

# **Housing, Homeownership and Labour Market Change in Greater Jakarta, Indonesia**

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## Abstract

Globalisation, economic restructuring and structural adjustment are significant phenomena in contemporary society. Since the economic crisis in 1997, Indonesia's market through economic reform has become more neoliberally-oriented, leading to the reduction of subsidies, the privatisation of state companies and the transformation of the labour market to become more flexible. This has influenced the shift from permanent employment to short-term contracting and outsourcing systems in Indonesia's labour market, resulting in insecure employment for many. Meanwhile, since Indonesia's property prices started to pick up in 2004, growing house price inflation through the widespread commodification of housing has shown no signs of stopping – but on the contrary, experiencing annual growth. Declining affordability in housing costs, the increased housing shortage in urban areas, lack of finance availability and affordability, and increasing housing market speculation are important phenomena that have created insecurity within Indonesia's housing markets. This study focuses on how labour insecurity has influenced the nature of housing consumption of households from varying socioeconomic backgrounds. In exploring both the labour and housing market, the study employs the 'household strategies' paradigm to understand the dynamics underlying the 'housing careers' of blue-collar and white-collar households. The study differentiates between these households by dividing them into three groups: 'Defensive', 'Managing' and 'Improving' households. This paradigm provides a useful way of understanding residential mobility via the operation of the housing market, exploring how the progression of the household through the housing stock is influenced by the diverse circumstances that prompt different economic strategies, each which seeks to protect that household from the harsh realities of the contemporary neoliberal condition.

**Keywords:** Job insecurity, Housing market, Household strategies, Indonesia

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# **Chapter 1**

## **Introduction**

## **Chapter 1: Introduction**

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# Chapter 1

## Introduction

### 1.1 The Argument of the Study

#### 1.1.1 Labour Market Flexibility and Homeownership Aspirations

*“Yes, I have not yet become a permanent employee and it’s difficult to apply for KPR (housing mortgage) if you do not have permanent employment”.*

(Respondent in his late 20s, Pilot Study Questionnaire, April 2013)

This research considers how experiences of labour market change, in particular the lack of job security resulting from more casual and contract employment, might be influencing the character of and attitudes to homeownership, and the housing opportunities available to those groups in need. The research outcomes of this study will focus on the assessment of the implications of labour market change in the housing system within Greater Jakarta, with a particular emphasis on how each household adapts their strategies in order to be able to get onto the property ladder. Thus, the author developed Household Strategies Paradigm to understanding the relation of these two markets. The study seeks to establish how access to homeownership has been, or is being, affected by current changes in the Indonesian labour market. This is an increasingly important research issue given the evidence suggesting that many households in Indonesia now face greater job insecurity and housing affordability problems. While job insecurity problems are predicted to increase in the coming decades as a result of globalisation and liberalisation in the labour market, the implications of labour market change for homeownership aspirations are less clear.

The implications of a more flexible labour market are presumed to be impacting on homeownership aspirations across all income groups. This highlights potential concerns about the long-term risk that access to homeownership may become more difficult for many households, given the current financial environment, where labour market flexibility has become the norm. Despite the importance of these issues for current housing policy, there has been no attempt to specifically seek out the attitudes and coping mechanisms of households in coping with their housing problems, whether as a homeowner or renter.

The research focuses on Greater Jakarta Metropolitan Area, where the author has lived and worked in the past. The research is thus of immediate interest in a city which has experienced the highest house price increases, housing *backlog* and land prices, suffers from a lack of affordable subsidised housing, and attempts to deal with the problems caused by current casual and outsourcing employment in manufacturing industries in the surrounding areas. This study uses Greater Jakarta for the urban region, comprised of DKI Jakarta, Bogor, Depok, Tangerang and Bekasi (*Jabodetabek*). The current population in the area represents approximately 12 percent of Java's population. The population growth in the region has been enormous, from about 8.3m in 1971, to 17.1m in 1990, to 28 million in 2010 (BPS, 2012), with a growth rate of 3.6 percent per annum over the period 2000-2010 (Jakartapost, 2011).

The study initially sought to survey blue-collar households, many of whom worked as contract and outsourcing employees in manufacturing industries around Jakarta City. The study aimed to survey these blue-collar first-time buyers who had bought in Greater Jakarta within the last four years (January 2010 through to January 2014). This period included the introduction of the subsidised mortgage (KPR-FLPP / *Kredit Perumahan Rakyat – Fasilitas Likuiditas Pembiayaan Perumahan*) in October 2010 to replace existing subsidised housing programs. This subsidised mortgage is available to all purchasers who qualify as a first-time buyer, have never had a home either through subsidised or non-subsidised financing, and have an income not exceeding Rp.3,500,000 (£205)<sup>1</sup> for a house and Rp.5,500,000 (£323) for a flat. The KPR-FLPP does not require permanent employment to be able to apply, so is suitable for casual and contract employees.

Given their monthly income is between Rp.2,000,000 and Rp.5,000,000 (£117-£294) this income group arguably have the ability to take out a KPR-FLPP with 10 percent down payment, fixed interest rates at 7.25 percent and mortgage repayments for up to 20-years, which enables them to buy a house in a price range between Rp.90,000,000 and Rp.100,000,000 (£5,294-£5,882), while the maximum price platform for KPR-FLPP does not exceed Rp.115,000,000 (£6764). For instance, if the housing price is around Rp.91,000,000 (£5,352), the monthly mortgage payment for a 20 year loan is around Rp.647,318 (£38), or equal to around 18.5 percent of maximum income platform (Rp.3,500,000, or £205).

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<sup>1</sup> The author is using the current exchange rate at the time of writing (on average, £1 = Rp.17,500)

However, from the fieldwork between September 2013 and July 2015, it became clear that house price inflation has affected all households' economic background and is much more complex than the author first expected. The majority of blue-collar households have no ability to enter the housing market because the house prices have reached levels where up-front cash requirements far exceed the savings that a typical low-income household can manage to accumulate. Surprisingly, that situation was not only the problem of blue-collar households alone, but many white-collar households as well, with house prices having doubled or even tripled over the last few years. Thus, this study was broadened to blue-collar and white-collar households either as a tenant or a homeowner in order to get the whole picture of the housing problem in Greater Jakarta.

In addition, whilst it was believed that blue-collar households would be the households most stressed due to their job insecurity and experience of housing affordability problems, this did not turn out to be the case. The majority of white-collar households also experience housing stress because they are not entitled to the subsidised mortgage and have been more affected by current house price inflation. Most of them are more attached to their current location and must live in the city of Jakarta (DKI Jakarta) in order to avoid long commutes, compared to the blue-collar households, the majority of which work in fringe areas and satellite cities around the Jakarta Region, where many manufacturing industries are located. Thus housing options for these households are clearly different, and this arguably makes their housing problems distinct. Nevertheless, all these households share the same experience, caused by labour market and housing changes in recent years.

Whilst labour market and housing market changes in developed English-speaking countries in the last twenty years have been described in a substantial body of literature (see in particular Kupke (2002), Bover (1989) and Meen (1996)), this literature has been largely concerned with economic explanations of these changes. Less attention has been paid to the social impact of labour market and housing market changes as they occur in a developing country, like Indonesia.

In this study, the author attempts to measure these impact processes as reflected in the patterns of household strategies at different levels in their economic and employment backgrounds. This study will also explore whether attitudes to, and reasons for choosing, rent or a mortgage are different across employment categories, and whether different levels of job security are

impacting on financial wellbeing and affecting decisions regarding housing tenure. Arguably, different segments of the population access and combine the basic inputs into housing (land, labour, materials and finance) using a range of different methods. Understanding how each different segment of the population accesses housing and the bottlenecks in the housing market system, is a crucial step in formulating government programmes. This can indicate priority areas for housing programmes and subsidies and also enhance their efficiency and eventual outcomes. This study recommends that such an understanding of housing market segmentation should proceed from household level, from which the local and national government can build an understanding to provide funding for capacity building and technical assistance in this regard. Basing local housing strategy on an understanding of various market segments can only achieve great results for the housing sector in urban areas, but also save local governments many resources by increasing the efficiency of their public expenditure.

### 1.1.2 Background of the Study

This study will use the term ‘white-collar’ and ‘blue-collar’ to describe the employment backgrounds of the respondents working in the manufacturing, service and information sectors. The term ‘white-collar’ has been used loosely to refer to salaried office workers, in contrast with the ‘blue-collar’ manual labourers paid hourly (Shirai, 1983). Indeed, some researchers have argued that new technologies have transformed work in such a way that traditional distinctions between white and blue collar workers have been rendered obsolete (Barley & Kunda, 2001; Zuboff, 1988). The author nevertheless uses the definition by Wallace (2009) in which a blue-collar task is one that is mainly physical and routine, such as skilled and semi-skilled manufacturing work, whereas any task that is either highly intellectual or highly creative, is white-collar. This can be illustrated in Figure 1, showing how both types of work are arguably less clearly differentiated than based on opposing ends of a spectrum (Ramirez and Nembhard, 2004).

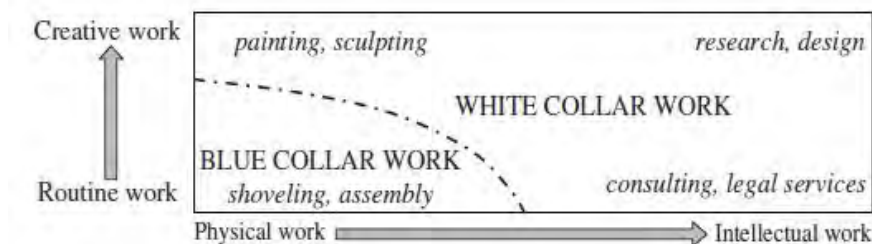


Figure 1.1 White-collar Work vs. Blue-collar Work  
(Source: Wallace, 2009: fig.1, p.3)

In Indonesia, the term ‘*Buruh*’ was used to refer to the people who work for other individuals and institutions in order to get a wage/income. In 1954, the Indonesian government under the ‘new order’ regime classified workers into ‘*Buruh*’ and ‘*Karyawan/Pegawai*’. The term ‘*Buruh*’ is used for workers in the private sector whereas ‘*Karyawan/Pegawai*’ referred to public sector workers. This is also because ‘*Buruh*’ has a closer meaning to the ‘proletariat’ concept which refers to the relationship of conflict between employers and workers, thus it implies the idea of class struggle. Nowadays, the term ‘*Buruh*’ is more related to blue-collar workers in manufacturing industries, and ‘*Karyawan/Pegawai*’ relates more to white-collar workers.

Although the issue of job insecurity and housing affordability has been acknowledged over many years, the issue has received considerably more attention recently among academics and practitioners alike, and this trend has also motivated this study. Since the economic crisis in 1997, the Indonesian market as part of economic reform has become more neoliberally-oriented, and this has led to the reduction of subsidised mortgages, the privatisation of state companies and the transformation of the labour market to become more flexible. The concept of labour flexibility was introduced at the national level in 2003 when the National Planning Development Agency (*Bappenas*) released a white paper on labour policy, entitled the ‘White Paper on Employment Friendly Labour Policies for Economic Recovery’ and legalised by the Law No.13 of 2003 on manpower. This change has led to the shift from permanent employment to a short-term contracting and outsourcing system in the Indonesian labour market, which has made employment less secure. *Bappenas* argued that there should be a ‘trade off’ between job security and job opportunities. Tjandra (2008) points out that ‘economic development’ in the context of a ‘free market economy’ has become the dominant idea in labour law reform in Indonesia.

At the same time, housing policy has also changed to place more emphasis on market-strengthening approaches where the government over the medium and long term will become an ‘enabler’ rather than ‘provider’. This new focus means that the private sector will be more involved in providing affordable housing while the government task is to deregulate the financial sector in order to increase the participation and the amount of capital investment in housing. Arguably, massive government investment in housing construction will be too expensive and the outcomes in the current development climate too uncertain, even if funds were available. Thus, the most effective way to enhance housing provision is to reform and give incentives to the housing market for playing a larger role in economic growth. Well-functioning housing markets will stimulate economic growth and housing assistance programs will contribute to this outcome (Marja, 2002). The ongoing decentralisation as a part of government reform in Indonesia also plays a critical role in framing the new housing policy. So far, the central government has monitored housing development but has left the implementation of regulations to local authorities. Local government is the principal implementing agency of housing programs and policies. However, it seems that the local government chooses to leave the solutions of the housing problems largely to the people themselves.

Over the past few years a number of risks and challenges have arisen from the current system of housing provision and labour market in Indonesia, which are projected to continue into the future. The housing system arguably is failing to sustain the affordability level of housing, particularly for low-moderate income households, including younger families. It also appears that house prices may rise faster than incomes, and for aspirant purchasers this will reduce their ability to save and bridge the deposit gap, and frustrate their housing aspirations, problems which are reflected in the increased disparities between those who gain access to homeownership and those who do not. Lack of secure, affordable private rental housing contributes to higher levels of financial stress for blue-collar and white-collar households and may affect economic performance and labour market efficiency. In addition, as homeownership becomes a major indicator of economic wellbeing at household and market levels, high rates of homeownership interest are creating competitive pressures and market forces which have led property prices to climb beyond the reach of an increasing number of households. Arguably, housing market decisions are affected by imperfections in financial and labour markets, such as the inability to borrow against future earnings, high credit costs and spatial inconsistencies in the job market, while current housing subsidies are unsustainable and limited.

The economic growth led by market and housing policy that focus on the promotion of homeownership become counterproductive. The government needs homeownership to boost economic growth, while at the same time keeping the labour salary low in order to attract foreign direct investment. Ofreneo (1984) points out that many developing countries offer low wages to their workers and the result of such conditions is low purchasing power in the domestic market. Moreover, increasing issues of job security and high-interest rates have discouraged people from taking out housing loans. Therefore, the ability and willingness of households to commit to an 8-20 year housing mortgage, and the idea that the market can solve housing problems, have become questionable. It can be argued that lower-income households lead to low ownership rates and this labour system can become counterproductive with other government programs that aim to help their citizens afford a decent livelihood and achieve a nation free from slums by 2025.

## 1.2 Research Objective and Research Questions

The central objective of the research is to examine the impact of job insecurity on the ability of blue-collar and white-collar households to afford homeownership and how this affects their long-term goals. Phrased differently, this study aims to question **how blue-collar and white-collar households can achieve their housing goals, in the context of casualised labour markets and high-interest rates**. It thereby explores the connection between an increasingly important but problematic feature of contemporary labour markets (job insecurity) and a crucial dimension of housing research and policy (homeownership aspirations and housing affordability problems). Arguably, with job insecurity on their background, blue-collar and white-collar households cannot plan ahead because their housing arrangements are threatened by financial factors and face the dilemma of choosing whether and when to buy or rent. It is likely that job insecurity has a negative effect on housing outcomes. Yet the connection between job insecurity and housing tenure choice has not been thoroughly examined by housing researchers and policymakers, in particular in a developing country like Indonesia. This study aims to fill this important knowledge and policy gap.

The main question will be explored through detailed sub-questions which derive from the issues identified above:

### **Research question 1**

*What has been the impact of the changing labour market on the income of blue-collar and white-collar households and their ability to afford homeownership?*

It is important to have a good understanding of who are the current house buyers and whether there have been changes in the composition of household purchasers over time. It became clear that either blue-collar or white-collar groups face difficulties buying a house with the current high price on the market; the author therefore expanded the original research brief to include both blue-collar and white-collar households in the analysis.



## **Research question 2**

*What are the factors limiting homeownership for both blue-collar and white-collar workers in Indonesia?*

The second research question addresses policy concerns about the ongoing affordability of homeownership and explores to what degree households have to forego other necessary expenditures in order to save for a deposit and be able to take out a mortgage. The question also explores the behavioural dynamics of households in the home purchasing market and the possible reasons behind their choice to rent instead. This question will give us a good insight into the affordability problems for blue-collar and white-collar households.

## **Research question 3**

*What are the costs and benefits of new labour flexibility in terms of homeownership and workforce development opportunities? Whose costs and benefits?*

The third research question addresses the assumption of households and governments alike that homeownership is always better than renting. It is also critically important to assess current housing policy in Indonesia and whether there is a tenure-neutral housing policy there. The question attempts to explore whether there are housing options for each income group in the market and how the lack of housing options creates more problems for blue-collar and white-collar households.

## **Research question 4**

*What are the solutions that will allow the blue-collar and white-collar income households to own their homes? Who can implement these solutions?*

The fourth research question addresses a significant policy issue on whether the government should encourage low-moderate income households to enter and remain in homeownership. Alternatively, should the government rely on the market forces to determine this? How (far) can central and local government improve the housing solution?

### **1.3 Contribution to Theory and Practice**

This research concerns the implications of labour market change for blue-collar and white-collar households with particular attention to the issue of how job insecurity and housing affordability has affected people's choice of whether to buy or rent a house. Lahey (1984) and Schaufeli (1992) have argued elsewhere that less educated workers are more likely to be employed in insecure jobs than highly educated workers, and thus, may be more likely to experience job insecurity. However, this does not imply that job security is not an issue for higher occupational levels – only that it may be relatively less important than other needs. Further, it is important to question whether job security is an objective phenomenon or instead representative of a completely subjective response to the situation.

On the other hand, housing has arguably been the most important component of physical capital, in terms of the accumulation of wealth. Homeownership arguably affects one's access to various opportunities, including wealth, health and neighbourhood social conditions. The real use-value of housing cannot be measured in terms of how well it conforms to the image of a consumer society standard. Rather, it must be measured in terms of how well the housing serves the household. As Turner (1976) argued, the forecast of housing demands always fails as it is wrongly supposed that people will spend a given proportion of income on housing. The percentage of income that people spend on housing varies enormously, even within the same income bracket. The same family may jump from one priority to another at any time. Motivation has been an important reason in the explanation of homeownership (Tan, 2008). Individuals arguably are motivated when they see what is important to them, representing a reward for their efforts. However, no research has surveyed the outcome of homeownership for both homeowners and society in Indonesia. Therefore, a further contribution this research intends to make is to foster an understanding of whether blue-collar and white-collar house purchasers would have been financially better off renting.

## 1.4 The Construction of the Study

### 1.4.1 Research Location

The research is situated in Indonesia, a country with over 244.2 million habitants (BPS, 2012), making it the fourth most populated country in the world. The capital, Greater Jakarta Metropolitan area, comprised of DKI Jakarta, Bogor, Depok, Tangerang and Bekasi (Jabodetabek) reached 27.9 million according to the 2010 national census. Greater Jakarta has been the most attractive region for foreign and domestic investment because of its pool of entrepreneurs and skilled labourers, its high concentration of people and industry, its access to mass markets, and its high access to decision-makers (Firman, 1998). The periphery of Jakarta, including the District (Kabupaten) of Bogor, Tangerang and Bekasi is heavily dominated by manufacturing industries, including metal products, textiles and chemical industries. Jakarta itself is shifting from a centre of manufacturing activities to the provider of services with a massive development of hotels, banks, shopping centres and offices. Housing is considered to be one of the most serious problems in Jakarta due to the rapid population growth and limited land for housing development. Greater Jakarta has an annual demand of approximately 200,000 units. As the result of these limited resources, most low and low-moderate income groups choose to live in spontaneous informal settlements referred to as *Kampung*. However, *Kampungs* are not always synonymous with slums. Many permanent buildings have been erected and many of them have had neighbourhoods and community associations for years.



Figure 1.2

Location of Indonesia (2002) at: <http://www.lib.utexas.edu/maps/indonesia.html> (Accessed on 18.05.2016)

Inset: Greater Jakarta (2015) at: <http://propertydata.asia/jakarta> (Accessed on 18.05.2016)

#### 1.4.2 Methodological Approach

This study has adopted a qualitative approach to help answer the research questions. Primary data will be obtained through in-depth interviews with blue-collar and white-collar purchasers / renters to obtain a good understanding of the determinants of housing affordability and job insecurity. This is followed by an exploration of the expectation and experiences of each household who live and work in Greater Jakarta at least one year during the research was conducted. The researcher thus seeks to establish the meaning of this phenomenon vis-à-vis the individual experiences of the respondents.

On the other hand, housing policy has a big influence on the development of housing tenures and the status and attractiveness of homeownership. Studying current housing policy will help to provide a better understanding of what happens in society and how the housing policy and social value of homeownership in Indonesia shapes and embeds the value of homeownership in society. In-depth interviews with policy makers and employers were also conducted to get different stakeholder perspectives. However, the author acknowledges that the ability of blue-collar and white-collar households to enter and maintain homeownership is affected by a much broader set of factors.

### 1.4.3 The Organisation of the Thesis

This thesis consists of ten chapters, which are organised in order from general ideas to specific results and findings in the conventional way, as follows:

Chapter 1, **Introduction**, provides the introduction and background of the study. The first part is an initial picture of the research problems regarding labour market flexibility and homeownership aspirations. The second part outlines the research objectives and questions, followed by the discussion of this study's contribution to theory and practice. The introductory chapter closes by explaining why it has been important to construct this study.

Chapter 2, **Housing, Globalisation and Economic Restructuring**, interprets the 'position' of the study in the context of the global structural adjustment on labour and housing market issues. The first section discusses the phenomenon of globalisation and how it is affecting the way multinational companies operate their production lines and use their labour effectively. In addition, global restructuring and changing theories and ideas of global housing policy are discussed. The second part explains the influence of economic globalisation and how Indonesia profited from these macroeconomic changes. The third section explores structural adjustment theory and how global institutions such as the World Bank and the IMF promoted privatisation, international trade and also changed housing policy from a 'site and services' approach to become an 'enabling' approach. The fourth section discusses how that enabling structural housing market approach culminated in the 1997 Asian financial crisis, examining how specifically in Indonesia, many private developers had used short-term offshore loans to speculate heavily in land and real estate around Greater Jakarta, thus contributing to the dramatic impacts of that crash in Indonesia. The fifth section assesses the privatisation and commodification of housing, which magnified affordability problems in Indonesian society. Thereafter the chapter critically reviews the relation between housing and labour markets and how they are intertwined with each other. It concludes by introducing the household strategies framework, which will be used as the analytical framework of the study.

Chapter 3, **Methodology and Research Design**, describes the research plan for how this study was approached. The first part explains the research process, from organising the qualitative research and choosing the case studies, to conducting the pilot study and developing the final research idea. The second part presents the data collection methods underlying the conduct of

the institutional and field surveys and the discussions with experts. The following section provides a discussion of the nature of the methodology as a process of inquiry and outlines how the case data were organised. This part explains the value of the author's fieldwork experiences and outlines how the data from the fieldwork were analysed and interpreted. The chapter closes with a discussion of the noteworthy points from the fieldwork experience.

Chapter 4, **Greater Jakarta: a Housing Barometer of Indonesia**, provides a review of Greater Jakarta's development, including the problems caused by misused planning permission during its development. This part also explores how Bekasi has been developed as a centre of industry over the past few decades. It then discusses the housing policy development in Indonesia and how the current housing boom has triggered uncontrolled house and land price increases. The third section highlights the demographic background and the rise of middle class in Indonesia. In addition, the social value of housing in Indonesian culture is also discussed to provide insight into how Indonesians see homeownership as the dominant form of housing tenure. The last section provides a discussion of some concluding points made from this contextual setting and is used as a basis for outlining the research context.

Chapter 5, **Employment Change in Indonesia**, illustrates the context of labour market changes around the world and in Indonesia in particular. It starts with a discussion about the casualisation and contractualisation of labour as a global trend which has resulted in increased risk of job insecurity and unemployment. The chapter covers the main features of the current labour market in Indonesia, including outsourcing, contractual employment and migration from rural areas to big cities which has created serious problems in big cities like Greater Jakarta. The chapter ends by discussing current labour market development.

Chapter 6, **Household Strategies Paradigm**, discusses the concept of household strategies developed by the author to explore the relation of labour and housing markets. This typology is used by the author to make sense of the housing career of the research respondents of varied employment backgrounds. The chapter closes by describing the three groups of households which will be explored in the empirical chapters.

Chapter 7, **The Voice of ‘Defensive’ Households**, is the first of three analytical chapters which discuss the case study findings from ‘defensive’ blue-collar and white-collar households. The chapter explores their different housing aspirations, household strategies, housing goals and lifestyle choices. The end of the chapter offers a preliminary conclusion regarding the main reasons underlying the strategic decisions made by those households, which relate to employment, household roles and household expenditure.

Chapter 8, **The Voice of ‘Managing’ Households**, explores both blue-collar and white-collar ‘managing’ households, who are able to purchase a house but struggle to keep up with their mortgage payments or who manage to pay their instalments but struggle to plan ahead given their current circumstances. The chapter also introduces the main issues for the households in this group. The end of the chapter offers a preliminary conclusion regarding the main issues concerning this group’s coping strategies and affordability issues.

Chapter 9, **The Voice of ‘Improving’ Households**, illustrates the findings from moderate-income home buyers who seek housing not only as a place to live but also as an investment commodity. The chapter explores the main issues concerning the households in this group, which have more advantages compared to the other two groups of households. The chapter also discusses the rise of inequality as a result of housing price appreciation and parental wealth transfer.

Chapter 10, **Concluding Discussion: Indonesia and the Global Picture**, provides a discussion of the key findings of chapter 7, 8 and 9 and situates these findings within the context of current global labour and housing market change. The chapter highlights how these 3 different household groups show that Indonesia faces similar problems to other countries, as well as highlighting the unique problems that only Indonesia and Indonesians face, determined by the specific nature of that country’s labour and housing market policy. The chapter then discusses the implications of the findings and proposes ideas for future investigation, before finally reflecting on the study process and the valuable lessons learned by the author during the research.

## **Chapter 2**

### **Housing, Globalisation and Economic Restructuring**



## **Chapter 2: Housing, Globalisation and Economic Restructuring**

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## Chapter 2

### Housing, Globalisation and Economic Restructuring

*“Whether we like it or not, whether we are ready or not, we have to participate in globalisation.”* (President Suharto in 1994)

#### 2.1 Prior to the Discussion

This chapter begins by considering a specific phenomenon through which the world is increasingly interconnected: *globalisation*. Over recent decades, processes of globalisation have reshaped the world of work and economic development. It is now obvious that globalisation cannot be reversed or slowed down but has to be managed. Globalisation, that is, the process of expansion and deepening of the global market for goods and commodities, services, and finance, which was spurred by the development of communication and transportation technology and later by trade liberalisation, has given impetus of the world into a global financial system and global economy in general (Dicken, 1992).

These changes are reflected in a new international division of labour, which has undermined the traditional dichotomy that separated several industrialised countries from the many developing countries that existed solely as raw material producers. Underlying the new division of labour is a tendency that increasingly compels the subdivision of the production process into partial operations at different sites throughout the world (Frobel, Heinrichs, and Kreye, 1980). Specifically, this phenomenon has influenced the dismantling of once-powerful industrial centres in the United States, United Kingdom and Japan; the accelerated industrialisation of several Third World countries; and the rapid internationalisation of the financial industry into a worldwide network of transactions (Sassen, 1991). Kennett (1994) argues that the globalisation of capital and a new international division of labour have necessarily stimulated the labour process, labour markets, products, and patterns of consumption, and incorporates anti-union legislation, privatisation, and the introduction of market criteria into welfare services.

Global restructuring has become a principal cause of territorial changes, for every nation has responded by trying to take advantage of the current restructuring of the world economy. Territorial development, in turn, transforms the economic and social structure of cities throughout the world, creating a strategic role for different cities in relation to the global division of labour. Cities are places where the general trends of structural transformation at the global level manifest through the mediation of structural changes in territorial developments (Cho, 1997). Since the 1970s nations have been reforming economic policies towards international integration into the world economy. Sometimes this has been expressed with structural adjustment, assisted by the IMF and the World Bank. Unfortunately, within this process of economic liberalisation and the reconfiguration of the role of the state, various countries have experienced austerity, systemic financial crises (e.g. the 1997-8 Asian financial crisis), greater or lesser success at steering economies towards sustained growth, and much more besides, including (near) absolute collapse in the Congo and other countries (Pugh, 2001).

On the other hand, global economic crises, such as those in Latin America and sub-Saharan Africa in the 1980s and 1990s, East and Southeast Asia in the late 1990s, the US subprime mortgage crisis between 2007 and 2009, and the Eurozone crisis from 2008 until the present, generate their own long-term dialectic between the economic, the social, and the political. This has deeply influenced urban change, reactions to poverty, household aspirations, gender relations and social sector policies (including housing policies). Subsequently, the wider international economic processes and reforms will obviously influence the short and medium term conditions in the housing sectors, including flows of finance, cost of credit, public finance and the affordability and construction of households. Internationalisation has been having less obvious, indirect influences which are nonetheless often more powerful in their effect than the conspicuous direct influences.

Furthermore, international housing policy for the developing countries has been influenced by changing theory and ideas. Since its involvement in housing development, the World Bank has changed its policy from a focus upon special projects for low-income groups to a more comprehensive approach to securing whole sector housing development within a framework of economic and institutional modernisation. Nevertheless, the whole sector housing approach has some inherent dilemmas, including the implied complexities and difficulties associated with the systemic requirements of comprehensiveness in housing. Some countries like Hong Kong, Singapore, South Korea and Taiwan have achieved this. Their development policies were based upon macroeconomic stability, export-led growth, the broad spreading of human capital, high

rates of saving, effective public administration and institutional reform (Pugh, 2001). Many developing countries, including Indonesia, have tried to replicate this approach in past decades, but with different levels of success.

Therefore, this chapter begins with a review of globalisation and structural change in the global economic market, which have been happening in the last four decades. The chapter tries to link structural change on a global production system to the phenomenon of capitalism, which operates at the micro level of a country and at the regional level. This is based on the firm belief that a thorough understanding of ongoing structural changes is required to understand current labour and housing markets in Indonesia, and specifically the impact of those changes upon these markets.

## **2.2 Global Capitalism and Economic Restructuring: How it works**

### **2.2.1 Perspective of Global Restructuring**

Since the late 1960s, many of the core industrial cities and regions of western industrialised countries have experienced a steep decline in the mass production industries that served as engines of economic growth in the post-war period (Cho, 1997). One initial development is the emergence of a new international division of labour, as industrial capital has been invested, on a significant scale, in certain Third World countries. This process has increasingly integrated into the various units throughout the world, thus creating a globalised economy. These shifts have been facilitated by improvements in transport and communications technologies (Peet, 1987), but also by the silicon chip and its incorporation into most electronic products and indeed into most production processes (Gilbert and Gugler, 1992).

This development in production technology has also influenced the breakdown of complex production processes which were previously carried out by skilled workers, into elementary units performed by unskilled workers. Many companies have spatially separated the production of particular labour processes within the same industrial branch and firm. For instance, the Toyota car manufacturer ships some of its car parts from a factory in Indonesia to a factory in Thailand for final assembly, before selling the product to South Korea, Malaysia, Australia and New Zealand. US giant Apple outsources most of its production to other companies, mainly in Asia. Multinational companies have become increasingly global, locating manufacturing plants

overseas in order to capitalise on cheaper labour costs or to be closer to their markets. The emergence of this global option has fostered the migration of industrial capital from developed countries to a number of Third World countries and has resulted in industrial enclaves that manufacture commodities primarily for export.

At the same time, with the breakdown of the mass production system, a new period of capitalist development based on the ascendant paradigm of flexible production has emerged since the late 1970s. The flexible production system refers to forms of production characterised by a well-developed ability to shift promptly from one process or product configuration to another, and to adjust quantities of output rapidly up or down over the short term without any deleterious effects on levels of efficiency (Storper and Scott, 1989). A variety of strategies are employed to achieve these types of flexibility, including the use of general purpose equipment and machinery and/or craft labour processes within the firm; a tendency within the flexible firm for job descriptions to break down into a restricted number of broad-ranging categories; and extensions of the social division of labour facilitating rapid changes in combinations of vertical and horizontal linkage between producers (Cho, 1997). As Benko and Dundord (1991) point out, in contrast to post-war era mass production, new economic global production is tied to the trend towards deregulation, greater flexibility, and increased reliance on the market. The next section focuses on how Indonesia has benefited from global economic restructuring and on the consequences of neoliberal economic reform in that country.

### 2.2.2 The Indonesian Context of Restructuring

The worldwide spread of industrialisation since the late 1960s has coincided with the shift in strategy by multinational corporations from high-wage and high-consumption forms of production in the industrialised countries towards spatially decentralised forms of production in which low-wage labour forces are important in certain phases. As economic growth slowed in industrialised countries, these countries relocated production to developing countries, including Indonesia. The second-generation Southeast Asian newly industrialising countries like Malaysia, Thailand and Indonesia have been trying to follow the success of Korea, Taiwan and Singapore.

Southeast Asian economies do however face a strong challenge from China. China's massive labour force, low wages and agglomeration economies certainly make China a more attractive

breeding ground for foreign direct investment (FDI). China's economic achievements in the last two decades were possible through the favourable world economic situation and the openness of markets in general. Despite all this, China also faces some concerns regarding environmental regulation and increased labour costs. The notion of competitiveness within the production network is no longer only about labour costs, but includes efficient infrastructure, greater skills and more flexible responses (Pangestu, 2012). Indonesia has benefited from this trend; as an emerging nation, the rise of the middle class as well as the demographic dividend of a young population, has meant that location near the market is now an important consideration. Increasing competition to export and to attract FDI has led to various responses, some of which will be discussed further in the next section.

During the last four decades the Indonesian economy has experienced rapid economic growth. Indonesia has benefited from trade and investment flows and from a rapid growth in exports to the global economy. Indonesia's exports have been increasing rapidly firstly through commodities like palm oil and coal, and secondly through manufacturing. Indonesia like other Southeast Asian countries, such as Malaysia, Philippines and Thailand are also competing to be part of the trade and investment flows of the global economy. FDI and Export-Oriented Economies are seen as important catalysts for employment and economic growth. Many Southeast Asian governments promote FDI as it appears less footless and longer term, demanding investment in physical assets and carrying with it technological and trade benefits. Industrialisation in the Southeast Asian economies is largely driven by both export markets and FDI; the latter either totally or as part of a joint cross-border venture (Rasiah *et al*, 2000).

After independence in 1945, Indonesia's economy was desperately poor with few prospects for growth due to an increased hostile attitude towards foreign investment, in particular Dutch companies that had stayed on after the transfer of sovereignty (Lindblad, 2010). The chaotic political course that Indonesia took, defined by deficit spending through the printing of money that resulted in uncontrollable hyperinflation, was halted in the mid-1960s, after Suharto took over the government from Soekarno, and radically transformed Indonesia's economic policies under his New Order regime. Indonesia's economic development under the New Order government can be divided into three periods, each characterised by specific policies aimed at specific economic contexts. First, in the economic recovery period (1966-1973), the government's focus was the reintegration of Indonesia back into the world economy by re-joining the International Monetary Fund (IMF), the United Nations (UN) and the World Bank

in the second half of the 1960s. This generated the flow of financial assistance and foreign aid from Western countries and Japan into Indonesia. In order to curtail the hyperinflation, price stability had been established through a policy which prohibited domestic financing in the form of domestic debt or money creation. As a result, a free market mechanism was restored by decontrol measures, followed by the implementation of the Foreign Investment Law (1967) and Domestic Investment Law (1968). Direct foreign investments as well as joint ventures were encouraged by the Indonesian government. These laws contained attractive incentives for investors to invest in Indonesia, resulting in double-digit economic growth in 1968.

Second, between rapid economic growth and increasing government intervention (1974-1982), a rapid annual economic growth of at least five percent was maintained. Indonesia benefited from two oil booms in 1973/1974 and 1978/1979, causing a major rise in oil prices as well as government revenues. During this period, the public sector played a greater role in the economy, and the manufacturing sector also developed through the establishment of large-scale (basic) industries, among which were the import-substitution industries.

Third, export-led growth and deregulation (1983-1996); in the early 1980s the oil price began to fall again and currency realignments in 1985 aggravated Indonesia's foreign debt. Moreover, the economy had to be redirected from an economy dependent on oil to an economy with a competitive private sector oriented towards export markets. Indonesia's trade and investment policy transformed from an inward-looking import substitution strategy towards export promotion. These policy changes meant that foreign investment, especially export-oriented foreign investment, was welcomed. The financial sector was also affected by far-reaching deregulation, through which new private banks were allowed to be established, existing banks could open up branches across the country and foreign banks were free to operate outside Jakarta.

