

CENTRE FOR ECONOMIC HISTORY  
THE AUSTRALIAN NATIONAL UNIVERSITY  
DISCUSSION PAPER SERIES



## **CORPORATE SOCIAL RESPONSIBILITY IN INDONESIA: HISTORICAL EXPERIENCES, 1900s-1950s**

By

PIERRE VAN DER ENG

(AUSTRALIAN NATIONAL UNIVERSITY)

DISCUSSION PAPER 2023-06

DECEMBER 2023

THE AUSTRALIAN NATIONAL UNIVERSITY  
ACTON ACT 2600 AUSTRALIA

Email: [tim.hatton@anu.edu.au](mailto:tim.hatton@anu.edu.au)

Website: <https://rse.anu.edu.au/research/centre-economic-history>

## **Corporate Social Responsibility in Indonesia: Historical Experiences, 1900s-1950s**

Pierre van der Eng\*

Research School of Management  
ANU College of Business and Economics  
The Australian National University  
26 Kingsley Street  
Acton ACT 2601  
Australia

Email: [pierre.vandereng@anu.edu.au](mailto:pierre.vandereng@anu.edu.au)

### **Abstract**

This paper queries the general view that CSR perceptions and practices were entirely new to Indonesia until the country's 2007 Corporate Law made CSR compulsory. The paper finds that foreign-owned firms already experimented with forms of CSR during 1905-1911. There are few indications of the motivations of foreign firms and their managers in Indonesia to engage in CSR, but the principal factors seem to have been practical reasons and humanitarian concerns. From the 1910s to well into the 1950s, foreign-owned firms extended CSR-type social benefits and amenities to their employees and to the communities in the areas where they operated. It is unclear whether locally-owned companies replicated such practices. After 1958, most foreign firms were nationalised and converted to state-owned enterprises and it is unclear whether they continued their CSR-type practices. The paper concludes that CSR was only new to Indonesia during the 2000s as a concept, not as a management practice.

**Keywords:** corporate social responsibility, history, Indonesia, business ethics, foreign investment

This version: 20 April 2023.

\* I am grateful to the Shibusawa Foundation in Tokyo for supporting the research for this paper during 2016-2019.

# Corporate Social Responsibility in Indonesia: Historical Perspectives, 1900s-1950s

## 1. Introduction

Companies in Indonesia are required by law to engage in corporate social responsibility (CSR) practices. The 2007 Law on Limited Liability Companies (*Undang Undang tentang Perseroan Terbatas*), the 2007 Capital Investment Law (*Undang Undang tentang Penanaman Modal*), and a range of subsequent local regulations made minimum standards of CSR mandatory (Waagstein 2011). The Chamber of Commerce and Industry in Indonesia (*Kamar Dagang dan Industri Indonesia*, KADIN) and other business associations protested at the time, arguing that the compulsory nature of the relevant clause in the first law violated principles of good governance because CSR is by definition a voluntary undertaking (*Jakarta Post*, 21 July 2007). Nevertheless, companies in Indonesia have since absorbed CSR as an integral part of their business operations, if not corporate strategy, in a wide range of different ways that defy generalisation of degree and nature (Gunawan 2016).

Figure 1 demonstrates that since 2007 thousands of studies have been published that discuss aspects of the application of CSR in Indonesia. Most of these studies are company cases or analyses of sets of firm-level data obtained from company websites and company reports. As far as authors reflect on the history of CSR in Indonesia, they tend to characterise it as an American management concept that became relevant to Indonesia in the 2000s for three reasons: (1) the democratisation of Indonesian society following the abdication of President Soeharto in 1998; (2) the increasing concern in Indonesia about environmental damage caused by companies and the need for legislation to oblige such companies to engage in community development, particularly in rural areas; (3) the impression that CSR resembles the obligation on Muslims to pursue religious rituals (*ibadah*), particularly philanthropy or ‘good deeds’.

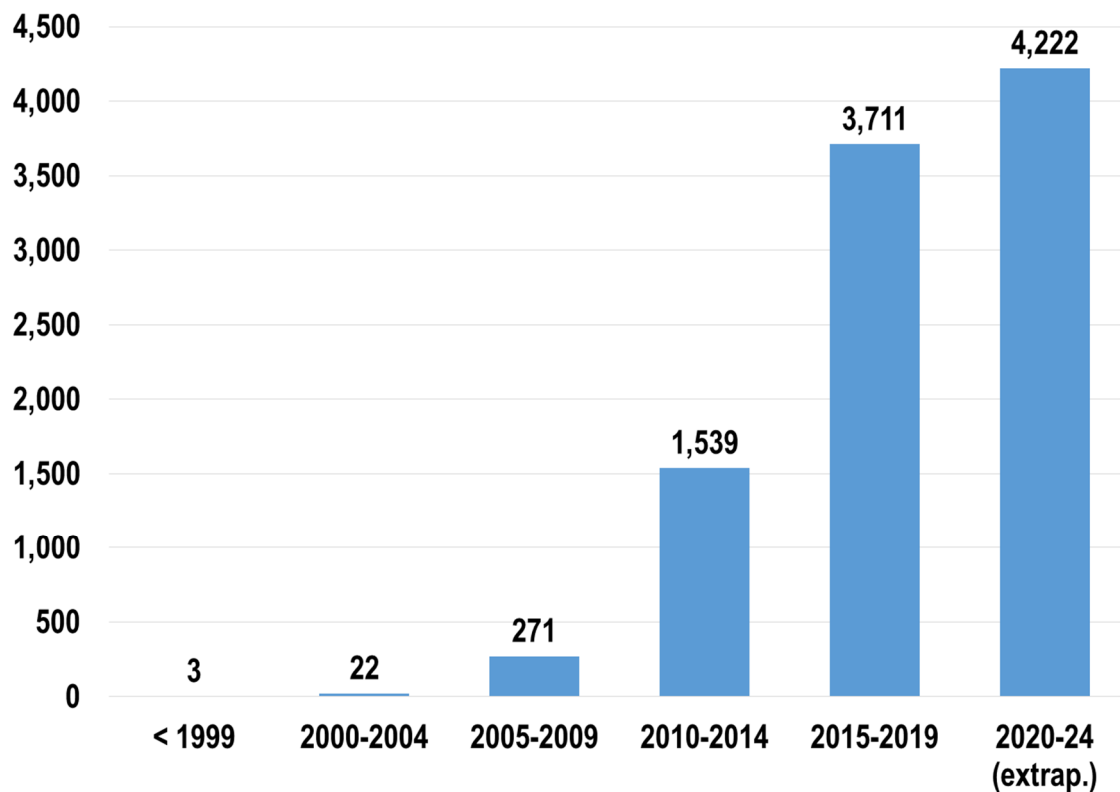
No study has asked whether CSR was entirely new to Indonesia in 2007.<sup>1</sup> An answer to this question may help to assess suggestions that companies in Indonesia do not have to be compelled by law, but are likely to embrace CSR voluntarily. This is different from countries like Japan, India and China, for which historical aspects of CSR have been studied (*e.g.* Hirschmeier and Yui 1975: 302-304; Jones 2017; Zhao 2014: 25-64). A limited number of relevant studies exist. Fazri (2018) studied philanthropy by tea plantation entrepreneurs in West Java 1862-1942. Ochsendorf (2018) placed company healthcare in late-colonial Java, East Sumatra and Belitung in the context of corporate social responsibility. In addition, a range of biographies of Indonesian entrepreneurs have been published that contain reflections on the business ethics and philanthropic feats of

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<sup>1</sup> Kemp (2001) is often referred to as a study that discusses the history of CSR in Indonesia, but it is actually an entirely ahistorical study.

these businessmen, such as Ali and Ahmad's (1998) biography of Thayeb M. Gobel. But there is currently no study that sheds a comprehensive light on how entrepreneurs, companies or business associations in Indonesia before the 2000s perceived what is now known as CSR.

*Figure 1: Academic Papers Discussing CSR in Indonesia*



*Notes:* Academic papers in Google Scholar with 'Indonesia' and 'CSR' or 'corporate social responsibility' or 'tanggung jawab sosial perusahaan' in their title. 2020-2024 is an extrapolation of 2020-2022 to a 5-year total.

*Source:* Calculated from Google Scholar website, <https://scholar.google.com/>

The purpose of this paper is to establish the extent to which CSR was part of the ways in which entrepreneurs and the largest enterprises in the country perceived and demonstrated their role in Indonesian society before the 2000s. It also touches on how and why companies embraced CSR as part of their corporate strategy (Doh and Littell 2015). The paper focuses on the period of the 1900s to the 1950s, when the total number of incorporated firms increased from 1,000 in 1900 to 3,700 in 1920, decreasing to 2,200 in 1940 (Lindblad 2008: 22-23). The largest enterprises in Indonesia were companies registered in The Netherlands and firms registered in Indonesia that were controlled

and/or managed by foreign nationals.<sup>2</sup> The paper ends in the late-1950s, when most foreign-owned firms in Indonesia were nationalised and continued as state-owned enterprises, respectively in 1958 (Dutch firms), 1964 (British firms) and 1965 (US firms), potentially heralding a new phase of company management.

