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# The Influence of the United Nations Guiding Principles on Business and Human Rights (UNGP) on Multinational Corporations (MNC) Employment Practices in Emerging Markets: Case Study of Indonesia

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## ABSTRACT

Multinational Corporations (MNCs) have been crucial to global economic growth since the rise of globalization, contributing to one-third of the global economy, two-thirds of international trade, and employing over 40 million workers worldwide. Some MNCs are wealthier than many sovereign states, reflecting their immense influence. However, this power is often unchecked by global regulations, with MNCs operating under local laws, which in developing countries can be weak or poorly enforced. This regulatory gap allows for the exploitation of resources, labor, and the environment. In Indonesia, MNCs such as Freeport-McMoRan, Unilever, and Phillip Morris International have been linked to labor rights abuses, including unsafe working conditions and low wages. To address these issues, the United Nations introduced the UN Guiding Principles on Business and Human Rights (UNGP) in 2011, built on three pillars: protect, respect, and remedy. Although non-binding, the UNGP has become a global standard for ethical business practices. This study examines how MNCs in Indonesia adapt their policies to align with international human rights standards, with emphasis in its employment practices, using a descriptive-qualitative method based on literature studies. The findings reveal that MNC compliance with the UNGP varies depending on the industry, local governance, and corporate governance. Challenges such as weak regulatory enforcement and socio-economic disparities hinder the full application of the UNGP in Indonesia. The study emphasizes the need for stronger government oversight and corporate accountability to ensure fair and sustainable employment practices in emerging markets like Indonesia.

*Keywords* - ***Employment, Labor Rights, Multinational Corporations, United Nations Guiding Principles on Business and Human Rights***

## INTRODUCTION

The rise of Multinational Corporations (MNCs) has been intertwined with global shifts in trade, technology, and governance structures. Advancements in these sectors have enabled MNCs to gain relevance and influence, establishing them as pivotal entities in driving global economic growth. The impact that MNCs have is immense. Known as firms that control productive assets in more than two countries by investing directly through Foreign Direct Investment (FDI) in their host country, MNCs resemble the modern-day global goliaths (Cohn, 2020). As evidence of its influence, the United Nations World Investment Report of 2020 suggests that MNCs made approximately $1.54 trillion of foreign direct investments in 2019 (Foley et al., 2021).

Beyond economic output, MNCs are among the largest employers, particularly in developing countries, where they provide opportunities that would otherwise be unavailable. The Bureau of Economic Analysis of the U.S. Department of Commerce (2023) reports that U.S.-based Multinational Enterprises (MNEs) alone are responsible for the employment of 43.9 million workers worldwide in 2021. This widespread employment strengthens local economies, uplifts communities, and provides stable incomes to millions. However, the economic power MNCs wield also introduces complex responsibilities, particularly in labor rights and ethical business practices, prompting global organizations to scrutinize and address the impacts of these corporations on workers and communities.

As an emerging economy with a wealth of natural resources, Indonesia has been a host to many MNCs in industries like mining, oil, and agriculture. However, the operations of these corporations have often led to adverse consequences for local communities, including environmental degradation, forced evictions, and labor abuses. For example, the expansion of extractive industries in Indonesia has, at times, resulted in the displacement of indigenous communities, deforestation, and pollution, severely affecting the environment and local populations. In 2020, the National Human Rights Commission (Komnas HAM) reported 455 human rights violation cases with the corporate sector as the reported party, in which they ranked second amongst other reported parties. Looking at previous years, the corporate sector has been running for four years in a row since 2017 as the second largest sector committing human rights violations (International NGO Forum on Indonesian Development, 2022).

The United Nations (UN) has long acknowledged the power of MNCs and their implications by creating the UN Guiding Principles on Business and Human Rights (UNGP) as a guideline for businesses to respect human rights regardless of a state's capabilities and for states to protect human rights. These guidelines are summarized in three pillars: Protect, Respect, and Remedy (Ruggie, 2013). Though UNGP is not legally binding, the idea of UNGP is straightforward—to put a system in place and show corporations the ropes on how to respect human rights. The UNGP answer which human rights are referred to in the corporate obligation to respect, which includes all internationally recognized rights that a business touch.

