• The level of HR disclosure is 61.33 sentences. • *Human Capital Information* was the most disclosed theme (32.86 sentences) whereas *Ethical Information* was the least disclosed theme (9 sentences). • Company size and leverage were found to be significant predictors of HR disclosure in a positive direction. • Intangibles investment was also found to be a significant predictor but in a negative direction.

Brown, Tower, and Taplin (2005) investigated human resources disclosure (HRD) practices in 110 annual reports of Pacific Island countries (PIC) and compared and contrasted PIC users and preparers needs of HRD. The countries examined were Fiji, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. Four independent variables (ethnic background, industry type, entity type, and company size) were tested within the framework of stakeholder theory, legitimacy theory, and contingency theory. HRD was measured by an eight-item-based unweighted disclosure index (see the items in Table 4.1). The results indicated that the level of HRD was low with a decreasing value from 45% in 1997 to 38% in 1999. The most disclosed item was *Training Initiatives* at 68% while the least disclosed item was *Industrial Relations* at 13%. No proposed independent variables were found to be significant. Interestingly, the users and preparers' perceptions on the importance of HRD, which were obtained from almost 1,000 mailed surveys, were not significantly different.

Vuontisjärvi (2006) explored human resource (HR) reporting practices of 160 biggest Finnish companies. Content analysis was utilized to examine the presence or absence of ten HR themes in those companies' annual reports (see the themes in Table 4.1). As this was a purely descriptive study, no explanatory variables were tested. The author did not explicitly mention any underlying theory. Vuontisjärvi (2006) found that *Training and Staff Development* was the most disclosed theme with 79% of sample companies disclosing that theme. In contrast, *Work-life Balance* was the least disclosed theme with only 4% of sample companies communicating that theme in their annual reports.

Alvarez (2007) examined human resource practices of 105 Madrid Stock Exchange listed companies and the determinants of those practices. The possible determinants tested were firm characteristics including; company size, leverage, ownership concentration, type of industry, profitability, and intangibles investment. This Spanish-based study employed content analysis for measuring the disclosure practices with the number of sentences as the unit of analysis. The disclosure practices examined included the overall disclosure itself (consisting of three main themes: *Human Capital Information*; *Social Information*; and, *Ethical Information*) and specific examinations on each of the three main human resource disclosure themes. Similar to Vuontisjärvi (2006), the author did not explicitly state the theory. The results indicated that, overall, the level of human resource disclosure was 61.33 sentences. The most disclosed theme was *Human Capital Information* (32.86 sentences) while the least disclosed theme was *Ethical Information* (9 sentences). Company size and leverage were found to be significant predictors of human resource disclosures in a positive direction while intangibles investment was significant in a negative direction.

Aside from the above three research papers, there are a number of studies examining intellectual capital (IC) disclosure (e.g. Abeysekera and Guthrie 2005; Lee, Neilson, Tower, and Van der Zahn 2007; Singh and Van der Zahn 2009). Arguably, the categorization between IC disclosure and labour-related CSR disclosure is complex and overlapping. This is evidenced by the fact that some of the disclosure items within the two are similar (see for example training and employee safety in Abdolmohammadi 2005; Abeysekera 2007). Vuontisjärvi (2006), however, points out that IC disclosure and labour-related CSR disclosure (which is labeled as Labour Practices and Decent Work Disclosures (LPDWD) in this thesis) are essentially different. IC disclosure focuses on information about knowledge and skills of employees (intangible assets) and how these contribute to the performance of the organization whereas employee-related CSR disclosure focuses on information regarding the social impacts of companies' policies on employees (Vuontisjärvi 2006). This thesis examines the latter concept (LPDWD) as this subset of CSR reporting is still under-researched.

This thesis offers a more comprehensive approach to this area of study. Accordingly, both the extent of labour-related CSR disclosures and the determinants of the extent of disclosure are examined in this thesis. The theory tested is also clearly stated and justified in this thesis by firstly examining theories used in prior CSR reporting studies (see again Chapter 3). Importantly, the recent GRI's Labour Practices and Decent Work (2006) social performance indicators are adopted as the disclosure index checklist in this thesis. The next section presents the conceptual schema of the thesis outlining the potential determinants of LPDWD tested within the framework of *isomorphic* institutional theory.

4.3. Conceptual Schema

To select the most relevant explanatory variables to be empirically tested under the broad rubric of *isomorphic* institutional theory, this thesis reviews many key past voluntary disclosure studies, including those which do not use *isomorphic* institutional theory (e.g. Roberts 1992; Hackston and Milne 1996; Zarzeski 1996; Brown and Deegan 1998; Craig and Diga 1998; Chen and Jaggi 2000; Haniffa and Cooke 2002; Eng and Mak 2003; Hamid 2004; Cormier, Magnan, and Van Velthoven 2005; Cheng and Courtenay 2006; Naser et al. 2006; Nurhayati, Brown, and Tower 2006; Alvarez 2007; Amran and Devi 2007; 2008; Cahaya, Porter, and Brown 2008; Monteiro and Aibar-Guzmán 2009). This review is not solely limited to those examining voluntary CSR reporting studies and/or labour-related CSR reporting studies so that any variables which potentially influence voluntary LPDWD practices can be captured.

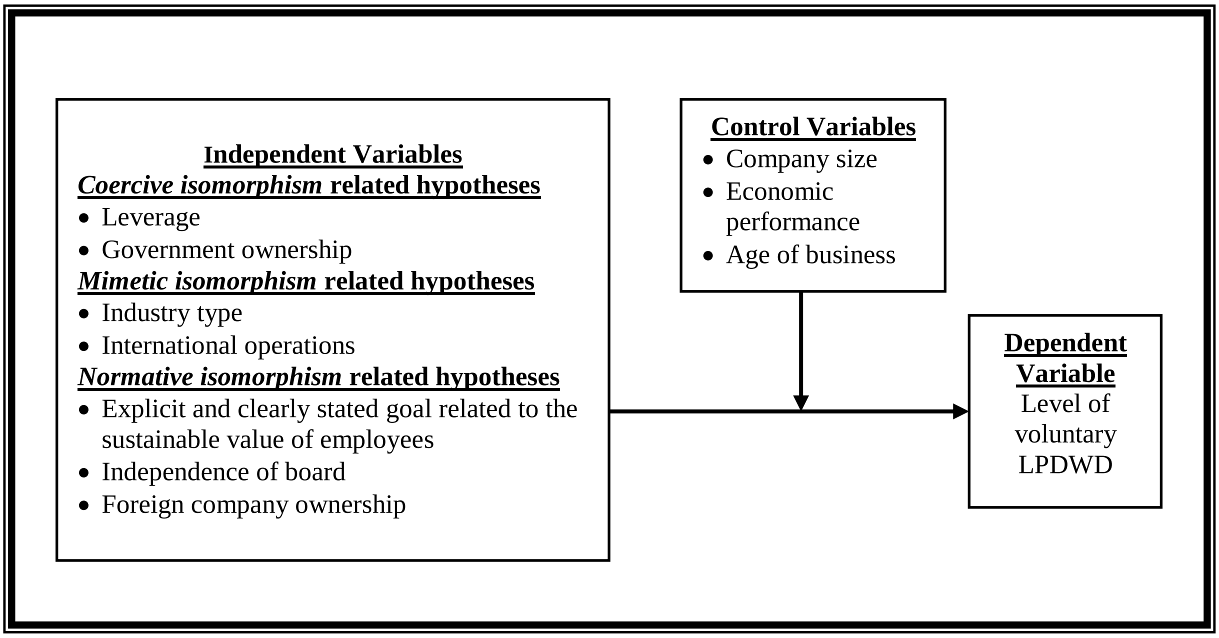
It is apparent in the literature that there are five variables which are most commonly considered as possible determinants of voluntary LPDWD practices. These include leverage, industry type, international operations, independence of board, and foreign company ownership. Aside from these five variables, this thesis notes that there are two other factors which are rarely used in the literature but potentially affect voluntary LPDWD practices. These are government ownership and 'explicit goal'.

This thesis argues that all seven variables are potential determinants of voluntary LPDWD practices within the framework of *isomorphic* institutional theory. In particular, these variables reflect pressures of the variants of *isomorphism.* Leverage and government ownership, for example, reflect the *coercive* pressures of two powerful stakeholder groups namely creditors and the government respectively. Industry type and international operations represent the copying practices of *mimetic isomorphism*. Explicit goal, independence of board, and foreign company ownership reflect the *normative* pressures arising from group norms namely managers, independent commissioners, and foreign parent companies respectively. Accordingly, these possible determinants are selected as the independent variables for this thesis (defense of choice of each of these seven independent variables is provided in Section 4.4).

In addition to the examined independent variables and consistent with previous research (Neu, Warsame, and Pedwell 1998; Eng and Mak 2003; Haniffa and Cooke 2005; Cormier, Magnan, and Van Velthoven 2005), this thesis employs company size, economic performance, and age of business as control variables. This is because prior researchers (e.g. Cowen, Ferreri, and Parker 1987; Roberts 1992; Williams 1999; Haniffa and Cooke 2005) have argued that those variables may act as intervening variables in voluntary disclosure practices and therefore should be controlled.

The conceptual schema for depicting the whole set of the independent, control, and dependent variables in this thesis is presented in Figure 4.1.

Figure 4.1: Conceptual Schema



The following sections discuss the possible determinants illustrated in Figure 4.1, develop the hypotheses to be tested for the independent variables, and explain the inclusion of the control variables in this thesis.

4.4. Hypotheses Development

4.4.1. *Coercive Isomorphism* Related Hypotheses

As depicted in Figure 4.1, this thesis first examines the two independent variables of leverage and government ownership within the framework of *coercive isomorphism*.

4.4.1.1. Leverage

In Indonesia, creditors are considered as a powerful and influential stakeholder group who can influence companies' policies. This is because Indonesian listed companies rely extensively on creditors' funds (Cahaya, Porter, and Brown 2008; Setiawan 2009). In addition, under Indonesia's Code of Good Corporate Governance, creditors are regarded as an important stakeholder group to whom companies must transparently provide information, especially any issues relevant to creditors' decision-making processes (Komite Nasional Kebijakan Governance 2006). Based on their powerful position, creditors are therefore potentially able to press companies to perform certain actions such as to communicate information about companies' CSR. According to Chang and Shen (2011), creditors are aware of CSR information as CSR issues are nowadays potential risks for companies' legitimacy.

Several prior studies document the significant effect of leverage on voluntary disclosure practices (Hossain, Perera, and Rahman 1995; Craig and Diga 1998; Purushothaman et al. 2000; Naser et al. 2006; White, Lee, and Tower 2007; Deumes and Knechel 2008). More particularly, Alvarez (2007) shows that leverage has a significantly positive directional impact on human resource disclosures. Alvarez (2007) argues that companies with the most debt attempt to provide more human resource disclosures since such disclosures are considered as a conditioning factor of business success which further reflects greater guarantees for creditors' commitments. This is where creditors c*oercively* push companies to provide more labour disclosures. Accordingly, this thesis adopts leverage as a potential factor explaining the variability of LPDWD by proposing a directional hypothesis:

H1: There is a positive association between leverage and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports of IDX listed companies

4.4.1.2. Government ownership

In Indonesia, privatized government-owned companies are significantly influenced by the government's decisions due to frequent and substantial government funding (Adnan and Nankervis 2003). This condition places managers of these companies in an invidious position (Adnan and Nankervis 2003). According to Amran and Devi (2008), this is where *coercive isomorphism* by the government comes into play. Given that the government now has regulations concerning CSR, and recently has also released programs specifically concerning the development of employee quality and productivity (Kementerian Tenaga Kerja dan Transmigrasi Republik Indonesia 2008), it can be argued that companies with government ownership are potentially pressured into disclosing more information on labour issues.

The predicted significant and generally positive directional relationship between government ownership and disclosure practices is well documented in the literature (Eng and Mak 2003; Firer and Williams 2005; Cheng, Courtenay, and Krishnamurti 2005; Cheng and Courtenay 2006). All of these four cited studies found that companies with significant government ownership provide more disclosure in their annual reports. Consistent with *coercive isomorphism* and prior literature, again, a directional hypothesis is proposed:

H2: There is a positive association between the presence of government ownership and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports of IDX listed companies

4.4.2. *Mimetic Isomorphism* Related Hypotheses

Within the framework of *mimetic isomorphism*, two focused hypotheses are developed to test the impact of industry type and international operations on voluntary LPDWD practices.

4.4.2.1. Industry type

Institutional theorists argue that, within a similar industry, companies tend to model themselves to the industry norms, especially if they see that other companies in that similar industry gain more successful results in their business or in securing legitimacy due to the adoption of a particular practice (DiMaggio and Powell 1983; Amran and Devi 2007). The similarity in reporting practices within a particular industry is less likely to be reflected across fundamentally different industry groupings. For example, companies[36] in high profile industries such as the mining sector may disclose more information on *Occupational Health and Safety* issues as their workers have a greater risk of injury during operations than workers in low profile industries such as retail.

The significant relationship between industry type (particularly high versus low profile) and disclosure practices has been noted in a number of studies (Roberts 1992; Hackston and Milne 1996; Choi 1999; Nurhayati, Brown, and Tower 2006). High profile companies themselves are expected to disclose more information as they "receive greater pressure from the public" to mimic best practice (Nurhayati, Brown, and Tower 2006, 8). To test the *mimetic isomorphism* of industry type, this thesis therefore predicts a directional hypothesis as follows:

> *H3: There is a positive association between high profile IDX listed companies and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports*

4.4.2.2. International operations

A company which also operates overseas competes on at least two fronts. For competitive advantage, in terms of legitimacy and consistent with *mimetic isomorphism* tenets, the company operating internationally will tend to follow successful competitors by copying particular practices. Such copying behaviour is more likely to occur when the regulatory environment is uncertain (DiMaggio and Powell 1983). This is consistent with the social accounting phenomenon in

[36] High profile industries have been defined by Roberts (1992, 605) as those "with consumer visibility, a high level of political risk, and concentrated, intense competition". For the purpose of this thesis, the definition of high profile industries is made more specific with an emphasis on those having a high level of risk to workers, particularly risks of work related accidents. The classification of IDX listed companies within high and low profile industries, is explained in Chapter 5.

Indonesia in which the government does not clarify the specific CSR activities and disclosure items that must be communicated by companies. To compete globally, an internationally operating IDX listed company may therefore apply a particular CSR practice such as *SA8000*, a new management standard recently applied by companies, particularly in developed nations. This standard focuses on companies' social accountability to their workers based on international norms such as *International Labor Organization* (ILO) conventions (see *SA8000, standar manajemen baru* 2006; Fuentes-García, Núñez-Tabales, and Veroz-Herradón 2008). Disclosure of the application of *SA8000* in a company's annual report would result in a higher level of LPDWD.

It is also frequently argued in the literature that companies operating internationally disclose more information in their annual reports. Studies by Zarzeski (1996) and Cahaya, Porter, and Brown (2008), for example, found a positively significant relationship between international operations and disclosure practices. Accordingly, this thesis proposes a directional hypothesis:

> *H4: There is a positive association between the presence of international operations and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports of IDX listed companies*

4.4.3. *Normative Isomorphism* Related Hypotheses

Under *normative isomorphism*, three additional independent variables of, explicit and clearly stated goal related to the sustainable value of employees, independence of board, and foreign company ownership, are examined as hypothesized in the following sub-sections.

4.4.3.1. Explicit and clearly stated goal related to the sustainable value of employees

The proponents of institutional theory such as Amran and Devi (2007) argue that *normative isomorphism* pressures may occur when a company has an explicit and clearly stated goal related to CSR matters. This is because such a goal reflects the way the company should behave (see Oliver 1991; Amran and Devi 2007; Amran and Haniffa 2011). This argument can be applied to the context of LPDWD practices where a company has an explicit and clearly stated goal related to the sustainable value of its employees and therefore the managers of this company think that they should be socially responsible to their employees and accordingly disclose their performance in regards to this responsibility in the company's annual report. Under *normative isomorphism*, a company is therefore posited as potentially having a higher level of LPDWD when it has an explicit and clearly stated goal related to the sustainable value of its workers.

The positively significant impact of CSR-related goal factor and CSR disclosure practices is well documented in Amran and Devi (2007) and Amran and Haniffa (2011). To be consistent with the finding of those previous studies, this thesis predicts a directional hypothesis:

> *H5: There is a positive association between an explicit and clearly stated goal factor related to the sustainable value of employees and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports of IDX listed companies*

4.4.3.2. Independence of board

In the Indonesian corporate governance structure, commissioners, which is an Indonesian equivalent term (and role) for directors[37], functions as a check and balance mechanism to ensure that companies act in the best interest of shareholders. Commissioners also can better advocate on the public presentation of the company's activities and performance (see Tricker 1984). Such functions arguably enable commissioners to put pressure on firms to disclose CSR information, including LPDWD, so that congruence between companies' actions and societal values can be better ensured (see Haniffa and Cooke 2005).

Independent commissioners are considered powerful in urging firms to disclose more information because they are less aligned to the management (Eng and Mak 2003). Consistent with *normative isomorphism* of institutional theory, it can therefore be argued that companies with a greater composition of independent

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[37] Under *Act No. 40/2007*, Indonesian companies have a two tier management structure in which commissioners can be regarded as equivalent to directors in a one tier management structure since they have the same responsibility as the supervisors and the advisors of the management (Pemerintah Republik Indonesia 2007; Setyadi et al. 2007).

commissioners on the board will have a higher level of disclosure. The results of prior studies (Chen and Jaggi 2000; Arcay and Vázquez 2005; Cheng and Courtenay 2006; Huafang and Jianguo 2007; Lim, Matolcsy, and Chow 2007) support this argument. To examine the potential pressure of independent commissioners on LPDWD, this thesis proposes the following directional hypothesis:

> *H6: There is a positive association between the proportion of independent commissioners and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports of IDX listed companies*

4.4.3.3. Foreign company ownership

The presence of a foreign parent company has also been suggested in the literature as an important explanatory variable of disclosure practices (Cooke 1992; Ahmed and Nicholls 1994; Craig and Diga 1998). This is because a subsidiary and its foreign parent company potentially have differences in their reporting environments (Craig and Diga 1998; Monteiro and Aibar-Guzmán 2009). The differences may include different national reporting regulations, competition pressures, legitimacy issues, managerial policies, and stakeholder demands. According to Monteiro and Aibar-Guzmán (2009), a subsidiary is usually pressed by its foreign parent company to undertake reporting practices in accordance with the reporting environment within the parent company's country. The reporting practices of a subsidiary are therefore considered as reflections of those of its foreign parent company (Monteiro and Aibar-Guzmán 2009). This is where *normative isomorphism* by a foreign parent company comes into play.

The above phenomenon signals that, in Indonesia, a company controlled by its foreign parent company potentially discloses more information in its annual report than a company whose parent company is located in Indonesia. This includes disclosure of more information on labour issues. An IDX listed company, for example, is potentially required by its foreign company to provide information about employee safety programs. This requirement can be motivated by the fact that labour unions within the country where the parent company operates demand such information from the employers. Therefore, consistent with the finding of a prior study by Ahmed and Nicholls (1994), this thesis proposes a directional hypothesis:

> *H7: There is a positive association between the presence of foreign parent company and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports of IDX listed companies*

4.4.4. Control Variables: Company Size, Economic Performance and Age of Business

This thesis also examines company size, economic performance and age of business as control variables to be tested in the statistical analysis. As stated previously in Section 4.3, prior studies suggest that these variables should be controlled as they potentially intervene in the relationships between the independent and dependent variables in social disclosure studies (Cowen, Ferreri, and Parker 1987; Williams 1999; Haniffa and Cooke 2005). Bigger companies, for example, may disclose more social information because they interact with a greater number of stakeholders (Cahaya, Porter, and Brown 2008). It is also documented in Roberts (1992) that companies with satisfactory financial performance disclose more social information since they have sufficient financial support for doing so. Finally, more mature companies potentially disclose more social information as its history and reputation of involvement in CSR activities are entrenched (Roberts 1992). Therefore, it is expected that the inclusion of company size, economic performance and age of business as the control variables in this thesis helps in explaining voluntary LPDWD practices of IDX listed companies.

In summary, there are seven variables hypothesized within the framework of *coercive*, *mimetic*, and *normative* variants of *isomorphic* institutional theory in this thesis. These variables are leverage, government ownership, industry type, international operations, explicit and clearly stated goal related to the sustainable value of employees, independence of board, and foreign company ownership. There are also three control variables (company size, economic performance, and age of business) examined as they potentially intervene in the associations between the hypothesized independent variables and LPDWD practices. This thesis will employ descriptive and inferential statistics using the above seven independent variables plus the three control variables to identify the factors influencing the level of voluntary LPDWD in Indonesia.

4.5. Summary

This chapter reviews prior studies in relation to labour disclosure practices, presents the conceptual schema illustrating the relationship between the dependent and independent variables, and explains the hypotheses formed within each variant of *isomorphic* institutional theory. Table 4.2 presents a summary of all hypotheses proposed in this thesis.

Table 4.2: Summary of Hypotheses

***Isomorphic* Process**	**Independent Variables**	**Hypothesis**	**Description**
Coercive isomorphism	Leverage	H1	There is a positive association between leverage and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports of IDX listed companies.
	Government ownership	H2	There is a positive association between the presence of government ownership and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports of IDX listed companies.
Mimetic isomorphism	Industry type	H3	There is a positive association between high profile IDX listed companies and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports.
	International operations	H4	There is a positive association between the presence of international operations and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports of IDX listed companies.
Normative isomorphism	Explicit and clearly stated goal related to the sustainable value of employees	H5	There is a positive association between an explicit and clearly stated goal factor related to the sustainable value of employees and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports of IDX listed companies.
	Independence of board	H6	There is a positive association between the proportion of independent commissioners and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports of IDX listed companies.
	Foreign company ownership	H7	There is a positive association between the presence of foreign parent company and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports of IDX listed companies.

This chapter also explains the inclusion of company size, economic performance, and age of business as control variables of the thesis. As revealed in the literature review, disclosure of companies' social interaction with their workers is still under-researched. An examination of the hypothesized and control variables provides a significant contribution to the literature on CSR disclosures. The next chapter details the research methodology of this thesis.

CHAPTER 5: RESEARCH METHODOLOGY

5.1. Overview

Chapter 4 reviewed previous studies in relation to labour disclosures, presented the conceptual schema, and developed the hypotheses. Chapter 5 discusses the basis for the selection of the country, companies, and annual reports as the primary source of data for Labour Practices and Decent Work Disclosures (LPDWD). This chapter also details the measurement techniques of the dependent, independent, and control variables, as well as the data analysis methods for answering the research questions of this thesis.

5.2. Selection of Country, Companies, and Annual Report

This section details the main basis for the selection of country, companies, and annual reports as the medium of LPDWD examined in this thesis.

5.2.1. Selection of Country

Indonesia is selected as the country for this doctorate study for two primary reasons. Firstly, in this emerging country, there is a contradictory phenomenon in the development of labour-related CSR. On one side, the Indonesian regulations concerning labour-related CSR look robust. Indonesian companies, for example, are now required to provide training programs for their employees (Kementerian Tenaga Kerja dan Transmigrasi Republik Indonesia 2008). In relation to accounting, companies are also required to disclose *Employee Benefit* information in their annual reports (Ikatan Akuntan Indonesia 2007). On the other side, there are still complex labour social problems in this developing nation (Setiawan 2006; APINDO 2008; Damayanti 2008; Indonesia Labour Foundation 2008; Ford 2009). Workers are often employed without any clear contracts, required to work very long hours without sufficient pay, or fired without any clear reasons (Sprague 2009). The number of work-related accidents in this developing country is also large (Damayanti 2008). The CSR reporting regulations themselves do not detail which CSR items other than *Employee Benefit* that must be performed and reported on. Such a contradictory phenomenon highlights the need to investigate how companies are socially responsible to their workers and, in the context of accounting and financial reporting, how they then disclose this social responsibility.

Secondly, Indonesia's complex labour social problems are a critical focus to many multilateral organizations. This is evidenced by notable studies undertaken by organizations like the World Bank and the International Labour Organization (ILO) on labour issues such as women workers' overtime compensation and child labour in Indonesia (see Pangestu and Hendytio 1997; IDP 2006). However, those studies did not specifically examine how Indonesian companies disclose their labour-related CSR activities in the annual reports. Thus, it is expected that an LPDWD study in an Indonesian context provides an important contribution to the accounting and CSR literature.

5.2.2. Selection of Companies

The sample data for this thesis are companies listed on the Indonesia Stock Exchange (IDX) in 2007. There are three clear reasons for focusing the research on these companies. Firstly, as stated in Section 1.4, in the Indonesian economy, listed companies dominate and play an important role as well as gain considerable interest from key stakeholders such as investors and creditors (Craig and Diga 1998; Nurhayati 2005; Okuda and Take 2005). Secondly, the reporting practices of those companies are much more regulated than unlisted companies. This is because listed companies' reporting practices must comply with not only the general accounting regulations (accounting standard) but also IDX and BAPEPAM-LK reporting regulations. Such a regulatory phenomenon indicates that listed companies produce more refined data than non-listed companies do and provide a more comprehensive overview of the companies' profile (see Okuda and Take 2005). Thirdly, data for the listed companies is easier to obtain as listed entities' annual reports can be accessed directly from the IDX's website. 2007 was chosen as it is considered to be a representative base year for the full implementation of new CSR-related government regulations and is prior to any negative impacts caused by the GFC.

The selection of sample companies for this thesis is based on the availability of their complete annual reports on the internet, whether in the IDX website or in the companies' websites, and the clarity of those reports' presentation in the Adobe Reader format. PT Bekasi Asri Pemula Tbk[38], for example, was not selected as a sample in this thesis because IDX's website only provided three pages of that company's annual report, containing only messages from the commissioners and the directors as well as commissioners and directors' statement regarding responsibility for the financial statements. Overall, using all methods possible, 223 companies[39] out of a total population of 383 companies (Indonesia Stock Exchange 2008) were selected as the final samples as their annual reports were clearly readable.

Of the 223 companies, 188 annual reports were downloaded from the IDX's website while the other 35 annual reports were downloaded directly from company websites. The final sample of 223 (58.2%) is considered appropriately large and representative[40] of the population. Data for all variables were then collected from these annual reports except for media exposure variable. The explanation for the source of media exposure data is presented in Chapter 8.

5.2.3. Selection of Documentation

Most social and environmental disclosure studies, including those examining labour-related CSR disclosures, use annual reports as the medium to assess disclosure practices of the sample companies (Baker and Naser 2000; Purushothaman et al. 2000; Hamid 2004; Haniffa and Cooke 2005; Smith, Adhikari, and Tondkar 2005; Brown, Tower, and Taplin 2005; Nurhayati, Brown, and Tower 2006; Vuontisjärvi 2006; Alvarez 2007; Barako and Brown 2008; Mirfazli 2008; Pahuja 2009; Amran and Haniffa 2011). However, it should be noted that there are other forms of communication between companies and their

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[38] PT, Tbk is an abbreviation of Perseroan Terbatas, Terbuka, and is usually used for Indonesian listed companies (*Types of corporations* 2006). This term refers to an Indonesian stock limited liability company whose shares are owned by at least 300 stockholders and having a paid up capital of at least 300 million Rupiah or a number of shareholders and paid capital stipulated by the Indonesian governmental regulations (Pemerintah Republik Indonesia 1995).

[39] Refer Appendix C for the list of sample Indonesian listed companies used in this thesis.

[40] The sample of this thesis may be slightly biased toward bigger and profitable firms as those are the companies most likely to have publicly available reports.

stakeholders. These include websites (Williams and Pei 1999), stand-alone reports (Guthrie and Abeysekera 2006), half yearly reports (Guthrie and Parker 1989), articles published detailing companies' activities, labeling of products to promote social and/or other concerns, corporate advertisements, brochures, booklets, and leaflets (Zeghal and Ahmed 1990; Tilt 1994; Baker and Naser 2000).

Consistent with many prior social and environmental disclosure studies, this thesis uses annual reports as the main source of data. There are five reasons for using this medium. Firstly, an annual report is an official form of communication that must be provided by listed companies in Indonesia (Badan Pengawas Pasar Modal dan Lembaga Keuangan 2008). Secondly, it has been widely recognized in prior studies that annual reports provide highly credible information (Gray, Kouhy, and Lavers 1995; Baker and Naser 2000; Hamid 2004). This is because the annual report is the communication medium over which corporate management has complete editorial control and therefore not subject to the risk of journalistic interpretations and distortions (Guthrie and Parker 1989). Thirdly, the use of annual reports enables comparison of results with most previous studies' results as they also focus on social disclosure practices in annual reports (Guthrie and Parker 1989). Fourthly, many commentators see the annual report as the most important document since a number of key stakeholders use annual reports as the sole source of certain information about companies' activities (Hines 1988; Deegan and Rankin 1997; Baker and Naser 2000; Haniffa and Cooke 2005). As stated by Coy, Fischer, and Gordon (2001), this communication medium provides a wide range of summarized relevant information within a single document on a routine basis so that all stakeholders can obtain a comprehensive understanding of a company's performance when they read it. An annual report is therefore considered as the "main disclosure vehicle" of a company (Marston and Shrives 1991, 196). Lastly, in a developing country, it is argued that most social information is most likely to be disclosed in the formal annual report as other communication mediums are little used by most companies (Baker and Naser 2000).

This thesis acknowledges that there is a growing number of studies on website disclosures (see for example Williams and Pei 1999; Clarkson et al. 2008;

Guthrie, Cuganesan, and Ward 2008) and a recommendation to examine stand-alone social and environmental reports (or, in the context of this thesis, stand-alone CSR-related employee reports)(see Guthrie and Abeysekera 2006; Pahuja 2009). However, as stated above and in Section 1.4, those mediums are not uniformly used by most companies in developing countries (Baker and Naser 2000; Chambers et al. 2003). This is evidenced by the low level of internet use in such nations including Indonesia (only 5.54% of the total population). Moreover, unlike annual report disclosures, information disclosed on the website is not independently assured since it is not usually audited (Aerts, Cormier, and Magnan 2008).

Due to the complete absence of publically available data, CSR-related employee reports are not included in the final sample. This is despite extensive efforts to obtain such information. Contacts with sample companies were made prior to the write up of this thesis. Twenty seven sample companies (approximately 12% of total 223 sample companies) were randomly selected and then emailed to ascertain whether or not they had stand-alone employee reports (see Appendix D for the list of these companies). Four companies could not be contacted due to incorrect contact information. Of the twenty three companies that were contacted, only six (about 26% of 23 companies) responded. Four companies (PT BFI Finance Indonesia Tbk, PT Ciputra Development Tbk, PT Excelmindo Pratama Tbk, and PT Kalbe Farma Tbk) stated that they did not have separate employee reports. One company, PT Indosat Tbk, noted that it had been producing and publishing a separate sustainability report since 2008, but not a stand-alone CSR-related employee report. The last company, PT Bank Mandiri Tbk, claimed that it had a separate community development report, but not a stand-alone CSR-related employee report. However, the staff of PT Bank Mandiri Tbk did not provide further details regarding the main information contained in that community report and how to access it. Therefore, in line with most social and environmental disclosure studies particularly in developing nations (e.g. Cahaya, Porter, and Brown 2008; Barako and Brown 2008; Khan, Halabi, and Samy 2009; Pahuja 2009; Amran and Haniffa 2011), this thesis solely focuses on annual reports as the source of LPDWD data.

A major strength of this thesis is that it specifically examines voluntary LPDWD practices in 2007 annual reports. The year 2007 provides a perfect opportunity to explore corporate communication given the introduction of the new government CSR reporting regulations in 2006 and 2007. These regulations are first observable in 2007 annual reports. Moreover, in relation to labour issues, the Indonesian government released its specific program concerning the general development of Indonesian workers' quality and productivity in 2007 (Kementerian Tenaga Kerja dan Transmigrasi Republik Indonesia 2008).

It is also the year prior to the full impact of the GFC with potential impacts including reduction in exports, rising prices of imported products, weakening economic growth, and termination of employment (Djaja 2009; Info Kerja Jawa Timur 2009). Similar impacts resulted from the 1997 Asian crisis but Murninigtyas (2009) argues that Indonesia has learned from this crisis. There are some indicators that the Indonesian government was preparing for possible negative effects of the GFC (see Bank Indonesia 2007; Cahaya et al. 2011a; International Labour Organization 2011). As noted in International Labour Organization (2011), the Indonesian government undertook stricter financial market supervision and regulation as well as pushed both the public sector and the private sector institutions to be more transparent. These initiatives signal attention by the Indonesian government, companies, workers and all other interested stakeholders in this developing country on CSR issues generally and on labour-related CSR particularly in 2007. Therefore, annual reports for the 2007 financial year are chosen as the best and most insightful source of data for this thesis.

5.3. Measurement of the Dependent Variable

As shown in Table 5.1, that there are two techniques widely used in the past literature for measuring the level of disclosure in an annual report. These techniques are use of a disclosure index and content analysis. Details of these two techniques are discussed in the next two sub-sections, followed by the justification on the disclosure index technique employed in this thesis.

Table 5.1: Past Measurement Techniques of the Level of Disclosure

Study	Country	Disclosure Items Examined	Technique
Hossain, Perera and Rahman (1995)	New Zealand	95 voluntary disclosure items, 16 were LPDWD	Disclosure index
Meek, Roberts and Gray (1995)	The USA. The UK, France, Germany, and the Netherlands	85 voluntary disclosure items, 15 were LPDWD	Disclosure index
Hacktson and Milne (1996)	New Zealand	20 social and environmental disclosure items, 10 were LPDWD	Content analysis-number of sentences
Williams (1999)	Australia, Singapore, Hong Kong, the Philippines, Thailand, Indonesia, and Malaysia	21 voluntary environmental and social disclosure categories, 7 were LPDWD	Content analysis-number of sentences
Baker and Naser (2000)	Jordan	6 main corporate social disclosure categories, 1 was LPDWD	Content analysis-number of pages
Purushothaman et al. (2000)	Singapore	5 main corporate social reporting themes, 1 was LPDWD	Content analysis-number of issues sentences
Belal (2001)	Bangladesh	17 social disclosure items, 8 were LPDWD	Content analysis-number of lines
Haniffa and Cooke (2002)	Malaysia	65 disclosure items, 8 were LPDWD	Disclosure index
Newson and Deegan (2002)	Australia, Singapore, and South Korea	51 corporate social disclosure items, 16 were LPDWD	Content analysis-number of pages
Eng and Mak (2003)	Singapore	55 voluntary disclosure items, 10 were LPDWD	Disclosure index
Hamid (2004)	Malaysia	4 corporate social disclosure main themes, 1 was LPDWD	Content analysis-number of pages
Makhija and Patton (2004)	The Czech Republic	66 voluntary disclosure items, 7 were LPDWD	Disclosure index
Brown, Tower, and Taplin (2005)	Fiji, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu	8 LPDWD items	Disclosure index
Gao, Heravi and Xiao (2005)	Hong Kong	36 social and environmental reporting items, 11 were LPDWD	Content analysis-number of words
Haniffa and Cooke (2005)	Malaysia	41 corporate social reporting items, 23 were LPDWD	Disclosure index and content analysis – number of words
Smith, Adhikari and Tondkar (2005)	The USA, Norway, and Denmark	31 corporate social disclosure items, 8 were LPDWD	Content analysis-number of sentences
Alsaeed (2006)	Saudi Arabia	20 voluntary disclosure items, 3 were LPDWD	Disclosure index

Barako, Hancock, and Izan (2006)	Kenya	47 voluntary disclosure items, 7 were LPDWD	Disclosure index
Cahaya, Porter, and Brown (2006)	Indonesia	20 social disclosure items, 4 were LPDWD	Disclosure index
Ghazali and Weetman (2006)	Malaysia	53 voluntary disclosure items, 10 were LPDWD	Disclosure index
Maali, Casson, and Napier (2006)	Jordan, Sudan, Iran, Bahrain, UAE, Palestine, Egypt, Turkey, Pakistan, Kuwait, Bangladesh, Qatar, Albania, South Africa, Russia, and Mauritania	10 Islamic social disclosure items, 1 was LPDWD	Content analysis- number of sentences
Naser, Al-Hussaini, Al-Kwari, and Nuseibeh (2006)	Qatar	6 disclosure themes, 1 was LPDWD	Disclosure index
Vuontisjärvi (2006)	Finland	10 LPDWD themes with 143 specific items	Content analysis – presence or absence of certain themes
Alvarez (2007)	Spain	28 LPDWD items	Content analysis- number of sentences
Amran and Devi (2007)	Malaysia	7 corporate social reporting themes, 2 were LPDWD	Content analysis- number of sentences
Huafang and Jianguo (2007)	China	30 voluntary disclosure items, 1 was LPDWD	Disclosure index
Lim, Matolcsy, and Chow (2007)	Australia	67 voluntary disclosure items, 13 were LPDWD	Disclosure index
Cahaya, Porter, and Brown (2008)	Indonesia	20 social disclosure items, 4 were LPDWD	Disclosure index
Mirfazli (2008)	Indonesia	30 corporate social responsibility disclosure items, 14 were LPDWD	Content analysis – presence or absence of certain item

It is evident from Table 5.1 that both disclosure indices and content analysis have been extensively used in past disclosure studies (14 of the 29 for disclosure indices, 14 of 29 for content analysis, and 1 of 29 for a combined approach of both disclosure indices and content analysis). It can also be seen that prior studies employing content analysis use a number of different analysis units such as number of sentences and number of pages. Both content analysis and disclosure indices have their own strengths (uniqueness) and weaknesses (limitations) in measuring the extent of disclosure, as the following examination reveals.

5.3.1. Disclosure Index

Coy, Tower, and Dixon (1993, 122) define a disclosure index as:

> …a quantitative based instrument designed to measure a series of items which, when the score for the items are aggregated, gives a surrogate score indicative of the level of disclosure in the specific context for which the devise was created.

In a disclosure index, the contents of each annual report are compared to the items listed on a benchmark checklist and coded as 1 or 0, depending upon whether or not the content conforms to the items listed on the checklist (Meek, Roberts, and Gray 1995). The benchmark checklist can be generated based on checklists employed in earlier studies using particular accounting and reporting standards, guidelines, regulations, and discussions with practitioners and experts (Hossain, Perera, and Rahman 1995; Meek, Roberts, and Gray 1995). A disclosure index for every company is then calculated as the ratio of total score awarded to the company divided by the maximum number of items that are applicable for the entity (Meek, Roberts, and Gray 1995). As such, the level of disclosure is treated as a continuous variable when it is measured by a disclosure index.

Disclosure indices can be classified into weighted or unweighted indices (see Cooke 1991). In a weighted disclosure index, particular disclosure items are given a higher score (when those items are disclosed) than the other disclosure items based on the perceived importance of those particular items (Cooke 1991). For instance, information about *Injury during work* could be given a score of [2] when this item is disclosed whereas another disclosed item such as *Ratio of basic salary of male and female employees* could be given a score of [1]. This could be because injury cases may be considered as having a more dangerous impact on the employees.

In an unweighted index, each disclosure item is deemed equally important and therefore each item is awarded the same score when it is disclosed (Cooke 1991;

Meek, Roberts, and Gray 1995). This disclosure index type is the one mostly used in past disclosure studies (see for example Cooke 1991; Hossain, Perera, and Rahman 1995; Haniffa and Cooke 2002; Ghazali and Weetman 2006; Cahaya, Porter, and Brown 2008; Lim, Matolcsy, and Chow 2007). An unweighted technique is considered to be more objective than a weighted technique and more relevant to all companies (Chang, Most, and Brain 1983; Cooke 1991; Craig and Diga 1998; Chavent, Ding, Fu, Stolowy, and Wang 2006; Abhayawansa and Abeysekera 2009). It is acknowledged in the literature that the unweighted approach has become the norm in disclosure studies (see Ahmed and Courtis 1999) and is the method chosen for this thesis.

5.3.2. Content Analysis

Content analysis is defined as "a technique for gathering data that consists of codifying qualitative information in anecdotal and literary form, into categories in order to derive quantitative scales of varying levels of complexity" (Abbott and Monsen 1979, 504). Since a quantitative scale can be derived, the level of disclosure can be treated as a continuous variable when it is measured by this technique. Krippendorf (1980, 21) states that "content analysis is a research technique for making replicable and valid inferences from data recording to their context". To use this technique, a researcher needs to determine a set of rules of 'what' and 'how' to code, measure, and record the documents (Milne and Adler 1999).

As displayed in Table 5.1, previous studies using content analysis employ a variety of units of analysis for coding, measuring, and recording disclosures. These units of analysis encompass length of narrative disclosures, presence of certain themes, number of sentences, number of items, number of issues, number of pages, number of lines, and number of words. To date, there is still an ongoing debate in the literature as to the most appropriate unit of content analysis for measuring the extent of disclosure: words, sentences or pages (Smith, Adhikari, and Tondkar 2005; Guthrie and Abeysekera 2006; Amran and Devi 2008)[41].

[41] The debate on the choice of analysis units occurs mainly because each analysis unit has its own strengths and weaknesses (see Haniffa and Cooke 2005; Nurhayati 2005; Smith, Adhikari, and Tondkar 2005). Word counting, for instance, is considered more practical, more controllable, and

Interestingly, despite the ongoing debate, a study by Smith, Adhikari, and Tondkar (2005) does not show any statistically different results when different units of analysis are employed.