FDI and the deregulation of financial markets generated positive economic growth during the 30 years of New Order government. Between 1966 and 1997, real GDP per capita grew at 5.03 percent per year, and very few countries achieved similar economic growth (World Bank, 2000). In 1966, Indonesia still relied on agricultural products (rice, coffee, oil palm, and sugar) and natural resources (oil), as manufacturing constituted less than 10 percent of GDP and manufactured exports were non-existent. By 1996, manufacturing had risen to more than 25 percent of GDP, and real manufactured value-added had increased more than 12 times from \$4.4 billion to \$57.33 billion (World Bank, 2000). This rapid shared growth occurred alongside a highly successful green revolution in rice agriculture, through which Indonesia became self-

sufficient in rice production in 1984 (Booth, 1989). In addition, Indonesia also implemented one of the world's most successful family planning programs, causing the total fertility rate to fall by more than half, from 5.57 percent in 1966 to 2.75 percent in 1996. Life expectancy also rose from 47 years in 1966 to 67 years in 1997 (World Bank, 2000). In addition, despite a near doubling of the population from 107 million in 1966 to 200 million in 1996, the absolute number of poor people fell from 54.2 million to 22.5 million (Booth, 2000).

However, this positive economic picture is not without problems; a military-backed authoritarian regime had confined those political and economic benefits to within a small group of elite around President Suharto. In addition, the New Order was based on a system of nepotism and corruption which prevented the economy from functioning effectively. Since the 1980s, Business International (Mauro, 1995), Transparency International (2002) and the World Bank (Kaufmann, Kraay and Loido-Lobaton, 1999) have rated Indonesia as among the most corrupt countries in the world. In the mid-1980s, when the world oil market was falling, Indonesia took the World Bank's advice to open up the banking system and the Jakarta Stock Exchange to foreign investors (Chalmers and Hadiz, 1997). In addition, the financial system had become uncontrollable after the deregulation measures implemented in the banking sector had removed the restrictions regarding the opening of banks and branches, which meant that it was increasingly difficult to monitor the money flows within the Indonesian banking system. A serious lack of financial data and a weak regulatory and legal framework were some of the factors that would contribute to the 1997 financial crisis.

In mid-1997, the crisis in Thailand dragged Indonesia into its hardest economic times since 1966. Indonesia's GDP fell by roughly 15 percent, the number of people living under the poverty line increased substantially, and unemployment rates were high and business foreclosure became common. Investment flows were quickly and sharply reversed in 1997 and 1998. By 1999, domestic capital formation had declined from 32 percent to 19 percent of GDP. FDI inflows fell from US\$ 6.1 billion in 1996/97 to US\$ 1.6 billion in 1997/98 and were negative in 1998/1999 (Robertson *et al*, 2009). In the years prior to 1997 many private Indonesian companies had obtained unhedged, short-term offshore loans in US dollar currency and gambled heavily on the real estate (for more details see section 2.4). This enormous private-sector debt turned out to be a time bomb waiting to explode. When the Indonesian rupiah was depreciating significantly, Indonesian companies rushed to buy dollars, thus putting more pressure on the rupiah and exacerbating those companies' debt situation. As the government of Indonesia was unable to cope with the crisis, in October 1997, Indonesia decided to seek



financial assistance from the International Monetary Fund (IMF). Consequently, in early 1998, the government adopted the Program of Economic and Financial Reform and Restructuring, covering financial sector restoration, fiscal consolidation, monetary issues, the exchange rate, and structural adjustment in the form of broadening and deepening the deregulation program (Robertson *et al*, 2009). Moreover, the government also removed all import licenses, including import licences that fell outside previous WTO commitments.

Many people argue that the effect of the Asian financial crisis in Indonesia represents one of the greatest adverse consequences of globalisation, for Indonesia may have been much less affected by the crisis had it been isolated from the world economy (Ibid). The chapter will now discuss the structural adjustment theory through which Indonesia's rapid and radical economic policy changes were defined.

## **2.3 Structural Adjustment Theory and the World Bank**

### **2.3.1 Economic adjustment**

After World War II, followed by a period of reconstruction in the late 1940s and the early 1950s, International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (later renamed the World Bank) were established to stabilise and regulate international financial transactions between nations on the basis of fixed currency exchange in which the US dollar played the central role. At the beginning of its establishment, the World Bank's main goal was to promote sustainable economic development and poverty reduction by providing loans to developing countries to fund their national programs, usually infrastructure development. Alongside lending, the Bank also produced research, economic analysis, policy advice and technical assistance (Gilbert and Vines, 2000).

In practice, the World Bank implements these provisions using the Structural Adjustment Programs (SAPs) as requirements to get lower interest rates on existing loans. SAPs are programs which make it possible for countries to get a loan from the IMF or the World Bank. These loans come with some conditions, including significant policy reforms which have to be agreed upon before the loan is granted (Abugre, 2000). While each program is negotiated by representatives of the Bank and representatives of the potential loan recipient country, common provisions include:

1. A guarantee of fiscal discipline, and a curb to budget deficits;
2. A reduction of public expenditure, particularly in the military and public administration;
3. Tax reform, aiming at the creation of a system with a broad base and with effective enforcement;
4. Financial liberalisation, with interest rates determined by the market;
5. Competitive exchange rates, to assist export-led growth;
6. Trade liberalisation, coupled with the abolition of import licensing and a reduction of tariffs;
7. Promotion of FDI;
8. Privatisation of state enterprises, leading to efficient management and improved performance;
9. Deregulation of the economy;
10. Protection of property rights.

(Steger, 2003)

In 1989, The World Bank and IMF supported the ‘Washington Consensus’, a set of ten economic policy prescriptions developed to respond to the economic problems in Latin America. The Washington consensus promoted the idea of sound money and fiscal prudence as the pillars of macroeconomic policy, and argued the case for privatisation and limited governments, extolling the virtues of a globalisation epitomised by free trade and unrestricted capital movement. Achievement of low inflation and balanced budget (and later the opening of capital account) became the core of conditionality for the IMF’s rescue packages while the World Bank pursued structural adjustment (privatisation, trade liberalisation and financial deregulation) through its loan agreements (Chowdhury, 2012).

The World Bank and IMF justify those loan conditions as necessary stimuli for economic development. However, research has shown that implementation of structural adjustment conditions actually has a negative effect on economic growth (Przeworski and Vreeland, 2000; Vreeland, 2003). The World Bank was also criticised as it focused heavily on trade liberalisation, and the benefits of market-opening were mostly reaped by the most powerful shareholders, and G-7 countries, thus producing significant economic inequity. Critics’ claim

that SAPs already declined the supreme of national economies and make an international institution can dictate a nation's economic policies and have affected its recipient countries. In Bolivia, Argentina and Peru, for example, the World Bank was involved in the privatisation of water with a take-or-pay agreement set in USD which made private water companies collapse in the 2001 economic crisis, due to the devaluation of Argentina's currency which had prevented those companies from paying their debt (Andrés, 2007). The privatisation of electricity in Argentina, Chile, and Brazil has already led to an energy crisis in those countries (Bacon and Besant-Jones 2001, 2001). The privatisation of health services in Sub-Saharan Africa has meant that many semi-skilled workers face financial hardship in getting medical aid (Price, 1988). The World Bank has also forged agriculture and land reform policies that have caused many poor farmers in Southern Africa to face problems in land tenure (Fortin, 2005).

The Government of Indonesia under Suharto's regime enjoyed a special relationship with the World Bank. For three decades, "World Bank involvement in the country's development efforts was pervasive, and the achievements were many" (World Bank, 2006). These achievements included almost 30 years of uninterrupted growth, which by the early 1990s had positioned Indonesia as one of the emerging market economies. A group of US-trained technocrats in government service, the so-called Berkeley Mafia, steered the Indonesian economy through periodic macroeconomic adjustments in the 1970s and 1980s, and managed a gradual liberalisation of trade and investment rules in the 1990s.

Nevertheless, by the late 1990s, external critics of Indonesia's World Bank-supported development strategy had begun to focus on corruption. In mid-1997, the World Bank denied allegations of large-scale leakage of World Bank project funds in Indonesia, although an internal investigation later confirmed the allegations (Simpson, 1998). When the financial crisis hit, many critics pointed to the structural weaknesses in Indonesia's economy, particularly the pervasive corruption and cronyism, to explain the country's initial vulnerability to financial contagion and the depth of the ensuing crisis. In 1999, the World Bank's internal evaluation department reported that the World Bank's inattention to poor governance and other structural issues had undermined the effectiveness of its assistance to Indonesia over the previous decade, which the report rated as only marginally satisfactory (World Bank, 1999). For its critics, the perception that the World Bank had been complicit in maintaining a regime characterised by pervasive corruption and poor governance compromised the institution's credibility in responding to the 1997 crisis (Brauchli, 1998).

As mentioned elsewhere, the economic crisis encouraged Indonesia to seek financial assistance from the IMF in November 1997. Privatisation came to prominence as one of the policies to which the government committed itself as a condition for the provision of financial assistance by the IMF (IMF, 1997). Since 1997, Indonesia has privatised its state banks, civil aviation, water and electricity sectors, mining, construction and telecommunications. Nevertheless, not all privatisation has brought improvement. As Bosshard (2000) and Murphy (1999) point out, corruption and political pressure made it hard for the government to ensure competitive tendering and renegotiating the corrupt contracts represented a major commercial risk to the government, raising their price to beyond the market value. Arguably, in some countries, the sole reason for privatisation seems to be to acquiesce to international aid donors' demands without any regards to the fundamental political and economic issues involved (Heald, 1990).

Overall, the IMF and World Bank economic policies included orthodox components of micro and macroeconomic theory that it was believed would aid Indonesia's economic recovery. The macroeconomic stabilisation components were in the form of tightening monetary and credit conditions, reducing growth in public expenditure, and securing reductions of deficits in the balance of payments. The long-term growth components included such microeconomic reforms as the deregulation of markets, liberalisation of trade, privatisation, and the redirection of policies from import substitution to export-led growth. Chowdhury (2012) suggests that the Washington Consensus prescriptions were too restrictive. They not only limited developing countries' fiscal and policy space to deal with shocks and support structural change, but also increased their vulnerability to crises.

### 2.3.2 The World Bank and Housing Theory Development

Housing sector development in developing countries has taken a different course and been subject to far greater internationalisation than was the case for the developed countries at their earlier, similar stages of development (Pugh, 2001). The rapid growth of the urban population, accompanied by the growth of poverty and environmental degradation has been a major problem in developing countries. The ongoing explosive phases of demographic transition mean that the general housing and poverty problems will continue for decades in large numbers of developing countries. Alongside these developments and demographic considerations, internationalisation has had a broad, pervasive influence. Even though individual nations develop their housing and urban policies within their own political, economic, and cultural

conditions, the World Bank and other international aid agencies have had powerful impacts in promoting and applying their favoured (and changing) theories and practices of housing (Ibid). The following discussions are based on early historical responses to housing conditions; first, looking at *in situ* upgrading, then progressing to examine the enabling approach.

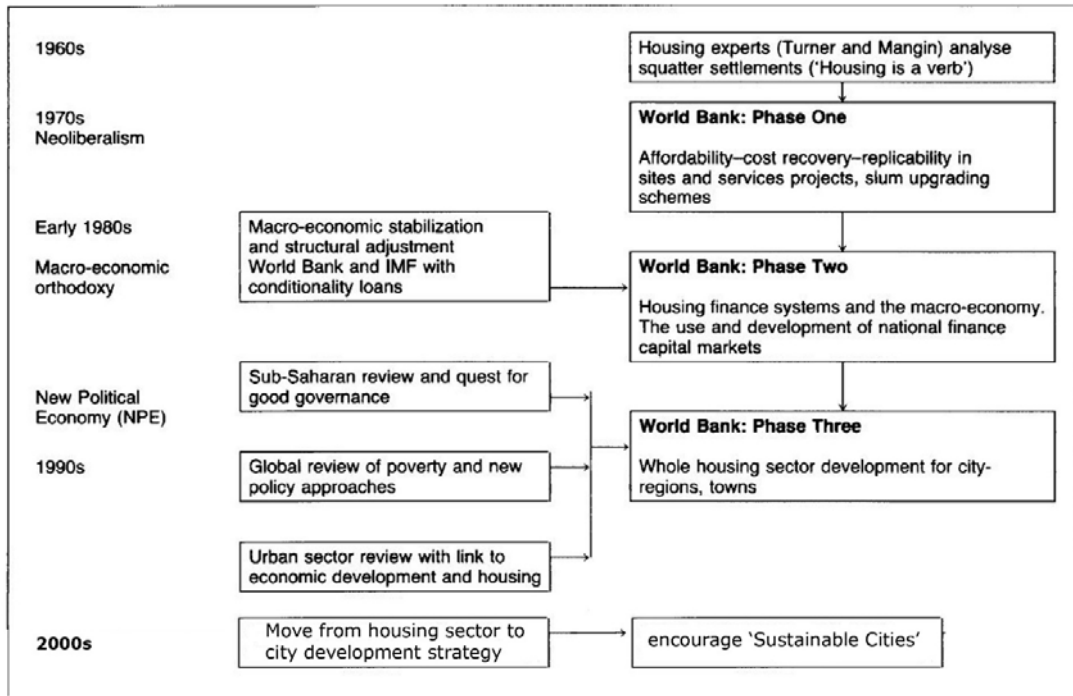


Figure 2.1 Evolution of World Bank housing policies  
(Developed from Pugh, 1994: fig.1 p.162)

### *The Early Generation of Ideas and Theories*

Early theories and ideas for housing policies in developing countries arguably were written as a reaction to the realities of squatter settlement or to the inappropriateness of public housing, which was often transplanted thoughtlessly from the developed to the developing countries. During the 1950s and 1960s, more appropriate housing knowledge accumulated from experts in UN missions that sought to advise governments in developing countries. As Pugh (2001) pointed out, the emergent housing literature of the 1960s depended upon the ‘learning by observing’ experiences of their authors in Latin America, Africa and Asia. Started by Charles Abrams’ book *Man’s Struggle for Shelter in an Urbanizing World* (1964), sites and services schemes and *in situ* slum improvement and ‘instalment construction’ by self-help were introduced (Abrams, 1966).

Another influential author of this approach was John F.C Turner, who viewed self-help housing in terms of deep human aspirations, articulated in phraseology such as ‘freedom to build’, ‘housing by people’, and ‘housing is a verb’, that is a process of active self-fulfilment (Turner, 1972, 1976). Turner found that households improved their housing incrementally, using better materials and adding space over periods of some 15 years or so (Turner, 1976, 1978). When the World Bank, in 1972, entered into urban and housing sector loans, the assisted self-help theories of Turner were adopted in the Bank’s strategic policy document (World Bank, 1972, 1974, 1975). The role of the public sector shifted from bulldozing existing illegal housing to supporting it by giving those occupants tenure, services, and other facilities. The adoption of Turner’s theory revolved around principles of affordability, cost recovery, and replicability which meant that the projects were to be budget-led rather than led from the professionally designated norms of housing standards. The standard of utility and infrastructure was related to those low-income households’ realities, with some 65 to 85 percent of spending allocated to food and subsistence. The result of this policy was a series of ‘Site and Services’ and ‘Self-help’ housing programs. This coincided with some ideas that international scholars were promoting at the time. Turner, Mangin, and Leeds publicised the notion that squatter settlements in developing countries should not be viewed as a problem, but as a solution and that they were ‘slums of hope’ not ‘slums of despair’ like in the US central cities (Peattie, 1982).

In Indonesia, the World Bank implemented *in situ* slum improvement through the KIP (Kampung Improvement Program) between 1975 and 1993. The KIP was successful in terms of scale and urban development impact (World Bank, 1995). Nevertheless, these projects failed to incorporate the interrelationship between other key issues and were implemented with no positive visible effects on the economy as a whole. Additionally, in the ‘Site and Services’ project, the government was seen to be preoccupied by individual projects instead of coordinating the whole housing sector.

### *The Enabling Approach to Housing Provision*

Since 1990, the focus of shelter strategies has changed. The World Bank has developed a policy which aims to 'enable markets to work' which emphasises the need to look at the housing sector as a free market, in a macroeconomic context. In 1991 two papers were delivered, the World Bank paper '*Urban Policy and Economic Development: an agenda for the 1990s*' and the United Nations Development Program strategy paper called '*Cities, People and Poverty*'. The World Bank followed up with a paper called '*Housing: Enabling Markets to Work*' in 1993. Meanwhile, in 1988, the United Nations launched '*The Global Strategy for Shelter to the Year 2000*' (GSS) which encouraged an 'enabling approach' to be adopted and applied at the national and international level. This 'enabling' approach meant that the government's role became oriented towards policy-making and institutional support, which was aimed at concentrating on the highest priority needs, while the private sector played a leading role. The main premise of this approach was that the government shifted from their former role as the providers of finished houses, to adopting an 'enabling' managing role of the housing sector. The World Bank argues that in a free market economy, where there is demand there will be supply to provide for all levels of the population (Ortiz, 1995).

The World Bank also suggests that the liberalisation of the financial sector and the privatisation of the housing sector (in conjunction with public enterprises) are necessary, in order to introduce the housing sector into macroeconomic planning. For housing finance, the World Bank emphasises the importance of security of tenure so that this can be used as collateral in securing loans and as an asset. However, how this 'enabling' role will materialise, where the capital comes from and what the incentives are for all parties are not clear. When questioning how to achieve a 'well-functioning market' the role of the government is fundamentally as an organiser, regulator and supporter (World Bank, 1992). In addition, to promote this new housing policy, the World Bank 'will seek to assist developing countries with research in the housing sector' (Ibid, p.68). For its lending role, the World Bank's loans focus on the institutions responsible for bringing together all major public agencies, controlling the housing-finance delivery, accelerating the development of property rights, administering subsidies, providing infrastructure in slums and squatter settlements, bringing together infrastructure agencies and reviewing the impact of regulations on the sector's performance.

According to the World Bank, each government should intervene to overcome market failure in ways that avoid aggravating market disruption by using a series of enabling instruments that serve to ‘get the institutions right’, develop property rights by regularising and registering tenure, privatise rather than nationalise existing housing stock, and avoid mass evictions (World Bank, 1992). Governments also need to develop mortgage finance by increasing the role of the private sector, encouraging innovation of new instruments across a variety of tenure types, and sanctioning default through enforceable foreclosure laws. Markets for housing should be integrated into financial markets and take full account of the effects of macroeconomic distortions (Buckley, 1996).

The essence of the housing market enabling strategy revolves around governments refraining from direct supply of land for housing, lifting restraints from private market activity and treating housing as an economic sector tied to general macroeconomic development (World Bank, 1993). By enabling the private sector, it hopes to expand the housing market to include a large section from low, middle and higher income groups. To achieve this, some enabling instruments work on demand-side constraints (developing property rights, developing mortgages, and rationalising subsidies) and on supply-side constraints (providing infrastructure for residential land development, regulating land and housing development, and organising the building industry). The recommendations of the World Bank are a condition for future lending. The Bank suggests that most of its future urban investment will be towards the aim of their recent housing paper and, in order to be effective, “loans should contain explicit conditionality regarding broader institutional and regulatory objectives” (World Bank, 1992). As part of its ‘enabling markets to work’ approach, it has advocated a specific measure of normative policy input ‘do’s’ and ‘don’ts’ that encourage assessment of national policy ‘in the round’ ( see Table 2.1).

Nevertheless, for its critics, despite trying to foster people’s participation in the housing process, the enabling approach arguably results in the widening gap between the ‘haves’ and the ‘have-nots’. This resulted in those who were privileged taking a larger share of the benefit of housing privatisation and being active in the housing market. A market structure of building for the rich and for taking capital gains was formed. On the contrary, taxes collected throughout the housing development and sale process have become important revenues for local governments, which to have deflation or even to slow down price inflation would have negative impacts on local government’s fiscal health and the speed of economic growth.



The do's and don'ts in enabling housing markets to work

Instruments	Do	Don't
Develop property rights	Regularize land tenure	Engage in mass evictions
	Expand land registration	Institute costly titling
Develop mortgage finance	Privatize public housing	Nationalize land
	Establish property taxation	Discourage land transactions
	Allow private sector to lend	Allow interest rate subsidies
	Lend at positive/market rates	Discriminate against rental housing investment
Rationalize subsidies	Enforce foreclosure laws	Neglect resource mobilization
	Ensure prudential regulation	Allow high default rates
	Introduce better loan instruments	Build subsidized public housing
	Make subsidies transparent	Allow for hidden subsidies
	Target subsidies to poor	Let subsidies distort prices
Provide infrastructure	Subsidize people, not houses	Use rental control as a subsidy
	Subject subsidies to review	Allow bias against infrastructure investment
	Coordinate land development	Use environment concerns to justify slum clearance
Regulate land and housing development	Emphasize cost recovery	
	Base provision on demand	
	Improve slum infrastructure	
	Reduce regulatory complexity	Impose unaffordable standards
Organize the building industry	Assess costs of regulation	Maintain unenforceable rules
	Remove price distortions	Design project without link to institutional/regulatory reform
	Remove artificial shortages	
Develop a policy & institutional framework	Eliminate monopoly practices	Allow long permit delays
	Encourage small-firm entry	Institute regulations inhibiting competition
	Reduce import controls	Continue public monopolies
	Support building research	
Develop a policy & institutional framework	Balance public/private sector roles	Engage in direct public housing delivery
	Create forum for managing housing sector as whole	Neglect local government role
	Develop enabling strategies	Retain financially unsustainable institutions
	Monitor sector performance	

Table 2.1 the do's and don'ts in enabling housing markets to work  
(Source: World Bank, 1993: Table. 1, p.46-47)

In addition, developers were allowed maximum freedom to determine what they built and who they sold to, and government agencies responsible for overseeing the housing market were not concerned with price inflation and affordability issues. Arguably, when the housing market became the dominant means of housing provision in the last decade, there was insufficient regulatory capacity building to ensure affordability.

Zhu (2014) suggests that whilst the enabling market policies can increase both demand for and supply of housing, these policies arguably have contributed to worsening affordability. Baken and van der Linden (1992) believe that a self-correcting market has never been achieved in reality, and there are many factors that contribute to the imperfect and irrational nature of

markets, reflecting a market approach that in itself would not guarantee access to affordable housing for the poor. As a result, the housing sector has been allowed to focus on profits rather than to satisfy the housing needs of a rapidly urbanising society. Current World Bank housing policies also propose the gradual abolition of subsidies. This policy could leave the poor completely dependent on the success or failure of the free market and the private sector. In reality, with current labour market policies, subsidies are the only means available for the lower income sector to acquire housing.

## 2.4 An Enabling Housing Market: Triggering Economic Crisis?

Housing strategy changes in Indonesia, like in many other developing countries, have gone through the era of state provision to current policy emphasis on the role of the state as an enabler. The private developers were encouraged to become involved in large-scale housing projects in Jakarta and other big cities. Since it was established in 1976, a National Housing Development Corporation (Perumnas) with the financial support of the State Mortgage Bank, Bank Tabungan Negara (BTN) had built only about 216, 556 units or around 14,400 units per year while the Private Sector (started several years later) had constructed approximately 992,252 units by the 1990s (Setiawan, 2001). Massive development in Greater Jakarta began with a series of deregulation policies in Indonesia during the years 1983-1998, in particular the 1988 financial, monetary and banking reform (Winters, 1991). That policy enabled the entry of more foreign banks in the form of joint ventures and thus encouraged the banking system to expand as a result of competition. Hill (1996) noted that between March 1989 and June 1993, the number of private banks' branches almost doubled, while the state bank expanded only 24 percent in the same period.

The growth of the financial industry market has encouraged developers to enter the suburban residential markets. The demand for residential development, as shown by the land use changes between 1990 and 1994 increased significantly. The conversion of land was apparent which amount of infertile land in the area increased by 1600 percent, which was partly due to increasing abandonment of land to speculation. A study by Winarso (2000) shows that out of 60 developers identified in Kabupaten Tangerang, from the Banten province of Indonesia, more than half are actually controlled by only a few companies. In this situation, the concentration of land in the hands of a few large developers was apparent. According to Leaf (1991), between 1974 and 1989, from the 325 permits granted to 183 names, more than half of the land under permit was actually controlled by 16 developers. Land speculation and concentration of ownership were also apparent, for by the end of 1996, it was recorded that in the Greater Jakarta area, there were only 15 companies holding land of over 1000 ha (Winarso, 2001).

As the result, in the early 1990s, the inflation rate approached 10 percent and the government applied a tighter monetary policy which resulted in the increase of loan interest rates up to 25-26 percent for the commercial banks and 23 percent for BTN (Winarso, 1999). By 1993, the medium and large housing producers in Indonesia were experiencing a boom. Whilst there was

a demand for medium and large houses, that demand was a reflection of a pseudo-market, stimulated by speculative behaviour. When speculators began to release their stock to gain profit, the market experienced an over-supply for these types of housing. Accordingly, the development of medium and large houses slowed down in 1994-1995, but the land held by companies under the permit system in Greater Jakarta had already reached 121,631 ha. That amount is more than enough for 6.08 million houses, assuming that 50 houses can be built on a hectare of land (Winarso, 1999).

The farmland that has been converted to urban land in Indonesia is estimated to have reached 106,000 ha between 1991 and 1993, including more than half of residential areas and about one-seventh of industrial areas. In fact, land conversion in the fringes of big cities in Indonesia is out of control, as it reflects uncontrolled issuance of permits for land development and speculative land trading. Most of the developers in one way or another are connected with the political elite of the country. The use of influence in land development by the political elite is not uncommon in developing countries (Thirkell, 1994; Baken and Van der Linden, 1992). Up to 1997, the private sector in Greater Jakarta had remarkably transformed 16,600 ha of rural land outside the built-up area into residential land within 20 years and was selling around 25,000 housing units annually (Winarso, 1999, 2001).

The investment in land became very considerable, with most investors relying on the domestic as well as foreign bank loans which became accessible after the series of economic deregulation policies in the 1980s and the early 1990s. Investment in land, when there is actually already an over-supply, creates burdens for developers and turns such investment into an idle investment. In Greater Jakarta, the loans to the property sectors have become so high and unproductive that they created much debt, affecting the economy of the country as a whole (Winarso and Firman, 2002). A remarkably high value of credit had become a bad debt, producing a crash in the financial market and triggering the economic crisis in the country. That crisis was known as the '*Krismon*' or monetary crisis of 1997 (Firman, 1999).

*once sleepy industry, directed towards a social purpose, had given way to an industry in which profit, as opposed to home ownership and security, became important. Savings and loans shifted their attention away from making profits by supporting home ownership and towards profit-making as such.*

*(Hannsgen, 2007: 11)*

## **2.5 Privatisation and Commodification of Housing: Embedded Liberalism, Neoliberalism and Homeownership**

The fall of direct public housing provision has closely paralleled the growth of individual homeownership. Forrest (2014) argues that the relentless logic of commodification has served to undermine a key element of the social cement of contemporary capitalism: *homeownership*. Arguably, it is the language of finalisation which becomes the core of much of the housing and related urban literature, reflecting the transformation of mortgaged dwellings into more fully commodified and tradable assets. It is not surprising that the US housing market was at the heart of the global economic crisis in 2008. Problems around subprime mortgages not only caused that financial crisis, but also reflected the future of homeownership.

Discussions of housing before the 1990s, after World War II, were around the social project of homeownership. Homeownership was believed by many scholars and politicians to encourage social stability, social responsibility, political conservatism and a stronger sense of territorial attachment (Rossi, 1955). In many societies, homeownership has been the core of the ‘social contract’ that became a central objective of housing policy: the American Dream, the Australian Dream, the Japanese Dream, the British Property Owning Democracy and various other versions contained similar ingredients of stability, security and belonging, albeit with their distinct economic, institutional and cultural elements (Forrest, 2014). As Roy (2003) suggests, the rights-based relationship between individual and state already made a structure of rights rooted in an American paradigm of propertied citizenship. Similarly, in the UK, Nick Pearce from IPPR (the Institute for Public Policy Research) in his survey stated that “When young people buy their own homes, they feel like citizens with a stake in society” (Pearce, 2012).

Homeownership, or at least the promise of access to tenure, was an important element of the social contract of what Ruggie (1982) labelled the era of ‘embedded liberalism’ or post-war

Keynesianism. The former Singapore Prime Minister, Lee Kuan Yew (2000) even saw the state promotion of homeownership in Singapore as central to the task of building a nation. In Japan, promoting homeownership was seen as an instrument to facilitate fundamental social reforms centring on democratisation and subsequently politicians and government bureaucrats explicitly placed importance on the role of middle-class property ownership in stabilising and maintaining the conservative nature of the country's post-war civil society (Hirayama, 2014). It can be argued that homeownership has been an important part of general social conditioning.

Nevertheless, the investment orientation of homeowners has always been acknowledged (Saunders, 1990), but focused more on ideas of homeownership as a natural and normal desire – the desire to have a place of one's own, somewhere secure and stable – a key element of what Lasch (1995) referred to as a 'haven in a heartless world', a locale of ontological security (Dupuis and Thorns, 1998). The focus was on access rather than investment. If the financial dimensions were mentioned, it was more about saving than spending. Homeownership was certainly seen as a store of wealth, but was not generally perceived as a source of income (Forrest and Murie, 1995). The general argument is that historically the financial aspects of homeownership have often been at the background rather than the foreground.

Schwartz and Seabrooke (2009) point out that the essential 'inert, immobile, and illiquid' nature of homes has been transformed into 'live, cashable and liquid' assets in the neoliberal period which they refer to as liberal housing finance systems. The retreat by governments and other non-market institutions to provide housing directly or indirectly has been more pervasive. The purchase of housing has come closer to the purchase of other commodities such as cars. The only difference is the level of credit required to purchase a house, which is more than other expensive but widely consumed commodities. The combination of a regulated market approach, boosted significantly by a later phase of privatisation and financialisation has been applied globally, including in developing countries like Indonesia. The more aggressive, financialised regime which gathered pace in the late 1990s was, in retrospect, a last roll of the dice to squeeze more profit out of the residential sector with little regard for the social project which had ostensibly underlain much of the policy framework of the post-war period (Forrest and Hirayama, 2011).

Arguably, the time to promote homeownership has already come to an end. Dymski *et al* (1998) suggest that the 'golden age' was characterised by rising real house prices, growing job security, expanding state sectors and subsidies, high general inflation and relatively affluent purchasers. In the UK, Thatcher's 'right-to-buy' scheme promoted the large-scale sale of over 2 million

council housing units to sitting tenants, eroding not only the affordable housing stock, but also the material and symbolic basis of the welfare state (Forrest and Murie, 1988). In addition, homeownership, which was a centrepiece of the post-war social contract and the spread of middle-class lifestyles, has become more difficult for the young generation. Renters in the past regarded themselves as potential homeowners, and young people on low incomes were able to expect increasing incomes and future access to property ownership. With the rise and fall of neoliberal policy, however, increasing numbers are failing to realise the ‘promise’ of post-war homeownership and social mainstream participation (Hirayama, 2010).

Since the economic crisis in 1997, due to economic reform, the Indonesian market has become more neoliberally oriented, leading to the reduction of subsidies, the privatisation of state companies and the transformation of the labour market to become more flexible. There have been widening disparities in mortgage conditions between borrowers in secure employment with middle to high incomes and the increasing numbers of those in casual work with lower wages. Therefore, it is essential to understand the nature of housing and labour market changes that have occurred in the last few years. The next section will discuss this further.

## 2.6 Links between Housing and Labour Markets

### 2.6.1 Social analysis of Housing and Labour Markets

Some researchers (Kupke, 2002; Parkinson, 2010) are convinced that the dimension of growing insecurity in the housing market is connected to growing dimensions of insecurity in the labour market. The implications of increased labour market changes are presumed to be impacting homeownership across all income groups. However, there is a reason to study both elements, as labour market analysis focuses on individual's earnings and employment conditions, whereas housing market analysis focuses on households. Apart from single-person dwellings, a household is typically defined as a combination of two or more people living together in a shared dwelling who combine their resources for housing and other living expenses.

Badcock (1995) highlights the relationship between the two markets by recognising that the impact of the changing division of labour on the household will depend upon whether or not, and how many, members of that household are actively employed. Arguably, this will stratify those households into those with single earners and those with two earners, and this dispersion of incomes will be translated into the housing market. Households that have two wage earners are more likely to become homeowners than single income households. However, Susan Smith (1989) suggests that there is no single relationship between income and access to the properties of different prices, or in other words, there is no single housing ladder.

### 2.6.2 Theoretical assumptions and concepts

In order to understand the connection between labour and housing markets, it is useful to review some relevant bodies of literature classified as 'the inequality of class relations', the 'inequality of spatial relations', and the 'individualisation of risk relations'.

#### *The inequality of class relations*

The idea that the labour market position affects the housing tenure position arguably has been suggested from Engels's first writing on *The Housing Question (Zur Wohnungsfrage)* in 1872 which sought to explain how production-based inequalities in the labour process shape the housing consumption position of households. The argument of this perspective is that employment has become insecure because of employment practices shaped by unequal power



relations between an individual worker and his/her employer. The employer exercises power through determining hours worked and the capacity to terminate employment. The vast literature originating from Marx and Engels stresses on the inequality of class relations which essentially concerned the connection of class-based processes occurring in both labour and housing markets. Thus, it is ultimately inequalities and insecurities emerging from the labour process that causes the unequal distribution of insecurity in the housing market (Parkinson, 2010).

There are some important points that can be taken from this discussion: first, inequalities and insecurities emerging from necessarily exploitative labour relations are a significant cause of unequal housing security relations; second, the connection between labour and housing position is not direct but contingently mediated through unequal control and exchange relations on both sides of the markets; and third, as there is no direct connection between the housing and labour market, the housing market can exert an independent causal effect from necessary labour relations. In addition, the inequality of class relations perspective also argued that unregulated housing conditions led to growing landlord exploitation, slum conditions, evictions and political struggles amongst working-class households.

Somerville and Knowles (1991) argue that the focus on the causal connection between class and tenure has been misguided because it has not adequately recognised the importance of contingency in that relationship. They suggest that to understand the employment and tenure relationship, it is important to view housing as a mode of distribution. In addition, contingent relations overlay necessary relations and it is possible to speak of ‘contingent necessity’ (Sayer, 2000). As an example, not all employers or landlords act in the same ways which mean we should view those relations as tendencies and not law-like regularities.

In brief, based on the ‘inequality of class relations’ argument, unequal power relations are reproduced from one market to the next as dominant classes are more likely to own or manage the majority of means of production and housing distribution. Unequal control in market relations also means that dominant classes are elevated by their purchasing power over other classes. It is not surprising that while some working-class households are able to purchase their own houses, they are generally sorted into housing tenures that reflect the unequal capacity to pay.

### *The inequality of spatial relations*

A considerable amount of literature within this perspective essentially argues that inequalities arising from the labour market produce uneven spatially contingent outcomes in the housing market which in turn reinforce and deepen labour market positions. Randolph (1991) claims that there are unequal relations on both sides of labour and housing markets which are contributing to the potential for discrimination and entrapment of workers and households, though even he argues that they remain fluid as people move in and out of any given segment.

Randolph (1991) suggests that, while segmentation occurs in both markets, we cannot ‘simply read off’ an individual’s labour market position within the structure of housing tenure. Rather, the best way to see the connection is through the ‘mediating’ effect of the household. We need to consider individual workers who become the ‘functional’ link between labour and housing markets by determining the type of housing that can be consumed on aggregate in any given spatial location.

In the Indonesian context, the position of an individual’s labour market position is not only determined by income and work type but also their social connections and lifestyle. Hence, for the middle-income households, it is a ‘natural’ choice to live in certain neighbourhoods and ‘gated communities’ to make sure their children get the best education and environment. Arguably, this reveals how labour and housing markets intersect to contribute to spatial disadvantages for low-middle income groups, which are ‘entrapped’ in areas that are less interactive and contain less public facilities. Although spatial themes are helpful to see the evidence in a class-based dynamic nature, their general tendency to abstract from the spatial patterning of social relations arguably sometimes overlooks important underlying causal processes between housing and labour connections.

