

ICA00846

294

Housing Worker Cooperatives in Indonesia, Performance and Perspectives

The major goal of Housing Development through worker cooperatives in Indonesia, is to improve the workers welfare, and hence help them increase their work productivity in the industries.

This paper presents the roles of Koperasi Karyawan (Worker Cooperatives) in providing simple houses for the member and the relevant societies. The construction considers the accessibilities (both to work place and near by city), income, preferences of the users. In this regard Worker Cooperative in the design and development process are driven to match the increasing demand of the low-medium income people, by introducing more competitive services. As the demand is increasing, due to the expansion of industries in the country, the market share of Worker Cooperative is expected to increase more progressively.

334.1:331,
sya.

Presented : SALEH SYAFRADJI, Ph.D,
Research & Development, Indonesia Worker Cooperative Alliance (IWCA) in ICA Regional Seminar Kuala Lumpur 24 - 30 Maret 1996.



1.0. Introduction

The foundation of Worker Cooperative housing development is laid down the potential and effective demand at the primary worker cooperatives. They are located in the individual companies either private or government enterprises. These primary Worker Cooperative may have members in the ranger of 50 - up to fifteen thousand workers. The number of primary worker cooperatives are extending during the last ten years, dua to some domain factors:

- 1.1. In the Second Long Range Plan, (1994 - 2020), industrialization, agro business development, which employ more workers, become significant contribution to the GNP of Indonesia. The roles of workers are linked with the performance of the industrialization process.
- 1.2. the Human Resource Development strategy within the First Five Year Plan of the Long Range Plan (1994-1998) has been explicitly mentioned in the Basic State Policy Guidelines; and the Strategic roles of Worker Cooperatives are in line of this matter, i.e improve Human Qualification.
- 1.3. in the global economy, the firm competitive advantages can be significantly affected by productivity, professionalities, human participation of the workers.

2. Why Firms may also promote Housing for Worker Cooperatives.

- 2.1. within relevant environment of global economy, a firm may have to concentrate to strategic issues of the business. Those non strategic ones, such as supplementary and momentary housing businesses, can be developed by worker cooperatives.

2.2. the business housing networkking for 2.1., between the Firm and Worker Cooperatives can improve "business language" to support the cooperative advantages (i.e efficiency) of the firm concern.

2.3. the worker participation within the firm can be developed more optimally, through their involvement within the workers cooperatives.

2.3.1. the need for improved productivity will be correlated with their housing support from the firm. However, under the present wage level, the need for housing should be supported through the employee cooperatives.

2.3.2. since the firm, should concentrate on strategic issues, the workers cooperatives may have the opportunities, among other, housing construction, to meet the need for housing by workers of the firm concern.

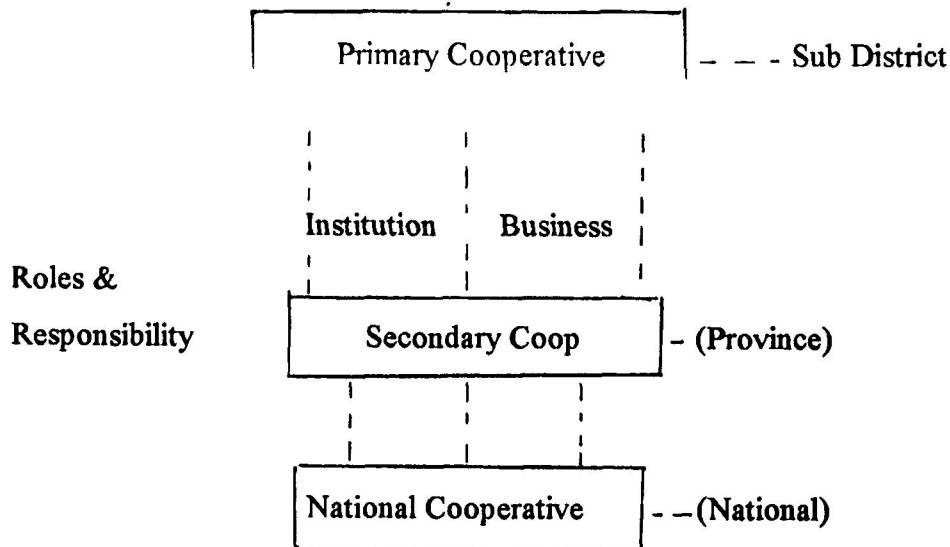
2.3.3. in handling the housing program, the workers cooperatives, may develop the cooperatives firm's competitive advantages in supplying the housing needs for the members and the relevant societies. In addition the surplus can be allocated for the workers benefit.