In addition to the problems associated with units of analysis, content analysis has two major weaknesses (see Deegan and Gordon 1996; Milne and Adler 1999; Guthrie and Abeysekera 2006). Firstly, it introduces an element of subjectivity in deciding what composes certain types of disclosure (Zeghal and Ahmed 1990; Guthrie and Abeysekera 2006). Due to this weakness, this measurement technique is considered as having a major problem with reliability (see Milne and Adler 1999). Secondly, it is assumed that the volume of disclosure can meaningfully represent the significance of disclosure (MacArthur 1988). Due to all these problems and weaknesses, this thesis does not employ content analysis to measure the level of LPDWD.

5.3.3. Technique Adopted in This Thesis: Disclosure Index

This thesis employs a disclosure index to measure the extent of labour disclosure. It has been noted in a number of studies that a disclosure index is a more suitable technique to be used for measuring the level of disclosure in developing nations (see for example Brown, Tower, and Taplin 2004; Nurhayati, Brown, and Tower 2006). This is because the economic, political and social conditions in those nations are very different from those of developed nations (Brown, Tower, and Taplin 2004). The index also avoids penalizing companies for a non-disclosed item when it is not relevant to them (Cooke 1991; Meek, Roberts, and Gray 1995). Moreover, a disclosure index arguably enables researchers to best gain insight into the level of information disclosed by companies (Cooke and Wallace 1989; Hossain, Perera, and Rahman 1995). This is because this measurement approach can capture pictures and graphics, which are potentially powerful and

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easily categorized but can be influenced by concise and verbose styles of writing (Hackston and Milne 1996; Gao, Heravi, and Xiao 2005; Haniffa and Cooke 2005). Lines, sentences, and pages are deemed good in providing overall picture of disclosure patterns but they arguably have limitations, particularly regarding the comparison of reports with different fonts, page margins, and components (graphs and pictures)(Gao, Heravi, and Xiao 2005). In addition, there may be more than one category of information in one line, sentence, or page. (Gao, Heravi, and Xiao 2005). If this happens, the variability of information categories within, for example, one line, will not be captured. It can therefore be said that the result of such an analysis can be biased or misleading.

highly effective methods of communication (Haniffa and Cooke 2005). As such, it is considered suitable to employ a disclosure index in this thesis. To be consistent with most previous studies (see again Section 5.3.1) and, importantly, to minimize subjectivity, the employed index is unweighted. Each disclosure item in the checklist is therefore deemed equally important to all sample companies.

This thesis, however, acknowledges that a disclosure index has two limitations. Firstly, the classification of certain information into a disclosure item may be open to varying interpretations (Cooke 1991) although this is somewhat mitigated in this thesis by the use of an independent analyst who cross checked interpretations (see Chapter 6 and Appendix E). Secondly, particular disclosure items may be irrelevant and inapplicable to particular sample companies (see Cooke 1991; Craig and Diga 1998). To cope with these limitations, and consistent with previous studies (e.g. Cooke 1992; Haniffa and Cooke 2005), the entire annual report is read before any decision is made. Furthermore, discussions on the Indonesian key labour issues in Section 2.3 indicate that all disclosure categories used in this thesis are relevant to an Indonesian context. The use of all disclosure items in this thesis is therefore considered not only relevant but also applicable to the context of labour issues and reporting in this emerging country.

As stated previously in Section 1.1, GRI *Labour Practices and Decent Work* indicators are adopted in this thesis as the disclosure index checklist. The 2006 GRI *Labour Practices and Decent Work* performance indicators consist of five main categories (*Employment*, *Labor/Management Relations*, *Occupational Health and Safety, Training and Education,* and *Diversity and Equal Opportunity*) and, for the purpose of this thesis, are sub-categorized into thirteen items[42]. The disclosure indices are developed based on these items (Global Reporting Initiative 2006), namely:

- *Total workforce by employment type, contract, and region,*

[42] There are actually fourteen items within the GRI *Labour Practices and Decent Work* category (see Appendix A). However, Under PSAK No. 24, one of the fourteen items, labeled as LA3 in the GRI lexicon, is regarded as a mandatory disclosure item. In this thesis, the focus of the examination is on the extent of voluntary LPDWD and therefore LA3 is excluded from the main statistical analysis.

- *Total number and rate of employee turnover by age group, gender, and region*,
- *Percentage of employees covered by collective bargaining agreements*,
- *Minimum notice period(s) regarding operational changes*,
- *Percentage of total workforce represented in formal joint management–worker health and safety committees*,
- *Rates of injury*,
- *Health and safety education, training, counseling, and risk-control programs*,
- *Health and safety topics covered in formal agreements with trade unions*,
- *Average hours of training per year per employee by employee category*,
- *Programs for skills management and lifelong learning*,
- *Percentage of employees receiving regular performance reviews*,
- *Breakdown of employees per category according to diversity*, and
- *Ratio of basic salary of male to female employees*.

The GRI guidelines have been developed by a network-based organization[43], through a dialogue-based process with global stakeholders[44] from business, investors, community, labour, civil society, accounting, academia, and others (Global Reporting Initiative 2006, 2010). The guidelines encompass three components of sustainability reporting, which are economic, environmental and social indicators (Global Reporting Initiative 2010). All of these indicators are subject to testing and continuous improvement (Global Reporting Initiative 2010). The first version of the guidelines was published in 2000 while the most recent version was released in 2011[45] (Global Reporting Initiative 2011). Data from the

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[43] GRI is the result of a project of the Coalition for Environmentally Responsible Economies in a partnership with the United Nations Environmental Program (Moneva, Archel, and Correa 2006).

[44] See again Section 1.3.

[45] As explained previously in Chapter 1, this thesis uses the 2006 GRI guidelines (G3) instead of the updated 2006 version (G3.1) which was issued in March 2011. Aside from G3.1, there are also sector supplements which are developed in accordance with relevant issues within a particular industry (Global Reporting Initiative 2010). These supplements include additional performance indicators for electric utilities, financial services, food processing, mining and metals, and non-governmental organizations (NGOs). The first two could be used as a reporting benchmark from 31 December 2009 whereas the other supplements will be used from 31 December 2011. Supplements for airport operators, construction and real estate companies, event organizers, and oil and gas companies are now still being developed. In addition to these, supplements for automotive, logistic and transportation, public agency, telecommunications, apparel and footwear industries are also available but in a pilot version. G3.1 and all these supplements are not adopted

GRI website reveals that there are now more than 1,000 organizations across the globe using the GRI guidelines (see Global Reporting Initiative 2011).

GRI performance indicators are considered as the most widely accepted international reporting guidelines and having a very high international profile (Adams 2004; Fraser 2005; Moneva, Archel, and Correa 2006; Crane, Matten, and Spence 2008). The guidelines are also considered applicable and relevant to all organizations, regardless of not only location but also size and type (Global Reporting Initiative 2010). Prior CSR reporting studies in Indonesia suggest that these guidelines are appropriate to be used in an Indonesian context (see Cahaya, Porter, and Brown 2006; 2008; Suhardjanto, Tower, and Brown 2008a; 2008b). Importantly, in relation to labour disclosures, GRI LPDWD indicators have been developed based on internationally recognized standards including ILO's standards (Global Reporting Initiative 2006). This thesis therefore adopts GRI performance indicators as the benchmark disclosure checklist.

One could argue that GRI guidelines may not capture all important sustainability reporting items in all countries because there may be different complexities of economic, environmental, and social problems across nations (see O'Neill and Deegan 2009; Gray 2010). This argument might have some merit. However, at present, prominent efforts have been made by GRI to capture all sustainability issues potentially arising in all parts of the world (Crane, Matten, and Spence 2008; Global Reporting Initiative 2010)[46]. As stated previously, the GRI guidelines themselves are continuously improved in accordance with the global stakeholders' feedbacks and tested. Importantly, these guidelines have been deemed successful in standardizing CSR reporting given the fact that many organizations worldwide use GRI sustainability indicators. It is important to remember that GRI sustainability indicators are only guidelines, not standards. Their application is voluntary. They are considered crucial guidelines given that the other main source for accounting guidance, the International Financial

in this thesis since they are not relevant to be used as a disclosure benchmark for the thesis sample frame of 2007 annual reports. In particular, in relation to sector supplements, the 2006 G3 guidelines are considered by far the most applicable for scoring the disclosures of companies across different industries in this thesis 2007 data set.

[46] It is argued in the literature that the most prominent effort to standardize CSR reporting internationally has been done by the GRI (see Global Reporting Initiative 2010).

Reporting Standards (IFRS), has been criticized for its silence on important CSR issues such as environmental disclosure requirements (see Porter, Brown, Purushothaman, and Scharl 2006; Suhardjanto, Tower, and Brown 2008a).

5.4. Measurement of the Independent Variables

This section details the measurement techniques for the independent variables (leverage, government ownership, industry type, international operations, explicit goal, independence of board, and foreign company ownership). The techniques adopted in this thesis are summarized in Table 5.2.

Table 5.2: Measurement Technique of the Independent Variables

Isomorphic Process	Independent Variable	Measurement	Type of Data
Coercive isomorphism	Leverage	Total liabilities divided by total assets	Continuous
	Government ownership	1 = presence of government ownership 0 = otherwise	Categorical
Mimetic isomorphism	Industry type	1 = high profile industry 0 = low profile industry	Categorical
	International operations	1 =Yes-Have foreign sales or a foreign subsidiary or a foreign branch office 0 = No foreign sales, foreign subsidiaries or foreign branch offices	Categorical
Normative isomorphism	Explicit goal	1 = the company has explicitly communicated goals/missions related to sustainable value of its employees 0 = otherwise	Categorical
	Independence of board	Percentage of independent members in the board of commissioners	Continuous
	Foreign company ownership	1 = the company is a subsidiary of a foreign company 0 = otherwise	Categorical

The measurement techniques summarized in Table 5.2 are based on approaches used in prior studies (Hackston and Milne 1996; Hamid 2004; Nurhayati 2005; Astami and Tower 2006; Cheng and Courtenay 2006; Amran and Devi 2007; Setyadi et al. 2007; Cahaya, Porter, and Brown 2008; Bokpin and Isshaq 2009; Monteiro and Aibar-Guzmán 2009). The following sub-sections review these measurement techniques and explain why they have been adopted in this thesis.

5.4.1. Leverage

Leverage can be measured in a number of different ways. These techniques, which are presented in Table 5.3, include the ratio of long term debt to equity, the ratio of total liabilities to total equity, the ratio of total liabilities to total assets, and the quotient between long term debt with cost and equity.

Table 5.3: Measurement of Leverage in Prior Studies

Study	Country	Measurement of Leverage
Hossain, Perera and Rahman (1995)	New Zealand	Ratio of long term debt to owner's equity
Meek, Roberts and Gray (1995)	The USA, the UK, France, Germany, and the Netherlands	Ratio of long term debt to equity
Craig and Diga (1998)	Singapore, Malaysia, Indonesia, the Philippines, and Thailand	Ratio of total liabilities to total equity
Purushothaman et al. (2000)	Singapore	Ratio of long term debt to equity
Haniffa and Cooke (2002)	Malaysia	Ratio of total liabilities to total assets
Eng and Mak (2003)	Singapore	Ratio of total liabilities to total assets
Leung and Horwitz (2004)	Hong Kong	Ratio of total liabilities to total assets
Xiao, Yang, and Chow (2004)	China	Ratio of total liabilities to total assets
Alsaeed (2006)	Saudi Arabia	Ratio of total liabilities to total assets
Cheng and Courtenay (2006)	Singapore	Ratio of long term debt to equity
Wijantini (2006)	Indonesia	Ratio of total liabilities to total equity
Huafang and Jianguo (2007)	China	Ratio of total liabilities to total assets
Aljifri and Hussainey (2007)	UAE	Ratio of total liabilities to total assets
Alvarez (2007)	Spain	Quotient between long term debt with cost and equity
Lim, Matolcsy, and Chow (2007)	Australia	Ratio of long term debt to equity
White, Lee, and Tower (2007)	Australia	Ratio of total liabilities to total assets
Barako, Hancock, and Izan (2006)	Kenya	Ratio of total liabilities to total assets
Cahaya, Porter, and Brown (2008)	Indonesia	Ratio of total liabilities to total equity
Bokpin and Isshaq (2009)	Ghana	Ratio of total liabilities to total assets

It is evident from Table 5.3 that the third technique, the ratio of total liabilities to total assets, is the most common approach used in the literature especially in the last decade. Accordingly, this thesis adopts this technique to measure leverage.

5.4.2. Government Ownership

Table 5.4 illustrates the techniques used by previous researchers for measuring government ownership.

Table 5.4: Measurement of Government Ownership in Prior Studies

Study	Country	Measurement of Government Ownership
Eng and Mak (2003)	Singapore	1 = there is a proportion of government ownership 0 = otherwise
Makhija and Patton (2004)	The Czech Republic	Percentage of government ownership
Cheng, Courtenay, and Krishnamurti (2005)	Singapore	1 = there is a proportion of government ownership 0 = otherwise
Firer and Williams (2005)	Singapore	1 = firm where government holds 10% or more or the outstanding common shares 0 = otherwise
Cheng and Courtenay (2006)	Singapore	1 = there is a proportion of government ownership 0 = otherwise
Ghazali and Weetman (2006)	Malaysia	Percentage of government ownership
Amran and Devi (2007)	Malaysia	Percentage of government ownership
Isack and Tan (2008)	Forty-two countries (details of the countries are not explicitly stated)	Percentage of government ownership

The techniques used are a dichotomous scale, coded as 1 (one) if there is an existence of government ownership in a company or 0 (zero) if otherwise, and the percentage of government ownership. This thesis adopts the former because, in Indonesia, government ownership often does not exist in every company (see Adnan and Nankervis 2003).

5.4.3. Industry Type

Industry type can be classified by a number of different approaches. Table 5.5 summarizes the approaches of industry type classification used in past studies.

Table 5.5: Classification of Industry Type in Prior Studies

Study	Country	Classification of Industry Type
Roberts (1992)	The USA (not clearly stated)	(1) Low profile, (2) High profile
Meek, Roberts and Gray (1995)	The USA, the UK, and Continental European countries (France, Germany, and the Netherlands)	(1) Metals, building materials, and construction, (2) Engineering, (3) Consumer goods and services, (4) Oil, chemicals, and mining
Cooke (1996)	Japan	(1) Manufacturing, (2) Non-manufacturing
Hackston and Milne (1996)	New Zealand	(1) Low profile, (2) High profile
Williams (1999)	Seven Asia-Pacific nations (Australia, Singapore, Hong Kong, The Philippines, Thailand, Indonesia, and Malaysia)	(1) Finance, (2) Services, (3) Manufacturing, (4) Resources
Purushothaman et al. (2000)	Singapore	1) Finance, (2) Services, (3) Manufacturing, (4) Resources
Haniffa and Cooke (2002)	Malaysia	(1) Consumer, (2) Industrial, (3) Construction and property, (4) Trading/services, (5) Plantation/mining
Haniffa and Cooke (2005)	Malaysia	(1) Consumer, (2) Construction and Property, (3) Trading/services, (4) Plantation/mining, (5) Industrial
Nurhayati (2005)	Indonesia	(1) Low profile, (2) High profile
Alsaeed (2006)	Saudi Arabia	(1) Manufacturing, (2) Non-manufacturing
Barako, Hancock, and Izan (2006)	Kenya	(1) Agriculture, (2) Commercial and services, (3) Finance and investment, (4) industrial and allied
Alvarez (2007)	Spain	(1) Low growth, (2) high growth
Cahaya, Porter, and Brown (2008)	Indonesia	(1) Services, (2) Non-services
Mirfazli (2008)	Indonesia	(1) Low profile, (2) High profile

As explained in Chapter 4, this thesis hypothesizes that high profile IDX listed companies, which arguably have a high level of risk to workers (see again the definition of high and low profiles in footnote 36 in Section 4.4.2.1), provide more LPDWD. This explicit hypothesis aims to test the *mimetic isomorphism* of industry type. To best represent that hypothesis, this thesis therefore adopts the dichotomous coding of high profile and low profile to measure industry type. The decision to use this coding is consistent with Roberts (1992), Hackston and Milne (1996), Nurhayati (2005), and Mirfazli (2008).

To properly meet the criteria of high and low profiles within the context of this thesis, IDX's official industry classification, which consists of nine industries, is reclassified into the high-low coding. Based on the past literature, seven industries namely agriculture, mining, basic industry and chemicals, miscellaneous industry, consumer goods industry, property and real estate, and infrastructure, utilities and transportation are classified as high profile industries whereas the remaining two, finance and trade, and services and investment, are classified as low profile industries. Such a classification is considered in line with Nurhayati (2005). For the purpose of the data collection and the statistical analyses of this thesis, a high profile company is coded as 1 (one) while a low profile company is coded as 0 (zero).

5.4.4. International Operations

There are three main approaches employed in past studies for measuring international operations. They are the ratio of foreign sales to total sales, a dichotomous coding of whether or not a company has an overseas-based subsidiary, and a dichotomous coding of whether or not a company has any of the three international operation indicators namely foreign sales, a foreign subsidiary or a foreign branch office. Prior studies using these approaches are presented in Table 5.6.

Table 5.6: Measurement of International Operations in Prior Studies

Study	Country	Measurement of International Operations
Meek, Roberts, and Gray (1995)	The USA, the UK, and Continental European countries (France, Germany, and the Netherlands)	Ratio of foreign sales to total sales
Zarzeski (1996)	France, Germany, Hong Kong, Japan, Norway, the UK, and the US	Ratio of foreign sales to total sales
Craig and Diga (1998)	Five ASEAN countries (Singapore, Malaysia, Indonesia, the Philippines, and Thailand)	1 = one or more foreign subsidiary 0 =no foreign subsidiaries
Cahaya, Porter, and Brown (2008)	Indonesia	1 =Yes-Have foreign sales or a foreign subsidiary or a foreign branch office 0 = No foreign sales, foreign subsidiaries or foreign branch offices

Among the three possible approaches, the third one, which is a dichotomous coding of whether or not a company has any of three international operation indicators, is considered the most suitable one to be employed in this thesis. This is because that technique has been previously used by Cahaya, Porter, and Brown (2008) to measure international operations in an Indonesian setting. That coding technique is also considered relevant within the context of the presence of international operations hypothesized in this thesis. Importantly, a dichotomous coding is arguably more inclusive and has a broader definition of ‘international’. There is no other research measuring international operations using such a comprehensive approach in an Indonesian setting. As shown in Table 5.6, Craig and Diga (1998) also examine international operations in Indonesia but they measure this variable with a narrower technique, by only looking at the aspect of sample companies’ foreign subsidiaries.

The results of Cahaya, Porter, and Brown (2008) show that international operations measured by the dichotomous coding of whether or not a company has any of three international operation indicators significantly affects social disclosure practices in a positive direction. As such, to best represent international operations in an Indonesian setting, this thesis adopts the third measurement approach. A company is therefore coded 1 (one) when it has foreign sales, a foreign subsidiary or a foreign branch office. In contrast, when a company does not have any of these three factors, a code of 0 (zero) is assigned.

5.4.5. Explicit and Clearly Stated Goal related to The Sustainable Value of Employees

Explicit goal variable is measured by a dichotomous scale. A code of 1 (one) is assigned when a company has stated goals/missions related to the sustainable value of its employees clearly communicated in the annual report. Otherwise, a code of 0 (zero) is assigned. This measurement is adapted and modified from Elijido-Ten (2004), Amran and Devi (2007), Pilcher, Taplin, and Joseph (2008), and Amran and Haniffa (2011) who examined internal goal variable related to the sustainable value of environment, general CSR, and sustainability performance. In the context of this doctorate study, the dichotomous measurement is modified into a more specific theme on labour issue disclosure. In other words, the goal variable in this thesis refers to a goal which is related to the sustainability of sample companies' employees.

5.4.6. Independence of Board

Previous Indonesian studies use the percentage of independent commissioners on the board to measure independence of board (Nurhayati, Brown, and Tower 2006; Setyadi et al. 2007). Such a measurement represents the corporate governance structure of a company (see Nurhayati, Brown, and Tower 2006). The use of the label 'commissioners' itself is considered relevant to corporate governance structure in an Indonesian context (see Setyadi et al. 2007). Accordingly, this thesis adopts the same measurement approach used by those prior studies to measure the board independence of IDX listed companies.

5.4.7. Foreign Company Ownership

Past studies use a dichotomous coding to measure foreign company ownership (Ahmed and Nicholls 1994; Craig and Diga 1998; Monteiro and Aibar-Guzmán 2009). A code of 1 (one) is assigned when a company is a subsidiary of a foreign company. Otherwise, a code of 0 (zero) is assigned. A similar criterion, which is the percentage of shares owned by the parent company, also needs to be considered. This is because only a company having a particular proportion of shares (known as the parent) of another company (known as the subsidiary) is considered as having control. Through such a position or control, a parent company can press its subsidiary to undertake particular accounting practices such as LDPWD practices. This reflects *normative isomorphism* of institutional theory.

Under PSAK No. 4, a company is classified as the parent when it has more than 50% of the shares in a subsidiary (Ikatan Akuntan Indonesia 2007). To be consistent with prior studies and to best represent foreign company ownership in an Indonesian setting, this thesis adopts the same coding used by previous researchers to measure this variable by assigning a code of 1 (one) to an IDX listed company where more than 50% of its shares are owned by a foreign company. In contrast, a code of 0 (zero) is assigned to a company where 50% (or less) of its shares are owned by a foreign company. Thus, in other words, a code of 0 (zero) is assigned to a company which is not categorized as a subsidiary of a foreign company.

5.5. Measurement of the Control Variables

This section discusses the measurement approaches of the control variables (company size, economic performance, and age of business). As explained previously in Chapter 4, previous researchers (e.g. Cowen, Ferreri, and Parker 1987; Roberts 1992) argue that company size, economic performance, and age of business should be controlled in a voluntary disclosure study as those variables may act as intervening variables. Table 5.7 summarizes the measurement techniques of the control variables employed in this thesis.

Table 5.7: Measurement Techniques for the Control Variables

Control Variable	Measurement	Type of Data
Company size	Log of total assets	Continuous
Economic performance	Return on Assets (ROA) : 2 year average	Continuous
Age of business	Number of years from inception	Continuous

Company size, economic performance, and age of business can be measured in a number of different ways. The following sub-sections review the measurement approaches used in prior literature in detail and defend the techniques employed in this thesis.

5.5.1. Company Size

The techniques used in past studies for measuring company size are presented in Table 5.8.

Table 5.8: Measurement of Company Size in Prior Studies

Study	Country	Measurement of Company Size
Hossain, Perera and Rahman (1995)	New Zealand	Total assets (log)
Meek, Robert and Gray (1995)	The USA, the UK, France, Germany, and the Netherlands	Revenue
Cooke (1996)	Japan	Sales
Hackston and Milne (1996)	New Zealand	Market capitalization, sales, and total assets
Adams, Hill and Robert (1998)	France, Germany, the Netherlands, Sweden, Switzerland, and the UK	Turnover
Purushothaman et al. (2000)	Singapore	Factor analysis of total assets and number of shareholders
Haniffa and Cooke (2002)	Malaysia	Total assets
Brammer and Pavelin (2004)	The UK	Total assets
Gao, Heravi and Xiao (2005)	Hong Kong	Turnover (for utility and property firms), and interest received and receivable (for banks)
Haniffa and Cooke (2005)	Malaysia	Total assets
Legoria (2005)	The US	Total assets (log)
Alsaeed (2006)	Saudi Arabia	Total assets (log)
Astami and Tower (2006)	Australia, Hong Kong, Indonesia, Malaysia, and Singapore	Total assets (log)
Nurhayati, Brown, and Tower (2006)	Indonesia	Market capitalization
Wijantini (2006)	Indonesia	Total assets (log)
Aljifri and Hussainey (2007)	UAE	Company's sales (log)
Boesso and Kumar (2007)	Italy and the US	Number of employees
Huafang and Jianguo (2007)	China	Total assets
Lim, Matolcsy, and Chow (2007)	Australia	Total assets (log)
Patelli and Prencipe (2007)	Italy	Total assets (log)
White, Lee, and Tower (2007)	Australia	Market capitalization (log)
Cahaya, Porter, and Brown (2008)	Indonesia	Total assets
Kent and Stewart (2008)	Australia	Total assets (log)
Hassan (2009)	UAE	Total assets (log)
Hassan, Romily, Giorgioni, and Power (2009)	Egypt	Total assets (log)
Amran and Haniffa (2011)	Malaysia	Total sales
Othman, Darus, and Arshad (2011)	Malaysia	Total sales

According to Cooke (1992), there is no theoretical reason for preferring one measurement technique of company size over another. However, it is evident from Table 5.8 that log of total assets is the most common measurement technique of company size. The use of this technique aims to reduce skewness in the data set (Hossain, Perera, and Rahman 1995). Such a reduction is done through the transformation of the value of total assets into the value of logarithm. As stated by Ott and Longnecker (2001), the standard method for doing this transformation is natural logarithm. Accordingly, this thesis employs the natural log of total assets as a measure of company size.

5.5.2. Economic Performance

Table 5.9 shows the techniques used by prior researchers for measuring economic performance. Generally, this variable is measured by return on assets (ROA) and/or return on equity (ROE). The former approach is considered a better measure because, according to Cochran and Wood (1984), it is free from bias of differences in capital structure across companies. To provide more reliable data, however, ROA should be averaged over an extended period (Hackston and Milne 1996). To best obtain ROA data in Indonesia, this thesis thus uses a 2-year average ROA to measure economic performance[47].

[47] This thesis does not adopt a three-year average of ROA used in a study in Indonesia by Nurhayati (2005) because not all IDX listed companies' annual reports provide three year ROA data.

Table 5.9: Measurement of Economic Performance in Prior Studies

Study	Country	Measurement of Economic Performance
Roberts (1992)	The USA (not clearly stated)	The average of annual percentage change in return on equity (ROE) and market model measure of systematic risk
Meek, Roberts and Gray (1995)	The USA. The UK, France, Germany, and the Netherlands	Ratio of profit after tax and interest to sales
Hackston and Milne (1996)	New Zealand	return on assets (ROA) and return on equity (ROE)-five year average
Williams (1999)	Australia, Singapore, Hong Kong, the Philippines, Thailand, Indonesia, and Malaysia	Return on assets (ROA)-three year average
Purushothaman et al. (2000)	Singapore	Factor analysis of return on assets (ROA) and return on equity (ROE)
Nurhayati (2005)	Indonesia	Return on assets (ROA)-three year average
Barako, Hancock, and Izan (2006)	Kenya	Return on equity (ROE)
Chavent et al. (2006)	France	Income divided by sales
Aljifri and Hussainey (2007)	UAE	Net income divided by net sales
Cahaya, Porter, and Brown (2008)	Indonesia	Return on assets (ROA)-two year average

It is important to note, however, that the definition of ROA in Indonesia is different from that of ROA in Western countries such as the US (Nurhayati 2005). In Western countries, ROA is often defined as the ratio of earning before interest and tax to total assets while, in Indonesia, ROA is defined by BAPEPAM-LK (the Indonesian Securities Supervisory Agency, see Section 1.1) as the ratio of after tax profits to the book value of total assets (Indonesian Capital Market Directory 2004; Nurhayati 2005). Since this thesis examines voluntary LPDWD practices in Indonesia, ROA is calculated based on BAPEPAM-LK's definition. Therefore, ROA in the context of this thesis refers to the 2-year-average ratio of after tax profits to book value of total assets.

5.5.3. Age of Business

Age of business is measured by number of years from inception of a company until 2007 to predict LPDWD practices in 2007 annual reports. This measurement is adopted from Hamid (2004) in which the age of a corporation was calculated from the year of its inception up to the examined year of annual report disclosure. In another study by Roberts (1992), the examined period of disclosure was from 1984 to 1986 and therefore the age of business was calculated up to 1984. Roberts (1992)'s technique is not adopted in this thesis as the focus of this thesis is a cross-sectional disclosure analysis.

5.6. Statistical Tools

This thesis uses descriptive statistics, multiple regression, and logistic regression as the main statistical tools for describing the characteristics of data, testing the hypotheses proposed in this thesis, and examining the determinants of the disclosures of specific LPDWD categories. A review of these statistical tools is presented in more detail in the next four sub-sections.

5.6.1. Descriptive Statistics

As stated by Cooper and Schindler (2006), descriptive statistics describes the centre, spread, and shape of data distributions and is helpful as a preliminary tool for data description. "Good descriptive statistics enables the researcher to make sense of the data by reducing a large set of measurements to a few summary measures that provide a good, rough picture of the original measurement" (Ott and Longnecker 2001, 40). The description (i.e. mean and range of distribution) of each variable's data (leverage, government ownership, industry type, international operations, explicit and clearly stated goal related to the sustainable value of employees, independence of board, foreign company ownership, company size, economic performance, age of business, and the extent of voluntary LPDWD) therefore can be identified through this statistical approach. Since the data description of the samples regarding the level of voluntary LPDWD can be identified, research questions 1 and 2 (the extent of voluntary LPDWD and the extents of specific LPDWD categories) can be answered.

5.6.2. Multiple Regression

Multiple regression is a method for predicting the changes in a single continuous dependent variable in response to changes in two or more continuous or categorical independent variables (Coakes and Steed 2007). This statistical tool is considered appropriate to be used for testing hypotheses one to seven (research question 3) because the dependent variable (the extent of voluntary LPDWD) examined in those seven hypotheses is categorized as a continuous variable. All of the independent variables (leverage, government ownership, industry type, international operations, explicit and clearly stated goal related to the sustainable value of employees, independence of board, and foreign company ownership) and the control variable (company size, economic performance, and age of business) can be examined by this statistical tool because the classification of explanatory variables, either continuous or categorical, can be dealt with in the multiple regression.

5.6.3. Logistic Regression

Logistic regression is a "special form of regression in which the dependent variable is a non-metric, dichotomous (binary) variable" (Hair, Anderson, Tatham, and Black 1998, 242). This regression is considered appropriate for examining the relationship between the disclosures of certain key voluntary GRI disclosure categories (*Employment*, *Labor/Management Relations*, *Occupational Health and Safety*, *Training and Education*, and *Diversity and Equal Opportunity*) in the annual reports and key predictor variables (research question 4). This is because the dependent variable of each category analysis is measured using a dichotomous coding. For the logistic regression on the disclosure of *Employment* category, for example, a company is coded 1 (one) when it discloses any item of that category. Otherwise, a code of 0 (zero) is assigned.

5.7. Sensitivity and Additional Analyses

To ensure the robustness of the results, a number of extra and sensitivity analyses are undertaken. The extra analyses include an analysis on the pattern of the one mandatory item coded as LA3 (*Full Time Employee Benefits*) as well as an examination using logistical regression on the possible relationships between the independent variables, the control variables, and the most disclosed items.

The sensitivity analyses encompass the use of some modified measures of the examined variables:

- The ratio of total liabilities to total equity as a modified measure for leverage,
- Nine IDX industry classifications as a modified measure for industry type, and
- A dichotomous coding of positive versus negative ROA (1 (one) when a company has a positive ROA (profit) and 0 (zero) when a company has a negative ROA) as a modified measure for economic performance.

5.8. Summary

This chapter details the research methodology of this thesis. The detailed methodology includes explanations on the selection of the country, companies, and documentation; discussions on the measurement techniques of dependent, independent, and control variables; and, justifications on the statistical tools employed for analyzing the data and answering the research questions of the thesis.

A sample of 223 companies (58.2%) is selected from a population of 383 companies listed on IDX for the 2007 financial year. The selection of the companies is based on the availability of their 2007 annual reports in either the IDX website or the companies' websites. Data for the dependent, independent, and control variables are collected from these annual reports

The dependent variable in this study, LPDWD, is measured by an unweighted disclosure index. Thirteen voluntary GRI Labour Practices and Decent Work indicators are used as the disclosure index checklist. The measurement techniques for the independent variables (leverage, government ownership, industry type, international operations, explicit goal, independence of board, and foreign company ownership) and control variables (company size, economic performance, and age of business) are based on past studies' approaches and consist of both continuous and categorical scales.

This thesis uses descriptive statistics, multiple regression, and logistic regression as the main statistical tools for describing the characteristics of data, testing the hypotheses proposed in this thesis, and examining the determinants of the disclosures of specific LPDWD categories. The results of the statistical analysis are presented in Chapters 6 and 7, consisting of descriptive statistics and inferential statistics respectively.

CHAPTER 6: DESCRIPTIVE STATISTICS AND UNIVARIATE ANALYSIS

6.1. Overview

This chapter presents the descriptive statistical analysis of the large and representative sample of 223 IDX listed companies' annual reports. The focus of the analysis is on the characteristics of all of the key variables; level of voluntary Labour Practices and Decent Work Disclosures (LPDWD), leverage, government ownership, industry type, international operations, explicit and clearly stated goal related to the sustainable value of employees, independence of board, foreign company ownership, company size, economic performance, and age of business. However, the descriptive statistics of the possible effects of media exposure on disclosure is examined separately in Chapter 8.

The purpose of this analysis is to answer the first and the second research questions in this thesis, namely 'to what extent do IDX listed companies voluntarily provide LPDWD in their annual reports?' and 'to what extent do IDX listed companies voluntarily provide information pertaining to GRI *Employment, Labor/Management Relations, Occupational Health and Safety, Training and Education, Diversity and Equal Opportunity* disclosure categories in their annual reports?'. Univariate analysis is also performed to begin the examination of the statistical differences on the means of the level of voluntary LPDWD across the categorical explanatory variables.

6.2. Characteristics of the Dependent Variable: LPDWD Practices

This section presents the descriptive statistical analysis of voluntary LPDWD practices by IDX listed companies in the 2007 financial year. Within the sample, analysis shows that nineteen companies did not provide any voluntary LPDWD items at all in their annual reports. Information on the minimum, maximum, mean, median, and standard deviation of LPDWD practices from all 223 sample companies and the 204 disclosing companies' subset is reported in Table 6.1.

Table 6.1: LPDWD Practices of the IDX Sample Companies

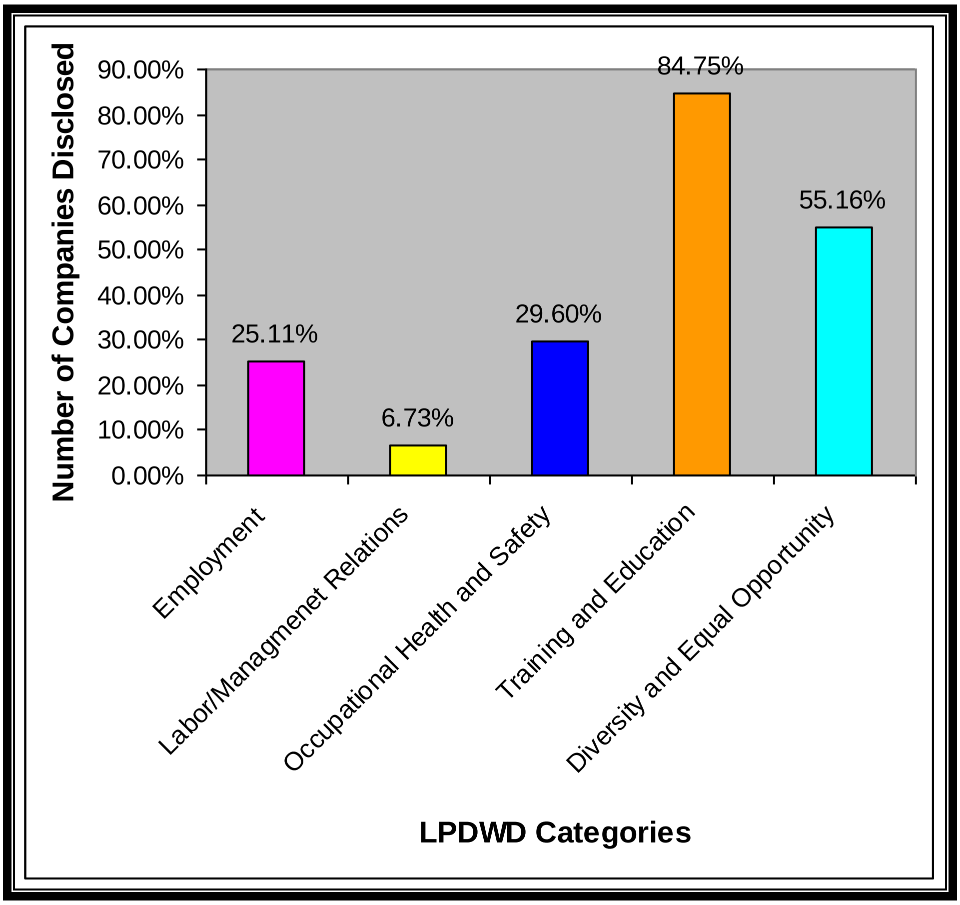
Dependent Variable	Mean (%)	Median (%)	Standard Deviation (%)	Minimum (%)	Maximum (%)
LPDWD index (%) of all 223 companies	17.7	15.38	11.56	0	92.31
LPDWD index (%) of 204 disclosing companies	19.38	15.38	10.67	7.69	92.31

As illustrated in Table 6.1, the mean of LPDWD level for all 223 sample companies is 17.7%. Thus, on average, IDX listed companies disclose about two voluntary LPDWD items (out of 13 items) in their annual reports. This finding suggests that overall LPDWD practices of Indonesian listed companies are low. The LPDWD practices by the disclosing companies are widely dispersed since the range between the minimum and the maximum LPDWD level is 7% to 92%.

Of the 13 items, the lowest disclosed LPDWD level of one item only (7.69%) is made by 52 companies whereas the highest LPDWD level of 12 items (92.31%) is made only by one company. This company, PT Timah Tbk, is a privatized government-owned company operating in the mining industry. In the annual report, PT Timah Tbk clearly stated that it used the Global Reporting Initiative as a guideline for reporting sustainability information, including labour practices and decent work information. Accordingly, it is logical that this company has the highest level of voluntary LPDWD among the IDX listed companies.

Figure 6.1 illustrates LPDWD practices by looking at the main categories of LPDWD. As discussed in Chapter 1 and identified in Appendix A, there are five categories of GRI LPDWD: *Employment*; *Labor/Management Relations*; *Occupational Health and Safety*; *Training and Education*; and, *Diversity and Equal Opportunity*. The thirteen voluntary LPDWD items used as a disclosure index checklist in this thesis are the breakdown of these five categories. In particular, Figure 6.1 illustrates the percentages of IDX listed companies which disclose any LPDWD items within each category.

Figure 6.1: LPDWD Practices by Category



As shown in Figure 6.1, *Training and Education* is the most disclosed category with 84.75% of sample companies disclosing items within this category. This is followed by *Diversity and Equal Opportunity* at 55.16%. In contrast, *Labor/Management Relations* is the least disclosed category as only 6.73% of sample companies voluntarily provide information on that category. The percentages of companies disclosing items from the other two categories, *Employment* and *Occupational Health and Safety*, are almost similar, about 25% and 30% respectively. To throw further light on the characteristics of these five categories, the quantity of disclosure by LPDWD category is summarized in Table 6.2.

Table 6.2: Quantity of LPDWD by Category

LPDWD Categories	Mean (%)	Median (%)	Standard Deviation (%)	Minimum (%)	Maximum (%)
Employment	14.12	0	25.82	0	100
Labor/Management Relations	3.36	0	12.55	0	50
Occupational Health and Safety	9.86	0	17.05	0	100
Training and Education	33.48	33.33	19.11	0	100
Diversity and Equal Opportunity	27.8	50	25.35	0	100

As depicted in Table 6.2, the minimum disclosure values of all categories are 0% while the maximum values of all categories are 100% except for *Labor/Management Relations*, which is 50%. The average quantity varies across categories, ranging from 3.36% (*Labor/Management Relations*) to 33.48% (*Training and Education*). This range supports the finding illustrated in Figure 6.1 in which *Labor/Management Relations* is the least disclosed category whereas *Training and Education* is the most disclosed category.

The effect of the predictor variables (leverage, government ownership, industry type, international operations, independence of board, explicit and clearly stated goal related to the sustainable value of employees, foreign company ownership, company size, economic performance, and age of business) on these LPDWD category practices and overall LPDWD practices are examined in Chapter 7.

