



## Financial Reporting Classism Based on Karl Marx's Theory of Classes

Bernadetha Athalia dan Tjiptohadi Sawarjuwono

Airlangga University

b.athaliaaa@gmail.com

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### Informasi Artikel

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### Kata kunci:

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Teori Kelas  
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Proletariat  
Analisis Narasi

### Abstrak

Penelitian ini bertujuan untuk mengklasifikasikan laporan tahunan perusahaan ke dalam kelas-kelas berdasarkan Teori Kelas dan untuk menganalisis perilaku klasisme melalui analisis naratif. Kepentingan yang berbeda antar pengguna laporan tahunan perusahaan membuat praktek klasisme terlihat dengan adanya dua kelompok berdasarkan Teori Kelas, yaitu borjuasi dan proletariat. Metode analisis naratif digunakan untuk mengungkapkan makna yang tersembunyi di balik beberapa kalimat dalam laporan tahunan. Hasil penelitian ini menunjukkan bahwa laporan tahunan Telkom dan PGN memberikan informasi lebih banyak kepada para pemegang saham dan pemerintah, artinya laporan tahunan tersebut merefleksikan kelas borjuis. Hal ini ditunjukkan dengan adanya banyak kalimat persuasif dalam laporan tahunan mereka yang bertujuan untuk mendapatkan legitimasi dari pemegang saham. Namun, Telkom dan PGN tidak memberikan informasi rinci kepada karyawannya, yang merupakan kelompok kelas proletariat.

### Keywords:

Annual Report  
Theory of Classes  
Bourgeoisie  
Proletariat  
Narrative Analysis

### Abstract

This research aims to classify the companies' annual reports into the classes based on Theory of Classes and to analyze the classism behavior through narrative analysis. The different interests among the readers create a classism practice that can be classified into two classes of readers based on Theory of Classes: Bourgeoisie and Proletariat. Narrative analysis method is used to reveal the hidden meanings behind some sentences in annual reports. This research claims that annual reports of PT Telekomunikasi Indonesia, Tbk (Telkom) and PT Perusahaan Gas Negara, Tbk (PGN) give more information to shareholders and government, it means these annual report reflect bourgeoisie class. They provide so many persuasive sentences in their annual reports in order to get legitimacy from their shareholders, but they do not give detailed information to their employees as a proletariat class.

### 1. Background

Annual report is a formal communication document to inform stakeholders about quantitative and qualitative information about a company's business history, financial status, and its expected plans, in the forms of reports, graphics, narratives, and photographs (Courtis, 1995). Even though the majority of

studies found that annual reports have concentrated on the financial aspects, but the narrative part have important area for research and research (Zanola, 2009).

Annual report itself has some various readers, such as shareholders, managements, employees, clients, prospective investors, financial institutions (ban-

ks and other lending companies), analysts, media and the general public. These various stakeholders obviously have different interests and priorities, especially between shareholders as the capital owners and employees who work under shareholders power. Annual report should not be made only for shareholders, investors, and regulators, but also for other stakeholders in order an enterprise feel responsible to all community where it acts. Stakeholders need informative and truthful accounting data for making right decisions (Rudžionienė, 2006).

In the real word, like what Margolis & Walsh (2003) stated, that the shareholder has primacy over other stakeholders. This different treatment among stakeholders is a type of classism. Brantley et al., (2003) stated that classism is the systematic oppression of subordinated groups (people without endowed or acquired economic power, social influence, and privilege) who work for wages for the dominant group (those who have access to control of the necessary resources by which other people make their living). Classism is not happen only in the real life, but also in the financial reporting practice through annual report, a communication media used by many interested parties to know the company's performance. The various readers of annual report will get the different proportion of related information given to them. Shareholder as the oppressor will get more information than the other stakeholders.

This research replicates the work of Utomo and Chariri (2011), by modifying its theory. The former research used Habermas' Communicative Action Theory as the main theory, whereas this research employed the Karl Marx's theory, namely Theory of Classes. Based on this theory, reader of annual report can be classified into shareholder and government as the bourgeoisie and employee as the proletariat.