3. The organizational structure

3.1. The basis of the worker cooperatives is the primary one, operating and establishing for, through the individual members within an enterprise. It covers minimum 20 workers and maximum of thousands workers. Usually the Head of Board Director is assisted by Vice Head, depend on

the size of the members, business potential. They are appointed by the Members Yearly Meeting (i.e. Primkopkar)

- 3.2. A number of primary cooperatives, at least five within a province, may open to establish a Secondary Cooperatives, developing the interests, promotion, public relations either with firms or local government for the benefit of primary ones (i.e. Puskopkar).
- 3.3. Furthermore at the national level, at least 3 Puskopkar is allowed to establish the representative organization (APEC, National) which is called Inkopkar. Similar to Puskopkar, Inkopkar may have roles and responsibility for the promotion, guidance, system information, training, public relations with either domestic or foreign institutions for improved performances of the Worker Cooperatives in the country.



The formulation of Blue Print or Basic Policy by the Members Yearly Meeting can be the basis for Board of Directors in developing the Worker Cooperatives Action Plan and its Implementation. (Tabel 1)

TABEL 1
PERFORMANCE OF WORKER COOPERATIVES
IN INDONESIA 1979 - 1993

Performance Year	Membership			National APEC	
	Secondary (Puskopkar)	Primary (Primkopkar)	Individual (Members)	Employee	Sales Value
1979	Few	N.A	N.A	N.A Established	
1985	5	1700	N.A		
1989	9	4001	2 Million	2122	175 Billion
1990	15	4121	2.235.116	2504	300 Billion
1993	26	6125	2552.627	3408	865 Billion

Source of Data, INKOPKAR, Jakarta, October 1993.

4. The operational goals of Inkopkar (National Worker Cooperatives) as well as the Secondary and Primary.
 - 4.1. The business development in Services, Trade, Industry within the framework of increasing business share and the members welfare.
 - 4.2. To improve the Human Power Qualification in business, technology, management moving toward self reliance.
 - 4.3. To developed cooperative network with other cooperatives, the private and government enterprises as well as the government agencies.

The above operational goals are mostly reflection of secondary and primary worker cooperatives mission and the long run goals.

5. The routine businesses of Primary Cooperatives may find difficulties for expanded businesses, due to :

5.1. the low wage level of the workers may limit their participations to the worker cooperatives.

5.2. in relations to point 1, values system of these workers may be inclined to short run - immediate output rather than for longer run perspectives.

5.3. due to increased needs or demand by the workers, may force them to access loan from the cooperatives for consumptions rather than investment purposes.

5.4. the low income level may also limit their saving capacity within the cooperatives. Hence capital accumulation is also limited.

5.5. In one aspect of low saving, on the other hand, the loan repayment may take long line time, while the amount of loans are often increasing. That is why the needs for external fund are also demanding.

6. Secondary Worker Cooperatives.

(Case of East Java, the most prominence province in view of businesses, contribution to GNP, growth of industry, cooperatives growth, housing development for the workers, with population about 20 million people):

The members of this

Secondary Worker Cooperatives, cover, individual primary worker cooperative may have members in the ranges of 50 - 15.000 members within the private and government enterprises.

7. The favorable climate for the Secondary Cooperative.
 - 7.1. Provincial government policy in promoting the institution and business of the cooperatives, including worker cooperatives, due to particularly of the number one cooperative success for East Java province (i.e. maintaining goodwill of the province, as the indicator of successful development).
 - 7.2. Training, courses in management, business for the members and management of the secondary Workers cooperatives.

8. The Internal Limitation.

the concerted efforts and time of Board Directors, Supervisor in other firms and primary cooperatives, may limit their roles implementation in the Secondary Cooperatives. (note : these personnel may have multi managerial roles within different cooperatives, jobs etc).

the networking in view of system business information, cooperative efforts, joint business development etc. not yet optimally developed.

lack of favorable climate or relationships between Worker Cooperatives and the Firm with respect to promotion, opportunities, career development, networking etc.

the limitation of financial sources from the members may hinder the business potential to be realized

The Institutional Development.