Figure 6.2 presents the detailed variation of disclosure levels across the 13 voluntary LPDWD items[48] by the 223 sample companies. It can be seen from this figure that LA11, *Programs for skills management and lifelong learning that*

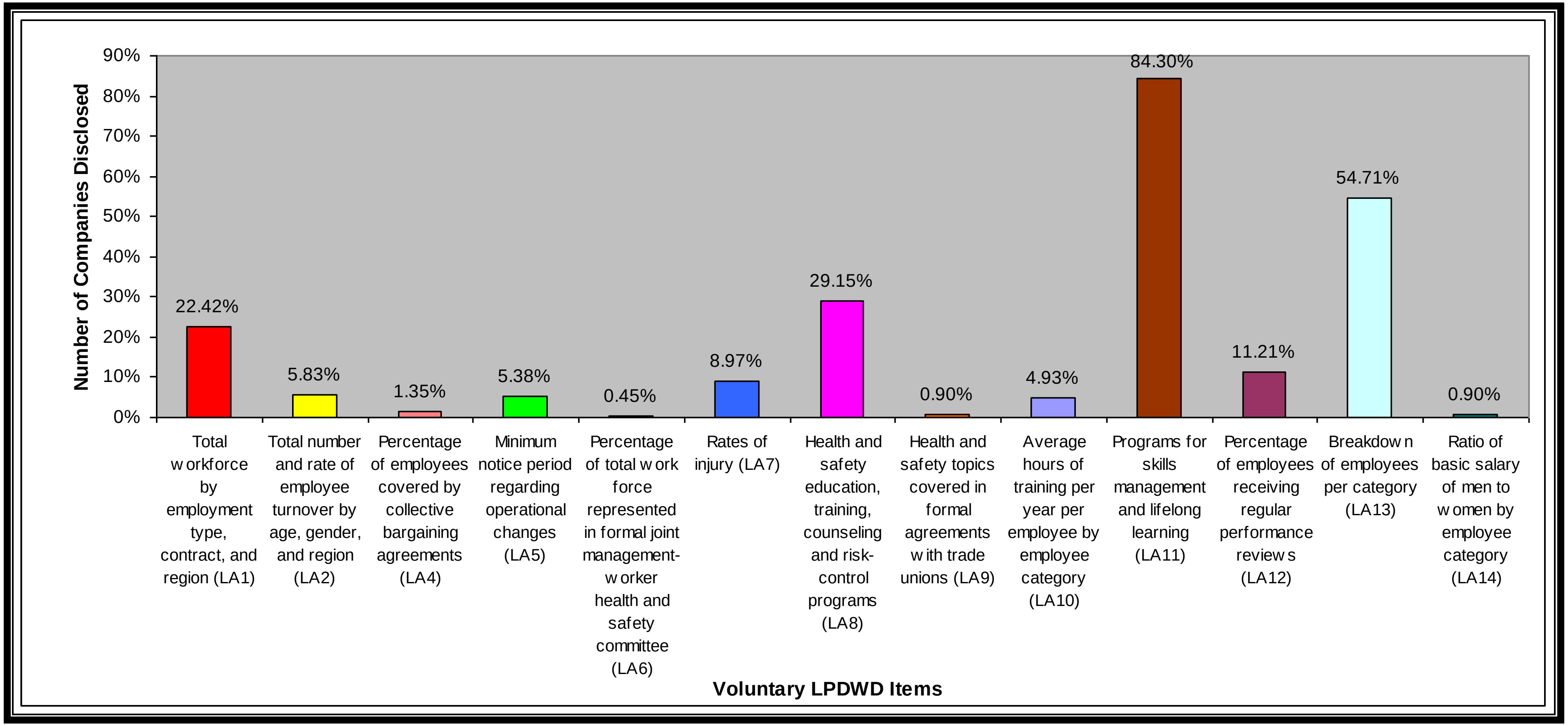
[48] Although the third GRI Labour Practices and Decent Work indicator (LA3, *Benefits provided to full-time employees*) is excluded from this thesis, it is interesting to note that all 223 sample companies disclose this information in their annual reports. This shows IDX listed companies' compliance with PSAK No. 24. This item is not included in Figure 6.2 (and all other tables and figures unless specifically stated) as it is excluded from the voluntary disclosure index checklist of this thesis.

support the continued employability of employees and assist them in managing career endings, is the most disclosed item (188 companies, 84.3%). Consistent with Vuontisjärvi's (2006) finding, the companies disclosing this item mostly reported the descriptive summary of the most important training programs during 2007. This may suggest that Indonesian companies see employee skill development programs as important for the sustainability of the companies' operation. The disclosure may also be an indicator that IDX listed companies see LA11 as a relevant item to be disclosed to fulfill the requirement by BAPEPAM-LK in regards to the description of how Indonesian listed companies develop their employees' competence[49]. Alternatively, the high disclosure level may be an indicator that LA11 can be easily identified and quantified, making this labour issue unproblematic to communicate.

The second most disclosed item is LA13 at 54.71%, based on C*omposition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity*. Further analysis reveals that the diversity indicator (other than gender, age, and minority group) disclosed by the sample companies is the education level of the employees such as masters, bachelor degree, or senior high school graduates. This information is generally reported together with LA11 in the *Human Resource Development* section of the annual reports, indicating that over half IDX listed companies strive to provide a comprehensive picture on their employee profile.

[49] Under BAPEPAM-LK's regulation, Indonesian listed companies are required to disclose how they develop their employees' competence (Badan Pengawas Pasar Modal dan Lembaga Keuangan 2008). However, the regulation does not detail how or what items (whether *the Description of training programs*, *the Average hour provision of training*, or *the Percentage of employees receiving regular performance and career development review*) must be reported to explain competency development. Thus, it can be said that specific disclosures on employee competence remains voluntary in Indonesia.

Figure 6.2: Voluntary LPDWD Item Disclosure



The least disclosed item at 0.45% is LA6, *Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs*. This is followed by LA9 and LA14, which are *Health and safety topics covered in formal agreements with trade unions*, and *Ratio of basic salary of men to women by employee category* respectively at 0.9%. Possible explanations for these very low disclosure levels of LA6, LA9, and LA14 are addressed in Chapter 9.

In summary, whilst almost all of the sample companies (91.5%) communicate at least one item, there is a low level of LPDWD practices (17.7% of 13 voluntary items) by IDX listed companies. This answers the first research question of this thesis. The descriptive results further show the average levels of the five LPDWD categories, answering the second research question. The levels of *Employment*, *Labor/Management Relations*, *Occupational Health and Safety*, *Training and Education*, *Diversity and Equal Opportunity* categories are again generally low (14.12% of 2 items, 3.36% of 2 items, 9.86% of 4 items, 33.48% of 3 items, and 27.8% of 2 items respectively).

6.3. Characteristics of Predictor Variables

The predictor variables, consisting of seven independent variables and three control variables, can be classified as either continuous or categorical variables[50]. The descriptive statistics of those predictor variables are presented and discussed in the following sub-sections.

[50] A variable is considered continuous when it has actual numbers, representing the real amounts of that measured variable (Cooper and Schindler 2006; Coakes and Steed 2007). Conversely, a variable is considered categorical when it has discrete categories such as gender (male and female) and therefore, for statistical analysis purposes, those different categories are coded numerically (Coakes and Steed 2007).

6.3.1. Characteristics of the Continuous Variables

The descriptive statistics[51] of six continuous predictor variables (leverage, independence of board, company size, economic performance, and age of business) is summarized in Table 6.3.

Table 6.3: Descriptive Statistics of Continuous Predictor Variables

Variable	*Mean*	*Median*	*Standard Deviation*	*Minimum*	*Maximum*
Leverage (in %)	58.1	57	37.1	0.5	400.6[52]
Composition of board (in%)	43.55	40	13.41	20	100
Company size					
Total assets (in million Rupiah)	10,017,110	1,349,719	33,298,746	567	319,085,590
Natural Log of total assets	14.1	14.1	2.1	6.3	19.6
Economic performance (in %)	3.9	2.9	15.7	-200.2	42
Age of business (years)	28	24	19	3	148

As shown in Table 6.3, leverage, as measured by the ratio of total liabilities to total assets, has a very wide range, from 0.5% to a very high figure of 400%. The sample company with the lowest leverage is PT Bintang Mitra Semestaraya Tbk while the sample company with the highest leverage is PT Indoexchange Tbk. The mean (58.12%) shows that, on average, companies in Indonesia are relatively evenly balanced between debt and equity financing. However, given that the figure of leverage is higher than 50%, it can be said that Indonesian companies

[51] Before performing the statistical analysis, the data was independently verified by two Indonesian accounting academics. The purpose of this verification was to ensure the accuracy of data. The detail of this verification is presented in Appendix E.

[52] The very high leverage for this company is accurate and calculated as follows: total liabilities divided by total assets = $\frac{2{,}270\,million}{566.7\,million}$ = 4.0056 = 400.6%.

generally tend to rely on debt financing, reflecting the presence of creditors' power in this developing nation. According to Lasher (2003), a company is considered as having an optimal capital structure when its leverage is ranging from 30% to 50%. The results of the descriptive statistical analysis therefore support the argument given in Hypothesis 1 that creditors in Indonesia have power and influence (see also Cahaya, Porter, and Brown 2008; Soleman 2008; Setiawan 2009).

Independence of board, as measured by the composition of independent commissioners on the board, ranges from 20% to 100%. The smallest value of 20%, represented by three sample companies, suggests that some IDX listed companies do not fulfill the IDX requirement in relation to board composition. As stated by Effendi (2008), IDX requires companies listed on its stock exchange to have at least 30% independent commissioners on the board. This requirement, however, is not well enforced since, in practice, there are no clear sanctions imposed by IDX in relation to a breach of the requirement (Effendi 2008).

The mean of board independence in Indonesia shows a marginal increase over three years with 39% in 2005 and 40.45% in 2006 to 43.55% in 2007 (see Setyadi et al. 2007; Setyadi, Rusmin, Tower, and Brown 2009 for a comparison). As shown in Table 6.3, there are two companies in this thesis' data set with 100% composition of full independent commissioners on their boards. For a developing nation like Indonesia, the findings may suggest that companies in Indonesia have a static governance system. The average composition of independent commissioners on the board itself is considered much lower than that of developed countries. Lim, Matolcsy, and Chow (2007), for example, found that the average independence of board in Australia is about 71%. Such a difference might be explained by the fact that more Indonesian companies are family owned, as indicated in Tower, Achmad, Rusmin, and Neilson (2008) and Achmad, Rusmin, Neilson, and Tower (2009).

The total assets of the IDX listed companies ranges widely, from 566.67 million Rupiah to 319,085,590.00 million Rupiah. The smallest company is PT Indoexchange Tbk while the biggest company is PT Bank Mandiri Tbk, a government-owned enterprise which was established as a result of a large merger of four banks, Bank Bumi Daya, Bank Dagang Negara, Bank Exim and Bapindo in 1998 (Bank Mandiri 2009). The mean value suggests that, on average, IDX listed companies have total assets amounting to approximately 10,017 billion Rupiah[53]. The median is approximately 1,350 billion Rupiah, highlighting that there is a big difference between mean and median of total assets, further indicating that the data of total assets are considerably skewed. This thesis therefore transforms the data of total assets into the values of natural logarithm to reduce such skewness (see again the discussion of this transformation in Chapter 5).

The minimum ROA -200.2% belongs to the smallest company, PT Indoexchange Tbk, with a net loss of 5,597.4 million Rupiah in 2007 whereas the maximum ROA, 42.02% belongs to PT Timah Tbk. In line with previous studies in Indonesia (see for example Nurhayati, Brown, and Tower 2006), the descriptive statistics results reveals a low mean (3.92%) of return on assets (ROA), with 9% of companies in the sample having a negative ROA. Nurhayati, Brown, and Tower (2006) argue that such a low ROA indicates that many Indonesian companies are still suffering from the 1997 monetary crisis. The average ROA of Indonesian listed companies itself has actually increased from 2% in 2003 to 5.96% in 2004 (see Nurhayati, Brown, and Tower 2006; Cahaya, Porter, and Brown 2008). However, as evidenced by the descriptive statistics in Table 6.3, the average ROA in 2007 dropped to 3.92%. This might be due to the weakening performance of finance industries in Indonesia during 2006 which may still be affecting the financial performance of companies operating in those industries in 2007 (Daniel 2007a; Daniel 2007b).

The descriptive statistics further shows that the average age of the IDX listed companies is 28 years old. The youngest company, PT Laguna Cipta Griya Tbk, is 3 years old. The oldest company, PT Perusahaan Gas Negara (Persero) Tbk, is a government-owned enterprise, is 148 years old, and was established long before

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[53] For illustrative purposes, 10,017 billion Rupiah equals approximately 1,064 million Australian Dollars. This currency conversion is calculated based on the value of Rupiah against the Australian Dollar on 31 December 2007 determined by the Indonesian central bank (see Bank Indonesia 2009).

the 1945 Indonesian independence[54]. The Indonesian government assumed full ownership of this company in 1958 and was finally listed on the Jakarta Stock Exchange in 2003 (Perusahaan Gas Negara 2009).

From the above analysis, it can be seen that two continuous variables, leverage and company size, have a very wide range. The other continuous variables, which are composition of board, economic performance, and age of business, have a relatively lower dispersion. The figure of leverage supports the argument that creditors in Indonesia have power and influence. The value of average board composition indicates that companies in Indonesia have a static governance system. The average ROA suggests that the performance of Indonesian listed companies between 2004 and 2007 is weakening.

6.3.2. Characteristics of the Categorical Variables

Table 6.4 shows the descriptive statistics of the categorical variables of government ownership, industry type, international operations, and explicit and clearly stated goal related to the sustainable value of employees. Most IDX listed companies (91%) are fully private while the remaining 9% are 'privatized' government-owned companies. To date, 37 government-owned enterprises in Indonesia have been privatized through the capital market. Commentators argue that this privatization is undertaken because of pressures from foreign investors and lending organizations such as the World Bank and the International Monetary Fund (IMF) as part of the Indonesian economy recovery program (*Perampokan harta negara* 2008; Astami, Tower, Rusmin, and Neilson 2010; Latipulhayat 2010). Through privatization, companies are expected to gain bigger profits as well as be more efficient (*Perampokan harta negara* 2008). Such privatization, however, can be considered as having negative effects on the welfare of Indonesian society as the companies' assets partially become the property of foreigners (*Perampokan harta negara* 2008).

[54] The independence of Indonesia was declared on 17 August 1945. Before this declaration, Indonesia was colonized by the Dutch for about 350 years (1592-1942) and the Japanese for approximately 3 years (1942-1945).

Table 6.4: Descriptive Statistics of Categorical Variables

Variable	*Measurement*	*Percentage*
Government ownership	*1 = there is a proportion of government ownership*	9.0
	0 = no government ownership	91.0
Industry type	*1 = high profile industry*	44.4
	0 = low profile industry	55.6
International operations	*1 =Yes-Have foreign sales or a foreign subsidiary or a foreign branch office*	35.9
	0 = No foreign sales, foreign subsidiaries or foreign branch offices	64.1
Explicit and clearly stated goal related to the sustainable value of employees	*1 = the company has goals/missions related to sustainable value of its employees*	52.9
	0 = the company does not have goals/missions related to sustainable value of its employees	47.1
Foreign company ownership	*1 = the company is a subsidiary of a foreign company*	16.1
	0 = the company is not a subsidiary of a foreign Company	83.9

As depicted in Table 6.4, 35.9% of sample companies have international operations while the remainder, 64.1%, operate nationally. This is consistent with Cahaya, Porter, and Brown’s (2008) finding that the frequency of internationally operating companies in Indonesia is lower than that of nationally-oriented operating companies.

In regards to goal factor, Table 6.4 illustrates that 52.9% sample companies have an explicit and clearly stated goal related to the sustainable value of their employees in their 2007 annual reports. The remaining 47.1% do not have such a goal in their annual reports.

The descriptive statistics presented in Table 6.4 also show that approximately 16% of sample companies are subsidiaries of foreign companies whereas 84% are not categorized as subsidiaries of foreign companies. The low figure of foreign company ownership indicates that the investment climate in Indonesia is not perfectly conducive to major international links. According to Tambunan (2006), this is due to political and social instability, security issues (e.g. terrorism), corruption, weak law enforcement, and complex bureaucracy. Therefore, relatively few foreign companies decide to become major shareholders or parents of Indonesian companies[55].

In relation to industry type, Table 6.4 shows that 44.4% of sample companies are classified as high profile (e.g. agriculture, mining, and basic industry and chemicals) while 55.6% of the sample companies are categorized as low profile (e.g. finance). The distribution of sample companies within each profile can be broken down into nine IDX specific industry classifications. This breakdown is presented in Table 6.5, showing that the data of industry type is unevenly distributed in the nine classifications. As previously explained in Chapter 5, IDX codes 1 to 7 are categorized as high profile whereas IDX codes 8 and 9 are classified as low profile (Nurhayati 2005).

Table 6.5: Company Distribution based on the IDX's Industry Classification

IDX Code	IDX Industry Classification	Number of Sample Companies	Percentage
1	Agriculture	4	1.8
2	Mining	9	4.0
3	Basic industry and chemicals	8	3.6
4	Miscellaneous industry	4	1.8
5	Consumer goods industry	12	5.4
6	Property and real estate[a]	41	18.4
7	Infrastructure, utilities and transportation	21	9.4
8	Finance	58	26.0
9	Trade, services and investment	66	29.6
Total		232	100

[a] Property and real estate includes the construction industry

From the above tables, several important points can be noted. Firstly, most Indonesian listed companies are fully private without any government ownership. Secondly, there is some variation in the distribution of companies in IDX industry

[55] As explained in Chapter 5, this thesis categorizes companies as having foreign company ownership when the proportion of shares owned by the foreign companies is more than 50%. This is because, under PSAK No. 4, an ownership with more than 50% of total shares reflects an ability to control a subsidiary. In the context of this thesis, control further implies a foreign company's ability to assert pressure on its subsidiary in Indonesia to disclose labour-related CSR information in its annual report.

specific classification within high and low profile industries. Thirdly, the frequency of nationally operating companies in Indonesia is higher than that of internationally operating companies. Fourthly, the descriptive statistics suggests that not all Indonesian companies report stated employee goals. The results also show that very few IDX listed companies are controlled by foreign companies.

6.4. Univariate Analysis of LPDWD Practices across the Categorical Variables

This section presents the analysis on LPDWD practices within each categorical predictor variables. Specifically, the analysis consists of the examination of the possible mean differences in LPDWD practices and the evaluation of the potentially statistical differences in individual LPDWD items. The results of this analysis are presented and discussed in the following sub-sections.

6.4.1. Mean Differences in LPDWD Practices

The results of the univariate analysis on LPDWD practices are displayed in Table 6.6. As shown in this table, the means of LPDWD across the companies having the characteristics of each categorical variable are higher than that of not having those characteristics, except for foreign company ownership. For example, in the government ownership variable, the mean of LPDWD disclosed by companies with government ownership is 32.69% whereas the mean of LPDWD disclosed by companies without such an ownership is lower at 16.26%. Similarly, on average, high profile companies disclose LPDWD at 20.98% level while low profile companies disclose LPDWD at a lower level of 15.14%. There is little to distinguish the disclosure practices of companies with foreign company ownership (17.52%) compared to companies without foreign company ownership (17.77%).

Table 6.6: LPDWD Practices across the Categorical Variables

Government Ownership	**Mean (%)**	**Median (%)**	**Standard Deviation (%)**	**Minimum (%)**	**Maximum (%)**
Companies with government ownership	32.69	26.92	18.32	7.69	92.31
Companies without government ownership	16.26	15.38	9.53	0	38.46
T-test p-value	0.000***				
Industry type					
High profile	20.98	23.08	13.8	0	92.31
Low profile	15.14	15.38	8.6	0	38.46
T-test p-value	0.000***				
International operations					
Companies with international operations	26.35	23.08	11.85	7.69	92.31
Companies without international operations	12.91	15.38	8.09	0	30.77
T-test p-value	0.000***				
Explicit and clearly stated goal related to the sustainable value of employees					
Companies with goals/missions related to the sustainable value of their employees	18.97	15.38	12.38	0	92.31
Companies without goals/missions related to the sustainable value of their employees	16.34	15.38	10.43	0	53.85
T-test p-value	0.090*				
Foreign company ownership					
Companies with foreign company ownership	17.52	15.38	8.93	7.69	38.46
Companies without foreign company ownership	17.77	15.38	12.02	0	92.31
T-test p-value	0.906				

***significant at 1% level; **significant at 5% level; *significant at 10% level.

T-tests[56] show that there are highly significant differences in the means of voluntary LPDWD practices between companies with government ownership and without government ownership, high and low profile companies, and those having international operations and without international operations (*p*-values all 0.000). There is also a moderately significant difference between companies having goals related to the sustainable value of their employees and not having such goals (*p*-value = 0.090). These results imply positive relationships between LPDWD practices and all of the categorical variables, as hypothesized in Chapter 4. A further analysis of these results through a multiple regression lens on the whole set of the examined variables is presented in Chapter 7.

6.4.2. Statistical Differences in Individual LPDWD Items

One-Way ANOVA[57] tests were performed to evaluate whether there are any statistical differences in LPDWD specific items across the categorical variables, namely government ownership, industry type, international operations, explicit and clearly stated goal related to the sustainable value of employees, and foreign company ownership. The results of these tests are reported in Table 6.7.

Table 6.7: ANOVA Results of Individual LPDWD Practices

		Government Ownership (Sig.)	Industry Type (Sig.)	International Operations (Sig.)	Explicit and Clearly Stated Goal related to the Sustainable Value of Employees (Sig.)	Foreign Company Ownership (Sig.)
LA1	Total workforce by employment type, employment contract, and region	0.000***	0.004***	0.000***	0.622	0.027**
LA2	Total number and rate of employee turnover by age group, gender, and region	0.000***	0.064*	0.010***	0.523	0.939
LA4	Percentage of employees covered by collective bargaining agreements	0.000***	0.051*	0.020**	0.496	0.446
LA5	Minimum notice period(s) regarding operational changes, including	0.340	0.028**	0.000***	0.116	0.097*

[56] *T*-test is "a parametric test to determine the statistical significance between a sample distribution mean and a population parameter" (Cooper and Schindler 2006, 719).
[57] ANOVA (Analysis of Variance) is a statistical tool for comparing two or more sample means to determine whether there are any statistical differences between them (Ott and Longnecker 2001).

	whether it is specified in collective agreements					
LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs	0.001***	0.264	0.182	0.347	0.662
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region	0.866	0.000***	0.000***	0.038**	0.016**
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	0.103	0.000***	0.000***	0.289	0.318
LA9	Health and safety topics covered in formal agreements with trade unions	0.000***	0.113	0.058*	0.182	0.535
LA10	Average hours of training per year per employee by employee category	0.029**	0.942	0.187	0.261	0.517
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	0.043**	0.099*	0.000***	0.849	0.186
LA12	Percentage of employees receiving regular performance and career development reviews	0.000***	0.187	0.000***	0.454	0.580
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	0.056*	0.620	0.143	0.233	.037**
LA14	Ratio of basic salary of men to women by employee category	0.042**	0.873	0.677	0.934	0.535

***significant at 1% level; **significant at 5% level; *significant at 10% level.

As shown in Table 6.7, the mean differences between companies with government ownership and without government ownership exist across most specific voluntary LPDWD items (LA1, LA2, LA4, LA6, LA9, and LA12 at 1% level; and, LA10, LA11, and LA14 at 5% level). The significant differences in the value of mean which occur in most of the voluntary LPDWD items might confirm that companies with government ownership are pressed by the government appointed directors to be socially responsible to their employees by performing the GRI labour related activities and disclosing those activities in their annual reports. Arguably, the labour related CSR activities themselves are undertaken to comply with government regulations. The provision of training programs described in LA10, LA11, and LA12, for example, shows companies' compliance with *Act No. 13/2003* Article 12. As stated in this article, employers are responsible to develop their workers' competence through training programs (see Pemerintah Republik Indonesia 2003).

The mean differences in the mean of voluntary LPDWD between high and low profile companies also exist across some specific items. These items include LA1, LA7, and LA8 at 1% level; LA5, at 5% level, and, LA2, LA4, and LA11 at 10% level. The highly significant differences (at 1% level) primarily exist in items related to occupational health and safety issues, which are LA7 (*Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region*) and LA8 (*Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases*). This finding again supports the argument presented previously in this thesis that high profile companies (whose workers may generally have a greater risk of injury during operations) disclose more health and safety information.

Evidence showing a highly significant difference in the mean of overall voluntary LPDWD presented in Table 6.7 is between companies with and without international operations. The differences exist in LA1, LA2, LA5, LA7, LA8, LA11, and LA12 at 1% level; LA4 at 5% level; and, LA9 at 10% level. Those items relate to employment, labour and management relation, health and safety, and training issues. This result suggests that Indonesian companies operating internationally see CSR activities linked to the above issues are important to be undertaken and communicated to better survive in a global arena, either in terms of competitive advantage or in terms of legitimacy.

For companies having explicit and clearly stated goal related to the sustainable value of employees and not having such a goal in their annual reports, the significant difference only exists in one voluntary item, which is LA 7 (*Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region*), at 5% level.

Interestingly, although there is no significant difference in the mean of overall voluntary LPDWD practices between companies with and without foreign company ownership as reported in sub-section 6.4.2, significant differences exist in individual LPDWD items of LA1, LA7, and LA13 (at 5% level) as well as LA5 (at 10% level). These relate to *Workforce by employment type, employment contract, and region*, *Occupational diseases and injuries*, *Diversity among workers*, and *Notice regarding operational changes* respectively. This finding may highlight labour issues which are considered important by foreign companies.

In summary, the univariate analysis shows that there are some variations in voluntary LPDWD practices across the categorical predictor variables. For the means of overall voluntary LPDWD, significant differences present between companies with government ownership and without government ownership, high and low profile companies, companies having international operations and without international operations, and those having goals related to the sustainable value of their employees and not having such goals. Significant differences also present in most of the individual voluntary LPDWD items, particularly for companies with and without government ownership and those with and without international operations as well as those operating in high and low profile industries. On the other hand, a significant difference only exists in one voluntary item, which is LA 7 (*Rates of injury*) for companies with and without employee related goals. For companies with and without foreign company ownership, significant differences exist in the means of LA1, LA7, LA13, and LA5 disclosures (*Workforce by employment type, employment contract, and region*, *Occupational diseases and injuries*, *Diversity among workers*, and *Notice regarding operational changes* respectively). The results of the univariate analysis on the individual LPDWD items particularly highlight individual labour-related CSR information that is considered important by companies in Indonesia.

6.5. Correlations across Predictor Variables

Table 6.8 presents the Pearson correlation coefficients for all of the continuous explanatory variables examined in this thesis. In this table, it is shown that there are no high correlations among the variables. This is evidenced by the maximum value of only 0.635, between leverage and economic performance. According to Ott and Longnecker (2001) and Ghozali (2005), multicollinearity occurs when a coefficient correlation is greater than or equal to 0.9. As such, it can be said that multicollinearity does not occur in this thesis' data set. Details of the analysis on the values of tolerance and VIF (Variance Inflation Factor) as part of the multiple regression assumption test can be found in Appendix F.

Table 6.8: Pearson Correlations of the Continuous Variables

	Leverage	Composition of board	Company size	Economic performance	Age of Business
Leverage	1				
Composition of board	0.169	1			
Company Size	0.157	0.203	1		
Economic performance	-0.635	-0.081	0.003	1	
Age of Business	0.044	0.041	0.202	0.117	1

In addition to the above analysis, Table 6.9 presents the coefficients of spearman correlations of the categorical variables (government ownership, industry type, international operations, explicit and clearly stated goal related to the sustainable value of employees, and foreign company ownership). As stated by Santoso (2003), these coefficients can be used for assessing the correlation between categorical variables. Again, there are no high correlations between categorical variables since the maximum value is 0.404, which is between industry type and international operations.

Table 6.9: Coefficients of Spearman Correlations of Categorical Variables

	Government ownership	Industry type	International operations	Explicit and clearly stated goal related to the sustainable value of employees	Foreign company ownership
Government ownership	1				
Industry type	0.099	1			
International operations	0.256***	0.404***	1		
Explicit and clearly stated goal related to the sustainable value of employees	0.045	0.102	0.106	1	
Foreign company ownership	-0.095	0.000	0.129	0.072	1

***significant at 1% level; **significant at 5% level; *significant at 10% level.

6.6. Summary

This chapter presented the results of the descriptive statistics for all of the variables examined in this thesis. In particular, the results answered the first research question of the thesis: ‘to what extent do IDX listed companies voluntarily provide LPDWD in their 2007 annual reports?’. Analysis shows a low level of voluntary LPDWD by IDX listed companies (17.7%). The most disclosed item was LA 11 (P*rograms for skills management and lifelong learning)* at 84.3% whereas very few companies disclosed GRI items LA6, LA9, and LA14 (*Percentage of total workforce represented in formal joint management–worker health and safety committee*; *Health and safety topics covered in formal agreements with trade unions*; and, S*alary of men to women*) at 0.45%, 0.9%, and 0.9% respectively.

The results also answered the second research question regarding the extent of each GRI disclosure category. The analysis shows that the extent of *Employment*, *Labor/Management Relations*, *Occupational Health and Safety*, *Training and Education*, *Diversity and Equal Opportunity* categories are 14.12%, 3.36%, 9.86%, 33.48%, and 27.8% respectively.

This chapter then presented univariate analysis for the categorical variables. The results suggest that there are significant differences in the means of overall voluntary LPDWD practices between companies with government ownership and without government ownership, high and low profile companies, companies having international operations and without international operations, and those having goals related to the sustainable value of their employees and not having such goals but at a moderate statistical level. Significant differences also present in most of the individual voluntary LPDWD items, particularly for companies with and without government ownership and those with and without international operations as well as those operating in high and low profile industries.

The next chapter presents multivariate analysis, encompassing the hypotheses testing of research questions 3 and 4 for the effects of leverage, government ownership, industry type, international operations, explicit and clearly stated goal related to the sustainable value of employees, independence of board, and foreign company ownership on the level of voluntary LPDWD.

CHAPTER 7: MULTIVARIATE ANALYSIS

7.1. Overview

Chapter 6 presented the descriptive statistical analysis for all of the variables examined in this thesis' hypotheses testing. Chapter 7 provides the inferential statistical analysis of voluntary Labour Practices and Decent Work Disclosures (LDWD) of IDX listed companies, outlining the multiple regression results for the seven hypotheses developed in Chapter 4. Additional logistical regression analyses are also reported. The results of multiple regression and logistic regression are used for answering the third and the fourth research questions of this thesis respectively: 'what is the relationship between the quantity of voluntary LPDWD in the annual reports and key predictor variables?' and 'what is the relationship between the disclosures of voluntary GRI *Employment*, *Labor/Management Relations*, *Occupational Health and Safety*, *Training and Education*, and *Diversity and Equal Opportunity* categories in the annual reports and key predictor variables?'.

7.2. Multiple Regression Analysis: Quantity of Voluntary LPDWD

Through the regression analysis, this thesis first examines whether there are any outliers in the data set. An outlier is "an observation that is substantially different from the other observations" (Hair et al. 1998, 38). According to Coakes and Steed (2007), outliers should be deleted to reduce their influence on the regression results. However, the deletion of outliers must be done with care because it can often result in the generation of other new outliers (Coakes and Steed 2007). Accordingly, this thesis checks the possible existence of outliers using two different methods, which are Mahalanobis distance and Cook's distance.

Mahalanobis distance is defined as the "measure of the uniqueness of a single observation based on differences between the observation's values and the mean values for all other cases across all independent variables" (Hair et al. 1998, 219). An examination of Mahalanobis distance in this thesis reveals that there are nine multivariate outliers among the predictor variables as their distance values are greater than the critical chi-square value of 29.59 at an alpha level of 0.001 (see

Coakes and Steed 2007 for a detailed explanation on the criteria for determining outliers using Mahalanobis distance).

Cook's distance is defined as a "summary measure of the influence of a single case (observation) based on the total changes in all other residuals when the case is deleted from the estimation process" (Hair et al. 1998, 218). Cases where Cook's distance values are greater than one are considered as outliers (Hair et al. 1998). An examination of the Cook's distance in the data set shows that there is one multivariate outlier among the predictor variables as the value is greater than one. This case is also one of the nine outliers previously detected by the Mahalanobis distance examination.

According to Coakes and Steed (2007) the deletion of outliers must be done with care. This thesis removes only one case as it is an outlier in both Mahalanobis distance and Cook's distance examinations. The data point excluded is PT Indoexchange Tbk whose main business is providing information and financial news through the internet (see Indonesia Stock Exchange 2008). The multiple regression analyzed in this thesis therefore uses only 222 of the 223 sample companies[58].

To further ensure that the results are truly representative of the sample, classical assumptions of multiple regression (multicollinearity, normality, linearity, and homoscedasticity) are also checked (see the details of these tests in Appendix F). The results of the tests show that the assumptions of multicollinearity, normality, and linearity are met. It is noted, however, that the homoscedasticity assumption is not fully met. This is because two predictor variables, which are government ownership and economic performance, statistically influence the absolute value of

[58] Different results are found when complete regressions with and without the outlier are performed. Only two predictor variables, which are government ownership and international operations, are significant in the regression with the full 223 companies while four predictor variables, which are government ownership, international operations, company size, and economic performance, are significant in the analysis of 222 companies after deleting the one outlier. Three predictor variables, government ownership, international operations, and economic performance, are significant in the regression results when the nine outliers are excluded. These results justify the exclusion of the one outlier.

residuals. Ghozali (2005) argues that such effects signal the possible existence of heteroscedasticity in the regression model.

According to Tabachnick and Fidell (2001), heteroscedasticity is not fatal to a multiple regression analysis. Tabachnick and Fidell (2001) further argue that, in a multiple regression, heteroscedasticity does not invalidate the results although it may weaken them. Importantly, if the normality assumption, which is the main regression assumption, is met as in this thesis, the relationship between variables can be considered homoscedastic (Tabachnick and Fidell, 2001). Accordingly, this thesis uses the existing regression results[59] to test the hypotheses.

Table 7.1 presents the results of the complete multiple regression[60] for the 222 sample companies. This regression method basically examines the association between the full set of predictor variables and the dependent variable. It can be seen from Table 7.1 that the regression model is highly significant (*p*-value 0.000). The value of adjusted R-square is 0.402. The variation of voluntary LPDWD practices is explained by the variation of two highly significant predictors (*p*-values are smaller than 1% significance level), being government ownership and international operations. Company size and economic performance, which are control variables, are also significant (*p*-values are smaller than 10% and 5% significance levels respectively). The coefficients of these three variables are positive, suggesting that there are positive associations between voluntary LPDWD practices and government ownership, the presence of international operations, company size (control variable), and economic performance (control variable).

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[59] This thesis sought to remedy the heteroscedasticity problem by transforming all continuous variables into natural logarithm. However, the results, particularly those of the assumption test, are virtually the same with heteroscedasticity still existing in the new regression. Therefore, the original regression is used in this thesis. The results of the regression with all continuous variables transformed can be found in Appendix F.

[60] According to Coakes and Steed (2007), there are three major regression methods, simultaneous or complete regression, hierarchical regression, and stepwise regression. The choice of the method depends on the research objectives (Coakes and Steed 2007).

Table 7.1: Results of Multiple Regression

Variable	Predictor Type	Predicted Sign	Coefficient	*P*-value
(Constant)			+0.016	0.730
Leverage	IV	+	-0.008	0.731
Government ownership	IV	+	+0.091	0.000***
Industry type	IV	+	+0.004	0.77
International operations	IV	+	+0.096	0.000***
Explicit and clearly stated goal related to the sustainable value of employees	IV	+	+0.013	0.295
Independence of board	IV	+	+0.010	0.823
Foreign company ownership	IV	+	-0.019	0.271
Company size	CV	+	+0.007	0.064*
Economic performance	CV	+	+0.207	0.016**
Age of business	CV	+	+0.000	0.374
Model Summary				
Adjusted R-Square	0.402			
Standard Error of the Estimate	0.0895			
Regression Model (Sig.)	0.000***			

***significant at 1% level; **significant at 5% level; *significant at 10% level.
Legend: IV = independent variable; CV = control variable.

For testing Hypotheses 1 to 7, multiple regression is performed by using a variant of the complete multiple regression, the stepwise method. This method sequentially selects the best predictor variables to be included in the regression (Hair et al. 1998). In this method, a predictor variable can be excluded if its explanatory power drops to a non-significant level (Hair et al. 1998). Hair et al. (1998) further argue that stepwise regression is the most popular sequential technique for the selection of variables. As this thesis aims to determine the best explanatory variables of voluntary LPDWD practices, stepwise regression is employed. Table 7.2 below illustrates the values of the predictive power from four models derived from the stepwise regression.

Table 7.2: Predictive Power of the Stepwise Regression Models

	Model 1	Model 2	Model 3	Model 4
Adjusted R-Square	0.308	0.380	0.400	0.409
Standard Error of the Estimate	0.0962293	0.0910657	0.0895475	0.0888772
Regression Model (Sig.)	0.000***	0.000***	0.000***	0.000***

***significant at 1% level; **significant at 5% level; *significant at 10% level.

It is clear from Table 7.2 that all models are highly significant as their *p*-values are 0.000. This means that all four regression models are highly predictive of the level of voluntary LPDWD. Model 4, however, has the greatest value of adjusted R-Square (0.409) and the smallest value of standard error of the estimate (0.0888772). The value of that adjusted R-Square reveals that the variation of voluntary of LPDWD practices in model 4 can be explained by the variation of the predictor variables in that model at about 41%. Model 4 is therefore chosen as the main regression model of this thesis. Consequently, the hypotheses testing is analyzed from this model. Table 7.3 presents the significant predictor variables found in Model 4. These results are used for the hypotheses testing of this thesis.

Table 7.3: Results of Stepwise Multiple Regression in Model 4

Significant Variable	Predictor Type	Predicted Sign	Coefficient	*P*-value
International operations	IV	+	+0.100	0.000***
Government ownership	IV	+	+0.099	0.000***
Economic performance	CV	+	+0.221	0.007***
Company size	CV	+	+0.007	0.039**

***significant at 1% level; **significant at 5% level; *significant at 10% level.
Legend: IV = independent variable; CV = control variable.
Note: The significant variables in Table 7.3 are presented in order of significance based on the results of stepwise regression in SPSS. The explanation of each of the four significant variables in this section, however, is not presented in the same order as that presented in Table 7.3. This is because the emphasis of the explanation is on the chronological order of the tested variants of institutional theory namely *coercive isomorphism, mimetic isomorphism,* and *normative isomorphism*, as previously hypothesized in Chapter 4.

As previously explained in Chapter 4, there are seven hypothesized independent variables (leverage, government ownership, industry type, international operations, explicit goal, independence of board, and foreign company ownership) and three control variables (company size, economic performance, and age of business) in this thesis. Table 7.3 shows that, in the final stepwise regression model, four of those ten tested variables are statistically significant[61]. These results are therefore essentially the same as those of the complete regression (Table 7.1). Government ownership is highly significant with a *p*-value of 0.000. Therefore, there is sufficient evidence to conclude that government ownership is

[61] A stepwise regression with nine outliers excluded (the outliers detected by the mahalanobis distance test) is also performed. The results are the same. Government ownership, international operations, company size, and economic performance are statistically significant factors. The results of this extra regression analysis are presented in Appendix G.

positively associated with the level of voluntary LPDWD in annual reports. Consistent with Hypothesis 2, the coefficient (+) 0.099 reveals a positive relationship between government ownership and the extent of voluntary LPDWD. This suggests that, in Indonesia, government-owned companies disclose more labour information in their annual reports than non-government-owned private companies do.

International operations is also highly significant with a *p*-value of 0.000. The coefficient (+) 0.100 again indicates that the direction of the association between international operations and the extent of voluntary LPDWD is positive. This indicates that, in Indonesia, listed companies with international operations disclose more labour information in their annual reports than listed companies without international operations do. This is consistent with Hypothesis 4.

The other independent variables (leverage, industry type, explicit and clearly stated goal related to the sustainable value of employees, independence of board, and foreign company ownership) are not found to be significant predictors of the extent of voluntary LPDWD. They are statistically excluded by stepwise regression. These results are detailed in Appendix H.

Table 7.3 also shows that two control variables, company size and economic performance, are significant. Company size is significant at 5% significance level and economic performance is significant at the 10% level. Both of these two control variables have positive coefficient values, (+) 0.007 for company size and (+) 0.221 for economic performance. This result supports the argument presented in Chapter 4 that there are positive associations between voluntary LPDWD practices and company size and economic performance. Bigger IDX listed companies and companies with better economic performance disclose more labour information in their annual reports.

To further ensure the generalization of the results, sensitivity analyses are performed and reported in Appendix I. In these analyses, the measurements of three predictor variables, leverage, industry type and economic performance, are changed with the ratio of total liabilities to total equity, the nine IDX's official industry classification, and a dichotomous profit and loss coding respectively. Four multiple regression analyses are then run. The first regression incorporates the modified measure of leverage. The second regression includes the modified measure of industry type. The third one incorporates the modified measure of economic performance. The final regression analysis combines all of the three modified measures into one model. The results of those regressions show virtually the same findings as the main regression results, particularly those regarding the independent variables. Government ownership and international operations are consistently significant in the four regressions in all of the sensitivity analyses.

The only differences in the results are in relation to the control variables. While company size is significant in the main regression analysis, it is not found to be significant in the regression using IDX's official industry classification as the measure of industry type. Economic performance, which is also significant in the main regression analysis, is insignificant in all of the four sensitivity analyses. This last outcome may be caused by the cruder nominal-style nature of measuring economic performance as merely profit or loss. Given that the results of the sensitivity analyses are mostly consistent with the results of the main regression, it can be said that the measurement approaches adopted in this thesis provide consistent results.

In summary, the stepwise regression results show that voluntary LPDWD practices in an Indonesian context are explained by the variation of two significant independent variables, being government ownership and international operations. Hypotheses 2 and 4 are therefore accepted. Conversely, the other independent variables (leverage, industry type, explicit and clearly stated goal related to the sustainable value of employees, independence of board, and foreign company ownership), are not found to be significant, showing that Hypotheses 1, 3, 5, 6, and 7 are rejected. Voluntary LPDWD practices are additionally explained by the significant impacts of two control variables namely company size and economic performance. These results are considered robust and best represent the population in Indonesia as multivariate outliers have been deleted from the analysis and, importantly, the normality assumption is met.

7.3. Logistical Regression Analysis: Five Key GRI LPDWD Categories

This section provides an analysis on the associations between the key predictor variables (leverage, government ownership, industry type, international operations, explicit and clearly stated goal related to the sustainable value of employees, independence of board, foreign company ownership, company size, economic performance, and age of business) and the disclosures of the five main GRI LPDWD categories (*Employment*, *Labor/Management Relations*, *Occupational Health and Safety*, *Training and Education*, and *Diversity and Equal Opportunity*) in the annual reports. The purpose of this analysis is to answer the fourth research question of this thesis. Through such an analysis, more insights regarding the potential variation of the impacts of key predictor variables on the five LPDWD categories can be obtained. The breakdown of GRI LPDWD into those five categories itself has been explained in Sections 1.1 and 5.3.3 and is also detailed in Table A.1, Appendix A.