The next section discusses broad perceptions of CSR that may have reached Indonesia until the 1950s. Section 3 discusses the ways in which foreign companies expressed CSR through their activities, particularly the commitments of companies to social benefits and amenities beyond what they were legally obliged to provide, such as medical and health care, housing, sanitation and neighbourhood development, education, pension arrangements etc. Section 4 concludes.

## **2. CSR perceptions in Indonesia**

Sluyterman's (2012) survey of CSR-type perceptions and practices in The Netherlands found that several entrepreneurs and companies in the early 20<sup>th</sup> century perceived they had a role and obligations in society similar to what now motivates company commitments to CSR. Such CSR-like perceptions are likely to have reached the Netherlands East Indies, or colonial Indonesia. For example, a treatise by Rotterdam banker Rudolf Mees (1919) influenced debate about business ethics in The Netherlands and it was also noted in Indonesia.<sup>3</sup> Mees discussed the balance between material self-interest, altruism and social advancement in the activities of entrepreneurs from a Christian social-democratic perspective. A paper by Amsterdam socialist economist Jan Goudriaan (1928) on the ethical responsibilities of company managers appeared in a journal that was issued in both The Netherlands and colonial Indonesia. Newspapers in Indonesia also discussed the publications of Catholic economist Martinus Cobbenhagen on business ethics and the social responsibilities of companies (Kolnaar and Meulendijks 1998).<sup>4</sup>

These cases reflect a hesitant but growing international reconsideration during the 1920s of corporate objectives, away from mere profit maximisation in the interest of shareholders towards 'trusteeship management'. The concept considered corporate managers to be fiduciaries with responsibilities for maintaining an equitable balance between shareholders and various stakeholders in companies (Hay and Gray 1974: 136-137). This trend gathered pace and generated more public discussion in The Netherlands

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<sup>2</sup> Until Indonesia became an entirely separate jurisdiction in 1949, its corporate law required firms with commercial operations in Indonesia to be incorporated in either The Netherlands or in colonial Indonesia (Van der Eng 2022). After 1949, all firms incorporated in The Netherlands that were active in Indonesia had to establish subsidiary companies in Indonesia.

<sup>3</sup> For example in *De Sumatra Post* (17 July 1920) and *Nieuws van den Dag voor Nederlandsch-Indië* (17 February 1922).

<sup>4</sup> For example in *Bataviasch Nieuwsblad* (13 and 19 June 1941). But discussion was not always in favourable terms, see e.g. *Indische Courant* (24 April 1941).

and internationally during the 1930s, particularly in the legal profession and among religiously inspired entrepreneurs. It is not unlikely that such aspects of business ethics were discussed during public or private meetings of business associations in colonial Indonesia.

Interest in the role of private enterprise in the society of colonial Indonesia increased since about 1905 in the context of the ‘ethical policy’ (Van der Eng 2004). This policy stance underpinned the implementation of nascent social and economic policies to improve the living standards of Indonesia’s poorest. Such policies took the form of the establishment and expansion of an increasing range of ‘welfare services’, as well as legislation to regulate markets, including labour markets (Boomgaard 1986; Schmutzer 1977).

A large 1904-05 survey into declining prosperity in Java stated bluntly that private firms were entirely devoid of ‘humanitarian work concepts’ in the form of social benefits, except for the occasional supply of basic medicine and sporadic provisions for disabled and injured (Levert 1934: 263). Most likely the survey was incomplete, because there is evidence of private firms providing pension, education and hospital facilities to employees around that time (*De Locomotief*, 5 June 1897; *De Preangerbode*, 25 August 1905; *Koloniaal Verslag* 1906: 175).

In 1905 sugar industry associations expressed the need for the improvements to the social environment in which sugar factories operated, and encouraged members to reserve funds for the improvement of the living conditions of workers, landholders, and contractors, as well as benefits for regular staff in the form of improved housing, medical care and support in case of illness, provisions for injury due to accidents, and old age. Such benefits were not part of the legal obligations of an employer, but the associations considered them to be in the interest of firms ‘inasmuch as they would promote the development and the affairs of the company’ (Levert 1934: 262-263).

The *Koloniale Bank*, one of the largest Dutch-owned ‘cultivation banks’ that operated in Indonesia and that specialised on financing and managing the operations of sugar factories and agricultural estates on behalf of shareholders, was inspired by the ‘ethical policy’. It experimented with ‘profit sharing’ and various elements of CSR during 1906-1911, and it subsequently institutionalised CSR in its operations. Other companies in Indonesia may have followed this example (Kievits 1921: 290; Van der Mandere 1928: 137). Losses following the 1929 economic crisis led the *Koloniale Bank* to discontinue most of its CSR commitments (Van der Eng 2023).

Important in this spread of CSR were two other developments that required firms to consider their role in Indonesia’s changing society. Firstly, during and after World War I, the colonial government took to legislation to regulate aspects of the activities of private companies in Indonesia (Locher-Scholten 1982; Prince 1989: 212-214). For example, it passed new legislation in relation to taxation, labour recruitment practices and employment conditions. The colonial government even considered upscaling the

experiment of the *Koloniale Bank* with ‘profit sharing’ by making it compulsory by law. However, the findings of waste and embezzlement during experiments, was one of the reasons for the government not to proceed (Stibbe 1921: 378-380; *Soerabaijasch Handelsblad*, 11 December 1930). Secondly, labour unions and Indonesian nationalists became increasingly militant, and firms felt that they had to articulate their view on the role of private enterprise in Indonesia’s changing society.

An institution that articulated such views was a predecessor of Indonesia’s current Chamber of Commerce, the 1922-1955 Association of Entrepreneurs in Indonesia (*Indische Ondernemersbond*, later *Ondernemersbond voor Indonesië* or OBI). This organisation was the counterpart of the Netherlands-based Council of Entrepreneurs in Indonesia (*Ondernemersraad voor Nederlandsch-Indië/Indonesië*, ORI). OBI was the first national business association in Indonesia; around 100 of the largest companies and business associations were its members. Most members were the local subsidiaries of foreign-owned companies operating in Indonesia. As most industry-specific business associations in Indonesia were also members, OBI indirectly represented most formally registered companies operating in Indonesia.

During a 1922-1923 visit to Indonesia, ORI President Willem Treub expressed how entrepreneurs perceived their role in Indonesian society thus:

‘The modern entrepreneur has learned through experience that it pays to treat employees and stakeholders well, rather than exploit them, even if there would be no resistance to that. ... Entrepreneurial ethics have changed over the centuries. Self-interest led to the conclusion that it is better served by humane treatment than by tyranny and extortion used in the past. The philosophical moralist may not consider the inner urge that drives the modern entrepreneur to be any different, but the healthy self-interest that moves the entrepreneur has nevertheless become a blessing for the future of the country where he works. ... Progress will ... be fostered by those willing to work. Work to advance themselves and their family, and in such a way that their labour, driven by self-interest, restrained by public policy and also by the generally acknowledged social ethics, by public opinion if you like, even despite themselves, contributes to advancing general prosperity.’ (Treub 1923: 172 and 338).<sup>5</sup>

Treub’s views did not reflect a sense of moral or religious duty. However, the quote indicates the view that the private sector would be in a position to generate social progress by pursuing its direct interests in Indonesia. This echoed the thinking of Adam Smith, who argued that the pursuit of self-interest by individuals can advance social prosperity, but within boundaries set by law and common morality (Tanaka 2017: 50-52).

During the 1920s, companies in Indonesia responded to a wave of strikes in 1921-1922 that were followed by increasing labour militancy and nationalism. They increased

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<sup>5</sup> Treub later articulated similar views, adding for example that ‘activities, born from healthy economic considerations have much more value for social life than those which are only motivated by philanthropic considerations’ (Treub 1929: 193).

their voluntary expenditure on benefits and amenities for employees and local communities (see section 3). Their industry associations accumulated data on such expenditure. For example, the sugar industry in Java sponsored publications to draw attention to its achievements with such benefits (Tichelaar 1927: 159-212). A spokesman of the industry rationalised this expenditure as follows:

‘There are certainly benefits that on the surface appear to have a philanthropic character, but which after closer scrutiny undoubtedly will be considered to have a deeper significance and are indirectly serving the interests of the [sugar] manufacturers themselves. Providing such benefits is therefore part and parcel of entrepreneurship, although one entrepreneur will pursue them to a greater degree than another. Leaving aside the question whether private enterprise has a duty to play a significant role in the immediate or wider local community, it is clear that there are social and economic interests that affect the factory and the local community equally, and of which the realisation – although undertaken with the interest of the enterprise in mind – will automatically serve the interests of the local population. The presence of the sugar industry in Java does not find its motivation there; its motivation is elsewhere, in the pure economic factors. But she does find her confirmation, an undoubtedly important confirmation, for those who consider the industry’s presence to be a disadvantage for the Indonesian population.’ (Van der Mandere 1928: 130).