This research aims to classify the annual reports into the classes based on Theory of Classes and to analyze the classism behavior through narrative analysis.

## 2. Theoretical Review

### 2.1 Classism based on Theory of Classes by Karl Marx

Pursuant to Marx and Engels (1969:14) stated that the capitalist, who are also called the *bourgeoisie*, are the owners of the means of social production and employers of wage labor, whereas *proletariats* or working classes are said to be the class of modern

wage-laborers who having no means of production of their own.

Classism is not happen only in real life, but also in the annual report as the result of financial reporting practice. Shareholder as the owner probably will get more information than the other stakeholders. Healy and Palepu (2001) strengthen this fact by their statement that shareholders tend to have superior informational advantages compared to other stakeholders, leading to the occurrence of information asymmetry.

### 2.2 Classification of Annual Reports' Readers based on Theory of Classes

This research used Theory of Classes by Karl Marx because classism practice in financial reporting is a reflection of classism practice in the capitalist society. Based on this theory, readers of annual report can be classified into:

#### a. Shareholder and Government as the Bourgeoisie

Based on Karl Marx's theory, bourgeoisie is a person who has the property and the power to exclude others from the property and use it for personal purposes (Rummel, 1977). The ones who have the greatest power in public company are shareholders, because they have money invested in the company. This is the reasons why the company should take them as the first priority and give them more information in annual report.

Money is the source of power. Marx (1959:42) stated through his article, that money is the way to get power.

“By possessing the property of buying everything, by possessing the property of appropriating all objects, money is thus the object of eminent possession. The universality of its property is the omnipotence of its being. It therefore functions as the almighty being. Money is the pimp between man's need and the object, between his life and his means of life...”

The ones who have money would have power. A shareholder owns a share of the organization in which ones has invested. This means the shareholder can have a say in the running of that company.

Bourgeoisie is not only about shareholders, but also the other party that has power, that is govern-

ment. Government as the regulator has the greatest power in Indonesia. In the other words, rules or regulations are the power that becomes the reasons of companies' actions. Moreover, government is the major shareholder in PGN and Telkom that have more money (capital) than the other stakeholders. As the biggest shareholders, government has ability to strengthen their position as the most prioritized ones.

#### b. Employee as the Proletariat

Proletariats nowadays can be seen through employees or workers in each company. They are called as proletariats because they don't have capital, places, and machines as like bourgeoisies have and they don't own independent means of income generation. So that employees get less information than the shareholders. Based on Karl Marx's theory, the reason underlying this fact is the lack of power and money that they have.

### 2.3 Narrative Parts in Annual Report as the Object of Classism

Through the narrative text in annual report, corporation communicates to its stakeholders in qualitative way. Everything that is non numbers and have an interest tendency for both the company and stakeholders can be expressed through the narrative text. That is, financial reporting through narrative parts can be used as a medium communication to earn legitimacy for maintaining social harmony in the society in which company activities take place. Dowling and Pfeffer (1975) stated that through communication, corporation can try to influence norms, values, and beliefs that external stakeholders hold so that the company will exist and survive in a rapidly changing business environment. Case narratives are sensory representations derived from oral, document, or observational sources (including dramaturgical gestures, decor, or architecture). Narrative analysis builds up a general narrative model (or theory) that emerges from story-cases collected in interviews, the fieldwork, or available texts (Boje, 2008).

How and why a company publishes a corporate annual report is influenced by socially acceptable values. Values tend to change, so it's a must for a company to be reactive to change its values for the purpose of signaling that the company's values are in line with socially accepted values. Besides, these values can be influenced also by particular stakeholders who are more important for company than the other

stakeholders. Consequently, narrative texts are increasingly used in annual reports to support a view that an organization actively seeks legitimacy from particular stakeholder. This is the point where company can influence the readers by words, and it can end up with classism behavior.

### 3. Research Method

Classism in financial reporting can be seen by classifying the annual reports' reader into classes based on Theory of Classes, bourgeoisie and proletariat as shown on Figure 1. This classification answers the first problem statement to know how to classify the companies' annual reports into the classes based on Theory of Classes.