To evaluate the above potential associations, each LPDWD category is treated as the dependent variable with a dichotomous coding (coded as 1 [one] if a sample company discloses at least one item in that category or 0 [zero] if otherwise) as the measure. Accordingly, logistic regression is performed[62] for each of the five LPDWD categories. The results of the logistic regression for these five categories are summarized in Table 7.4.

[62] According to Hair et al. (1998) logistic regression does not face strict assumptions such as normality like other multivariate analyses. Accordingly, logistic regression is considered as a robust statistical tool which can be appropriately used in many situations (Hair et al. 1998).

Table 7.4: Logistic Regression Results of the GRI LPDWD Specific Categories

Variable	Predictor Type	Employment		Occupational Health and Safety		Diversity and Equal Opportunity	
		Coefficient	*P*-Value	Coefficient	*P*-Value	Coefficient	*P*-Value
Leverage	IV	+0.464	0.471	+0.549	0.383	-1.693	0.014**
Government ownership	IV	+1.457	0.015**	+0.006	0.992	+0.531	0.375
Industry type	IV	+0.344	0.381	+1.129	0.003***	-0.273	0.417
International operations	IV	+1.450	0.001***	+1.714	0.000***	+0.129	0.727
Explicit and clearly stated goal related to the sustainable value of employees	IV	+0.007	0.984	+0.179	0.616	+0.303	0.299
Independence of board	IV	+0.618	0.654	-3.427	0.033**	+2.495	0.034**
Foreign company ownership	IV	-1.220	0.034**	+0.174	0.722	-1.027	0.013**
Company size	CV	+0.011	0.920	-0.033	0.758	+0.254	0.006***
Economic performance	CV	+1.061	0.550	+6.114	0.021**	-3.512	0.019**
Age of business	CV	+0.005	0.628	-0.004	0.685	+0.002	0.845

***significant at 1% level; **significant at 5% level; *significant at 10% level.

Legend: IV = independent variable; CV = control variable.

Note: *Labor/Management Relations* and *Training and Education* are not presented in Table 7.4 because, when the logistic regressions were performed, there were no statistical results produced. The most possible explanation for such findings is that there are not evenly sufficient data distributions within each group of *Labor/Management Relations* and *Training and Education* disclosures and non-disclosures to be statistically analyzed. As previously reported in Chapter 6, only about 7% of sample companies disclose *Labor/Management Relations* category whereas, almost all of the sample companies (around 85%) disclose *Training and Education* category. There is therefore minimal variance in the disclosures of those two specific categories.

Table 7.4 shows that three independent variables, government ownership, international operations, and foreign company ownership, significantly affect the disclosures of *Employment* related issues (*p*-values 0.015, 0.001, and 0.034 respectively). The values of these variables' coefficients ((+) 1.457, (+) 1.450, and -1.220 respectively) further reveal that they are positively related with the propensity of IDX listed companies to disclose *Employment* issues, except for foreign company ownership. The negative value of foreign company ownership's coefficient indicates that IDX listed companies with outside ownership tend to disclose less *Employment* information in their annual reports.

Three independent variables are significant determinants of the propensity to disclose issues related with *Occupational Health and Safety*. These variables are industry type, international operations, and independence of board with *p*-values of 0.003, 0.000, and 0.033 respectively. The control variable of economic performance is also significant (*p*-value 0.021). The positive coefficients of industry type, international operations, and economic performance ((+) 1.129, (+) 1.714, and (+) 6.114 respectively) suggest that these variables are positively associated with the disclosures of *Occupational Health and Safety* issues by IDX listed companies while the coefficient of independence of board (-3.427) reveals a negative association between this independent variable and *Occupational Health and Safety* disclosures. Thus, IDX listed companies having a greater proportion of independent commissioners on the board tend not to disclose *Occupational Health and Safety* information in their annual reports.

Table 7.4 also shows that three independent variables (leverage, independence of board, and foreign company ownership) and two control variables (company size and economic performance) significantly influence the propensity of IDX listed companies to disclose *Diversity and Equal Opportunity* information in their annual reports (*p*-values 0.014, 0.034, 0.013, 0.006, and 0.019 respectively). The coefficients of independence of board and company size are positive ((+) 2.495 and (+) 0.254 respectively) so that there is sufficient evidence to conclude that IDX listed companies, having a greater proportion of independent commissioners on their boards and bigger IDX listed companies, tend to disclose information about *Diversity and Equal Opportunity* in their annual reports. In contrast, because the coefficients of leverage, foreign company ownership, and economic performance are negative (-1.693, -1.027, and -3.512 respectively), IDX listed companies having higher levels of leverage, those which are subsidiaries of foreign companies, and those having better economic performance, tend not to disclose *Diversity and Equal Opportunity* information in their annual reports.

Conclusions about the possible impacts of the key predictor variables on the propensity to disclose *Labor/Management Relations* and *Training and Education* cannot be made in this thesis. This is because all of the key predictor variables were statistically excluded from the logistic regression. The probable explanation for the exclusion is that there is minimal variance in the data set of *Labor/Management Relations* and *Training and Education*. As previously reported in Figure 6.2 (see Chapter 6), only about 7% of sample companies disclose *Labor/Management Relations* information while almost all of the sample companies (around 85%) disclose *Training and Education* issues in their annual reports. It is clear that there is not sufficient evenly distributed data within each group of disclosures and non-disclosures for those two LPDWD specific categories.

To sum up, the logistical regression analysis shows that there are quite different predictors for the disclosure of different individual GRI LPDWD categories of *Employment*, *Occupational Health and Safety*, and *Diversity and Equal Opportunity* in their annual reports. Conclusions on the possible determinants of *Labor/Management Relations* and *Training and Education* disclosures cannot be made due to the minimal variance in the data set. The following examination discusses the possible story behind the different significant predictors across *Employment*, *Occupational Health and Safety*, *Diversity and Equal Opportunity* categories.

7.3.1. Employment

As reported in Table 7.4, government ownership significantly influences companies to communicate *Employment* issues. This result helps to highlight the *coercive* power of the Indonesian government. This might be best explained by the legislative support by the government for companies to adopt contract employment systems (see again Chapter 2). To show that companies are consistently in line with the government on this employment issue, government owned companies disclose their contract employment composition in the annual reports.

International operations is also found to be statistically positively significant. There is an increasing and current global trend toward contract employment or outsourced workforce (Shoemaker and Howell 2005; Lacity, Willcocks, and Rottman 2008). Indonesian listed companies operating internationally might consider such a trend important to follow. As discussed in Chapter 2, contract employment is seen as one of the key business strategies by the Indonesian government and companies to significantly reduce costs. To best survive in a global arena, Indonesian companies operating internationally adopt contract employment systems and communicate this adoption in their annual reports.

Interestingly, Foreign Company Ownership is an influencing factor for Indonesian subsidiaries not to disclose LPDWD. This might be because their Indonesian subsidiaries have worse labour-related CSR performance than their subsidiaries in other countries do. In other words, Indonesian subsidiaries' labour-related CSR do not meet the expected standard and are influenced by the foreign owned company to hide performances that do not meet international standards.

To sum up, it appears that the propensity of Indonesian listed companies to communicate *Employment* issues is partially explained by *coercive* and *mimetic* variants of *isomorphic* institutional theory. This is evidenced by the significant findings of government ownership and international operations. Companies seem to adopt contract employment to be consistent with the government's legislation on employment as well as to better survive in a global arena.

7.3.2. Occupational Health and Safety

An important finding of the logistical regression analysis on *Occupational Health and Safety* category is the positively significant influence of *mimetic*-based explanatory variables, being industry type and international operations. High profile companies whose employees have a greater injury risk tend to *mimetically* model themselves by communicating occupational health and safety issues in their annual reports. Indonesian companies with international operations may be copying the OHSD practices of their competitors in foreign countries such as China, Malaysia, and Japan so that they can better survive in a global arena (Cahaya et al. 2011b).

Conversely, independent commissioners appear to be influencing companies not to disclose *Occupational Health and Safety* information. This phenomenon might be explained by the fact that IDX listed companies do have poor health and safety performances so that the independent commissioners may be encouraging companies to be silent on these performances. This implies that the independence and the professionalism of the commissioners in Indonesia could be improved. This less than optimal independence and professionalism may be explained by the strong influence of concentrated family ownership structures within this developing nation's corporate governance structure (see Tower et al. 2008)

All *normative*-related hypotheses are rejected. For goal factor, it may be that companies are simply using a stated goal as a symbol to promote a positive image (Cahaya, Porter, Tower, and Brown 2009; Cahaya et al. 2011b). Interestingly, independent commissioners appear to be influencing companies to not disclose such information. This phenomenon might be explained by the fact that IDX listed companies may have poor health and safety performances so that the independent commissioners encourage companies to be silent on these performances.

Only one control variable, which is economic performance, is positively significant. This is consistent with Roberts (1992), highlighting that companies with satisfactory financial performance do have sufficient financial support for providing good health and safety programs and facilities and disclose this provision in their annual reports. Such companies arguably have lower injury rates and are 'brave' enough to report their injury rate information. Importantly, such companies potentially contribute to significantly reducing losses caused by work accidents in Indonesia (see again the overview of such losses in Chapter 2).

In summary, the propensity to communicate occupational health and safety issues in Indonesia is explained by the specific *mimetic* variant of *isomorphic* institutional theory. This finding highlights the positively significant impact of industry type and international operations. The finding also highlights the potential role of companies with satisfactory financial performance in improving health and safety facilities for workers. Conversely, independence of board has a negative effect on *Occupational Health and Safety* issues and it may be that the commissioners are attempting to hide poor performance in this area.

7.3.3. Diversity and Equal Opportunity

Employee diversity arguably reflects complexity within an organization, which can cause conflicts between the organization and its employees or even among employees themselves. As previously discussed in Chapter 2, in Indonesia, there is a wide gap in the relationship between companies and their workers with considerable inequity of salary being a particularly contentious issue (The Jakarta Post 2008). It can therefore be argued that, when an organization in this developing nation has a wide variety of employees, it potentially has greater employee relationship problems which can threaten the organization's long term success.

Independence of board does significantly influence the propensity to communicate *Diversity and Equal Opportunity* information. One possible motivation of independent commissioners to push companies to disclose such information is perhaps to best inform the stakeholders regarding the demographic human resources within the companies. The provision of this information is arguably easy as every company does have data on their workers', including ages and education levels. Another possible motivation is to window-dress the low disclosure of male-female salary ratio information given that there are strong indications of salary inequality between male and female workers. A detailed discussion on this inequality is presented in Chapter 9.

Conversely, the results show that Leverage and Foreign Company Ownership have a negative influence on the disclosure of *Diversity and Equal Opportunity*. Companies, particularly those whose financial structure is dominated by creditors' funds, might be choosing to hide problematic employee diversity information so that they look better in front of creditors' eyes and, importantly, are still approved to receive funds from creditors. Similarly, foreign companies may be asking their Indonesian subsidiaries to hide poor performance so that the content of corporate-level annual reports is not badly affected. Alternatively, Indonesian subsidiaries may be hiding that information from their foreign parent company.

One control variable, company size, is positively significant. This suggests that bigger IDX listed companies tend to communicate issues regarding *Diversity and Equal Opportunity*. Bigger companies have a larger employee base likely resulting in a wider variety of diversity indicators such as age differences, employee ranks or levels, and ethnic backgrounds. In other words, bigger companies potentially have more *Diversity and Equal Opportunity* information to report.

To sum up, the propensity to communicate *Diversity and Equal Opportunity* is mainly explained by the pressure of independent commissioners on the board and the size of the company. This therefore highlights that *normative* pressure partially explains the *Diversity and Equal Opportunity* disclosure phenomenon in an Indonesian context.

Overall, the above discussion provides a detailed story regarding the effect of key predictor variables on the disclosures of GRI LPDWD specific categories. While the story seems complex, some important points can be noted. Firstly, Indonesian listed companies appear to minimize the disclosure of employee diversity from stakeholders, including creditors. Secondly, the apparent pressure by the Indonesian government is only on the disclosure of *Employment* issues, perhaps due to the legislative support by the government for companies to adopt contract employment systems. Thirdly, the results reveal that, in Indonesia, companies operating in high profile industries focus their LPDWD on health and safety issues potentially because their workers have a greater risk during work. Fourthly, to best survive in a global arena, Indonesian companies operating internationally adopt contract employment systems and address health and safety issues within their companies' policies as well as disclose these practices in their annual reports. Lastly, it appears that one possible reason for companies' non-disclosures is to hide potential internal conflicts and poor performance. These stories are expected to help explain the results of hypotheses testing and are presented in Chapter 9.

7.4. Further Logistical Regression Analysis: Two Most Disclosed Individual 'Labour' Items

This section provides additional analysis on the relationships between two of the most disclosed voluntary LPDWD items (LA13 *Breakdown of employees per category according to diversity indicators* at about 55% and LA8 *Health and safety programs* at around 29%) and the key explanatory variables of this thesis (leverage, government ownership, industry type, international operations, explicit and clearly stated goal related to the sustainable value of employees, independence of board, foreign company ownership, company size, economic performance, and age of business). The high disclosure levels of LA13 and LA8 arguably reflect the importance of information regarding employee diversities and health and safety programs in Indonesia. This highlights that, within the framework of institutional theory, there should be *isomorphic* factors explaining the disclosures of that information in IDX listed companies' annual reports. It is therefore considered important to investigate the potential influence of *isomorphic* key variables on such disclosures in this thesis.

It is important to note that the most disclosed item reported in Chapter 6 (see again Figure 6.2), which is LA11 *Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings*, is not examined in this section. This is because the disclosure level of this item is very high (84.3%) and therefore there is not an evenly sufficient data distribution within each of LA11 disclosure and non-disclosure groups to be statistically analyzed. As such, there are no statistical results produced when the logistic regression of LA11 is performed. The explanation of this phenomenon is the same as that for the statistical analysis of *Labor/Management Relations* and *Training and Education* category disclosures presented in Section 7.3 (see again Table 7.4)

In line with the analysis on the LPDWD categories presented in Section 7.3, each disclosure of LA13 *Breakdown of employees per category according to diversity indicators* and LA8 *Health and safety programs* is treated as the dependent variable with a dichotomous coding (coded as 1 [one] if a sample company discloses the item or 0 [zero] if otherwise) as the measure. As such, extra logistic regression analysis is performed for each of LA13 and LA8 disclosures with the results displayed in Table 7.5.

Table 7.5: Logistic Regression Results of the Two Most Disclosed Items

Variable	LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity		LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	
	Coefficient	*P*-Value	Coefficient	*P*-Value
Leverage	-1.577	0.020**	0.702	0.266
Government ownership	0.561	0.347	0.017	0.979
Industry type	-0.223	0.506	1.219	0.001***
International operations	0.160	0.663	1.742	0.000***
Explicit and clearly stated goal related to the sustainable value of employees	0.340	0.243	0.109	0.762
Independence of board	2.621	0.026**	-3.326	0.041**
Foreign company ownership	-0.993	0.016**	0.206	0.678
Company size (control variable)	0.232	0.012**	-0.027	0.805
Economic performance (control variable)	-3.298	0.026**	6.377	0.018**
Age of business (control variable)	0.001	0.888	-0.005	0.619

***significant at 1% level; **significant at 5% level; *significant at 10% level.

The results presented in Table 7.5 show that leverage, independence of board, foreign company ownership, company size, and economic performance significantly influence the disclosure of LA13, *Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity*. The coefficients further reveal that companies having a greater proportion of independent commissioners and bigger companies tend to disclose LA13 whereas companies with higher levels of leverage, companies with foreign company ownership, and companies with better economic performance tend not to disclose LA13 in their annual reports.

The above results, particularly in terms of the significance and the direction of relationships between the predictor variables and the disclosure of LA13, are the same as those of the logistical regression analysis on the disclosure of *Diversity and Equal Opportunity* category presented in Section 7.3. One possible explanation for the similar results is that there is minimal variance in the disclosure of the other item within the category of *Diversity and Equal Opportunity*, which is LA14 *Basic salary of men to women by employee category*, as only 0.9% of total sample companies disclose this item (see again Figure 6.2 in Chapter 6). Accordingly, similar to the conclusion regarding the disclosure of *Diversity and Equal Opportunity* category, it can be said that the propensity to communicate LA13 is partially explained by the *normative* variant of *isomorphic* institutional theory since there is only one independent variable, namely independent commissioners on the board, which is found to be positively significant and this variable is tested within the specific framework of *normative isomorphism*.

It is also shown in Table 7.5 that industry type, international operations, independence of board, and economic performance significantly affect the propensity of IDX listed companies to disclose LA8, *Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases*. The coefficients suggest that high profile companies, companies operating internationally, and companies with better economic performance tend to disclose LA8 while companies with a greater proportion of independent commissioners in the board tend not to disclose LA8 in their annual reports.

Again, in terms of the significance and the direction of relationships between the predictor variables and the disclosure, the above results are the same as those of the disclosure of LA8's main category, which is *Occupational Health and Safety* category, presented in Section 7.3. Similar to the explanation for the disclosure of LA13 *Composition of governance bodies and breakdown of employees per* *category according to gender, age group, minority group membership, and other indicators of diversity*, it seems that the disclosure of LA8 mainly contributes to the disclosure of *Occupational Health and Safety* category given that that there is minimal variance in the disclosures of the other items within that category. As previously reported in Figure 6.2 (see again Chapter 6), the disclosure levels of the other *Health and Safety* items, which are LA6 *Joint health and safety committees*, LA7 *Injury rates*, and LA9 *Health and safety agreements*, are very low (0.45%, 8.97%, and 0.90%). As such, adopting the conclusion in relation to the disclosure of *Occupational Health and Safety* category, it can be argued that the propensity to communicate LA8 is explained by the specific *mimetic* variant of *isomorphic* institutional theory. This highlights the positively significant effect of industry type and international operations.

Overall, the above discussion provides an extra analysis on the possible determinants of the second and the third most disclosed individual items, which are LA13 *Breakdown of employees per category according to diversity indicators* and LA8 *Health and safety programs*. The analysis shows that, in terms of the significance and the direction of relationships between the predictor variables and the disclosures, the results of the logistic regressions for LA13 and LA8 are the same as those of the logistic regressions for their main LPDWD categories, which are *Diversity and Equal Opportunity* and *Occupational Health and Safety* categories respectively. The results highlight that, firstly, disclosures of LA13 and LA8 are the main contributors of the disclosures of *Diversity and Equal Opportunity* and *Occupational Health and Safety* categories. Secondly, the propensity to disclose LA13 is partially explained by the *normative* variant of *isomorphic* institutional theory as evidenced by the positively significant effect of independent commissioners on the board. Lastly, the positively significant impact of industry type and international operations suggests that the propensity to communicate LA8 is explained by the specific *mimetic* variant of *isomorphic* institutional theory.

7.5. Summary

This chapter presented the results of multiple regression in relation to the seven proposed hypotheses. The results suggest that there are clear statistical relationships between the extent of voluntary LPDWD and two independent variables, government ownership and international operations. Two control variables, company size and economic performance, are also statistically significant. As predicted, the direction of those relationships are positive, indicating that, in Indonesia, 'privatized' government-owned companies, companies with international operations, bigger companies, and companies with better economic performance disclose more labour information in their annual reports. The other tested explanatory variables (leverage, industry type, explicit and clearly stated goal related to the sustainable value of employees, independence of board, foreign company ownership, and age of business) are not statistically significant predictors.

Further logistical regression analysis shows that there are some predictor variables significantly affecting the propensity of IDX listed companies to disclose the key GRI sub-categories of *Employment*, *Occupational Health and Safety*, *Diversity and Equal Opportunity* in their annual reports. Conversely, conclusions on the possible determinants of *Labor/Management Relations* and *Training and Education* disclosures cannot be made because of the minimal variance found in the data set. Government ownership, international operations, and foreign company ownership are significant predictors of *Employment* disclosures. Industry type, international operations, independence of board, and economic performance significantly affect the disclosure of *Occupational Health and Safety* information. Leverage, independence of board, foreign company ownership, company size, and economic performance statistically influence the propensity to disclose *Diversity and Equal Opportunity* issues. The directions of all of the above associations, however, are not always positive. Independence of Board, for instance, negatively affects *Occupational Health and Safety* disclosure since the commissioners might be attempting to hide poor performance in this area.

The additional logistic regression analyses conducted on the two most disclosed individual items further show a complex and somewhat divergent story. The disclosure of LA13, C*omposition of governance bodies and breakdown of employees*, is statistically influenced by leverage, independence of board, foreign company ownership, company size, and economic performance. The analyses also reveal that industry type, international operations, independence of board, and economic performance significantly affect the propensity to disclose LA8, *Education, training, counseling, prevention, and risk-control programs regarding health and safety*. Further discussion of all these results, including the implications of the findings, is provided in Chapter 9.

The next chapter reports the analysis on the possible influence of media exposure on IDX listed companies' LPDWD practices. Specifically, it presents the theoretical explanation behind such an influence, details the research approach used in analyzing media exposure and its impact on LPDWD, and outlines the statistical results of this media analysis.

CHAPTER 8: MEDIA ANALYSIS

8.1. Overview

Chapter 7 presented the main multivariate statistical analysis for this thesis, examining the key determinants of voluntary Labour Practices and Decent Work Disclosures (LPDWD) in an Indonesian setting. Chapter 8 broadens the thesis themes by providing additional analysis on media exposure. Specifically, this chapter presents the theoretical explanation behind the possible link between media exposure and Indonesian listed companies' LPDWD practices, details the research approach used in analyzing such a link, and outlines the statistical results of the media analysis. The statistical results are used for answering the fifth and last research question of this thesis: 'what is the relationship between media exposure of labour issues and LPDWD practices?'. The specific content of media reports is also examined, providing a more in-depth analysis between media reporting and company disclosures.

The choice of institutional theory as the underlying theoretical framework underpins the need to examine the possible influence of media on LPDWD practices. In Indonesia, the media is an important avenue to report contentious issues (see Sasongko 2000; Haryanto 2004; Silaen 2009). As institutional theory is about potential pressures placed on companies, and given the importance attributed to Indonesian media, it is considered that media be examined in this thesis to see if it does in fact have any influence over company disclosures.

For the purpose of media analysis, the mandatory LPDWD item, LA3 *Full time employee benefits*, is included in the statistical analysis. The inclusion aims to obtain additional in-depth insights on the effect of stakeholder pressures, as reflected by media exposure, on labour disclosure practices. Accordingly, there are fourteen individual items employed as the media and disclosure benchmark.

8.2. The Link between Media Exposure and LPDWD within the Framework of *Isomorphic* Institutional Theory

Media exposure has been used by a number of disclosure studies as a proxy of social concerns or public pressures on companies' CSR disclosure practices (e.g. Neu, Warsame, and Pedwell 1998; Cormier and Gordon 2001). According to Cormier, Magnan, and Van Velthoven (2005), greater media exposure tends to result in greater pressure from a wide range of stakeholders such as labour unions[63], suppliers and citizens. This is because information exposed in the media potentially becomes a threat (or an opportunity) for companies' legitimacy (Cormier, Magnan, and Van Velthoven 2005).

The above situation arguably makes more pressing the need to disclose information on social responsiveness. For example, when newspapers report frequently that a company does not provide regular or adequate training for its employees, the company is then pressed to counter this unfavorable news through the provision of detailed information regarding the number of employees trained during a particular financial year. In this example, the company clearly wants to show that what it actually does in relation to their employees is positive and contrary to the media reports. Thus, it can be said that the provision of disclosure by companies is, at least to some degree, a response to public pressures (see for example Cormier, Magnan, and Van Velthoven 2005). This is where *isomorphic* institutional theory, particularly its *coercive* variant, comes into play.

The results of most past studies show a positive relationship between media exposure and the level of disclosure (Brown and Deegan 1998; Brammer and Pavelin 2004; Cormier, Magnan, and Van Velthoven 2005; Aerts, Cormier, and Magnan 2008). This thesis therefore considers that there is a potential positive association between media exposure IDX listed companies' LPDWD. Such a potential association is specifically examined in this chapter within the framework of *coercive isomorphism*.

[63] In Indonesia, labour unions, which are represented by SPSI (All Indonesian Labours' Union), are considered as an influential stakeholder group since they are involved in the issuance of many joint decrees such as *Act No.3/1992* about the Workers' Social Security Program with the Indonesian government (Tambunan and Purwoko 2002).

8.3. Research Approach of the Media Analysis

This section presents the research approach used for analyzing the influence of media exposure on LPDWD. The approach encompasses the determination of the measurement, the data source, and the statistical tool. The determination of the measurement and the data source for media exposure in this thesis is basically based on the techniques used in prior studies. These techniques are summarized in Table 8.1.

Table 8.1: Measurement of Media Exposure in Prior Studies

Study	Country	Disclosure Examined	Measurement of Media Exposure	Source of Media Exposure Data
Brown and Deegan (1998)	Australia	Environmental disclosures in annual reports for 1981/1982, 1984/1985, 1987/1988, 1990/1991, and 1993/1994	Number of articles concerning environmental issues for each industry	CD-Rom index (ABI inform database) which provided about 85 newspapers and journals
Neu, Warsame, and Pedwell (1998)	Canada	Environmental disclosures in annual reports over the 1982-1991 period	Number of articles to firm mentioning environmentalist criticisms of firm practices	Media available in CBCA electronic database. The specific examined period for the media is not clearly stated but it seems that the period is the same as the period of the examined annual reports. Details of examined media such as the names of the newspapers are not mentioned.
Brammer and Pavelin (2004)	The UK	Voluntary social disclosures in 2002 Annual reports, Business in the Environment (BiE) Corporate Environmental Engagement Index (2002), and Business in the Community (BitC) Corporate Responsibility Index	The natural logarithm of the average number of annual news hits	News content from over 8,000 global sources available in Factiva database for each of the calendar years 1998-2002. Details of the examined media are not mentioned.
Cormier, Magnan, and Van Velthoven	Germany	Environmental disclosure quality in annual	The number of news stories concerning	ABI inform database. Details of the media such as names of

(2005)		and environmental reports issued by sample companies from 1992 to 1998	environmental management for a particular firm in a given year, from 1992 to 1998	media examined are not mentioned.
Aerts, Cormier, and Magnan (2008)	Continental Europe (Belgium, France, Germany, and Netherlands) as well as North America (Canada and the United States)	Environmental disclosures in corporate internet sites, so-called web-based disclosure for the year of 2002, annual reports (PDF format, so-called print disclosure) for the year of 2002, and environmental reports (PDF format) for the year of 2002	Average number of articles concerning environmental issues for the period 1997 through 2001	ABI Disclosure database. Details of the media such as names of media examined are not mentioned.

It is evident from Table 8.1 that media exposure is generally measured by the number of articles concerning the examined issues (e.g. CSR issues) in media for each sample company within some time period. However, there is no agreement in relation to the length of the timeframe. In Cormier, Magnan, and Van Velthoven (2005), for example, the number of articles is calculated in a given year from ABI inform database between 1992 and 1998. It can also be seen in Aerts, Cormier, and Magnan (2008) that the average number of news stories in a given year from 1997 to 2001 is used to examine environmental disclosure practices in 2002. In other words, the disclosure practices in 2002 are explained by the media exposure for the period prior to 2002.

Based on the above techniques, and due to the time limit consideration in undertaking this doctorate research, this thesis calculates the number of articles concerning labour and decent work issues for each sample company as the measure of media exposure. The data are collected from the hard copies of the most prestigious and widely circulated Indonesian printed key daily newspaper *Kompas*. The timeframe is a full one year period, from 1 July 2006 to 30 June 2007. This timeframe is considered sufficient and appropriate to predict the effects of media on LPDWD practices in 2007. Every issue of *Kompas* published during this period is therefore carefully scrutinized to calculate the number of articles.

Kompas is arguably the most widely read Indonesian national daily newspaper as evidenced by its circulation number, 509,000, which is the biggest among Indonesian printed media (see Haryanto 2004). Indonesian national newspapers other than *Kompas* are not used as a source of media exposure data in this thesis due to not only their circulation number being smaller than *Kompas* but also a potential problem of media exposure repetition. An event reported in a certain issue date of *Kompas*, for instance, is potentially reported in other national newspapers.

In addition to the exclusion of Indonesian national media other than *Kompas*, this thesis excludes local media as a source of media exposure data. This exclusion aims to avoid a geographic bias as a local media covering a particular region is less likely to include issues occurring in another region. Importantly, results of a pilot data collection (see Appendix J) conducted prior to the write up of this thesis on Indonesian printed media reveal that local media provides less reference on IDX listed companies' labour issues than national media.

Newspapers are regarded in the literature as the most useful and most reliable source information compared to other media sources such as television and magazines, particularly in the context of a developing nation (Bokhorst-Heng 2002; Brittle and Zint 2003; Suhardjanto, Tower, and Brown 2008b). As stated by Brittle and Zint (2003), newspapers have a high amount of news space. Especially in Indonesia, newspapers are frequently used to respond to public needs and demands (Sushartami 2003; Oetama 2005; Suhardjanto, Tower, and Brown 2008b). Thus, in this thesis, it is considered most appropriate to use newspapers as the source of media exposure data.

One could argue that international media can also be used as the source of media exposure data. However, such media may not provide detailed news or the most recent information regarding labour issues in a particular country such as Indonesia. Any important issues in Indonesia (not only labour issues) are potentially ignored since these media expose information from a very wide range of areas worldwide. A preliminary review[64] conducted prior to the write up of this chapter on two international printed media, *Time* and *Business Week*, also reveals that these international media do not provide any references to Indonesian labour issues at all. This thesis therefore does not use international media as the source of media exposure data.

The results of the data collection, however, show that the number of data points for media exposure was not sufficient. Only one article exposing one sample company was found in *Kompas* during the examined period. As a result, a second method was used which measured the number of articles concerning each of the fourteen LPDWD items during the one year publication of *Kompas* (1 July 2006 to 30 June 2007). This thesis thus documents any articles which are related to any of the fourteen LPDWD items (thirteen voluntary items plus one mandatory item) as the data of media exposure.

The data characteristic of media exposure is analyzed using descriptive statistics. A Pearson correlation test is also employed for specifically investigating the possible link between media exposure and IDX listed companies' LPDWD. According to Coakes and Steed (2007), a Pearson correlation test can be used for examining the association between two continuous variables in a linear fashion. The direction of the association between the examined variables can also be analyzed by looking at the sign of the coefficient (+ or -) resulting from this test. The separate analysis of media exposure in this thesis investigates the correlation between the number of the Indonesia Stock Exchange (IDX) listed companies providing LPDWD (per item, including the mandatory item LA3 *Full time employee benefits*) and the number of media articles (per item, including the mandatory item LA3 *Full time employee benefits*). As both are categorized as continuous variables, the use of Pearson correlation in this media exposure analysis is considered appropriate and relevant for answering research question 5.

[64] Prior to the write up of this chapter, ten issues of *Time* and ten issues of *Business Week* published between 1 July 2006 and 30 June 2007 are randomly selected and then carefully read to find any articles about Indonesian labour issues. The results of this review show that none of the articles relate to Indonesian labour issues.

This thesis acknowledges that there are some measurement aspects in relation to media exposure, particularly regarding the printed media. This includes not only the presence of any articles exposing labour issues which are not specifically related to IDX listed companies (e.g. articles about the government's policy on the level of salary in a particular province, articles about accidents in the mining industry, and articles about labour issues overseas) but also the location of the article (e.g. in an editorial or at the front page) as well as the presence of any photos or graphs, and the title size (see McCombs and Shaw 1972; Menashe and Siegel 1998; Lemmens, Vaeth, and Greenfield 1999; Davidson and Wallack 2004; Pollock, Piccillo, Leopardi, Gratale, and Cabot 2005). These aspects are considered important to particularly examine the detailed characteristics of media exposure. To address these aspects, this thesis undertakes a closer analysis on media exposure by examining all labour-related articles contained in *Kompas* (see Appendix K) for the period 1 July 2006 and 30 June 2007. The labour related articles focusing on IDX listed companies for the same period is illustrated in Appendix L.

In summary, this thesis specifically examines the possible link between media exposure and companies' LPDWD by looking at both mandatory and voluntary disclosure items. For the purpose of this examination, media exposure is measured by the number of articles concerning each of the fourteen LPDWD items during a one year publication of *Kompas* daily newspaper, from 1 July 2006 to 30 June 2007. The number of IDX listed companies disclosing each of the fourteen items is also calculated for measuring the LPDWD practices in this analysis.

8.4. Pearson Correlation Analysis on the Link between Media and Companies' Disclosures

Table 8.2 presents the results of a Pearson correlation test[65] between media exposure and companies' labour disclosure practices using the fourteen items as the benchmark checklist. The *p*-value is 0.029, indicating that there is a significant

[65] In line with the data verification undertaken for all variables in this thesis (refer footnote 51 in Chapter 6), the media data was also independently verified by an Indonesian accounting academic before the statistical analysis was performed. The detail of this verification is presented in Appendix E.

relationship between media exposure and companies' labour disclosure practices. The correlation coefficient (+) 0.581 suggests that the direction of the association between media exposure and the level of LPDWD practices is positive. Thus, in Indonesia, higher levels of media exposure of labour issues are associated with higher levels of IDX listed companies' labour disclosure practices. This finding clearly supports the premise of *coercive isomorphism*.

Table 8.2: Results of Pearson Correlation

	Coefficient Correlation	P-Value of Pearson Correlation
Correlation between Media Exposure and Labour Disclosure	0.581	0.029**

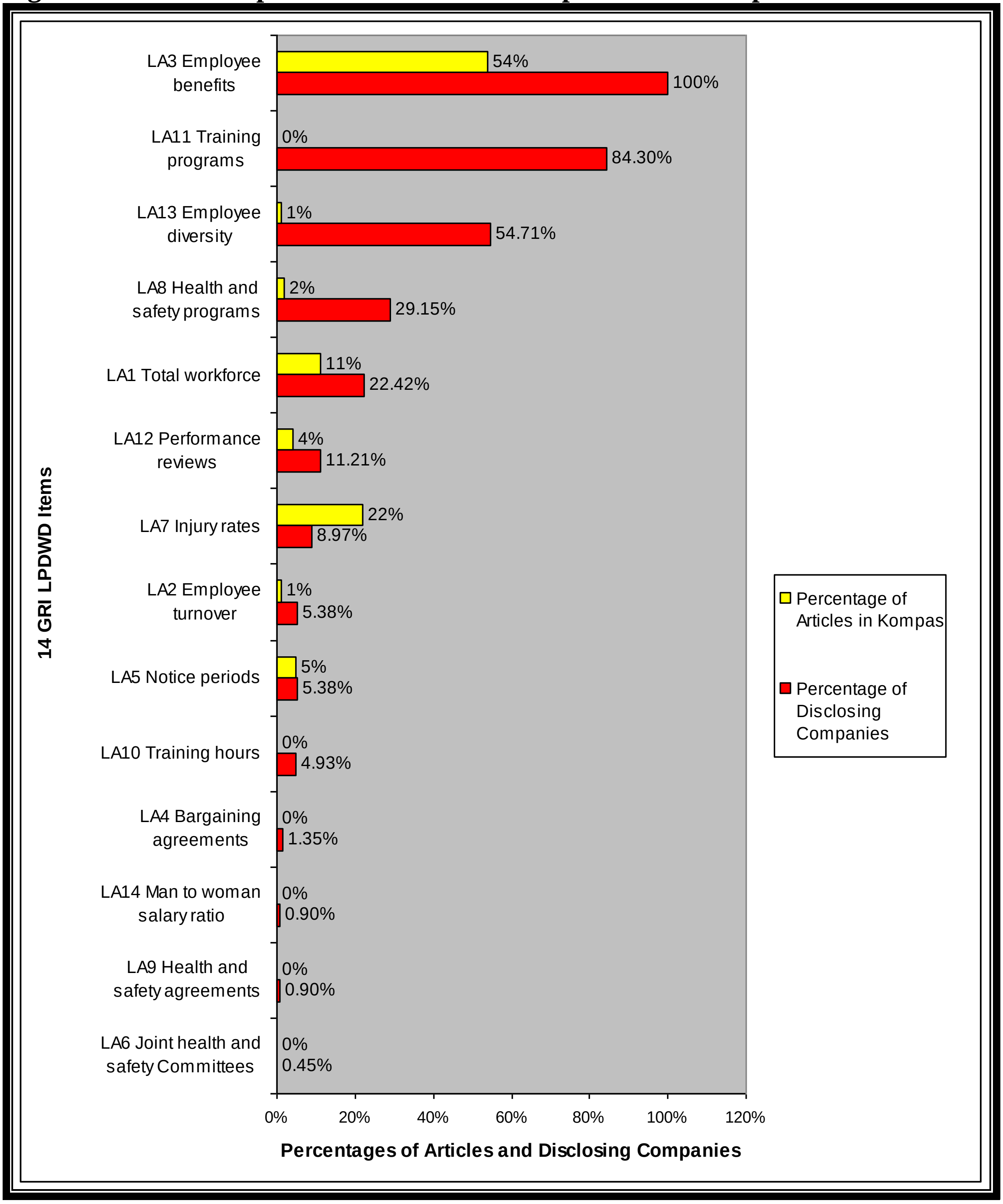
***significant at 1% level; **significant at 5% level; *significant at 10% level.

Section 6.4 analysis reveals that there is an industry influence on labour disclosure practices in Indonesia. High profile companies tend to disclose labour issues whereas low profile companies tend not to disclose labour issues. There is, however, no industry influence on media exposure as the *p*-value of paired samples correlation separately performed is 0.517, which is greater than 0.05 significance level. This might be because similar complex labour-related problems or events captured by the media occur not only in high profile industries but also in low profile industries.

8.5. In-Depth Descriptive Analysis on the Link between Media and Companies' Disclosures

Figure 8.1 presents the characteristics of data by showing the number of media articles within the examined period (1 July 2006 to 30 June 2007) and compares them with the number of disclosing companies in 2007 annual reports. The comparison is per individual item, including the mandatory item LA3, in descending order based on the rank of companies' disclosure.

Figure 8.1: Media Exposure Versus Annual Report Disclosure per Item



Note: This figure is presented in descending order based on the rank of companies' disclosure.

Figure 8.1 shows that there are 95 labour-related articles reported in *Kompas* during 2006/2007. The three items mostly communicated are LA3 *Employee benefits* (51 articles), LA7 *Injury rates* (21 articles), and LA1 *Total workforce* (10 articles). The figure also shows that the three most disclosed items in the sample companies' annual reports are LA3 *Employee benefits* (all 223 sample companies), LA11 *Training programs* (188 companies), and LA13 *Employee diversity* (122 companies). Generally, Figure 8.1 illustrates that there are substantial differences between individual labour media exposure and company reporting.

The results in Figure 8.1 are presented in terms of rank in Table 8.3 to more clearly describe the spread of the data in the media and in IDX listed companies' annual reports in descending order.

Table 8.3: The Ranks of Media Exposure Versus Annual Report LPDWD per Item

Item	Media Rank	Annual Report Rank
LA3 ***Employee benefits***	**1**	**1**
LA7 ***Injury rates***	**2**	7
LA1 ***Total workforce***	**3**	5
LA5 *Notice periods*	4	9
LA12 *Performance reviews*	5	6
LA8 *Health and safety programs*	6	4
LA13 ***Employee diversity***	7	**3**
LA2 *Employee turnover*	7	8
LA11 ***Training programs***	8	**2**
LA10 *Training hours*	8	10
LA4 *Bargaining agreements*	8	11
LA14 *Man to woman salary ratio*	8	12
LA9 *Health and safety agreements*	8	12
LA6 *Joint health and safety committees*	8	13

Table 8.3 reveals that LA3 *Employee benefits* (mandatory disclosure), is ranked first in both media (*Kompas*) and company annual reports. LA2 *Employee turnover* and LA12 *Performance reviews* have similar rankings (LA2 ranked 7 and 8 and LA12 ranked 5 and 6 for media exposure and company disclosure respectively). However, all other items have very different rankings. LA11 *Training programs*, for example, is the eighth ranked in media whereas it is ranked second in companies' annual report disclosures.

The next two sub-sections further explore these trends by examining high media exposure and low media exposure and compare these results with company disclosures on the same issues.

8.5.1. High Media Exposure Issues

The highest media exposure is on LA3 *Employee benefit* issues. Table 8.3 also shows that LA3 is the most disclosed item in sample companies' annual reports. Given that *Employee benefits* requires mandatory reporting, it cannot be concluded that there are pressures from the media. Instead, the pressure may reflect the *coercive* pressure of the government on companies to comprehensively address such issues in their management policies and disclose how they deal with those issues in the annual reports. This demonstrates the importance of employee benefit issues in an Indonesian setting and, importantly, highlights the full compliance by all 223 sample companies with PSAK No. 24.

The second most mentioned item in the media is LA7 *Injury rates.* Articles exposing this issue are generally negative, highlighting work accidents in high profile industries such as mining and property (which includes building and construction). As reported on 19 May 2007 *Kompas*, a property and real estate company worker fell from the 19th floor while working on the construction of a high building due to poor standards of safety equipment. LA7 related articles published in *Kompas* also point out safety issues while working overseas. These include physical punishment by the boss of Tenaga Kerja Indonesia (TKI)[66] on a servant working overseas. Another example is the Ceriyati case where a woman from Central Java working as a servant for a family living in Malaysia, was helped by firefighters when she tried to escape from the 15th floor of an apartment in Kuala Lumpur. Her attempt to escape was because she was often persecuted by her boss and not paid during her four months of work. This case drew serious attention by both the Malaysian and the Indonesian governments due to the continuous exposure in Kompas from 18 to 26 June 2007.