In 2015, the United Nations adopted the Sustainable Development Goals (SDGs) to provide a comprehensive framework for global action to address critical issues facing the planet and humanity through 17 diverse goals. Its goal number 8, Decent Work and Economic Growth, primarily focuses on promoting sustained, inclusive, and sustainable economic growth, along with productive employment and decent work for all. It recognizes that economic growth alone is insufficient if it does not lead to improved living standards and does not respect labor rights or environmental limits. SDG 8 seeks to build economic opportunities that respect human dignity and foster social equity, addressing underemployment, labor rights, safe working conditions, and fair wages.

Given their substantial influence and economic position, MNCs play a vital role in achieving SDG 8. Nevertheless, the impacts of their business practices on labor rights, the environment, and society often hinder progress toward this goal due to their profit-maximizing interests. Additionally, less developed and developing countries that host these MNCs tend to have limited capacity to enforce regulations that support productive employment and decent work.

In terms of prioritizing human rights and sustainable economic growth in the private sector, the UNGP and SDG 8 have a synergistic alignment. Both instruments intersect in multiple areas, particularly in promoting decent work conditions, fostering economic growth through human rights, empowering marginalized communities in employment, as well as strengthening accountability and transparency. Understanding the alignment between UNGP and SDG 8, this paper examines how the UNGP framework influences MNCs' corporate governance in emerging markets, particularly in human resource governance, with a specific focus on Indonesia.

As Southeast Asia's largest economy, Indonesia offers immense potential and challenges for MNCs. Its workforce is diverse, young, and rapidly expanding, yet it faces systemic issues such as insufficient labor protections, informal employment, and dependency on contracts and outsource labor. As much as 59,11% of Indonesian workers are informally employed, according to a 2023 data released by the Central Bureau of Statistics (BPS), while approximately 50% of workers amounting to more than 22 million) in the formal sectors are outsourced (Mustajab, 2022). By analyzing the adoption of UNGP within MNC employment policies, this study investigates the extent to which these principles have been integrated into corporate practices, as well as the barriers and facilitators that affect their implementation.

Using case studies, this paper explores the degree to which UNGP guidelines are influencing MNC operations in Indonesia and Indonesia's commitment to fulfilling its responsibility in shaping employment practices that are aligned with the guiding principles. This research contributes to a broader understanding of the role of international frameworks in enhancing corporate accountability and advancing sustainable development in emerging economies, as outlined through SDG 8.

## LITERATURE REVIEW

### Multinational Corporations (MNCs) in Indonesia

MNCs significantly influence their host countries by introducing new capital, technology, and employment opportunities, which can result in economic growth and improved infrastructure. Through foreign direct investment (FDI), MNCs gain managerial control over assets within the host country, distinguishing this form of investment from portfolio investments that do not involve ownership. MNCs also partner with local firms through licensing, franchising, or joint ventures, which help integrate their operations into the host economy.

The presence of MNCs in host countries has sparked mixed responses; while race to the bottom is emerging in some regions to secure job creation and technological advancements, others view them differently. This circumstance indicates that the nature of MNCs is heterogeneous and cannot be perceived from one perspective. MNCs' business practices vary by country, sometimes contributing positively through competitive practices and innovation, while in other cases, they may harm local firms and exploit resources. This heterogeneous impact has led to the absence of a universally recognized framework for MNCs globally. Instead, MNCs and host countries operate through bilateral non-binding norms between their host countries and home countries, balancing efficiency, profits and local interests (Chandler Jr. & Mazlish, 2005).