### *The individualisation of risk relations*

Many housing researchers writing within this theme have drawn on Beck’s (1991) Risk Society thesis to explain the broader housing implications of changes in the labour market, including increasing flexibility of working-time and conditions of employment. In his perspective, processes of individualisation occurring from, among other things, the retreat of state intervention, de-standardisation of the life course and flexibility of work have reduced the significance of class as a conceptual framework for analysing risk and insecurity.

Beck (2000) argues that the first modernity was characterised by Keynesian-Fordist production and consumption. Standardised full employment is being replaced with a new regime in the second modernity which is characterised by individualisation and flexibility in work and increasingly globalised, borderless world markets. Central to the shift from the first to the second modernity is the process of individualisation, where all workers become exposed to employment risk and are left to negotiate their own work biographies, leaving behind the relevance of class with the passing of the first modernity. However, the key distinction between the first and second modernity does not rest with the absence of economic risk and insecurity in the former; rather, it is the altered framework and institutional arrangements from which to respond to economic risks that he argues contributes to the ‘risk society’.

This theme essentially focuses on how labour insecurity is associated with the threat of or actual loss of housing and/or how it influences the housing consumption decision-making of households within an individualised risk framework (Parkinson, 2010). The main ideas of this perspective are divided according to how risk and insecurity are conceptualised. The approaches within this perspective can be divided as follows: first, the broader perspective within a ‘risk society’ framework in which labour and housing insecurity have become ‘normalised’ across social classes; second, the idea that connects individual insecurity at work to the shaping of the consumption decisions or strategies of households; third, the approach which argues that housing and systems of housing provision can play an important role in mitigating the increasing risk and insecurity occurring in the labour market; and finally, the approach which emphasises the causal role of housing in creating disincentives to labour market participation.

Particularly in developed countries, numerous studies have attempted to explain the empirical links between risk, insecurity and housing with labour market restructuring during the 1990s in the background (Forrest & Kennett, 1997; Ford & Wilcox, 1998; Burrows, 1998; Perrons, 2000; Croft, 2001; Horsewood & Doling, 2004). Forrest and Kennett (1997) argue that growing labour flexibility has contributed to the greater heterogeneity of housing and working biographies:

*‘... Households living side by side in the same housing tenure may have similar incomes but a widely differing capacity to cope with sudden change in employment or other circumstances... the dwelling, one of the principal linchpins of financial security, has been transformed into a potential liability and is itself a source of risk and insecurity’.*

Importantly, the risk society framework can be used for understanding the strategies that households use to get by in both their work and housing in more contemporary times, but does not seek to engage in understanding the necessary causes of insecurity in the labour and housing relationship (Ford *et al.*, 2001; Nettleton & Burrows, 2001). On the other hand, several studies (Walker, 2000; Badcock & Beer, 2000) also attempt to identify particularly vulnerable households or 'ideal types' in the context of changing work and housing relations, which they refer to as the 'insecure housing consumer' or 'overwhelmed battlers', with overstretched mortgages and vulnerability to employment insecurity. Nevertheless, it neither helps to explain why or how people become insecure at work and in housing, nor why some households are more likely to experience insecurity than others.

## **2.7 Conclusion**

As mentioned in the first chapter, this study is concerned with the relation of labour market flexibility and homeownership aspirations which has been changing in the last decades as a result of globalisation and economic adjustment. Several studies have shown that housing prices have an important role in wage formation and hence employment levels (Bover, Muelbauer & Murphy, 1989, Blanchflower & Oswald, 1989). Other studies have examined how labour market changes have affected different sectors of the housing market, with labour market experience predicting housing tenure (Wadsworth, 1998). Whilst it is clear that the housing market may have importance to the labour market and vice versa, this study will not be attempting to quantify this relationship at a macro level, but instead will be asking households on how they cope with their priorities and how their employment affects their housing tenure choice. This will also allow for some hypothesis on whether housing markets mirror or mask disparities in income and job security for blue-collar and white-collar households.

Although several studies draw on different approaches, a common theme is that labour insecurity cumulated with other problems such as affordability problems, lack of housing options and unclear housing policy, which together have strongly impacted household stability and the capacity to afford to pay for housing. One important question relevant to this study is how different households cope with all the constraints and problems which affect their insecure housing outcomes. Some studies indicate that different household groups are affected differently, contingent on the stage they have achieved in their life course, their tenure and the

institutional arrangements that govern social protection within different countries (Horsewood & Doling, 2004; Boheim & Taylor, 2000; Ermisch & Di Salvo, 1996; Clark *et al.*, 1994).

Household-focused research arguably has made crucial contributions to the ways in which scholars understand the survival and reproduction of households to achieve their long-term goals. In addition, this study ultimately provides an understanding of the progressive financialisation of homeownership and neoliberal housing policy, which has worsened the crisis in housing affordability and undermined the social aspect of housing. This includes the dismissal of non-profit housing institutions. As Brenner *et al.*, (2010) suggest, homeownership institutions with a social purpose were incompatible with the prioritisation of financial speculation and capital mobility, which demanded greater global integration and a borderless world in terms of capital flows.

# **Chapter 3**

## **Methodology and Research Design**

## Chapter 3: Methodology and Research Design

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## Chapter 3

### Methodology and Research Design

#### 3.1 Preparing the Research Plan

This chapter discusses how the methodology for the research was designed and aims to explain about how to explore the intertwined labour and housing problems from an actor's point of view. The study looks at how each household adjusts to changing economic situations, what strategies they adopt to be able to achieve their housing goals, and what constraints impede their actions. The challenge of this study is to determine how these two markets, labour and housing, are interacting and affecting household strategies. Arguably, labour market analysis focuses on individuals and examines factors such as individual earnings and conditions of employment, whereas housing market analysis focuses on households that, apart from single-person households, are comprised of two or more people living together in a shared dwelling who typically combine their resources to pay for their housing and other living expenses (Parkinson, 2010). Thus, this framework is restated in order to present the connection between these themes and issues and the methodology. In subsequent sections, the process of inquiry, research study area, development of basic ideas throughout the research process, strategies for analysis, and the interpretation of evidence, will be clarified.

##### 3.1.1 Organising Qualitative Research

In the literature review, the author foregrounded the idea that for most households, their house represents the biggest asset and capital accumulation in their lives. Nevertheless, with current cyclical house price volatility and economic uncertainty, the concept of household strategies has become more important to analyse social change with uncertainty. Moreover, with the phenomenon of globalisation, this also implies that the attenuation of conventional lifelong full-time employment based upon families with welfare resources (pensions, health insurance, etc.) has been replaced by more flexible kinds of employment, more fragmented life trajectories and the large-scale entry of women into the workforce. These conditions have made household strategies more important to study.



Set in this theoretical context, studying household strategies requires some understanding of human experience. Thus, the study focuses attention on ‘thick description’, ‘experiential understanding’ and ‘multiple realities’ as people perceive things differently because meanings are determined partly by experience. It highlights how the socioeconomic dynamics of the households during their lifetime could determine their housing career and its changes over time. By approaching this through qualitative inquiry, the study treats the uniqueness of individual cases and contexts as important to the overall understanding. Moreover, qualitative inquiry is believed to allow the author to gain insight into the complexities of unfolding and emerging sociospatial experiences of research participants’ everyday lives (Perkins & Thorns, 2001a). This form of inquiry is particularly useful as a source of grounded theory that emerges from observations and interviews in the real world. The study relies upon empirical data that will be mainly gained from in-depth interviews, discussions and observations. *Inductive* analysis is used in the study in order to establish the main arguments and link the empirical findings to theories or explanations of how these phenomena naturally work (Silverman, 2010; Stake, 2005; Patton, 2002).

Meanwhile, prior to designing the research plan, a paradigm of this research was clearly defined in order to help to design the research methods. Patton (2002, p.69) highlights that paradigm as a way of thinking about and making sense of the complexities of the real world. It tells us what is important, legitimate and reasonable. Moreover, Bryman (2012, p.605) also highlights that a paradigm is a set of ideas in a particular order with regard to the process of inquiry, from investigation to interpretation. Positivist and Naturalistic are two of the most widely used paradigms. The positivist paradigm is characterised by an extremely positive evaluation of science and scientific method which treats social facts as existing independently of the activities of both participants and researcher (Lincoln and Guba, 1985). For positivists, the aim is to generate data which are valid and reliable, independent from the research setting (Bryman, 2008). The naturalistic paradigm, on the other hand, seeks to understand social phenomena within a complex reality and holistically, in their natural setting.

For the purpose of this study, the naturalistic paradigm has been chosen for several reasons. Firstly, the rationale and research questions of this study connect to the need to know the household strategies of the household with regard to changing labour and housing markets. Thus this study seeks to understand human experience rather than to identify cause-and-effect relationships. This understanding only can be revealed naturally, without manipulation or

control, and was open to whatever emerged. Interviews were conducted in places and under conditions that were comfortable and familiar to the respondents and took place in real-world settings. Secondly, the dynamic of household socioeconomic life relates to motivation, value and culture systems. Naturalistic inquiry as a 'discovery-oriented' approach creates considerable difficulty for controlled experimental designs that need specifiable, unchanging treatments to relate to specifiable, predetermined outcomes. In contrast, this study seeks to understand and document the day-to-day reality of participants in their lives. The data of the evaluation include whatever emerges as central to understanding those participants' experiences. In this case, only a naturalistic paradigm can empower the researcher to understand this interaction.

In sum, this study can be categorised as exploratory qualitative research with an inductive approach that emphasises household strategies to explain how households in different economic backgrounds make 'rational' decisions regarding their housing and employment choice. Therefore, no hypothesis is stated in advance and there are also no set variables and restrictions in the final findings.

### 3.1.2 Determining the Research Strategy: Why Use Case Studies?

In determining an appropriate research approach, it is important to consider carefully the nature of the research problem. The most significant aspect in determining an appropriate research approach is the type of research question (Rowley, 2002, p.16). Research questions that try to answer the *who*, *what*, and *where* are investigated through archival analysis, documents, manuscripts and surveys, while the case study is normally used to answer *how* and *why* questions to generate deeper and more detailed investigation. In the process of studying a given phenomenon, cases are important in allowing the researcher to act as an active agent within the process of investigation. This study also tries to understand the renewed interest in the investment dimensions of houses and how people accumulate wealth into property. Thus, the decision to employ a case study approach as a research strategy for collecting data allows an explanation of the changes over the last two decades in Indonesia and other countries where houses not only reflect a store of wealth but have also become a source of income. The case study method is considered to give more understanding to real-life housing phenomena, including the relevant contextual variables. The case study is more concerned with particularisation, not generalisation. It takes a particular case and comes to know it well, not

primarily as to how it is different from others but what it is and what it does. There is emphasis on uniqueness, and that implies knowledge of others that the case is different from, but primary emphasis is on understanding the case itself. In addition, given the case study was conducted in megacities like Jakarta, the phenomena in question might be similar in other metropolitan regions in South East Asia such as Kuala Lumpur, Singapore, Bangkok and Manila (though might hold less relevance to smaller cities).

In brief, the case study approach used in this research focuses on a combination of descriptive and exploratory explanations which provide an understanding of the phenomena being studied. What people say represents a major source of qualitative data, whether obtained through a face-to-face or telephone interview. As the result, for collective case studies, selection by sampling of attributes should not be the highest priority. Balance and variety are important, but the opportunity to learn is of primary importance.

### 3.1.3 Pilot Study: Developing the Ideas

Prior to the fieldwork, the crucial point is to define which households are the most affected group who have been impacted by the changing labour market and how greatly these changes have influenced those households' chances to afford homeownership. Although *research methods* are specific research techniques that cannot be classified as either correct or incorrect, they can produce results which are either relevant or irrelevant to the questions under investigation. As Benini (2000) states, the research design of a qualitative study aims to identify what settings to investigate, how and when, which actors to approach, which processes to consider, and which instruments to employ.

The author decided to use a pilot study before conducting fieldwork in the research location. The term pilot study is used in two different ways in social science research. It can refer to so-called feasibility studies which are "small scale version(s), or trial run(s), done in preparation for the major study" (Polit *et al.*, 2001, p.467). However, a pilot study can also be the pre-testing or 'trying out' of a particular research instrument (Baker, 1994, p.182-3). Arguably, the pilot study is a crucial element of good study design: it does not *guarantee* success in the main study, but it does increase the likelihood. By utilising a pilot study, the researcher gained insights from an early date which were used to improve the final interview schedules and specific questions used.

For this purpose, a pilot study was carried out in April 2013 in order to obtain a preliminary understanding about the research matter. Thus, primary data were collected using open-ended questionnaires, from which potential information can be collected from a large sample and especially in situations where the research must be conducted in a short period of time and over a long distance. The pilot study was carried out by sending questionnaires electronically on April 2013 to people in Indonesia with a variety of backgrounds and employment. Questionnaires were sent through email and using social media like Facebook to groups of people and random samples. The idea was to get a preliminary understanding of what happened to people with their choice of housing preferences and whether or not they had taken a mortgage out and how this related to their economic and employment background. The respondents were asked to complete these questionnaires online, thus providing comments of their experiences of housing and labour conditions in Indonesia.

*a. Results of Pilot Study*

By the end of that fieldwork period, 54 questionnaires had been returned, a response rate of 17.8 percent. The respondents varied in their age, employment and housing career. Of the total 54 participants, 45.2 percent were women, the majority had a university education background, and there were only 2 people from a senior high school education background. The age of respondents varied from 24 to 55 and the mean age was 32.3 years (SD=6.56). The pilot study did not cover a wide range of economic backgrounds; most respondents fell within the middle-income bracket, with monthly incomes ranging from Rp.5,000,000 to more than Rp.20,000,000 (£294 to more than £1176). The Indonesian average full-time monthly adult income is Rp.2,543,000 (£149) (BPS, 2012). It might be because the questionnaire was distributed randomly to social groups, that the socioeconomic background of people in the groups was more or less similar, hence contributing to the lack of variety of socioeconomic backgrounds. In addition, the author's network was strongly affected the outcome of the pilot study, given that the main criterion for the respondents was only those who lived and worked in Greater Jakarta. However, the pilot study confirmed the researcher's belief that there are strong relations between labour market conditions and housing market performance, and that this has affected many households differently. Instead of being negatively influenced, the author remained consciously 'alert' in recognising possible biases, causes behind possible research problems, and most importantly, what that data could contribute to the final insights of this study. For reasons of expediency, it will be stated here that this author has not included the 'Sic' function

after the pilot study quotes that follow (or the quotes employed in the main analysis chapters), but has employed those quotes verbatim.

From the pilot study, it is clear that job security has become a concern for many households in Indonesia; the lack of security in employment has been widely reported in the Indonesian media. However, it seems to affect mostly employees in lower positions, such as: office workers, cleaners and front desk jobs. One man wrote that issues of job security had recently affected his office:

*“No, the most obvious example occurs in the office I worked with, a month ago, the office boys suddenly came to our table, one by one came and said goodbye to us while some of them were in tears, their contract was just terminated unilaterally by 3<sup>rd</sup> party. Outsourcing!”*

Another respondent in her late 20s confirmed:

*“For me the company already gives some security as I have been a permanent employee and the company has not made any redundancies, but I know in my office there are many employees with contract and outsourcing with no assurance, many of them have been in the contract for years now.”*

On the other hand, in regard to housing tenure, homeownership was still a main priority for most of the respondents. Renting was commonly perceived to be insecure, not providing enough security to raise a family. Class-based discourse is deeply entrenched in housing tenure in Indonesia. As Gurney (1999) argues, being a renter mobilises a range of ‘cultural stereotypes’ that often reflect negatively on the worth, capacity and achievements of a renter. One respondent stressed this point:

*“What’s the point in becoming rich if you don’t have a house, what my neighbour will say?”*

Homeownership was found to represent a source of wealth and respectability, but also a basis for socioeconomic cleavages. One respondent added:

*“It’s important, besides as a means to foster family, it is also for future assets and self-actualisation.”*

Given that the house is often one's most valuable possession and a lifelong store of wealth, becoming a homeowner gave these respondents a sense of security. One wrote:

*"It's important as you can settle and no need to move again and again".*

Another respondent added:

*"It's important, however if you already have a house, any time you choose to retire, you can live peacefully".*

These comments connect to the findings in other research that have been conducted on homeownership. Social researchers have long recognised that people are happier when they have continuity and predictability in their lives. There is a strong relation between housing and ontological security. The idea of ontological security was introduced by Laing (1965) and developed further by Giddens (1984, 1990, 1991), who claimed that contemporary life is characterised by a crisis of ontological security. Giddens (1991) refers to the sense of order and continuity in regard to an individual's experience. He argues that this is reliant on people's ability to give meaning to their lives. There are several explanations behind this ontological security concept. First, ontological security is maintained when home is a site of constancy, where people feel in control of the world. Here the home functions as a safe haven that provides security and protection from the outside world (Dupuis and Thorns, 1998; Hiscock *et al.*, 2001). Second, ontological security is also maintained through the home as a site of autonomy where people are free from outside scrutiny and free to express themselves as they please (Dupuis and Thorns, 1998). Finally, housing can provide social status and a base around which identities are constructed (Cairney and Boyle, 2004). Here, social status is important because ontological security can only be maintained as long as the self is viewed positively.

Moreover, one of the biggest reasons why Indonesian people attach meaning to homeownership is a social belief that a family must ideally have a house to raise their children. This social value is deeply entrenched in Indonesian culture and strongly associated with autonomy. Almost all of the respondents stressed the importance of having a house that supported growth as a family. One respondent in his mid-30s explained:

*"It's very important. By having my own house, I became more independent (not dependent to my parents/ in-laws). In addition, by having my own house, the physical and non-physical of the family (wife and children) is more controlled."*

Many respondents utilised a well-known quotation, *'my home is my castle'*, to show their inner belief regarding the importance of homeownership to them. For many people, it seems obvious that homeowners are perceived to derive more ontological security than renters because homeownership creates the opportunity to anchor ourselves in a familiar, constant environment which can minimise the stress of everyday life. The key contention is that owner-occupiers derive more ontological security from home than renters, as owning a home is a "means of gaining control over one's life and one's future" (Nettleton and Burrows, 1998).

However, being an owner-occupier is not the only factor for greater ontological security. It is also to do with having wealth, living in a nice area, living in larger, better quality dwellings and being settled in relationships and work. Therefore, the role of housing needs to be placed in the context of a person's age, gender, household composition, socioeconomic background and lifestyle aspirations. The other sources of ontological security arguably are family membership, social connectedness and secure, meaningful work.

It is also interesting to note that another reason for people to become a homeowner is for investment. Most respondents viewed housing as an investment vehicle besides being a centre of family/ private life and a physical and emotional retreat. One respondent (a woman in her mid-20s) wrote:

*'It's important because housing price is increasing every year'.*

It is arguable that young generations are more aware about investment and now we live in an increasingly money-conscious society. House prices are also seen to be always going up, so investing in property never seems a bad decision. There is a rational agreement that housing is a more reliable, predictable and less complicated source of wealth and economic security than other types of investment.

At the same time, the pilot study outcomes show that job insecurity is a major issue in the workforce, especially employees in lower positions. Most respondents agreed that becoming a homeowner was their goal, yet unstable employment, high-interest rates, high downpayment costs and the anxiety of mortgage indebtedness, made them unsure about taking out a mortgage. In fact, many respondents still choose to buy with cash with their own resources, or with help from their family or friends. The factors mentioned above were just some of the reasons. One respondent in his late 20s wrote:

*‘Yes, I have not yet become a permanent employee and it’s difficult to apply for a KPR (housing mortgage) if you do not have permanent employment’.*

Many other respondents seemed not to have sufficient knowledge about KPR itself, although some respondents that had taken KPR said it was easy and not difficult. One person in her mid-20s simply wrote *‘I don’t know’* while another in his early 30s wrote *‘I haven’t tried to apply’*. Whilst in developed countries, the ability to borrow funds to finance housing is a key determinant of whether a family can afford to become a homeowner, in Indonesia – like most developing countries – the incremental unit construction is financed through savings or short-term borrowing to eventually obtain a unit of minimum acceptable quality. Without access to formal finance, those who wish to purchase a completed home with clear land title have to wait until they get sufficient savings or obtain a loan from their extended family, friends or a developer. Struyk and Patel (2009) points out that the problems with non-mortgage finance are that not everyone has access (e.g. a family member who has the capital to make the loan or an employer who will do so), the cost of funds is often high, and in the case of instalment sales from developers, there is uncertainty about receiving a unit after large deposits have been made.

Only the respondents with civil servant backgrounds, those with moderately high income and those with job permanence, had the confidence to take out a mortgage. For the respondents with a contract employment background, only 1 out of 5 had taken out a mortgage, while the rest chose to rent. One possible answer is that the respondent’s partner also worked, which gave more confidence to the family to take out a mortgage. Arguably, those with some jobs are categorised as more stable by the bank as potential candidates for a mortgage, such as lecturer, doctor, those from a military background, and so on.

*b. Task Revisions, based on Pilot Results*

The pilot study result clearly shows that job insecurity is one of the factors that stop people from applying for a home mortgage, even when homeownership is the goal of most of the households. Nevertheless, many other factors also affect the decision of households to take the mortgage, such as high-interest rates, high downpayment costs and the anxiety of mortgage indebtedness. The pilot study also suggests additional questions such as: What housing options are available for blue-collar workers? What housing problems are there for white-collar workers? How do households adjust their daily expenditure with mortgage instalments? The pilot study gave the author new information, which required the author to make adjustments to the planned data collection process. Hence, the author decided to employ qualitative exploration



using interview as the main tool to collect data and get an in-depth understanding of labour market and housing phenomena. In addition, given the complexity of the problems, on top of the originally planned households, the author also decided to meet with some housing and employment stakeholders such as outsourcing companies, labour union leaders, and central and local government officials. Moreover, the pilot study was transferred and extended into the first phase of research data collection. Findings are drawn from the originally designed questionnaires, and document analysis collected during the same period, were not abandoned but contributed to the primary data analysis.

### **3.2 Data Collection Methods**

At the time of the fieldwork, outsourcing and fixed contract term problems were a headline in many national newspapers in Indonesia. When the author arrived in Jakarta, national newspapers were full of news about a national strike of Indonesian workers on 28-30 October 2013 and its possibility to cripple the national economy. The protest agenda was to ask for the abolition of the outsourcing system in recruiting workers and to demand a pay hike and health security for all workers by 2014, instead of 2019 as planned by the government. At the peak of national strikes, around 3 million workers across 20 Provinces and 150 regencies started a nationwide strike to push through their demands. These strikes paralysed activities in around 40 industrial areas in Java, Sumatra, Sulawesi, and Kalimantan and blocked off a major toll road in the Greater Jakarta area. Their demands included a 50 percent hike in their minimum wages, which should be implemented simultaneously in January 2014, and an end to job outsourcing and the contractual system (Jakarta Post, 2013). Due to that worker pressure, the Jakarta administration office announced an 11 percent increase in the province's minimum wage from Rp.2.2 million (€125) to 2.4 million (€137), the highest increase in the last few years, and other provinces in Indonesia soon followed suit. The wage increases in each province varied, depending on indicators such as the inflation rate, economic growth, workers' purchasing power, basic cost of living and employers' ability to pay. The workers, however, were disappointed by the decision as they had demanded the administration to raise the monthly wage to Rp.3.7 million (€211). Jakarta had the highest monthly minimum wage at the time. Beforehand, President Susilo Bambang Yudhoyono had conceded to a longstanding labour demand by declaring May 1 as a public holiday, starting from 2014.



Figure 3.1 Indonesian Workers' Strike (28-30 Oct 2013)

### 3.2.1 Institutional Surveying: Seeking Supporting Data

Within this dynamic socioeconomic context, the researcher felt the need to seek relevant supporting data in order to understand broad issues in job security and workers' welfare in Greater Jakarta before coming to interview the households in the case study. The semi-structured interviews were conducted with people who related to this research, such as housing policymakers, local government staff, labour activists, labour researchers and key staff from outsourcing companies. Rubin and Rubin (1995) argue that semi-structured interviews are about having a list of themes and questions to be covered, though these may vary from interview to interview. The idea is to have a 'consistent line of enquiry' according to the research objectives, but to allow the question-stream 'to be more fluid rather than rigid' and to accommodate the specific and changing context experienced (Yin, 2003).

The first interview was held on the 8<sup>th</sup> October 2013 with a labour activist in their representative office near PT. KBN (*Kawasan Berikat Nusantara*) industrial estate, Cakung, East Jakarta. The researcher found it useful to get initial ideas on what had been happening regarding job insecurity and outsourcing issues at that time and why they were really insistent on having a national strike despite the government's call to cancel the strike and keep the investment environment conducive. The author met Mr B, president of FSBI (*Federasi Serikat Buruh Indonesia*), one of the biggest labour unions in Indonesia. According to Mr B, the problems of workers were not only about job insecurity but also about the workers' welfare and equity in their workplaces. He claimed that many workers have been a victim of injustice and exploitation of plant owners; the majority were *Penanaman Modal Asing* (PMA), that is, foreign direct investment companies. For example, many companies have not yet paid the minimum labour

wage based on the minimum wages provision in 2012. In addition, in order to avoid the obligation to automatically promote the worker to become a permanent employee at the end of their extended fixed-term contract (*Perjanjian Kerja Waktu Tertentu*; PKWT), many HR departments in these companies offer a three months contract to their plant workers instead of the minimum 1-year contract. These workers have to accept the overtime schedule set almost daily; if they refuse to do overtime, in the future they will be denied that overtime, which represents another problem to those workers who rely on overtime work for additional income. According to Mr B, most of the workers in the industrial estate have an income around Rp.3,000,000 (£176) per month, including overtime. Most manufacturers also do not provide accommodation for their workers, so the majority of the workers must rent in the informal rent units provided by local people around the industrial estate area, which sometimes are overcrowded and do not have sufficient basic facilities such as clean water and sanitation.

That interview was followed by other interview conducted with a labour researcher at TURC (Trade Union Rights Centre) in their office in Central Jakarta City. The interview discussed the issues of working conditions, but particularly outsourcing and fixed-term contracts and their social impact on the workers. Mr A explained that outsourcing practices place a lot of pressure upon the workers, as many labour agent companies are unreliable and irresponsible if some troubles are experienced. He also stressed that all these problems were closely related to decentralisation and regional autonomy in Indonesia, which has meant that every regional head now has the authority to issue business licences for outsourcing agents. As a result, many employment agencies have been operating without registering with the Ministry of Manpower and Transmigration of the Republic of Indonesia. Many of the outsourcing and fixed-term contract employees need to have an income besides their main job, and in many of the households, both parents need to work in order to survive and cope with their daily needs. He added that in many of these households, the children stay with a neighbour while their parents work, or are even sent back to other family in the village. It is also common to see the heads of the HR departments of those companies, or local official heads, establishing this agency and gaining much profit from the outsourcing practices. Mr A recommended the author visit a 'thousand doors' urban village (*kampung seribu pintu*) near Jababeka industrial estate, Bekasi. This *kampung* later became a main case study in the research.

The following week, the researcher visited the Ministry of Public Housing to get an initial idea about KPR-FLPP, a subsidised housing mortgage for lower-middle income groups, and set an appointment with the Deputy of Formal Housing. Unfortunately, Mr Y was absent, and so the

author was introduced to the Deputy of Finance, who wanted to help to provide the data needed but refused to be interviewed. Therefore, the researcher was only able to give that figure a list of questions that were later answered by email.

The author managed to conduct interviews with Mr K, an operation manager of one of the biggest outsourcing companies in Indonesia (and in the world based on ‘the 2014 Global Outsourcing 100’) with 58,000 employees alone in Indonesia, and Mr G, president director of a growing outsourcing company in Jakarta. These interviews mainly discussed the future of this new labour market change and how it has affected the workers and companies in Indonesia. Mr K explained that the business of outsourcing had developed exponentially in recent years, with their company already providing services including catering, security, cleaning, secretaries, receptionists and now, building maintenance and engineering. Many of their clients like hospitals, malls and factories still need new recruitment, with a turnover of around 500 people every month. He rejected the idea that outsourcing gave no career development to their workers. He claimed that his company already supported their workers’ needs for better prospects and many of them had reached managerial positions. He believed that job insecurity was not an issue if workers wanted to invest their time in a new skill, especially with the good economic conditions right now in Indonesia. Hence, they would not have difficulty finding a job if the worst happened in their company. He claimed that Indonesia was still one of the countries with complicated regulation and high costs associated with the termination of workers. He also felt that the restriction of outsourcing practices to five areas was not right and acknowledged that their association had taken action to contest the Ministerial Decree (*Kepmen*) No.19/2012 about new regulation of outsourcing practice.

Similarly, Mr G also argued that outsourcing is really needed to help many companies to reduce their cost of human resources management. He believed that the outsourcing companies can achieve the recruitment and placement of workers more effectively and flexibly based on the company’s requirements. However, he admitted that in the last few years, many outsourcing companies had not followed the rules and charged additional cost to the outsourced workers, despite already receiving a management fee from their client companies. He explained that the frustration with good outsourcing companies was because of bad practices by other outsourcing companies. He blamed these bad practices for the negative overall image of outsourcing, and insisted that the outsourcing system itself did not require fixing.

The author also had a telephone interview with a member of the Jakarta local government staff. She explained that Jakarta’s local government was now more focused on rental flat housing

(*Rusunawa*) and villages of row houses (*Kampung Deret*) for low-middle income groups in Jakarta, while the strata title flat housing (*Rusunami*) was still continuing as the central government programme. At the time of fieldwork, the governor of DKI Jakarta, Joko Widodo (who later became President of Indonesia in 2014) was more focused on relocating people from the river bank and with resolving land disputes arising from the rental flat housing (*Rusunawa*) which was built with the help of CSR (corporate social responsibility) from companies in Greater Jakarta. The governor tried to mitigate the annual flooding in Greater Jakarta with a river and reservoir ‘normalisation’ project, aiming to widen the waterway and add greenery on both sides to reduce the runoff that caused flooding and contamination. As a result, the city had to relocate some of the residents who lived on the river bank and used the river as a ‘dumping ground’ for waste.

Interestingly, she admitted that the central government and local government were not collaborating to solve the housing problems in Greater Jakarta and that there is no requirement for each local government to report to the central government. As she made it clear:

*‘We don’t need to report to central government, we only report to local legislative’*

For the national housing agenda, local governments are only responsible for facilitating building permits. She also added that many of the *Rusunami* and *Rusanawa* had been built, but the central government had insufficient resources to maintain them and so delegated that responsibility to local government. This resonated with the author’s Master’s dissertation on the effectiveness of *Rusunawa* for solving housing problems in Jakarta. After the *Rusunawa* has been completed by the central government, the responsibility to maintain and manage the *Rusunawa* is delegated to local government. The local government is in charge of ensuring that the urban poor are not excluded from the housing scheme. However, the process of development and maintenance by different institutions has become another constraint to the success of *Rusunawa*. Many *Rusunawa* are built with no occupation for years due to the incomplete handover process and delays in forming the management unit. The local government is also reluctant to support the *Rusunawa* as they require additional expenses for maintenance, ultimately in the form of a local government subsidy (Tarigan, 2011).

### 3.2.2 Discussions and Conversations with Experts: Developing the Ideas

Discussions and conversations with relevant experts and researchers were conducted to clarify the research questions and objectives. Several issues were explored through this activity, including job security issues, housing policy changes in Indonesia, labour and housing market transformation, the trends of shelters for workers, and the middle class in large cities. Hence, unstructured discussions were done with academics and researchers in housing and labour issues. A digital voice recorder was used, and discussions and conversations were carried out within a friendly atmosphere. On 22 October 2013, the researcher met with academics in the Housing and Settlement Research Group, School of Architecture, Planning and Policy development, Institute of Technology Bandung (ITB) and labour researchers from AKATIGA, Bandung. The discussions covered several important points. The AKATIGA researcher explained that the 46 components of decent life were actually suited to the workers who already have a family and she believed that housing, health and education was a basic citizen's right that the state needed to provide, not just employers. She argued that the employers cannot provide all of the workers' needs, in particular housing, as they also pay taxes to the government. Thus, in her opinion, it was the government's responsibility to provide decent housing for workers near an industrial estate. The Ministry of housing needed to be more 'aggressive' with their national budget, and she claimed that only 20 percent of the national housing budget was absorbed in 2012.

On the other hand, a senior researcher in ITB explained that now Indonesia does not have a clear vision and mission like under the previous Suharto regime, and admitted that Indonesia faced a big problem in its housing policy:

*'One for sure, the certainty of Indonesia housing policy is uncertainty in housing policy. It is made really difficult to measure the progress and evaluate current housing policy'.*

Unsurprising, the problem of housing has never been solved as there is not enough good will from government. Another academician also added that the government now only relies on KPR-FLPP as a tool to solve housing problems without any specific outcome target.

### 3.2.3 Carrying Out Field Surveys: Understanding the Real Life Problems

The fieldwork was conducted in two stages to obtain primary data. Firstly, fieldwork I (October 2013 – January 2014) was used to do institutional interviews; discussions with stakeholders and experts in housing and labour markets; and a pre-observation of the *kampungs* to get a sense of place which included but was not limited to information on household characteristics, socioeconomic circumstances, housing conditions and their perceptions on job security and how it will affect their plans in the future. Secondly, fieldwork II (October 2014 – January 2015) was used to collect qualitative data through semi-structured interviews. In-depth interviews were conducted with a sample of 60 individuals in 51 households across several case studies in Greater Jakarta. As will be discussed further in chapters 7, 8 and 9 of this study, the respondents were divided into three categories based on their housing career. Nevertheless, initially, fieldwork was conducted without yet having determined these categories (instead they were developed after the first fieldwork period). In order to reach the sample target of blue-collar workers, the author visited *kampungs* and KPR-FLPP subsidised housing settlements around Greater Jakarta, in particular, the eastern part of Jakarta and Bekasi where many workers lived and worked in industrial estates. Meanwhile, for white-collar workers the author used telephone interviews to reach respondents. There are several reasons for this difference: from the field experiences, it was much easier to come and talk to blue-collar workers living in *kampungs* and the subsidised housing settlements, which usually had a strong sense of community, and the residents were more open and welcome to having a stranger knocking on their door.

Those characteristics of *kampungs* and subsidised housing settlements helped the author to be able to converse with the respondents without any difficulty. An atmosphere of tolerance among the residents is generally demonstrated through social contact and accepted values that relate to neighbouring and community activities. In general, the residents in these settlements had close social activity, for instance, women played with their children in the front yards and talked to their neighbours in the afternoon or usually kept the house door open to let the fresh air circulate into their house. This sense of community living arguably originated from the villages based on agricultural livelihoods, from where most residents were derived.

Semi-structured interviews were held with as many residents as possible to further explore the research themes. The respondents were selected on a casual basis among residents, and most of these interviews were carried out at those houses during the day and afternoon when some of the industrial workers had just finished their shift. The interviews were open-ended and each

generated its own dynamics, in terms of both issues discussed and time spent, usually from 30 minutes to 1 hour. On many occasions, the author quite simply had to let people tell their stories in the way that they wanted them told and, in so doing, use up more than the allocated time. In some cases, time alone was the problem, for some respondents had to leave before the interview could be completed, but there was not enough missing information to make it worthwhile to do a follow-up. The interviews covered a wide range of topics, questions about respondents' employment background and their work lives, housing histories, housing preferences, about their experiences renting or owning current dwellings and their economic situation before and after renting/buying their current house, their opinions about job insecurity and current house prices around their area, their strategies as a household to achieving their housing goals and finally their aspirations for the future. The last question served to identify the economic background and the household's goals in 10 years' time, which helped the author to ascertain the household strategy to bridge their current condition with their expectations in the future. Most of these interviews were conducted in the respondent's house and were recorded with a battery-operated digital voice recorder. Observation and photographs were also employed to record findings on physical aspects of houses and socioeconomic conditions around the respondents' living areas.