The media reports further reveal that the management of Indonesian companies often ignore accidents that have occurred within the same local region, resulting in similar accidents occurring in their own companies. For instance, an article[67]

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[66] TKI is an Indonesian citizen working overseas, usually working as a servant in countries like Saudi Arabia and Malaysia.

[67] This article is translated into English by Google.

published in *Kompas*, 15 June 2007 page 26, describes an accident of two workers on the Grand Indonesia Development Project who suffered serious foot and head injuries when a steel cable snapped from a crane and the workers were crushed under a pile of iron. The media report highlights that similar accidents have occurred in the region,

> One was on 24 May, when the tower crane collapsed right in front of Pacific Place Apartments which were being built on an Integrated Trade Area Sudirman, South Jakarta. A member of the security guards, Harno (40), was killed by a falling crane.

This earlier accident occurred less than one month before the Grand Indonesia Development Project and in the same region. It highlights that the latter accident may have been avoidable if the management of the Grand Indonesia Development Project had implemented better safety precautions to avoid the occurrence of the same kind of accident.

However, less than 9% of companies reported LA7 (*Injury rates*) issues. Given that there is a high incidence of injury rates in Indonesia (Damayanti 2008), it is not unexpected that companies have a low level of reporting on LA7 *Injury rates* in order to hide their bad performance.

In relation to the third most exposed item, LA1 *Total workforce*, the media articles are again predominantly focused on bad news. The articles focus mostly on demonstrations by workers demanding the government eliminate the contract employment system from Indonesian law. As noted in Chapter 2, the Indonesian law legally supports the implementation of a contract employment system which does not benefit the future of workers. This issue was continuously covered in *Kompas* from 1 to 7 May 2007. The main reason for the protests is that the contract system does not offer certainty of future for the workers. Only one LA1 related article is positive in nature where on 10 October 2006, there was a report on the promotion of 325,000[68] civil servants, from the status of contract to the status of permanent.

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[68] As outlined in Section 2.2, the population of Indonesia is 242,968,342. The number of promoted civil servants reported on the 10 October 2006 *Kompas* publication therefore represents approximately 0.13% of the Indonesian total population.

Compared to media exposure, companies have a different priority of disclosure. The second and third most disclosed items in the sample companies' annual reports are LA11 *Training programs* and LA13 *Employee diversity*. *Total workforce* is ranked fifth. The indications are that companies respond to *coercive* pressure by disclosing less controversial and more easily quantifiable issues and avoid the more sensitive issues such as *Injury rates*.

In summary, the results reveal that companies respond to the media's *coercive* pressure by not disclosing certain information (e.g. LA7 *Injury rates*). Instead, companies focus their disclosure on other issues which are less controversial and more easily quantifiable such as LA11 *Training programs*. There is, however, insufficient evidence to clearly support the argument that the media itself influences specific disclosures on *Employee benefits* issues as the disclosure of this issue is mandatory under the Indonesian accounting standard. The media predominantly reports negative information accurately, revealing the poor conditions of Indonesian workers.

8.5.2. Low Media Exposure Issues

Figure 8.1 shows that the media has low exposure on LA2 *Employee turnover* and LA13 *Employee diversity* at 1%. Moreover, the media is completely silent on six issues, which are LA4 *Bargaining agreements*, LA6 *Joint health and safety committees*, LA9 *Health and safety agreements*, LA10 *Training hours*, LA11 *Training programs*, and LA14 *Man to woman salary ratio*. One possible explanation for such low exposure of these eight issues is that they are generally less sensitive and less controversial in an Indonesian context. As such, writing about any of these issues in the media can be deemed uninteresting.

The media may have different incentives in reporting information (see Lee and Hwang 2004). The publication of bad news, for example, which includes exposure of employers' activities or the government's policies having a negative impact on workers or failure in solving workers' social problems (see Guthrie and Parker 1989), might actually benefit the media itself. This is because people are arguably more attracted to read bad news, which is usually controversial or deemed more interesting, instead of good news. If this is the case, the number of newspapers sold will potentially increase.

The very low or non-exposure of the media on these eight labour issues may reveal that there is a link between the media and companies' reporting on these particular issues. This is evidenced by the mostly consistent results between virtually non-existent media exposure and companies' very low level of reporting on these issues[69]. For example, there is consistency on the issues of LA14 *Man to woman salary ratio*, LA9 *Health and safety agreements* and LA6 *Joint health and safety committees*. Media is completely silent on these issues and very few companies disclose these items in their annual reports (0.90%, 0.90%, and 0.45% of total sample companies respectively). Accordingly, there is no sufficient *coercive* media pressure on companies to communicate any of those labour issues.

The high disclosure of LA11 *Training programs* by companies might implicitly provide a clearer story regarding how companies in this developing nation deal with their poor labour related CSR performance. As discussed previously in Section 8.5.1, it appears that companies are willing to disclose LA11 because this item is arguably less controversial, easy to report, and more easily quantified. Accordingly, although there is no pressure from the media to disclose *Training programs*, companies may actively communicate those programs in the annual reports in order to window-dress their poor labour-related CSR performance (e.g. high injury rates).

An interesting finding is that there are no articles on LA14 *Man to woman salary ratio* issues. As noted in Cahaya et al. (2011b), companies tend not to disclose this item due to the fact that, in Indonesia, female employees receive lower wages than male employees. The media silence on LA14 might be because the media considers this issue is less attractive to highlight than other more notorious issues such as female worker sexual assaults. Alternatively, the media itself may be the discriminating factor as, in Indonesia, journalists are dominated by men

[69]The only exception is on LA11 *Training programs*. As shown in Figure 8.1, the media is completely silent on issues related to LA11 whereas the level of companies' reporting on LA11 is very high at 84.30%.

(Anggraini 2008). Arifin (2007) argues that the Indonesian media rarely fights against gender discrimination and keeps silent on this issue.

Overall, the media in Indonesia, as represented by the articles published in *Kompas*, is generally silent on less controversial labour issues such as LA2 *Employee turnover* and LA6 *Joint health and safety committees*. There is therefore no sufficient *coercive* power to push companies to communicate these issues. Indonesian companies, however, intensively disclose one of the less controversial issues, which is LA11 *Training programs*, perhaps as a response to the negative news exposed by the media on other labour issues such as injury rates in which companies do not perform well. The results further highlight the possibility that the media itself might be the discriminator in certain issues as it does not expose any information in relation to LA14 *Man to woman salary ratio*.

8.6. Summary

This chapter presents specific analysis on the link between media exposure and companies' labour disclosure practices. The results of a Pearson correlation test show that there is a positively significant relationship between media exposure and companies' LPDWD. Overall, these results would suggest that the higher the level of media exposure on labour issues, the higher the level of companies' communication on those issues. However, for specific LA3 *Employee benefit* issues, it is unclear whether the media has influenced disclosure or whether it is solely due to the regulatory nature of the issue. Regardless, the findings support that on this issue *coercive isomorphism* does help explain the high disclosure of *Employee benefits* by companies.

The results show that there are substantial differences between individual labour media exposure and company reporting. A more in-depth analysis reveals that companies in Indonesia may be responding to the media's *coercive* pressure, but by not disclosing more sensitive information such as LA7 *Injury rates*. Arguably, this non-disclosing practice by companies could be a desire of Indonesian companies to hide their poor labour-related performance. Companies may be seeking to window-dress their poor performance by disclosing less controversial and easily quantifiable issues such as LA11 *Training programs*.

The results further reveal that the media in Indonesia is also generally silent on less controversial labour issues such as LA2 *Employee turnover* and LA6 *Joint health and safety committees*. There is therefore no sufficient *coercive* power to push companies to communicate these issues. Overall, the contradictory findings of individual labour issues reported by the media do not show sufficient evidence that media overtly influences company reporting on the same issues. The results therefore are inconclusive to sufficiently answer the fifth research question of this thesis: 'what is the relationship between media exposure of labour issues and LPDWD practices?' Further discussion and implications of all these results are presented in Chapter 9.

CHAPTER 9: DISCUSSION AND CONCLUSION OF LABOUR PRACTICES AND DECENT WORK DISCLOSURES IN INDONESIA

9.1. Overview of the Study

This doctorate study provides empirical research which advances explanations of voluntary labour disclosures in Indonesia. The focus is on the level of voluntary Labour Practices and Decent Work Disclosures (LPDWD) in Indonesia Stock Exchange (IDX) listed companies' annual reports and the factors influencing that level.

By using *isomorphic* institutional theory and investigating key predictor variables, this thesis seeks to explain the variation in voluntary labour disclosure practices of IDX listed entities. The key predictor variables examined are leverage, government ownership, industry type, international operations, explicit and clearly stated goal related to the sustainable value of employees, independence of board, and foreign company ownership. Company size, economic performance, and age of business are also included as control variables to be tested in the statistical analysis.

A sample of 223 companies is selected from a population of 383 companies listed on the IDX in the 2007 financial year (Indonesia Stock Exchange 2008). The selection of the companies is based on the availability of their 2007 annual reports in either the IDX website or the companies' websites. The disclosures are then analyzed using an unweighted disclosure index with Global Reporting Initiative (GRI) LPDWD indicators as the checklist. This thesis uses descriptive analysis for examining the extent of voluntary LPDWD and multiple regression for testing the proposed hypotheses.

This thesis also investigates the potential link between media pressure and IDX listed companies' LPDWD, within the specific framework of *coercive isomorphism*. The data of media exposure are taken from the hard copies of *Kompas* daily newspaper published from 1 July 2006 to 30 June 2007. The relationship between media exposure of labour issues and companies' labour disclosures is statistically analyzed using a Pearson correlation test.

The examination of IDX listed companies' 2007 annual reports in this thesis is considered timely given that the impacts of CSR-related regulations in Indonesia are first observable in those annual reports. The stronger media pressure on companies to communicate labour-related CSR is also expected to present in that year, following the issuance of CSR-related regulations in 2006 and 2007. More importantly, the year 2007 is prior to the full impact of the GFC in which the Indonesian government undertook additional actions to prepare for possible negative effects of such a crisis.

9.2. Summary of Results

Using *isomorphic* institutional theory, this thesis answers the following key research issues: 'To what extent do companies listed on the Indonesia Stock Exchange (IDX) voluntarily provide labour disclosures (LPDWD) in their annual reports, and what factors explain the extent of disclosure?'

The descriptive statistical analysis on the 223 annual reports shows a low level of voluntary LPDWD in Indonesia. The regression analysis reveals that certain key variables significantly influence the extent of voluntary LPDWD and the extent of specific labour disclosure categories. A Pearson correlation analysis suggests that there is a significantly positive link between media exposure and LPDWD practices. Although the level of voluntary LPDWD is low, the significant impacts of certain key variables, including the significant influence of media exposure, highlight that there is some *isomorphic* institutional pressure on Indonesian listed companies to communicate how they socially deal with their workers during the 2007 financial year.

The above research issues are further broken down in this thesis into five research questions so that better insights on labour disclosure practices in Indonesia can be obtained. Table 9.1 summarizes the key findings.

Table 9.1: Summary of Key Findings

Research Questions	Answers
1. To what extent do IDX listed companies voluntarily provide LPDWD in their annual reports?	204 (out of 223 sample companies) IDX listed companies voluntarily provide at least one item out of thirteen possible GRI LPDWD items yet none of them communicate the full set of GRI social items in their annual reports. The average extent of voluntary LPDWD for the full 223 sample company data set is 17.7% [Chapter 6, Section 6.2].
2. To what extent do IDX listed companies voluntarily provide information pertaining to GRI *Employment*, *Labor/Management Relations*, *Occupational Health and Safety*, *Training and Education*, *Diversity and Equal Opportunity* disclosure sub-categories in their annual reports?	The average extent of the disclosure categories is: • *Employment*: 14.12% • *Labor/Management Relations*: 3.36% • *Occupational Health and Safety*: 9.86% • *Training and Education*: 33.48% • *Diversity and Equal Opportunity*: 27.8% [Chapter 6, Section 6.2]
3. What is the relationship between the quantity of voluntary LPDWD in the annual reports and key predictor variables?	The results of this doctorate study reveal that government ownership and international operations are positively statistically significant determinants of the level of voluntary LPDWD in the annual reports. Whereas leverage, industry type, explicit and clearly stated goal related to the sustainable value of employees, independence of board, and foreign company ownership are not found to be significant variables explaining the quantity of LPDWD of IDX listed companies [Chapter 7, Section 7.2].
4. What is the relationship between the disclosures of voluntary GRI *Employment*, *Labor/Management Relations*, *Occupational Health and Safety*, *Training and Education*, and *Diversity and Equal Opportunity* sub-categories in the annual reports and key predictor variables?	This thesis finds that: • Government ownership and international operations are positively statistically significant predictors of *Employment* disclosures. Foreign company ownership is also statistically significant but in a negative direction [Chapter 7, Section 7.3]. • Industry type, international operations, and economic performance significantly affect the disclosure of *Occupational Health and Safety* information in a positive direction. Independence of board also significantly influences the disclosure of this labour disclosure sub-category but in a negative direction [Chapter 7, Section 7.3]. • Independence of board and company size statistically influence the propensity to disclose *Diversity and Equal Opportunity* issues in a

	positive direction [Chapter 7, Section 7.3]. Leverage, foreign company ownership, and economic performance also affect the propensity to disclose such labour issues but in a negative direction. • Conclusions on the possible determinants of *Labor/Management Relations* and *Training and Education* disclosures could not be made due to the minimal variance found in the data set [Chapter 7, Section 7.3].
5. What is the relationship between media exposure of labour issues and LPDWD practices?	There is a positively significant link between media exposure and IDX listed companies' Labour Practices and Decent Work Disclosures [Chapter 8, Section 8.4]. However, given the contradictory findings on individual labour issues, there is insufficient evidence to support *coercive* power by the media.

The potential determinants of voluntary LPDWD practices reported in Table 9.1 are analyzed as a result of empirical hypotheses testing under the broad rubric of *isomorphic* institutional theory. As explained previously in Chapter 4, there are seven hypotheses developed in this thesis. Table 9.2 summarizes the statistical results regarding the hypotheses testing.

Table 9.2: Hypotheses Testing Results

Isomorphic **Process**	**Independent Variables**	**Hypothesis**	**Description**	**Results**
Coercive isomorphism	Leverage	H1	There is a positive association between leverage and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports of IDX listed companies.	Rejected
	Government ownership	H2	There is a positive association between the presence of government ownership and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports of IDX listed companies.	**Accepted**
Mimetic isomorphism	Industry type	H3	There is a positive association between high profile IDX listed companies and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports.	Rejected
	International operations	H4	There is a positive association between the presence of international operations and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports of IDX listed companies.	**Accepted**
Normative isomorphism	Explicit and clearly stated goal related to the sustainable value of employees	H5	There is a positive association between an explicit and clearly stated goal factor related to the sustainable value of employees and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports of IDX listed companies.	Rejected
	Independence of board	H6	There is a positive association between the proportion of independent commissioners and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports of IDX listed companies.	Rejected
	Foreign company ownership	H7	There is a positive association between the presence of foreign parent company and the extent of voluntary Labour Practices and Decent Work Disclosures in the annual reports of IDX listed companies.	Rejected

Source: See Table 7.3.

As shown in Table 9.2, H2 (government ownership) is accepted, highlighting *coercive* pressures from this powerful stakeholder. H4 (international operations) is also accepted, suggesting that *mimetic isomorphism* influences Indonesian companies to copy their international counterparts. None of the three proxies of *normative isomorphism* (explicit and clearly stated goal related to the sustainable value of employees, independence of board, and foreign company ownership), however, is accepted in the hypotheses testing.

Statistical analysis shows that two control variables are positively significant. These variables are company size and economic performance. Larger IDX listed companies and companies with satisfactory financial performance therefore disclose more labour information in their annual reports. The other control variable, age of business, is not significant. The implications of these results are discussed in the next section.

9.3. Discussion of Results and Implications

This section discusses the main results of this thesis and explores the possible implications. The discussion is focused on the extent of LPDWD practices, the determinants of those practices (as examined in the hypotheses testing), and the link between media exposure and companies' LPDWD. This narrative is detailed in the following sub-sections.

9.3.1. The Extent of Voluntary LPDWD

This thesis notes that almost all the sample IDX listed companies (91.5%) voluntarily disclose at least one labour issue but the overall extent of the disclosures is low (only 17.7%). For a comparison, Table 9.3 summarizes the extent of labour disclosure found in previous studies.

Table 9.3: Communicating Labour Disclosure Practices

Study	Country	Source of Data	Disclosure Examined	Overall Extent of Disclosure
This thesis (2011)	Indonesia	223 annual reports for 2007	Voluntary LPDWD (13 items) using disclosure index	17.7% communication of 13 issues in the first year of global financial crisis
Brown, Tower, and Taplin (2005)	Nine Pacific Island countries (PIC): Fiji, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu	110 annual reports (23 for 1997, 42 for 1998, and 45 for 1999)	Human resource disclosure (8 LPDWD items) using disclosure index	The level of human resource disclosure decreased from 45% (of 8 LPDWD issues) in 1997 to 38% (of 8 LPDWD issues) in 1999
Vuontisjärvi (2006)	Finland	160 biggest companies' annual reports for 2000	Human resource reporting (10 LPDWD main categories with 143 specific items) using content analysis	*Training and Staff Development* was the most disclosed theme (79% of 160 companies) while *Work-life Balance* was the least disclosed theme (4% of 160 companies)[70]
Alvarez (2007)	Spain	105 companies' annual reports	Human resource disclosure (28 LPDWD items) using content analysis	61.33 sentences[71]

It is somewhat difficult to make a comparison between studies because previous studies use different techniques in measuring labour-related disclosures. Brown, Tower, and Taplin (2005), for instance, measure disclosures using a disclosure index whereas Alvarez (2007) measures disclosures using content analysis (number of sentences). It is even difficult to compare studies using a disclosure index as the number of items in the checklist employed is different. For example, this thesis employs 13 voluntary GRI LPDWD items as the disclosure benchmark

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[70] Although the results sound like the results of a disclosure index analysis, Vuontisjärvi (2006) claims that the technique used to investigate human resource disclosures in her paper is content analysis. This content analysis was undertaken by examining the presence of certain disclosure themes and indicators. She argues that such an examination is categorized as the simplest and the most reliable form of content analysis.

[71] As an example of the content analysis approach, Alvarez (2007) found that, on average, there were 61.33 sentences referring to human resource issues in Madrid Stock Exchange listed companies' annual reports in 2004.

while Brown, Tower, and Taplin (2005) use eight items, which are not GRI indicators, as the benchmark. As a general rule, the disclosure index percentage for any particular study will fall as the number of checklist items increase (see Coy, Tower, and Dixon 1993; Hossain, Perera, and Rahman 1995; Brown, Tower, and Taplin 2005; Lim, Matolcsy, and Chow 2007). Therefore, direct comparisons between different studies should be treated cautiously.

While a comparison of the overall extent of labour disclosures is difficult to make, it is noted that previous studies generally find that, within the LPDWD umbrella of items, training information is most disclosed by sample companies (see again the literature review in Chapter 4). Brown, Tower, and Taplin (2005), for example, state that the most disclosed item is *Training Initiatives* at 68%. Whilst Vuontisjärvi (2006) documents that *Training and Staff Development* is the most disclosed category with 79% of sample companies disclosing that category. In line with these results, this thesis notes that LA11, *Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings*, is the most disclosed item with 84.3% of sample companies communicating that information. LA11 is one of the key items within *Training and Education* GRI LPDWD category and the descriptive statistics reveals that this category is the most disclosed at 84.75% (see Figure 6.1).

There are varying findings in previous studies regarding the least disclosed items. In Brown, Tower, and Taplin (2005), for instance, the least disclosed item is *Industrial Relations* at 13% whereas in Alvarez (2007), it is *Ethical Information*. The least disclosed item in this thesis is LA6, *Percentage of total workforce in formal joint management–worker health and safety committees*, at a very low communication rate of 0.45%. This is followed by LA9 and LA14, which are *Health and safety topics covered in formal agreements with trade unions*, and *Ratio of basic salary of men to women by employee category* respectively. Both LA9 and LA14 are poorly disclosed at 0.9% (see Figure 6.2).

One possible explanation for the very low disclosure level of items LA6 *Joint health and safety committees* and LA9 *Health and safety agreements* is that

Indonesian companies do not include their workers in joint health and safety committees and agreements. The Indonesia Labour Foundation (ILF) notes that, usually, in this developing nation, workers are not involved in negotiations and important leadership within companies (Indonesia Labour Foundation 2008). Therefore, non-disclosure of LA6 and LA9 might be the best way to hide worker non-participation from the eyes of the annual report readers.

The very low disclosure level of items LA6 and LA9 also signals the weakness of labour unions in Indonesia as companies may not feel sufficiently pressured or influenced by unions to include their workers in formal health and safety joint committees and agreements. This is inconsistent with the arguments given by some scholars (see for example Rawling 2006a; Rawling 2006b) who generally posit that globally labour unions have considerable power to influence companies' policies. It seems that, in this developing nation, labour unions such as SPSI (All Indonesian Labours' Union) are simply used as one of the possible feedback sources for the government in determining regulations about the relationship between employers and workers. Thus, on the surface, Indonesian labour unions may look powerful but, in fact, they are not strong in practice when supporting workers rights.

There is an ongoing issue in relation to *Ratio of basic salary of men to women by employee category* (LA14). To what extent do Indonesian companies treat their female and male workers equally in terms of salary? According to *Act No. 13/2003* (Pemerintah Republik Indonesia 2003), employers must give equal rights to male and female workers. In regards to wages, the Act further states that the criteria for employers to formulate the structure and scales of wages are functional and structural positions, the occupation, years of work, education and competence of the workers (Pemerintah Republik Indonesia 2003). Gender is thus not classified as one of the factors in formulating the structure and scales of wages. However, in practice, female workers in Indonesia receive lower wages than male workers, particularly in manufacturing industries (Cukier, Norris, and Wall 1996; Bennington and Habir 2003). Gender is often used by companies to determine the amount of wages for their workers. Indonesian companies thus may be far less transparent in disclosing information about their compensation systems (see

Bennington and Habir 2003). Such a gender discrimination practice may be fostered by the influence of Javanese culture which places women in a far weaker position *vis a vis* the men[72].

In summary, whilst almost all of the sample companies (91.5%) communicate at least one item, there is an overall low level of LPDWD practices (17.7%) by IDX listed companies. This leads to concerns about the level of under-reporting that is occurring in Indonesia in relation to labour and work practices. Such under-reporting may be a reflection of the lack of details in the legislation regarding CSR reporting or lack of managerial incentives to communicate. Moreover, there may be gaming strategies utilized by Indonesian senior company managers to better manage the image of their companies.

The above results imply that Indonesian companies do not really see labour responsibility issues as a key precondition of CSR performance and reporting. This is evident by the low overall disclosure practices as well as the selective communication on only a few particular items whilst ignoring other important items. Indonesian companies may be concealing some information to protect their image and reputation.

9.3.2. The Determinants of Voluntary LPDWD

Multiple regression analysis shows that Hypotheses 2 and 4 are accepted (see Table 9.2). Government ownership and international operations are positively statistically significant determinants of voluntary LPDWD. In contrast, the other five independent variables (leverage, industry type, explicit and clearly stated goal related to the sustainable value of employees, independence of board, and foreign company ownership) are not significant determinants in explaining the level of voluntary LPDWD of IDX listed companies. The following discussion examines

[72] As explained previously in Chapter 2, the largest ethnic group in Indonesia is the Javanese and therefore they are culturally and politically dominant. In Javanese culture, a woman is deemed as '*konco wingking*', or a friend at home (Hermawati 2007). This means that the main role of a woman is to be a friend in managing the household with her husband who is the manager or the head of the household. In this role, a woman is usually responsible for looking after the children, cooking, and washing. A Javanese woman must also follow any of her husband's instructions and support her husbands' career (Hermawati 2007).

the possible explanations for the results of these hypotheses testing as well as exploring the implications of these outcomes.

9.3.2.1. Leverage (H1)

This thesis finds that leverage does not statistically significantly influence the level of voluntary LPDWD. Past studies such as Meek, Roberts, and Gray (1995), Cormier and Gordon (2001), and Cahaya, Porter, and Brown (2008) have also concluded that the leverage level of a company does not influence company disclosure. Yet, there is evidence that, in Indonesia, creditors are influential.

A possible explanation for the insignificant finding is that creditors in Indonesia are interested in information other than labour-related CSR issues such as corporate governance practices and reforms of the bankruptcy system. As argued by Okuda and Take (2005), corporate governance practices and bankruptcy system reforms in this emerging country are expected to improve the transparency of Indonesian listed companies and, importantly, to better inform creditors about the professionalism of those companies in using (or managing) the creditors' loan funds. This implies that the *coercive* pressure of creditors on Indonesian companies does exist but in terms of the provision of information other than LPDWD (see Cahaya et al. 2011b).

Another possible explanation is that, in 2007, creditors in Indonesia focused their attention on subprime mortgage issues given that such issues became a global public concern, particularly after there were indications of the presence of a subprime mortgage problem in the U.S. (see Badan Perencanaan Pembangunan Nasional 2009). This impending global concern might have sufficiently captured creditors' attention on managing loan funds and not have sufficient *coercive* power to push companies to disclose labour-related CSR information.

9.3.2.2. Government ownership (H2)

An important finding of this doctorate study is the significant positive effect of government ownership on voluntary LPDWD practices. This outcome is consistent with Eng and Mak (2003), Firer and Williams (2005), Cheng, Courtenay, and Krishnamurti (2005), and Cheng and Courtenay (2006) results.

This finding implies that *coercive* pressures by the Indonesian government on its 'privatized' companies to disclose labour related CSR information do exist. As argued by Adnan and Nankervis (2003), there is a strong influence by the Indonesian government on government-owned enterprises, including 'privatized' government-owned companies. This is because most members of the board of directors in such companies are high ranking government officials (Adnan and Nankervis 2003). The positive significance of government ownership thus implies that the Indonesian government is striving to seriously, and effectively deal with CSR matters by at least compelling companies through its officials sitting on those companies' boards to pursue CSR activities and disclose these activities in their annual reports.

Since the most disclosed voluntary item is LA11, *Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings* at 84.3% (see again Figure 6.2), it can also be implied that the Indonesian government effectively utilizes its *coercive* power to press companies to develop their workers' quality in accordance with the Indonesian government's 2007 worker quality development program and communicate that development in their annual reports. As discussed in Section 5.2.3, the quality development of workers is arguably part of the efforts in preventing them from possible employment terminations caused by the impact of GFC (see Kementerian Tenaga Kerja dan Transmigrasi Republik Indonesia 2008).

9.3.2.3. Industry type (H3)

This thesis notes that industry type is not statistically significant in the statistical testing. There is uniformity of labour communication across industry groupings. This finding is consistent with Brown, Tower, and Taplin (2005), Alvarez (2007), and Cahaya, Porter, and Brown (2008) past conclusions.

One explanation for this insignificant statistical result is that the *mimetic* practices by IDX listed companies within a high or low profile industry grouping may exist but in terms of more specific focused concerns on occupational health and safety communication. Arguably, the risk that mostly threatens workers in high profile industries such as mining is work-related accidents. This argument is supported by the high number of work accidents in Indonesia (65,000 reported cases during the 2007 financial year alone). More than 60% of Indonesian workers are employed within high profile industries (Badan Pusat Statistik 2010; Cahaya et al. 2011a). Therefore, it can be argued that the most urgent labour issue that must be first addressed (and is then reported) by high profile companies is occupational health and safety. Other labour issues may be a secondary concern. Statistical analysis in this thesis confirms this prioritization; there is a positively significant effect of high profile industry on the propensity of Indonesian companies to communicate occupational health and safety information (Section 7.3). The implication is thus clear that to legitimately survive, high profile companies in Indonesia primarily focus on one specific relevant labour issue, which is occupational health and safety.

The high profile companies' focus on occupational health and safety may further imply that those companies are also *mimetically* pressed to show the annual report readers that they seriously 'guarantee' their workers' productivity without any major work-related accidents. In other words, through health and safety disclosure, high profile companies probably want to highlight that occupational health and safety is not a barrier or a threat to their survival.

9.3.2.4. International operations (H4)

Similar to government ownership, the presence of international operations is statistically significant in a positive direction (Table 7.3). This is consistent with Zarzeski (1996) and Cahaya, Porter, and Brown (2008) findings and supports Hypothesis 4 that Indonesian companies with international operations provide more disclosure on labour issues in their annual reports.

One explanation for this positively significant relationship is that Indonesian companies' overseas competitors are more socially responsible to their employees and disclose more activities in relation to this responsibility in their annual reports. Such social responsibility activities may include the application of SA8000 by companies in countries such as China, Malaysia, and Japan (*SA8000, standar manajemen baru* 2006). In line with the *mimetic isomorphism* tenet of institutional theory, to compete with these foreign competitors, Indonesian companies then copy their labour reporting practices.

The positive statistical finding of international operations therefore implies that companies in Indonesia need to disclose more information on labour-related CSR issues in their annual reports in order to compete and better survive in the global market. It also implies that Indonesian companies operating internationally need to be innovative not only in marketing their products or services overseas but also in managing their relationship with their workers and communicating the 'story' of this relationship in the annual reports.

9.3.2.5. Explicit and clearly stated goal related to the sustainable value of employees (H5)

The explicit communication of a clearly stated goal related to the sustainable value of employees is not a significant predictor of voluntary LPDWD practices; this is at odds with the study by Amran and Devi (2007). One reason may be a problem of categorization, given the stakeholder groups mentioned in the stated goal are not always specifically focused on employees. For instance, in some of the sample companies' annual reports, it is stated that one of the goals is related to the sustainable value of general stakeholders, not specifically related to employees. Managers of these companies therefore may push companies to be socially responsible to not only their employees, but also other stakeholder groups. The level of disclosure of such social responsibility might increase, but of course, does not always contain specific information on labour-related CSR.

The insignificance of goal factor might also be explained by the fact the there are no explanations in the Indonesian government's CSR-related regulations, which were issued in 2006 and 2007, regarding the specific CSR activities that must be undertaken and reported by Indonesian companies (see again Section 1.1). This fact may cause companies to simply put general stakeholders as their target of CSR, not a specific stakeholder group such as workers. This may imply that managers of companies in Indonesia then do not attempt to push their companies to specifically undertake labour-related CSR and communicate this responsibility in their companies' annual reports.

Alternatively, the stated goal, whether it refers to general stakeholders or specifically refers to employees, may just be used as a symbol to project a good image to annual report readers. In other words, companies have goals but managers do not seriously push companies to achieve those goals. Therefore, it can also be implied that Indonesian listed companies' employee-related goals are not well translated into the implementation or operational level as well as into the reporting practices.

9.3.2.6. Independence of board (H6)

This thesis concludes that the independence of board is not a significant predictor of voluntary LPDWD practices (Table 7.3), a finding which is consistent with a number of previous disclosure studies such as Nurhayati, Brown, and Tower (2006) and Tower and Zhu (2006).

The lack of supervision effectiveness of Indonesian commissioners might best explain this finding (Indonesian Capital Market Directory 2004; World Bank 2005). According to Sari, Halligan, and Sutiyono (2010), the existence of commissioners within Indonesian companies is often just there in form but not in substance to statutorily fulfill the government's corporate governance regulation. In practice, they are not properly supervising the board of directors. In some cases, they are even ignoring or are not fully cognizant of what the executive directors are doing in managing the companies.

Alternatively, independent commissioners in Indonesia may be pressing companies to provide more disclosure on non-labour issues that they consider more critical (Cahaya et al. 2009). As the application of good corporate governance in Indonesia was expected to improve the financial performance of companies after the 1997 crisis and, more importantly, the impending 'fight' against the negative impact of the 2007/2008 GFC on the financial performance of companies, independent commissioners may focus on pressing companies to provide comprehensive core financial information instead of specific labour-related CSR information (see ASrIA 2003; Centre for International Private Enterprise 2011; Oviantari 2011).

Independent commissioners clearly do have a power to press IDX listed companies to communicate information. This is statistically evidenced by the average independence of board, which is approximately 44% (Table 6.3). But the question is: where is the independent commissioners' *normative* pressure in Indonesia? Interestingly, one of the key findings in Section 7.3 reveals that independent commissioners are influencing companies to not disclose one category of labour information, which is occupational health and safety. As documented in Table 7.4, there is a negatively significant relationship between independence of board and the propensity to communicate occupational health and safety issues. In the specific context of work safety, such pressure for non-communication might be explained by the fact that IDX listed companies do have poor health and safety performances (as evidenced by the high number of work accidents in Indonesia) so that independent commissioners may be encouraging companies to be silent on such unimpressive performances (hiding bad news)(Cahaya, Porter, Tower, and Brown 2011c). This further implies that, in practice, the independence and the professionalism of the commissioners in Indonesia are questionable. This less than optimal independence and professionalism may be explained by the strong influence of concentrated family ownership structures within this developing nation's corporate governance structure (see Tower et al. 2008).

9.3.2.7. Foreign company ownership (H7)

This thesis notes an insignificant result for the association between foreign company ownership and the level of voluntary LPDWD social disclosure (Table 7.3). This finding is consistent with a past study by Monteiro and Aibar-Guzmán (2009). A possible explanation for such a result is that only 16% of IDX listed companies are subsidiaries of foreign companies. In this situation, the *normative* pressure of foreign companies may actually exist but it has insufficient power to persuade companies to communicate occupational health and safety issues.

Another possible explanation is that foreign companies choose to exercise their power elsewhere in the world to press subsidiaries to communicate LPDWD issues. Decent work practices are concerns everywhere in the world, even in developed countries. In France, for example, there are problems of long working days, unpredictable working hours, and no freedom of choice in relation to schedules in service industries (Gadrey, Jany-Catrice, and Pernold-Lemattre 2006). In Finland, overtime work is often unpaid (Nätti, Anttila, and Väisänen 2006). In Greece, female workers are discriminated against male workers, particularly in terms of salary (Burks, Berg, and Boyarsky 2006). The complexity of labour problems has been drawing serious attention by the global business community and, within such a community, there is a need to solve the problems as well as to communicate how that contribution is undertaken. Indonesian subsidiaries may be considered less important for multinationals in their global scopes.

Alternatively, learning from the 1997 Asian monetary crisis, foreign companies might be influencing their subsidiaries in Indonesia to keep focus on disclosing financial information (see Murninigtyas 2009), with labour disclosure by Indonesian companies being considered less urgent or less critical.

In summary, this thesis notes that two hypothesized *isomorphic* variables, government ownership and international operations, are positively statistically significant determinants of voluntary LPDWD. This implies that the Indonesian government effectively exercises its *coercive* power to push companies to develop their workers' quality in accordance with the Indonesian government's 2007 worker quality development program. This also implies that there are stronger *mimetic* pressures on Indonesian companies operating internationally to best 'socially treat' their workers. It appears that there is a lack of *isomorphic* institutional pressure on Indonesian companies to communicate labour issues as they seem to be more pressed to focus on the provision of financial information, as evidenced by the insignificance of the other independent variables (leverage, industry type, explicit and clearly stated goal related to the sustainable value of employees, independence of board, and foreign company ownership).

9.3.2.8. Control variables: Size, economic performance, and age of business

This thesis notes that two control variables, company size and economic performance, are statistically significant in a positive direction. The positive significance of company size is consistent with many studies showing that larger companies disclose more information on CSR issues (see for example Brammer and Pavelin 2004; Gao, Heravi, and Xiao 2005; Cahaya, Porter, and Brown 2008) as well as on labour issues (Alvarez 2007). One possible explanation is that bigger companies interact with a greater number of stakeholders (see Cahaya et al. 2011b) with interests in different labour issues. To satisfy these interests, the companies may perform a number of different labour-related CSR activities and disclose these activities in their annual reports, resulting in a higher level of LPDWD. As such, bigger companies in Indonesia more explicitly manage the relationship with their stakeholders through the implementation of good labour related CSR communication of activities.

The positive link to economic performance is in line with Ullman (1985) and Robert (1992) arguments, highlighting that companies with satisfactory financial performance do have sufficient financial support for providing good CSR programs and facilities for their workers and disclosing this provision in their annual reports. It is probable that such companies generally have good labour-related CSR performances such as having lower injury rates and better training programs so that they are ‘confident’ enough to report their labour-related CSR information. Importantly, such companies potentially are major contributors in significantly improving the labour condition in Indonesia.

The other control variable, age of business, is statistically insignificant. This finding is not consistent with Hamid (2004) and Roberts (1992). One possible explanation is that the concept of CSR is relatively new in Indonesia since the regulations concerning this concept were recently released in 2006 and 2007. It would appear therefore that all smaller listed companies in Indonesia, regardless of age, may have insufficient experience in reporting CSR practices (see Mirfazli 2008).

9.3.3. The Link between Media Exposure and LPDWD

This thesis conducted additional separate analysis on the potential role of media exposure in influencing labour-related communication (see Chapter 8). A positive link was found between media exposure and IDX listed companies’ labour disclosure practices (see Table 8.1). Overall, this result suggests that the higher the level of media exposure on labour issues, the higher the level of companies' communication on those issues. Such a positively significant relationship themselves is consistent with Brown and Deegan (1998); Brammer and Pavelin (2004); Cormier, Magnan, and Van Velthoven (2005); Aerts, Cormier, and Magnan (2008) studies which find that media exposure does seem to influence companies' social disclosure practices.

Media can function as a watchdog or an outside whistleblower or even a provocateur (Miller 2006; Silaen 2009). Silaen (2009) argues that media in Indonesia can now also be considered as 'the fourth pillar' of Indonesian democracy (after legislative, executive, and judicative bodies). Media is arguably able to report on particular events or scandals to the public earlier than the official bodies such as police (although, in some cases, the reported news may not be true). Companies realize that it is important to be aware of media reports on any sensitive issues which could potentially affect their image and reputation. Consistent with Suhardjanto, Tower, and Brown (2008b)'s findings, media exposure can therefore be used as a catalyst or impetus to change for companies and thus encourage them to supply a greater level of information.

Media influence, however, appears to be issue specific with the most apparent connection being high media exposure and high company disclosure on employee benefit issues (see Table 8.3). As this is a mandatory item, it is unclear whether the media has influenced disclosure or whether it is solely due to the regulatory nature of the issue. Regardless, the findings support that on this issue *coercive isomorphism* does explain the high disclosure of *Employee benefits* by companies, whether it is by the government or the media, or a combination of both.

The high exposure by the media highlights that there are contentious issues that are not reported by companies. These include the poor[73] conditions of Indonesian

[73] The media analysis reveals that, among the fifteen articles exposing *Employee benefits* in *Kompas*, 21% articles are categorized as good news, 59% articles are bad news, and 20% articles are neutral. For the purpose of this study, good news is defined as any articles highlighting firms' activities which have a beneficial impact on workers, bad news is defined as any articles exposing firms' activities having a negative impact on workers or failures in solving workers' social problems, and neutral news has content that cannot be categorized as good or bad (see Guthrie and

workers' payments, salary, and welfare. In the *Kompas* 20 April 2006 article, for example, there was a huge strike discussed involving 1,012 workers of Freeport Indonesia, demanding an increase in their low salary and an improvement of the welfare system. *Kompas* 16 March 2007 noted that workers in an agriculture company had not been paid for eight months. *Kompas* 3 October 2006 also reported that, on the previous day, 2 October 2006, 170 workers of a tire factory rallied to the Office of Manpower and Transmigration Bekasi, demanding higher annual bonuses.

The above labour employee benefit issues, particularly those which are negative or do not satisfy workers, may not be addressed comprehensively within companies' annual reports. Companies themselves potentially hide their poor labour-related CSR performance.

For other specific LPDWD issues the thesis results highlight that while the media intensively exposes injury rates and contract employment issues, Indonesian companies focus their labour disclosures more on non-controversial and easily quantifiable issues such as training and diversity of employment. The lack of focus on injury rate disclosures and contract labour issues is a clear indication that Indonesian companies shy away from controversial disclosures that might damage the companies' reputation. Companies appear to window-dress their annual reports by disclosing less controversial labour practice items.

The results further show major differences in reporting several LA items, highlighting that although the media is concerned about several high profile labour issues (e.g. contract employment) this is not a major concern of either the government (who are actively promoting contract employment (Manning and Roesad 2007)) or companies (who are opting to not disclose as they appear to have tacit agreement from the government). The lack of disclosure on this issue is consistent with the government's refusal to change legislation. There seems to be an apparent promotion of the status quo, with companies happy to comply (with non reporting) as this supports their governments *laissez faire* focus.

Parker 1989). As noted in Islam and Deegan (2010), the labour conditions in a developing country are usually poor so that the media exposure on labour issues is generally negative.

As implied from the results, the government appears to be supporting employers to continue to adopt certain practices such as the contract employment system despite employee concerns (Manning and Roesad 2007; APINDO 2008) and media pressure (see Table 8.3). The government's priority stance seems to be to attract foreign investors so that the Indonesian economy can be further strengthened against the negative effect of a struggling economy and the potential effects of the GFC. For further insights, it is suggested that an analysis of media exposure pre and post the global financial crisis might shed even more light on the level of media influence on company reporting. Other future research ideas are advanced in the next section.

Although the results are not definitive in concluding that media influences the disclosure of all labour issues, the links are sufficient to indicate that both the media and government have at least some *coercive* pressure on certain labour disclosures by companies.