Then, how to analyze the classism behavior through narrative analysis, as the second problem statement, it is needed to analyze some sentences in annual reports. The objects of this research are PT Telekomunikasi Indonesia, Tbk and PT Perusahaan Gas Negara Tbk Annual Report. The data taken from annual report 2012. Narrative analysis method will be used to reveal the hidden meanings behind those sentences.

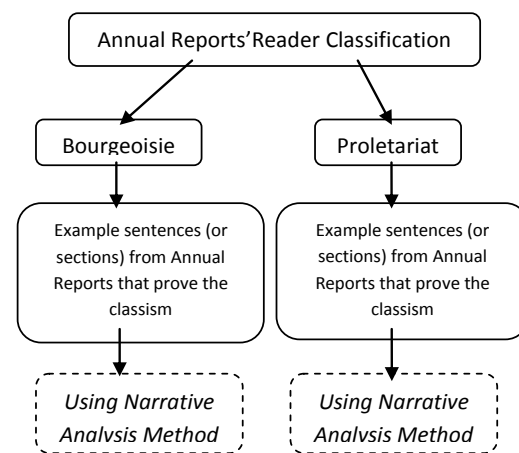


Figure 1. Classism in Financial Reporting

### 4. Results

#### 4.1 Shareholder and Government as the Bourgeoisie

Shareholders are classified into bourgeoisie class because they have money invested in the company and they have power to run the business. These are the reasons why the company takes them as the first priority and give them more information in annual report. Telkom and PGN on their annual report stated as follow:

“...The Government has a controlling stake of 53.9% of our issued and outstanding shares of common stock and the ability to determine the outcome of all actions requiring the approval of the shareholders...” (Telkom’s Annual Report, 2012:63).

“Percentage of the total number of shares issued and fully paid is 24,241,508,196 shares. The Republic of Indonesia is the majority shareholders owns 56.94% of share of PGAS and one share series A Dwiwarna which has special voting rights.” (PGN’s Annual Report, 2012:87).

As the biggest shareholders, government has ability to strengthen their position as the most prioritized ones. The domination of bourgeoisie could be seen in these annual reports:

#### 1. PT Telekomunikasi Indonesia, Tbk (Telkom)

##### a. Highlights

Highlights consists of the most important and interesting information that was summarized into some pages only. Event highlights in January, May, June, and September indicates the efforts of Telkom to strengthen its relationship with government. By showing off some programs incorporate with Indonesian government, Telkom lets people know about its concern to Indonesia, so that Telkom could get more legitimacy from stakeholders, especially from government.

*January.* “Telkom is again entrusted by the Ministry of Defense as a provider of Information and Communications Technology (ICT) services, particularly in satellite transponder cooperation and data communication network for government agency accounting system (Jarkomta SAI).”

*June.* “To support the growth of the digital creative industry in Indonesia, Telkom signs an Agreement of Cooperation for Business Development and Incubation in the area of ICT, participated by 18 communities and software developers that are members of Bandung Digital Valley.” (Telkom’s Annual Report, 2012:24-25).

Telkom has built a closer relationship with government through the above projects that have the objective to develop Indonesian Information and Communications Technology. Beside its role as the regulator, government is the biggest shareholder in Telkom. As the biggest shareholder, government gets more priority from Telkom.

The close relationship between Telkom and government can be seen in Telkom’s project at August to serve the President of Indonesia. By exploring this ‘achievement’, Telkom tries to serve the interest of government, as the biggest shareholders.

*August.* “Telkom facilitates a Video Conference (Vicon) on August 29, 2012 at the State Palace that lets Indonesian President, Susilo Bambang Yudhoyono have a live dialogue with Liberia President Ellen Johnson and British Prime Minister David Cameron.” (Telkom’s Annual Report, 2012:25).

As the public company, Telkom tries to strengthen its performance through The General Meeting of Shareholders and to broaden its investors by attending the Investment Day held in NYSE Wall Street.

*May.* “The General Meeting of Shareholders of Telkom held on May 11, 2012 among other resolutions approves the new formation of its Boards of Commissioners and Directors.”