Meanwhile, white-collar workers, who usually live and work in the Jakarta city centre, are more difficult to catch at home. Most of them spend hours in traffic during commuting from the workplace to their house and often return only after 8pm every day. It is quite obvious that life in Jakarta can be hectic and fast, which made people reluctant to have someone visit their house during workdays and sometimes even at the weekend, because that is the only time that people go out and have family time. People in this group generally are more individualistic, and private life is high on their priorities. In addition, it is impossible to visit them door to door because many live in gated communities with high security. People do not usually know their neighbour and the community spirit is often absent. Thus, the telephone interview was the most convenient way to reach this group of people in the midst of their busy life. For the telephone survey, a snowball sampling procedure was used by asking respondents after the interview if they had families or colleagues who were willing to take part in the research. It was important for potential respondents to have this point of contact before the author telephoned them, thus building trust between the interviewer and interviewee and increasing the chances of gaining quality data. Speaking about the research background and the study purpose before the interview gave the respondents more confidence to provide their personal information.



The author acknowledges that this snowball sampling, which does not select respondents for inclusion in the sample based on random selection might affect the fieldwork result. However, the technique offers real benefits for studies which seek to access difficult to reach population or where some degree of trust is required to initiate contact. In addition, other research respondents would likely know other people in the same situation as themselves and could inform others about the study and reassure them of confidentiality. The real promise of snowball sampling lies in its ability to uncover aspects of social experience often hidden from both the researcher's and lay person's view of social life (Atkinson and Flint, 2001).

Each interview subject was interviewed one time using Skype and free recording software 'MP3 Skype recorder v.4.1', with interviews between 30 minutes and 1 hour. A more personal approach to the respondents was employed by means of informal chatting, but still following the issues set out in the research plan.

### **3.3 Analysis and Interpretation Strategies**

#### **3.3.1 How the Case Data were organised**

The challenge of qualitative analysis is to make sense of considerable amounts of data, reducing the volume of raw information, identifying significant patterns, and constructing a framework to present the essence of the findings. There is no single formula that can be used in order to fairly represent the data and to choose the relevant data which will answer the research questions. Bliss (1983) points out that the researcher who defines problems, identifies them, and formulates arguments rather than investigating problems within a theoretical framework, performs qualitative analysis. Thus, the author must keep revisiting the research questions. Initial research questions were modified or even replaced mid-study by the author. The aim was to thoroughly understand the case study. If early questions did not work, or if new issues became apparent, the design was changed. Malcolm Parlett and David Hamilton (1972) call this progressive focusing.

For the purposes of this study, a simple diagram has been used to illustrate all of the analytical processes in order to answer the research questions (see Figure 3.2). Doing qualitative data analysis involved moving back and forth through various phases rather than a linear direction within the broad process of analysis. In the analysis of data, sometimes it is necessary to review the data or produce an explanation after more evidence is accumulated, and the concepts and

connections between findings have become clearer. The initial analysis of this study was accomplished by identifying the main themes and key issues from real-world phenomena and generating explanatory propositions. Qualitative research emphasises placing an interpreter in the field to observe the workings of the case, one who records objectively what is happening but simultaneously examines its meaning and redirects observation to refine or substantiate those meanings. Yin (2013, p.238) defines *explanatory propositions* as being intended to explain how or why certain circumstances came about, and how or why a particular sequence of events occurred. Similarly, Patton (2002, p.489) also states that grounded theory is meant to build a theory rather than test that theory. In brief, interpretation is a major part of this research. The author tries hard to understand how the people being studied see things differently. Thus, this case study research seeks to understand human experience rather than to identify cause-and-effect relationships.

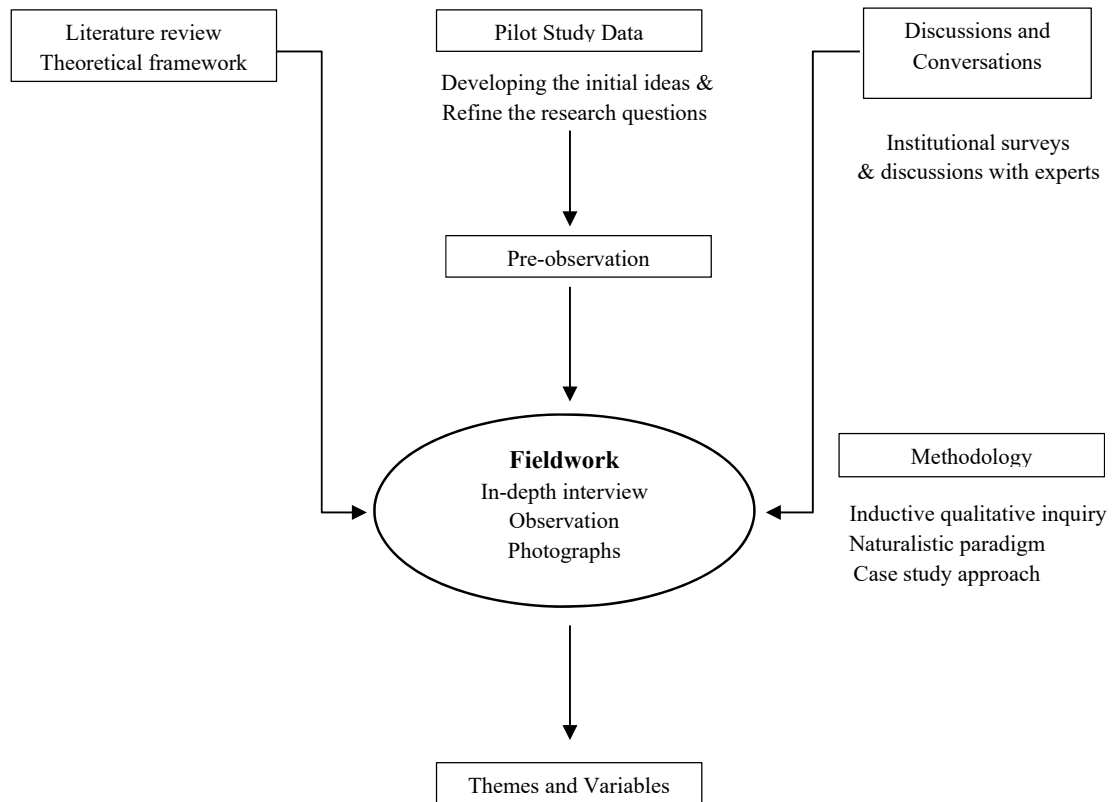


Figure 3.2 The process of fieldwork methodology arrangement

### 3.3.2 Structural Analysis: Formulating the Research Explanations

As mentioned earlier in this chapter, the author adheres to the paradigm of naturalistic, qualitative research and the case study as a comprehensive research strategy. To commence the study, the author needs a deep understanding of current housing and labour market development and how they are intertwined, especially the adaptation and household strategies applied in different economic and social contexts. To do this, the study focuses on a group of individual cases which are expected to cover the answer to the research question. Further, to understand the problems and its complexities, some discussions and interviews with the experts and stakeholders in this issue were also carried out. Nevertheless, the individual cases can allow new phenomena, which have not been anticipated, to emerge in the field, and can enrich the researcher's understanding of the context. This allowed the enrichment of the findings and provided a helpful basis for interpreting the household strategies through their experiences and perceptions. The themes, patterns, understandings, and insights that emerge from fieldwork and subsequent analysis are the fruit of qualitative inquiry (Patton, 2002). A contribution to the development of knowledge is expected, which produces significant findings for housing studies in Greater Jakarta and Indonesian major cities in general, as currently there are only a few studies discussing the relationship between housing and labour market dynamics in Indonesia. In addition, given the development of housing as an investment in the last few decades, this study is also valuable for revisiting the household preferences and behaviours in their housing career, given more flexible labour market conditions in the future.

Given the data acquired from in-depth interviews is in the form of words, the author takes careful measure to translate what the respondents means, words can have a different meaning depend on the context and culture. Some words and ideas simply cannot be translated directly. If the researcher is using translation, then she or he is talking for others in a language and culture which they may not understand, and in which it may be impossible to express their original meaning (Spivak, 1992; Birbili, 2000). In the fieldwork, the author communicated with research participants in Indonesian, the national language. However, sometimes Javanese language is used, a majority of respondents from Javanese background. Thus, the author sometimes must be asking for clarification if he felt not sure about the meaning or the context research participants' words, there are various processes of translation going on all the time. Bahasa Indonesia was used in both conversations and discussions with relevant experts and researchers, and when carrying out institutional surveying. English had an important role in the discussions of the research with supervisors. Thus, three languages were used in the process of

communication throughout the research. As a result, occasional difficulties in choosing the right words as an explanation of what had been asked, as well as the expressions of the interviewees were encountered. Kate (2007) points out that language is the conceptual scheme through which reality is viewed, and in turn the experience of a given culture and the priorities formed as people interact with their environment and create the categories of language. The symbiotic relationship between language and social experience means that language is not only a barrier between the researcher and the participants in cross-cultural research, but also a key resource and tool with which to try to understand social reality on participants' terms.

At the same time, efforts to understanding the generalisation of the phenomena on the wider context than Greater Jakarta influenced on the literature and reading background for this study. As ideas were discovered along the way via the literature review and field work reflections, the author acknowledges that a great proportion of the literature on housing and labour market for this research is from Western, American and Latin American context literature. Nevertheless, the author believes that the literature are employed as background knowledge and guidance for the fieldwork investigation are relevant to be able to understand common phenomenon that takes place all over the world as the resulted from the emergence of capitalism and globalisation. The literature was chosen based on their appropriateness in terms of relevance and applied to explain research topics.

### **3.4 Reflection and Positionality on the Research Process**

From fieldwork experiences, a qualitative study could be understood as a research activity that involves the researcher in a field survey in order to get closer to the respondents, informants and research topic. Qualitative inquiry offers opportunities not only to learn about the experiences of others, but also to examine the experiences that the inquirer brings to the inquiry, experiences that will, to some extent, affect what is studied and help shape, for better or worse, what is discovered (Patton, 2015, p.34). However, the challenge was to report all evidence fairly so that it can represent the phenomena accurately from oral testimonies in order to answer the research questions. Oral testimonies play an important role in this study, in supporting the themes and issues. The power of words is an essential point.

Prior to coming to the UK for study, the author was living and working in Greater Jakarta. After graduating from university in North Sumatra, the author worked in several construction and building developers in Jakarta. In 2009, the author worked in one of the biggest developers in

DKI Jakarta. After several job tests and an interview, the author got a job offer but the HR department said that the position would be outsourced to another company, which mean that the author would have a contract with an outsourcing company but that the daily work was still in the developer's office (the client).

This was the first time the author had heard and experienced about working in an outsourcing system which apparently has become more common in many big companies ranging from services to banking sectors. The outsourcing system was a new phenomenon in the labour market at that time, and the trend had emerged since 2003, when the government introduced a flexible labour market and legalised it with the release of Law No.13 of 2003 on manpower. The flexible labour market had become the norm, whereby fresh graduates often entered employment in a fixed-term contract, with a prohibition period, as a paid or unpaid apprentice, or with no clear career path and allowances (see Chapter 5 for more details). Meanwhile, the year 2008/2009 was also marked by the rising price of property as the Indonesian economy was surplus for several years after recovering from the 1997 Asian economic crisis. Coming from the middle class, educated family, with both parents working for the same company and institution for more than 30 years, encouraged me to reflect upon how labour market conditions had significantly changed since the 1990s in Indonesia. It seemed that the labour market had changed significantly from the author's parents' generation to the current generation.

As with many other young Indonesians, the author also aspires to become a homeowner and has a dream to own a house in Jakarta, but the condition seems difficult given that house prices are already high compared to the average annual salaries of the Indonesian people and the prices also grow at a faster pace than average wages. Lack of job security to apply for a housing mortgage also makes it more difficult to be able to step onto the housing ladder. All of these personal experiences provided the background for the author's curiosity to understand this social phenomenon and the future of that phenomenon in Indonesian society. Hence, in carrying out this study, personal life experiences were inevitably influential.

Although the author noted that he was affected by his background (batakese<sup>1</sup> man from middle-class income), this determined the analytical framework that was chosen, including the particular issues that will be addressed. Finally, the author openly acknowledges the possibility for misrepresentation of the interview subjects. At the same time, the author believes the stories

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<sup>1</sup> Batakese: An ethnic group from North Sumatra

– if not in every concrete detail – because of their repetition (that is, sets of ‘stories’ followed similar lines) and because they make intuitive sense to the author. The author hopes that he can persuade the reader as well. Numerous researchers have given attention to job insecurity and how it affects the person’s ability and willingness to take out a housing mortgage. However, the majority of research has only covered those phenomena in big cities in developed countries, with little attention given to developing countries, where the housing problems are most urgent and the majority of the world’s urban population will live in the next few decades.

During the fieldwork, data gathering is done on somebody’s ‘home ground’ and even in doing interviews by telephone, involves at least a small invasion of personal privacy. Thus, it is very important to convey a good identity, using kind words and well-mannered behaviour and building a good relationship between interviewer and interviewee. In addition, some of the topics, such as income and job insecurity, might be more sensitive than others, as some people would describe them as ‘family matters’. Thus, the author needed to carefully ask the questions and not offend the interviewees, building mutual trust during the interview. Although job insecurity is a critical issue at present, it is a highly individualised and sensitive topic (Hartley *et al.*, 1991). Therefore, before participating, respondents will be told the background of the research and how the information will be used. Confidentiality also becomes negotiable in that it requires the confidant not to disclose information unless allowed to do so and only in ways agreed. Unless they had recently had a bad experience, people were generally cooperative, often pleased to have their story known, and happy to help someone do their job, although not optimistic that the research would be of benefit to them. Furthermore, during the fieldwork, the author wore a formal shirt to show respect to the interviewees. Sometimes by giving a name card to the interviewees (the author is also a lecturer in a private university in Yogyakarta), this gave them more confidence that their personal information would be used appropriately.

### **3.5 Conclusion: Noteworthy Points from the Research Experience**

This chapter has explained the methodological framework and research design for this study. The main concern of this research is how the household's strategies in different employment background were applied, in particular, how their job security influences their housing options and *vice versa*; and the relation between employment and expenditure priorities. Thus, in order to start exploring this area, a statistical approach was not appropriate. Practically, a qualitative research with an inductively designed naturalistic paradigm was more appropriate as a strategic approach.

The main consideration is that the research method should be flexible and allow the researcher to make choices in response to uncontrollable variables that could emerge in natural settings. The case study approach offers this flexibility by facilitating a combination of survey techniques for data collection and analysis. The qualitative researcher must get close enough to the people and the situation being studied to personally understand in-depth the details of what goes on. The qualitative methodology also must aim at capturing what actually takes place and what people actually say: the perceived facts. Thus, in-depth interviewing and informal discussion to highlight the main themes and key issues was a significant method. In addition, direct observation and photographic records also enabled the exploration of the data gathered in order to expand the findings. In the next chapter, the author will discuss the research setting in Greater Jakarta where this study took place. The aim is to present a detailed understanding of the context where many respondents live in these dwellings. It will also provide an overview of the physical characteristics, population, and social profile of each household group.

# **Chapter 4**

## **Greater Jakarta: A Housing Barometer of Indonesia**



## Chapter 4: Greater Jakarta: a Housing Barometer of Indonesia

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## Chapter 4

### Greater Jakarta: a Housing Barometer of Indonesia

#### 4.1 A Portrait of the City

##### 4.1.1 Greater Jakarta: Before and After Independence

Greater Jakarta and its current development cannot be separated from the history of Indonesian independence and economic development. With a metropolitan population of more than 20 million and rising, Greater Jakarta has become one of the world's largest cities, the biggest city by a wide margin in Southeast Asia and the commanding urban centre of Indonesia, the world's fourth most populous country. Greater Jakarta also typifies the overburdened Third World metropolis struggling with problems of overpopulation and inadequate housing, employment, transportation and environmental quality (Cybriwsky and Ford, 2001).

In the fourth century, Jakarta was a port city called Sunda Kelapa, part of the Sunda Kingdom. It was renamed Jayakarta after the success of Fatahillah in preventing the Portuguese gaining a foothold in Java and became a part of the Banten Sultanate. It was then known as Batavia (1619-1945) under the Dutch colonial empire before changing to Jakarta during the Japanese occupation and modern era. After Independence Day on 17 August 1945, the city was established as the national capital. Indonesia's first president, Sukarno, wanted Jakarta to be a great international city and instigated monumental government-funded projects to promote nationalist pride among Indonesian people, such as: the National Monument (Monas), the Hotel Indonesia, a new parliament building, an influential financial district (*Jalan Jenderal Sudirman*), a mega mosque (*Masjid Istiqlal*, the largest mosque in Southeast Asia) and numerous monuments and memorials. As the capital city of Indonesia, Jakarta is a first-level autonomous region, similar to a province, and is headed by a governor.

The early years after independence witnessed massive migration from rural areas into Jakarta, in response to a perception that the city was a hive of economic opportunity. As an illustration, in 1948, the population was around 823,000 and by 1952 this had doubled to 1,782,000 (Cybriwsky and Ford, 2001). By 1965, Jakarta had nearly 3.5 million inhabitants and was still growing (Marbun, 1994). In 1970, alarmed by the crowding and deteriorating conditions in the *kampung*s, Jakarta officials tried to bring population growth under control by declaring the capital to be a 'closed city' where new migrants were denied access. Nevertheless, this approach

did not work as city-bound peasants ignored the law, and enforcement became impossible in such large numbers. Supported by a long period of rapid economic growth in Indonesia, Jakarta was able to sustain its development to become an impressive and modern city.

This chapter aims to illustrate the general socioeconomic background of the research setting. Firstly, the development of Greater Jakarta and Bekasi are highlighted, followed by an explanation of the general urban and housing policies and problems in Greater Jakarta and Indonesia. The chapter also gives a broader picture of the research context: the physical, demographic, social and cultural elements and in particular, how all these factors affect the housing and labour market in Indonesia.

#### 4.1.2 City Development: the Hidden Problems

Although Indonesia is a vast country, its industry is highly concentrated in the metropolitan centres in Java Island, in particular around Jakarta. By the early 1960s, Jakarta's development already exceeded its official administrative boundaries. As the region has continued to expand spatially, regional planners have recognised the existence of an extended urban region which incorporates the neighbouring settlements. This extended urban region which incorporated the neighbouring settlements of Bogor, Tangerang and Bekasi, was established and was known by the acronym '*Jabotabek*' in the late 1980s and '*Jabodetabek*' in the late 1990s. This region has continued to expand spatially and, with this, even longer acronyms have come into being, most recently, '*Jabodetabekjur*', following the incorporation of Depok and Cianjur into that region (Firman, 2009). Henceforth, in this study, the author uses 'Greater Jakarta' to refer to the urban region and 'DKI Jakarta' to refer to the core city of that region.

Greater Jakarta covers a total area of 5,897 km<sup>2</sup>, consists of *Daerah Khusus Ibukota* (DKI) Jakarta or Jakarta Capital Special Province, and is surrounded by a peripheral area known as *Bodetabek*, the acronym for Bogor-Depok-Tangerang-Bekasi. It comprises three autonomous *kabupatens* (districts or rural governments): *Kabupaten Bogor*, *Kabupaten Tangerang* and *Kabupaten Bekasi*. It also includes five *kotas* (municipalities or urban governments): *Kota Bogor*, *Kota Depok*, *Kota Tangerang*, *Kota Tangerang Selatan*, and *Kota Bekasi*.

In 2010, the population of the Greater Jakarta Metropolitan Area reached 27.9 million, with nearly 9.6 million people living in the capital city of Jakarta (DKI Jakarta) (BPS, 2010). Although *Jabotabek* (Jakarta and the surrounding Bogor, Tangerang, and Bekasi Regencies) constitutes only 0.3 percent of Indonesia's land area, it houses 10 percent of the national

population and accounts for 21 percent of the GDP and 36 percent of national industrial production (Sato, 1999, p.117). Various terms such as ‘extended metropolitan region’ (Douglass, 2002), ‘*desakota*’ (McGee, 1991), ‘mega urban regions’ (McGee and Robinson, 1995), ‘global city-regions’ (Scott, 2001), and ‘mega cities’ were introduced to describe the complex phenomena related to this region-based urbanisation.

As explained earlier, globalisation has transformed the economic and social structure of cities throughout the world. This structural transformation is manifest through the mediation of structural changes in territorial developments that caused the relocation of export-based industries from developed countries to developing countries, with big cities like Jakarta a hotspot for such industry (see Chapter 2). With its market-led development policy, Suharto’s New Order administration positioned industrialisation as a key policy platform to boost economic growth. These market-oriented policies aimed to attract domestic and foreign private investors in finance and manufacturing industries in order to accelerate economic growth. As a result, the Jakarta City development reflected this foreign direct investment priority which can be seen in Figure 4.1. Arguably, those policies not only boosted FDI in manufacturing, but also real estate development, leading to uncontrolled growth of large-scale projects by private land developers in the suburbs (Firman, 2000).

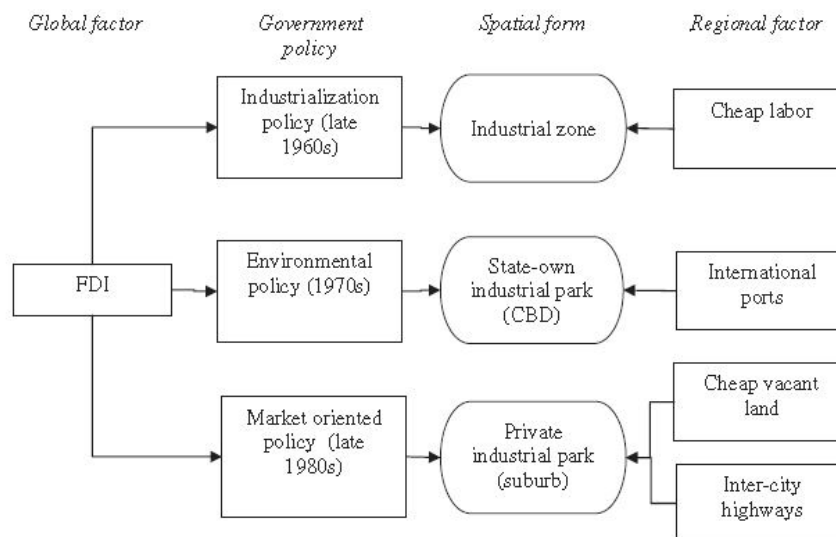


Figure 4.1 Conceptual diagram of industrial deconcentration in Greater Jakarta  
(Source: Hudalah *et al.*, 2013: fig.3 p.957)

The debate on global urbanisation increasingly pays a considerable amount of attention to ‘post-suburbia’, referring to the decentralisation of urban life to the outskirts of a metropolis. Many believe that the frontier of American urban centres has moved to the edge of the metropolis,

forming decentralised spatial structures on the regional scale (Gordon & Richardson, 1996; Phelps, 2010). This American trend is also emerging in Western Europe (Phelps, Parsons, & Ballas, 2006; Phelps, Wood, & Valler, 2010) and in Australia (Freestone & Murphy, 1998), where there is a more feasible role for the public sector and planning systems. Apart from these industrialised countries, several elements of post-suburbia can be found in Chinese global cities (Wu & Phelps, 2008).

Greater Jakarta clearly represents the above phenomenon. In the 1960s and 1970s, urbanisation in Greater Jakarta tended to be concentrated in the city core. This concentration trend started to decline in the 1980s when the demographic domination of the city core was gradually overtaken by the districts and municipalities (*Bodetabek*). Since the 1990s, the population of Jakarta's suburbs has surpassed that of its metropolitan core (Hudalah and Firman, 2012). In fact, Greater Jakarta is the most suburbanised mega-city in South East Asia (Murakami *et al.*, 2003).

Since the 1980s until now, urbanisation in Indonesia in general and in Greater Jakarta in particular has absorbed the edge of large cities, reflecting the extension of the metropolitan core where the zones of urban-rural transition take shape. Previous studies have shown massive rural land conversion, deconcentration of manufacturing and industrial development, the creation of gated communities, and new town developments on the outskirts of Jakarta, which resulted from the deregulation and de-bureaucratisation policies of the 1980s (Firman, 2000, 2004b; Hudalah, Winarso, & Woltjer, 2007; Leaf, 1996; Leisch, 2002; Winarso & Firman, 2002). Since then, many new town developers envisioned building *kota mandiri* (autonomous towns), complete with major urban facilities and employment centres. While industrial land and real estate development in suburban China and some countries are often planned by the national state, in Indonesia, the state only provides broad guidance and it is the private land developers who drive the nature and geography of suburbanisation. Therefore, within this and the following sections, the significance of these phenomena will be discussed.

a. *Deconcentration of Manufacturing and Industrial Estate*

In contrast to major cities in the United States or Western Europe, where globalisation often means the exodus of manufacturing companies and the growth of the service sector, in many Southeast Asian mega cities like Jakarta, globalisation has meant the massive inflow of FDI and the resulting transformation of these mega cities into industrial cities. For the manufacturers, particularly export-oriented ones, what is important is an abundant and cheap workforce. Manufacturers do not seek to remain in the city centre, where traffic congestion and wage levels are relatively high. They can establish factories on the outskirts of cities, where locals take on the dual role of rural farmer and urban factory worker (Kenichiro, 2011b). This deconcentration of industrial estates is an inevitable phenomenon in major cities like Greater Jakarta.

Deconcentration can be defined as the process through which a metropolitan area evolves into an urbanised region. It is often revealed by a massive dispersal of population and employment toward the suburbs (Guillain *et al.*, 2006). This process also involves the declining power of the CBD (the Central Business District) or metropolitan core in relation to new suburban districts (Shearmur and Coffey, 2002). Carlino and Chatterjee (2002) explain that a general definition of a deconcentrating metropolitan area could be a region in which there is a decline in the population and employment share of the metropolitan core and a corresponding rise in the share of its suburbs. Arguably, this industrial deconcentration is not only market driven, but has become part of the wider economic development strategy in a number of Asia's developing countries as they experience structural shifts in their national economies toward industrial and service sector activities (McGee, 2007).

In Indonesia, industrial development played an important role in the suburban transformation of Greater Jakarta. Under Suharto's administration, industrial development was first endorsed in industrial zones (*zona industri*) and later in industrial estates (*kawasan industri*). An industrial zone refers to a concentration of industrial activities that are not necessarily supported by planned and adequate infrastructure and facilities. Traditionally, local and labour intensive industries tended to locate in such unplanned areas while foreign and hi-tech industries preferred to operate in industrial estates.

Kwanda (2000) notes that in their early stage of development in the 1970s, industrial estates were built by government enterprises as a reaction to increasing environmental impacts and infrastructure inadequacy in industrial zones. Most of the government-supported industrial

parks were developed in the northern/coastal zone of the inner-city of Jakarta. For instance, the Jakarta Industrial Park Pulogadung (594 ha) and *Kawasan Berikat Nusantara* (595 ha), built in 1970 and 1986 respectively, both remain in operation. In response to a growing number of foreign and domestic private investments, through Presidential Decree 53/1989, the government opened the door for private companies to invest in and develop industrial estates. Consequently, industrial estates grew rapidly, for instance, the Indonesia Industrial Estate Association (HKI) registered 146 industrial estate locations with a total area of 42,019 ha, mostly located on the outskirts of Jakarta, in particular Bekasi District (21,289 ha) and Jakarta (3064 ha) (Kwanda, 2000). In addition, Presidential Decree 41/1996 was issued to set guidelines for industrial estate businesses in Indonesia. These presidential decrees have encouraged new foreign investors to build plants in the industrial park. Later, the private sector became the main actor in the development of suburban industrial parks, the first of which was built in Tangerang District (Cikupa-balaraja).

The development of private industrial parks in suburban Jakarta has followed, or at least has corresponded to the development of, intercity highways (Henderson and Kuncoro, 1996). There have been at least three major highways constructed between Jakarta and the suburbs. In 1978, the *Jogorawi* (Jakarta-Bogor-Ciawi) Toll Road began operating, which stretches from the city to the southern suburbs. Major industrial zones or unplanned industrial areas were developed following the construction of this 60 km highway. Two other highways, Jakarta-Cikampek Toll Road and Jakarta-Merak Toll Road, were built along the northern coastal zone of Java. Subsequently, since 1989, most of the industrial parks or planned industrial parks were built along these coastal highways. With a length of about 90 km each, the last two highways extended the traditional boundaries of the metropolitan area, forming the western and the eastern extra outer suburbs respectively (Hudalah *et al.*, 2013).

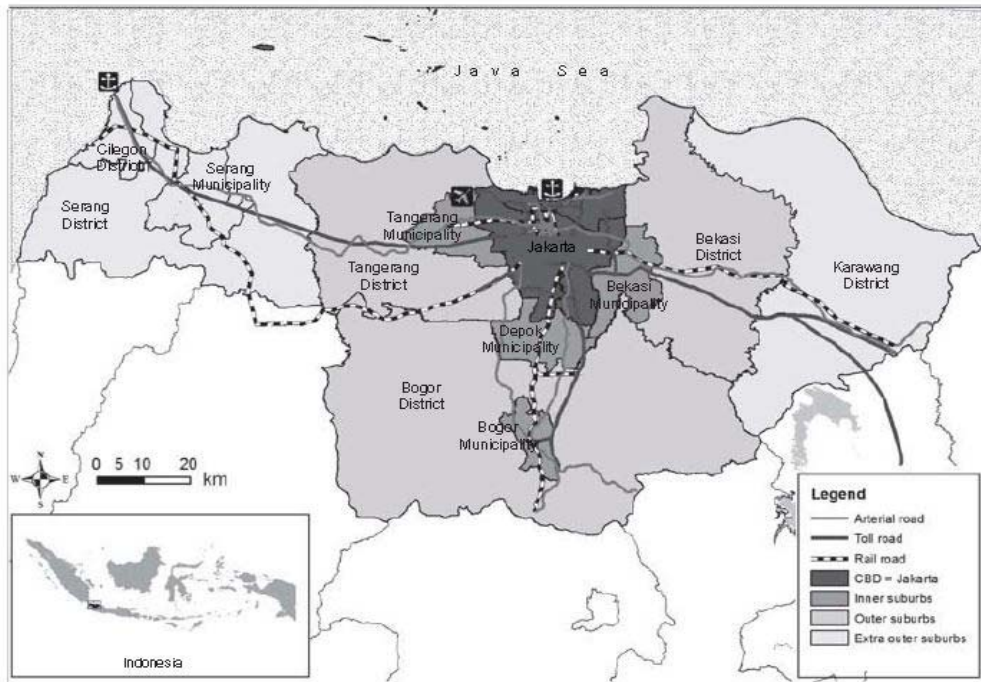


Figure 4.2 Map of major transportation development in Greater Jakarta  
 (Source: Hudalah *et al.*, 2013: Fig.1, p.955)

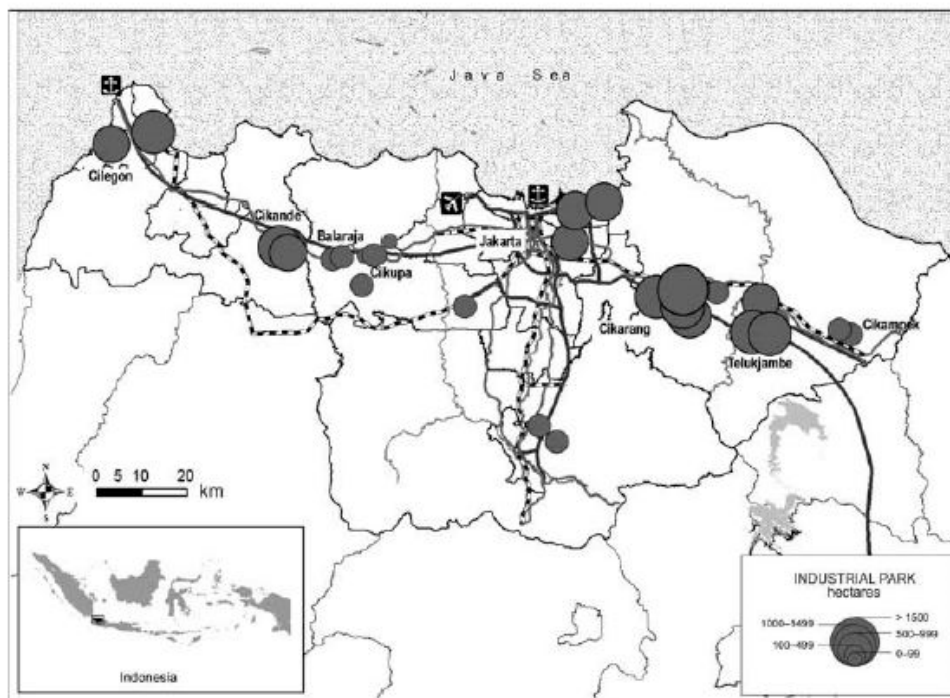


Figure 4.3 Map of major industrial parks in Greater Jakarta  
 (Source: Hudalah *et al.*, 2013: Fig.2, p.956)

Nevertheless, since the end of the 1980s, no new industrial parks have been developed in the city, partly because available industrial land in Jakarta has declined. In contrast, during the 1990s, after the enactment of the presidential decrees, massive private industrial park



development took place in the suburbs. Most manufacturing sectors, whose operations require relatively large plots of land or are highly dependent on natural resources (i.e. water) such as textiles, leather, machinery, electronics, and automotive industries, have in the past two decades gradually relocated to the suburbs. The suburban industrial parks were mostly concentrated in Cikarang (Bekasi District). There are now more than 35 industrial parks in Greater Jakarta with a total area of over 18,000 ha and this is expected to rise considerably in the coming years to accommodate a massive influx of FDI relocations from other countries impacted by the last global recession (CNTV, 2012). This industrial land development has extended the traditional boundaries of the metropolitan area from merely Jakarta and its surrounding municipalities and districts (*Botabek*) toward the Serang and Karawang districts.

This shift of manufacturing and industrial locations from unplanned and sprawling industrial zones toward planned concentration in these industrial parks has been intensified in existing suburban industrial parks around Jakarta. The size of industrial parks ranges from 50 to 1,800 ha, while the average size is about 500 ha. These industrial parks tend to cluster in several locations including Cikupa-Balaraja (Tangerang District) and Cikarang (Bekasi District). In fact, Cikarang with a total industrial land area of nearly 6,000 ha has become the largest planned industrial centre in Southeast Asia over the past two decades (Hudalah and Firman, 2012). Four other industrial centres are located beyond *Jabodetabek* in the extra outer suburbs, which include Serang (Cilegon and Cikande) and Karawang (Teluk jambe and Cikampek). Outside these industrial estate developments, many light industries, such as footwear, electronics and plastic manufacturing, have also been developed separately from the available industrial estates. However, from 1995 onwards, the government has restricted the permits available for building individual manufacturing workshops outside the designated industrial estates.

Despite positive impacts in the suburbs (*Bodetabek*), generated from FDI in the manufacturing, real estate and infrastructure sectors in the last decade, the absence of adequate planning framework and institutions have caused several concerns. The active roles of foreign investors and big private developers in suburban industrial transformation may potentially strengthen social segregation and infrastructure fragmentation and reduce the quality of the physical environment (Hudalah and Firman, 2012; Hudalah *et al.*, 2007). From the fieldwork, authors found that the majority of industrial estates do not provide accommodation for their employees, especially blue collar workers who manufacture fabrics in those industrial estates. Instead, the industrial estate developer only develops housing for expatriates with all the facilities such as a golf course, hospital and schools which are inaccessible to the manufacturing workers'

children. Subsequently, the informal settlements, mostly in *kampung*, have been flourishing around the industrial estates with minimum public facilities and overcrowded conditions. As Firman (2004b) argues, the existence of exclusive new communities on the one hand and *kampung* on the other hand, basically reflects the widening socioeconomic disparities of urban societies and spatial segregation based on level of income and lifestyle.