Oscar Bletterman, manager of several agricultural plantations in West Java, summarised the motivations of entrepreneurs more concisely as a combination of (a) ‘humanitarian concerns’, (b) ‘self-interest, because it is easier to achieve more with a contented and healthy labour force’, and (c) practical reasons, because it would be better to have workers live in a nearby company village in case of, for example, a fire in the factory (*Sumatra Post*, 21 February 1938).

In the context of various social and political changes in Indonesia during the 1920s and 1930s, ORI and OBI developed different interpretations of what was in the interest of private enterprise in Indonesia. ORI in The Netherlands focused on the interests of its members representing the shareholders of Dutch companies operating in Indonesia. It sought to influence discussion and policy decisions in government and parliament in The Netherlands that impacted on the commercial interests of its members. By contrast, OBI in Indonesia focused on the implementation of new legislation in Indonesia and on the impact of legislation on the operation and management of companies, particularly taxation matters, but also agrarian issues, labour legislation, foreign exchange and foreign payment issues, trade policy and changes tariffs and quota, as well as social issues such as pensions *etc.* As a consequence, OBI and its officers appear to have developed a greater awareness of the changing context in which business was conducted and organised in Indonesia than ORI and its functionaries.

Hence, while ORI was inclined to obstruct such developments on behalf of their members in the Netherlands (Taselaar 1998: 505-512), executive managers of companies



located in Indonesia were increasingly inclined to find ways to accommodate these developments. In part, because they reflected a general acceptance of the changes taking place in Indonesia's society since the mid-1920s. In part, because new government initiatives seemed justified in the context of increasing labour union militancy and political radicalisation in Indonesia, which for example found an exponent in a communist coup in 1926.<sup>6</sup> OBI Presidents increasingly articulated the views of the managers of companies in Indonesia. And for that purpose, OBI drew on the experiences of firms with various issues, including the provision of health care, pension funds, life insurance, unemployment insurance *etc.*

Despite the cooperation and interactions between OBI and ORI, subtle divergences therefore developed in their views on the purpose of OBI and on the role of private enterprise in Indonesian society. In broad terms, OBI increasingly considered itself and its members as part of Indonesia's changing multifaceted society. It started to interpret its purpose as assisting its members to adjust to the changing context of Indonesia's economy and society in which they operated. By contrast, ORI saw OBI's role as supporting ORI's goal of safeguarding the interests of parent companies and shareholders in The Netherlands, and sustaining the close bilateral economic and business relations between Indonesia and The Netherlands. This divergence occurred in leaps and bounds as both organisations defined their positions on emerging new issues.

Consequently, an obituary characterised OBI's first full-time President during 1923-1929, W.C. van der Meulen, thus: 'He was far from an opponent of healthy nationalism: He wished that it would be encouraged and supported by both government and private enterprise [in Indonesia, PvdE]. He continued to point to the significant social responsibility of entrepreneurs in respect of the population and to their serious social duties towards the wider community.' (*Indische Courant*, 31 October 1930).

Nevertheless, rather than lead discussion about matters of business ethics and CSR, the work of OBI's executives was focused on practical matters, such as communicating information about the details and implementation of formal regulations, such as taxation rules, and new legislation to members. They also worked on determining the association's stance in the *Volksraad*, the 1916-1942 parliament of colonial Indonesia, to new government policies, where possible in collaboration with other political factions, such as moderate nationalists among the Indonesian members.

Possibly, ORI and OBI shared implicit perceptions of the social role of private enterprise as outlined by Treub in the 1920s. Except that OBI executives may have understood them in the context of support for colonial government policies that to a degree expressed a desire for greater autonomy, and increasing government intervention in the economy for the purpose of achieving economic and social development.

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<sup>6</sup> The Communist Party of Indonesia (*Partai Komoenis Indonesia*, PKI) was established in 1924, staged a failed coup in 1926, and was banned by the colonial government in 1927.

Particularly Carel de Villeneuve, OBI President during 1937-1946, took this view. The logical outcomes of this process was De Villeneuve's support for the independence of Indonesia after 1945 as the best way to safeguard the assets of Dutch-owned companies in Indonesia, and therefore cooperation with the government of an independent Indonesia in the design and implementation of new social legislation.<sup>7</sup>

### **3. CSR practices of companies**

There are many definitions of CSR. A commonly used definition of CSR is: 'actions that appear to further some social good, beyond the interests of the firm and that which is required by law' (McWilliams and Siegel 2001). This definition is ambiguous, because actions to advance a social good beyond legal minimum requirements may not be in the direct interest of a firm, but may still benefit a firm indirectly. For example, because such actions enhance a firm's public reputation and therefore shareholder value. But it would be difficult to establish conclusively that this is the intention and the effect of any company actions. For the purpose of this paper, the most practical understanding of CSR is with reference to actions by a company that create social good beyond legal obligations and that benefit a company's stakeholders.

There are some complications when applying this definition of CSR. (a) Social legislation and the legal obligations on firms were in constant flux during the 1920s-1950s. Actions meeting the CSR definition at one stage, ceased to do so when legally codified at a later moment. (b) Legal plurality in colonial Indonesia meant that not all legislation passed by the colonial government was applicable throughout the country, as some parts were under the rule of sultans and princely rulers. Colonial legislation required companies to provide benefits and amenities that were not compulsory in other parts of the country. Where companies implemented them consistently, the same deeds were not CSR in areas under colonial law, but CSR in other parts of the country. (c) Legislation may have established the minimum of benefits that employers were obliged to provide to workers, but there was scope for them to provide such benefits to a greater and/or qualitatively higher degree and with higher expense, even though legislation did not require that. (d) The evolution of actions by firms coincided with the expansion of public benefits and amenities, however limited. In some cases local or national governments government provided subsidies to encourage firms to undertake actions as a public good, even though there was no legal requirement. In such instances the lines between public and private actions were therefore blurred. (e) In some cases firms responded to increasing labour union activity and the legal right of workers to withhold their labour during disputes. They created social goods, not necessarily as a result of the

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<sup>7</sup> Following his resignation in 1947, C.H.V. de Villeneuve, occupied positions in Indonesia's ministries of economic and foreign affairs until retirement in the early 1960s.

personal convictions of an executive manager, but in response to the potential costs of a labour strike. Starting just after 1918, labour unions demanded improvements in freedom of association, the right to strike, minimum wages, maximum hours of work, restrictions on child and female labour, social insurance, such as age pensions, and unemployment pay. To different degrees, companies agreed to such demands. (f) Actions of firms generally targeted their employees. However, in many cases firms found it difficult or ethically untenable to exclude other stakeholders and benefits were conceived as social goods. (g) There are no comprehensive surveys of all CSR-related actions in which firms engaged, just indications of what individual firms did.

### *The changing legal minimum of entitlements*

The definition of the legal entitlements of workers and the introduction of social legislation in Indonesia were slow processes. Both related to (a) the gradual expansion of employment opportunities outside farm agriculture, particularly since the 1870s, (b) developments in the international economy after World War I and responses of firms to changing economic conditions during the 1920s and 1930s, mitigated by an understanding that the impact of new social legislation would be limited as it could not be enforced in the informal sector of the economy, (c) expectations during the 1940s and 1950s that new social legislation could resolve abuses.

The expansion of employment on agricultural estates and mining ventures in sparsely populated distant areas since the 1870s depended on migrant labour, which was recruited overseas or in Java with labour contracts. To attract contract workers employers had to establish benefits and amenities. Below-standard facilities caused abuses of workers, which the colonial government since 1880 sought to remedy by regulating the labour contracts of workers. This led to a system of ‘coolie ordinances’ for different regions in the Outer Islands of Indonesia (Heijting 1925: 27-78 and 188-190). Details of the ordinances varied, but *e.g.* the 1889 Coolie Ordinance for North Sumatra specified that an employer was required to treat contract workers well, pay their wages regularly, and provide them with ‘suitable housing’ and ‘reasonable medical care’ (Houben and Lindblad 1999: 14). Similar legislation did not exist for Java, where labour protection in private firms took the form of health and safety regulations, and a decentralised system of casual supervision by regional colonial officials of the labour conditions at companies.

Later legislation augmented the details of the coolie ordinances, but did not specify the quality of the benefits that companies had to provide. Whether the employer-provided benefits were up to legal expectations remained a matter of interpretation for the Labour Inspectorate, established in 1908. In addition, these minimum standards applied only to contract labourers in the Outer Islands. Like in Java, it was up to employers to decide what further benefits they provided to all wage labourers and to employees in supervisory and administrative positions.