*September.* “Telkom Indonesia attended the Investment Day held in New York Stock Exchange (NYSE) Wall Street, New York on September 24, 2012. The event was attended by President Susilo Bambang Yudhoyono which aims to encourage U.S. businesses to invest in Indonesia.” (Telkom’s Annual Report, 2012:24-25).

By exploring these activities in Annual Report, readers will appreciate these ‘achievements’ and Telkom will get more legitimacy from readers, especially from shareholders and investor candidates who have direct interest about this information.

#### b. Management Report

The first sentence in these reports is 'Dear Esteemed Shareholders', which indicates that the report is aimed to the shareholders only, no matter what the contents are about. In this report, Telkom's management tries to disclose its achievements to shareholders to satisfy their interests.

"In 2012, Telkom succeeded in posting satisfactory achievements in terms of efforts to improve business growth as well as financial performance, as compared to previous year. Telkom also has made substantial investments in telecommunications infrastructure, especially in *broadband networks*, and in human capital quality improvement. These are evidence of our consistency in delivering increased value for the benefit of shareholders." (Telkom's Annual Report, 2012:32).

This paragraph accentuates that the achievements of Telkom are aimed to the benefit of shareholders. Another paragraph that reveals how big the power of shareholders is:

"Related to our financials, we would also like to report the completion of our share buy-back program phase IV in 2012, involving 520,355,960 shares worth of Rp3.8 trillion, representing 76% of program target. Through the share buyback program, we aim to increase shareholders' value and utilize the Company's current positive cash flows for future capital funding needs..." (Telkom's Annual Report, 2012:36).

Telkom shows its particular effort to enhance the shareholders' value through the share buy-back program. This sentence indicates how shareholders' hegemony has considerably urged Telkom, which is specifically stated that the increasing value is only dedicated to shareholders, and other stakeholders are only placed as the second priority

Meanwhile, the strong position held by the shareholder will continue in 2013. It is proved by the 'Prospect in 2013' section which mentioned that Telkom will do a particular effort to improve the shareholders' value.

"Telkom is highly optimistic over its busi-

ness prospects... Telkom is also looking to expand its international presence further into certain regions with suitable growth opportunities for our businesses such as in Macau, Taiwan and Myanmar. In addition, we are considering the prospect of delivering increased value to shareholders by unlocking the value of a number of our business units such as our telecomm tower and our international businesses" (Telkom's Annual Report, 2012:39).

#### c. Corporate Governance

Annual reports must include a brief discussion regarding implementation of corporate governance that the company has taken and intends to take in the last financial statement period. Corporate Governance has been implemented under the rule made by National Committee on Governance Policies or *Komite Nasional Kebijakan Governance (KNKG)* and US SEC.

"As Telkom's shares are listed and traded at the BEI as well as NYSE, not only is the implementation of GCG shall conform to stipulations set out in the Law for Limited Liability Company and the Indonesian Code of GCG as published by National Committee on Governance Policies (KNKG) in Indonesia, but the effective practice of GCG shall also conform to the provisions of Sarbanes Oxley Act of 2002 (SOA) and other applicable rules of the US SEC." (Telkom's Annual Report, 2012:121)

The sentence above is a type of Telkom's effort to gain recognition from readers and regulator relating to its competency in implementing GCG. As obeying regulations is an essential part of society's values, Telkom claims that the company has complied with any governing regulations and rules.

#### d. Social and Environmental Responsibility

Telkom's social responsibility and environmental activities conducted during 2012 covered programs in:

"...environment preservation, employment, health and work safety, social and community development including partnerships and economic empowerment, development

of infrastructures and facilities for the community, natural disaster assistance and programs to help the community, as well as programs related to responsibility to consumers.” (Telkom’s Annual Report, 2012:175)

The above statement supports an argument that narrative texts in annual report are intended to gain legitimacy.

Obedience to a specific regulation is highly tendentious for Telkom. As disclosed on page 174, one of the obedience forms is Social and Environmental Responsibility (SER) or Corporate Social Responsibility (CSR) program.