*b. New Town Development in the Outskirts of Jakarta*

Other important elements of Jakarta's suburbanisation are massive urban land-use conversion and large-scale housing development (Firman, 2004a; Winarso and Firman, 2002). In 1976, President Suharto issued the Presidential Decree No.13/1976 which sought to accelerate the process of Jakarta's expansion. This presidential decree radically transformed both the form and the quality of the urban environment of *Jabodetabek* over the next three decades. From the 1980s to the 1990s, more than 60,000 ha surrounding Jakarta were converted from agricultural to residential, commercial, and industrial land uses, an area equal to four times that of the built-up area of Jakarta in the 1970s (Silver, 2007). Many new towns were established during this time, such as: Bumi Serpong Damai (BSD) (60 km<sup>2</sup>), Tiga Raksa (30 km<sup>2</sup>), and Lippo Cikarang (59 km<sup>2</sup>). Smaller sized new towns on the periphery of Jakarta include Pembangunan Jaya, Lippo City, Bukit Jonggol Asri, Cikarang Baru, Kota Legenda, Kota Cileungsi, Royal Sentul, Bintaro Jaya, Lido Lakes Resorts, Gading Serpong, Modernland, Kota Citra Raya, Alam Sutera and Kedaton (Firman, 1998). In the peak period of the 1990s property boom, more than 23 new towns ranging from 500 to 6000 ha were developed around Jakarta alone (Firman, 2004a; Winarso and Firman, 2002). The demand for new towns has been essentially generated by the need for security and to fulfil an exclusive lifestyle, which because it is innovative, has been able to sell an image of the 'new town' as a symbol of 'modernism' (Firman, 2004b).

Leisch (2000b) argues that developers have been developing new towns in Greater Jakarta with three main objectives in mind: first, to fulfil people's desire for living in a quiet, modern and secure environment; second, to give them investment opportunities; and third, to get huge and quick monetary profits. Leaf (1994) was also concerned that a number of the new towns were basically designed as exclusive residential areas surrounded by walls, containing clusters of houses along with standardised automobile thoroughfares. In fact, these new settlements are made up of low-density, single-family houses and most are exclusive residential areas for specifically targeted socioeconomic groups, notably the middle-income and high-income

groups. Unsurprisingly, many newly-built luxury houses in the new towns are unoccupied, and were not purchased for occupation, but as a low-risk investment or even for speculative purposes as land prices in the towns are increasing rapidly. Hence, from an urban development planning point of view, the use of land for residential purposes in the new towns in Greater Jakarta is largely wasteful and ineffective.

Meanwhile, the development of new towns in Greater Jakarta has had almost nothing to do with the spatial planning of the area (Goldblum & Wong, 2000). There have been many violations of land use plans by developers and even by local governments themselves due to pressures and interests in locating what is considered to be profitable activities (Firman, 1997). These vast new town developments have been induced by speculative land grabbing by private developers on the one hand, and uncontrolled land permits granted by the National Land Agency (BPN) for housing development on the other hand. Consequently, there has been a massive land ownership transfer from the previous landowners, notably poor farmers, to the new town developers supported by the government. Bribery payments ‘over and under’ the table were a daily routine in the public sector (Dijkgraad, 2000). Those who have lost their land, with or without fair compensation, have had to seek new livelihoods. In addition, the land acquisition process usually involves brokers (*calo tanah*) who extract large amounts of money for commission fees. In a study in land acquisition, Dorleans (1994) mentioned that brokers in Jakarta collected about 10 percent from transactions valued at less than Rp.100 million, and about 5 percent otherwise.

The massive development in the outskirts of Greater Jakarta was a result of a series of deregulation and de-bureaucratisation measures enacted by the Suharto government in the 1980s (Winarso and Firman, 2002, p.488). Subsidised housing finance programmes and municipal permit systems for land development also contributed to massive development in the area. These policies have mostly benefited some developers who were strongly linked with the New Order regime (Leaf, 1994). A study by Winarso (2002) also showed the linkages between conglomerates active in urban developments, of which almost all groups were connected to ex-President Suharto’s family. There was even a controversial plan to build a series of new towns of 30,000 ha in Bogor District, called Bukit Jonggol Asri (Beautiful Jonggol Hills), mandated by a Presidential Decree and run by a consortium led by a son of President Suharto. The consortium had even negotiated with the government that several central government offices in Jakarta should be moved to this controversial planned new town, but this was never realised as the economic crisis hit Indonesia badly (Cowherd, 2000).

As mentioned in Chapter 2, in the mid-1990s, land on the outskirts of Jakarta had been largely controlled by private developers (Leaf, 1991, 1993). Almost 72,000 ha of development permits was issued for subdivisions from November 1993 to July 1998 in Jakarta fringe areas (*Botabek*). This amount of land was more than enough to house more than 8.5 million people, assuming 60 percent of housing coverage and a density of 200 persons per hectare (Arcadis Euroconsult, 1999). The National Land Agency (BPN) whose task is to manage land records, process land titles and administer land development, issued nearly 350 development permits on the fringe areas of Jakarta between the mid-1980s and 1995 alone. This uncontrolled land permit system has caused many of the land areas that have long been acquired to remain undeveloped, creating idle, unutilised land (*tanah tidur*: 'sleeping land').

When the economic crisis occurred in 1997, it severely affected the property sector due to oversupply as a result of the aggressive expansion of this sector during the 1990s. Hundreds of developers of various sizes in the region have gone bankrupt, some even with severe debts both to domestic and overseas banks. Most of the property firms and developers in Greater Jakarta overinvested using hedged short-term loans for both land acquisition and building construction with high market interest rates for long-term projects, including offshore loans (Firman, 2004a). Arguably, this overinvestment in land and buildings in Greater Jakarta by a few big national developers has given an advantage to only a small group of rich people, but the nation as a whole has had to bear severe impacts as a result of such overinvestment. Furthermore, new town development has reinforced spatial segregation in three ways: first, it has polarised the middle and upper-income groups, resulting in scattered pockets of exclusive residential areas; second, within the new towns themselves, the upper-middle and high class occupied exclusively designed areas with the highest security possible; third, in several new towns, urban development management is carried out by the developers instead of by the city hall. Spatial segregation in Greater Jakarta can be classified as 'self-segregation' or 'voluntary segregation'. It will continue and is inevitable, as a result of socioeconomic and political conditions within urban society as a whole (Firman, 2004b).

### c. *Gated Communities*

As Leisch (2000) and Hogan & Houston (2001) observed, the birth of new town developments has reinforced spatial segregation by promoting the formation of gated communities in Greater Jakarta. Spatial segregation is essentially a manifestation of the existing socioeconomic structure and a mechanism to enforce that structure (Greenstein *et al.*, 2000). Nevertheless, as Greenstein *et al.*, (2000) further argue, voluntary spatial segregation has become a significant phenomenon, induced by demand factors, such as security and lifestyle, and supply factors, most notably profitability with large-scale internalisation of externalities in these highly-controlled developments. Several studies have found that globalisation has intensified spatial segregation in cities. For instance, de Queiroz Ribeiro and Telles (2000) highlight spatial dualisation and fragmentation in the city of Rio de Janeiro. Likewise, Chakravorty (2000) is also concerned that there is a tendency for increased hardening of spatial boundaries between income, racial and religious groups in Calcutta, along with the city's integration into the global economy. Similarly, a global city such as New York City has been reflecting the durable segmentation of economy and labour force by the same ethnicity and race (Logan, 2000). Overall, large cities in the world have become more segregated in character (UN-Habitat, 2002). Referring to a study of new town residents in Bumi Serpong Damai and Lippo Karawaci, Leisch (2002) shows that there are two main reasons for those residents, who are mostly new middle and upper class, to live in these new towns – security and lifestyle. Indeed, security is the first priority for them. Leisch (2000) also argues that the structure of these two new towns reflects the separation of society with respect to class. Arguably, the process of spatial segregation in Greater Jakarta is essentially similar to the formation of gated communities in Latin American megacities, which are described by Coy and Pohler (2002, p.358) as an 'island of wealth in an ocean of poverty'.

On the other hand, the majority of Greater Jakarta residents, notably the poor and lower-middle income groups, still live in unplanned and unregulated settlements, predominantly urban *kampung*s in the city centre and semi-rural settlements in the periphery, which reveal the socioeconomic dualism of Indonesian society. This basically reflects the widening socioeconomic disparities of urban societies and spatial segregation based on level of income and lifestyle. Richer communities live in exclusive residential areas such as new towns on the outskirts of Greater Jakarta, while the urban poor resides in slum areas throughout the city.

From the above explanation, it is clear that new town development projects have influenced middle and upper-income groups to live in the new towns. In fact, many new town residents do not want to live in a culturally and socially mixed area, such as *kampungs*, for security reasons. Actually, it is compulsory in Indonesia that developers, alongside building luxury houses, are required to build three medium-level houses and six low-cost houses in order to create a mixed community development (reflecting the ‘1:3:6’ policy that every new residential development of more than 100 high-income private housing units needs to reflect the 1:3:6 ratio of 1 high-income, 3 middle-income and 6 low-income units). However, most of those developers have simply neglected that requirement, as it did not make economic sense. However, the 1998 Jakarta riots have shown how vulnerable the gated new towns are to mobs, as many new residential areas in the city in which a number of richer families live, especially the Indonesian-Chinese families, were a target of the mobs. Arguably, those riots were basically rooted in the impoverished socioeconomic reality of the urban poor in the city, although there might also have been some political and racial issues involved (Firman, 2004b).



Figure 4.4 Gated Communities in Greater Jakarta

(1) Typical Unit in Kota Wisata Cibubur (Source: Rumah Dijual, 2015)

(2) ‘Fantasy Island’ in Kota Wisata Cibubur, equipped with self-recreational facilities (Source: Flickr, 2015)

#### *d. Environmental Consequences*

Having discussed several aspects of socioeconomic and physical development in Greater Jakarta the discussion now turns to the extent to which this development has affected environmental conditions in the area. It will be particularly focused on land-use conversion and its consequences. As mentioned earlier, large amounts of prime agricultural land have been converted into industrial estate and housing due to high demand for land for these activities. After the 1980s, developers no longer worked hand in hand with the local government, but

instead initiated and partially took over the local government's role in developing large-scale new towns. Some developers even used their political leverage, thus developing large areas through bypassing or manipulating existing regulations and environmental protection practices, mainly affecting the rate of flooding and the shrinking of green space.

**Designated uses in the  
Jakarta Spatial Plan, 1985-2005**

<i>No</i>	<i>Areas</i>	<i>Size</i>	<i>Original uses</i>	<i>Converted uses</i>	<i>Completion year</i>
1	Kelapa Gading	3182 acres	Water catchment areas	Makro Supermarket Bukit Gading Villa Residence Gading Food City Gading Kirana Residence Mitra Keluarga Hospital Kelapa Gading Square Apartment KTC Shopping Mall La Piazza Gading Mediterania Residence Kelapa Gading Mall Artha Gading Mall Villa Artha Gading Residence Universal School Paladian Park Apartment	1985 1987 1991 1993 2002 2003 2003 2004 2004 2005 2005 2005 2006 2006
2	Pantai Kapuk	2053 acres	Protected forest areas	Pantai Indah Kapuk (residential area) Damai Indah Golf Course Pluit Mega Mall Pantai Mutiara Residence Mutiara Indah (residential area)	1990 1992 1997 1997 2003
3	Sunter	3605 acres	Water catchment areas	Sunter Agung (residential area) Automotive factories	1990 1990
4	Senayan	689 acres	Green areas	Plaza Senayan Mall Century Atlet Hotel Mulia Hotel Senayan Trade Center Sudirman Place (Shopping centre and offices) Senayan Residence Apartment Permata Senayan (mixed-use apartment) Senayan City Mall	1996 1996 1997 2002 2003 2004 2004 2006
5	Tomang	172 acres	Urban Forest	Taman Anggrek Mall Mediterania Garden Residence Taman Anggrek Apartment	1996 2004 2006

Table 4.1 Spatial plan violations in Jakarta  
(Source: Khalid, 2009; Rukmana, 2015)

Silver (2007) argues that the *Rencana Umum Tata Ruang/ RUTR Jakarta* (Jakarta Master Plan) 1985-2005 was out of line with the developments that had occurred or that were planned and/or approved. In fact, in 1997, or seven years before the tenure of the master plan ended, Governor Surjadi Soedirdja revised the RUTR Jakarta 1985-2005 and the master plan 1995-2010. That revision was apparently to accommodate a lot of violations of the original master plan that had already occurred a few years earlier (Ellisa, 2014). One very obvious example was the decreasing amount of green space. Previous documents in the RIK (area master plan) Jakarta 1965-1985 had stated that the size of green space was 37.2 percent, but during the continuous period of the RUTR Jakarta 1985-2005, it was around 25.8 percent. In the RUTR Jakarta 1995-2010, the proportion of green space was merely 13.9 percent of the total size of Jakarta (Pemda DKI, 1995) (see Figure 4.6). Ellisa (2014) argues that the development process of the Kelapa Gading city was made possible by this revision. New town development also occurred in the green area of Greater Jakarta, for instance in Bogor, Puncak and Cianjur, important areas which functioned as water recharge areas for Jakarta.



Figure 4.5 the plan of green areas: RUTR 1985-2005  
(Source: Rukmana, 2015)



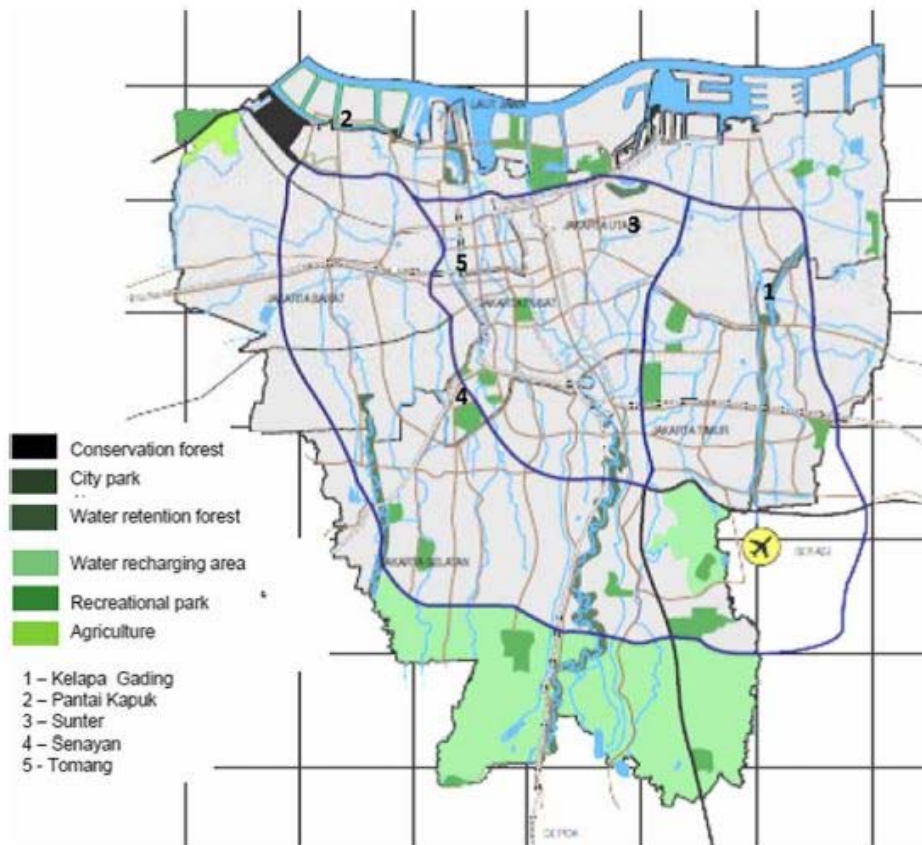


Figure 4.6 the plan of green areas RUTR 2000-2010  
(Source: Rukmana, 2015)

Additionally, because the city is low-lying, flooding has always been a serious problem during the rainy season (typically between the months of October and April). The Jakarta site is ‘naturally’ highly prone to flooding, as experienced in 1996, 2002, 2007 and 2013. Flooding was also worsened by a high subsidence rate due to the city weight and water extractions (Abidin *et al.*, 2001; Hirose *et al.*, 2001). The floods of February 2007 were the worse in recent times, affecting almost 60 percent of the urban area, killing scores of people and damaging or destroying the homes of hundreds of thousands more. This extent of devastation shows how vulnerable the communities living in Jakarta are (Texier, 2008).

Meanwhile, water resources including surface and ground water, have been a crucial problem while the demand for water continues to increase in parallel with population growth and the development of economic activities, notably industry and agriculture, in the region. A study of the Jabotabek Metropolitan Development Plan Review (JMDPR) shows that over-extraction, especially in the coastal areas has in many places caused land subsidence of more than 5 cm/year and the pollution of water resources because of leaching from saline layers. Water pollution also heavily occurred in most of the rivers flowing through *Jabotabek*, which were

found to contain a high concentration of BOD (Biochemical Oxygen Demand) and COD (Chemical Oxygen Demand), and a metal content higher than the ambient standard. Due to this increasing water pollution, the PDAM DKI (Jakarta Water Supply Corporation) now uses more chemical materials to treat the water from the Ciliwung River, which is one of the principal sources of water supply in Jakarta, to produce standardised drinking water.

In addition, this rapid urban development in Greater Jakarta tremendously increased the demand for building materials, such as sand, bricks and stones. As a result, sand quarrying has been greatly intensified in the region. The problems of solid waste are also a serious issue: as the city is still not able to collect and recycle the increasing non-biodegradable wastes, notably plastic, some of the waste ends up in the river bodies. Air pollution is another problem in the cities of Jakarta like Tangerang, Bekasi and Bogor, particularly in industrial and commercial areas and areas near bus stations. Emissions also come from private motor vehicles. In fact, air pollution in Jakarta has reached a critical point, reflected in increased instances of acid rain in the last few years.



Figure 4.7 Flooding in Jakarta  
(Source: Japan Times, 2015; the Times, 2015)

On the other hand, violations of urban land use are not only happening in the Jakarta region, but further in the West Java regions like Puncak and Bogor, the southernmost regions of which were originally allocated for catchment areas and designated as an environmental buffer zone for Jakarta. Villas and houses in *Kota Bunga* (Flower City) in *Jalur Puncak* (Puncak Strip), south of Bogor, were built for Jakarta's residents who wanted to escape day-to-day life in the crowded capital. Most houses in this area are only occupied during weekends. Housing development in this area is suspected of having contributed significantly to severe flooding in Jakarta City in early 2002, which caused the government then to freeze the new town and

housing development in Greater Jakarta for 6 months, starting in February 2002, to evaluate the new town's spatial development in the area (Firman, 2004a).



Figure 4.8 Villas in Puncak and Bogor, West Java

- (1) Typical Villa Unit in Kota Bunga Puncak, majority of which are occupied only at weekends
- (2) The public facility of Kota Bunga Puncak, located in a Puncak catchment area

(Source: Kota Bunga Villa, 2015)

The subnational administrations in the area have actually established a coordination forum called the Greater Jakarta Coordination Board (BKSP), the main purpose of which was to coordinate cooperation, prepare programs, guarantee development and to monitor and evaluate programs in the Greater Jakarta region, including flood mitigation and projects aimed at reducing traffic congestion. However, the BKSP has become a token institution and not equipped with the distinct authority and sufficient human and financial resources to monitor integrated projects between the cities. Decentralisation has left little room for establishing strong political arrangements for environmental management at the region scale of Greater Jakarta. Overall, these negative impacts have seriously threatened sustainable development in the region. With this in mind, the discussion will now focus on the Bekasi regency as another site in which large industrial estates in the region are concentrated.

### 4.1.3 Bekasi: The Satellite City

Since the 1990s, many large industrial estates have been developed on the outskirts of Jakarta, especially to the east. Kenichiro (2011b) points out that there are several major factors responsible for the development of that industrial area. First, the government is aiming for industries in Jakarta to invest in those eastern and western regions. Second, the government had finished the construction of the Jakarta-Cikampek highway in the mid-1980s, which significantly shortened the travel time from Jakarta to Bekasi and Karawang. In the hilly areas along the new highway, investors could easily find abundant, inexpensive land whose soil was not so fertile and thus had not been utilised intensively as farmland. Better access to the seaport (via Tanjung Priok port, located to the northeast of Jakarta) provided another advantage for utilising this eastern suburb of Jakarta. Third, since the rapid appreciation of the Japanese yen and other currencies of East Asian industrial countries in the mid-1990s, FDI from Japan, Korea, and Taiwan rapidly increased and Indonesia wanted to attract potential investors by building more industrial estates. As mentioned earlier, *vis-à-vis* Presidential Decree No.53 in 1989, the government opened the door for private investors to operate industrial estates. The deregulation of the financial sector in 1988 and 1989 further stimulated the development boom, with many new banks eager to finance large-scale property development. Fourth and finally, Japanese trading companies were willing to bear huge initial investment costs to develop large-scale estates. As more and more Japanese manufacturers shifted their production and sales base overseas, these trading companies needed to change their business model from the simple brokerage of import and export to the provision of reliable infrastructure to these Japanese manufacturers going overseas.

Bekasi regency is also relatively close to the city centre of Jakarta (about forty km) and Tanjung Priok International Seaport. Good access to water resources is also important for manufacturing activities, and Bekasi regency is situated next to a body of water that is directly channelled from Jatiluhur, the biggest reservoir in West Java. Another important consideration was that the spatial plan of Bekasi regency was developed to anticipate the development of an industrial sector (Hudalah & Firman, 2012). As a result, several large industrial estates which were joint ventures between Japanese general trading companies and Indonesian business groups were developed, such as MM2100, the East Jakarta Industrial Park (EJIP), the Bekasi International Industrial Estate (BIIE), Lippo Cikarang, Karawang International Industrial City (KIIC), Suryacipta, Bukit Indah City and Jababeka.

To private investors, Bekasi regency was considered the most appropriate location for private industrial estates (Shahab, 2010). It was considered much cheaper to acquire land from agricultural areas, such as in Bekasi, than from built-up areas in Jakarta. Bekasi was one of the national rice cultivation centres, but the land's conversion to industrial estates has changed the socioeconomic environment of the region. Consequently, vast areas of paddy fields in Bekasi regency were converted into housing and other non-agricultural uses. Bekasi was transformed into an industrial area with a high concentration of heavy industries. Industrial activities, particularly manufacturing, have played a key role in the development of this sub-region. Manufacturing contributes 79.73 percent of the GDP of Bekasi Regency (BPS Bekasi, 2009).

With its economic development, Bekasi has significantly increased its population by attracting immigrants. The development of industrial estate did not take into account that the economic multiplier effect of the industry would produce a massive additional demand of land for housing and commerce, and this in-turn would require significant additional public investment. Based on the BPS 2012 data, Bekasi was home to 2.4 million people, while the numbers of people who lived in Depok and South Tangerang were 1.8 million and 1.4 million respectively. Bekasi topped the list as the largest source of commuters from outside the capital at 14.8 percent of the total number of commuters, followed by Depok at 11.68 percent and South Tangerang at 8.68 percent (Budiyari, 2015). The commuters caused heavy traffic jams between Bekasi and East Jakarta, because Bekasi has a smaller number of train stations and scheduled train journeys compared to the other areas, due to the low number of commuters using commuter trains. It is estimated that between 29,000 and 31,000 people use the KRL commuter line between Bekasi and Jakarta daily.

The decrease in paddy fields deprived local villagers of agriculture-related jobs which were replaced by new job opportunities from newly-developed residential areas, such as a security guard, or working in the laundry service or small shops. Nevertheless, all of these jobs are low-wage and unstable. Some local villagers with enough land plots have established an additional source of income by building *rumah petak* (cheap rental units) and renting them to immigrant workers.

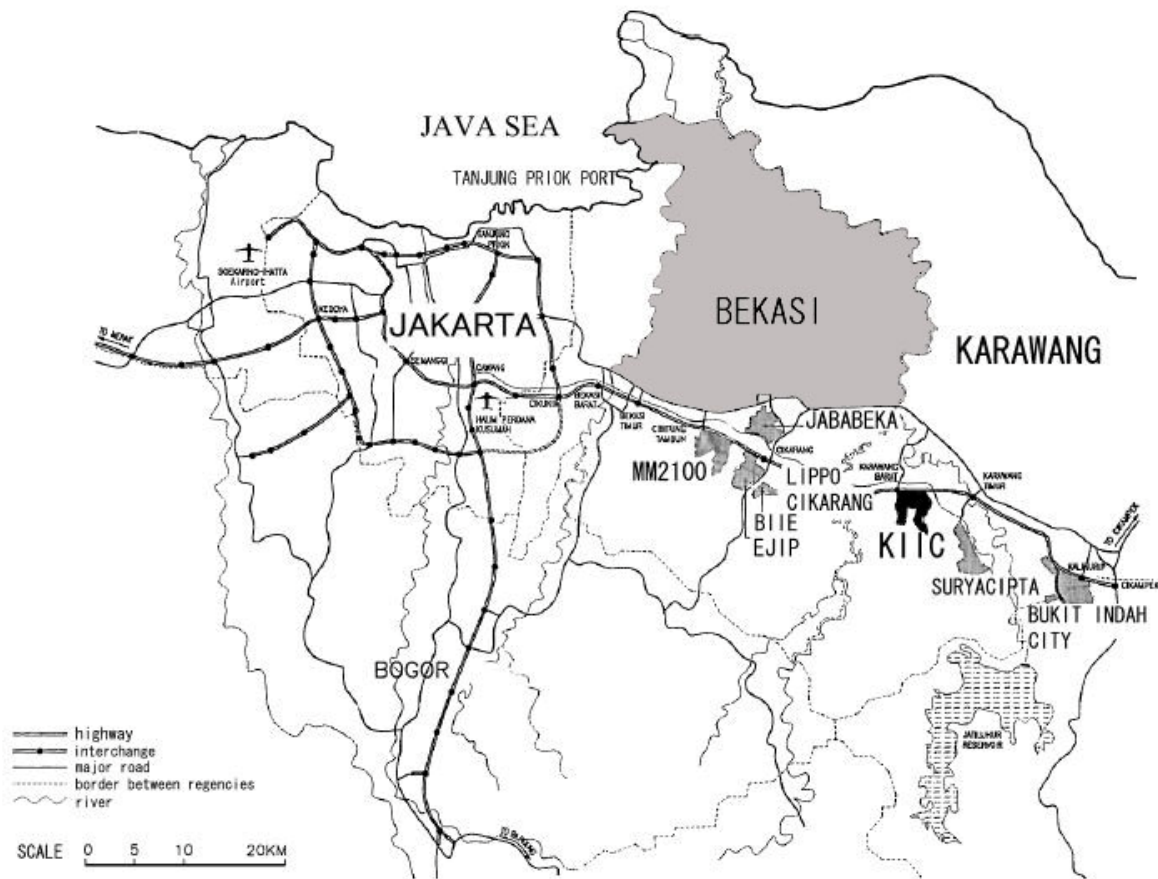


Figure 4.9 Map of Bekasi and Major Industrial Estates  
 (Source: Kenichiro, 2001b, p.163)

Industrial estates in Bekasi regency are mostly concentrated in Cikarang, the central part of the sub-region. About 50 percent of FDI in these secondary sectors in Greater Jakarta was captured by Bekasi regency alone. Most FDI was established in 1989, when the government started to allow private companies to participate in the development of industrial estates. Four industrial estates, the MM2100, EJIP, BIIE and the Bekasi Fajar Industrial Estate (BFIE), focused their operation on purely industrial development and management. Meanwhile, three other industrial estates (Jababeka, Lippo Cikarang and Pembangunan Deltamas) not only developed industrial areas, but also integrated residential and other urban functions, thus creating ‘towns’ rather than ‘estates’. In total 2,288 industrial companies are located in the seven industrial estates (and towns), attracting more than a half-million workers. Most of the companies are typified by hi-tech industries – automotive, electronics, chemicals, machine, metal and plastic industries.



Figure 4.10 (1) Bekasi property development (2) Daily KRL commuter line in Bekasi  
(Source: Kompas, 2015)

With seven industrial estates alone located in Cikarang, Bekasi Regency has been transformed into the region with the largest industrial estate concentration in Indonesia. The seven industrial estates (and towns) in Cikarang have a potential export value of up to \$US 15.1-30.56 billion or about 46 percent of the national non-oil and gas exports of \$US 66,428 billion (Hudalah and Firman, 2012). This contribution is much larger than that of its nearest competitor, Batam industrial estate, with \$US 4.6 billion. The government also successfully extracted taxes totalling Rp.3- 6 trillion from the industrial activities in Cikarang. Clearly, the industrial sector in Bekasi Regency has contributed significantly to national improvements in economic performance. However, there has been a lack of communication between the industrial estate companies. In fact, several industrial estates have been specifically developed to accommodate groups of investors from particular countries of origin, such as Japanese (MM2100, BFIE, and EJIP) and Korean (BIIE). Consequently, a large concentration of industries in one location, which should increase economic efficiency through elements such as the sharing of infrastructure provision, has not happened. Each industrial estate has built its own urban infrastructures and facilities, for example a road network, telecommunication network, wastewater treatment plant, and clean water treatment plant, without clear coordination. Such fragmented infrastructure networks are an unavoidable outcome of the trend towards privatisation and liberalisation of urban development (Graham & Marvin, 2001).

Learning from other developing countries like China, Vietnam, Thailand and India where the economy is highly influenced by the development of special economic zones, the government of West Java Province plans to institutionalise the special economic zone, *Kawasan Ekonomi Khusus* (KEK). The provincial government defined the Special Economic Zone (KEK) as a designated area in which special regulations are applied to custom duties, taxes, licenses, immigration and labour. The government emphasised that the operation of KEK must be

supported by infrastructure and professional management institutions meeting international standards. It was expected that the development of a special economic zone in Cikarang would be able to retain the existing investors in manufacturing as a footloose industry and to invite new foreign investments, expand access to global markets, stimulate local industries, and create more job opportunities (*Provinsi Jawa Barat*, 2009). Nevertheless, until now, the plan has still not been realised. However, it seems obvious that Bekasi City will still develop further, with housing, offices and commercial buildings, as the expansion of residential and commercial areas is required to support hi-tech industrial activities in Cikarang, Bekasi.

#### 4.1.4 Greater Jakarta Now: the Melting Pot

It is clear that the population of Jakarta, the largest metropolis in Southeast Asia, grew rapidly during the last 30 years. The pressure of this growing population and environmental deterioration in Jakarta City has led to suburbanisation or population movement from the central city to the peripheral areas including Bogor, Tangerang and Bekasi (known as *Botabek*). As a result, in the last few decades, Jakarta has witnessed a decline in population growth concomitant with a drastic increase in *Botabek* population. For the period 2000-2010 the population of Jakarta increased by only 1.40 percent while in contrast the population of Bekasi Regency grew about 4.69 percent (Table 4.2). Nevertheless, many people who moved from Jakarta to the *Botabek* area still need to commute to Jakarta every day for work. The daytime population of DKI Jakarta is about double its night-time population.

Area	Number (millions)	Growth rate 2000-2010 (Percent / Year)
Jakarta	9,588	1.40
Bogor Regency	4,763	3.13
Bogor City	0,949	2.39
Tangerang Regency	2,838	3.82
Tangerang City	1,797	3.12
South Tangerang City	1,303	4.74
Bekasi Regency	2,629	4.69
Bekasi City	2,336	3.48
Depok City	1,736	4.30
<b>JABODETABEK</b>	<b>27,939</b>	<b>3.6</b>

Table 4.2 Number and Growth Rate of Populations in Greater Jakarta, 2000-2010  
(Source: BPS, 2010)

The presence of industrial estates attracted immigrants and stimulated further demand for land. Arguably, in the absence of sound planning and regulations, the development of Greater Jakarta



which was supported by the more liberal economic policies of the New Order regime, created sprawl and presented the duality of both planned and unplanned urban forms. Lack of public transport put the transportation system under stress, especially those connecting the newly developed areas around *Botabek* to the core of DKI Jakarta. Winarso (2010) identified that more than 1.2 million cars enter the core of DKI Jakarta, creating congestion in the core area and contributing to air pollution.

Yet, despite all these problems, Greater Jakarta is still a magnet for people from other Indonesian Provinces to work and live. Greater Jakarta has also contributed significantly to the economic development of Indonesia and represents the most modern city in the country. However, the region shows a widening gap of urban dualism between formal and informal developments, planned and unplanned housing, and rich and poor communities. There are ‘villages’ close to sophisticated residential estates; informal commercial areas adjacent to modern malls and shopping centres; and *kampungs* surrounded by modern office buildings, apartments, and condominiums.



Figure 4.11 the urban dualism between formal and informal developments in Greater Jakarta  
(Source: Wikitravel, 2015)

The dualism of the city spaces creates a unique urban form: some areas of the city are extremely densely populated, mostly by low-income people, while adjacent to these lie wealthy neighbourhoods. This again magnifies the gap between the haves and the have-nots

considerably, conditions that can increase tensions between different groups in the region. Currently, one major problem in Greater Jakarta is the shortage of affordable accommodation for the urban poor and low-income households. Housing thus plays an important part in improving the quality life of Greater Jakarta's population.

## **4.2 Housing Development in Indonesia**

### **4.2.1 Housing Policies: the Right to Adequate Accommodation**

*Every person shall have the right to live in physical and spiritual prosperity, to have a home and to enjoy a good and healthy environment, and shall have the right to obtain medical care.*

*Article 28 H, the 1945 Constitution of the Republic of Indonesia*

In Indonesia, whilst housing is regarded as a social right, the finance of housing itself is entirely the responsibility of that individual household. Arguably, owner occupation through personal funds for housing is encouraged as a policy that will reduce the burden on the state. Meanwhile, one important and necessary function that the government can provide for the housing sector is economic stability. One of the main problems in Indonesia is the housing-shortage problem, where there is a big deficiency in the number of units relative to the number of households – the condition that also prevailed in Europe after World War II. However, whilst most European countries and Japan had extremely active government intervention to ensure high levels of housing production to eliminate the acute housing shortages, in Indonesia after independence in 1945, the government did not place housing as a priority; rather the focus was on agriculture and development of infrastructure and industry. When the government started to place more attention on housing provision in 1970, it was a little bit too late as the problems of urbanisation and population growth had laid heavy strain on big cities to provide enough housing.

The housing policy itself is not without success; the government tried to implement top-down policies such as the KIP (urban village improvement), *Rusunami/Rusanawa* (Affordable strata tile flat housing / affordable rental flat housing), and the '1:3:6' policy. However, lack of formal regulations and sanctions meant that many of the programs were unable to meet their aims. In addition, housing policy in Indonesia is also overly-dependent on the funding and interest of world institutions, such as the World Bank and the Asian Development Bank. When the World Bank programme was shifted in the 1980s to housing markets as a key strand of development policy, the social housing programs and urban village improvement were also neglected.

As a result, until now, the housing policy had focused on housing shortage and how to achieve a high quantity of housing production. In 2010, based on BPS data, the national housing backlog in Indonesia was around 13.6 million houses and the slum area was increased to 59,000 acres in 2009 (BPS, 2010). Ball (2003) makes it clear that all countries have problems of housing supply, but the scale of the problem in developing countries is immense. The housing problem itself is not only about housing supply, but has many root causes such as poverty, urbanisation, limited space available in big cities and the scale of the resources needed to provide adequate housing for all. Many of those who cannot afford the formal housing market have turned to informal housing by occupying river banks and state lands.

Current housing policies, programs and administrative systems are not well-integrated. Many departments and agencies dealing with housing, land, residential, infrastructure and housing finance, have contributed to overlapping types of subsidy systems. This has created a lack of coordination in housing policy, which is splintered among numerous agencies: the Ministry of Housing (*Kemenpera*), the Ministry of Public Works (PU) and the National Urban Housing Development Corporation (*Perum Perumnas*) – making the housing goals more difficult to achieve. The main housing law and related decrees no longer conform to the overall government development plan and need to be amended. Whilst there is not yet a complete consensus on the specific terms of decentralisation, the ongoing decentralisation as a part of government reform in Indonesia also plays a critical role in framing the new housing policy. Therefore, the 1992 Housing Law will need to be revised in line with these new developments. So far, the central government has monitored the housing development but has left the implementation of regulations to local authorities. Local governments are the principal implementing agencies of housing programs and policies. However, it seems that the local governments choose to leave the solutions of the housing problems largely to the people themselves.

#### 4.2.2 Housing Programmes: Immeasurable Problems

It could well be said that Indonesia currently lacks a substantial housing policy. After the Suharto government (1966-1997) it seems the country has lost its housing policy direction, without clear middle and long term housing targets. It is not clear whether the goal of housing policy should be to maximise homeownership, to maintain homeownership and facilitate rental stock or to encourage sustainable housing development. The government seems satisfied, since the housing situation has been perceived as broadly satisfactory and steadily improving. The

growth of a new urban middle class and high economic growth (Indonesia is one of the few countries able to maintain economic growth at 4-6 percent every year) has influenced the government to rely more on the housing market for housing improvement than development. Certainly during the early stages after independence, the housing problem was seen as one that could be solved through economic development.