In the 1920s, social legislation in Indonesia went beyond just the minimum standards for contract labourers in the Outer Islands. The Netherlands became a member of the International Labour Organization (ILO) of the League of Nations after World War I. The question arose whether colonial Indonesia would also be covered by the 1919 International Labour Conventions, dealing with hours of work in industry, unemployment, maternity leave, female night work, and child labour and night work. After receiving an affirmative reply, the new Labour Office (*Kantoor van Arbeid*) started the development of relevant new legislation. For example, the government passed a 1925 ordinance prohibiting employment of children under age of 12 and employment of women at night. Indonesia became an ILO member in 1926 (Tjoeng 1948: 129).

This coincided with two other developments. (a) Increasing union activity and a spate of labour strikes, especially during 1920-1921. An important reason was a rapid rise in the cost of living during the late-1910s due to high international rice prices, not matched by wage increases. But also increasing politicisation of Indonesian nationalism. In addition, high international commodity prices caused foreign companies producing export commodities to reap high profits during the war years and immediately after, which led to calls in the *Volksraad* for legislation to make 'profit sharing' between firms and communities compulsory. (b) The colonial government acted on calls in the *Volksraad* to investigate and improve poor labour conditions in the Java sugar industry. In 1919, it appointed a Labour Commission (*Arbeidscommissie*) to investigate the possibility of introducing minimum wage legislation and arbitration in wage conflicts, and a Sugar Investigation Commission (*Suiker-Enquêtecommissie*) to study the reasons for increased labour militancy in the sugar industry and the possibility of sugar companies sharing their profits with employees in Java. Both produced proposals for new social legislation.

Hence, during the early 1920s, several items of social legislation were publicly debated in Indonesia, particularly the regulation regarding assistant estate supervisors in East Sumatra, the introduction of minimum wages and compulsory unemployment insurance, the establishment of regional labour councils to mediate labour conflicts, and the sharing of profits in the sugar industry with employees (Van der Mandere 1922). However, international commodity prices decreased during the 1920s, company profits fell, government tax revenues shrunk, and the realisation sunk in that several policy proposals were impractical. Nevertheless, the Labour Office used its mandate to research labour conditions in Indonesia during the 1920s. The outcomes of this research informed the drafting of further social and industrial relations legislation. This was partly a response to increasing nationalist and labour union advocacy in Indonesia in the 1920s, and partly an expression of the view that improvements of labour conditions through regulation were socially justified.

Further social legislation was debated and introduced in bits; such as the 1931 amalgamation of coolie ordinances, the 1938 additional planters regulation, the 1939

compulsory workplace accident insurance, the 1941 regulation of work in manufacturing industry, the 1941 repeal of coolie ordinances, and the 1941 general pension fund. Enforcement of the laws by the Labour Inspection determined the effectiveness of each item. The first comprehensive item of labour regulation took the form of a 1940 government ordinance that established a tripartite Commission for Labour Affairs (*Commissie voor Arbeidsaangelegenheden*). It had regulatory power over private employers, as companies employing more than 20 people could no longer carry out mass dismissals, decrease wages or cut pension rights without approval of the Commission (IOB 1940; Ingleson 2014: 327-328). Nevertheless, by 1942 there was no single legal code that defined the entitlements of all workers and that may have offered a yardstick to determine what employer-provided benefits were beyond the legal minimum and could be regarded as CSR.

Following independence, the government of Republic of Indonesia had high hopes of improving labour conditions through new legislation that was introduced in bits. For example, Law No.12 of 1948 covered the conditions of employment of children, young people and women, hours of work, rest periods, maternity leave, vacations and holidays. It became applicable throughout the country in 1951 (Thiis-Evensen 1954: 2). Each new law regulating labour conditions was accompanied by implementing government regulation that spelled out enforcement provisions in detail (Wit 1961: 38-41). Thus, the 1950s saw an accumulation of increasingly restrictive labour market regulations. In the absence of sufficient numbers of labour inspectors, only large companies were held to the rules. Informal and/or small and medium scale enterprises generally were not affected by the rules, which therefore exacerbated the dichotomy in the labour market.

Although new legislation raised minimum labour conditions for workers in companies that were held to account, it remained a minimum. There were ample opportunities for companies to introduce additional benefits for their workers and stakeholders. Public service enterprises (postal service, railways etc.), state-owned enterprises, and large private companies offered their employees labour conditions well beyond the legal minimum, particularly where they competed against each other for skilled workers. This development also increased the dichotomy in the labour market.

Both before and after the war, the benefits and amenities that companies provided voluntarily or by law aided their employees and also communities in the vicinity of enterprises. Especially in distant rural areas, where public services remained minimal, private firms included local communities in e.g. healthcare and education facilities. Estate or plant managers believed that it was part of their commitment to the local population to include them. This was noted several times in *Volksraad* discussions during the 1920s and 1930s in relation to proposals for legislation to provide universal coverage for issues such as accident insurance, rather than only coverage provided by companies (Drooglever 1980: 255-264).

Companies often distinguished between different categories of employees to whom they provided benefits. The highest levels of benefits were extended to employees who had full-time and continuing employment, rather than part-time and temporary employees, and/or to employees who had been with the company for a minimum period. For example, pension arrangements required employees to have been with a firm for a minimum number of years (see below). The provision of benefits was generally not related to the ethnic origin of employees. The 1920s marked the start of a process of ‘indigenisation’ of employment. Initially it was the colonial government that in 1925 started to replace European employees with native Indonesians. The purpose was to save on labour costs at a time when public revenues were under pressure, because the salaries and perquisites of expatriate Europeans exceeded those of Indonesians (Ingleson 2014: 70, 150-156, 265-271; Lindblad 2008: 35-36). However, this process accelerated in the 1930s, when private firms also pursued indigenisation of their work forces to achieve savings on labour costs.<sup>8</sup>

Following independence in the late-1940s, the Indonesian government sought to accelerate the indigenisation of the work force of foreign-owned companies. It gradually decreased the number of work permits for foreign nationals at companies, reduced the number of permits for foreign staff replacements to enter the country, reduced the number of employees who were permitted to remit earnings overseas and banned foreigners from certain occupations *etc.*, at a time when many Dutch nationals emigrated from Indonesia (White 2012: 1282-1284).<sup>9</sup> These developments forced companies to indigenise their work force further by accommodating more Indonesians in management positions. They offered better employment conditions for experienced and skilled Indonesian workers in an efforts to poach workers from each other, and/or they invested in company-specific training and education facilities.

In all, foreign-owned firms took active steps to indigenise especially their lower and medium management positions, but continued to find it difficult to appoint well-educated and capable Indonesian managers into the higher echelons of the managerial hierarchy (Van de Kerkhof 2005, 2009; Lindblad 2008: 149-176; White 2012: 1282-1284; Sluyterman 2020). A 1951 survey found that on average the share of Indonesian staff members had increased from 1.5% in 1950 to 12% in 1951, while in Java the increase was from 25 to 41% (Ochsendorf 2015: 22-23). The outflow of foreign nationals accelerated due to unsafety in rural areas, erosion of salaries by inflation, limits on foreign transfers of personal savings, and limited education facilities for the children of expatriates after all public schools switched to education in Indonesian.

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<sup>8</sup> See Booth (2012: 78-79), who noted the high share of Indonesians in non-agricultural employment, compared to some other Southeast Asian nations.

<sup>9</sup> For example, in 1952 the government limited re-entry permits for foreigners to just 1,000 in 1953, although it later increased the quota to 2,000 (*Algemeen Handelsblad*, 8 May 1952).

Having established the minima of benefits and amenities that firms were legally required to provide to their employees, this paper will now discuss what benefits firms actually provided to their employees beyond such minimum levels. It is difficult to generalise the degree to which firms provided benefits, as there are no comprehensive surveys until the 1950s. Note that large firms were often in a better position to provide benefits, and that medium-sized and small firms were unable to do so. Nevertheless, it will become clear that firms took initiatives to provide types of benefits without legal compulsion, and that firms provided benefits and amenities beyond the legal minimum standards. Both are within the definition of CSR.

Generally, large and foreign-owned companies operating agricultural estates, sugar factories, mining and manufacturing operations offered their employees benefits that exceeded provisions offered by small and medium scale and by informal firms. Size was not necessarily an issue, as smaller firms were in principle able to pool their resources. For example, in some regions firms producing *batik* established cooperatives that maintained benefits for employees, such as polyclinics.