Although MNCs in Indonesia were seen as vital economic contributors, they also posed some challenges in dependency and control. On the one hand, MNCs have brought in foreign capital and advanced production methods that helped extract Indonesia's natural resources, particularly in industries like oil and mining, since the 1970s. However, this circumstance has caused Indonesia to be economically dependent on MNCs, specifically FDI and technology. The circumstances indicate that, while MNCs improved local infrastructure and production capacity, host countries are not a part of the decision-making process. Additionally, while MNCs are expected to transfer technology and skills, knowledge and technology transfers remain limited. Most MNCs only offer basic and low-level skill training to Indonesian workers, restricting local firms from accessing advanced cutting-edge technology (Kartadjoemena, 1973).

Labor issues are one of the crucial challenges MNCs contribute to in Indonesia. Particularly, MNCs like Nike are facing allegations of exploiting workers in Indonesia, such as but not limited to inadequate pay, poor working conditions, and reports of child and female labor (Anggraeni, Dharmiasih, Rasem, 2015). To aggravate the conditions, the lack of labor unions has prevented workers from negotiating for better rights throughout the years. MNCs' operations also impact governance, as some firms engage in informal practices to expedite processes and secure regulatory advantages, undermining policy transparency. Consequently, they can also have a negative impact on the environment and in the sphere of social protection, as regulatory standards may be sacrificed to seek foreign investment. Given the conditions, it is inevitable that MNCs have raised concerns about the broader implications of their presence in Indonesia, particularly regarding economic development, labor protection, and the integrity of governance and environmental standards (Sampurna, 2019).

### Multinational Corporations (MNCs) and the United Nations Guiding Principles on Business and Human Rights (UNGP)

In 2011, the UN Human Rights Council (UNHRC) formally endorsed the UNGP based on the UN Framework principles. By nature, the UNGP are non-binding guidelines aimed at helping states and businesses identify and address potential human rights risks associated with business activities. The guiding principles urge businesses of any size, sector, and operational context to be responsible for respecting human rights, regardless of a state's ability or commitment to fulfill its obligations.

The UNGP incorporate three core pillars from the UN Framework: (1) the state duty to protect human rights, (2) the corporate responsibility to respect human rights, and (3) the right of affected parties to access remedies. These pillars emphasize the state's obligation to safeguard human rights, the specialized societal role of businesses, and the importance of access to remedies for those affected. While each pillar is distinct, they should be understood as part of an integrated framework and implemented without discrimination, acknowledging that men and women may face different risks (Ruggie, 2013).

The influence of the UNGP on business practices has been evident in recent years, mainly through the adoption of human rights due diligence processes across diverse sectors. However, some businesses selectively incorporate the UNGP to benefit their reputation and interests. Others formally acknowledge the importance of human rights yet neglect fulfilling legally binding obligations. Although European countries signal a move towards structured human rights compliance and national due diligence laws, corporate accountability appears weaker in the Global South, where regulations on remedy and due diligence are limited (Wolfsteller & Li, 2022).

Despite the UNGP' advocacy for businesses to respect human rights regardless of the state's ability or willingness to fulfill obligations, firms in the Global South sometimes avoid fulfilling these commitments to minimize costs, occasionally at the expense of local labor rights, environmental standards, and broader human rights. The spillover of corporate governance from European countries tends not to be influential enough to establish significant changes. Consequently, the state's role in protecting human rights remains essential to enforce necessary laws for businesses. Meaningful corporate accountability in the Global South requires international frameworks and capacity-building initiatives within these countries (Muchlinski, 2021).

**Alignment of Indonesia's Employment Regulations and the United Nations Guiding Principles on Business and Human Rights (UNGP)**

As stipulated in the first article of its 1945 Constitution, Indonesia as a country adopts the rule of law, which puts human rights as the primary focus protected by each established law (Sadi & Soobndi, 2020). Through Article 27, paragraph 2 of the 1945 Constitution, employment was first regulated, ensuring that the state guarantees the right to work and a decent living for all citizens (Aryani, Danyathi, & Hermanto, 2022). Complementary to the 1945 Constitution, Pancasila as Indonesia's national ideology also embodies core values in fostering cohesive relationships, especially in the relations between businesses and workers, humanity and nature, citizens and the state, and with God. Each creation of law must then align with both instruments, including laws regulating employment and labor in Indonesia (Safitri & Santoso, 2022).