“Article 3 sub-article (1) of Government Regulation No.47/2012 regarding Corporate Social Responsibility and Environment in Limited Liability Company, as the implementing regulation of Law. No. 40 of 2007 regarding Limited Liability Company, stipulates that ‘as referred to Article 2 of the same regulation that Social Corporate Responsibility is obligatory to companies running business in the area of and/or related to natural resources’...” (Telkom’s Annual Report, 2012:174).

This program has been practiced to gain legitimacy and to prove that Telkom has been in congruence with any regulations. It also shows how Telkom portrays its activities for the purpose of maintaining social harmony. As a device to deliver messages of organizational reality, annual report is consequently used to earn legitimacy in the society in which company activities take place (Oliver, 1991 and Parsons, 1956).

#### e. Additional Information (For ADR Shareholders)

All of the information contained in this part was written down for the shareholders only, especially for the foreigner shareholders. As an IDX, NYSE and LSE listed company, Telkom is obligated to inform the shareholders about the significant differences between Indonesian Corporate Governance Practices and the US’s, and about the significant differences between IFAS and IFRS. This section reflects the classism where shareholders get more information than the other stakeholders.

## 2. PT Perusahaan Gas Negara Tbk (PGN)

### a. Highlights

Same as Telkom’s highlights, PGN has Financial Highlights, Operating Highlights, and Stock Highlights. In this section PGN gives some information, especially for shareholders, like ratios and EBITDA margin with attractive graphics. Eye catching graphics will increase the readers’ attention to this important information.

By showing off its ‘achievements’ through this section, PGN tried to get recognition from government, as the powerful party:

“In 2012, PGN executed a cohesive, new growth strategy, aggressively pursuing opportunities along the entire natural gas value chainupstream, midstream, and downstream. It’s already paying dividends to the nation. Our 2012 operational performance is a case in point. Net revenues rose to USD 2.58 billion, a 15.52% increase over that of the previous year. It’s just one of the many ways we support Indonesia’s growing future.”(Telkom’s Annual Report, 2012:8).

“...For local governments, as the owners of exclusive rights to natural gas allocations, PGN is a fitting partner because of its excellent reputation in the gas infrastructure development business. ...The collaboration between PGN and local governments and/or regional enterprises is one result of the synergy program between State-owned enterprises and local governments and/or regional enterprises.”(PGN’s Annual Report, 2012:20)

This statement indicates that PGN tries to get appreciation from shareholders and government due to its role to Indonesia. PGN also emphasizes the other achievements to shareholders in general:

“During 2012, performance of PGN shares (PGAS) exceeded JCI Performance (year on year) up 12.92% while PGAS shares rose 46%. PGAS stock performance has strengthened significantly from Rp3,150 in the beginning of the year to Rp4,600 in the end of 2012, giving a 46% yield to inves-

tors. This condition brought PGAS as one of the blue chip companies who made Top 8 Market Capitalization in IDX and Top 4 Market Capitalization among SOEs with value of Rp 111.5 trillion. Revenues growth exceeded industry growth. PGN recorded revenue growth of 15.52% and an increase in profit of 30.86% compared to 2011. This was primarily due to improved operational performance from PGN's gas transmission and business distribution during the year 2012. A sound that financial performance (net cash position) that provides flexibility for companies to accelerate the development of infrastructure be it pipes, LNGs FSRU or other modes of transportation and to make minority investment in upstream sector, while contributing a healthy dividend to investors." (PGN's Annual Report, 2012:21).

By displaying the statement of some independent institutions (JCI and IDX), PGN tries to establish the legitimacy of its increasing profit in 2012. This legitimacy is important to strengthen the information quality and expected to make the target of communication, in this case is the shareholders, to trust the information provided. The sentence above focuses on the achievements got by PGN in 2012 where PGN shares (PGAS) became one of the blue chip companies who made Top 8 Market Capitalization in IDX and Top 4 Market Capitalization among SOEs. PGN intends to provide interesting information to shareholders so that their relationship is getting closer in line with the increasing trust of shareholder. Stressing out the PGN's achievements strengthens its orientation in shareholders over the other stakeholders.

#### b. Report to Shareholders

Same as Telkom, "Dear Shareholders" becomes the first sentence in this section, means that the report is aimed to the shareholders only. The opening paragraph of Report from the Board of Commissioners is about PGN's accomplishment in reaching its targets.