### ***Health care***

A prime concern for both employers and employees was health care, especially on ventures in remote parts of the country, where few public health care facilities existed. Without legal obligation, companies operating sugar factories and estates in Java started in the late 19<sup>th</sup> century to retain local doctors. They also established clinics, where a local doctor would visit a few days per week and where an attendant (*mantri*) dressed wounds, provided immunisations, treated parasites, provided malaria prophylactics *etc.* to workers and their family members, and infirmaries, where injured or ill workers could recuperate. In the Outer Islands, basic medical facilities were a legal requirement after 1880. There mining companies and companies operating agricultural estates generally established infirmaries and clinics. Companies operating several estates created central hospital facilities if distances and transportation made that feasible.

Depending on the size of the company's operations and the numbers of employees, owners would expand polyclinics, establish hygiene facilities, employ a medical practitioner and nursing staff, and eventually establish their own company hospitals that combined a polyclinic, infirmary, and treatment and analytical facilities.<sup>10</sup> Over time, the next step was that firms pooled small company hospitals in the same area

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<sup>10</sup> There are many accounts of how companies provided health care at hospitals and polyclinics, as well as hygiene facilities to employees and their families, and to the local population. See *e.g.* Van Gulik 1930; Heijting (1925: 62-66); Snijders (1920, 1921), Kievits (1921: 287-288), Van de Velde (1918), Van der Heijden (1916 and 1918), Tichelaar (1927: 196-200), Van der Mandere (1928: 131-133), De Moor (1930), Hoedt (1930: 120-123); Penris (1930: 19-66, 1948), and more recent studies, such as Gooszen (1999: 200-205), which discusses Deli specifically; Hesselink (2011: 287-290); Houben and Lindblad (1999: 190-192 and 222-223); Van Bergen (2007: 39-43); Knight (2013: 176) and Zondervan (2016).

into larger ones, where more specialised and fulltime medical personnel could be employed, and where doctors could train support staff (attendants, nurses, analysts etc.) and indigenous medical students could take internships. Firms then converted small hospitals into relief hospitals or polyclinics that referred patients to larger hospitals. Associations of companies provided joint medical facilities that not only offered medical care, but also laboratories for medical analysis and research.

An inventory of hospitals lists 103 company hospitals in Indonesia by 1935, compared to 199 public hospitals and 129 hospitals run by missionaries (Zondervan 2016). Of the company hospitals, just 20% was located in Java, reflecting the fact that the coolie ordinances required companies outside Java to provide medical services, and also the fact that most public hospitals were located in Java. One third of all company hospitals was established during each of the decades 1900-1909, 1910-1919 and 1920-1929.

Most companies did not have their own hospital, although many of them maintaining a polyclinic, while supporting a central company hospital to which patients could be dispatched.<sup>11</sup> Other company hospitals provided financial support to clinics and relief hospitals run by missionaries, in return for treatment of employees. In Java, the largest of the company hospitals was part of the very large Jatiroto sugar factory of the *Handelsvereeniging Amsterdam* in Jember (*Indische Courant*, 2 March 1928). Like other large enterprises operating in remote areas, it operated several auxiliary hospitals and a supporting network of polyclinics to benefit all company operations in the whole area (Penris 1930: 19-74). The Deli Planters Association in North Sumatra maintained the largest medical care system in the Outer Islands, with central hospital and research facilities in Medan, and polyclinics on tobacco and rubber estates.

Employers in the Outer Islands could legally compel contract labourers on estates and mines to attend medical services, but in Java employees attended company medical facilities voluntarily (Penris 1930: 8-9). The purpose of the medical facilities of companies was not just to treat injured and sick, but also to improve hygiene practices and reduce occurrence of infectious diseases, and thus increase labour productivity. It is difficult to be specific about the effectiveness of company-provided medical facilities. For example, on agricultural estates in North Sumatra there was just one medical practitioner per 5,900 workers in 1929, although this excludes trained medical support and nursing staff, and annual mortality rates among contract labourers decreased from 11% in 1904 to 7% in 1931 (Van Driel 1931; *Het Vaderland* 4 June 1932).

As almost all company hospitals were located in remote areas without reasonable public medical facilities, they not only provided medical services to employees and their families, but also to the population in the vicinity as a social service (De Moor 1930: 190-

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<sup>11</sup> In the Java sugar industry, in 1929, 41 factories were associated with 8 central hospitals, 16 had 12 auxiliary hospitals, 8 had clinics, 60 had polyclinics, and 85 subsidised other medical facilities where their workers and family members could be treated (Penris 1948: 1439 and 1445).



191; Penris 1948: 1441-1443). The government expected firms in Java to provide medical care as a 'moral obligation' (*Bataviaasch Nieuwsblad*, 29 November 1928). The local population was generally also included in hygiene measures, such as malaria and plague eradication campaigns organised by estates.

During the crisis of the 1930s, several firms had to close medical facilities. Many hospitals in remote areas were destroyed during the war of independence in the 1940s. Reconstruction and the re-hiring of medical personnel often had to wait until estate or mine managers returned. In the 1950s it became increasingly difficult for firms to sustain medical facilities, because expatriate doctors and nurses either opted for repatriation, or faced difficulties getting re-entry permits at a time when few local replacements were available (*Java Bode*, 27 January 1955). Nevertheless, the largest private oil companies and plantation companies tended to have medical facilities that operated with full-time medical personnel, clinics for out-patients, hospitals, emergency wards, isolation wards and nurses training programs by the late-1950s (Wit *et al.* 1961: 14). By contrast, foreign-owned plants that had been taken over by workers and the local military, were not able to recuperate their facilities.<sup>12</sup>

An ILO survey in 1951-52 showed that of a total of 1,364 firms with 354,000 employees, 58% provided medical examinations of workers, 62% provided treatment, and 52% hospitalisation facilities (Van Hoey 1953: 62-71). And in 1953-54 the ILO found that 16% of the largest 1,065 manufacturing and mining ventures (with 77% of all employees in the formal sector) had medical services at the plant, including nurses, part-time doctors, hospitals and clinics (Thiis-Evensen 1954: 20-21). In 50% of these firms (with 16% of employment) medical facilities were provided outside the plant, while 33% of firms (with 7% of employment) did not provide medical facilities. Agricultural estates with long-established medical facilities were not included in the survey. The survey noted a great discrepancy in medical care and health facilities between large and small plants and found that good industrial hygiene conditions were generally only at large foreign-owned companies (Wit *et al.* 1961: 54-55). For example, companies operating in remote areas such as American oil companies *Stanvac* and *Caltex* (Higgins 1957: 81-82; *De Nieuwsgier*, 14 December 1953). Following the nationalisation of Dutch-owned enterprises in 1957-58, medical facilities deteriorated due to the increasing employment of unqualified staff and neglect of facilities.<sup>13</sup>

## ***Housing***

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<sup>12</sup> *Java Bode* (24 January 1952) contrasts the cases of foreign-owned oil companies *BPM-Shell*, *Stanvac* and *Caltex* in South Sumatra, with the semi-nationalised oil ventures in North Sumatra (Aceh).

<sup>13</sup> De Reus (1963). See e.g. an interview with a repatriated company hospital doctor (*Nieuwsblad van het Noorden*, 25 February 1958).

A further concern for both employers and employees was housing, especially in remote parts of the country. In Java, the government expected agricultural estates to recruit employees from the population in the vicinity, who lived in their own houses. In practice, however, estates and sugar factories recruited migrant workers that did not live in the region, and for whom estates and sugar factories provided basic accommodation on company land. Regular workers in supervisory positions would often live in detached housing, while migrant workers for the harvest or planting seasons would have shared housing.<sup>14</sup>

In the Outer Islands, mining and agricultural ventures initially relied on male Chinese contract labour. The coolie ordinances required companies to provide basic housing. In the late-19<sup>th</sup> century this often took the form of large dormitories (*pondok*) made of wood and bamboo. Such facilities at a West Sumatra coal mine housed 100-120 workers each (Houben and Lindblad 1999: 188-189). Bathrooms and kitchens were in separate outhouses. After 1904, married coolies and spouses lived in a subdivided dormitory, or in detached houses on company land. In 1926 individual family housing became a requirement for married labourers with 5 year of service.

These facilities were gradually improved, following inspections by the Labour Inspectorate, as well as outcomes of medical and hygiene research, and company decisions to reserve funds for this purpose. For example, without legal obligation the *Deli Maatschappij* in 1906 extended the provision of company housing facilities to non-contract labour migrants and their families (*Het Vaderland*, 4 June 1932). By the 1910s, improved dormitories were constructed with brick and wood. The sugar industry in Banyumas (Central Java) provided company housing for all workers and their families, with a pumped and piped supply of potable water, bathrooms, toilets, sanitation and drainage, and such improvements were also extended to non-company houses in nearby villages (Kievits 1921: 289-290). Similar facilities existed in other sugar areas in Java (Van der Mandere 1928: 133-134).