Although the number of housing units produced every year is nearly 200,000 units, the requirement for new housing in Indonesia is more than 800,000 units per year, just to accommodate the new household formation. The dominant form of housing production remains self-built incremental housing, at around 70 percent of houses produced between 2002 and 2007 (BPS, 2007). The number of houses produced by developers has been growing, but their share of total new supply has remained fairly steady. The State Ministry of Housing predicts a requirement of more than 1 million houses per year in order to deal with population growth and to remove the housing backlog of around 6 million houses by 2020. Reaching this enormous goal will require a major expansion of the micro and mortgage housing finance systems.

One of the government initiatives to provide low-cost housing was established by the National Urban Development Corporation (PERUM PERUMNAS) in 1974 to implement all of the government's programmes in public housing. PERUM PERUMNAS offers housing units in different sizes: the modest and the very modest unit with a surface area of 18, 21, 27 or 36m<sup>2</sup> and the growing core-house which can be extended. Most of the houses are built in the peripheral locations where the price of the land is still low. However, the total units built were still far below the annual average demand, only 25,900 in 2002 and 32,500 in 2003. The company finds it difficult to secure land for new development as it was relied too much on government subsidies. The company has chosen to focus on building rental flat housing (*Rusunawa*), ownership flat housing (*Rusunami*) and a ready-to-build land parcel (*Kawasan Siap Bangun*, KASIBA). The most common urban house type in Indonesia is the detached house, while flats are relatively fewer in comparison – though even they are now growing rapidly in urban cities, especially in some of the largest cities such as Jakarta, Surabaya, Bandung, Medan and Palembang. Private real estate for middle and high-income groups has grown particularly in the suburbs of cities where land is relatively cheap.

Many programs have been established in different residential eras, spanning one million housing programmes, 1000 apartment towers, and the SBY affordable housing scheme. However, none of the programs has met its target; many problems still deter the success of these programs. First, developers do not have enough stimuli from the government to build more.

Second, the units were bought by more affluent residents because many low-income households have not been able to secure mortgages and bankers considered them too risky with no steady income. Finally, the local government only has a limited land bank provided for public housing programs. When the private sector wants to participate in public housing programmes, the lack of land banking causes the private developers to experience difficulties in selling the property at the price range that set by the government. Eventually, those properties are sold at a commercial price and the housing programs thus fail to provide the affordable accommodation to low-income households.

#### 4.2.3 Housing Finance: Mortgage Availability and Alternative

It is widely recognised that the provision of housing services depends upon a well-functioning housing finance system. The development of the housing finance system is essential in the long run for the success of national housing goals. In developed countries, long-term mortgages have helped the households to access housing finance and housing subsequently. As Renaud (1985) argues that the availability of long-term mortgage financing can be a very strong factor in reorienting the supply of housing toward more appropriate housing standard.

In Indonesia, housing finance was started with the establishment of the state housing bank of Indonesia (BTN) in 1897 as a saving bank, and was directed in 1974 to expand into delivering subsidised housing finance to low and moderate income households (Hoek-Smit, 2005). BTN dominated the mortgage industry, holding approximately 80 percent of the mortgage accounts. In the 1980s and 90s before the financial crisis in 1997, it was making from 50,000 – 100,000 subsidised fixed rate loans per year. It also made a small number of non-subsidised variable rate loans to higher income households (Ibid). The 1997 economic crisis had a fundamental impact, not only on the structure of the banking sector in general, but also the structure of the mortgage industry. After the crisis, the redistribution of mortgage has changed to across more and different types of banks, several other banks such as Bank Mandiri, Bank Lippo, BCA, and Bank Niaga starts to make mortgage lending and expanded their mortgage portfolios. Some financial institutions that provide mortgage can be generally classified as follows:

- Conventional Banks

Most of state, private and foreign operating in Indonesia can be categorised as conventional banks. Long-term mortgage lending is mostly confined to banks, since finance companies are

not permitted to engage in long-term mortgage lending. Adjustable mortgage instruments are the only type of mortgage loans generated in the non-subsidised market. There are no caps on interest rate adjustments. Rates are adjusted at the discretion of the lender and are not linked to a cost of funds index. In general, movements in the SBI rate (Indonesia Central Bank) are universally used to guide mortgage rate adjustments. Some banks offer from 1 to 4 years fixed rate period after which the mortgage is moved to an adjustable rate regime. The majority of mortgages is made for 8, 10 or 15 year terms with an average LTV (Loan to Value) of 75 to 80 percent. During this study is conducted, the interest rates are around between 10 – 12 percent for a 15 year loan. Beside down payment and mortgage interest, a residential buyer needs to pay other upfront transaction costs such as taxes, notary fee, administrative fee, appraisal fee, land titling fee, and homeowners insurance. Fire and life insurance are commissioned to specialised insurance firms.

#### - Islamic Banks

Islamic banking is banking that is consistent with the principles of sharia (Islamic law), such as: the prohibition of interest (*riba*), avoiding speculation in doing transaction or activities (*gharar*), and not involve in the production or consumption of goods and services that are illegal from the point of view of Islam (Samad, 2004). The market share of sharia banking in Indonesia remains low even though nearly 90 percent of the population adheres to Islam, only 5 percent of the nation's total banking assets, compare to Malaysia where Islamic financial institutions control 20 percent of the country's total banking assets. Islamic banking in Indonesia started in 1992 with the establishment of Bank Muamalat Indonesia. In the period 1992 – 1998, there were 1 Islamic bank and 78 Islamic rural banks. In 1998, Indonesia government issued Act No.10/1998 affirmed that Indonesia started entering the era of dual banking system in which Islamic banks operated side by side with conventional banks (Widagdo, 2009).

After that Bank Syariah Mandiri (BSM), as a second Islamic Bank, was opened in 1999 followed by some conventional banks that opened Islamic banking units (Ibid). In terms of mortgage, sharia-compliant mortgage services are increasing, but at a slow pace. Islamic banking offers fix-rated mortgage for 6 to 15 years. To comply with prohibitions against interest charges, sharia mortgages are based on the initial purchase of the real estate or other goods by the bank, which then allows the consumer to hold the property and make regular payments to

the bank, which are counted as either gifts or other non-interest revenue (gbingonesia, 2013). Although Islamic banking is projected to grow up to 15 percent in 2016, assets controlled by Islamic financial institutions are expected to remain just below 5 percent of the nation's total banking assets, showing that despite having the world largest Muslim population, Indonesia's Islamic banking industry lags far behind its conventional counterpart. A study about potency, preference and attitude of people in Java Island toward Islamic bank, shows an interesting result. The percentage of people that viewed interest was forbidden by Islam was slightly lower than the percentage of those who had the opposite view. Furthermore, factors considered important in selecting an Islamic bank indicated mixed result. For some regions, the dominant factors were quality of services and location of Islamic banks, religion motive was not an important factor in selecting an Islamic bank. Only people in Central Java Province considered that religion was the dominant factor (Indonesia Central Bank, 2000).

Conventional Banking	Islamic Banking
Money is a commodity besides medium of exchange and store of value. Thus, it can be sold at a price higher than its face value and it can also be rented out	Money is not a commodity though it is used as a medium of exchange and store of value. Thus, it cannot be sold at a price higher than its face value or rented out
Time value is the basis for charging interest on capital	Profit on trade of goods or charging on providing service is the basis for earning profit
Interest is charged even in case the organization suffers losses by using banks' funds. Thus, it is not based on profit or loss sharing	Islamic banks operate on the basis of profit/loss sharing. In case the businessman has suffered losses, the bank will share these losses based on the mode of finance used ( <i>Mudarabah</i> , <i>Musharakah</i> )
While disbursing cash finance, running finance or working capital finance, no agreement for exchange of goods & services is made	The execution of agreements for the exchange of goods & services is a must, while disbursing funds under <i>Murabaha</i> , <i>Salam</i> & <i>Istisna</i> contracts
Conventional banks use money as a commodity which leads to inflation	Islamic banking tends to create a link with the real sectors of the economic system by using trade-related activities. Since the money is linked with the real assets it therefore contributes directly to economic development

Table 4.3 Differences between Conventional and Islamic Banking  
(Source: www.mib.com.mv)

#### - Finance Companies

Most of non-banking finance companies are engaged in the provision of consumer credit and to a lesser degree in the leasing, factoring and credit card business. Consumer loans are predominantly focused on a motorbike and vehicle loans that can be easily repossessed in cases of default. Since 2014, finance companies have been allowed to make mortgage loans.

Nevertheless, loans for housing comprised a small percentage of finance companies' loans with a majority still focus on automotive finance services. In addition, the interest rate offered by finance companies also higher than conventional banks which make it less attractive for many potential consumers.

All in all, housing finance has grown rapidly over the past two decades, and its finance has an important role for the rising housing development. Housing finance is projected to continue to expand in response to economic growth in Indonesia, a country with large and young populations. However, most banks will not make mortgage loans to urban households with incomes much below the 60<sup>th</sup> percentile of the income distribution or to households with non-fixed incomes as their main source, at least in the shorter term (Hoek-Smit, 2005).

#### 4.2.4 Housing Conditions after the Crisis: Affordability Problems

Although fluctuation in the housing market is an enduring feature of market economies, in this chapter the author argues that changes in the housing market during the decade after the 1997 crisis have given rise to new concerns for housing security. Followed by the collapse of the housing and commercial property markets due to the economic crisis in 1997, the property market slowly began to recover and in 2004 the supply of and demand for property in Jakarta was increasing again. Prices of both new and existing housing have been rising every year, which has placed a greater burden on those attempting to purchase a house for the first time. Affordability is a difficult factor to measure because it refers to the interaction of several factors: the cost of the land, the cost of the house itself, the terms of financing and the income of the person purchasing the house. While housing provision is hugely reliant on the market, the problems are rising. Housing prices have become uncontrolled in Greater Jakarta as the developers try to maximise their profit margin by selling houses to the highest bidder. This makes many households have their finances, savings and asset holdings centred on their homes.

Arguably, in Indonesia, with a big share of people working in the informal sector, housing can also be a powerful tool in redistributing income or wealth. Indonesia has 72.5 percent of people working in informal employment, with 13.3 percent of that group living below the national poverty line (Bacchetta, 2009). Incomes in Indonesia also tend to be low, so that in terms of overall housing affordability Indonesia ranks lower. It is interesting to note that household income, rather than individual wages or per capita income, is the relevant base for the



calculation of housing affordability. Income distribution is important because that will determine which segment of the population can be served by the housing-finance system. If income distribution is highly skewed, then only the wealthy minority will be able to take advantage of the housing-finance system.

Housing prices are increasingly far-off relative to incomes; the median urban household expenditures (outside of the DKI Jakarta City) are approximately Rp.800,000 to 900,000 (£50-£56). It seems obvious that with current high mortgage interest rates, 60 to 65 percent of households should be able to afford an unsubsidised small housing unit – with the lowest units priced between Rp.80,000,000 (£4,705) and Rp.100,000,000 (£5,882). However, from the author’s observations during fieldwork, it is sincerely difficult to find houses in this price range, with the price of modest 45-72 m<sup>2</sup> houses at between Rp.200,000,000 (£11,764) and 300,000,000 (£17,647) in fringe areas like Bekasi, Tangerang and Bogor. In Jakarta City, the average prices are between Rp.500,000,000 (£29,411) and more than Rp.1 billion (£58,823). It is not surprising that in 2013, Knight Frank, a residential and commercial property advisor, found that Jakarta’s housing price performance had surpassed price rises in Dubai, China and Hong Kong (see Figure 4.12).

### Price performance by city

Prime residential annual price change, 2013

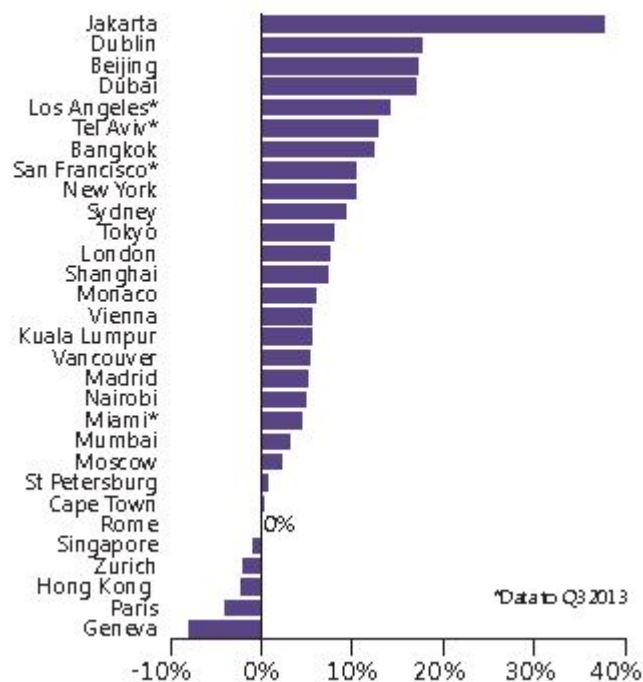


Figure 4.12 Price Performance by City  
(Source: Knight Frank Residential Research, 2013)

Many factors caused this housing price increase, among them, the high increase in land prices in Greater Jakarta. Historically, urban land-use planning in Indonesia was largely top-down and neglected the public as a stakeholder. The government used land development permits and urban land-use plans (RUTR) as a means of controlling urban development in the cities. Indonesia's Basic Agrarian Law (*Undang-Undang Pokok Agraria – UUPA*) 1960 clearly states that land has both social and functional values, and is therefore not a commodity that can be traded for profit. However, with the pressure of the economy and urbanisation, land becomes a highly valuable commodity. During the economic boom of the 1980s and 1990s, many agricultural lands were converted to residential areas and many once-residential areas, while slum areas in the city centre, were converted into hotels, luxury high-rise apartments and shopping malls. This development has resulted in rocketing land prices in the Central Business District (CBD) in Jakarta and other big cities (Firman, 2004a).

Declining affordability in housing costs, increasing housing shortages in urban areas, lack of finances available, low finance affordability and increasing speculation in the housing market are likely to be important phenomena that generate insecurity within the housing market. The fundamental change occurring after the 1997/1998 financial crisis was the shift of the government's role, with support from the World Bank, from 'provider' to 'enabler' in the Indonesian housing market. Arguably, sustained and substantial investment in housing from the private and household sector is needed, thus the focus of current housing policy is to create a normalised market that will attract maximum private investment. These housing trends have occurred alongside significant labour market changes that have influenced changes in the distribution and security of household incomes. The stagnant housing policy, high housing *backlog* and decrease in housing affordability mean that a much higher percentage of young people will never be able to afford to purchase a place of their own. Some people argue that this lack of affordability is not temporary, but will extend across people's lifetimes unless the policy intervenes in some way, while others see this affordability problem as a cause for homeownership deferral, rather than a reduction in the lifetime achievement of homeownership.

### **4.3 Views of Households in Greater Jakarta**

#### **4.3.1 Demographics and the Housing Market**

The effects of demographic factors on the housing market have been studied in the past. In general, as a house is the biggest asset for a typical individual or household, the population growth will ultimately drive house price appreciation. The demographic angle is logical, with higher demand (due to population growth) in combination with a limited or inelastic supply generating higher housing prices. However, while natural causes (birth and death) can be anticipated, the fraction of population growth due to migration cannot be predicted, which is at least partly why migration drives house appreciation – because of its anticipated shock to the market.

Jakarta, unlike major cities in other countries around the world, serves as both the government and business centre in Indonesia. This condition has made Jakarta become a major attraction for urbanisation and business, for people from all over Indonesia. According to the Indonesian Statistical Board / BPS (2010), there are around 10 million people living in DKI Jakarta with 4.65 million being within the productive age. During weekdays, the number of people working and commuting to and from DKI Jakarta can reach up to 12 million. The same report also stated that the density of people per square kilometre in Greater Jakarta reached 14,469 in 2010 (BPS, 2010). This places Jakarta within the ten largest metro areas by population (Demographia, 2016). As the city does not have the capability to support the exponential growth of urbanisation, surrounding areas such as Bekasi, Serpong, Cibubur, Depok and Bogor have become the extensions and satellite cities of Jakarta (Firman, 2009).

The growth in homeownership and rise in house prices in the 2000s, in particular after 2004, were fuelled, in part, by the growth in the number of first-time buyers entering the market. The importance of the size of the prime first-time buyer age group has also been noted by other researchers. Lee and Robinson (1990, p.45) point out that variations in demographic demand correlate fairly well with house price movements. Their study was based on the British housing boom in the 1980s, as the post-war baby boom influenced the housing market. As Indonesia's population grows at 2.5 million people per year, by 2030 the population is predicted to reach 280 million in which 70 percent of the demography is expected to be in the working age (15-64), and only 10 percent below the age of 15. Arguably, with this enormous population, in particular 20-29 year olds (around 20 million in 2014), the rise in real house prices is unavoidable as most in that group will start to form a new family and aspire to become a homeowner. In the coming decades, we will see a new generation of young Indonesians (born

between 1983 and 2001) entering adulthood and becoming new buyers. The increasing in working-age people leads to an increase in the number of young families relative to the overall population, and the gap between the drop in fertility rates and the drop in mortality means that people occupy their houses for longer periods. Subsequently, either the rate of housing production must increase to keep up with the growth in household formation rates or young people must wait longer to form households and live with their parents in the meantime. The concurrent increase in real income magnifies this effect, leading to smaller household sizes and increasing upward pressure on the house-to-population ratio.

On the other hand, this high ratio of productive population arguably will be able to accelerate economic growth as the working-age population increases while the (relative) number of dependent children declines. The working age population is employed which results in increased production. Employment implies higher incomes and consequently causes households to consume more products. Unsurprisingly, Indonesia is predicted by the World Bank to be one of six countries that will account for more than half of all global growth by 2025, the others being Brazil, China, India, South Korea and Russia (World Bank, 2011). In addition, households might also invest and save more which subsequently leads to increased investment, rising capital stock and further increases in economic production. Rapid economic growth is expected, driven by favourable demographics, a credit cycle recovery, and a commodities boom. The large working age group (15-65 years old), estimated at around 160 million Indonesians, can function as the engine of the national economy. During 2020-2030, it is predicted that the dependency index will be at its lowest point, thus the productive workforce will be one of the highest in the region (*bonus demography*). This implies that such conditions need job creation, so this potentially large workforce is absorbed by employment opportunities. According to the 2010 population census, there were 61 million Indonesians in the 20-34 age range. Since this cohort of young adults represents a 'peak' generation in Indonesia's demographic transition, they are faced with strong competition for higher education and job opportunities (Jones, 1994; Oey-Gardiner, 1997).

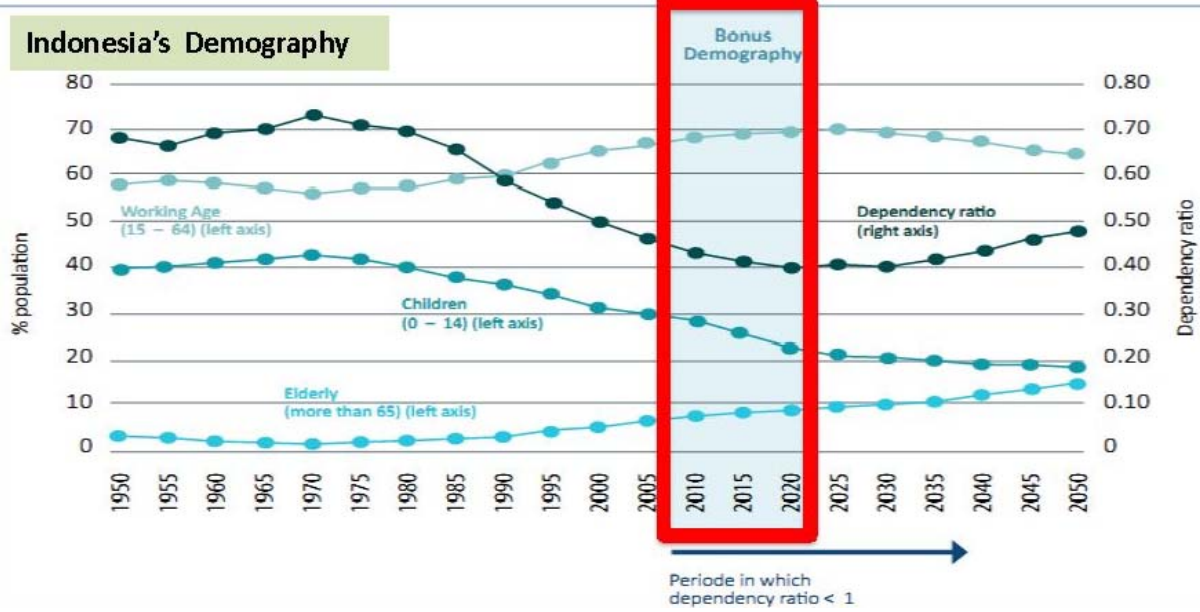


Figure 4.13 Indonesia's demography  
 (Source: Master Plan for Acceleration and Expansion of Economic Development of Indonesia, MP3EI, n.d.)

This high productive population will largely shape housing demand. As Milne and Clark (1990) found, the long-run equilibrium is one in which real house price depends on real income, inflation and the user cost (of housing) and the proportion of 25-29 year old in the adult population. Nevertheless, how much and how soon the housing demand from the productive population will be released remain uncertain. It will depend on the employment and economic prospects of the young Indonesians, while many other social and demographic factors are at play in household formation, ultimately their willingness and ability to become independent homeowners. Arguably, whilst demographic elements are important, their preferences as consumers, savers, workers and investors in a changing world are also important factors. Households at different stages of the life cycle demand different amounts and types of housing. Thus, borrowing at a young age, asset accumulation at middle age and asset decumulation at old age, to finance retirement, all need to be critically assessed.

#### 4.3.2 The Rise of the Middle Class in Indonesia

Indonesia's middle class has increased rapidly. In 1999, the number of Indonesia's middle class was only around 25 million (25 percent of the population) but in 2010 was estimated around 146 million (57 percent of the population). While a variety of definitions of the term 'middle class' have been suggested, this paper will use the definition suggested by Asian Development Bank (ADP) that the middle class are those who spend \$2 to \$20 per day. 'Middle class' itself

is a broad term with many political, social and historical implications. In Indonesia, although ‘middle class’ is a convenient and popular term, its definition is still unclear. It is usually taken to mean the ‘white collar’ – above the working class and below the upper class (Chong, 2005). One way to measure the middle-class is to define it in relation to other ‘classes’. As Lietchy (2002) points out, middle-class people are those who are carving out a new cultural space which they explicitly locate, in language and material practice, between their ‘other’ classes above and below.

Arguably, the term itself is not really an issue of ‘class’ at all, but rather income and spending power. A rapid increase of ‘middle class’ is likely to lead to the growth of a ‘consuming class’. According to a recent report by McKinsey, an American global management consulting firm, ‘consuming class’ refers to anyone with an income greater than \$3,600 a year. The report argues that there were 45 million Indonesians in the ‘consuming class’ in 2010 and with current annual GDP growth rates of 5-6 percent, the number of the consuming class in Indonesia is expected to reach 85 million in 2020 and 135 million in 2030 – with this 90 million increase potentially the biggest in the world apart from China and India.

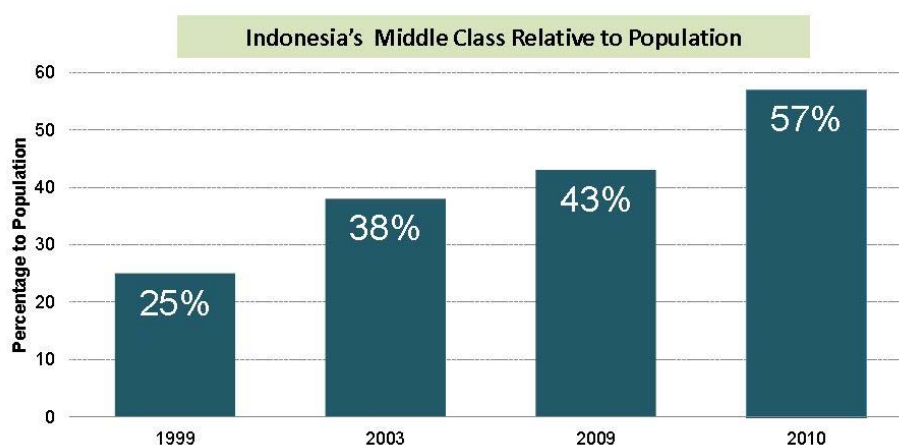


Figure 4.14 Indonesia’s Middle-Class Percentage to Population  
(Source: McKinsey Global Institute, 2012)

Indonesia’s emerging middle class has proven to be an enormous engine of consumption of goods and services. Consumer spending is a crucial driver for Indonesia’s economy, accounting for 55 percent of GDP in 2011 while China’s consumer spending was only 35 percent. A study of the middle class in 13 countries, including Indonesia, shows that expenditure on entertainment, education, health care and domestic infrastructure has a positive correlation with income increases (Banerjee and Duflo, 2007). It seems clear that the middle-class pursues what is conventionally known as a better ‘quality of life’ – better health care and more expensive education as well as more and better housing, more expensive eatables and more entertainment.

In this perspective, the middle-class demand for quality consumer goods feeds investment in production and marketing which in-turn raises income levels for everyone (Murphy, Shleifer, and Vishny, 1989). They are willing to pay extra for quality which feeds investment in production and marketing of better products. They have also unlocked spending power vis-à-vis financial innovations that allow for rapid growth in consumer credit and mortgages for even larger segments of the population. Increasing wealth has also generated a demand for quality urban housing. Thus, in the last decades, many private developers have been competing to build massive new towns and new clusters of houses. These are not low-cost housing ventures but are intended for the middle class and the corporate market. Prices generally range from Rp.300 million (£17,500) to Rp.1 billion (£58,000) and upwards. These changes clearly indicate the rapid growth of two important new social forces: a capital-owning class and a middle class.



Figure 4.15 Indonesia's Middle-Class Structure  
(Source: ADB, 2010)

Nevertheless, these optimistic assessments are not without concerns, for it is apparent from the graph above that Indonesia's middle class structure is still dominated by lower-middle expenditure (\$2-\$4), around 30.9 percent in 2009. Given this figure, the middle classes of Indonesia still do not match the consumption capacity of developed country middle classes; instead the structure of middle class in many developing countries, including Indonesia is fragile to crises, as that group remains highly vulnerable to falling into poverty should economic growth reverse or even just stall. Indonesia has experienced a number of crises in the last two decades, and such shocks are likely to continue in the future in an increasingly integrated global

economy. In addition, many lower-income citizens have a job with no health or retirement benefit, which adds to the risk they have to bear. Property ownership – that most traditional status symbol of the middle class – has also given some implications for housing markets.

#### 4.3.3 Social Value of Housing: Indonesian Culture

Indonesia, like other countries in Asia such as China, Singapore and Malaysia, is promoting homeownership. Indonesia has relatively high homeownership rates, albeit experiencing slight decline in recent years, from 84.68 percent in 2000 to 78 percent in 2012 (BPS, 2012). There are many reasons why the Indonesian government promotes homeownership. First, homeownership is arguably the most secure form of tenure, as it provides maximum control of the individual over dwelling within the confines of local planning and building regulations (United Nations Human Settlements Programme, 2003). Second, homeowners fuel economic growth by stimulating employment that supports construction and construction-related industries (Megbolugbe and Linneman, 1993). Third, homeownership has been viewed as representing a degree of security and social stability. Finally, the ownership of land and dwellings has particular cultural resonance in Asia (Chan, 2000; Lee, 1999) in its important symbolic and material value and its relation to the continuing, if waning, centrality of the family. Housing concerns both investment and consumption.

While most Western countries have raised the debate about shifting housing tenure patterns, this controversy scarcely exists or is inconspicuous in Indonesia. The idea of homeownership as a main housing tenure is almost a taken-for-granted assumption. Homeownership is still the main choice for most people while renting is commonly seemed as insecure and inadequate to raise a family. Class-based discourse in housing tenures is deeply entrenched in Indonesia. As Gurney (1999) argued, being a renter mobilises a range of ‘cultural stereotypes’ that often reflect negatively on the worth, capacity and achievements of a renter. Given that the house is often people’s most valuable possession and a lifelong store of wealth, becoming a homeowner provides one with a sense of security. Moreover, one of the biggest reasons why Indonesian people are really bound to homeownership is a social belief that a family must ideally have a house to raise their children. This social value is deeply entrenched in Indonesian culture and strongly associated with autonomy.



#### 4.4 Conclusion: A Microcosm of Indonesia's Complexity

As the Indonesian economy has picked up again, Greater Jakarta's development continues to spread to the surrounding towns of Bogor, Depok, Tangerang and Bekasi, even at a faster rate than in the period between the 1980s and mid-1990s. In the past four decades, the development of socioeconomic activities in Greater Jakarta has resulted in several environmental problems, such as traffic congestion due to heavy flows of commuter traffic between Jakarta and its surrounding areas, air pollution in some industrial areas, and excessive groundwater extraction. Greater Jakarta also faces the problem of uncontrolled land conversion resulting from many violations of land-use plans by local governments and the private sector, influenced by profitability and political interests. Since the 1980s, a number of new towns and large-scale residential areas have been developed in the *Botabek* area. Nevertheless, many new towns in Greater Jakarta are socioeconomically still dependent on Jakarta City and have functioned as 'dormitory' towns, instead of self-contained towns (*Kota Mandiri*).

Many of the new towns are designed as exclusive residential areas, 'gated communities', which have reinforced spatial segregation by lifestyle and income status in the area. Likewise, industrial estates keep growing in the *Botabek* area due to the development of domestic and foreign direct investment in the region for proximity and easy access to Jakarta City. In addition, the new regional autonomy and fiscal decentralisation policies tend to make the region fragmented in contrast to being an integrated urban region. These dynamic city development processes have influenced multiple sectors of life. On a smaller scale, these phenomena present a big issue, namely, the problem of housing affordability for people who work and live in Greater Jakarta. Meanwhile, the middle-class has grown in size and purchasing power, and existing inner city middle-class residential areas are increasingly expensive. A substantial proportion of young middle class couples or single people also were forced to delay their entry to homeownership or scale down their aspirations as a result of rising house prices. Many low-income residential areas in the city centre have also been removed and converted into several commercial areas. Although homeownership represents the first truly mass asset, it is questionable that the homeownership rate can be maintained at the current level, given that extreme housing prices have priced out the majority of the population living in Jakarta.

The research locations for this study, Jakarta and Bekasi, could be considered as a microcosm of the above complexity. Greater Jakarta has become a barometer for housing and labour costs in Indonesia: if house and labour prices grow significantly in Jakarta and the surrounding area, this will likely drag up overall housing and labour prices in Indonesia. Moreover, all the cases

studied reflect the general problems faced by the urban city dweller in the region. The city has neglected the needs of its population for decent housing. As Leaf (1994, p.342) correctly points out, the development of enclave housing and new towns in the periphery of Greater Jakarta in the 1990s was an outcome of interactions between market forces and government policy, but the developers had been able to take great advantage of this process, most notably reaping great financial profits.

The question, then, is how the households who lived in Greater Jakarta are able to achieve their housing goals given the high price of commercial housing and the absence of the government as a housing provider. Although several studies draw on different approaches, a common theme is that labour insecurity cumulated with other problems such as affordability problems, lack of housing options and unclear housing policy have strongly impacted upon household stability and the capacity to afford to pay for housing. Some studies indicate that different household groups are affected differently, contingent on the stage they have achieved in their life course, their tenure and the institutional arrangements governing social protection within different countries (Horsewood and Doling, 2004; Boheim and Taylor, 2000; Ermisch and Di Salvo, 1996; Clark *et al.*, 1994). Thus, research of household strategies, as a method of understanding the impact of job insecurity in restructuring upon family and work, must be carried out. In addition, household-focused research arguably has made crucial contributions to the ways in which scholars understand the survival and reproduction of households to achieve their long-term goals. Chapters 7, 8 and 9 will explain in greater depth the various phenomena, opportunities and constraints that affect different household groups. This concerns that household's position on the housing ladder and how that position has changed their attitudes and behaviour toward the idea of a house as a place to live or an investment asset.

# **Chapter 5**

## **Employment Change in Indonesia**

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## Chapter 5

### Employment Change in Indonesia

The previous chapter explored the changing housing context in Indonesia. This chapter moves on to discuss the changes to the employment situation, which is important for providing the context for the subsequent chapter, which introduces a three-part framework for conceptualising the fieldwork that follows.

#### 5.1 Employment Characteristics: Low Wages and Job Insecurity in a Globalised World

*'...What we are reacting against is the end of a predictable kind of life, just as the people who left the predictable rhythms of the farm in the 1880s felt such a loss of control once they were in the cities'* – US historian, David Herbert Donald (The New York Times, 1996a, p.26).

The debate on insecurity has attracted considerable attention among scholars. There is no doubt that the emergent labour market has been increasingly dominated by job insecurity which is the direct outcome of pressure from global economic restructuring which demands greater flexibility. Flexibility in labour use has become one of the key sources of competitive advantage for firms in the recent age of globalisation. A flexible labour market implies the relaxation of 'rigid' rules and regulations governing employment and labour conditions. The globalisation of the country has made competition one of the most important ingredients for development, expansion and the survival of industry. Job and employment security regulations create a network of restrictions that reduce the ability of the employer to adjust to the changing market conditions (Anant *et al.*, 1999).

Arguably, in the competitive market, the key solution for almost all organisations is to determine the internal and external flexibility of employment. Internal flexibility or work flexibility involves time and the function of permanent workers, while job flexibility is an external process where the responsibility of job continuation is kept outside the organisation (Bhandari and Heshmati, 2006). An owner of a company reacts to the changing demand by subcontracting (parts of) that company's main operations, recruiting workers without formal contracts (Lall and Mengistae, 2005). This practice has resulted in the segmentation of the labour market. In one segment, there are permanent workers while the other comprises of contract and casual workers (Seth, 2004). Permanent workers are presumably protected and they cannot be retrenched without prior permission and generally carry unionised status.

Conversely, contract workers are unprotected and remain so despite working for many years in the same firm.

Currently, casualisation and contractualisation of labour is a global trend which has resulted in the deprivation of fundamental benefits of workers' employment because of their job status. Many workers are found in non-standard employment relationships, where employment and job insecurity is at stake. Standing (1999) points out that employment security denotes the protection of employment against arbitrary dismissal or sudden loss of employment, while job security arises from the existence of institutions, regulations and practices that enable people to obtain and retain a position and to pursue an occupation. Arguably, among all forms of insecurity, job insecurity is the most worrying aspect. The feeling of job insecurity stems from low probability of getting another job (Bhandari and Heshmati, 2006). In the longer term, this feeling of job insecurity can give a sense of loss of control, affecting not only the individual but also their family. Apart from low wages, casual workers and their families are deprived of benefits like health, safety, welfare and social security. With the deregulation of markets, and increased global trade and investment, increased labour market insecurity seems to receive less attention among policymakers.

The Indonesian labour market clearly shows this flexible labour market trend. Decisions on how to regulate formal employment relationships have to be seen within the broader context of power relations in the global economy. The workers have lost their bargaining power in the pressure of a global economic restructuring process in which economic policy decisions are focused on the logic of financialisation and trade liberalisation. This condition has led to a job market whereby promotions and dismissals tend not to be based on clear, fixed rules, but instead constant change. As Sennett (2006) has argued, we have moved from a working world of rigid, hierarchical organisations, to a brave new economy of corporate reengineering, innovation and risk, in which the fragmented or dislocated nature of self-experience moves to the fore. This is arguably because employers try to use their workforce efficiently so they can respond to the fluctuations in demand for goods and services and become competitive in global markets. Consequently, in many developing countries, a flexible system in the labour market system has been applied. This is not, incidentally, just an Indonesian phenomenon.