"Dear Shareholders, The Company passed several important milestones in 2012, delivering on all the key promises we made at

the end of the previous year. We began to deliver gas from Indonesia's first LNG receiving terminal in West Java; we commenced the development of LNG receiving terminal in Lampung, we successfully managed the introduction of a new price that will improve the security of supply in the coming years; and we made some very important investment decisions that will shape the future of our upstream business." (PGN's Annual Report, 2012:37)

The opening paragraph of Report from the Board of Directors also provides some information about its achievements:

"Dear Shareholders, 2012 was a year for us to deliver on our promises. We proved that we have the capability to address domestic supply concerns by delivering our first volumes of LNG and sourcing additional supplies in East Java. We successfully managed the introduction of a new pricing that will balance interests of suppliers, the Company and customers; and we progressed the transformation of our business model by expanding and diversifying our business all along the natural gas value chain." (PGN's Annual Report, 2012:43)

These paragraphs are written down with large font size and affect the shareholders to pay more attention to this part. By describing these achievements, shareholders are expected to provide recognition for the company's performance. This is in accordance with Freeman (1994), who said that company will accommodate the needs and desires of the primary stakeholders, in this case are shareholders. As like what Jensen (2001) said, maximizing shareholder value as the goal of the firm is the means to most efficiently achieve the best outcome for society.

#### c. Good Corporate Governance

It can be seen clearly that the major shareholder of PGN is government. That is the reason why PGN attempts to show off its compliance to standards and regulations by writing its performance about the implementation of Good Corporate Governance. It is proved by the opening paragraph in Good Corporate Governance (GCG) section:

“The implementation of GCG is a reflection of PGNs compliance with Regulation of State Minister of State Owned Enterprises No. PER. 01/MBU/2011 dated 1 August 2011 regarding the Implementation of Good Corporate Governance in State-Owned Enterprises (SOEs).” (PGN’s Annual Report, 2012:169).

The orientation of shareholders is clearly seen by the establishment of the Investor Relations division. The establishment of this special section was to maintain the relationship and communication between the company and its shareholders as stated below:

“Since it was established in 2004, the Investor Relations division has been the bridge between PGN’s management and investors and analysts seeking information about PGN.”(PGN’s Annual Report, 2012: 206).

With a strong relationship and a good communication, the various interests are expected to be accommodated so that the trust to each other can be built. However, the establishment of Investor Relations section is not supported by the establishment of the other stakeholders sections. In the other words, PGN focuses more on shareholders only. Tilt (1994) stated that companies should know how to respond to various interest groups to legitimize the actions of the company. PGN gives more respond to the most important stakeholder, i.e. shareholder.

#### d. Corporate Social and Environmental Responsibility

The relation between PGN and government is getting bigger through Corporate Social Responsibility program, which was operated to demonstrate its compliance to the government as the party who has a great power. It also shows how PGN portrays its activities for the purpose of maintaining social harmony.

“PGN has adopted the definition of Social and Environmental Responsibility (SER) articulated in Article 1 (3) of Law No. 40 of 2007 regarding Limited Liability Companies. In 2012, the implementation of SER was reaffirmed through Government Regulation No. 47/2012, as mandated by

Law No. 40 of 2007.” (PGN’s Annual Report, 2012:238)

The above statement shows that the regulation from government is the main motive for PGN to implement the CSR program. This company is driven by a power in conducting the program, i.e Government Regulation No. 47/2012, as mandated by Law No. 40 of 2007. It is strongly associated with the fact that the majority of PGN shares are held by the government so that this company focuses more on the government’s interests. By having a strong position as well as the regulator, the main shareholder became more and more powerful.