By that time companies also started to provide individual housing on company land to supervisory staff and their families, arranged as villages and organised as village communities. The creation of such company villages followed developments in Java, where companies in remote areas had from the outset arranged company housing for employees (not migrant workers) as villages (*kampong*). For example, the large Jatiroto sugar factory constructed 25 such villages with housing and amenities for workers, and it made further improvements to the cooking and sanitary facilities of houses and villages in following years (Penris 1948: 1440, 1443-1444). In its oil concession in South Sumatra, oil company *BPM* likewise built a village for workers in 1911 (Heijting 1925:

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<sup>14</sup> There are many discussions of company housing provided in different parts of Indonesia. E.g. Knight (2013: 74 and 175), Penris (1930: 84-94), Snijders (1921), Heijting (1925: 60-62), Tichelaar (1926: 200-202), Hoedt (1930: 113-117), *Soerabaijasch Handelsblad* (6 February 1930, 1-2 July 1930, 28 December 1940).

108). Some companies established agricultural estates with whole villages with the intention of encouraging non-contract migration from Java and colonisation of vacant land. The ultimate purpose was to create a local supply of labour, because there was no local population to attract employees from.

It is not possible to generalise the extent to which all companies provided company housing. As an example, tea estate Pasir Nangka in Priangan (Java) had 1,100 company houses that were destroyed during the revolution and that had to be rebuilt in 1948 before tea production could resume (*Het Dagblad*, 27 September 1948). This estate operated 5,000 ha. Knowing that the total area planted with tea in Java was 180,000 ha, the number of company houses provided by just the tea industry in Java may have been 40,000.

During the 1950s, recovery of company housing was difficult. Companies with military protection, such as *Caltex* and *Stanvac* in South Sumatra, were able to build houses for most employees.<sup>15</sup> In other cases of large companies, management and other regular employees were provided with housing. But where housing facilities for labourers were insufficient, non-housed workers received allowance to rent accommodation in neighbouring villages (Wit *et al.* 1961: 56).

### ***Village amenities***

As mentioned, companies in the Outer Islands did not just provide housing to their workers, but also a range of village amenities, even though such was not specified in the coolie ordinances. Companies providing housing in Java did the same. One reason to provide such amenities was self-interest, as improper sanitation increased the prevalence of disease and therefore worker absenteeism. But humanitarian concern about living conditions was also part of it.

Some measures flowed on from medical and housing amenities that companies provided. For example, enterprises with hospitals would also run their own preventative sanitation programs to purify drinking water, arrange the supply of clean bathing water, proper sewage disposal, and spraying against malaria.<sup>16</sup> In 1905, the *Deli Maatschappij* invested in the construction of a 38 km water mains to deliver potable spring water to tobacco plantations in North Sumatra, which also benefited water supply in Medan city (Ochsendorf 2018: 69-90).

Firms providing company housing by creating villages realised that just housing was not sufficient. Besides supplies of drinking and bathing water, waste water drainage, sanitation facilities and sewage disposal, garbage collection, village roads, and electricity

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<sup>15</sup> Higgins (1957: 83-90) noted that *Stanvac* could only house 2,500 of 9,800 employees. *Caltex* housed all its employees (*De Nieuwsgier*, 14 December 1953).

<sup>16</sup> Jacometti (1925) explains how water supply benefited workers on agricultural estates and neighbouring villages.

for lighting, they also created village facilities such as a telephone connections, market places (*pasar*), hygienic slaughter houses, places of worship (*musholla*, sometimes a mosque) and Muslim burial, and facilities for entertainment such as parks, cinemas, stages for wayang and gamelan performances, and football fields (Penris 1930: 84-95).<sup>17</sup> It is not possible to generalise these commitments, as their establishment tended to depend on the non-availability of public facilities and on the importance that company management attached to these amenities.

As mentioned, improved company housing sometimes spilled over to local communities in Banyumas. This happened elsewhere as well. Either because the local community could practically not be excluded, and/or because estates and their companies considered it to be part of their mandate to provide amenities to villages in the vicinity. In particular, anti-malaria campaigns and pest and plague control measures in company villages necessarily had to involve villages in the vicinity of companies to be effective (Penris 1948: 1443-1444). Banyumas sugar factories also invested in improvement of water supply and stormwater and swamp drainage on both factory land and farm land in the surrounding villages (Kievits 1921: 290).

The provision of these amenities carried over into the 1950s, although – just like company housing – many enterprise villages and their amenities had been subject to neglect, destruction and robberies by revolutionary and criminal gangs during the 1940s, which continued into the 1950s. Recovery was incomplete. During collective bargaining about labour conditions with the largest firms, trade unions frequently raised issues of housing and electric lighting in company villages. The largest firms generally invested in the establishment of such facilities and other amenities (Wit *et al.* 1961: 56).

### ***Education for children***

Primary education was not compulsory in Indonesia until 1950. Where feasible, the colonial government supported the establishment of basic vernacular village schools, and the brightest students could be sent for European-style education in the Dutch language formal education system. There was no obligation on companies to provide education facilities for the children of workers and employees, but many did, especially companies with operations in distant regions.<sup>18</sup>

For example, the *Koloniale Bank* paid for the construction of a school and the salary of teaching staff at its sugar factory Maron (East Java) in 1906. The school was first for children of workers, later also for children in the vicinity. The bank repeated this

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<sup>17</sup> Hoedt (1930: 117) mentions that such facilities existed at almost all enterprises in South Sumatra. *Het Vaderland* (4 June 1932) noted that they also existed throughout East Java. Heijting (1925: 100-102) gives an overview of companies with entertainment facilities for workers.

<sup>18</sup> There are ample descriptions of company schools, but no aggregated statistics, unless collated by a local industry association. *E.g.* Heijting (1925: 103-104); Hoedt (1930: 118); *Sumatra Post* (13 August 1919, 3 June 1926; 9 February 1928); *De Indische Courant* (15 March 1923, 25 May 1934).

initiative with schools at seven of its other sugar factories (OMW 1914: 5-6). Also in 1906, companies in North Sumatra maintained 28 schools for the children of workers, and there were companies elsewhere that did the same (Heijting 1925: 103-104). Sugar factories in Banyumas also provided village school education to workers and to people in the vicinity, while one factory had a school for European-style primary education (Kievits 1921: 289-290).

Like village schools, company schools had difficulties retaining students at school. The main reasons appears to have been indifference among parents and the fact that children performed household duties. By the 1920s, child labour hardly existed at large, formal companies, although it was still rife in the informal sector. Industry associations had banned child labour, sometimes well ahead of the 1925 government ordinance prohibiting it.<sup>19</sup>

Low school attendance was a concern for companies in sparsely populated North Sumatra that intended to recruit students for further education and training, and ultimately employment on their estates. In 1919 the *Deli Maatschappij* reinvigorated its support for primary schools with the intention of encouraging regular school attendance, starting with schools at the large Senembah estate, which provided general education and basic agricultural education (*Sumatra Post*, 8 December 1936). As there was little public primary education in the region, the government offered to subsidise half the cost of operating these primary company schools, in return for supervision and quality assurance by the local government school inspector (*Sumatra Post*, 13 August 1919).

School attendance increased on estates of members of the Deli Planters Association in North Sumatra to 2,500 students in 1923 (*Bataviaasch Nieuwsblad*, 16 May 1924), 3,514 students at 71 schools, using 115 company libraries in 1926 (*Sumatra Post*, 3 June 1927)<sup>20</sup>, and 4,843 students in 74 schools in 1928 (*Sumatra Post*, 11 June 1929). In 1928, the association also supported teacher training courses for trainee teachers at company schools. However, the problem of parents not persisting with sending children to school continued. Only about 7% of all children of workers on estates attended school.<sup>21</sup> But this attendance rate was higher than the about 2% of all children throughout the Outer Islands.

Like polyclinics, housing and village amenities, company schools were among the first amenities that companies had to reconstruct after they re-occupied estates in the late 1940s and 1950s (*De Locomotief*, 7 April 1948; *De Preangerbode*, 25 August 1950, 19 March 1952). The purpose was to encourage the return of workers to estates in remote and unsafe areas. Public school attendance increased quickly during the 1950s, but large

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<sup>19</sup> For example, the Java Sugar Employers Association banned employment of children under 12 years in 1924 (Levert 1934: 193).

<sup>20</sup> The education inspector counted 4,966 children in company schools in all of North Sumatra in 1926 (*Sumatra Post*, 9 February 1928).

<sup>21</sup> Ochsendorf (2015) mentions that 3,300 of a total of 50,000 children of workers on the estates of the *Deli Maatschappij* attended the primary schools of the company.

companies in distant areas continued the practice of providing company schools for children of workers and children of villages in the vicinity. For example, the *BPM-Shell* oil plant in South Sumatra, offered primary education facilities for 4,600 children in 1952 (*Java Bode*, 24 January 1952).

Lastly, many companies donated funds to families for funeral costs and support for widows and orphans for up to a year after the death of a worker. This happened both before World War II and during the 1950s (Levert 1934: 339; Wit *et al.* 1961: 74).