## 5.2 Trends in Indonesian Labour Markets: from State to Global Market Intervention

After independence, Indonesia's economic development was characterised by strong state intervention. The New Order government has identified industrialisation as the most important step to improve the country's economy. The state's intervention in industrialisation inevitably led to its involvement in the industrial relations system. The regime's emphasis on economic stability required labour control. In 1973, the unions were effectively tamed by the Ministry of Manpower regulations, making it almost impossible to have unions outside of the government-approved union, *Federasi Buruh Seluruh Indonesia (FBSI)* (All-Indonesian Labour Federation). FBSI became the sole, state-sanctioned labour union federation, while government employees were contained in *Korps Pegawai Republik Indonesia (KOPRI)* (Indonesian Government's Employees Corps), a 'functional group' rather than a union (Ford, 1999). Relying on economic development and the military, the New Order did not see any need to change labour laws. As Siddique (1989, p.386) argues, the purpose and degree of involvement may vary, however, the government's control over the industrial relations system is closely related to the interests of economic development in the country. This resulted in corporatist industrial relations backed by strong state power, which contained the workers within the economic development framework (see Fox, 1997; Ford, 1999; Tjandra, 2002).

The state's role changed dramatically after the Asian financial crisis hit Indonesia in 1997. As the legitimacy of the New Order regime was based mainly upon its capacity to deliver economic growth and development, when that capacity evaporated, so did its legitimacy (Tjandra, 2008). By May 1998, economic growth had dropped to minus 7 percent, unemployment reached 12 percent, interest rates climbed to 75 percent and the US dollar exchange rate slumped from Rp.2,440 in the first week of July 1997 to Rp.6,000 and then to a catastrophic 18,000 in the peak of the crisis several weeks later (Godement, 1999, p.12). The poverty rate tripled from 22.5 million in 1996 to 79.1 million in June 1998, almost 40 percent of the total population (Kontan, 1998). Economic growth of 7 percent a year since the 1970s was wiped out within days, fracturing the legitimacy of the New Order regime and generating *Reformasi*, political reform that resulted in the collapse of the New Order regime. The transitional government under President Habibie then ratified the ILO Convention No.97 concerning Freedom of Association and Protection of the Right to Organise. The government gave more freedom to workers to establish unions, and some labour activists were also released from prison.

Although the situation has improved compared to the decades of union suppression under the New Order, the *Reformasi* regime continued the New Order's efforts to shift the whole system of labour law from a protective framework towards one more flexible and market friendly, supported by the World Bank (Tjandra, 2008). Prior to the economic crisis, in 1996, a World Bank evaluation of the Indonesian labour law had stated that 'the (Indonesian) workers are overly protected', and that 'the government should stay out of industrial dispute' (World Bank, 1996). The World Bank saw the Indonesian labour market as unfavourable for business and investment. Since 1998, the Labour Law Reform Program had become the formal working agenda of the Department of Manpower and the ILO, who provided technical assistance to that department (ILO Jakarta, 1998). The government then introduced three new laws: the Trade Union Law (No.21 of 2000), the Manpower Law (No.13 of 2003), and the Industrial Relations Dispute Settlement Law (No.2 of 2004). The main aim behind this reform was to make the Indonesian labour law system more flexible so as to favour business interests. As *Bappenas* (the National Development Planning Body) had noted, one crucial problem for the Indonesian economy was the high rate of unemployment. To tackle this problem, *Bappenas* argued that there should be a 'trade-off between job security and job opportunities' (*Bappenas*, 2004). It is clear that 'economic development' in the context of a 'free market economy' had become the dominant idea dictating labour law reform in Indonesia (Tjandra, 2008).

Since then, Indonesian labour policy was transformed from a corporatist model, backed by a strong and powerful state, to one that is mainly based on market principles, although the development of a market-based economy had already begun in the early 1980s (Tjandra, 2011; Feridhanusetyawan and Pangestu, 2003; Lee, 2003; Rosser, 2002). These changes included the introduction of the flexible labour market in 2003, which made it easier to hire and fire workers, and the decreasing role of government in handling disputes with the introduction of the Industrial Relations Court. This flexible labour market, demanded by business and international financial institutions such as the International Monetary Fund and the World Bank, arguably increased levels of casual employment.



### 5.3 Contractual and Outsourcing Practices: Recent Trends

In Indonesia, one significant trend in the last decade has been the widespread practice of outsourcing and temporary contract work practice. Many companies need outsourcing to free capital and brain power for investment in research and development and it is an important part of their overall business strategy (Corbett, 2004). Outsourcing is defined as an act of moving some of a firm's internal activities and decision responsibilities to outside providers. Outsourcing itself is not a new concept of modern capitalism. In 1990, the term 'outsourcing' was introduced which means to send certain jobs or steps in the production process to outside companies. The practice, which is used to produce a product at a more competitive price or to externalise non-core activities to outside partners in order to save money, is identical to the terms 'offshoring', 'make-or-buy' and 'third-party logistics'. As an example, US-based sport giant, Nike, never produces its own training shoes; rather, production has been outsourced to countries with lower labour costs such as Indonesia, Thailand and China. The company itself concentrates on product design and marketing in order to strengthen its core competencies.

The concept of 'outsourcing' used in Indonesia's labour law is defined as the chartering and supplying of workers' services. It is regulated by Law No.13 of 2003 concerning Manpower, in particular article 64, article 65 and article 66, as well as the Ministry of Manpower and Transmigration Regulation No.19 of 2012 concerning Terms of Partial Assignment of Work with Third Party Companies. Outsourced workers are employed by an outsourcing company to work in a user<sup>1</sup> company in a fixed-term contract, usually 1-2 years. Under the law, outsourcing is limited to non-core production activities in five sectors such as catering, security, driving, cleaning and support services in mining sites; and limited to a maximum of three years. However, there are ambiguities about what types of jobs are non-core and can be outsourced and what jobs are considered core and must be staffed with a permanent contract. In practice, many companies use this ambiguity to outsource most of their workers, including core employees. They argue that the law is too strict and gives no flexibility to either employers or employees to end employment contracts, which becomes the main obstacle to increased foreign direct investment.

In practice, the impact of outsourcing has created a situation in which workers have two bosses. They work directly in the relations of production with the company whose products they produce while their access to their labour rights with regard to issues such as wages is

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<sup>1</sup> User: a Company who uses outsourcing services

determined by the labour supply agency. They experience double exploitation that comes from the labour supply agency and the company where they are located. They have to pay registration fees and a monthly contribution to the labour supply agency if they wish to continue working. At the same time, they only earn the minimum wage and receive a minimum allowance for food and transportation, but their wage has never risen since they are employed for short periods. The table below offers a comparison between permanent employees and outsourcing employees.

ASPECTS	STATUS OF EMPLOYEE	
	PERMANENT	OUTSOURCING
RIGHTS OF EMPLOYEE		
Basic Wage	<ul style="list-style-type: none"> <li>• Minimum Wage of Employee</li> <li>• Allowance for Duration of Work</li> </ul>	Only Minimum Wage of Employee
Premium Presence	Obtaining	Not Obtaining
Insurance for Working Accident, and Health, Death	Obtaining	Not Obtaining
Payment for eat and Transportation	Obtaining	Not Obtaining
Right for Leave	Obtaining	Not Obtaining, especially for pregnant women, will be terminated the contract by the employer
Allowance for Feast Day	Obtaining	Not Obtaining
Severance	Obtaining	Not Obtaining

Table 5.1 Survey Results in 150 Companies in Tangerang  
(Source: Labour Committee of Cisadane, 2004)

As can be seen from the table above, casual and contract workers, resulting from outsourcing are the worst-off beneficiaries of the practice, due to different treatment in terms of salary and benefits between casual workers and permanent workers. A study by Tjandraningsih *et al.*, (2010) has shown that outsourced workers in metal industries received 26 percent less salary compared to their permanent colleagues, and that no-one was allowed to join a labour union in those industries. This practice gives unskilled workers little opportunity to terminate the contract and move into better employment, particularly in the labour markets of some countries such as Indonesia, which are characterised by a serious imbalance between skilled and unskilled labour. Arguably, the employment of contract labour via labour agents is extremely beneficial

to companies because it reduces their need to interact with workers and provides significantly cheaper labour.

In addition, this outsourcing practice has placed pressure on workers to compete with other workers in order to get their working contract extended, even if the employment is without national insurance, health allowance, retirement allowance and whilst working unsocial or unpredictable hours. These were the conditions that made two million Indonesian workers across 24 cities across Indonesia go on a one-day strike on 3 October 2012 (BBC, 2012). In Indonesia between 2003 and 2013, it is estimated that there were 12,000 outsourcing companies and only 6,300 companies that were registered at the Ministry of Manpower and Transmigration. There is no exact figure for how many employees work in outsourced systems but it is predicted that around 40-50 percent of 41 million formal sector employees. Meanwhile, the majority of Indonesia's working population of 104.5 million are concentrated in the agricultural and informal sectors. Although the majority of outsourced employees are at the base level, trends show that outsourcing has also started to affect those in managerial positions, in particular finance and banking industries.

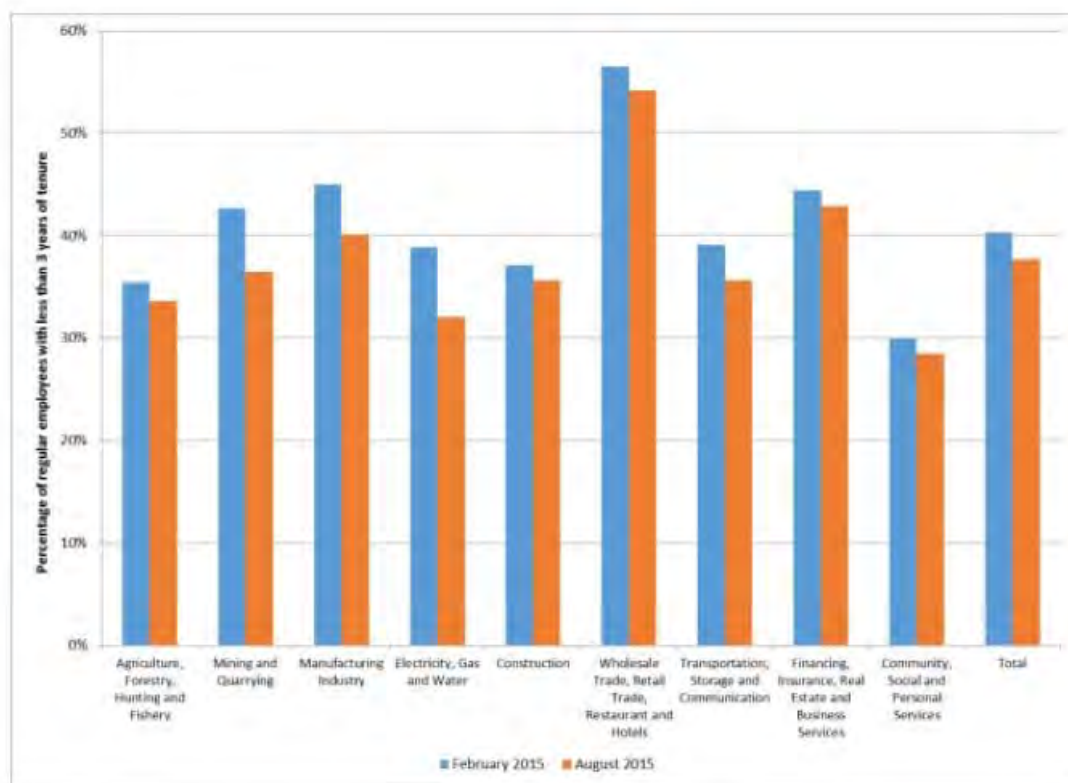


Figure 5.1 Regular Employees with less than 36 months of job tenure by sector, 2015  
(Source: BPS (2015) SAKERNAS, ADB staff calculations)

Official labour force statistics do not provide a distinction between short-term contract employees and those on permanent contracts. Nevertheless, these trends can be understood through analysis of indicators on job tenure, which presented in figure 5.1, approximately 40% of regular employees have job tenure of 36 months or less. Job tenure also tends to be shorter in finance and manufacturing, which are sectors where skills investment is particularly important for boosting labour productivity (Allen, 2016).

It is still debatable whether outsourcing should be kept or totally eliminated. The labour union urged the government to ban outsourcing practices because they reduced the provision of benefits and protection given to the workers. Tjandra (2008) points out that by legalising contractual and agency (outsourcing) labour, the government transferred the burden of the risks of business fluctuation from the employers to the workers; therefore diminishing the levels of protection within the Indonesian labour law system. On the other hand, business owners argued that they needed greater flexibility to respond to domestic and global pressures defined by increased competitiveness. Similarly, the World Bank argued that Indonesia's labour regulations were still the most rigid in the region, which constrained Indonesia's ability to accelerate the pace of 'good' job creation and also the pace of poverty reduction (World Bank, 2010).

One question that needs to be asked, however, is whether outsourcing can provide an alternative form of employment tenure for Indonesia's future. The majority of the government's attention has been narrowly focused on unemployment, but it is important to not overlook the phenomenon of underemployment. Arguably, the Flexible Labour Market (FLM) requires preconditions to achieve its objective, which is still not appropriate to the situation in Indonesia. The primary requirement of FLM application is the existence of active labour market policy and the availability of social security, which is as yet inadequate (Tjandraningsih, 2011). Nonetheless, despite its controversy, it seems that the outsourcing practice will still continue in the near future as Indonesia is hardly alone in allowing companies to cut labour costs by hiring workers on a contractual basis through a provider, usually on short-term contracts without fringe benefits.

## 5.4 Job Insecurity

*'If there is no security for doing business why there must be a job security...it is all intertwined, for the workers their risk is to be laid off and for the businessman, it is to be bankrupt'.*

(Director of one outsourcing company in Jakarta, Interview, Oct 2013)

*'What we demand is a sense of justice....almost all agency labour only get a minimum wage and some of them even get below that, they get paid not on a monthly basis but daily or weekly and even within a week they do not have a certainty if they will work every day, it's all depends on the user or agency....'.*

(Labour activist, Interview, Oct 2013)

The quotes above indicate how labour insecurity is a complex concept with some overlapping dimensions. Some have argued that increases in flexible markets have negatively affected labour insecurity and people's perception of labour security (Britton, 1997; Standing, 1999; Houseman and Osawa, 2000). Conversely, Wooden (2000) argues that labour markets have not become more insecure in recent times because employment is no less stable than in previous periods. Others suggest that job instability can result from both voluntary and involuntary employment separations, so it cannot be a sole measure of whether the employment is insecure; rather it should only be viewed as one dimension of the broader concept of insecurity (Auer and Cazes, 2000; Ruyter and Burgess, 2000). The term *insecurity* is usually used interchangeably with *risk* and *uncertainty* in both housing and labour market literature. Standing (2004, p.4) makes a useful distinction between these three terms, arguing that:

*Economic insecurity is about risks and uncertainty. Insecurity cannot be reduced just to risk. Whereas with many risks, one could in principle estimate the probability of an adverse outcome, with uncertainty there is unpredictability.*

On the other hand, Wheelock (1999a) argued that risk is typically conceptualised within the realm of predicted probabilities, which may result in either negative or positive outcomes while insecurity is directly experienced and is both painful and undesirable. In this study, the term labour and housing insecurity are used, as this term connects to higher-order concepts that enable a discussion about risk, uncertainty and instability in labour and housing contexts. The

author argues that labour insecurity is both a subjective feeling and objective state within the labour market, including opportunities for employment access and the conditions for continued engagement and entitlements. As also noted by Standing (1999), labour security, like other aspects of socioeconomic security, has both subjective and objective elements. The objective indicator of labour security is the proportion of employed workers with stable and regular contracts of employment while a subjective indicator is the reported expression of belief that employment continuity is assured. However, how this labour insecurity should be conceptualised and measured is still debatable.

Standing (1999) proposed that the main dimension of insecurity includes 'labour market insecurity', 'insecurity in employment' and 'income insecurity'. 'Labour market insecurity' exists when there are reduced opportunities to gain employment for those wishing to work, which can be measured in the rate of unemployment. 'Insecurity in employment' refers to the absence of regulatory protection for continued employment tenure, which has an objective component relative to the number of stable or continued contracts, and a subjective assessment concerning whether employment is perceived as secure. Linked to all aspects of labour insecurity is the dimension of 'income insecurity' which arises when the available income is insufficient, based on a normative 'minimum' standard to enable individuals and households to meet their daily requirements.

Nevertheless, the emergent workplace nowadays is characterised by downsizing, two-tiered occupation structures, outsourcing and contingent labour which may indicate that job insecurity is likely the dominant feature of the new era of specialisation (Wallace and Brady, 2001). Many workers who stay in employment have had to cope with increased job insecurity, heightened levels of stress and increased feelings of anxiety, cynicism and alienation (Burker and Cooper, 2000). In addition, the incidence of perceived job insecurity entails several attributes. Job insecurity includes not only the fear of losing a new job, but also the fear of losing valued features of the job such as: promotional opportunity, control over the place of work, the ability to complete the entire job, customary pay hikes and access to representation (Burchell, 1999). Perceptions of insecurity, not necessarily manifest in actual job loss, but simply through the possibility that this might occur or that earnings may change in some way without warning, can still have a real impact on housing decisions, especially the decision to purchase a house (Parkinson, 2010). This study has found that labour insecurity is one of the main factors preventing people from buying a house; labour insecurity has influenced their commitments in terms of buying a house and how well-off they believe themselves to be.

## 5.5 Migration and the Urban Labour Market

From 1961 to the 1980s, Greater Jakarta witnessed urbanisation caused by the growing demands of workers in the city. Many people, skilled and unskilled, are migrating to Greater Jakarta to find jobs. Whilst the Chinese government introduced the *hukou* system in the 1950s to restrict movement from rural areas to cities and control the urban population size, the Indonesian government has not imposed any restrictions on population mobility. Nevertheless, the speed of urbanisation in both those countries was faster than most developed countries, including the UK and Japan during their period of industrialisation. For instance, during the 60 years of the Industrial Revolution (1841-1901) in the UK, 3 million people moved from rural to urban areas whereas China witnessed a massive increase in net rural-urban migration, from 40 million in 1995 to 130 million in 2005. Indonesia, another Asian country with a large population, has experienced a fast urbanisation process similar to China, from only 22 percent in 1980 to 43 percent in 2005. More than 18 million, or close to 15 percent of the total urban population, were born outside their present city of residence (Meng and Manning, 2001, p.11). A study by Manning and Pratomo (2013) argues that long-term migrants tend to gravitate to the small-business sector and to jobs with regular wages (for example, working in manufacturing), whereas more recent migrants are more likely to work in the informal sector. This study focuses mainly on the migrants who work for industrial manufacturers, though in the fieldwork the author found some participants to be also involved in the small-business and informal sectors.

In Indonesia, the formal sector encompasses all public-sector employees, regular-wage employees in private sector firms, and at least five employers who employ at least 20 workers or have business assets worth more than Rp.100 million. The formal-casual sector comprises casual or contract workers in firms with at least five workers as well as regular-wage employees in firms with fewer than five workers. The small-business sector includes employers and self-employed individuals in firms with between 5 and 19 workers or Rp. 5-100 million (£285-£5714) in fixed assets. The informal sector includes casual and contract workers for firms with fewer than five workers, together with employers and self-employed individuals in firms with asset values at less than Rp.5 million (£285) and employing fewer than five workers (Manning and Pramono, 2013).

Since 1994, when restrictions on foreign ownership were relaxed, this labour force has been enclaved in export processing zones (EPZ) that surround the major cities of Jakarta, Surabaya and Medan (Newberry, 2008). Many of the blue collar workers live and work near big manufacturers around Greater Jakarta and its fringe area. These labour-intensive manufacturers

are employing thousands of workers, which are frequently associated with ‘*buruh*’ or the blue collar class. New jobs were created in the cities in both the formal and the informal sector, absorbing many rural-urban migrants. Many citizens move to cities because of the lack of opportunities in their places of origin relative to the destination areas, but many lack the experience and other human capital necessary to attain better jobs upon arrival. As the Indonesian government does not provide unemployment benefits to those queuing for formal sector jobs, many of the migrants work in the informal sector and informal-casual jobs (World Bank, 2010).

## 5.6 Employment Quality Trends

On the bright side, investment in education has expanded the pool of educated workers. Indonesia is now close to achieving universal literacy among the youth population and the government has made clear commitments to increase education funding. Figure 5.2 shows an overview of education attainment by age group for the economically active population. It also illustrates that even though the supply of workers with more years of higher levels of education is increasing, the composition of the labour force continues to be dominated by workers with lower levels of education.

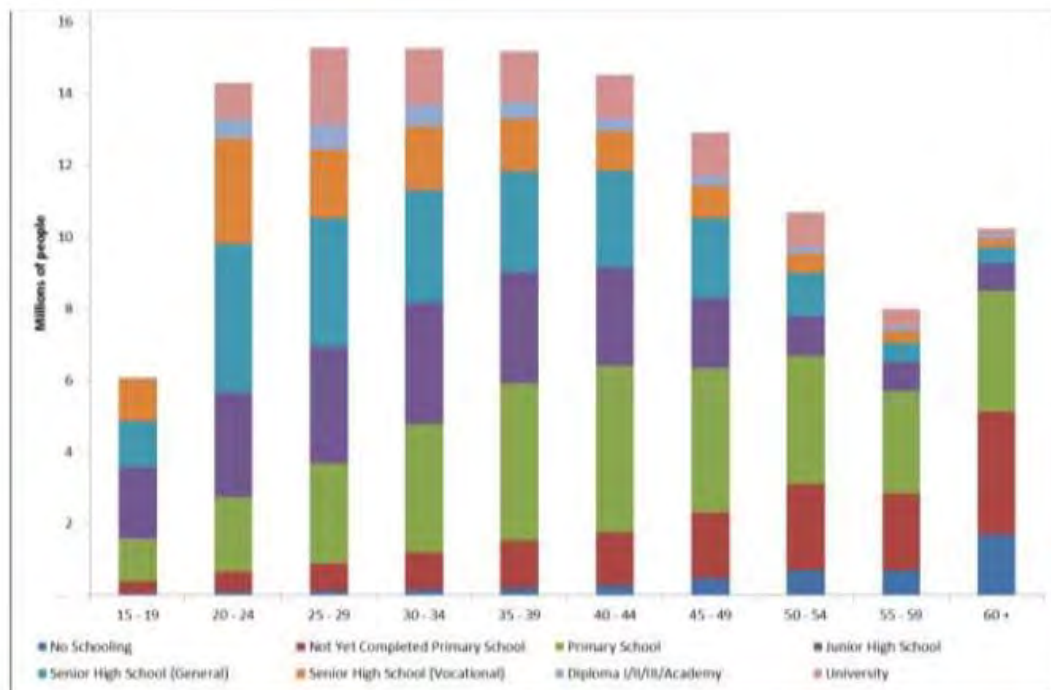


Figure 5.2 Education attainment by age groups for the economically active population, 2015 (millions of people)  
(Source: BPS (2015) Labour force situation: Agustus 2015, Jakarta)



The likelihood of securing both salaried and formal employment rises dramatically with education. This situation highlights challenges for the inclusiveness of growth, with certain segments of the labour force likely to be cycling between temporary jobs and have limited opportunity to transition into more secure employment. For employers who only expect to have an employee in their company for a short time, the cost of training is often perceived to outweigh the potential rate of return from the investment. Thus, provision of training is not always seen as an investment in the productivity of a company. Vice versa, employees on short-term contracts may not see the potential for career progression or gains in employment quality within their short-term jobs, and subsequently experience a disincentive to further develop skills under their own volition. Interventions to promote the movement of unskilled and low skilled workers into quality jobs may therefore be needed (Allen, 2016).

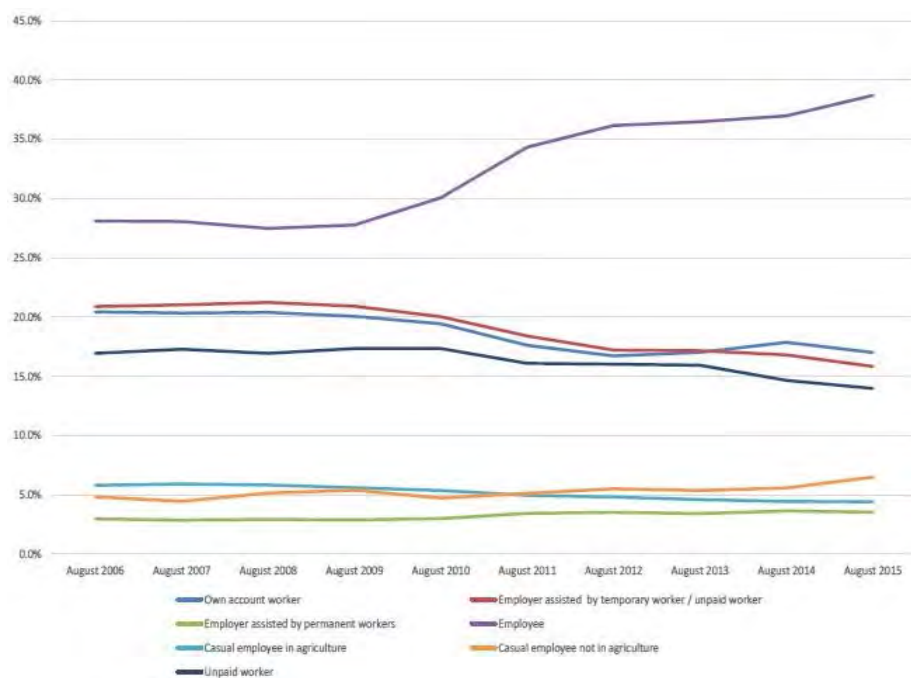


Figure 5.3 Status in employment, 2006 – 2015 (%)

(Source: BPS (2015) SAKERNAS, Jakarta, 2011-2015 based on revised population weights and back cast)

In recent years, regular employment has expanded, while informal employment has declined. In 2006, there were 26.8 million workers employed as regular employees, and by 2015 this had increased to 44.4 million. As a result, the percentage of regular employees in total employment rose to 38.7% and informal employment declined to 51.7% of total employment in 2015. However, job quality is still lacking. The share of regular employees receiving wages that pay the minimum wage or higher has remained relatively constant, while regular employees that are paid wages lower than the minimum wage has increased. This may be a reflection of increases in minimum wages outstripping productivity as well as limited growth in quality jobs (Ibid).

## 5.7 Conclusion: the Development of the Current Labour Market

During the research which was conducted from 2012 to 2016, there were many changes in Indonesia's labour market. Since outsourcing was legalised in 2003, many state-owned and private companies have recruited their workers from vendor or labour supply companies on a contract basis. Because of this, millions of workers have been employed with no job security and company benefits. The wave of strikes since 2012 from many workers under labour unions put pressure on the government to revise the Law No.13 of 2003 concerning Manpower. The labour union lodged a judicial review application to the *Mahkamah Konstitusi* (Indonesian Constitutional Court) against the law about outsourcing, which they subsequently won. As a result, under the Manpower and Transmigration Ministry Decree No.19/2012 on outsourced workers, companies are now only allowed to employ outsourced workers to do five types of jobs: cleaning, security, driving, support services at mining sites and catering.

Since then, outsourcing practice has become relatively limited to non-core business and many companies have been forced to reduce or completely dismiss the outsourcing practice in their manufacturing operations. This condition was empirically observed in the fieldwork (see Chapter 7). For example, the State-Owned Enterprises Ministry revealed in 2013 that more than 200,000 workers were employed in violation of the outsourcing system in 12 state-owned enterprises, including PT Pertamina, PT PLN and PT Telkom. Those three companies reportedly made 37,000 workers permanent after they were employed for many years under the outsourcing system (Sijabat, 2015). Nevertheless, it is also evident that many Indonesian workers in the formal sector are employed on a contract basis and are paid in accordance with or below the minimum wage, while according to the Labour Law minimum wages should be effective only for workers employed less than one year.

The new government under President Joko Widodo also has introduced a new regime of national social security. Under the new regime, there were two social security administrators, the Health Social Security Administrator (BPJS of Health) and the Manpower Social Security Administrator (BPJS of Employment), which replaced the Health Insurance (ASKES) and Manpower Social Security Scheme (JAMSOSTEK). Both have been in full operation since 1 July 2015 and are expected to be compulsory for all Indonesian citizens by 2019. They are expected to include an additional pension benefit scheme. The government has also stipulated 'a new remuneration system' at the national and provincial level to set the minimum wage hikes in the future by raising the current (this year's) minimum wages in line with economic growth and inflation, while the Central Statistics Agency (BPS) and the National Productivity Council

(DPN) will review the basic cost of living (KHL) periodically every five years. This KHL list consists of 60 cost of living components, the prices of which are surveyed in local markets. All in all, it is clear that the pro-growth and pro-investment policy, which has been pushed by the current government to provide certainty to investors and boost economic growth, needs also to place the well-being of workers as a top priority.

# **Chapter 6**

## **Household Strategies Paradigm**

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## Chapter 6

### Household Strategies Paradigm

#### 6.1 Understanding the Phenomenon

The phenomenon of modernisation that encompasses the processes of industrialisation and the global spread of capitalism is shaping the dynamic society that we know today. Flexibility has become a key issue in discussions of work in modern society as there is an inevitable 'need' to have more flexible employment in most countries to become globally competitive. Castells (1996) points out that in many respects, the pressures towards flexibility, such as increased global competition, the introduction of just-in-time production, the restructuring of older formerly dominant 'Fordist' type industries and the rise of the service sector, coupled with new technologies have impacted upon all countries. Nevertheless, flexibility can have very different implications depending upon how it is introduced and the kind of labour market and social policies that it comes into contact with. It can lead to greater insecurity and the undermining of wages and working conditions or it can lead to improvements in the quality of working and family life (Beck, 2000). Moreover, as the study indicates, flexibility can be regulated or unregulated, legal or illegal. Arguably, flexibility can offer opportunities for an improved quality of working and family life, or a deteriorated one. Some studies in the United States, for example, have tended to describe the latter tendency (Hochschild, 1997; Sennet, 1998), whereby flexibility is a response to declining wages, and both partners in the family work longer and longer hours to maintain the living standards of the household. In Indonesia, flexibility in the labour market means the disappearance of job security and some allowances that were entitled to employees that work in the formal sector.

On the other hand, there is a general trend towards more women working in the labour market, whilst more and more men are working in insecure flexible ones. Full-time, secure and standardised employment is still the dominant model but has become more difficult for both men and women, especially in lower positions. Likewise, two-earner families are now the norm in Indonesia and most countries, even if one of the earners is not in full-time employment. Also, for young Indonesians, the idea of a small family and the postponement of family formation have become more common, and rising costs of housing and family formation tend to lead to longer periods for men and women in the labour market. Many young people enter the labour

market with non-linear transitions by taking short-time contracts, low-paid apprenticeships and probation for several months before being offered a position in the company.

At the same time, it is becoming clear that the current conditions in the Indonesia housing market are unlikely to be a temporary phenomenon. After the 1997 economic crisis, housing prices slowly recovered, peaking in 2012 and 2013, and have never deteriorated since then. Condominium prices rose between 11 percent and 17 percent on average, while luxury-housing prices rose by 38 percent. Housing on the outskirts of Jakarta is becoming unaffordable for ordinary Indonesians, as a small two-room apartment costs nearly as much as US\$80,000 (close to Rp.1 billion) (Global Indonesian Voices, 2014). Bank Indonesia has issued new rules to curb speculation so that purchasers must make a 40 percent down payment when purchasing a second house or apartment. Higher income and economic growth has become a justification for the Indonesian property boom. In emerging markets like Indonesia, the housing bubble arguably is being formed by efforts to manipulate currency rates, high inflation, lack of other investment alternatives and rapid urbanisation whereby housing demand is outstripping supply. The 'normative experience' of people being able to buy after getting married and working for several years will not be resumed anytime soon. The structure of the housing market has changed, if not permanently then at least for the foreseeable future.

A key question emerges about how the process of flexible labour markets is affecting the ability of people to buy a house. This study is concerned with the nature of the interaction between labour market changes and housing careers in terms of how households in different working backgrounds are able to achieve their housing goals in the current housing market. For that reason, the author developed a framework for understanding the relation of these two markets. Whilst we can assume that individuals are rational economic agents who would choose to save in the face of expectation of rising housing prices, increasing job insecurity and welfare shortfalls, the argument still is debatable. Rowlingson and McKay (2002) for example argues that people face constraints in thinking and planning ahead and saving for the future. These may lie in difficulties in, or the unwillingness to, consider long-term into the future or to imagine one's place in it. Furthermore, for some, conceptions of the lifecycle lead them to consider particular types of planning at particular ages, while for others the ability to plan ahead is affected by the amount and security of resources that they command. Meanwhile, households are unable to accumulate housing wealth as part of a long-term strategy, as house prices tend to increase, and the regular savings and costs associated with purchase have moved well beyond the capacity of many households, especially those with low-income or only one earner (Doling & Richard, 2010).

This chapter consists of three major parts. Each part explains the framework that is used to explore the relationship between the labour and housing market. It explains how the author arrived at the idea of developing the categories based on strategies, rather than class. The author argues that each household makes long-term strategic choices and short-term adaptations to deal with the realities of work and life today. In particular for housing purchase, this study will look in more detail at the practices of households to cope with new mortgage payment and the divisions of labour between occupants. A household is a social as well as an economic unit and therefore should be studied also in terms of these norms, cultures and values. Whilst households depend on their own resources in order to survive and in order to improve, household strategies can be one of the main ways of understanding what is happening in practice. The author also argues that in the face of inadequate official statistics to reflect socioeconomic conditions in Indonesia, household strategies are important to understand social structure, especially who is advantaged and who is disadvantaged within these current economic conditions. But before that, the next section discusses the structure and agency theory as a means of understanding the phenomenon.

## **6.2 Structuration Theory**

The structure-agency framework has arguably been a useful mechanism for understanding social science, to attribute causation and enable us to explain phenomena and change. Whilst structure concerns the recurrent patterned arrangements which influence or limit the choices and opportunities available, agency concerns the capacity of individuals to act independently and to make their own free choices (Barker, 2005). The structure-versus-agency debate perhaps can be understood as an issue of socialisation against autonomy in determining whether an individual acts as a free agent or in a manner dictated by social structure. For example, Karl Marx suggests that the history of humankind is the history of class struggle. He thought that to understand a society, it was necessary to understand its material base, and the material base of a society determines its superstructure – the cultural and political forms that are rooted in the mode of production (Marx, 1964). However, whilst Marxism suggests that there are regularities or structures of human existence that lie outside of any given individual, it also has a commitment to change through human agency.

Modern social theorists attempt to find a point of balance between structure and agency. They see structure and agency as complementary forces: structure influences human behaviour and humans are capable of changing the social structures they inhabit. Structuration is one prominent example of this view. Anthony Giddens in *The Constitution of Society* (1984)



presents a developed attempt to move beyond the dualism of structure and agency and argues that social structure is both the medium and the outcome of social action, agents and structures as mutually constitutive entities with equal ontological status (Jary and Jary, 1991). Bourdieu's relational class concepts of *habitus*, *field* and *capital* are particularly similar to Giddens' structuration theory, but with different emphasis. In housing and labour market relations, Bourdieu (2005, p.211) argues that labour and housing markets are sites of the unequal struggle for security and are contingently connected through the mediating role of cumulative and collective household capital. He also argued that the *habitus – our tastes, values, dispositions or who we are individually and collectively* – is the generating mechanism of economic action through the structuring of and structure of an individual's relational position in social space. He uses *habitus* as a concept that connects structure and agency. The important point we can take from Bourdieu's notion of *habitus*, *capital* and *fields*, highlighted by Parkinson (2010, p.93-94), is that the practices in labour and housing markets that shape and are shaped by competing market interests and struggles for security according to relational positions in social 'fields' are derived from unequal amounts of cumulative individual and collective household capital. Another contribution is the idea that social networks or cultural activities – what they do and who people know – contribute to people's class and prospects as much as income.