#### 4.2 Employee as the Proletariat

As like what Marx thought, classes in capitalism relate to each other, in other words the bourgeoisie class could not exist without proletariat, or vice versa. Proletariat can work if bourgeoisies open job filed, and bourgeoisies can have profit from the proletariat of their factory. Based on this perspective, proletariats nowadays, although different from shareholders (bourgeoisies)' rights, they also have rights within a company. This fact urges Telkom and PGN to disclose all information about Human Resources. The company wants to tell the society that, through information contained in the report, the company operates in a socially acceptable way. Although Telkom and PGN have already provided some information about human resources, but the information disclosed is not enough. Information given from Telkom and PGN can be seen in these following sub chapters:

- a. PT Telekomunikasi Indonesia, Tbk. (Telkom)
  - i. Business Overview – Human Capital

In this Human Capital section, Telkom explores some information about its human resources through the explanation of:

1. Human resources composition.
2. Human Capital Master Plan.
3. Recruitment.
4. Competency development.
5. Telkom Corporate University.
6. Employee remuneration
7. Employee awards.
8. IT-based HR Service
9. Retirement program.
10. Health service programs.
11. Management of employee relations with management.



12. Extracurricular activities.

13. Cost of education and training.

Telkom has already explained some information to its employees, but still it's not enough. This company does not mention the specific information needed by its employees. In the Human Resource Composition, there is no composition based on employees' gender, contract (permanent or out-source), and division. There are no disclosures about the procedure to do the programs in Employee Remuneration and Health service programs. Information given in these parts are about 'what is' and not about 'how to do it'. In Management of employee relations with management section, Telkom does not give any information about the impacts of its programs to the company. Employees as the part of the company deserve to get more information.

ii. Corporate Governance-Employment, Health and Work Safety

Telkom also has some activities for its employees through 'employment, health and safety work' program, such as:

1. HR Recruitment, Employee Remuneration, Health Care, Retirement Program, Competence Development and their financial impact.
2. Level of employees' turnover.
3. Gender equality and equal employment opportunity.
4. Training on work safety, and Online SMK3 application and online safety care, and their financial impact.

Same like the previous section in Business Overview, information given to the employees is not that much. There's no detail information about the turnover's reasons and no detailed information about the actual condition of gender equality. Instead, Telkom gives too many explorations about its achievement in zero accident awards from the Ministry of Manpower.

b. PT Perusahaan Gas Negara Tbk (PGN)

i. Company Profiles-Human Resources Development

Some information relating to PGN's employees can be found in this section:

1. Number of employees based on education.
2. Training and Education program for sectors of Engineering, Operations and Commercial.
3. Internship and Scholarship Program

4. Scholarship for Master's Program in Overseas Universities

5. SOEs Ambassador 2012

Same like Telkom, PGN does not give enough information to its employees. The complete information is in Training and Education section only. In the employees composition, there is no detailed composition according to employees' gender, contract (permanent or outsource), and division. There are no disclosures about how to apply the internship and scholarship program and SOEs Ambassador. No disclosures also about the financial impact of these programs.

ii. Corporate Social and Environmental Responsibility Labor, Occupational Safety and Health

This part explores about employment practice, occupational safety and health, such as the equality of gender and work opportunity, facilities and safety, employee's turnover rate, work incident rate, training, etc.

a. Opportunities and Equality

1. Industrial Relations.
2. Conducive Work Environment and Good Communication with Employees.
3. Low Employee Turnover.
4. Freedom of Association.
5. Working Hours.
6. Holidays and Leave.
7. Employees' Welfare.
8. Human Rights.
9. Child Labor and Forced Labor.
10. Establishing a Successful Bipartite Cooperation Institution (BCI).
11. Minimizing Disciplinary Violation.

b. Employee Satisfaction Survey.

Information quality to PGN's employees here can be improved by giving more detail and specific information to some sections: (1) In Human Rights section, PGN supports for the establishment of SP-PGN, but there is no information about how to do it and how it affects the company. (2) Bipartite Cooperation Institution (BCI) is established to avoid misunderstandings and to accommodate the desires and aspirations of the Company and the employees. It is a good concept, but PGN does not explore the level of success of the establishment of this body.