9.4. Future Research Ideas

This thesis proposes several ideas for future research. A longitudinal study on LPDWD practices of IDX listed companies is recommended. Such an extension could be conducted by examining the disclosure practices before and a more substantial period after the issuance of the 2006 and 2007 Indonesian CSR reporting-related regulations. An expanded study could be useful to obtain insights regarding how Indonesian companies adapt to the changes in reporting regulations over time. Such a longitudinal analysis on labour disclosure practices could also take into account the possible effects of the GFC.

The lack of specific details provided in the legislation raises further questions:

- Are the Indonesian government and BAPEPAM-LK serious in regulating CSR issues and CSR reporting, or are they 'window-dressing' for international audiences?
- Do the government and BAPEPAM-LK not have a good understanding of CSR practices and CSR reporting which has resulted in unclear regulation which lacks detail?

- Is there an explicit communication between regulators and companies in Indonesia in relation to the CSR reporting regulation as well as the expected implementation of that regulation?

These questions are all areas that need further exploration in future research.

A longer period of analysis on media exposure is also recommended. As noted in Section 8.3, past researchers usually examine media exposure for a period longer than one year. This is because they are able to use electronic databases such as ABI inform database to collect the media exposure data (see for example Cormier, Magnan, and Van Velthoven 2005). In Indonesia, such an electronic data collection cannot be obtained given that major Indonesian newspapers are not available in electronic databases, and data must be collected manually from hard copies. The analysis could focus on the specific *coercive* influence of media exposure on labour disclosure practices.

It is also recommended that future research examine the reasons why companies disclose certain labour issues and their motivations for not disclosing sensitive issues. Qualitative research techniques such as focus groups and interviews could be utilized.

Decoupling practices were not a focus of this thesis. However, it is recommended that an in-depth longitudinal analysis examining the *decoupling* practices between the companies' actual labour-related CSR performances and their reporting of those issues is undertaken.

9.5. Concluding Remarks

This doctorate study provides important contributions to extant accounting literature by offering additional knowledge about voluntary Labour Practices and Decent Work disclosures in Indonesia. The data set specifically focuses on the period immediately prior to turmoil linked to the advent of the GFC. The findings reveal that labour disclosures in this emerging country are low with a main focus on *Training programs* information.

The evidence shows that companies with government ownership and international operations voluntarily disclose higher levels of labour issues. Bigger companies and companies having satisfactory financial performance also voluntarily communicate more labour information. Given the results, it can be concluded that *isomorphic* institutional theory, particularly its *coercive* and *mimetic* variants, at least partially explains the labour disclosure practices in Indonesia. Further analysis reveals that there is a positively significant link between *coercive* media pressures and IDX listed companies' labour disclosures. There are also some indications that Indonesian companies window-dress their annual reports to avoid communicating controversial issues especially where they do not perform well.

This doctorate study provides a significant contribution to the CSR reporting literature through the specific examination of labour disclosure in Indonesia using an institutional theory lens, and the specific analysis on the link between disclosure and media pressures. From a policy perspective, the findings suggest that the Indonesian government needs to clearly link its labour-related regulations with the reporting regulations so that the implementation of the labour-related regulations can be easily monitored and subsequently enforced. The latter aspect of enforcement also leads to the conclusion that the government needs to clearly identify and articulate penalties for non disclosure. From a theoretical perspective, there is sufficient evidence to support the use of *isomorphic* institutional theory, particularly *coercive* and *mimetic* pressures, as a framework for explaining company labour disclosures.

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APPENDIX A
THE GLOBAL REPORTING INITIATIVE (GRI)
LABOUR PRACTICES AND DECENT WORK INDICATORS

As stated in Sections 1.1 and 5.3.3, this thesis adopts the 2006 version (termed as G3) of GRI *Labour Practices and Decent Work* performance indicators as the disclosure index checklist. The G3 labour indicators are detailed in Table A.1.

Table A.1: G3 Labour Practices and Decent Work Indicators

Category		GRI code	Indicator[a]
A.1.	Employment	LA1	Total workforce by employment type, employment contract, and region.
		LA2	Total number and rate of employee turnover by age group, gender, and region.
		LA3[b]	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations
A.2.	Labor/Management Relations	LA4	Percentage of employees covered by collective bargaining agreements.
		LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.
A.3.	Occupational Health and Safety	LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.
		LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region.
		LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.
		LA9	Health and safety topics covered in formal agreements with trade unions.
A.4.	Training and Education	LA10	Average hours of training per year per employee by employee category.
		LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.
		LA12	Percentage of employees receiving regular performance and career development reviews.
A.5.	Diversity and Equal Opportunity	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.
		LA14	Ratio of basic salary of men to women by employee category.

Source: Global Reporting Initiative (2006).
a) If an indicator has several subparts, a score of 1 will be awarded when any of the subparts is disclosed. This is due to the possible sparsity of information within the annual report. In LA1, for example, a score of 1 will be awarded if the company discloses any of the three subparts: total workforce by employment type, employment contract or region.
b) LA3 is excluded from the disclosure index checklist of this thesis because, under PSAK No. 24, this item is considered a mandatory item (see Ikatan Akuntan Indonesia 2007). Accordingly, in the main statistical analysis, only thirteen items are used to measure voluntary LPDWD practices (refer Section 5.3.3).

As also indicated in Sections 1.3 (footnote 7) and 5.3.3 (footnote 45), GRI has currently launched an updated version of 2006 sustainability reporting guidelines on 23 March 2011, which is termed as G3.1. While this updated version does not affect this thesis (refer footnotes 7 and 45), this thesis compares both LPDWD items in G3 and G3.1 so that any differences between the two checklists can be noted for future references.

Table A.2: Comparison of G3 and G3.1 Labour Practices and Decent Work Performance Indicators

G3	G3.1
Employment LA1 Total workforce by employment type, employment contract, and region. LA2 Total number and rate of employee turnover by age group, gender, and region. LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	**Employment** LA1 Total workforce by employment type, employment contract, and region, broken down by gender[a]. LA2 Total number and rate of new employee hires and employee turnover by age group, gender, and region. LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations. LA15 Return to work and retention rates after parental leave, by gender[b].
Labor/Management Relations LA4 Percentage of employees covered by collective bargaining agreements. LA5 Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	**Labor/Management Relations** LA4 Percentage of employees covered by collective bargaining agreements. LA5 Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.
Occupational Health and Safety LA6 Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs. LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region. LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. LA9 Health and safety topics covered in formal agreements with trade unions.	**Occupational Health and Safety** LA6 Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs. LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region and by gender. LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. LA9 Health and safety topics covered in formal agreements with trade unions.
Training and Education LA10 Average hours of training per year per employee by employee category.	**Training and Education** LA10 Average hours of training per year per employee by gender, and by employee category.

LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. LA12 Percentage of employees receiving regular performance and career development reviews.	LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. LA12 Percentage of employees receiving regular performance and career development reviews, by gender.
Diversity and Equal Opportunity LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. LA14 Ratio of basic salary of men to women by employee category.	**Diversity and Equal Opportunity** LA13 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.
	Equal Remuneration for Women and Men[c] LA14 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.

Source: Global Reporting Initiative (2006); Global Reporting Initiative (2011b).
a) The underlined items reflect the differences from G3,
b) A new item, namely *Return to work and retention rates after parental leave, by gender*, coded as LA15, is added in *Employment* category,
c) A new category, namely *Equal Remuneration for Women and Men*, is added. However, this new category basically contains LA14 which is moved from *Diversity and Equal Opportunity* category.

As shown in Table A.2, there are very few differences in the LPDWD indicators between G3 and G3.1 versions. The differences mostly exist as a result of the inclusion of gender component in four indicators (LA1, LA7, LA10, and LA12). Other slight differences include the addition of some words within some indicators, highlighting that there is some more specific information to be reported. One of the examples is “new employee hires” in LA2, showing that companies should now consider specific information about total number and rate of new employee hires to be communicated.

Interestingly, LA14, which has been modified by the addition of remuneration aspect within the indicator as well as by the addition of “by significant locations of operation” with a new particular emphasis on women to men (instead of men to women), is moved to a new category. The new category is labeled as *Equal Remuneration for Women and Men*. There is also an addition of a new indicator, namely *Return to work and retention rates after parental leave, by gender*, coded as LA15. It is inserted under the *Employment* category. As a result of the addition of LA15, the number of total GRI LPDWD indicators in G3.1 version rises from fourteen to fifteen.

Although there are a few differences in the breakdowns of indicators or items between G3 and G3.1 versions, most GRI LPDWD indicators remain the same. The differences generally exist in the more specific information related to gender. Lastly, the new number of LPDWD indicators in G3.1 version (15 indicators) will slightly change the calculation of disclosure indices if future researchers are interested in using these indicators as their disclosure index checklists. Overall, this appendix analysis shows that the GRI 2006 based LPDWD index is very similar to the 2011 variant. Given the 2007 data sample used, application of G3 GRI (2006) variant is clearly the most appropriate in this thesis.

APPENDIX B
THE 2007 CHANGES TO PSAK

This appendix examines the changes to the Indonesian accounting standard, *Pernyataan Standar Akuntansi Keuangan* (Statement of Financial Accounting Standards) or PSAK, in 2007 (refer Chapter 2). The changes are:

- Firstly, revisions of PSAK 13, PSAK 16, PSAK 30, PSAK 50, and PSAK 55. These standards dealt with investment property, fixed assets, accounting for leases, presentation and disclosures of financial instruments, and recognition and measurement of financial instruments respectively. Examples of the changes in those revised standards are changes in the definition from *"investasi properti"* to *"properti investasi"*, the initial measurement of investment property, the major inspection and overhaul costs, the accounting treatment for asset exchange transactions, the definition differentiation between "inception" and "commencement", and the determination of present value of the minimum lease payment (see Kanaka Puradiredja Suhartono 2008).
- Secondly, issuances of six new PSAK regulating Islamic (also termed as *Syariah*) accounting, which are PSAK 101, PSAK 102, PSAK 103, PSAK 104, PSAK 105, and PSAK 106. These PSAKs regulate the presentation of *Syariah* financial statements and accounting treatments for *Syariah*-based transactions[74] namely *Murabahah*, *Salam*, *Istishna'*, *Mudharabah*, and *Musyarakah* respectively[75]. These standards are applicable to Indonesian

[74] A transaction is categorized as a *Syariah*-based transaction when it is done based on a mutual understanding between the involved parties and does not contain any elements of interests, speculations, gambles, collusion, and goods resulted from corruptions, robberies or thefts (Ikatan Akuntan Indonesia 2007). Since the existence of interest is prohibited, Islamic banks use profit sharing in conducting their businesses. In addition to these, a s*yariah*-based transaction does not profess the principle of time value of money. It is also important to note that, in a s*yariah*-based transaction, money functions as a medium of exchange and a unit of a measurement of the value of goods, services, and other transactions, not as a commodity (detailed explanations on *Syariah*-based transaction can be found in Ikatan Akuntan Indonesia 2007).

[75] *Murabahah* is a sale where the price of the commodity includes some profit or mark-up thereon which is known to the buyer and the seller explicitly mentions the original cost of acquiring that commodity. *Salam* is a particular kind of sale where the delivery of the commodity is deferred but paid by the buyer at the time of contract. *Istishna'* refers to an order of a production of a commodity based on particular criteria, terms, and conditions mutually agreed by the buyer and the seller. *Mudharabah* is a particular type of partnership where one partner provides money and another partner uses that money for a business project. The profits are then shared between the partners based on a pre-determined ratio but, in a case of losses, the losses have to be taken only by the first partner (the money provider). *Musyarakah* is a joint enterprise between two or more parties where each party provides money for a business project and shares in both the profits and

institutions operating based on *Syariah* principles and any entity involved in *Syariah*-based transactions (Ikatan Akuntan Indonesia 2007; PricewaterhouseCoopers 2008). *Syariah* entities must provide *Syariah* financial statements while other entities (termed as conventional entities) just need to report their Syariah transactions (when they do such transactions) based on *Syariah*-related PSAKs in their conventional financial statements. *Syariah* financial statements themselves consist of a balance sheet, an income statement, a cash flow statement, a statement of changes in equity, a statement of sources and uses of *zakat*[76], a statement of sources and uses of *qard*[77] funds, and notes to financial statements.

- Lastly, deletions of PSAK 9, PSAK 17, PSAK 20. These standards dealt with disclosures on current assets and short term liabilities, depreciation accounting, and research and development costs respectively. The accounting regulations within the deleted PSAK actually still exist but they are now incorporated within PSAK 1, PSAK 16, and PSAK 19, which regulate financial statement presentation, accounting for fixed assets, and accounting for intangible assets respectively.

The above changes are undertaken to further converge with the International Financial Reporting Standards (IFRS) as well as to better establish Islamic accounting standards. As explained in Chapter 2, IFRS will be fully applied in Indonesia in 2012.

More revisions on PSAKs after 2007 are therefore expected to occur but are considered as having no impacts on this thesis. Any dates of PSAK revision after the 2007 financial year are noted in Chapter 2. Overall, this thesis notes that the 2007 changes to PSAK do not address CSR or labour disclosure issues.

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losses based on a pre-agreed ratio. All of these definitions are taken and translated into English from PSAKs 102, 103, 104, 105, and 106 respectively in Ikatan Akuntan Indonesia (2007).

[76] *Zakat* is parts or a small percentage of wealth that must be given to the poor and needy when the amount of wealth reaches its zakat-payable amount within one year in accordance to Islamic law (Ikatan Akuntan Indonesia 2007).

[77] *Qard* refers to "a non-interest bearing loan allowing borrower to use the loaned funds for a specific period of time such that the same amount of loan should be returned to lender at the end of the period – a means of achieving social objectives" (El-Din 2004, 15).

APPENDIX C
LIST OF SAMPLE COMPANIES

The following list of 223 sample companies from the Indonesia Stock Exchange (examined in Chapter 5) is provided below. The list is in alphabetical order for ease of reference and does not in any way indicate particular characteristics such as size, profit, or deemed importance.

No	Companies	Source of Annual Report
1	PT Abdi Bangsa Tbk	IDX's website
2	PT Ace Hardware Tbk	IDX's website
3	PT Adhi Karya (Persero) Tbk	Direct company's website
4	PT Adira Dinamika Multi Finance Tbk	IDX's website
5	PT AGIS Tbk	IDX's website
6	PT Akbar Indo Makmur Stimec Tbk	IDX's website
7	PT AKR Corporindo Tbk	IDX's website
8	PT Alam Sutera Realty Tbk	IDX's website
9	PT Alfa Retailindo Tbk	IDX's website
10	PT Anta Express Tour & Travel Service Tbk	IDX's website
11	PT Apexindo Pratama Duta Tbk	Direct company's website
12	PT Arpeni Pratama Ocean Line Tbk	IDX's website
13	PT Arthavest Tbk	IDX's website
14	PT Asahimas Flat Glass Tbk	Direct company's website
15	PT Asia Kapitalindo Securities Tbk	IDX's website
16	PT Astra Graphia Tbk	IDX's website
17	PT Astra International Tbk	IDX's website
18	PT Asuransi Bina Dana Arta Tbk	IDX's website
19	PT Asuransi Bintang Tbk	IDX's website
20	PT Asuransi Dayin Mitra Tbk	IDX's website
21	PT Asuransi Harta Aman Pratama Tbk	IDX's website
22	PT Asuransi Multi Artha Guna Tbk	IDX's website
23	PT Bakrie & Brothers Tbk	IDX's website
24	PT Bakrie Sumatra Plantations Tbk	Direct company's website
25	PT Bakrie Telecom Tbk	IDX's website
26	PT Bakrieland Development Tbk	IDX's website
27	PT Bank Agroniaga Tbk	IDX's website
28	PT Bank Artha Graha Internasional Tbk	IDX's website
29	PT Bank Bukopin Tbk	IDX's website
30	PT Bank Bumi Arta Tbk	IDX's website
31	PT Bank Bumiputera Indonesia Tbk	IDX's website
32	PT Bank Capital Indonesia Tbk	IDX's website
33	PT Bank Central Asia Tbk	IDX's website
34	PT Bank Century Tbk	IDX's website
35	PT Bank Danamon Indonesia Tbk	IDX's website
36	PT Bank Ekonomi Raharja Tbk	IDX's website
37	PT Bank Eksekutif Internasional Tbk	IDX's website
38	PT Bank Internasional Indonesia Tbk	IDX's website
39	PT Bank Kesawan Tbk	IDX's website
40	PT Bank Lippo Tbk	IDX's website

41	PT Bank Mandiri Tbk	IDX's website
42	PT Bank Mayapada Internasional Tbk	IDX's website
43	PT Bank Mega Tbk	IDX's website
44	PT Bank Negara Indonesia Tbk	IDX's website
45	PT Bank Niaga Tbk	IDX's website
46	PT Bank NISP Tbk	IDX's website
47	PT Bank PAN Indonesia Tbk	IDX's website
48	PT Bank Permata Tbk	IDX's website
49	PT Bank Rakyat Indonesia Tbk	IDX's website
50	PT Bank Tabungan Pensiunan Nasional Tbk	Direct company's website
51	PT Bank UOB Buana Tbk	IDX's website
52	PT Bank Victoria International Tbk	IDX's website
53	PT Bank Windu Kentjana International Tbk	IDX's website
54	PT Bayu Buana Tbk	IDX's website
55	PT Bentoel Internasional Investama Tbk	Direct company's website
56	PT Berlian Laju Tanker	IDX's website
57	PT BFI Finance Indonesia Tbk	IDX's website
58	PT Bhakti Capital Investama Tbk	IDX's website
59	PT Bhakti Investama Tbk	IDX's website
60	PT Bhuwantala Indah Permai Tbk	IDX's website
61	PT Bintang Mitra Semestaraya Tbk	IDX's website
62	PT Bukit Darma Property Tbk	IDX's website
63	PT Bumi Resources Tbk	Direct company's website
64	PT Capitalink Investment Tbk	IDX's website
65	PT Catur Sentosa Adiprana Tbk	IDX's website
66	PT Centrin online Tbk	IDX's website
67	PT Centris Multipersada Pratama Tbk	IDX's website
68	PT Charoen Pokphand Indonesia Tbk	Direct company's website
69	PT Ciputra Development Tbk	Direct company's website
70	PT Ciputra Property Tbk	IDX's website
71	PT Ciputra Surya Tbk	IDX's website
72	PT Citra Kebun Raya Agri Tbk	IDX's website
73	PT Clipan Finance Indonesia Tbk	IDX's website
74	PT Cowell Development Tbk	IDX's website
75	PT Danayasa Arthatama Tbk	IDX's website
76	PT Darma Henwa Tbk	IDX's website
77	PT Darya Varia Laboratoria Tbk	Direct company's website
78	PT Dayaindo Resources International Tbk	IDX's website
79	PT Duta Anggada Realty Tbk	IDX's website
80	PT Duta Graha Indah Tbk	IDX's website
81	PT Duta Pertiwi Tbk	IDX's website
82	PT Dyviacom Intrabumi Tbk	IDX's website
83	PT Elnusa Tbk	IDX's website
84	PT Energi Mega Persada Tbk	Direct company's website
85	PT Enseval Putera Megatrading Tbk	IDX's website
86	PT Equity Development Investment	IDX's website
87	PT Excelmindo Pratama Tbk	IDX's website
88	PT Fast Food Indonesia Tbk	IDX's website
89	PT First Media Tbk	IDX's website
90	PT Fortune Indonesia Tbk	IDX's website
91	PT Gajah Tunggal Tbk	Direct company's website

92	PT Gema Grahasarana Tbk	IDX's website
93	PT Global Land Development Tbk	IDX's website
94	PT Global Mediacom Tbk	IDX's website
95	PT Gowa Makasar Tourism Development Tbk	IDX's website
96	PT Grahamas Citrawisata Tbk	IDX's website
97	PT Gudang Garam Tbk	Direct company's website
98	PT HD Capital Tbk	IDX's website
99	PT Hero Supermarket Tbk	IDX's website
100	PT Hexindo Adiperkasa Tbk	IDX's website
101	PT HM Sampoerna Tbk	Direct company's website
102	PT Holcim Indonesia Tbk	Direct company's website
103	PT Hotel Sahid Jaya International Tbk	IDX's website
104	PT Humpuss Intermoda Transportasi Tbk	IDX's website
105	PT Indocement Tunggal Prakarsa Tbk	Direct company's website
106	PT Indoexchange Tbk	IDX's website
107	PT Indofarma Tbk	Direct company's website
108	PT Indofood Sukses Makmur Tbk	Direct company's website
109	PT Indonesia Paradise Property Tbk	IDX's website
110	PT Indonesia Prima Property Tbk	IDX's website
111	PT Indosat Tbk	IDX's website
112	PT Indosiar Karya Media Tbk	IDX's website
113	PT Inter-Delta Tbk	IDX's website
114	PT Intiland Development Tbk	IDX's website
115	PT Intraco Penta Tbk	IDX's website
116	PT Island Concept Indonesia Tbk	IDX's website
117	PT Jaka Inti Realtindo Tbk	IDX's website
118	PT Jakarta International Hotels & Development Tbk	IDX's website
119	PT Jakarta Setiabudi Internasional Tbk	IDX's website
120	PT Jasa Marga (persero) Tbk	IDX's website
121	PT Jasuindo Tiga Perkasa Tbk	IDX's website
122	PT Jaya Konstruksi Manggala Pratama Tbk	IDX's website
123	PT Jaya Real Property Tbk	IDX's website
124	PT Kalbe Farma Tbk	Direct company's website
125	PT Kawasan Industri Jababeka Tbk	Direct company's website
126	PT Kimia Farma Tbk	Direct company's website
127	PT Kokoh Inti Arebama Tbk	IDX's website
128	PT Kresna Graha Sekurindo Tbk	IDX's website
129	PT Laguna Cipta Griya Tbk	IDX's website
130	PT Lamicitra Nusantara Tbk	IDX's website
131	PT Leo Investment Tbk	IDX's website
132	PT Lippo Cikarang Tbk	IDX's website
133	PT Lippo E-Net Tbk	IDX's website
134	PT Lippo General Insurance Tbk	IDX's website
135	PT Lippo Karawaci Tbk	IDX's website
136	PT Lippo Securities Tbk	IDX's website
137	PT Mandom Indonesia Tbk	Direct company's website
138	PT Mas Murni Indonesia Tbk	IDX's website
139	PT Maskapai Reasuransi Indonesia Tbk	IDX's website
140	PT Matahari Putra Prima Tbk	IDX's website
141	PT Medco Energi International Tbk	Direct company's website
142	PT Media Nusantara Citra Tbk	IDX's website

143	PT Metro Supermarket Realty Tbk	IDX's website
144	PT Metrodata Electronics Tbk	IDX's website
145	PT Millennium Pharmacon International Tbk	IDX's website
146	PT Mitra Adiperkasa Tbk	IDX's website
147	PT Mitra Rajasa Tbk	IDX's website
148	PT Mobile-8 Telecom Tbk	IDX's website
149	PT Modern Internasional Tbk	IDX's website
150	PT Modernland Realty Tbk	IDX's website
151	PT Multi Bintang Indonesia Tbk	Direct company's website
152	PT Myoh Technology Tbk	IDX's website
153	PT New Century Development Tbk	IDX's website
154	PT Nusantara Inti Corpora Tbk	IDX's website
155	PT Okansa Capital Tbk	IDX's website
156	PT Pacific Utama Tbk	IDX's website
157	PT Pakuwon Jati Tbk	IDX's website
158	PT Pan Pacific International Tbk	IDX's website
159	PT Panca Global Securities Tbk	IDX's website
160	PT Panca Wiratama Sakti Tbk	IDX's website
161	PT Panin Insurance Tbk	IDX's website
162	PT Panin Life Tbk	IDX's website
163	PT Panorama Sentrawisata Tbk	IDX's website
164	PT Panorama Transportasi Tbk	IDX's website
165	PT Pelayaran Tempuran Emas Tbk	IDX's website
166	PT Pelita Sejahtera Abadi Tbk	IDX's website
167	PT Pembangunan Jaya Ancol Tbk	IDX's website
168	PT Perdana Gapuraprima Tbk	IDX's website
169	PT Perusahaan Gas Negara (Persero) Tbk	IDX's website
170	PT Petrosea Tbk	IDX's website
171	PT Plaza Indonesia Realty Tbk	IDX's website
172	PT Pool Advista Indonesia Tbk	IDX's website
173	PT Pudjiadi & Sons Tbk	IDX's website
174	PT Pudjiadi Prestige Tbk	IDX's website
175	PT Pusaka Tarinka Tbk	IDX's website
176	PT Radiant Utama Interinsco Tbk	IDX's website
177	PT Ramayana Lestari Sentosa Tbk	IDX's website
178	PT Reliance Securities Tbk	IDX's website
179	PT Rig Tenders Indonesia Tbk	IDX's website
180	PT Rimo Catur Lestari Tbk	IDX's website
181	PT Ristia Bintang Mahkota Sejati Tbk	IDX's website
182	PT Roda Panggon Harapan Tbk	IDX's website
183	PT Rukun Raharja Tbk	IDX's website
184	PT Sampoerna Agro Tbk	Direct company's website
185	PT Samudera Indonesia Tbk	IDX's website
186	PT Semen Gresik Tbk	Direct company's website
187	PT Sentul City Tbk	IDX's website
188	PT Sinar Mas Multiartha Tbk	IDX's website
189	PT Singer Indonesia Tbk	IDX's website
190	PT SMART Tbk	Direct company's website
191	PT Sona Topas Tourism Industry Tbk	IDX's website
192	PT Sorini Agro Asia Tbk	Direct company's website
193	PT Steady Safe Tbk	IDX's website

194	PT Sugi Samapersada Tbk	IDX's website
195	PT Sumalindo Lestari Jaya Tbk	Direct company's website
196	PT Surya Citra Media Tbk	IDX's website
197	PT Surya Semesta Internusa Tbk	IDX's website
198	PT Suryainti Permata Tbk	IDX's website
199	PT Suryamas Dutamakmur Tbk	IDX's website
200	PT Tambang Batubara Bukit Asam Tbk	Direct company's website
201	PT TD Resources Tbk	IDX's website
202	PT Telekomunikasi Indonesia Tbk	IDX's website
203	PT Tempo Inti Media Tbk	IDX's website
204	PT Tigaraksa Satria Tbk	IDX's website
205	PT Timah Tbk	Direct company's website
206	PT Tira Austenite Tbk	IDX's website
207	PT Toko Gunung Agung Tbk	IDX's website
208	PT Total Bangun Persada Tbk	IDX's website
209	PT Trimegah Securities Tbk	IDX's website
210	PT Truba Alam Manunggal Engineering Tbk	IDX's website
211	PT Trust Finance Indonesia Tbk	IDX's website
212	PT Tunas Ridean Tbk	IDX's website
213	PT Ultra Jaya Milk Tbk	Direct company's website
214	PT Unggul Indah Cahaya Tbk	Direct company's website
215	PT Unilever Indonesia Tbk	Direct company's website
216	PT United Tractors Tbk	IDX's website
217	PT Voksel Electric Tbk	Direct company's website
218	PT Wahana Ottomitra Multiartha Tbk	IDX's website
219	PT Wahana Phonix Mandiri Tbk	IDX's website
220	PT Wicaksana Overseas Internasional Tbk	IDX's website
221	PT Wijaya Karya (Persero) Tbk	IDX's website
222	PT Yulie Sekurindo Tbk	IDX's website
223	PT Zebra Nusantara Tbk	IDX's website

The above 223 sample companies are selected from a population of 383 companies listed on IDX in 2007 financial year (refer Chapter 5). The ratio of sample to population in this thesis is 58.2%.

APPENDIX D
LIST OF 27 CONTACTED SAMPLE COMPANIES

The following list details 27 sample companies which were randomly selected from the list in Appendix C and emailed to search information as to whether or not they had stand-alone employee reports (refer Chapter 5).

No	Company	Finding
1	PT Adhi Karya (Persero) Tbk	No response
2	PT Astra Graphia Tbk	Email could not be sent (fail).
3	PT Bakrie Sumatra Plantations Tbk	No response
4	PT Bank Central Asia Tbk	No response
5	PT Bank Mandiri Tbk	This company has a separate community development report, not employee report. The contacted staff of this company, however, did not provide further details regarding the content of that report and how to access it.
6	PT Bank Rakyat Indonesia Tbk	No response
7	PT Bank Tabungan Pensiunan Nasional Tbk	Email could not be sent (fail).
8	PT BFI Finance Indonesia Tbk	Does not have a separate employee report
9	PT Bumi Resources Tbk	No response
10	PT Ciputra Development Tbk	This company does not have a stand-alone employee report. The staff also states that employee report is not common in Indonesia and not required under the Indonesian capital market regulations.
11	PT Elnusa Tbk	Email could not be sent (fail).
12	PT Energi Mega Persada Tbk	No response
13	PT Excelmindo Pratama Tbk	This company does not have a stand-alone employee report.
14	PT Humpuss Intermoda Transportasi Tbk	No response
15	PT Indofood Sukses Makmur Tbk	No response
16	PT Indosat Tbk	This company has been producing a stand-alone sustainability report since 2008, but not a stand-alone employee report.
17	PT Jasa Marga (persero) Tbk	No response
18	PT Kalbe Farma Tbk	This company does not have a separate employee report.
19	PT Kimia Farma Tbk	No response
20	PT Matahari Putra Prima Tbk	No response
21	PT Medco Energi International Tbk	No response
22	PT Multi Bintang Indonesia Tbk	No response
23	PT Perusahaan Gas Negara (Persero) Tbk	No response
24	PT Samudera Indonesia Tbk	Email could not be sent (fail).
25	PT Surya Citra Media Tbk	No response
26	PT Telekomunikasi Indonesia Tbk	No response
27	PT Voksel Electric Tbk	No response

It can be seen from the above table that four email addresses were inactive. The final number of contacted companies was therefore twenty three. Among these, only six companies (about 26% of 23 companies) replied to the emails. None had stand-alone reports.

APPENDIX D: LIST OF 27 CONTACTED SAMPLE COMPANIES

APPENDIX E
VERIFICATION OF THE RELIABILITY OF DATA

Before performing the statistical analysis, the reliability of data was verified by three experienced and knowledgeable Indonesian accounting academics (refer Chapters 5, 6, and 8). The first and the second academics verified the data of the key variables (level of LPDWD, leverage, government ownership, industry type, international operations, explicit and clearly stated goal related to the sustainable value of employees, independence of board, foreign company ownership, company size, economic performance, and age of business). The third academic focused on the data of media exposure.

The verification aims to better ensure the accuracy of data. In this thesis, this includes four steps: verification of disclosure scoring; verification of predictor variables' data taken from the annual reports; verification of data entered into the excel file; and, verification of media exposure data. According to Hair et al. (1998) and Tabachnick and Fidel (2001), accuracy of data is essential in any multivariate analysis and also an essential part of the data cleaning process. The details of the verification steps are explained below.

Step One: Verification of Dependent Variable (LPDWD index)

Step One is conducted to verify the reliability of the dependent variable of the thesis, namely LPDWD, which is measured by an unweighted (equally weighted) index (refer Section 5.3.3 and Section 6.3.1). LPDWD index for every sample company is calculated as the ratio of total score awarded to the company (a score of 1 [one] is awarded to every LPDWD item disclosed) divided by the maximum number of items (13 items). The first academic (designated A1) was asked to independently rescore LPDWD indices from 25 annual reports (approximately 11% of the sample size). This includes the rescoring of the voluntary LPDWD index and each of the individual 13 voluntary items that when aggregated compose the LPDWD. Then, the results of the rescoring were compared to the researcher's results. There was only one error out of 325 data points (13 items x 25 reports). There was an over 99% agreement rate. The sole exception concerned the information about employee turnover (categorized as LA2) in one sample company’s annual report was not recognized and scored by the researcher. Accordingly, based on A1’ suggestion, a score of 1 (one) was then awarded to this company’s LA2 item.

In summary, the verification undertaken in Step One reveals that there was almost 100% agreement level between the indices scored by the researcher and those rescored by A1 for the 11% sample companies. This provides evidence that the verification strongly supports the reliability of the dependent variable data of this thesis.

Step Two: Verification of Predictor Variables’ Data from the Annual Reports

A1 was also asked to independently re-extract all data points of the predictor variables from a representative sub-sample of 25 annual reports (refer Section 6.3.1). The fifteen data points to be extracted consisted of total assets 2006 and 2007, total liabilities 2007, the presence of government ownership, the categorization of industry, the existence of international operations indicator (foreign sales, foreign subsidiary, and foreign branch office), the existence of employee related goals, number of independent commissioners, board composition (number of independent commissioners and total commissioners in the board), the presence of foreign company ownership, net income 2007, and age of business (date of inception). The results of this verification were then compared to the data taken by the researcher. Again, there was a 99% agreement rate as there were only two mistakes found in the collection of a total of 375 (15 variables x 25 reports) data points. The first mistake was the year of inception of one sample company which was wrongly noted. The second mistake was the ‘explicit goal’ of another sample company which was wrongly scored. These two mistakes were then corrected.

To sum up, the data verification for the predictor variables undertaken in Step Two reveals that, overall, there was virtual complete agreement. This again shows a very high level of accuracy in the collected predictor variable data and therefore those data are deemed reliable for the statistical analyses in this thesis.

Step Three: Verification of Data Entered into the Excel File

The second academic (designated A2), was asked to re-enter the 25 companies' data extracted by A1 in steps 1 and 2 into an excel file (refer Section 6.3.1). Approximately 700 data points were re-entered. The figures of leverage and ROA were also recalculated by A2. The results of the verification of data in the excel file were then compared to the excel file previously prepared by the researcher. There were two input errors. This level of accuracy is consistent with steps 1 and 2, there was over 99% agreement.

In summary, the data verification undertaken in Step Three reveals that there was nearly 100% accuracy between the researcher and the reviewer. This suggests that the data set in the excel file is reliable to be used for statistical analyses.

Step Four: Verification of Media Exposure Data

This thesis also examines the link between media exposure and LPDWD practices to capture the potential pressure of a variety of influential stakeholders in Indonesia. The data of media exposure were taken from *Kompas*, an Indonesia daily newspaper. As the data of this variable are taken separately from the annual reports, a separate data verification is arguably needed.

The third academic (designated A3), was asked to re-extract media exposure data from 12 issue dates of *Kompas* published in July 2006, November 2006, February 2007, June 2007 (three issue dates from each of those four month publications, which is approximately 10% of total publication dates in those months). In the three issues examined, there were total 19 labour-related articles to be re-read (refer Section 8.4). The total number of the media variables to be extracted were 35, including the number of articles, the number of good/bad/news articles, categorization of articles (related/unrelated to a specific industry, directly/indirectly related to the private sector, domestic/foreign labour issues, good/bad/neutral news), the categorization of articles into fourteen GRI LPDWD items (including one mandatory item coded as LA3), and the length of articles. Overall, there are 665 data points (19 articles x 35 variables). There were 13 mistakes found, and therefore the agreement rate was 98%. The disagreement was on the determination of whether an article should be categorized as good, bad, or neutral news. The data were then corrected in accordance with A3's suggestion. A refined criteria was thus evolved to measure this variable for the full thesis component.

To sum up, the data verification for media exposure undertaken in Step Four shows that, overall, there was virtual complete agreement, suggesting a very high level of accuracy in this variable's data set. The data of media exposure in this thesis are therefore considered reliable.

Summary

The above discussion outlines the verification procedures conducted for each of these four data steps. The evidence shows 98-99% accuracy between reviewers. This virtual 100% agreement level provides strong support for the overall reliability of the data. Based on these results the data utilized in this thesis is deemed reliable. Related descriptive and statistical findings are derived from a reliable base data set.

APPENDIX F
ASSUMPTION TESTS FOR MULTIPLE REGRESSION ANALYSIS

Hair et al. (1998, 196) state that "meeting the assumptions of regression analysis is essential to ensure that the results obtained were truly representative of the sample and that we have obtained the best results possible". The key assumptions to be tested are multicollinearity, normality, linearity, and homoscedasticity (Hair et al. 1998; Ott and Longnecker 2001; Ghozali 2005; Coakes and Steed 2007). This appendix presents the results of this assumption testing.

The results of the assumption testing show that for all but one issue the results are robust. The assumption of homoscedasticity is not met. As argued by Tabachnick and Fidell (2001), this heteroscedasticity problem is not fatal to a multiple regression analysis (refer Chapter 7). Tabachnick and Fidell (2001) further state that the most important thing in the regression analysis is that the normality assumption, which is the main regression assumption, must be met. As discussed below, the assumption test in this thesis reveals that the normality assumption is met. As such, this thesis confidently uses the existing regression results to test the hypotheses even though there is some ongoing heteroscedasticity. The details of the assumption test are explained below.

1. Multicollinearity

Multicollinearity occurs when more than two independent variables are highly correlated (Cooper and Schindler 2006). Values of tolerance and VIF (Variance Inflation Factor) can be used for detecting serious multicollinearity. Serious multicollinearity occurs when the value of tolerance is smaller than 0.10 and the value of VIF is greater than 10 (Ott and Longnecker 2001; Ghozali 2005). As shown in Table F.1, the values of tolerance of all of the four significant predictor variables in the stepwise regression model are greater than 0.10 and the values of VIF of all of the four are smaller than 10. Therefore, it can be said that there is no serious multicollinearity affecting the regression analysis.

Table F.1: Values of Tolerance and VIF

Variable	Tolerance	VIF
International operations	0.775	1.291
Government ownership	0.889	1.125
Economic performance (control variable)	0.953	1.049
Company size (control variable)	0.758	1.319

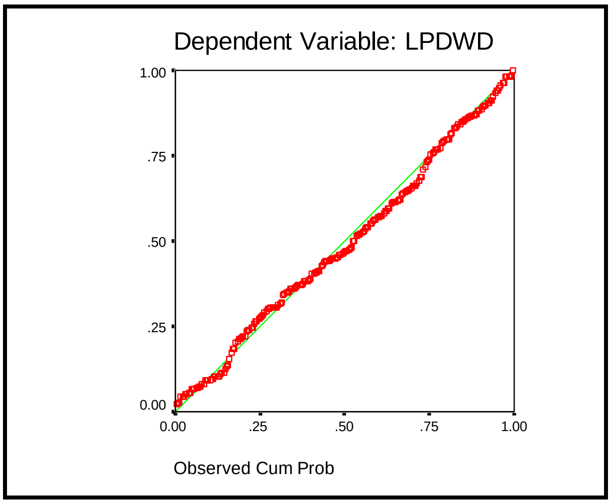
Note: Only four predictor variables are displayed in Table F.1 because the stepwise regression excluded all other predictor variables which were not significant.

2. Normality and Linearity

Normality is the "degree to which the distribution of the sample data corresponds to a normal distribution" (Hair et al. 1998, 38). According to Hair et al. (1998), normality is the most fundamental assumption in multivariate analysis. One of methods for detecting normality is known as the residual method (Ott and Longnecker 2001; Ghozali 2005). According to Ott and Longnecker (2001), it is reasonable to check the normality by using the residual method because the assumptions for multiple regression are written in terms of random error $\boldsymbol{\varepsilon}_i$. Residuals themselves are the estimates of $\boldsymbol{\varepsilon}_i$ (Ott and Longnecker 2001).

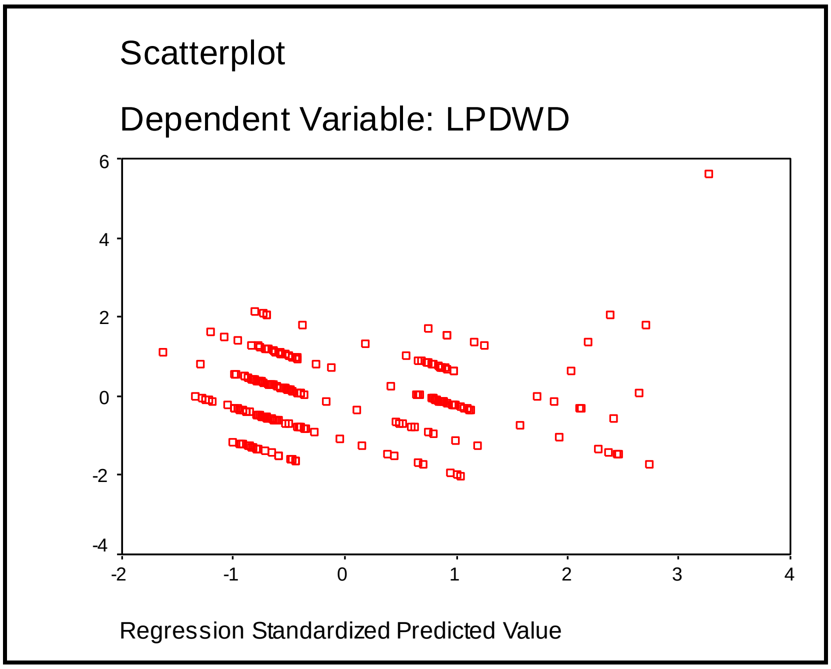
According to Ghozali (2005), normality can be detected by looking at the *p*-value of Kolmogorov-Smirnov test. If *p*-value is greater than the 5% significance level, the residuals are considered as normally distributed. The Kolmogorov-Smirnov test performed in this thesis shows that the *p*-value is 0.704, which is greater than 0.05. Thus, the normality assumption of the regression analysis is met. Figure F.1 below provides evidence that the residuals are normally distributed.

Figure F.1: Normal P-P Plot of Regression Standardized Residual



From Figure F.2, it can be seen that there is no clear relationship between the residuals and the predicted values. This is consistent with the assumption of linearity[78] (see Coakes and Steed 2007).