Laws regulating employment and labor have evolved numerous times in the past two decades, highlighting Indonesia's commitment to strengthening protection for labor rights. Since the early 21st century, the labor policy in Indonesia has been primarily governed by Law No. 13 of 2003 on Manpower. As a critical piece of legislation governing employment relations, working conditions, and labor rights, the Manpower Law covers a broad spectrum of labor-related issues, aiming to balance employees' and employers' rights and responsibilities. The Manpower Law well reflects the 1945 Constitution, recalling its Article 27 paragraph 2 on providing decent livelihood for all (Anita, 2024).

Globalization then came along, presenting a medium- and long-term challenge for Indonesia's economy's competitiveness, effectiveness, and efficiency, compelling the country to keep pace with other nations. To address this, steps to simplify overlapping and sector-specific regulations must be taken, resulting in the adoption of an Omnibus Law approach by the Government of Indonesia (GoI). The Omnibus Law approach was taken to create alignment, ensuring coherence across different laws and regulations, regardless of their subject, focus, or content (Aryani, Danyathi, & Hermanto, 2022). Consequently, the GoI passed Law Number 11 of 2020, commonly referred to as the "Job Creation Law." This legislation revises 77 existing laws spanning various sectors, such as energy, mining, agriculture, telecommunications, healthcare, tourism, real estate, and employment. The law is designed to foster a more favorable investment climate in Indonesia and streamline the business process (Izzati, 2022).

The Job Creation Law introduced several key changes in Indonesia's labor law, including matters on employment contracts, regulations on outsourcing, minimum wages, and paid leave. In sum, the Job Creation Law gives flexibility to companies, making previously regulated matters negotiable within company-specific or based on collective agreements. Consequently, the Job Creation Law sparked controversy, leading in protests and demands for judicial review from labor unions, workers, and Civil Society Organizations (CSOs).

Opposing parties of the Job Creation Law argues that the Law undermines labor protection and may worsen working conditions. Additionally, international labor organizations have voiced concerns about how the law aligns with Indonesia's Sustainable Development Goals, particularly Goal 8, which focuses on decent work and economic growth (Izzati, 2022). The Constitutional Court ruled the Job Creation Law "conditionally unconstitutional" in 2021, requiring the government to amend procedural flaws within two years, which has left the law's future uncertain. Meanwhile, the law remains in effect (Izzati, 2022).

The Job Creation Law and the UNGP align in some employment practices through their shared focus on fostering economic growth and job creation. The Law aims to improve labor market efficiency by simplifying regulations that aligns with the UNGP' principles of supporting business environments that respect human rights and promote economic opportunities. Provisions that streamline employment processes and formalize labor practices can support fair treatment in the workplace, in line with the UNGP' emphasis on protecting workers from exploitation. Additionally, the Job Creation Law's inclusion of skills development and training policies reflects the UNGP' encouragement for businesses to invest in human capital, contributing to workers' long-term growth and economic rights. However, the extent of alignment depends on the Law's implementation and whether it adequately upholds protections such as fair wages, job security, and safe working conditions (Zainullah, 2023).

## METHODOLOGY

This research predominantly uses a qualitative approach, examining descriptive data from individuals, experts, scholars, or phenomena. A qualitative approach is often used in social sciences and other studies relating to patterns and forms of variables (Cropley, 2022). Due to its nature as an analysis in social science, a qualitative approach is the most suitable for this research. This research entails a comprehensive description of UNGP practices done by MNCs in Indonesia, followed by assessments from a series of narrations and a description of event chronology.