- 9.1. For having similar perception on the roles and responsibility in promoting the Primary cooperatives, regular meetings among the Management (i.e Advisor, particularly Board of Directors) are held weekly. The public relations are also developed through both formal and informal approaches.

9.2. The provision of guidance on the organizational system, administration, management, accounting and also direct information for the members. Feedbacks from the latter, is expected to improve the services by Puskopkar and/or Inkopkar as the Secondary and the Apec Organization of the Worker Cooperatives.

10. The Business Development.

10.1. The housing development.

10.2. Consumption Store and Trade.

10.3. Saving and Loan.

10.4. Net working of cooperatives business.

11. Housing Development

11.1. Puskopkar (Secondary Worker Cooperative in Riau, Northern Part of Sumatera).

- The acreage of the housing complex for the worker cooperatives will be extending within the 150 hectares (1 hectare = 10.000 m square). The present houses by the 1993, October will be completed the first stage construction of 500 unit houses out of 4560 units.
- From my visits and discussion with the Housing Workers employed by Puskopkar, the following data was presented :
 - a. The units of houses has been set the design, lay out, standard of the building etc. Puskopkar open contract with the housing workers, having experiences in building the simple houses.
 - b. The contract is set in connection with the completion of

units of houses and the compensation.

It was reported that during 3 months, 5 worker can accomplish about 12 units. This may vary, 5 workers can complete 2 - 3 houses in 2 months. Or a completion of one unit house, can be paid Rp 1.2 million for about 5 workers.

- d. Individual workers can earn income about 180 - 200 thousand rupiah per-month. After deducting for the daily consumption, they are able to send part of the income to their family in the village. They mentioned that every 2 - 3 months they visits the family in the rural areas. Sometimes they spend to manage and cultivate the land in their village during the spare time. Due to economies of operation and access to land, the units of houses can be sold about 30 - 40% below the market prices. (as also reported by staff of Minister of Housing, Jakarta, October 1993)
- c. Assuming that the above sample representing the number employment for the completion of the houses, the total number employed during 3 months can be:
5 persons for 12 units, then it will be 42×5 persons (i.e. $500 \text{ unit}/12$), so that total number employed about 200 persons. However, due to the material handling and stage development of the project it can last for 2 years or more (for 4660 units). In this regard the same housing workers may work for one year. Hence the number of workers employed may range between 75 - 100 persons for the

completion of 500 units houses over the year.

- f. The multiplier effects of these housing development, can be the following employment:

the raw materials, particularly using the local contents, such as tile, wood, workers, cement etc; the overhead of Puskopkar (Secondary Worker Cooperatives) in handling the expanded business, which increase the administrative works, public relation, office equipments (computer, facsimile, phone etc) and operational personel. However, the overhead costs is estimated to be less than 12% out of operational costs;

the provision of transport, consumption, for the housing workers;

the follow up construction of the houses can be : schools, market other infrastructures for the workers who will be living in the housing areas. As the profit for the housing construction was marginal, these follow up infrastructures can be new opportunities for Puskopkar businesses.

11.2. Puskopkar East Java.

Earlier development of the Riau, the pioneer has been taken by Puskopkar in East Java. Due to the accelaration of industries during the last. Five Year Development, the potential demand by the workers in East Java has been increasing. The respond to supply the housing needs, are developed by Puskopkar, with the following performance:

Tabel 2

Performance Area	Realized up to 1993/94	Six Five Year Plan Target by 1994 - 99	%
Eas Java			
1. Gresik - 20 km (from the capital of province)	600	1.800	33%
2. Sidoarjo - 30 km	Start by October 93	5.000	-
3. Pasuruan - 50 km	Design & operational plan approved	1.500	-
4. Malang - 90 km	Planned	1.500	-
5. Other 9 provinces	20.000	55.00	30
Total Indonesia	± 25.000	75.000 units	33%

Source : Inkopkar, Jakarta, Oktober 1993

- 1) Demand for new simple housing by 1993 - 98, ranges between 0.75 - 1.0 million unit per-year.