Figure F.2: Scatterplot



3. Homoscedasticity

Homoscedasticity occurs "when the variance of the error terms (ε) appears constant over a range of predictor variables" (Hair et al. 1998). "When the error terms have increasing or modulating variance, the data are said to be heteroscedastic" (Hair et al. 1998). To obtain the best multiple regression results, the data should be homoscedastic. Glejser test can be used to detect heteroscedasticity (Ghozali 2005). From Table F.2, it can be seen that there are two predictor variables, which are government ownership and economic performance, statistically influence the absolute value of residuals. This is because their *p*-values are smaller than 0.05. Thus, heteroscedasticity does exist in the multiple regression model.

[78] According to Hair et al. (1998), linearity represents the degree to which the change in the dependent variable is associated with the independent variable.

Table F.2: Homoscedasticity

Variable	Significance to the Absolute Value of Residual
Leverage	0.678
Government ownership	0.003***
Industry type	0.186
International operations	0.886
Explicit and clearly stated goal related to the sustainable value of employees	0.795
Independence of board	0.307
Foreign company ownership	0.361
Company size (control variable)	0.422
Economic performance (control variable)	0.025**
Age of business (control variable)	0.658

***significant at 1% level; **significant at 5% level; *significant at 10% level.

As previously explained in Chapter 7 and in the beginning part of this appendix, the existence of heteroscedasticity has a minimal impact on the results of regression. Importantly, the main regression assumption, which is normality, is met as what is found in this thesis. The data can even be considered homoscedastic if the normality assumption is met, as argued by Tabachnick and Fidell (2001)(see again Chapter 7). This thesis, however, attempts to mitigate the heteroscedasticity problem by transforming all continuous variables, as the following section reveals.

4. Seeking to Mitigate the Heteroscedasticity

This appendix presents the results of an additional revised stepwise multiple regression with all continuous variables transformed into natural logarithm (leverage, independence of board, company size, economic performance, age of business, and the level of LPDWD). Such a transformation is one of the ways to remedy heteroscedasticity (see Ott and Longnecker 2001; Ghozali 2005). The logarithm employed in that variable transformation is the natural one because, according to Ott and Longnecker (2001), the standard method for doing variable transformation is natural logarithm. The assumption test of the regression is also presented and discussed in this appendix. Table F.3 below displays the final results of the revised stepwise regression.

Table F.3: Final Results of Revised Stepwise Regression with All Continuous Variables Transformed

Significant Variable	Predicted Sign	Coefficient	*P*-value
Government ownership	+	0.249	0.004***
International operations	+	0.376	0.000***
Company size (control variable)	+	0.036	0.004***
Model Summary			
Adjusted R-Square	0.353		
Standard Error of the Estimate	0.34380		
Regression Model (Sig.)	0.000***		

***significant at 1% level; **significant at 5% level; *significant at 10% level.

From Table F.3, it can be seen that the revised regression model is highly significant (p-value 0.000). The value of adjusted R-square is 0.353, indicating that the variation of voluntary LPDWD practices is explained by the variation of two highly significant predictors (*p*-values are smaller than 1% significance level), being government ownership and international operations. Company size is also highly significant (*p*-value is smaller than 1% significance level). The coefficients of these three variables are positive, supporting the argument presented in Chapter 4 which posits that there are positive associations between voluntary LPDWD practices and government ownership (Hypothesis 2), the presence of international operations (Hypothesis 4) and company size (control variable). The other hypothesized variables (leverage, industry type, explicit and clearly stated goal related to the sustainable value of employees, independence of board, and foreign company ownership) and the control variables (economic performance and age of business) are not significant. Thus, these significance revised results are considered similar to the main findings presented in Table 7.3 (see Chapter 7) except for economic performance. The results in Table F.3 show the insignificant effect of economic performance whereas the results in Table 7.3 reveal that this variable is significant.

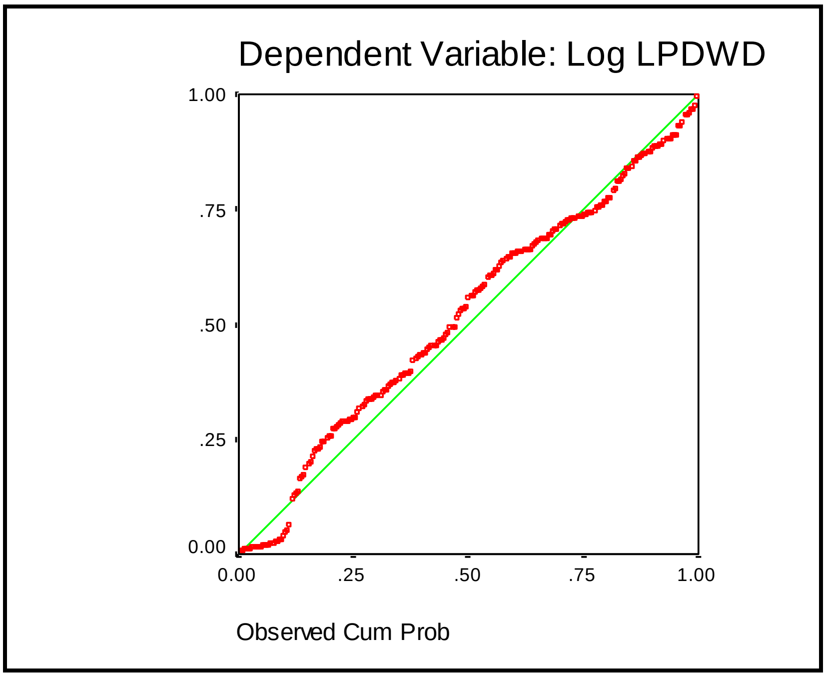
Table I.4 below displays the values of tolerance and VIF of the significant variables in the final revised stepwise regression model. The purpose of analyzing those values is to check the multicollinearity assumption. It can be seen that the values of tolerance for all of the three significant predictor variables in the revised stepwise regression model are greater than 0.10 and the values of VIF for all of the three are smaller than 10. It can thus be said that there is no serious multicollinearity affecting the regression analysis.

Table F.4: Values of Tolerance and VIF

Variable	Tolerance	VIF
Government ownership	0.895	1.118
International operations	0.784	1.276
Company size (control variable)	0.767	1.304

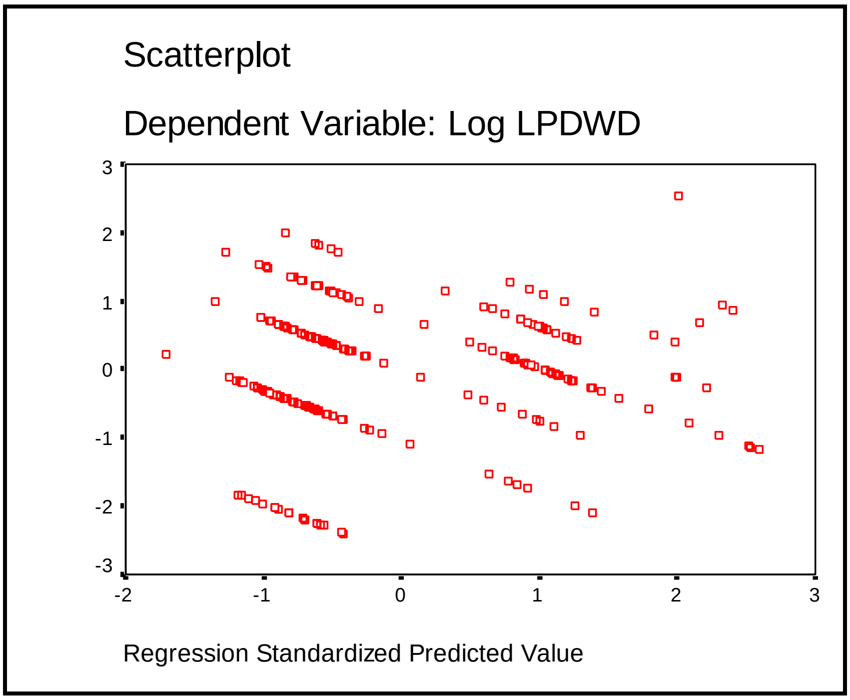
In relation to the normality assumption, Kolmogorov-Smirnov test performed shows that the *p*-value is 0.230, which is greater than 0.05. As such, the normality assumption of the revised regression model is met. Figure F.3 confirms that the residuals are normally distributed.

Figure F.3: Normal P-P Plot of Regression Standardized Residual



From Figure F.4, it can be seen that there is no clear relationship between the residuals and the predicted values. This is consistent with the assumption of linearity.

Figure F.4: Scatterplot



Glejser test is also performed to detect heteroscedasticity. From Table F.5, it can be seen that there are two predictor variables, which are industry type and international operations, statistically influence the absolute value of residuals. This is because their *p*-values are smaller than 10% and 1% significance levels respectively. Thus, heteroscedasticity does exist in the revised multiple regression model.

Table F.5: Homoscedasticity after transformation

Variable	Significance to the Absolute Value of Residual
Leverage	0.285
Government ownership	0.694
Industry type	0.083*
International operations	0.004***
Explicit and clearly stated goal related to the sustainable value of employees	0.692
Independence of board	0.365
Foreign company ownership	0.179
Company size (control variable)	0.381
Economic performance (control variable)	0.104
Age of business (control variable)	0.904

***significant at 1% level; **significant at 5% level; *significant at 10% level.

In summary, the transformation of all continuous variables has been undertaken to remedy the heteroscedasticity problem. Such an adjustment, however, does not fix the problem. Some ongoing heteroscedasticity still presents in the regression. The findings of the regression using the transformed measures themselves are virtually the same as those of the regression using the original measures, except for economic performance. As heteroscedasticity still presents, this thesis decides to use the regression with the original measures to be presented in the main text analysis in Chapter 7.

APPENDIX G
REGRESSION ANALYSIS WITH NINE OUTLIERS EXCLUDED

This appendix presents the results of stepwise multiple regression with nine multivariate outliers excluded. These nine multivariate outliers were detected through the examination of mahalanobis distance (refer Chapter 7). The purpose of the regression analysis on the 214 sample companies (223 minus 9 potential outliers) is to see whether there are any fundamental different results from those of the main regression analysis on 222 companies, which are reported in Chapter 7. The assumption test of the regression is also presented and discussed in this appendix. Table G.1 below displays the final results of the stepwise regression for the 214 sample companies (outliers removed).

Table G.1: Final Results of Stepwise Regression for 214 Sample Companies

Significant Variable	Predicted Sign	Coefficient	*P*-value
International operations	+	0.101	0.000***
Government ownership	+	0.114	0.000***
Economic performance (control variable)	+	0.191	0.020**
Company size (control variable)	+	0.008	0.026**
Model Summary			
Adjusted R-Square	0.405		
Standard Error of the Estimate	0.0877360		
Regression Model (Sig.)	0.000***		

***significant at 1% level; **significant at 5% level; *significant at 10% level.

As displayed in Table G.1, the regression model is highly significant (p-value 0.000). The value of adjusted R-square is 0.405, suggesting that the variation of voluntary LPDWD practices is explained by the variation of two highly significant independent variables (*p*-values are smaller than 1% significance level), being government ownership and international operations, as well as two significant control variables, being company size and economic performance (*p*-values are smaller than 5% significance level). The coefficients of all of those significant variables are positive, showing that there are positive associations between voluntary LPDWD practices and government ownership (Hypothesis 2), the presence of international operations (Hypothesis 4), company size (control variable), and economic performance (control variable). The other hypothesized variables (leverage, industry type, explicit and clearly stated goal related to the sustainable value of employees, independence of board, and foreign company ownership) and the other control variable (age of business) are not significant. Thus, these significance results are the same as the main findings presented in Table 7.3 (see Chapter 7).

Table G.2 below presents the values of tolerance and VIF of the significant variables in the final stepwise regression model. It can be known from that table that the values of tolerance for all of the four significant predictor variables in the stepwise regression model are greater than 0.10 and the values of VIF for all of the four are smaller than 10. Accordingly, it can be said that there is no serious multicollinearity affecting the regression analysis.

Table G.2: Values of Tolerance and VIF

Variable	Tolerance	VIF
International operations	0.821	1.218
Government ownership	0.934	1.071
Economic performance (control variable)	0.936	1.609
Company size (control variable)	0.808	1.237

Kolmogorov-Smirnov test performed shows that the *p*-value is 0.756, which is greater than 0.05. The normality assumption of the regression model is therefore met. Figure G.1 confirms that the residuals are normally distributed.

Figure G.1: Normal P-P Plot of Regression Standardized Residual

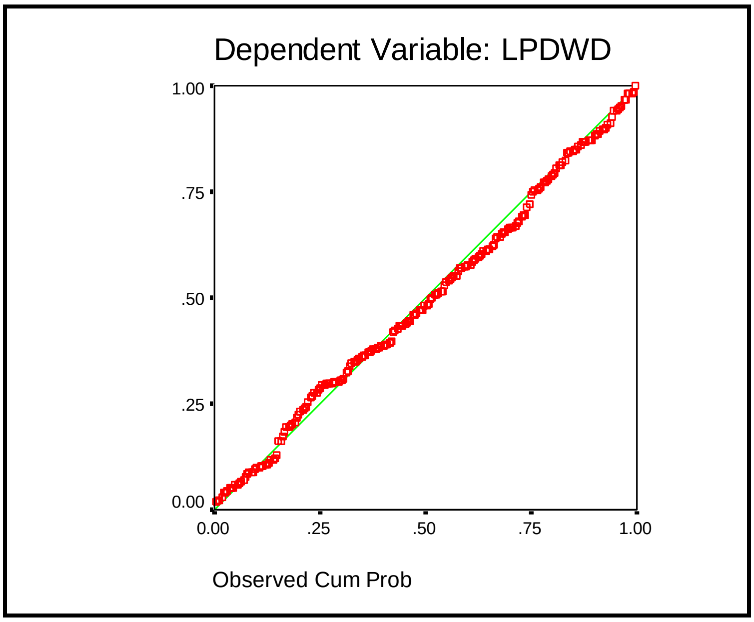
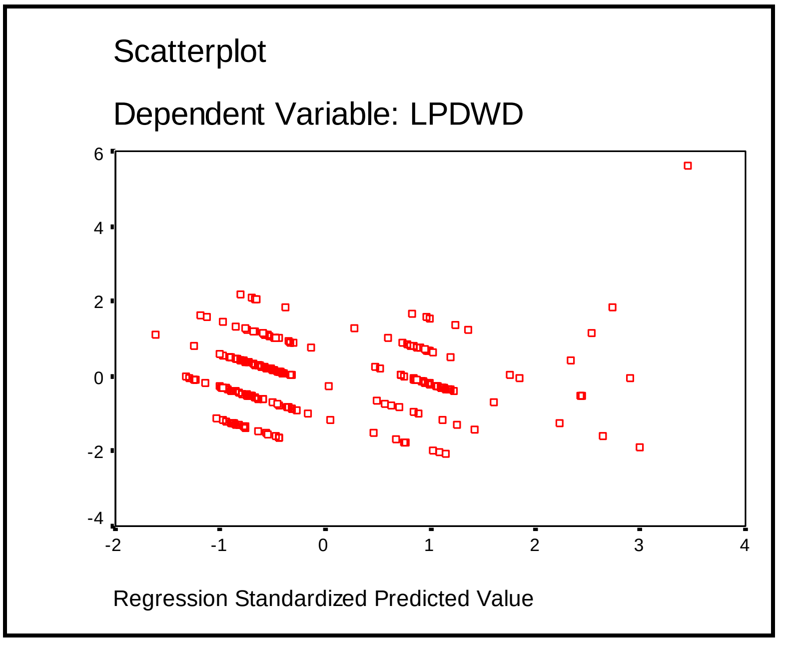


Figure G.2 reveals that there is no clear relationship between the residuals and the predicted values. This is consistent with the assumption of linearity.

Figure G.2: Scatterplot



Glejser test is also performed to detect heteroscedasticity. From Table G.3, it can be seen that there are two predictor variables, which are government ownership and economic performance, statistically influencing the absolute value of residuals. This is because their *p*-values are smaller than 1% and 5% significance levels respectively. Thus, heteroscedasticity does exist in the multiple regression model.

Table G.3: Homoscedasticity Check

Variable	Significance to the Absolute Value of Residual
Leverage	0.695
Government ownership	0.006***
Industry type	0.175
International operations	0.883
Explicit and clearly stated goal related to the sustainable value of employees	0.597
Independence of board	0.330
Foreign company ownership	0.471
Company size (control variable)	0.377
Economic performance (control variable)	0.047**
Age of business (control variable)	0.812

***significant at 1% level; **significant at 5% level; *significant at 10% level.

To sum up, the results of the stepwise regression with nine multivariate outliers excluded show fundamentally the same results as those of the main regression of this thesis which excludes only one outlier. Government ownership and international operations statistically influence voluntary LPDWD practices of IDX listed companies. Two control variables namely company size and economic performance are also significant. As with the main regression analysis presented in Chapter 7, all of the assumptions are also met except for homoscedasticity. Because the regression with nine outliers excluded does not change the main statistical story, this thesis decides to use the regression with only one outlier excluded as the main statistical analysis. This excluded outlier is the one identified by both Mahalanobis distance and Cook's distance tests.

APPENDIX H
RESULTS OF THE MAIN STEPWISE REGRESSION ANALYSIS

This appendix presents the results of the main stepwise regression analysis for the purpose of the hypotheses testing of this thesis (refer Chapter 7). Detailed significant variables in each model from that regression analysis are displayed in Table H.1.

Table H.1: Results of the Main Stepwise Regression

Model	Significant Variable	Predictor Type	Predicted Sign	Coefficient	*P*-value
1	International operations	IV	+	+0.134	0.000***
2	International operations	IV	+	+0.117	0.000***
	Government ownership	IV	+	+0.114	0.000***
3	International operations	IV	+	+0.111	0.000***
	Government ownership	IV	+	+0.108	0.000***
	Economic performance	CV	+	+0.236	0.004***
4	International operations	IV	+	+0.100	0.000***
	Government ownership	IV	+	+0.099	0.000***
	Economic performance	CV	+	+0.221	0.007***
	Company size	CV	+	+0.007	0.039**

***significant at 1% level; **significant at 5% level; *significant at 10% level.
Legend: IV = independent variable; CV = control variable.

As shown in Table H.1, the stepwise regression statistically excludes some insignificant variables from the models. The excluded variables include leverage, industry type, explicit and clearly stated goal related to the sustainable value of employees, independence of board, and foreign company ownership. One control variable namely age of business is also excluded. Thus, there are two independent variables (international operations and government ownership) and two control variables (company size and economic performance) which are found to be statistically significant in the final regression model (Model 4) as their *p* values are all smaller than 5% significance level. These final findings are represented in Table 7.3 (see Chapter 7) as the main outcomes regarding the hypotheses testing of this thesis, highlighting the factors explaining the variability of voluntary LPDWD practices in an Indonesian context under the framework of *isomorphic* institutional theory.

APPENDIX I
SENSITIVITY ANALYSIS

This appendix presents the results of the sensitivity analysis conducted for this thesis. This thesis carries out five sensitivity analyses by re-running multiple regressions with modified measures of one or more independent and control variables for the full data set of 223 sample companies. The main purpose of these analyses is to see whether or not the changes in the measurements make different results from the primary regression analysis presented in Chapter 7. The regression method used in the sensitivity analysis is the full completed (enter) method so that the relationship between the whole set of potential predictors and the dependent variable can be examined[79]. To obtain the best results of the sensitivity analyses, assumption tests are always conducted for each of the analysis.

1. Sensitivity Analysis 1: Voluntary LPDWD with A Modified Measure of Leverage

This thesis notes from the literature that leverage can also be measured using the ratio of total liabilities to total equity (see again Chapter 5). In this first sensitivity analysis, multiple regression is re-performed by replacing the measurement of leverage (the ratio of total liabilities to total assets) with the ratio of total liabilities to total equity. The results of the regression using this new measure are displayed in Table I.1.

Table I.1: Results of Complete Regression with Modified Measure of Leverage

Variable	Predicted Sign	Coefficient	*P*-value
Leverage	+	-0.002	0.354
Government ownership	+	0.096	0.000***
Industry type	+	0.001	0.921
International operations	+	0.097	0.000***
Explicit and clearly stated goal related to the sustainable value of employees	+	0.011	0.368
Independence of board	+	0.021	0.647

[79] According to Coakes and Steed (2007), if the analysis aims to examine the association between the whole set of predictors and the dependent variable, complete regression method would be the appropriate method to be employed.

Foreign company ownership	+	-0.020	0.253
Company size (control variable)	+	0.007	0.058*
Economic performance (control variable)	+	0.045	0.279
Age of business (control variable)	+	0.000	0.271
Model Summary			
Adjusted R-Square	0.391		
Standard Error of the Estimate	0.0902182		
Regression Model (Sig.)	0.000***		

***significant at 1% level; **significant at 5% level; *significant at 10% level.

As shown in Table I.1, the regression model is highly significant (p-value 0.000). The value of adjusted R-square is 0.391, suggesting that the variation of voluntary LPDWD practices is explained by the variation of two highly significant independent variables (*p*-values are smaller than 1% significance level), being government ownership and international operations, as well as one moderately significant control variable, being company size (*p*-value is smaller than 10% significance level). The coefficients of all of those significant variables are positive, showing that there are positive associations between voluntary LPDWD practices and government ownership (Hypothesis 2), the presence of international operations (Hypothesis 4), and company size (control variable). Thus, it can be said that the change in the measurement of leverage by replacing the ratio of total liabilities to total assets with the ratio of total liabilities to total equity results in minimally different outcomes from the main multiple regression analysis. The difference is that: economic performance is now found to be insignificant.

Table I.2 below shows the values of tolerance and VIF of the variables in the above complete regression model. It can be seen that the values of tolerance for all of the examined predictor variables in the regression model are greater than 0.10 and the values of VIF for all of them are smaller than 10. Accordingly, it can be said that there is no serious multicollinearity affecting the regression analysis.

Table I.2: Values of Tolerance and VIF

Variable	Tolerance	VIF
Leverage	0.689	1.452
Government ownership	0.819	1.221
Industry type	0.714	1.401
International operations	0.634	1.578
Explicit and clearly stated goal related to the sustainable value of employees	0.972	1.028
Independence of board	0.937	1.067
Foreign company ownership	0.931	1.074
Company size (control variable)	0.550	1.819
Economic performance (control variable)	0.874	1.144
Age of business (control variable)	0.776	1.289

Kolmogorov-Smirnov test performed shows that the *p*-value is 0.167, which is greater than 0.05. The normality assumption of the regression model is therefore met. Figure I.1 confirms that the residuals are normally distributed.

Figure I.1: Normal P-P Plot of Regression Standardized Residual

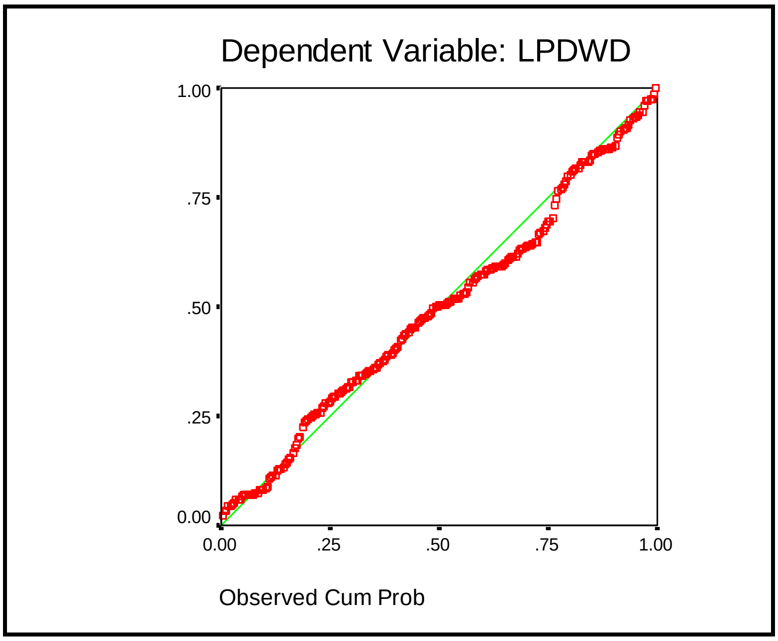
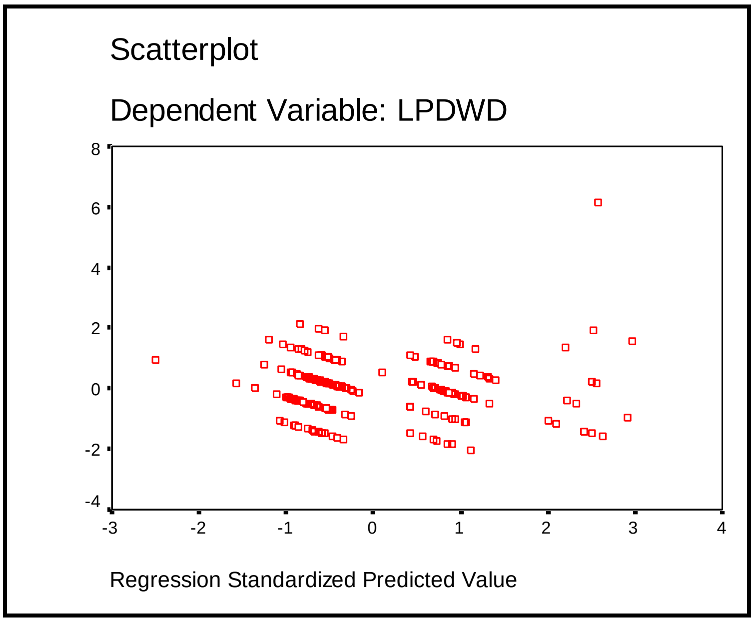


Figure I.2 reveals that there is no clear relationship between the residuals and the predicted values. This is consistent with the assumption of linearity.

Figure I.2: Scatterplot



Glejser test is also performed to detect heteroscedasticity. From Table I.3, it can be seen that there is one predictor variable, which is government ownership, statistically influencing the absolute value of residuals. This is because its *p*-value is smaller than 1% significance level. Thus, heteroscedasticity does exist in the multiple regression model.

Table I.3: Homoscedasticity Check

Variable	Significance to the Absolute Value of Residual
Leverage	0.369
Government ownership	0.001***
Industry type	0.317
International operations	0.940
Explicit and clearly stated goal related to the sustainable value of employees	0.634
Independence of board	0.720
Foreign company ownership	0.260
Company size (control variable)	0.916
Economic performance (control variable)	0.481
Age of business (control variable)	0.531

***significant at 1% level; **significant at 5% level; *significant at 10% level.

To sum up, the results of the regression with a modified measure of leverage show the same results as those of the main regression of this thesis except for economic performance. Government ownership and international operations statistically influence voluntary LPDWD practices of IDX listed companies. One control variable, which is company size, is also significant. As with the main regression analysis presented in Chapter 7, all of the assumptions are also met except for homoscedasticity. Overall, there are no dramatic differences in the statistical findings when a different measure of leverage is used.

2. Sensitivity Analysis 2: Voluntary LPDWD with A Modified Measure of Industry Type

As explained in Chapter 5, the main measurement for industry type in this thesis is the dichotomous coding of high and low profile industry grouping. The classification of IDX listed companies into these profiles is a reclassification from nine IDX's official industry classification. These nine industries consist of (1) agriculture, (2) mining, (3) basic industry and chemicals, (4) miscellaneous industry, (5) consumer goods industry, (6) property and real estate, (7) infrastructure, utilities and transportation, (8) finance, and (9) trade, services and investment. In this second sensitivity analysis, multiple regression is re-performed by replacing the measurement of industry type (high and low profile dichotomous coding) with the broader nine official IDX industry classification. The results of the regression using this new measure are presented in Table I.4.

Table I.4: Results of Complete Regression with Modified Measure of Industry Type

Variable	Predicted Sign	Coefficient	*P*-value
Leverage	+	0.003	0.879
Government ownership	+	0.095	0.000***
Industry type	+	-0.005	0.151
International operations	+	0.094	0.000***
Explicit and clearly stated goal related to the sustainable value of employees	+	0.009	0.473
Independence of board	+	0.023	0.620
Foreign company ownership	+	-0.021	0.213
Company size (control variable)	+	0.005	0.132
Economic performance (control variable)	+	0.051	0.346
Age of business (control variable)	+	0.000	0.310
Model Summary			
Adjusted R-Square	0.394		
Standard Error of the Estimate	0.0900030		
Regression Model (Sig.)	0.000***		

***significant at 1% level; **significant at 5% level; *significant at 10% level.

Table I.4 reveals that the regression model is highly significant (p-value 0.000) with the value of adjusted R-square is 0.394, indicating that the variation of voluntary LPDWD practices is explained by the variation of two highly significant independent variables (*p*-values are smaller than 1% significance level), which are government ownership and international operations, as much as 39.4%. The coefficients of all of those significant variables are positive, showing that there are positive associations between voluntary LPDWD practices and government ownership (Hypothesis 2) and the presence of international operations (Hypothesis 4). Accordingly, it can be said that the change in the measurement of industry type by replacing the high and low profile coding with the nine IDX's official classification results in slightly different outcomes from the main multiple regression analysis. The differences are that: company size and economic performance are now found to be insignificant. Such differences are likely caused by reduced cell sizes by going from 2 to 9 categories.

Table I.5 below presents the values of tolerance and VIF of the variables in the above complete regression model. It can be seen that the values of tolerance for all of the examined explanatory variables in the regression model are greater than 0.10 and the values of VIF for all of them are smaller than 10. It can therefore be said that there is no serious multicollinearity affecting the regression analysis.

Table I.5: Values of Tolerance and VIF

Variable	Tolerance	VIF
Leverage	0.529	1.890
Government ownership	0.823	1.215
Industry type	0.766	1.305
International operations	0.658	1.520
Explicit and clearly stated goal related to the sustainable value of employees	0.970	1.031
Independence of board	0.940	1.064
Foreign company ownership	0.938	1.066
Company size (control variable)	0.624	1.603
Economic performance (control variable)	0.500	1.999
Age of business (control variable)	0.773	1.294

Kolmogorov-Smirnov test performed shows that the *p*-value is 0.169, which is greater than 0.05. The normality assumption of the regression model is therefore met. Figure I.3 confirms that the residuals are normally distributed.

Figure I.3: Normal P-P Plot of Regression Standardized Residual

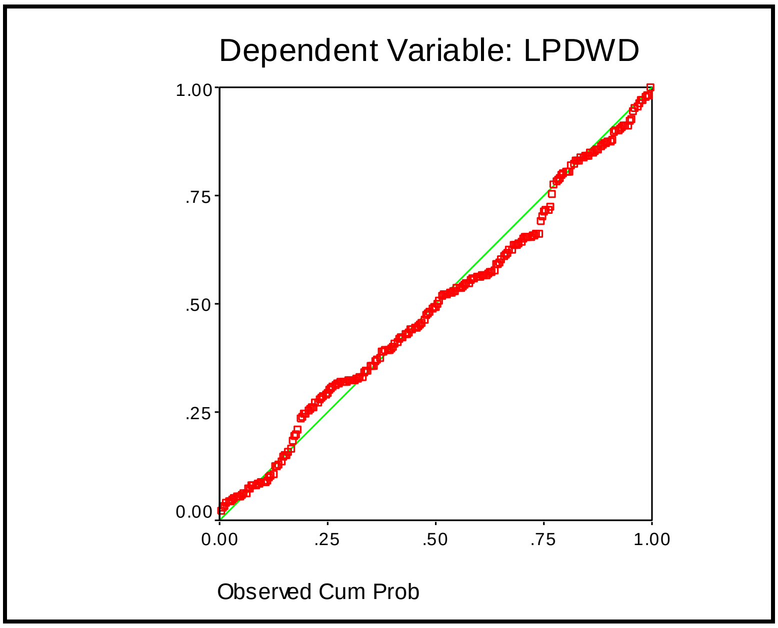
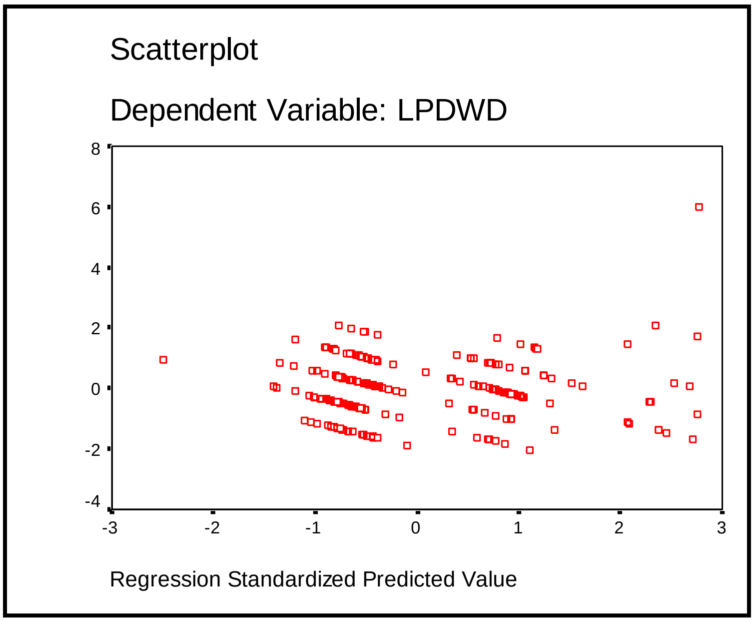


Figure I.4 reveals that there is no clear relationship between the residuals and the predicted values. This is consistent with the assumption of linearity.

Figure I.4: Scatterplot



Glejser test is performed to detect heteroscedasticity and the results are displayed in Table I.6. It can be seen that there are two predictor variables, which are government ownership and industry type, statistically affecting the absolute value of residuals. This is because their *p*-values are smaller than 1% and 10%

significance levels respectively. As such, heteroscedasticity does exist in the multiple regression model.

Table I.6: Homoscedasticity Check

Variable	Significance to the Absolute Value of Residual
Leverage	0.489
Government ownership	0.000***
Industry type	0.062*
International operations	0.996
Explicit and clearly stated goal related to the sustainable value of employees	0.537
Independence of board	0.938
Foreign company ownership	0.177
Company size (control variable)	0.371
Economic performance (control variable)	0.304
Age of business (control variable)	0.389

***significant at 1% level; **significant at 5% level; *significant at 10% level.

In summary, the results of the regression with a modified measure of industry type show the same results as those of the main regression of this thesis except for the control variables, company size and economic performance. The difference is likely caused by problems of too many industry categories with small cell size. Government ownership and international operations statistically affect voluntary LPDWD practices of IDX listed companies. As with the main regression analysis presented in Chapter 7, all of the assumptions are also met except for homoscedasticity. Overall, the key hypotheses findings are not changed when the industry variable is expanded.

3. Sensitivity Analysis 3: Voluntary LPDWD with A Modified Measure of Economic Performance

As reported in Chapter 6, the average mean of return on assets (ROA) of the sample companies is very low. The minimum value of ROA in the data set is negative, indicating that there are some sample companies whose operations do not result in profits. This third sensitivity analysis attempts to further examine this unique phenomenon by replacing the measurement of economic performance (ROA) with a dichotomous category coding of profit and loss. A code of 1 (one) is assigned when a company has a positive ROA (profit). Otherwise (loss), a code of 0 (zero) is assigned. This thesis notes that there are 203 profit companies (91% of total sample companies) and 20 loss companies (9% of total sample companies) in the data set. The results of the regression using this new economic performance measure for these profit and loss companies are presented in Table I.7.

Table I.7: Results of Complete Regression with Modified Measure of Economic Performance

Variable	Predicted Sign	Coefficient	*P*-value
Leverage	+	-0.014	0.425
Government ownership	+	0.094	0.000***
Industry type	+	0.005	0.744
International operations	+	0.099	0.000***
Explicit and clearly stated goal related to the sustainable value of employees	+	0.010	0.408
Independence of board	+	0.017	0.716
Foreign company ownership	+	-0.021	0.221
Company size (control variable)	+	0.007	0.049**
Economic performance (control variable)	+	-0.003	0.887
Age of business (control variable)	+	0.000	0.268
Model Summary			
Adjusted R-Square	0.386		
Standard Error of the Estimate	0.0905938		
Regression Model (Sig.)	0.000***		

***significant at 1% level; **significant at 5% level; *significant at 10% level.

Table I.7 shows that the regression model is again highly significant (p-value 0.000) with the value of adjusted R-square is 0.386. Government ownership and international operations are highly significant (*p*-values are smaller than 1% significance level). Company size is also significant at 5% significance level. The coefficients of all of those significant variables are positive, suggesting that there are positive associations between voluntary LPDWD practices and government ownership (Hypothesis 2), the presence of international operations (Hypothesis 4), and company size (control variable). Therefore, the change in the measurement of economic performance in this sensitivity analysis results in slightly different outcomes from the main multiple regression analysis. The difference is that: economic performance is now found to be insignificant.

Further analysis on LPDWD using One-Way ANOVA, however, shows that there is a moderately significant difference in the means of voluntary LPDWD practices between profit and loss companies (*p*-value is smaller than 10% significance level). The average voluntary LPDWD of profit companies (about 18%) is also higher than that of loss companies (around 13%). This indicates that economic performance does potentially influence voluntary LPDWD practices although the measurement is changed into a profit and loss coding. The results of this analysis are summarized in Table I.8.

Table I.8: Voluntary LPDWD Practices across Between Profit and Loss Companies

	Profit Companies	Loss Companies
Mean of Voluntary LPDWD	18.19%	13.08%
***P*-value of ANOVA**	0.059*	

***significant at 1% level; **significant at 5% level; *significant at 10% level.

Table I.9 details the values of tolerance and VIF of the variables in the above complete regression model. As shown in Table I.9, the values of tolerance for all of the examined explanatory variables in the regression model are greater than 0.10 and the values of VIF are all smaller than 10. There is thus no serious multicollinearity affecting the regression analysis.

Table I.9: Values of Tolerance and VIF

Variable	Tolerance	VIF
Leverage	0.902	1.109
Government ownership	0.825	1.213
Industry type	0.779	1.284
International operations	0.648	1.542
Explicit and clearly stated goal related to the sustainable value of employees	0.977	1.024
Independence of board	0.933	1.071
Foreign company ownership	0.907	1.102
Company size (control variable)	0.620	1.612
Economic performance (control variable)	0.815	1.227
Age of business (control variable)	0.776	1.289

Kolmogorov-Smirnov test performed shows that the *p*-value is 0.327, which is greater than 0.05. It can therefore be said that the normality assumption of the regression model in this sensitivity analysis is met. Figure I.5 confirms that the residuals are normally distributed.

Figure I.5: Normal P-P Plot of Regression Standardized Residual

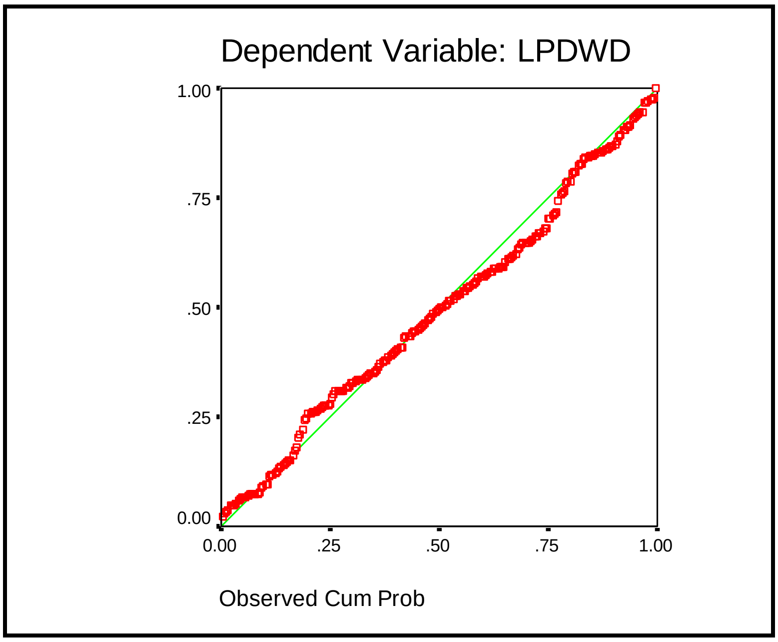


Figure I.6 shows that there is no clear relationship between the residuals and the predicted values. This is consistent with the assumption of linearity.

Figure I.6: Scatterplot

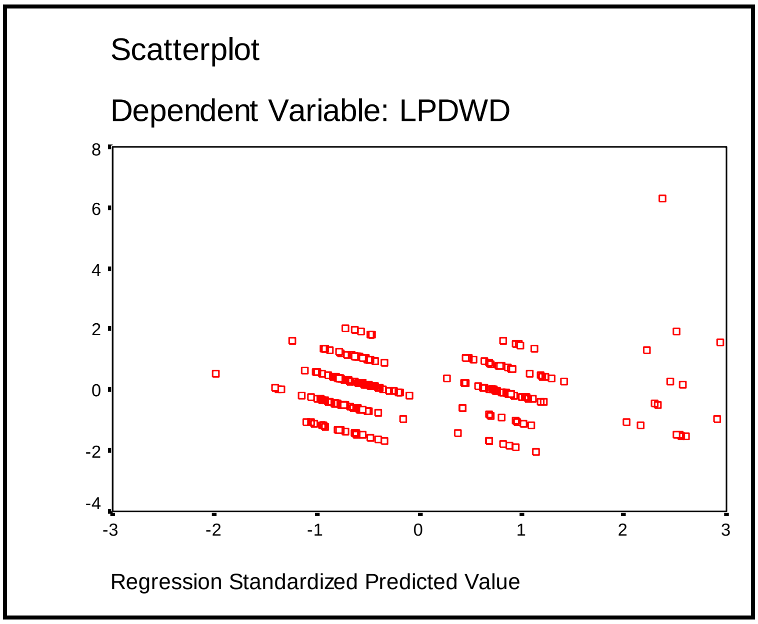


Table I.10 shows the results of Glejser test. It can be seen that there is one predictor variable, being industry type, significantly affecting the absolute value of residuals. This is evidenced by its *p*-value, which is smaller than 1%

significance level. Heteroscedasticity therefore does exist in the multiple regression model.