### ***Education and training for workers***

Although not legally obliged, many large companies or associations of companies provided education to workers in the absence of relevant public education facilities. These were not just opportunities for on-the-job learning and occasional skills training, but also fulltime courses (*bedrijfsscholen, sekolah perusahaan*) that took at least one year to complete. The sugar industry in Java had a range of staff training programs since the late 1880s (Knight 2013: 82-86). Since 1926, the large *Deli Maatschappij* established a technical high school at its Belawan estate for the purpose of training technicians (*tukang*) with an all-expenses paid two-year course, in return for a three-year contract for graduates to work on the estates of the company (*Nieuws van den Dag voor Nederlandsch-Indië*, 20 September 1926; *Sumatra Post*, 11 May 1931). But before World War II most company and industry-specific training and education took place on-the-job.

In 1950s, it became more urgent for companies to formalise the training and education they offered, because the repatriation of foreign workers and the increasing transience of skilled Indonesian employees caused a shortage of skilled and qualified employees. The numbers of graduates from commercial or vocational schools increased during the 1950s, but many students still required specialised training before being job-ready.

Especially companies in expanding industries had to provide such education. For example, oil company *BPM-Shell* established a school for technical training in 1950 (*Nieuwe Courant* 2 November 1950; Lindblad 2008: 162-163). It also offered a variety of other education opportunities (*Java Bode*, 24 January 1952), as well as scholarships for employees to study elsewhere and overseas (*De Preangerbode*, 27 September 1957). *Stanvac* did the same (Higgins 1957: 70-80). *Caltex* offered courses in English, administration and typewriting at its expanding company school, as well as education opportunities for supervisory personnel (*De Nieuwsgier*, 14 December 1953). Companies in established industries did the same. For example, printing company *Kolff* had a one-year company course in graphic techniques (*Java Bode*, 11 July 1951). *Borsumij* and *Bank Negara* collaborated to offer a two-year program in commerce (*Java Bode*, 3 June 1952). Nevertheless, a 1956 survey found that of the 2,101 medium-large firms surveyed,

just 10% had a training facilities; from on-the-job training to fulltime school attendance at different levels (DTK 1958: 18-19).

A major problem with the indigenisation of the workforce on large companies by providing training and education was that employees who had completed courses and acquired qualifications would often leave for better paying or more prestigious positions, particularly in the public service (Sinninghe Damsté 1952: 259 Lindblad 2008: 167). Consequently, many companies were reluctant to invest in training and education as companies poached each other's employees, while others were actively engaged in it and also offered better employment conditions to retain graduates. Given the growing shortages of skilled personnel and open discrimination against ethnic Eurasians and Chinese in public service positions, many foreign-owned companies increased their indigenisation rate by employing more Eurasians who had taken out Indonesian citizenship in mid-level and senior management positions (Van der Veur 1961: 49-50, 54), or promoting mid-level employees, generally ethnic Chinese, to senior management positions (White 2012: 1294).

In 1957 all Dutch-owned companies were occupied by labour unions with the support of the local military. And in 1958 they were nationalised. In addition, ethnic Chinese business operations were banned from rural areas of Indonesia in 1959. Cooperatives were expected to take over their role. Repatriations of Dutch nationals and of ethnic Chinese increased the urgency of indigenising supervisory and management personnel and for firms to establish training facilities. Only in plantation agriculture no less than 2,300 managers on 400 Dutch estates had to be replaced during 1957-58 (Hawkins 1971: 225).

### ***Pension funds***

Until the 1930s, companies were not legally obliged to provide insurance for old age, sickness, disability, death and/or unemployment. Although labour unions included some or all of those in their enterprise bargaining claims, it remained up to individual firms to provide them. Many companies provided pensions to their senior and supervisory personnel, depending on years of service. Some also had arrangements for ordinary workers. The retirement age in Indonesia was generally 55.

In the early 1920s more large agricultural enterprises in Sumatra started to pay pensions to labourers with a minimum number of years of service: 15 or 25 years (Heijting 1925: 97-100). Depending on years worked, retirees received a specified amount per month, or a lump sum if they retired by returning to China or Java (Houben and Lindblad 1999: 134).

Companies maintained pension arrangements with very different specifications. Large firms offered good pension schemes (Ingleson 2014: 66, 81), as did state-owned enterprises such as the railways that matched public service pension entitlements

(Ingleson 2014: 155-156). Smaller firms generally did not offer their employees pensions. Medium-sized firms in specific industries, and/or organised in large industry associations would pool pension arrangements in order to save on overhead costs and maximise the returns from investments, inviting association members to join on behalf of their employees. For example, the Association of Employers in the Java Sugar Industry established a joint pension fund for the employees of its members in 1927 to minimise significant variations in pension schemes across members (Levert 1934: 257-260). The scheme was not just open for continuing employees, but also for day labourers if they were team supervisors, and day labourers who had worked for a company for a minimum of 30 years.

Pension arrangements either took the form of a growing pool of premiums paid by companies, which was managed on behalf of workers, or they took the form of companies paying pensions in return for reduced labour services, and/or after retirement. Pension arrangements generally were not restricted to European employees, employees of other ethnic backgrounds participated as well (Hoedt 1930: 118-119). But payment of pensions was generally dependent on the existence of a civil registration system in the area for firms to be able to verify the identity of pensioners.

During 1933-1938 the government prepared a pension ordinance (*Pensioen-ordonnantie*), which would have made it compulsory for companies to establish and pay into pension funds on behalf of their employees. A final report was submitted in 1938, but the plan did not come to fruition. Consequently, the myriad of company pension funds continued to grow (*De Telegraaf*, 4 June 1938). The only significant change was the establishment in 1941 of a government-run General Pension Fund for Trade and Industry (*Algemeen Pensioenfonds van Handel en Industrie*) for medium and higher level personnel (*Bataviaasche Courant* 29 October 1941). Without regard of ethnicity, any employee who was not yet contributing to an existing pension fund could buy a policy. The fund did not require employers to contribute.

This situation continued into the 1950s, with many individual companies establishing new company-based pension funds (Wit *et al.* 1961: 73-74). However, as a consequence of minimal government supervision of pension funds, newspaper reports about malversations with pension funds seem to have increased. Generally only large companies continued to provide relatively generous pensions (Tedjasukmana 1961: 497).

Already before World War II, some companies paid invalid pensions, and support for widows and orphans support, although there was no legal obligations. Generally such payments were made after accidents and on a casual basis, depending on merits of the case. Labour unions were active in establishing mutual funds for death benefits or pensions, with or without the cooperation and payments of employers (Ingleson 2014: 174-176). Increasingly, unions claimed for death, invalidity, unemployment and pension benefits to be included in collective bargaining rounds with employers (Ingleson 2014: 250-251). Such benefits were not a standard part of labour conditions until the unions of



European employees insisted that companies pay it after 1949 (e.g. *Nieuwsblad voor Sumatra*, 24 April 1950; *Nieuwe Courant*, 16 February 1951).

### ***Disability insurance***

By the early 1920s, several firms in the Outer Islands provided disability insurance, which covered the incomes of employees during illness and recuperation from injury, even though this was not required by law (Heijting 1925: 97-99). In Java the members of the Association of Employers in the Sugar Industry paid disability pensions for physical or mental incapacity after injury, although until 1927 it was not standardised across member companies and the disability pension only applied to employees with a minimum of 20 years with company (Levert 1934: 257-258). The pension depended on a minimum number of years of employment with the same company. In 1927 41% of people on a disability pension had been employed at sugar companies for less than 20 years of service, because payments were at the discretion of their company.

During 1929-1930, the *Volksraad* discussed accident insurance legislation in 1929-1930, based on investigations by Labour Office. This initial discussion produced a draft law (Kantoor van Arbeid 1930). But introduction was postponed due to the crisis of the early 1930s (Penris 1939). In 1936, the colonial government re-considered legislation for a compulsory accident insurance, and OBI collected data on accidents and on companies that had taken out insurance to cover their accident liabilities. This development contributed to the introduction of a government Accidents Regulation (*Ongevallenregeling*) in May 1939, to finally implement the ILO's international convention of Workmen's Compensation of 1925. The regulation included payment of benefits to workers for injuries sustained at work. It became active in 1940, and was the first compulsory type of social insurance.

The Industrial Accident Law, Law No.33 of 1947, and Law No.2 of 1951 required companies to pay compensation in case of industrial accidents in certain dangerous industries. This insurance covered injuries and industrial diseases, as well as the cost of transportation to home or hospital, medical care and medicines, funeral allowances, survivor and temporary/partially or permanent/fully disability allowances and cash allowances depending on severity of accident (Thiis-Evensen 1954: 2-3).