Using similar calculation as Riau, the number of employment creation and its multiplier effects can be estimated. However, further studies on "how and the follow up development of the projects" need to be conducted for 2 major purposes:

First, the business extension can be made possible in the longer run by Worker Cooperatives, if their competitive advantages can be maintained. Even, they are developing in line to meet the changing market. (the precondition for PETC, Promoting Employment Through Cooperatives, Gary B. Hansen, ILO Coop Branch).

Second, to find out the potentialities of cooperatives and how this can be justified as realistic and can be self-sufficient for the cooperative movement in the future (the dynamic Synergy through Cooperative Entrepreneurship Unit: CEUs).

Taking into account the limited resource capacities of Worker Cooperatives, the Housing Division within the organization (Primary, Secondary and the National levels) may decide the following actions:

1. Joint Housing Construction

In this case the Worker Cooperatives Organize the marketing of the houses for the workers. While the private developer can provide the necessary fund, operational plan and the personnel team for the housing construction

2. Cooperation with the Financial Institution:

Bank, BTN (Bank Tabungan Negara, The Government Saving Bank, KAI, Koperasi Asuransi Indonesia (Indonesian Cooperative Insurance) and other financial sources.

In this regard the Worker Cooperatives may take position as Developer.

3. Cooperation with the Financial Institution, and may integrate team personnel as developer and Expertise personnel.

In accessing land for housing development, a developer (inc. Worker Cooperatives) may find out:

- the state land.
- land by private owned then consolidated
- the transfer of land by the owner (s) in line with Law of Housing No.4 - 1992 about Housing (allowing individuals or collective persons to built housing in the legal land).

Major Points for Discussion

- 1.0. In serving the members' needs for housing, Indonesian Worker Cooperative Alliance (IWCA) considers 3 major factors:
 - 1.1. the capability and the preference for housing by the members, taking also into account the environment of the industries they are working;
 - 1.2. in supplying the houses, the locational accessibilities are given major weighting factor in choosing the the site plant of the housing complex. In addition, worker cooperatives design competitive advantages with respect quality-standard and prices rendered members and customers;
 - 1.3. In addition to the above consideration, additional income from fter housing completion, need to the developed (income generating program) eithr through cooperative businesses, individual or group of them.
- 2.0. In the process of developing such houses, the mission - operational goals is induced through phylosophy :

Serve better for longer run m - m business perspectives (m - m, means management - members relationships).

The mission of IWCA may cover three major aspects :

 - 2.1. increase the housing construction for RS & RSS (Simple houses and Very Simple houses respectively) for the next Five Year Plan up to 25 30% 200 (from 5 - 7% by 1993);
 - 2.2. improve competitive advantages in view of 1.2. and 1.5, and other services to gain appropriate surplus and welfare of members;
 - 2.3. develop qualified personnel, in terms of cooperative culture and business professional.

- 3.0. During the development, however, IWCA may have found both internal and external problems. Internally, the limitation of personnel, capital, access to land certificate appropriate for housing etc. The challenging external factors may include the competition, more appropriate technology, bureaucratic licencing - procedures, social values etc.
- 4.0. In responding to the problems, IWCA, has develop the following models, suitable to the internal resources in matching the relevant environment :
 - 4.1. Joint venture between IWCA and Private Enterprises, in which the latter may provide the necessary capital technology and the personnel. In this case IWCA, promote the marketing and risks in handling the contracts for housing construction;
 - 4.2. cooperation between IWCA and the government Banks, Credit Institution and the other institutions;
 - 4.3. cooperation with other institution, such as through Venture Capital and appoint team developer, from IWCA and the partners.
- 5.0. Although the market for housing are tightly competitive, the worker cooperatives may have prospective market share due to the following major factors.
 - 5.1. the relationships between the Primary - Secondary Worker Cooperatives, are becoming basic assets in identifying and access to captive markets : the members and the adjacent customers (within the areas of industries);
 - 5.2. the relationships among Worker Cooperatives may gain advantages in accessing the quality, prices; terms of payment, delivery etc so that promoting better competitive advantages;
 - 5.3. the relations with government Ministries/Departments, relevant to business agencies, which may facilitate the access to housing development program through Worker Cooperatives;

5.4. the emergence of personnel within the Board of Directors and management of IWCA to focus on improved business services for the benefit of the members and the cooperatives (goodwill, surplus, continuity of coop business etc)

From this housing program, the workers may feel happier, and access to work places more conveniently, which help them improve their work productivity.