The result of this research confirms the previous research conducted by Utomo and Chariri (2011) who found that PGN and Antam generally

discriminate their stakeholders. They prefer to prioritize shareholders' concerns. Based on Habermas' Communication Action theory, the annual reports of Antam and PGN are the steering media for the companies. In steering media, money and power have an important role in running the business. By doing so, these companies actively seek reporting strategies to gain legitimacy from their shareholders

#### 4.3 Information Disclosure Needed by Employees

Although Telkom and PGN have already written down some contents about human resources, but the information disclosed is not enough. This is same with the research of Kent and Zunker (2013) whose results show that companies report employee-related disclosures to legitimize their companies' place in society. Most of the employee-related information provided in the companies' annual reports is not specific or quantifiable and therefore this information cannot be independently verified.

Employees need to know how and where the company makes money; what the employee role is in that money-making process; what a downturn does to business; and how that affects employees. They also need to know the issues that are front and center for employees, such as job security, health benefits, the company's direction and ethical issues. Information about a company's past financial performance, its current health, and its prospects is useful to current and potential employees who are interested in knowing about long-term employment opportunities, present and future salary and benefit levels, and advancement opportunities at the company. Improving the quality of information needed by employees can be done through the following arguments.

##### a. Analysis per Division

In Management's Discussion and Analysis, the discussion and analysis only covers the financial aspect in company as a whole, and there's no analysis per division. Studernot (2009) argued that performance analysis per division will help employees to connect to the 'why' in an easier way, and that understanding propels them to act. It's hard for them to see the "big picture" about financial aspect if they don't know the detail impact of their performance to their division.

##### b. Human Resources Composition

In 'human resource composition' section, the

re is no composition based on gender and contract (permanent or outsource). Like the statement from Global Reporting Initiative-Indicator Protocols Set Labor Practices and Decent Work (2013), Telkom and PGN should give the detail information about it, because it demonstrates how the organization structures its human resources to implement its overall strategy; and by breaking down the data by gender enables an understanding of gender representation across an organization.

##### c. Percentage of Employees Receiving Regular Career Development Reviews

Talking about inequality or discrimination, according to Global Reporting Initiative (2013), it's suggested to provide the 'percentage of employees receiving regular career development reviews'. Appraising employee performance against their targets helps the personal development of individual employees. This indicator indirectly demonstrates how the reporting organization works to monitor and maintain the skill sets of its employees.

##### d. Ratio of Basic Salary and Remuneration of Women to Men

This ratio is suggested by Studernot (2009). Employees need to know how the company treats them. Equality of remuneration is a factor in retaining qualified employees in the workforce. Employees want to work for a company that treats them with respect and values their problem-solving skills.

##### e. A Message from the CEO

If shareholders get particular report in 'Management Report (to shareholders)', according to Sebastian (2011) employees should have the right to get the same report too such as: 'A Message from the CEO'. Through this report, employees will know the truth and they can plan and act accordingly. Here, the CEO should thank to the employees for their performance, inspire employees with a memorable phrase, and explain the company's path forward.

##### f. Profit per Employee

Bryan (2007) stated his argument for company to use Profit per Employee as one of the main ratios. Profit per employee is a company's profit divided by the number of employees. This approach focuses the minds of managers on increasing profit relative to the number of people a company employs.

## 5. Conclusion

Telkom and PGN use annual report as a medium of communication to the stakeholders, but they give more information to shareholders than the other stakeholders, and it is a type of classism. Classism can be seen by classifying the annual reports' readers into two classes: Bourgeoisie and Proletariat. Bourgeoisie class, as the party who has money and power, is a reflection of shareholders and government, whereas employees reflect the proletariat class.

The second problem statement is answered by revealing the hidden meanings behind some sentences in annual reports where companies can get the legitimacy from shareholders and government. It is proved that Telkom and PGN have many persuasive sentences in their annual reports in order to get legitimacy from their shareholders. These companies also do not give detailed information to their employees. Most of the employee-related information provided in the companies' annual reports is not specific.

There are some limitations in this research. First, this research has short data collection period (one year). Second, bias can occur in the analysis of research due to the subjectivity in interpreting the data. This research also uses the annual report only without interviews and observations. However, it should not be a problem considering that annual report is the main medium of communication between the company and its stakeholders. It is a valid and official document which reflects the company as a whole. Finally, considering limitations of this research, further studies involving different companies from non SOE are needed to see whether the classism practice also occurs in other sectors. Similar research with the sustainability reporting as the object will be an interesting topic.

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