### ***Health insurance***

Many companies had implicit health insurance, because they allowed time off with pay and medical care when regular employees were injured or sick. Employees on casual and daily contracts were often only entitled to medical care, not continued pay. Nevertheless, just like pensions, such health insurance remained at the discretion of companies. Several companies took out health insurance on behalf of their employees, or individual

employees took out insurance for medical costs and income support by themselves (Winckel 1933).

The coolie ordinances in the Outer Islands required employers to provide income support to contract workers who were temporarily deprived of income (*onderstandsregelingen*) (Houben and Lindblad 1999: 134). Employers were also obliged under to support families of workers who were hospitalised. Payment depended on the number of children in household. For example, rubber estates IN North Sumatra that were members of the AVROS industry association gave pregnant female employees rice for 2 months before and after delivery, and by 1925 all employers had similar arrangements.

Despite the relevant ILO conventions of 1927 and 1936, Indonesia did not have a compulsory health insurance for workers, (Thiis-Evensen 1954: 5). Arrangements were at the discretion of employers and remained so into the 1950s. A 1951-52 survey found that just 38 out of 1,300 surveyed companies had a health insurance scheme (Wit *et al.* 1961: 74-76). During the 1950s, labour unions added employer-provided health insurance to their collective bargaining claims, but it is not clear to what extent this was successful.

Given that such claims for health insurance by labour unions only covered large-scale industries, the low overall coverage caused the government to consider ways to increase health insurance coverage. The Ministry of Labour experimented with providing subsidies to existing private health funds and clinics in major cities (Bandung, Yogyakarta, Palembang, Tegal and Jakarta) to encourage them to take on more policy holders. The Ministry also offered supervision and guidance. In 1957, the government trialled the Workers Social Security Foundation (*Yayasan Jaminan Sosial Buruh*). The foundation paid benefits in case of sickness, pregnancy, confinement, death, accidents, old age and other social security plans, on the basis of contributions from employers and employees and subsidies from the Ministry of Labour (Craig 1958). However, the trial was not scaled up and accelerating inflation soon eroded the funds with which the Foundation had to work.

### ***Unemployment benefits***

There were no government-provided unemployment benefits in Indonesia. In the early 1930s, unemployment increased quickly when the global economic crisis hit Indonesia hard. Employers did not consider it their task to care for the unemployed and their families. Such care depended on local private organisations of volunteers and occasional donations from the public. These local private organisations joined to form a national Central Support Committee (*Centraal Steuncomite*). However, companies and business associations such as OBI did make large donations to the Committee, which also raised funds in other ways, such as lotteries, fancy fairs etc. It distributed funds to local organisations, which also raised funds locally, and organised financial support for the

unemployed, in principle regardless of ethnicity (*Sumatra Post*, 20 March 1935; Cool 1938; Ingleson 2015).

During 1933-1935 company incomes and company donations to the Committee decreased at a time when unemployment increased further. Only in 1935 did the government include a modest amount for unemployment support in its supplementary budget (*Bataviaasch Nieuwsblad*, 8 June 1935). But that year the economy started to recover and unemployment decreased. After World War II, the same arrangements remained in place during the 1950s, with private companies on occasion making donations to regional organisations that supported the unemployed (Craig 1958).

### ***Collective enterprise bargaining***

Not quite an amenity benefiting workers directly, but some companies accepted enterprise bargaining with union representatives, which they were not required to do by law. The collective agreements created stability of wage income and a degree of employment certainty by defining labour conditions and non-wage benefits. During the 1930s, unions tried to persuade most large companies to agree to enterprise bargaining and undertook industrial action to achieve this (Ingleson 2014: 272). Many companies refused, but others – such as interisland shipping company KPM – agreed in 1938 (Ingleson 2014: 300). In 1940, the tripartite Commission for Labour Affairs was given legal powers to force employers to engage in enterprise bargaining.

This situation continued until Law No.21 of 1954 made collective agreements between labour unions and employers compulsory, and required individual labour contracts to include the outcomes of collective bargaining as a minimum of employment conditions (Tedjasukmana 1961: 264-279). This requirement should have mitigated industrial action, together with a ban by law on strike action in ‘vital’ sectors in 1951 (Tedjasukmana 1961: 279-313, 405-408), regulation of strikes (Wit 1961: 62-64), and compulsory mediation by regional and central tripartite Labour Dispute Committees (*Panitia Penyelesaian Perselisihan Perburuhan Pusat/Daerah*) that had been introduced by the 1951 Emergency Law on the settlement of labour disputes (*De Nieuwe Courant*, 20 and 21 September 1951). Nevertheless, labour militancy increased significantly during the 1950s until the military authorities that took over the management of the nationalised assets of foreign companies banned strikes entirely in 1958 (Tedjasukmana 1961: 198-205, 225-226, 230, 234, 404-409; Hawkins 1959: 156-159; Hawkins 1971: 201-215).

### ***Other benefits***

Individual companies provided a range of other benefits. Some to local communities, such as contributions to the health and quality of livestock through donations of thoroughbred buffaloes and cows, or supplies of superior seed supplies and support for

agricultural extension efforts to improve productivity in local farm agriculture. Other activities were initially focused on their workers, but spilled over to villages and communities in the vicinity. A common amenity during periods of high food prices was the procurement of food products, particularly rice, and their distribution at below-market prices to workers and local communities. Food supply was not a legal requirement to be included in labour contracts according to coolie ordinances in the Outer Islands (Heijting 1925: 92-97). Nevertheless, agricultural estates and mines purchased and distributed subsidised food to workers.

Sugar factories in Java purchased rice and supplied it below cost, especially during rice shortage years 1919-1922 (Levert 1934: 255). For example, in Banyumas, some sugar factories sought to prevent usury in neighbouring villages by buying and storing paddy during main season, and selling it to workers and villagers at below-market prices during the lean months (Kievits 1921: 290). Some companies also sold other goods, such as textiles, earthenware and lamps that they purchased from wholesalers in bulk and sold at below-market prices in factory shops. Other companies in Java topped up salaries with food allowances to employees (Ingleson 2014: 66).

In the 1950s, companies resumed the distribution of foods to their workers, particularly at state-owned enterprises in crucial industries, in order to augment cash salaries of workers with payments in kind. Several companies employed a commissary to provide basic food packages and other goods, some imported, to workers (Wit *et al.* 1956: 56).

#### **4. Conclusion**

Section 2 clarified that rudimentary perceptions of CSR existed among foreign companies operating in Indonesia from the first decades of the 20<sup>th</sup> century onwards. The *Koloniale Bank* experimented with forms of CSR during 1905-1911, an example that other foreign firms appear to have followed since the 1910s. However, there are few indications of the motivations of foreign firms and their managers in Indonesia to engage in CSR. Practical reasons and humanitarian concerns may have been predominant. Owners or managers of firms engaged in CSR activities because they considered them to be in the interest of both companies and stakeholders, particularly employees and communities living in the vicinity of company estates and plantations.

This paper defined CSR as any actions by a private company that create social good beyond legal obligations and that benefit a company's stakeholders. As social legislation was long relatively minimal in Indonesia and supplies of public goods constrained by public funds, companies internalised the supply of a wide range of social benefits and amenities to workers and local communities. By definition, many of these have to be regarded as CSR: company housing and health care facilities, village

amenities, education for children and workers, age and disability pensions, health insurance, donations to funds supporting the unemployed, provisions of below-cost food.

Provision of such benefits started in the 1900s and continued into the 1950s. However, there are few aggregated statistics that allow us to indicate conclusively the extent to which foreign-owned companies provided them. Not all foreign-owned firms arranged for such benefits and amenities, as there was generally no legal obligation on them to do so. Particularly large firms located in rural areas provided them, smaller firms in urban areas with public facilities are not likely to have provided them.

It remains difficult to say to what extent other firms in Indonesia duplicated these quasi-CSR practices. Starting in 1958, most foreign firms were nationalised and converted to state-owned enterprises. In principle that ended company commitments to these practices, which are by definition associated with private enterprise. Nevertheless, clause 18 in the 1960 Government Regulation 19/1960 on state enterprises decreed that these companies use 55% of their profits for a ‘general development fund’ and 45% for ‘social and education activities, production services, pension fund contributions, and compensation and contributions’ (Kemenkeu 1960). The development fund was specified as ‘an obligatory contribution to the State for development purposes organised by the government’, which is not CSR in a strict sense. And the social and education activities were expected to be ‘for the benefit of company employees/workers, among others to improve the quality of health and skills’, while production services were ‘to reward employees/workers because their work is highly valued by consumers’. To the extent that the state enterprises generated profits, they may to a degree have continued providing the benefits that their preceding privately-owned companies offered stakeholders. But it is more likely that reduced profitability and increased dependence on budgetary subventions impinged on the ability of nationalised firms to sustain this form of CSR. Either way, it is clear that in the 2000s CSR may have been new to Indonesia as a concept, but it was hardly new as a management practice.

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