The descriptive research method is chosen to provide a detailed account of the employment practices of MNCs and the extent to which these practices align with the UNGP framework. The descriptive method illustrates specific aspects of a scenario, social context, or connection, concentrating on the "how" (Neuman, 2014). By focusing on description, this study seeks to map out the specific ways the UNGP are being incorporated into MNC policies and practices, as well as the challenges and facilitators that affect their implementation in Indonesia. This approach enables a comprehensive understanding of the country's current state of employment regulations and their alignment with international human rights standards.

This paper predominantly uses secondary data to gather the relevant data for analysis. Secondary data is gathered by seeking existing information from trustworthy resources. Also referred to as a literature study, secondary data includes a collection of academic journals, books, institution reports, and other credible online resources. For this paper, the secondary data is collected by reviewing relevant company documents, such as corporate social responsibility (CSR) reports, sustainability reports, and publicly available policies related to human rights and employment practices. Additionally, Indonesian labor laws, government policy documents, and United Nations publications were analyzed to contextualize corporate practices within the broader regulatory environment.

Adopting a narrative data analysis technique in its discussion, information analysis is presented in a series of stories and accounts from multiple stakeholders to uncover how the UNGP framework influences employment practices within MINCs in Indonesia (Neuman, 2007). The narrative method enables a detailed examination of diverse perspectives and experiences related to UNGP implementation, allowing for a deeper understanding of how local conditions shape these principles. A case study of Indonesia serves as the context for an in-depth exploration of this topic within an emerging market.

## RESULTS AND DISCUSSIONS

States have the duty to protect human rights through preventing, investigating, and responding to human rights issues linked to business activities. States are also recommended to establish a national action plan, introduce and enforce human rights due diligence towards businesses, and develop an oversight mechanism to monitor business activities. Furthermore, access to remedy is critical in allowing victims to seek justice should infringement cases be found (United Nations, 2011).

Despite the UN's endorsement of the UNGP in 2011, Indonesia introduced the Job Creation Law in 2020. Although the bill was intended to attract foreign investment to create jobs offered by MNCs, develop national infrastructure, and boost economic activities during the COVID-19 pandemic, the public heavily criticized it. According to a recent study, the bill has more harmful than beneficial aspects when viewed from the philosophical, juridical, and sociological aspects (Wijaya, 2021).

While aimed at economic growth and simplifying business regulations, the law compromises various aspects of human rights, contrary to the UNGP, which emphasizes state duties to protect rights and corporate responsibilities to respect them. The law simplifies environmental permits and business licensing to boost investment, potentially undermining stringent labor rights. This reform impacts public access to information and participation in decision-making processes related to environmental approvals, diminishing transparency and accountability. Such changes weaken due diligence measures that businesses are expected to perform under the UNGP (Amnesty International, 2020). Moreover, by focusing on easing regulations, the law could facilitate human rights abuses, as seen in sectors like palm oil, where deregulated oversight allows corporations to bypass comprehensive human rights and environmental due diligence.

The focus of the Job Creation Law contradicts the proactive HRDD (Human Rights Due Diligence) principle of the UNGP, which seeks to prevent, mitigate, and address adverse human rights impacts (United Nations, 2011). In response, Indonesia published its National Action Plan (NAP) in 2023. The NAP discloses Indonesia's goal (from 2023-2025) by mapping strategies and appointing which ministry performs the aimed task. Furthermore, the NAP also provides a detailed key performance indicator and timeline. Although it is far from perfect, this NAP is a stepping stone for the country to improve human rights conditions and fulfil its duties in protecting human rights (Indonesian National Human Rights Commission, 2023).

Despite the optimism, the NAP might face delays due to administrative restructuring under the new government, which separates the Ministry of Law and Human Rights into distinct entities (BBC Indonesia, 2024; Good News from Indonesia, 2024). Although some claim that this separation is intended to increase public confidence in human rights issues (Good News from Indonesia, 2024), the NAP will be revised to appoint a new mandate to new ministries.