Table I.10: Homoscedasticity Check

Variable	Significance to the Absolute Value of Residual
Leverage	0.035
Government ownership	0.516
Industry type	0.001***
International operations	0.211
Explicit and clearly stated goal related to the sustainable value of employees	0.895
Independence of board	0.823
Foreign company ownership	0.845
Company size (control variable)	0.189
Economic performance (control variable)	0.991
Age of business (control variable)	0.991

***significant at 1% level; **significant at 5% level; *significant at 10% level.

To sum up, the results of the regression with a modified measure of economic performance reveals mostly the same results as those of the main regression of this thesis except for one control variable, which is economic performance. Government ownership, international operations, and company size statistically influence voluntary LPDWD practices of IDX listed companies. Further analysis using One-Way ANOVA, however, shows that the means of voluntary LPDWD between profit and loss companies are significantly different. The average voluntary LPDWD of profit companies are higher than that of loss companies. This highlights that the individual relationship between economic performance and voluntary LPDWD still exists although the measurement is changed. As with the main regression analysis presented in Chapter 7, all of the assumptions are also met except for homoscedasticity. Overall, the measure of economic performance does have some impact on the predictive value of this construct.

<u>4. Sensitivity Analysis 4: Voluntary LPDWD with Combined Modified Measures of Leverage, Industry Type, and Economic Performance</u>

This sensitivity analysis incorporates all of the three new measures employed in the first three sensitivity analysis, which are the measures for leverage, industry type, and economic performance. The results of the regression incorporating the modified measures of those variables are reported in Table I.11.

Table I.11: Results of Complete Regression with Modified Measure of Leverage, Industry Type, and Economic Performance

Variable	Predicted Sign	Coefficient	*P*-value
Leverage	+	-0.002	0.377
Government ownership	+	0.096	0.000***
Industry type	+	-0.004	0.195
International operations	+	0.091	0.000***
Explicit and clearly stated goal related to the sustainable value of employees	+	0.009	0.441
Independence of board	+	0.021	0.654
Foreign company ownership	+	-0.021	0.227
Company size (control variable)	+	0.008	0.041**
Economic performance (control variable)	+	-0.004	0.868
Age of business (control variable)	+	0.000	0.285
Model Summary			
Adjusted R-Square	0.392		
Standard Error of the Estimate	0.0901076		
Regression Model (Sig.)	0.000***		

***significant at 1% level; **significant at 5% level; *significant at 10% level.

As summarized in Table I.11, the regression model is highly significant as its p-value is 0.000. The value of adjusted R-square is 0.386, indicating that voluntary LPDWD practices are explained by the predictor variables in the model as much as 38.6%. The significant predictor variables found are government ownership, international operations, and company size. As predicted, the coefficients of all of these significant variables are positive, indicating that the relationships between voluntary LPDWD practices and government ownership (Hypothesis 2), the presence of international operations (Hypothesis 4), and company size (control variable) are positive. The change in the measurement techniques of leverage, industry type, and economic performance in this sensitivity analysis results in slightly different outcomes from the main multiple regression analysis. The difference is that economic performance is now found to be insignificant. The cruder measure of economic performance fails to discriminate disclosure differences.

Table I.12 presents the values of tolerance and VIF of the variables in the above complete regression model. The values of tolerance for all of the explanatory variables in the regression model are greater than 0.10 and the values of VIF are all smaller than 10. There is therefore no serious multicollinearity affecting the regression analysis.

Table I.12: Values of Tolerance and VIF

Variable	Tolerance	VIF
Leverage	0.750	1.333
Government ownership	0.819	1.221
Industry type	0.742	1.348
International operations	0.632	1.583
Explicit and clearly stated goal related to the sustainable value of employees	0.966	1.035
Independence of board	0.952	1.050
Foreign company ownership	0.907	1.103
Company size (control variable)	0.527	1.898
Economic performance (control variable)	0.836	1.196
Age of business (control variable)	0.775	1.291

In relation to normality, Kolmogorov-Smirnov test reveals that the *p*-value is 0.275, which is greater than 0.05. The normality assumption of the regression model in this sensitivity analysis is therefore met. Figure I.7 confirms that the residuals are normally distributed.

Figure I.7: Normal P-P Plot of Regression Standardized Residual

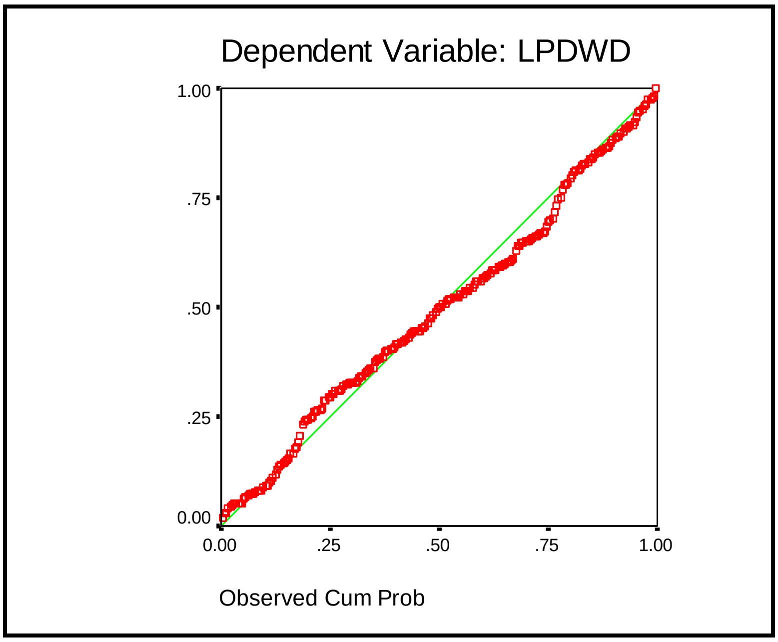


Figure I.8 suggests that there is no clear relationship between the residuals and the predicted values. This is consistent with linearity assumption.

Figure I.8: Scatterplot

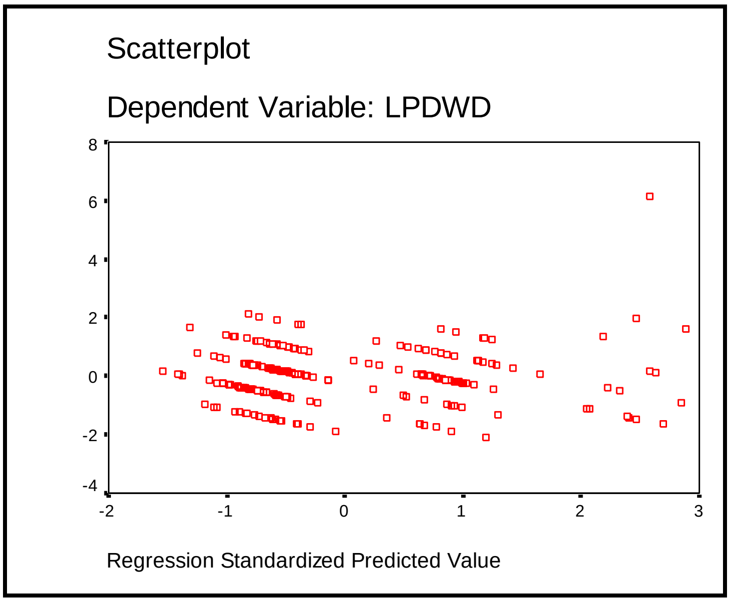


Table I.13 summarizes the results of Glejser test. As shown in this table, government ownership significantly affects the absolute value of residuals since its *p*-value is smaller than 1% significance level. As such, it can be said that heteroscedasticity does exist in the multiple regression model.

Table I.13: Homoscedasticity Check

Variable	Significance to the Absolute Value of Residual
Leverage	0.309
Government ownership	0.000***
Industry type	0.110
International operations	0.747
Explicit and clearly stated goal related to the sustainable value of employees	0.614
Independence of board	0.976
Foreign company ownership	0.230
Company size (control variable)	0.746
Economic performance (control variable)	0.970
Age of business (control variable)	0.370

***significant at 1% level; **significant at 5% level; *significant at 10% level.

To sum up, the results of the regression with modified measures of leverage, industry type, and economic performance shows the same results as those of the main regression of this thesis except for one control variable, being economic performance. Government ownership, international operations, and company size statistically affect voluntary LPDWD practices of IDX listed companies in a positive direction. As with the main regression analysis presented in Chapter 7, all of the assumptions are also met except for homoscedasticity. Overall, the modified measures do not fundamentally change the hypotheses testing results.

5. Summary

This appendix reports the sensitivity analysis regarding the changes in the measurement approaches of three predictor variables namely leverage, industry type and economic performance. The new measurement approaches employed for these variables are the ratio of total liabilities to total equity, the nine IDX's official industry classification, and a dichotomous profit and loss coding respectively. The final regression analysis combines all of the three modified measures into one model.

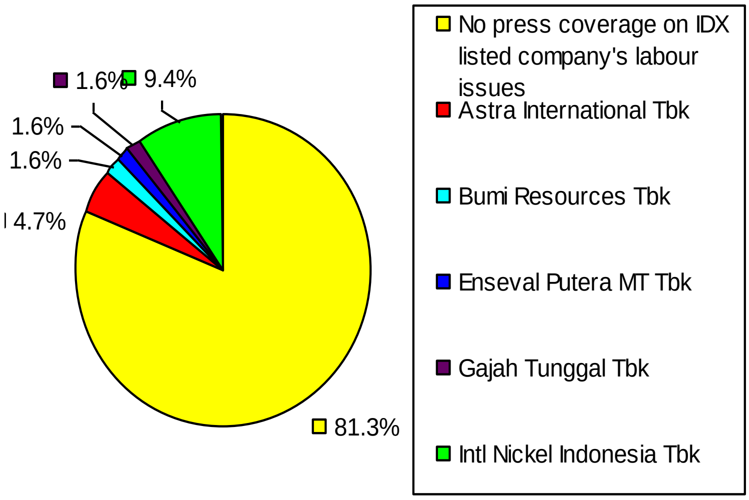
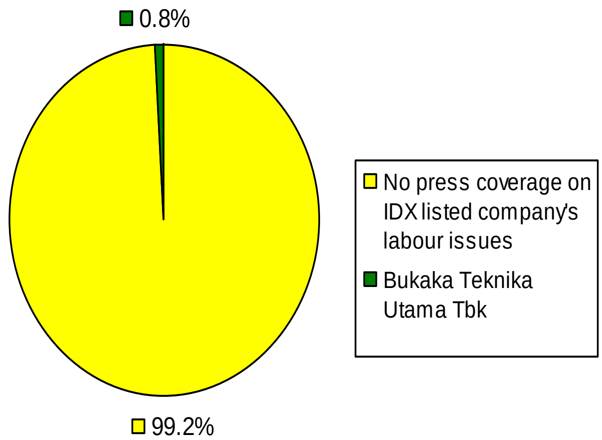
The results of the sensitivity analyses are essentially the same as those of the main regression analysis presented in Chapter 7, particularly those regarding the independent variables. Government ownership and international operations are consistently significant in the four regressions in all of the sensitivity analyses. All of the regressions in those analyses also have heteroscedasticity. The only differences are on the results regarding the control variables. While company size is significant in the main regression analysis, it is not found to be significant in the regression using IDX's official industry classification as the measure of industry type. Economic performance, which is also significant in the main regression analysis, is found to be insignificant in all of the four sensitivity analyses. This last finding may be caused by the cruder nominal-style nature of measuring economic performance as merely profit or loss.

Overall, the sensitivity analysis conducted in this appendix provides evidence that the measures used in this thesis are robust. The statistical findings remain almost completely consistent irregardless of how the constructs are measured.

APPENDIX J
PILOT DATA COLLECTION ON MEDIA EXPOSURE VARIABLE

A pilot data collection on media exposure variable was conducted prior to the write up of this thesis (refer Chapter 8). The main purpose of this pilot study was to determine whether or not local media will (or should) also be used as one of the media exposure data sources. The pilot data was collected from two Indonesian national printed newspapers namely *Jakarta Post* and *Bisnis Indonesia* and three Indonesian local newspapers namely *Jawa Pos*, *Kedaulatan Rakyat (KR)* and *Suara Merdeka* published from 15 November 2007 to 15 December 2007. These newspapers are well known in Indonesia and considered representative of local media. The results of this data collection are presented in Figure J.1.

Figure J.1: Results of Pilot Data Collection Illustrating Press Coverage in Indonesian Media on Labour Issues of IDX Listed Companies

<table>
<tr><th>Media Type</th><th>Results</th></tr>
<tr><td>National Media</td><td>
</td></tr>
<tr><td>Local Media</td><td>
</td></tr>
</table>

As shown in Figure J.1, during the period of analysis, 18.7% of data points in Indonesian national media discuss labour issues of five IDX listed companies (PT Astra International Tbk 14.7%, PT Bumi Resources Tbk 1.6%, PT Enseval Putera MT Tbk 1.6%, PT Gajah Tunggal Tbk 1.6% and PT Intl Nickel Indonesia Tbk 9.4%). In the local media, on the other hand, only one IDX listed company is mentioned. This sole case is the labour issue of PT Bukaka Teknika Utama Tbk (0.8% of data points). The local media has a far fewer data points concerning IDX listed companies because most of the articles in that media do not well cover labour issues and when they do the focus is on small businesses within a particular region, not labour issues within the national scope. Based on these results and the geographic bias consideration (refer Section 8.3), the sole use of national media is considered most appropriate for this thesis.

It is important to note, however, that the national media used in this thesis as the source of media exposure data is *Kompas*, not *Jakarta Post* or *Bisnis Indonesia*. As stated in Section 8.3, the reasons for not using national newspapers other than *Kompas* are their circulation numbers are much smaller than *Kompas*' and the potential problem of media exposure repetition. Details of Indonesian major printed media including the differences in the circulation number across media can be seen in Table J.1.

Table J.1: Indonesian Major Printed Media

No	Major Media	Publication	Type	Circulation (in 000)	Scope
1	Kompas	Daily	Newspaper	509	National
2	Jawa Pos	Daily	Newspaper	370	Regional (East Java)
3	Suara Pembaharuan	Daily	Newspaper	238	National
4	Republika	Daily	Newspaper	200	National
5	Media Indonesia	Daily	Newspaper	200	National
6	Jakarta Post	Daily	Newspaper	100	National
7	Bisnis Indonesia	Daily	Newspaper, specifically on business information	81	National

Source: Haryanto (2004); Bisnis Indonesia (2007)

In summary, the pilot study undertaken prior to the write up of this thesis reveals that local media provides far less references on IDX listed companies' labour issues than national media. The circulation data further reveal that a daily national newspaper, *Kompas*, has the biggest circulation number in Indonesia. This thesis therefore excludes local media and uses *Kompas* as the source of media exposure data.

APPENDIX K
EXCEL DATA SHEET FOR THE DETAILED ANALYSIS OF MEDIA EXPOSURE

This appendix illustrates the excel data sheet used for the media analysis. As explained in Chapter 8, it is expected that such a detailed data sheet can address all possible measurement aspects used in prior literature.

	A	B	C	D	E	F	G	H	I
1	Media Issue Date	Company Identity	Industry Type	Specific Industry Exposure	Indonesian Labour Issues Exposed - Direct influence on the Private Sector	Indonesian labour issues Exposed - Indirect influence	Non-Indonesian Labour Issues Disclosed	Placement Score	Title Size (Number of Words)
2	15/01/2007	62	8	0	0	0	0	3	5
3									
4									

Continued: Excel Sheet for the Detail Analysis of Media Exposure

	J	K	L	M	N	O	P	Q	R	S	T	U	V
1	Length of Article (number of paragraphs)	Number of Photos or Graphics	LA1	LA2	LA3	LA4	LA5	LA6	LA7	LA8	LA9	LA10	LA11
2	5	1	0	0	1	0	0	0	0	0	0	0	0
3													
4													

Continued: Excel Sheet for the Detail Analysis of Media Exposure

	W	X	Y	Z	AA	AB	AC	AD	AE	AF	AG	AH
1	LA12	LA13	LA14	page	Number of Good News Paragraphs	Number of Bad News Paragraphs	Number of Neutral News Paragraphs	G/B/N	Length of article (square cm)	Photo on the front but article is inside	width (cm)	Length (cm)
2	0	0	0	5	0	5	0	2	50	0	5	10
3												
4												

Note:

Column A: Media issue date

This is the date of issue for each examined *Kompas*. The above illustration shows that the date of examined *Kompas* is 15 January 2007.

Column B: Company Identity

This refers to all IDX listed companies (not only the sample companies of this thesis). When an article relates to a particular IDX listed company, a code referring to that company as presented in Appendix L is assigned. In B2 above, for example, a code of 62 is assigned showing that the article exposes labour issues of PT Bank Mandiri Tbk. In contrast, if the article does not expose labour issues of a particular IDX listed company, a code of 0 (zero) is assigned.

It is important to note here that the list presented in Appendix L is different from the list in Appendix C. The companies listed in Appendix L are all of those listed on IDX in 2007 whereas the companies listed in Appendix C are those selected as the final sample of this thesis.

Column C: Industry Type

This column refers to the IDX-based industry type of the main operation of the IDX listed company coded in column B. The codes for the data in this column are presented in Table K.1. The above example (see C2) shows that the article is related to a company in industy 8, which is the finance industry.

Table K.1: Codes for the data in Column C

Code	Description	Code	Description
0	No press coverage concerning an IDX specific industry	5	Consumer goods industry
1	Agriculture	6	Property and real estate
2	Mining	7	Infrastructure, utilities and transportation
3	Basic industry and chemicals	8	Finance
4	Miscellaneous industry	9	Trade, services and investment

Column D: Specific Industry Exposure

This column is for data where labour issues are exposed and relate to an IDX specific industry but are not identifiable by an IDX listed company. The above example (see D2) shows that the article is identifiable to an IDX listed compay and is therefore coded as 0.

Table K.2: Codes for the data in Column D

Code	Description	Code	Description
0	No press coverage concerning an IDX specific industry	5	Consumer goods industry
1	Agriculture	6	Property and real estate
2	Mining	7	Infrastructure, utilities and transportation
3	Basic industry and chemicals	8	Finance
4	Miscellaneous industry	9	Trade, services and investment

Column E: Indonesian Labour Issues Exposed

A code of 1 (one) is assigned when labour issues are exposed and relate to Indonesian issues but are not identifiable an IDX listed company or industry classification. Otherwise, a code of 0 (zero) is assigned. A code of 0 is assigned in the above example (see E2) since the article is identifiable to an IDX listed company.

Column F: Non-Indonesian Labour Issues Disclosed

A code of 1 (one) is assigned when labour issues are exposed but do not relate to Indonesian issues but are not identifiable an IDX listed company or industry classification and not related to private sector employees. An example of these indirect influence issues includes an issue about public sector employees. A code of 0 is assigned in the above example (see F2) because the article relates to Indonesian issues and identifiable to an IDX listed company

Column G: Non-Indonesian Labour Issues Disclosed

A code of 1 (one) is assigned when labour issues are exposed but do not relate to Indonesian issues at all. Otherwise, a code of 0 (zero) is assigned. A code of 0 is assigned in the above example (see G2) because the article relates to labour issues in Indonesia.

Column H: Placement Score

Placement Score is assigned to the location of the article. The scoring is adapted from Pollock et al. (2005). In the above example (see (H2), the score is 3, meaning that the article is located on the editorial page of *Kompas*.

Table K.3: Placement Score

	4	3	2	1
Placement	Front page	Editorial	Back page	Other

Column I: Title Size (Number of Words)

Such a measurement is adopted from Pollock et al. (2005). In the above example (see I2), it is shown that the title of the article consists of 5 words.

Column J: Length of Article (number of paragraphs)

In the above example (see J2), it is shown that the length of the article is 5 paragraphs.

Column K: Number of Photos or Graphics

Such a measurement is adopted from Pollock et al. (2005). The above example (see K2) shows that the article has one photo.

Columns L to Y

These columns contain data of media exposure for each GRI LPDWD item. If an article relates to any of the GRI LPDWD items, that article will be given a score as detailed in Table K.4. For the purpose of this specific media analysis, the mandatory item (LA3), which is excluded in the main analysis of this thesis, is also examined.

Table K.4: Scoring in Columns L to Y

Column	GRI code	Indicator	Score	
			Not exposed	Exposed
L	LA1	Total workforce by employment type, employment contract, and region	0	1
M	LA2	Total number and rate of employee turnover by age group, gender, and region	0	1
N	LA3*	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	0	1
O	LA4	Percentage of employees covered by collective bargaining agreements	0	1
P	LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	0	1
Q	LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs	0	1
R	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region	0	1
S	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	0	1
T	LA9	Health and safety topics covered in formal agreements with trade unions	0	1
U	LA10	Average hours of training per year per employee by employee category	0	1
V	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	0	1
W	LA12	Percentage of employees receiving regular performance and career development reviews	0	1
X	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	0	1
Y	LA14	Ratio of basic salary of men to women by employee category	0	1

Note: *LA3, which is in the shaded area of this table, is also analyzed in this media analysis although it is not included in the calculation of the disclosure index of this thesis. Thus, For the purpose of this specific analysis, any article mentioning about employee benefit is scored 1 (one).

Column Z: Page

This column notes the page of the article. The above example (see Z2) shows that the location of the article is on page 5.

Column AA: Number of good news paragraphs

In the above example (see AA2), it is shown that there are no good news paragraphs in the article.

Column AB: Number of bad news paragraphs

In the above example (see AB2), it is shown that there are five bad news paragraphs in the article.

Column AC: Number of neutral news paragraphs

In the above example (see AC2), it is shown that there are no neutral news paragraphs in the article.

Column AD: G/B/N

This is where the press coverage is classified as good news, bad news or neutral. A code of 1 (one) is assigned when an article is dominated by good news paragraphs. A code of 2 (two) is assigned when an article is dominated by bad news paragraphs. A code of 3 (three) is assigned when an article is categorized as neutral, which is when the numbers of good and bad news paragraphs are the same. In the above example (see AD2), the article is categorized as a bad news article because it is dominated by bad news paragraphs.

Column AE: Length of article (square cm)

The length of article in this column (square cm) is calculated by the multiplication of the width of the article (in column AG) and the length of the article (in column AH). In the above example (see AE2), the length of the article is 50 square centimeters (5 cm in AG2 X 10 cm in AH2).

Column AF: Photo on the front but article is inside

A code of 1 (one) is assigned when the photo of an article is presented on the front page but the article is not presented on that page (separately presented). Instead, the article is presented on another page. A code of 0 (zero) is assigned when both the photo and the article are presented on the front page or both the photo and the article are presented on another page. In the above example (see AF2), both the photo and the article are not presented on the front page.

Column AG: width (cm)

In the above example (see AG2), the width of the article is 5 centimetres.

Column AH: length (cm)

In the above example (see AH2), the length of the article is 10 centimetres.

In summary, this appendix outlines the template of the excel data sheet for the detail analysis of media exposure. To best explain all of the measurement aspects regarding this variable, a data illustration is also presented in the excel template in this appendix. The detail template is developed to capture and address all possible measurement approaches used in past literature. The final measurement approach is determined based the availability of the data in *Kompas*. It is therefore expected that media data in this thesis can best describe the characteristics of media exposure in an Indonesian context.

APPENDIX L
LIST OF IDX LISTED COMPANIES IN 2007

This appendix details all companies listed on the Indonesia Stock Exchange (IDX) to be used for the media exposure analysis explained in Appendix K. The list of these companies is different from the list in Appendix C. The companies listed in Appendix C are those selected for the final sample of this thesis.

Code	Company	Code	Company	Code	Company
0	No press coverage on an IDX listed company	130	PT Dynaplast Tbk	260	PT Nusantara Infrastructure Tbk
1	PT Ahap Tbk	131	PT Dyviacom Intrabumi Tbk	261	PT Nusantara Inti Corpora Tbk
2	PT Abdi Bangsa Tbk	132	PT Eatertainment International Tbk	262	PT Pabrik Kertas Tjiwi Kimia Tbk
3	PT Ace Hardware Indonesia Tbk	133	PT Ekadharma International Tbk	263	PT Pacific Utama Tbk
4	PT Ades Waters Indonesia Tbk	134	PT Elnusa Tbk	264	PT Pakuwon Jati Tbk
5	PT Adhi Karya Tbk	135	PT Energi Mega Persada Tbk	265	PT Palm Asia Corpora Tbk
6	PT Adira Dinamika Multi Finance Tbk	136	PT Enseval Putera M.T. Tbk	266	PT Pan Brothers Tex Tbk
7	PT Agis Tbk	137	PT Equity Development Investment Tbk	267	PT Pan Indonesia Bank Tbk
8	PT Akbar Indo Makmur Stimec Tbk	138	PT Eratex Djaja Tbk	268	PT Pan Pacific International Tbk
9	PT Akr Korporindo Tbk	139	PT Eterindo Wahanatama Tbk	269	PT Panasia Filament Inti Tbk
10	PT Alakasa Industrindo Tbk	140	PT Ever Shine Textile I. Tbk	270	PT Panasia Indosyntex Tbk
11	PT Alam Sutera Realty Tbk	141	PT Excelmindo Pratama Tbk	271	PT Panca Global Securities Tbk
12	PT Alfa Retailindo Tbk	142	PT Fajar Surya Wisesa Tbk	272	PT Panca Wiratama Sakti Tbk
13	PT Alumni Light Metal Industry Tbk	143	PT Fast Food Indonesia Tbk	273	PT Panin Insurance Tbk
14	PT Aneka Kemasindo Utama Tbk	144	PT Fatrapolindo Nusa Industri Tbk	274	PT Panin Life Tbk
15	PT Aneka Tambang Tbk	145	PT First Media Tbk	275	PT Panin Sekuritas Tbk.
16	PT Anta Express Tour & Travel Service Tbk	146	PT FKS Multi Agro Tbk	276	PT Panorama Sentrawisata Tbk
17	PT Apac Citra Centertex Tbk	147	PT Fortune Indonesia Tbk	277	PT Panorama Transportasi Tbk
18	PT Apexindo Pratama Duta Tbk	148	PT Fortune Mate Indonesia Tbk	278	PT Pelangi Indah Canindo Tbk
19	PT Aqua Golden M. Tbk	149	PT Gajah Tunggal Tbk	279	PT Pelayaran Tempuran Emas Tbk
20	PT Argha Karya Prima Industry Tbk	150	PT Gema Grahasarana Tbk	280	PT Pelita Sejahtera Abadi Tbk
21	PT Argo Pantes Tbk	151	PT Global Land Development Tbk	281	PT Pembangunan Graha Lestari Indah Tbk
22	PT Arona Binasejati Tbk	152	PT Global Mediacom Tbk	282	PT Pembangunan Jaya Ancol Tbk
23	PT Arpeni Pratama Ocean Line Tbk	153	PT Goodyear Indonesia Tbk	283	PT Perdana Bangun Pusaka Tbk
24	PT Arthavest Tbk.	154	PT Gowa Makassar Tourism Development Tbk	284	PT Perdana Gapuraprima Tbk
25	PT Arwana Citramulia Tbk	155	PT Grahamas Citrawisata Tbk	285	PT Perdana Karya Perkasa Tbk
26	PT Asahimas Flat Glass Tbk	156	PT GT Kabel Indonesia Tbk	286	PT Perusahaan Gas Negara Tbk
27	PT Asia Grain International Tbk	157	PT Gudang Garam Tbk	287	PT Petrosea Tbk
28	PT Asia Kapitalindo Securities Tbk	158	PT HM Sampoerna Tbk	288	PT Pioneerindo Gourmet Intern.Tbk
29	PT Asiaplast Industries Tbk	159	PT Hanson International Tbk	289	PT Plaza Indonesia Realty Tbk

30	PT Astra Agro Lestari Tbk	160	PT HD Capital Tbk	290	PT Polychem Indonesia Tbk
31	PT Astra Graphia Tbk	161	PT Hero Supermarket Tbk	291	PT Polysindo Ekaperkasa Tbk
32	PT Astra International Tbk	162	PT Hexindo Adiperkasa Tbk	292	PT Pool Advista Indonesia Tbk
33	PT Astra Otoparts Tbk	163	PT Holcim Indonesia Tbk	293	PT PP London Sumatera Tbk
34	PT Asuransi Bina Dana Arta Tbk	164	PT Hotel Sahid Jaya International Tbk	294	PT Prasidha Aneka Niaga Tbk
35	PT Asuransi Bintang Tbk	165	PT Humpuss Intermoda Transp. Tbk.	295	PT Prima Alloy Steel Universal Tbk.
36	PT Asuransi Dayin Mitra Tbk	166	PT Indah Kiat Pulp & Pape Tbk	296	PT Primarindo Asia Infrastructure Tbk
37	PT Asuransi Jasa Tania Tbk	167	PT Indal Alumunium Indust Tbk	297	PT Pudjiadi & Sons Estate Tbk
38	PT Asuransi Multi Artha Guna Tbk	168	PT Indo Acidatama Tbk	298	PT Pudjiadi Prestige Ltd Tbk
39	PT Asuransi Ramayana Tbk	169	PT Indo Tambangraya Megah Tbk	299	PT Pusaka Tarinka Tbk
40	PT ATPK Resources Tbk	170	PT Indocement T.P. Tbk	300	PT Pyridam Farma Tbk
41	PT Bahtera Adimina Samudra Tbk	171	PT Indocitra Finance Tbk	301	PT Radiant Utama Interinsco Tbk
42	PT Bakrie Brothers Tbk	172	PT Indoexchange Tbk	302	PT Ramayana Lestari S Tbk
43	PT Bakrie Sumatera Plantations Tbk	173	PT Indofarma Tbk	303	PT Reliance Securities Tbk
44	PT Bakrie Telecom Tbk.	174	PT Indofood Sukses Mak.Tbk	304	PT Resource Alam Ind. Tbk
45	PT Bakrieland Development Tbk	175	PT Indomobil Sukses Intl Tbk	305	PT Ricky Putra Globalindo Tbk
46	PT Bank Agroniaga Tbk	176	PT Indonesia Air Transport Tbk	306	PT Rig Tenders Indonesia Tbk
47	PT Bank Arta Niaga Kencana Tbk	177	PT Indonesia Paradise Property Tbk	307	PT Rimo Catur Lestari Tbk
48	PT Bank Artha Graha Internasional Tbk	178	PT Indonesia Prima Properti Tbk	308	PT Ristia Bintang Mahkotasejati Tbk
49	PT Bank Bukopin Tbk	179	PT Indorama Synthetics Tbk	309	PT Roda Vivatex Tbk
50	PT Bank Bumi Arta Tbk	180	PT Indosat Tbk	310	PT Royal Oak Development Asia Tbk
51	PT Bank Bumiputera Indonesia Tbk	181	PT Indosiar Karya Media Tbk	311	PT Rukun Raharja Tbk
52	PT Bank Capital Indonesia Tbk	182	PT Indospring Tbk	312	PT Sampoerna Agro Tbk
53	PT Bank Central Asia Tbk	183	PT Infoasia Teknologi Global Tbk	313	PT Samudera Indonesia Tbk
54	PT Bank Century Tbk	184	PT Intanwijaya Internasional Tbk	314	PT Sanex Qianjiang Motor Intl Tbk
55	PT Bank Danamon Indonesia Tbk	185	PT Inter Delta Tbk	315	PT Sara Lee Body Care Indonesia
56	PT Bank Ekonomi Raharja Tbk	186	PT Inti Kapuas Arowana Tbk	316	PT Sat Nusapersada Tbk
57	PT Bank Eksekutif Interational Tbk	187	PT Intikeramik Alamasri Industri Tbk	317	PT Schering Plough Ind. Tbk
58	PT Bank Himpunan Saudara 1906 Tbk	188	PT Intiland Development Tbk	318	PT Sekar Bumi Tbk
59	PT Bank Intl Indonesia Tbk	189	PT Intl Nickel Indonesia Tbk	319	PT Sekar Laut Tbk
60	PT Bank Kesawan Tbk	190	PT Intraco Penta Tbk	320	PT Selamat Sempurna Tbk
61	PT Bank Lippo Tbk	191	PT Island Concepts Indonesia Tbk	321	PT Semen Gresik (persero) Tbk
62	PT Bank Mandiri Tbk	192	PT Itamaraya Gold Industry Tbk	322	PT Sentul City Tbk
63	PT Bank Mayapada International Tbk	193	PT Jaka Inti Realtindo Tbk	323	PT Sepatu Bata Tbk
64	PT Bank Mega Tbk	194	PT Jakarta International Hotel Tbk	324	PT Siantar Top Tbk.
65	PT Bank Negara Indonesia (persero) Tbk	195	PT Jakarta Kyoei Steel Works Limited Tbk	325	PT Sierad Produce Tbk
66	PT Bank Niaga Tbk	196	PT Jakarta Setiabudi Internasional Tbk	326	PT Sinar Mas Multiartha Tbk
67	PT Bank NISP Tbk	197	PT Japfa Comfeed Indon. Tbk	327	PT Singer Indonesia Tbk
68	PT Bank Nusantara Parahyangan Tbk	198	PT Jasa Angkasa Semesta Tbk	328	PT Siwani Makmur Tbk

69	PT Bank Permata Tbk	199	PT Jasa Marga (persero) Tbk	329	PT Smart Corporation Tbk
70	PT Bank Rakyat Indonesia (persero) Tbk	200	PT Jasuindo Tiga Perkasa Tbk	330	PT Sona Topas Tourism I. Tbk
71	PT Bank Swadesi Tbk	201	PT Jaya Kontruksi Manggala Pratama Tbk	331	PT Sorini Corp. Tbk
72	PT Bank Tabungan Pensiunan Nasional Tbk	202	PT Jaya Pari Steel Tbk	332	PT Steady Safe Tbk
73	PT Bank UOB Buana Tbk	203	PT Jaya Real Property Tbk	333	PT Suba Indah Tbk
74	PT Bank Victoria International Tbk	204	PT Jembo Cable Company Tbk	334	PT Sucaco Tbk
75	PT Bank Windu Kentjana International Tbk	205	PT JJ NAB Capital Tbk	335	PT Sugi Samapersada
76	PT Barito Pacific Timber Tbk	206	PT Kabelindo Murni Tbk	336	PT Sumalindo Lestari Jaya Tbk
77	PT BAT Indonesia Tbk	207	PT Kageo Igar Jaya Tbk	337	PT Sumi Indo Kabel Tbk.
78	PT Bayu Buana Travel Tbk	208	PT Kalbe Farma Tbk	338	PT Summarecon Agung Tbk
79	PT Bekasi Asri Pemula Tbk	209	PT Karwell Indonesia Tbk	339	PT Sunson Textile Manufacturer Tbk
80	PT Bentoel International Inv. Tbk	210	PT Kawasan Ind. Jababeka Tbk	340	PT Suparma Tbk
81	PT Berlian Laju Tanker Tbk	211	PT Kedaung Indah Can Tbk	341	PT Surabaya Agung I.P & K Tbk
82	PT Berlina Tbk	212	PT Kedawung Setia Ind Tbk	342	PT Surya Citra Media Tbk
83	PT Betonjaya Manunggal Tbk	213	PT Keramika Indonesia Ass Tbk	343	PT Surya Dumai Industri Tbk
84	PT BFI Finance Indonesia Tbk.	214	PT Kimia Farma Tbk	344	PT Surya Intirindo Makmur Tbk.
85	PT Bhakti Capital Indonesia Tbk	215	PT Kokoh Inti Arebama Tbk	345	PT Surya Semesta Internusa Tbk
86	PT Bhakti Investama Tbk	216	PT Kresna Graha Sekurindo Tbk	346	PT Surya Toto Indonesia Tbk
87	PT Bhuwanatala Indah P. Tbk	217	PT Laguna Cipta Griya Tbk	347	PT Suryainti Permata Tbk
88	PT Bintang Mitra Semestaraya Tbk	218	PT Lamicitra Nusantra Tbk	348	PT Suryamas Dutamakmur Tbk
89	PT Bisi International Tbk	219	PT Langgeng Makmur Tbk	349	PT Tambang Batubara Bukit Asam Tbk.
90	PT Branta Mulia Tbk	220	PT Lapindo InternationalTbk	350	PT TD Resources Tbk
91	PT Bristol-Myers Squibb Indo Tbk	221	PT Lautan Luas Tbk	351	PT Telekomunikasi Indonesia
92	PT Buana Finance Tbk	222	PT Leo Investments Tbk	352	PT Tembaga Mulia Semanan Tbk
93	PT Budi Acid Jaya Tbk	223	PT Limas Centric Indonesia Tbk	353	PT Tempo Inti Media Tbk
94	PT Bukaka Teknik Utama Tbk	224	PT Lion Metal Works Tbk	354	PT Tempo Scan Pacific Tbk
95	PT Bukit Darmo Property Tbk	225	PT Lionmesh Prima Tbk	355	PT Texmaco Jaya Tbk
96	PT Bumi Resources Tbk	226	PT Lippo Cikarang Tbk	356	PT Tifico Tbk
97	PT Bumi Teknokultura Unggul Tbk	227	PT Lippo E-NET Tbk	357	PT Tiga Pilar Sejahtera Food Tbk
98	PT Cahaya Kalbar Tbk.	228	PT Lippo General Insurance Tbk	358	PT Tigaraksa Satria Tbk
99	PT Capitalinc Investment Tbk	229	PT Lippo Karawaci Tbk	359	PT Timah Tbk
100	PT Catur Sentosa Adiprana Tbk	230	PT Lippo Securities Tbk	360	PT Tira Austenite Tbk
101	PT Centex Tbk	231	PT Malindo Feedmill Tbk	361	PT Tirta Mahakam Plywood Tbk
102	PT Central Koporindo Internasional Tbk	232	PT Mandala Multifinace Tbk	362	PT Toba Pulp Lestari Tbk.
103	PT Central Proteinaprima Tbk	233	PT Mandom Indonesia Tbk	363	PT Toko Gunung Agung Tbk
104	PT Centrin Online Tbk	234	PT Mas Murni Indonesia Tbk	364	PT Total Bangun Persada Tbk
105	PT Centris Multi Persada Tbk	235	PT Maskapai Reasuransi Ind. Tbk	365	PT Trias Sentosa Tbk
106	PT Charoen Pokphand Ind Tbk	236	PT Matahari Putra Prima Tbk	366	PT Trimegah Securities Tbk

107	PT Cipendawa Agroindustri Tbk	237	PT Mayora Indah Tbk	367	PT Truba Alam Manunggal Engineering Tbk
108	PT Cipta Panelutama Tbk	238	PT Medco Energi Internasional Tbk.	368	PT Trust Finance Indonesia Tbk
109	PT Ciputra Development Tbk	239	PT Media Nusantara Citra Tbk	369	PT Tunas Alfin Tbk
110	PT Ciputra Property Tbk	240	PT Merck Tbk	370	PT Tunas Baru Lampung Tbk
111	PT Ciputra Surya Tbk	241	PT Metro Supermarket Realty Tbk	371	PT Tunas Ridean Tbk.
112	PT Citatah Tbk	242	PT Metrodata Electronics Tbk	372	PT Ultrajaya Milk Indus. Tbk
113	PT Citra Kebun Raya Agri Tbk	243	PT Millennium Pharmacon International Tbk	373	PT Unggul Indah Cahaya Tbk.
114	PT Citra Marga nusaphala Tbk	244	PT Mitra Adiperkasa Tbk.	374	PT Unilever Indonesia Tbk
115	PT Citra Tubindo Tbk	245	PT Mitra Investindo Tbk.	375	PT United Tractors Tbk
116	PT Clipan Finance indo. Tbk	246	PT Mitra Rajasa Tbk	376	PT Unitex
117	PT Cowell Development Tbk	247	PT Mobile-8 Telecom Tbk	377	PT Voksel Electric Tbk
118	PT Danasupra Erapacific Tbk	248	PT Modern Internasional Tbk	378	PT Wahana Ottomitra Multiartha Tbk
119	PT Danayasa Arthatama Tbk	249	PT Modernland Realty Tbk	379	PT Wahana Phonix Mandiri Tbk
120	PT Darma Henwa Tbk	250	PT Multi Bintang Ind. Tbk	380	PT Wicaksana Overseas Int Tbk
121	PT Darya Varia Lab. Tbk	251	PT Multi Indocitra Tbk	381	PT Wijaya Karya (persero) Tbk
122	PT Dayaindo Resources International Tbk	252	PT Multi Prima Sejahtera Tbk	382	PT Yulie Sekurindo Tbk
123	PT Delta Djakarta Tbk	253	PT Multibreeder Adirama I Tbk	383	PT Zebra Nusantara Tbk
124	PT Delta Dunia Petroindo Tbk	254	PT Multipolar Tbk		
125	PT Dharma Samudera Fishing Industries Tbk	255	PT Multistrada Arah Sarana Tbk		
126	PT Duta Anggada Realty Tbk	256	PT Mustika Ratu Tbk		
127	PT Duta Kirana Finance Tbk	257	PT Myoh Technology Tbk		
128	PT Duta Pertiwi Tbk	258	PT New Century Development Tbk		
129	PT Duta Pertiwi Nusantara Tbk	259	PT Nipress Tbk		