Secondly, the new administration aims to achieve 8% annual growth within the first year (East Asia Forum, 2024). Given Indonesia's reputation for attracting foreign investment to achieve economic growth and subsidize national development plans (namely infrastructure, job creation, and economic activities) (Bloomberg, 2023). The 8% annual growth and the current president's confidence clearly show that Indonesia is willing to achieve its goal through all means. Therefore, the pattern of behavior that Indonesia will attract more FDIs through lowering regulatory standards will most likely be repeated within the new administration, deprioritizing the NAP and UNGP's pillar in "state's duty to protect" (United Nations, 2011).

In discussing the influence of the UNGP on MNCs' behavior in Indonesia's employment context, it is critical to emphasize the nature of MNCs as heterogeneous and profit-maximizing entities. The UN's goal in introducing the UNGP is to guide MNCs in maximizing their profits while constraining operations regarding ethical standards. Nevertheless, the heterogeneous nature of MNCs implies that their response towards the UNGP will vary, factorized by sector, size, and operational culture. Therefore, this paper examines three distinct MNCs—(1) Freeport-McMoRan Inc. (2) Unilever PLC, and (3) Philip Morris International Inc.—to explore how each engages with the UNGP principles, particularly concerning labor practices in Indonesia.

Established in 1963, Freeport-McMoRan Inc.—operating through PT Freeport Indonesia—is an American company in the mining sector. Since its operation, the company has faced numerous allegations, ranging from environmental degradation issues and forced evictions to labor concerns earlier than any other human rights infringement cases from other MNCs discussed in this paper (International Coalition for Papua, 2020). However, recent studies show that more multinational mining companies are investing in addressing sustainability issues by adopting policies and principles, implementing reforms, and management standards. One primary reason is the competitive advantage multinational mining companies can obtain from sustainable policies. This finding is reflected in Freeport's human rights policy, which was approved by the Board of Commissioners of Freeport-McMoRan Copper & Gold Inc. in 2009. Furthermore, the American company has also published numerous documents in accordance with the UNGP, such as the Voluntary Principles on Security and Human Rights 2020 Annual Report to the Plenary, Human Rights Impact Assessment, and FXC Level Human Rights Saliency Assessment.

Established in 1933, Unilever has become one of Indonesia's leading multinationals in the fast-moving consumer goods sector (Unilever Indonesia, n.d.). However, 85% of the share rights belong to the Dutch holding company, indicating that decision-making remains under foreign control (Indonesia Investments, n.d.). In 2016, Amnesty International investigated palm oil plantations in Indonesia under several big household companies, including Unilever. The investigation uncovered numerous labor rights violations, such as child labor, health standard issues, unachievable targets, and forced labor among women (Amnesty International, 2020). Nevertheless, the company has produced human rights reports since 2015 and directly addressed the UNGP. Additionally, the company demonstrated dedication to respecting human rights through its Code of Business Principles, Code Policies, and Human Rights Policy Statement.

Philip Morris International expanded into Indonesia in 1984 through licensing as an American tobacco company. The company continued to license until about two decades later, when it began manufacturing domestically (Philip Morris International, n.d.). Due to the high demand for tobacco in Indonesia, the company contributes substantially to tax revenue, ranging up to USD 2.5 billion (Financial Times, 2010). Given this demand, Human Rights Watch accused the American company of employing thousands of children in its supply chains starting in 2013, just several years after it decided to manufacture domestically (Human Rights Watch, 2016). In 2017, Philip Morris published a human rights commitment grounded in the UNGP. Six years following the commitment, the company released its first human rights report, yet it still needs to include Indonesia in its findings (Philip Morris International, 2023).

Since the nature of the UNGP is not legally binding, it is unwise to say that these MNCs respect human rights solely due to the UN's endorsement. However, to a certain extent, the influence of UNGP might be derived from the spillover of corporate governance in their home countries. Notably, as the three MNCs' home countries are developed countries, the regulations in their home countries likely oblige them to include human rights policies and reports despite the host countries' demands. Therefore, the spillover of corporate governance between home and host countries is prominent in witnessing the influence of UNGP towards MNCs.

Given the lowered standards, MNCs' respect for human rights leans towards their genuine willingness. Meanwhile, Indonesia will have a weaker legal implementation as well as reduced legal demands in terms of labor rights due to its focus on economic growth through FDI. However, it is worth noting that there is a similar pattern among all three MNCs researched (PT Freeport Indonesia, Unilever, and Philip Morris International): these companies produce human rights commitment statements despite the lack of national regulations. Although one study suggests that "increasing awareness among MNC's top managers that respect for human rights is a fundamental and important aspect of valuable management practices," another factor, namely the spillover corporate governance effect, also contributes to this phenomenon (Muchlinski, 2021).

Regulating employment, especially those within the private sector is understandably a complex matter which progress is gradual and impossible to attain overnight. The way private sectors operate more often depends on the local regulations from the host countries, as can be seen through the three cases above. Hence, enhancing state's ability to protect as outlined in the UNGP in emerging markets, such as Indonesia, is key to a robust and sustainable employment practices. Moreover, it is imperative for the national government to establish a comprehensive framework that includes strengthened government surveillance and evaluation towards corporate accountability.

To take concrete measures, a more effective implementation of UNGP could be done through promoting transparency and accountability of MNCs. Public reports detailing labor practices, employment statistics, wage distribution, and work incidents should be regulated at the national and international level. The mandatory disclosure will encourage corporate responsibility and attract socially conscious investors. In addition, the government could introduce incentives to socially responsible MNCs, by awarding certifications to companies that meet or exceed the labor standards. This certification, validated by independent assessments, would reinforce corporate accountability and hopefully foster a culture of ethical labor practices. By holding corporations accountable and enhancing government oversight, Indonesia can improve its investment climate, ensure worker protections, and set a standard for labor practices in the region.

Several limitations must be considered in increasing accountability and transparency. Implementing these measures may face resistance from corporations due to the costs associated with compliance, reporting, and certification processes. Additionally, the effectiveness of third-party certifications depends heavily on the integrity and independence of certifying bodies; without rigorous oversight, the certification process risks becoming a superficial exercise. Finally, the regulatory capacity of the government to enforce these standards consistently across regions, especially in more remote or under-resourced areas, may be limited. These challenges highlight the need for gradual implementation, and strong government commitment to ensure the framework's success and sustainability.

## CONCLUSION

MNCs have become crucial players in the global economy, significantly shaping economic growth through FDI and employment. Although MNCs contribute to economic growth, especially in developing countries, they also pose a challenge regarding labor rights, environmental protection, and ethical practices. Their heterogeneous nature and profit-maximizing interest cause this. The UNGP was introduced in 2011 as a set of guidelines that encourage businesses to respect human rights, regardless of the state's capability to protect them. Although the UNGP is not legally binding, it creates social norms that push corporations to align with international human rights standards, complimentary with Sustainable Development Goal (SDG) 8, which focuses on promoting "Decent Work and Economic Growth."

Despite Indonesia's involvement in these frameworks through the NAP (2023-2025), it is evident that its economic policies often prioritize growth over labor rights protections. Notably, the current administration's target of achieving an 8% annual growth rate may reinforce a "Race to the Bottom," where regulatory standards are lowered to attract FDI, often at the expense of labor rights. Given the circumstances, the UNGP has minimal influence towards the national interest in protecting human rights. A closer look at MNCs such as PT Freeport Indonesia, Unilever, and Philip Morris International shows differing levels of commitment to these frameworks within Indonesia due to the diverse sectors these companies operate in and their size. Despite their differences, it is evident that the UNGP influences their commitment to respecting human rights through corporate governance spillover from their home countries.

While steps have been taken to promote labor rights for decent work, the implementation of UNGP by MNCs should be facilitated through regulations from the host country. In this regard, having a robust framework of corporate accountability and further alignment with international labor standards is imperative. All in all, commitment from all related stakeholders remains to be the key for an effective implementation of measures taken to strengthen employment regulations.

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