Structuration theory tries to explain underlying patterns of human behaviour in pursuit of 'objectives' and how this is intertwined with various structural constraints in our societal system. Of focus here is how the concepts of action, meaning and subjectivity should be specified and how they might relate to the notions of structure and constraint (Giddens, 1984). The concept of structuration has struck a crucial balance. Instead of giving special value to the supremacy of the individual in social processes when the actions of individuals are being studied, or stressing the importance of social structures from the institutional point of view, the idea is to acknowledge the interplay of these elements without ruling out the importance of either. Therefore, Giddens views social processes as an interaction between human agency and social structure. This process is a vice versa process as Giddens makes it clear that we create society at the same time as we are created by it (Giddens, 1982).

To conclude, the structure-agency theory by Bourdieu was responsible for producing an important terminology concerning cultural, social and symbolic capital, which can be used as a formula to classify social groups. He also notes that power and dominance derive not only from possession of material resources, but also from social and cultural resources. Giddens on one side reminds us, in his two-sided coin analogy, that we can only see one side of the coin at a time which results from our own perceptual limitations when we try to interpret specific

phenomena. The complex problem of housing and labour markets need abstraction and oversimplification of the world to enable us to explain phenomena and change; the structure-agency framework is one tool that enables us to do this.

### **6.3 Household Strategies Concept: the Background**

Whereas structuralism theory focused attention on the societal level of reproduction in which the motivations of social actors were not very relevant, the idea of household strategies, by contrast, focused upon social actors and was therefore a ‘bottom-up’ perspective. ‘Household strategies’ was a concept first used in studies of Latin America and Africa in understanding everyday economic behaviour among the urban poor (Hart 1973, Castells and Portes 1989, Roberts, 1991). It was later used in several empirical investigations in Britain in the 1980s, including the so-called Sheppey-project, as a way of looking at the impact of economic change, especially unemployment (Pahl, 1984). It has been used extensively to study the impact of post-Fordist restructuring upon family and work. As this concept was mainly used, initially, to apply to specific social groups in marginal positions or in a risky environment, these were often termed ‘survival’ or ‘coping’ strategies.

The term ‘household strategies’ implies that the strategies of households can shape the environment instead of merely being shaped by it. Therefore, it takes into account the motivations and agency of actors in society, as a method of analysis through looking at the intersection of different economies in household behaviour and as a unit of analysis, with a focus on households rather than individuals (Wallace, 2002). The concept of household strategies has become more important to analyse social change in studies of post-Communism and post-Fordism. This concept has arguably become more salient under conditions of social change with uncertainty. The criticism about overemphasis on agency can be minimalised by considering structural factors which constrain the creation and deployment of household strategies. Knight and Morgan (1990) point out that individuals act strategically and take responsibility for their own strategies, through which to secure their own sense of meaning and reality through the discourse of strategy. While people behave more or less strategically at different points in the life-course, at certain stages they need to plan, especially for something that needs most family resources, for instance housing, a car or children’s education. Arguably, some aspects of social change in our contemporary societies have indeed forced households to become more self-conscious and reflexive in organising their resources and this is where household strategies as a concept can continue to have analytical value.

A considerable amount of literature has been published within this household strategies framework. In the *Post-communism* context, Kolankiewicz (1996) and Piirainen (1997) found that the strategy is a more active one based upon the rational calculations of the households in a risky and uncertain environment. Piirainen (1997) also argued that the household strategy actually determines the future social status of the household. He also argues that only by looking at this micro-social level of household strategies is it possible to understand what is going on. He believes that it is agency determining structure instead of the reverse. However, Pahl (1996) indicated that voluntary strategies alone are not sufficient to explain social structure – we need to take into account more macro-level factors external to the household as well. In exploring households in the midst of a great transformation in Post-Communist societies, Rose and Haerpfer (1992) classified households as ‘defensive’, ‘enterprising’, ‘marginal’ and ‘vulnerable’ based on their dependency upon the welfare state.

On the other hand, in the *Post-Fordism* context, the attenuation of conventional lifelong full-time employment based upon families with welfare resources (pensions, health insurance etc.) has been replaced by more flexible kinds of employment, more fragmented life trajectories and the large-scale entry of women into the workforce. This is the condition that made household strategies become important for putting together a complex set of responsibilities (Mingione, 1994; Nelson and Smith, 1999; Hochschild, 1997; Buck, Gershuny, Rose and Scott, 1993). This condition was also encouraged by the fragmentation, privatisation and subcontracting of the welfare state (Penna and O’Brien, 1996). Arguably, states under pressure for welfare provision left people more and more to their own resources.

#### **6.4 Developing the Idea: A New Paradigm?**

This study is concerned with the relation between labour market flexibility and homeownership aspirations, which has been changing in the last decades as a result of globalisation and economic adjustment. Several studies have shown that housing prices have an important role in wage formation and hence employment levels (Bover, Muellbauer & Murphy, 1989; Blanchflower & Oswald, 1994). Other studies have examined how labour market changes have affected different sectors of the housing market, with labour market experience predicting housing tenure (Wadsworth, 1998).

Thus, this study will use household strategies as the main concept to reflect the labour and housing market relationship. It is clear that household strategies are not just a method for

'getting by' but can also be used as a method for improving the status of the household, for social climbing. The author also disagrees with Vinay's (1985) claim that only poor households had to develop strategies in the struggle for survival. It is evident later in this study that low-middle income and moderate-middle income households also consciously built their 'survival' strategy to cope with their expenditure. Further, this study uses household strategies as an aspect to compare different household strategies based on their economic background and to elucidate the social factors underlying economic behaviour.

In terms of structure-agency issues, this study is not an 'agency approach' study which argues that the only reality we can grasp is the deeds or actions of individuals, not classes. Neither does the study only focus on the *situated* human actor, the idea that behaviour is not a result of free will but a product of structural factors. However, the author agrees with Giddens' metaphor of the two-sided coin: we have a conception of the mutual constitution of structure and agency.

Although several studies draw on different approaches, a common theme is that labour insecurity, combined with other problems such as affordability problems, lack of housing options and unclear housing policy, have strongly impacted upon household stability and the capacity to afford to pay for housing. One important question relevant to this study is how the household copes with all constraints and problems which affect their insecure housing outcomes. Some studies indicate that different household groups are affected differently, contingent on the stage they have achieved in their life course, their tenure and the institutional arrangements governing social protection within different countries (Horsewood & Doling, 2004; Boheim & Taylor, 2000; Ermisch & Di Salvo, 1996; Clark *et al.*, 1994). Thus, household strategies as a framework to study the impact of job insecurity in restructuring upon family and work need to be studied.

Household-focused research arguably has made crucial contributions to the ways in which scholars understand the survival and reproduction of households to achieve their long-term goals, in particular, their housing goals. In addition, this study ultimately provides an understanding of progressive financialisation of homeownership and neoliberal housing policy which has worsened housing affordability and undermined the social aspect of housing. This includes the dismissal of non-profit housing institutions.

## 6.5 Connecting the Two Markets: Household Strategies Paradigm

Because of the changes discussed above and in the previous chapter, households have had to develop strategies to support their housing needs and desires. This section proceeds to discuss how those strategies led to the author's development of a three-tiered household strategies framework in order to understand the fieldwork. A household, as stated by the United Nations (UN, 2008), is defined as:

- (a) A one-person household, defined as an arrangement in which one person makes provisions for his or her own food or other essentials for living without combining with any other person to form part of a multi-person household or
- (b) A multi-person household, defined as a group of two or more persons living together who make common provisions for food or other essentials for living.

To some extent, they may pool their income and have a common budget but they may be related or unrelated persons or a combination of persons both related and unrelated. A household consists of all persons living together in a housing unit. Households also can be viewed as an organisation of labour, and labour market changes have played a large role in reconstituting what at first glance passed for 'typical' gender relationships within the household. A household can consist of more than one family. A family is defined as those members of the household who are related, to a specified degree, through blood, adoption or marriage.

Strategies can be viewed as 'implicit rules guiding the behaviour' of men, women, and children. They can also be defined as patterns of behaviour, as actions undertaken for the good of the family – for family prosperity or at least survival. The term 'strategy' is used for modelling sequences of decisions, by an actor pursuing a certain goal under set rules or constraints, by trying to anticipate future consequences of specific steps, and by taking into account the actions and reactions of other players (Fontaine & Schlumbohm, 2000, p.6).

The term 'household strategies' has come to be used to refer to a specific set of economic activities that families develop to ensure and enhance their daily survival, and long-term goals including gainful employment whether in the formal or informal economy. The concept of a household or family strategy has been picked up by a broad range of social scientists. The concept arguably can move analysis beyond the classic structure/agency dichotomy and can be attractive both to those coming from an interactionist tradition and to those from the Marxist perspective (Nelson & Smith, 1999). Household strategies suggest that people can choose and

their choices make a difference, despite the economic or social constraints they face. They become actors who work with others to get what they can out of the existing system. Arguably, they use all their resources, by working in both formal and informal economies, and by the skilful use of social networks in order to avoid entrapment in a self-perpetuating culture of poverty. Thus, this study considers the idea of ‘household strategies’ as a concept that takes into account the motivations and agency of actors in society, as a method of analysis through looking at the intersection of different economies in household behaviour and as a unit of analysis, with a focus on households rather than individuals.

These households were classified by the author based on how they reflected a household strategy rather than their social class or income level. Income data can be a good starting point, but it only explains a partial picture. Arguably, it cannot capture the complex range of social and economic factors that affect the households, or diversity of the responses of each household to economic change. One question has revolved around how the ‘housing career’ is interconnected with other ‘careers’ in the job market and the family. What is certain is that individuals, households, and communities are not passive in the face of economic change (World Bank, 1997).

The author has divided the household participants into three different groups based on their household strategies applied. As Rose and Haerpfer (1992) argue, the inadequacy of official statistics about economic behaviour along with the fact that incomes do not necessarily reflect socioeconomic status, mean that new social categories should be constructed from the combinations of different kinds of work – that is, from the strategies of the households – in order to understand social structure, especially who is advantaged and who is disadvantaged. The study looks at how each of the households is adjusting to changing economic situations, what strategies they are adopting to be able to achieve their housing goals, and what constraints impede their actions. This chapter draws on the voices of three groups of households to explore their situation and the way their status as home buyers or renters and their employment status and general economic position interact. The three groups have been classified as:

1. *Defending*: those who cannot enter the housing ladder as they do not have employment and income security in order to be able to take out a housing mortgage.
2. *Managing*: those struggling, but managing, to keep up with home payments by juggling the constraints in other areas of their budgets.

3. *Improving*: those who not only own a house but also see this, or other property as an investment.

The housing careers of these three groups is summarised in Table 6.1 below:




Employment Background	Household Strategies	Housing tenure	Renter	Owner-occupied (End-user)	Owner-occupied (Investment-driven)
				1 house	2 houses or more
Permanent Employee (Access to credit / soft loan)	<i>Improving</i>	Able to buy and has plans to buy another in the next 10 years			
Permanent Employee (Lack of access to credit / soft loan)	<i>Managing</i>	Able to buy a house but struggles with monthly payments / only able to pay instalments			
Casual and Precarious Job (Outsourcing, fixed-term contract, seasonal, part-time, on-call workers)	<i>Defensive</i>	Renting, living with parents or family			

Table 6.1 Household Strategies

So who are these households? How do these people step onto the housing ladder? Why is it becoming impossible for some? How have they found their ‘alternative house’? What is the main problem for each of these household groups? What are their expectations for the future? How can housing policy help them to achieve their goals? These kinds of questions have fascinated the author during the study, and will drive the analysis that follows.

## **Chapter 7**

### **The Voice of 'Defensive' Households**



## Chapter 7: The Voice of ‘Defensive’ Households

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## Chapter 7

### The Voice of 'Defensive' Households

#### 7.1 'Defensive' Household Strategies

In this section, we move from the world of books, reports and theories to the world of the people who are experiencing these problems in everyday life. The empirical findings of the study contained various cases of household positions, relating to different housing careers and employment backgrounds in Greater Jakarta. Forrest *et al.* (1990, p.125) assert that a singular housing ladder which is competitive and fuelled by a common set of motivations and values does not exist. Rather, there are different ladders, which rarely touch or overlap. It is also inaccurate to assume that people necessarily evaluate their housing histories in terms of a series of escalating exchange values. The term 'housing career' is used to describe the sequence of moves made by households from one type of property to another and one area to another over the course of their lives. It should not be taken to imply an upward progression, but rather a series of moves which may be up, down or horizontal; Jones (1978) found that moves downmarket to cheaper or smaller properties are quite common. The term 'career' is a useful label, but to what extent do individuals have long-term expectations or aspirations for their housing careers and consciously attempt to achieve those aspirations? How do different households cope with housing costs? It would be surprising, however, if households simply made housing decisions on a completely random basis. Therefore, this study focused on each household strategy and how it intertwined with employment background.

#### *Characteristics of 'Defensive' households*

The author uses the term 'defensive' to imply people who value security and stability over change and growth. Their economic strategy, in particular, is often very defensive, designed to minimise risk rather than to maximise opportunity. Their first priority was survival, and their second priority was to provide for the future well-being of household members and the future capacity of their young to be able to form and sustain households when they reach the appropriate age. As Moch (1987) point out, family strategies are those implicit principles that guide family members when seeking family well-being, whether concerning survival or social mobility. Arguably, these households range from low-middle income to middle-income groups living in Greater Jakarta.

As explained earlier, an integral part of economic restructuring in Indonesia and many developing countries has been the ‘retreat’ of the state from both economic and social interventions as a strategy to promote market-led growth. One consequence of the restructuring of the labour market is more ‘flexible’ forms of company organisation in which the volume and producer service type can be readjusted rapidly to match market demand in what the ILO labels ‘non-standard’ forms of employment, such as outsourcing, part-time and casual work. These households have to face the condition of temporary, low-wage and unstable jobs with few, if any, benefits by way of health insurance or pensions. They are also unlikely to get benefits such as sick leave, vacations, or paid family leave for emergencies. Risk threatens their survival and viability and that inevitable influences the mentality of this household, to live and raise their families with no certainty of meeting life’s exigencies. It is clear how insecure employment may contribute to housing insecurity. Parkinson (2010) has argued that ‘insecurity in employment’ and ‘income insecurity’ contribute to ‘insecurity in tenure’ by threatening the predictability and amount of earnings available to meet housing costs. Security is related to protection, safety, continuity and reliability, and a sense of future and permanence. Some research about labour market changes in Indonesia found that manufacturing workers have experienced a great deal of change caused by new flexible labour market policy and globalisation in the last few years (Tjandraningsih *et al.*, 2010).

These conditions have made many households respond to life situations, in particular concerning their housing goals, in a ‘defensive’ mode which limits their growth and development in the future. However, it can also be because their housing goals might not necessarily be the same as the majority of urbanites living in Greater Jakarta. The overall objective for most is not a permanent settlement in the city, but to prepare for a better life in the countryside. This objective has important implications for their migration strategies and behaviour, which will be discussed further in the next section.

What do these households do to overcome or cope with high housing costs? It is not surprising that the majority of this group are living in rental housing or with their relatives. Living in rental housing is not for everyone, but it is attractive for some of the population. Arguably, it is relatively affordable in terms of cash outgoings, has freedom and flexibility, offers cheap moving options and can be adjusted in line with certain economic risks that households may face. People who value such benefits are more likely to rent, so lifestyles are of key importance and because of that the desire to rent tends to happen at particular times in people’s lives (IPPR, 2012). Most people who rent made their choice based on a comparison of the relative costs and opportunities they face like their income, wealth and personal constraints. However, the relative

costs are usually the main point that makes people choose to rent. People with cash flow constraints and the need for mobility often favour the choice of renting. In addition, those with variable incomes or who face the risk of losing their jobs also benefit from renting as home ownership funded by a mortgage requires regular monthly payments and defaulting is costly (Terry, 2011).

So the next question is who rents and what do they rent? It is *blue-collar* households and young *white-collar* households who are the main clients of the rented sector in Greater Jakarta. Because these groups have a different socioeconomic background, each household will be discussed in detail separately.

## **7.2 Findings (Blue-Collar Households)**

### *7.2.1 Housing Aspirations: Stories and Narratives*

To fully understand household housing aspirations it is important to understand how personal goals are embedded in, and shaped by, the wider economic, social and cultural context which changes over time. Arguably, aspirations are shaped by the dynamic relationship between subjective household preferences and the objective reality of economic constraints and available housing opportunities. These two dimensions need to be considered in tandem. Housing aspirations also do not exist in a vacuum and are liable to shifts, changing in response to external as well as personal factors. The need for a more in-depth understanding of the subjective dimensions of housing affordability and other demands on household budgets is critically important in a context where job insecurity and the cost of living is rising. A further subsection will discuss each household background in details, starting with two households' histories to provide an insight into their socioeconomic backgrounds. One thing to remember is that the housing aspirations of people in Greater Jakarta are complex and multifaceted, as shown in the findings of this study, where significant differences in housing aspirations between these migrant workers and the other urban dwellers were evident. The following case studies clearly show this:

### Case Study 1

SK (21) and her husband (23), are originally from Solo in Central Java, and have been living in the *'thousand doors' kampung* for around one year. SK's husband has been living and working in Greater Jakarta for three years now. After they got married both of them worked in factories in Jababeka and the EJIP industrial estate. They are planning to work for several years in Greater Jakarta before returning to the village: *"Not yet (looking for a house in Greater Jakarta), because we already have a house in our village...both of us still young and don't have a child so it's better to work and save some money"*. They pay around Rp.530,000 (£30.28) including bills to rent a *'rumah petak'* with 2 *bilik* (rooms). Their monthly expenses are around Rp.2,000,000 (£114) and depending on overtime income, they are usually able to earn Rp.8,000,000 (£457) monthly and save around Rp.2,000,000 (£114) per month, with some extra cash being allocated for consumption (motorcycle, electronics and gadgets) and investment (gold and cattle in their village). Their house in the village was built from the money sent by her husband while he was already working in Greater Jakarta. The house is being occupied by her parents until they return. Nevertheless, she admits that some of her colleagues in the workplace have already bought houses around Bekasi and Bantar Gebang.

Speaking about her employment background, she notes that she and her husband both work as contract employees (extended annually based on performance and absence evaluation). She just started a year ago, and currently works in a factory for an automotive spare part manufacturer: *"In my workplace, around 60 percent in contract based employment while 40 percent permanent employees, outsourcing already diminish...there is no enrolment for permanent employees for years now"*. She added: *"for permanent employee, they are entitled for a long service additional income which around several hundred rupiahs compare to fix-term contract employees..."*. Having more income compared to fixed-term contract employees, both of them agree that to become a permanent employee is more about achieving job security, which will determine whether someone is able to take out a mortgage or not. SK's husband explains his colleagues' housing dilemmas: *"If they are already a permanent employee (buying a house)...for the contract employee, it is too risky as our contract may not be extended, (so what's the solution?) well keep renting of course..."*. Both of them would look for a house with two bedrooms (typically 36m<sup>2</sup>) in their hometown if they (the interviewees) were able to do so.

## Case Study 2

RB (23), originally from Majalengka in West Java, has been renting the same unit in the *'thousand doors'* kampung for more than 7 years now. *"I have been here since I finished my school (vocational school)...never move to anywhere I just like to live here"*. He is working in the production unit of a Japanese manufacturing company, making fishing equipment to be exported around the world. He married in 2011 and has a child, which has influenced that family's aspirations to have a house of their own. *"Well, we have been thinking of it (buying a house) for few years...if we just keep renting, my family condition won't get better ... I do feel shame since I already have a family and a child...but it is difficult if you aren't a permanent employee ... I do not feel peaceful (about taking a mortgage)"*. He added, *"Now the company doesn't want to take permanent employees, in my workplace around 50 percent (permanent employee) but the contract is always extended as long as you still want to work, but to become a permanent employee is still far off as many other workers more senior than me are still on fixed-term contract as well"*. His wife (22) added, *"We like to (buy a house) but if in the future we don't have a job it will be difficult (paying the mortgage)"*. Some of RB's colleagues have spent more than 12 years as a fixed-term contract employee.

RB is the only one who is working now, as their child still needs someone to take care of him, he explained: *"If only my mother were still alive it would not be a problem, I only have a father and my child doesn't want to stay with my mother in law..."*. His wife added, *"I used to work after the birth for 6 months, but sometimes my child feels neglected so I decided to resign"*. He agreed, *"Yes, if both my parents were still alive, I would send them to the village, but ... it's a bit worrying since there are many stories of child abuse by their nanny recently, so it's better like this (for his wife to stay out of work and stay at home)"*. To ask for help from his family was also not an option for them, as he felt uncomfortable: *"I prefer to do it (buying a house) with my own resource... you don't know when there will be a family problem, the other will vilify behind your back"*.

He admitted that as urban migrants, they would feel more settled if they had a house. *"Actually, my parents in law are already pushing me to find a house for my family, but I'm not ready..."*. Nevertheless, they plan to live and work in Bekasi for the long term. *"I don't have any family in my village...I also don't know what to do in the hometown...I don't have any desire to go back to my hometown, my life and death is here"*. RB added, *"I know most of my friends back to the village when their contract finishes...but for me, as I have a family, it is not an option...I will keep searching for work here"*. They dream of being able to buy a house in Bekasi in the future, hence they are saving just enough for a downpayment, and will see what opportunities emerge in the future.

These two case studies provide an overview of blue-collar households in Greater Jakarta and the differences within and between different households even if they live in the same area. Therefore, we will discuss further some main issues within this household group.

### 7.2.2 *Lifestyle Choice*

So how do these blue-collar workers find their situation? Perceptions of insecurity are not necessarily manifest in the actual job loss, but simply by the possibility that this might occur or that earnings may change in some way without warning. This is particularly the case for those without other sources of income or earnings in their household, and also for those with nothing to fall back on should their job be terminated. One of the respondents, 23 years old, explains that:

*“Obviously, I’m worried! If we don’t get our contract renewed, we must be looking for a new job, especially in this recent times with many demonstrations for wage increase [...] it makes us who are on contract base really worried about the possibility of being laid off, in my company there has not been any layoffs but in the other companies, it has been already happening”.*

Almost all of the respondents who are working in the industrial estate have their fixed-term contract renewed every six or twelve months. This gives them a sense of insecurity and instability. One household had been living in their rental unit for 7 years at the time the interview was conducted, and the husband (23) and his wife (22 years old) explained the reason why:

*“[...] It is more about my employment status [...] I just not feel secure enough [...]”.* His wife added: *“it is difficult mas<sup>1</sup> now if not yet a permanent employee”.* He also added: *“Well, it is almost 50 percent of employees on a contract base, in my workplace; it seems to be a rare appointment to be a permanent employee [...] one in each department every year [...]”.*

During fieldwork II (October 2014 – January 2015), it was evident that it was becoming more difficult to find casual jobs in the industrial estates, since more and more manufacturing industries had abandoned outsourcing practices. The pressure from the Workers Union over the last 2 years and the new regulation from the Ministry of Manpower and Transmigration No.19

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<sup>1</sup> Mas (Javanese) is a polite term of address for men (in this case the researcher). For women, the equivalent term is Mbak.

/ 2012, about the restriction of outsourcing practices to those abovementioned five sectors, more or less had been reducing the extent of outsourcing activity in and around the research area. In addition, that regulation stipulated that workers had to be appointed to permanent jobs after their contract had been extended twice (the maximum). A respondent, 22 years old, explained:

*“[...] Yes, my contract is not renewed [...] (How long is it for each contract?) [...] it is depending on the company, if it’s a big company usually two times, each contract for a year (How about outsourcing?) [...] for outsourcing in this industrial estate (Jababeka industrial estate) is already abandoned but sometimes there is a prohibition period for three months (for a new recruitment) [...]”.*

It is already well known that for locals and migrant workers to get work in the factory they must have good relations with one of the local personalities connected to the recruiting agency or ‘*orang dalam*’ (someone inside the company). Hence, the nepotism culture is strong in the process of worker recruitment. The author found that some respondents were out of a job because their contracts had already finished and were not yet extended. One household, a husband (23) and wife (22), illustrated that condition:

*“[...] it is really difficult to find a job these days”. His wife added: “Nowadays you cannot get a job if you cannot pay the brokers [...] (Is it because of outsourcing diminished?) Yes it is, the problem is when there is still outsourcing, you can pay someone in the company and your contract will be extended, but now when you in fixed-term contract, the agreement is that after two contracts either you become a permanent employee or dismiss [...]”.*

It was interesting to the author, as to why the company would dismiss their worker if they had already learned some skills or gained experience regarding work productivity. They responded:

*“[...] the company simply doesn’t want to pay a loss, if they hire a permanent employee, they must pay their basic salary, benefits [...] His wife added: “if a permanent employee, the basic salary is always higher than temporary contract, and their basic salary increases every year, they also get compensation when they are terminated”.*

It seemed that many workers still worked for years in a fixed-term contract. In addition, clearly from the interview, some factories abused regulations by rehiring the worker after dismissing them for a month, to avoid the obligation to appoint them as a permanent employee. The same respondent explained:



*“[...] my contract was ending, maybe because they still need me, they employ me as a day labourer to eliminate traces of Indonesian Municipal Representatives of the Manpower Ministry, then they gave me the new contract, after two times of contract either dismiss or renew contract [...] take it or leave it [...]”.*

This illegal practice might be a common thing which happens in many manufacturing businesses and it seems there is no way out for this worker if they want better employment other than moving to a new workplace or gaining a new skill so they were of value to the company. During the period when their contract was not extended, or when they were waiting to sign the renewed contract, some of the respondents were getting a new job by starting up a business or working for other people in informal jobs (businesses that did not require high skills, such as a small shop, or *warung*). Another respondent in his late 20s, who had also lived in the area for 7 years, told the same story:

*“[...] I just followed the company, the other day I’m still working, but now I’m just looking after this warung (a food stall) [...]”.*

### 7.2.3 The Element of Household Strategies

This complex of interrelated insecurities constitutes precarious living, which entails surviving from day to day. Trying to ‘survive’ in the present against the odds takes time and effort, which can make it more difficult to make decisions about the long term, such as getting a better job or taking out a housing mortgage. From the fieldwork, it is clear that although most respondents agree that becoming a homeowner is their goal, the majority of them still feel they do not qualify to take out a mortgage. One respondent stressed the problem with her employment status:

*“Don’t you think to take the mortgage you must be a permanent employee?”*

This resonated with one respondent from the pilot project, in his 20s, who had said:

*“Yes, I have not yet become a permanent employee and it’s difficult to apply for a KPR (housing mortgage) if you do not have permanent employment”.*

In fact, many respondents still choose to buy with cash, with their own financial resources, or with help from their family or friends. Even they know that buying a house without a mortgage is difficult. Unstable employment, high-interest rates, high downpayment costs and the anxiety of mortgage indebtedness were some of the reasons. The author found that job insecurity from

outsourcing and contract-based practice could be playing an important role in delaying entry into homeownership. A respondent explained:

*“[...] it is better to save it by yourself (instead of borrowing the money from the bank), if you borrow just give yourself a burden [...] just adjust to your ability [...]”.*

Another respondent, 24 years old, confirmed that:

*“If I have to choose, I prefer to buy a house with my own money rather borrowing from the bank or relatives, I don’t want to have a debt [...]”.*

In addition, many respondents seem to lack sufficient knowledge about the KPR (housing mortgage) itself.

It can be seen from the interviews that the respondents were facing difficulties in planning for their housing targets in the near future. Almost all of them had no idea as to whether and when they would be able to enter the housing ladder given their current employment background. This can be indicated from their answers concerning whether they had tried to seek information on the housing available around the area, or whether they were able to take out a mortgage. They also cited the possibility of possible debt as a reason for not wanting to purchase a house, which the author argues reflects those respondents’ ‘self-defensive’ strategy, in seeking to maintain their current economic condition.

Whilst the current housing market has created an unfortunate situation for many blue-collar workers, it is becoming more important to understand how households react in response to this situation. Arguably, the deliberate postponement of purchasing a house could exclude these low-middle income households from access to homeownership completely. One of the respondents said that she did not want to move to other places as long as she was still renting:

*“[...] my home is just here [...] I have been here (her current rental unit) since 2004, almost 10 years now. Before here, I lived near here, been 21 years in this kampung, but always as a renter [laughs]”.*

#### 7.2.4 *Living Temporarily: Different Housing Goals*

The intention of migrant workers to stay or return likely varies depending on the job opportunities, home villages resources and locations, and the household's economic and social situation. The prevailing assumption about rural labour migrants, that they plan and desire to stay in the city and to bring their families to permanently live in the city, is debatable. From the fieldwork, many respondents saw working in metropolitan cities like Greater Jakarta as offering income opportunities, but migrant jobs were insecure and most demanded youth and manual labour. Workers felt that once they became older, most would be forced to return to the countryside. In addition, the cost of living in the countryside is low. The affordability of living in a place permanently is an important dimension of economic security. By contrast, in cities, migrant workers face high costs of living and do not have a permanent place to stay. For them, the city is merely a place to work. Indeed, some studies have found that the migrant's desire to settle in cities is not as strong as expected and that the majority wish to return (Cai, 2000; Hare, 1999a; Solinger, 1995). A respondent made it clear:

*"I'm not really planning to settle here [...] (why?) still have family in kampung (village) [...] will continue the family business, trading"*.

A man of 22 years of age, working in an outsourcing company as a security guard, explained:

*Well, if I'm already getting enough capital [...] I'll definitely back to my hometown, live near my parents [So, do you don't have any plan to live in Greater Jakarta?] Hmm, if I see a great future in here [...] I'll live here for sure [How do you see your future here?] Well, let see this year, if my income well suited and I can settle, I'll continue... (To work and live in Greater Jakarta)"*.

Many respondents also explained that it was simply not their intention to own a house in Jakarta. They planned to live here just for 2-5 years and then return to their hometown, either to work there or start their own business. Declared a woman in her late 30s:

*"Taking mortgage? I'm afraid I can't pay it later [...] I also already have a house in Wonogiri (her hometown) so I don't have any plan to have a house in Jakarta [laughs], just raise my child here, so they can go to school [...] if they are already grown up, just live in kampung (back to her hometown) [...]"*.

This shows the complexity of the housing targets of different households, even those with the same economic background. It is obvious that for those who already have a house in their

hometown, that they can choose to live and work in Bekasi only for the short term, but for the others, it is just a ‘dead end’ to their long-term goals to live and work in Bekasi. The majority of the respondents were saving their money to buy *sawah* (rice fields), gold (usually in the form of jewellery) or simply buying a house in their hometown. Some of the respondents also sent money to support the family they had left behind at home.

Indeed, most of the respondents said that they were working in order to be able to save some capital before returning to their hometown to start a small business. The opportunity to be with family was an important motivating factor for such a decision. Some migrants also sent back remittances to the family that had stayed behind, or invested in *sawah* (paddy field) and *ternak* (cattle), while others had bought golden jewellery or simply put their money in the bank, so as to build up as much economic security as possible. Those households who had children were also saving for future use, such as their child’s – or children’s – education.

Nevertheless, some respondents were also concerned about returning to the village, as most of them did not have any knowledge on agricultural activities and needed time before being able to farm again. They also felt ashamed since they might be seen as having ‘failed’ to survive and succeed in the city by their relatives back home, not to mention the need to readapt to life in the village. Thus, some returned migrants eventually sought migrant work *again* back in Greater Jakarta. A respondent explained:

*“I was returning to my hometown in 1998 when laid off as economic crisis occurred, but I can’t bear to live in kampung, so I came back again to here after 3 months (laugh) [...] maybe because I’m already not accustomed to live in kampung and don’t know how to work in farming”.*

Although some non-agricultural economic activities might exist in and near the *kampung*, the employment and income they generate are usually limited. Moreover, the common view in the village is that agriculture is an inadequate source of income. Thus, for some migrant workers, the plan to work and live in cities like Greater Jakarta has become their main goal.

### 7.2.5 Renting ‘Rumah Petak’ in *kampungs*

Again, in light of the relationship between subjective preferences and objective reality, the respondents talked about tenure and locational preferences in relation to lifestyle choices. For migrant workers, *kampungs* are the first stopping point for them because these areas provide them with low cost and affordable housing that enables them to save for their eventual absorption into urban society. Therefore, for these people, family networks become important, providing them with important temporary residence before getting a job, thus reducing the overall risk of migration.

Most of the respondents with their financial limitations find this cheap accommodation helpful in meeting their needs. Most of them pay between Rp.300,000 and Rp.550,000 (£17.20-£31.40) monthly which is considerably cheaper than the living costs in Greater Jakarta. They do not mind temporarily tolerating the drawbacks of living in less than satisfying conditions. Many of these informal settlements are akin to slum dwellings, with a lack of adequate drainage and good sanitation. Nevertheless, access to clean water and electricity is a predominant standard, and almost all of the rental units in these *kampungs* have a private toilet.

In addition, for some respondents flooding has become an important concern. One respondent explained:

*“I want to move to near cikarang terminal from here (thousand doors kampung) [...] in here its constantly flooding in a rainy season, the water flowing into the units [...] it is really bad”.*

The research locations for this study could be considered as a microcosm of the above problems and complexity. All *kampungs* reflect the general problems of these ‘defensive’ households with their limited housing options.



Figure 7.1 (Clockwise from the top)

- (1) The rental unit conditions in the *Kampungs*
- (2) The atmosphere of rental units in the morning
- (3) Narrow access to the units, which becomes problematic when it is raining
- (4) A puddle of dirty water makes the area prone to disease epidemics
- (5) A boarding house with a special provision for motorcycle parking



Figure 7.2 Typical condition of rental units occupied by blue-collar households

As another interesting point, the author found that in the ‘*thousand doors*’ *kampung*, the hustle and bustle never stops, for some residents return from their morning or afternoon shifts just as others head on out to their night shift. In many factories, the process of production continues 24/7, so usually there are 3 shifts: morning (7 am-3 pm), evening (3 pm-11 pm) and night (11 pm-7 am). However, one respondent admitted that the *kampung* was not as safe as it used to be, for theft and other criminal activities had become common. They also felt that local people did not really like them, as they were seen to be stealing local job opportunities. A respondent explained:

*“Now here become prone with criminals [...] especially for a woman living alone, but the crime is usually not from our people, because the workers like us will take care each other, but it’s the local people [...] I don’t think Bekasi will develop as it has if there is no immigrant [...] the local just work as tukang ojek (motorcycle driver), preman (hoodlum), calo (pander) they are rarely wanting to work hard [...]”*

The clash between locals and migrant workers might not have escalated, but the potential for conflict is real. Even though some of those interviewed had been living in the area for several years, their identity was still strongly related to their hometown. With this in mind, despite long-term urban work, migrant workers’ temporary outsider identity with respect to the city remains intact. Thus, it is important for them to be able to buy a house in the city, as this can become an effective, perhaps the only, way for these migrant households to ‘become’ urban. In addition, many blue-collar migrant workers who regard themselves as temporary city dwellers and therefore prefer to rent, generally do aspire to eventually become homeowners. They view their present situation as transitory and do not consider themselves tenants for life.

### *7.2.6 The Element of Household Strategies*

The next section discusses findings which emerged from the different household strategies that emerged from the round of interviews.

#### *a. The Dual-Earner Strategy*

In Indonesia, the role of women to support household income has not been studied extensively. Nevertheless, the idea of women working is already a common thing in Indonesian culture. In the fieldwork, the author found some women who worked along with their husband, particularly those without children. Meanwhile, other respondents chose to stay at home to take care of the children. In some blue-collar *kampungs*, there is also an informal ‘nursery’, where some women

in the *kampung* stay at home to take care of the babies in the neighbourhood whose mothers are at work. This kind of community support only appeals to small blue-collar *kampung*s where the sense of community is strong. The nanny usually gets paid between Rp.400,000 (£23.50) and Rp.500,000 (£29.40) per month. One woman, 37 years old, who the author talked to, described how it was difficult to live by relying on the earnings of her husband (who was in a seasonal job):

*“[...] even just enough for food is Alhamdulillah (thank God) [...] so far we don't need to borrow [...] I just cannot rely on him (her husband) because he doesn't have a permanent job, so I have done anything as long as I can [...] as far as it is halal [...]”.*

Nevertheless, not all husbands feel comfortable letting their wife work; being the breadwinner of the family is still a male domain, even though one earner is often not enough. This reflects traditional gender norms that men should make a greater economic contribution to the family than women, so the husband must go out to make money while their wife stays at home. Yet, surprisingly, families with only ‘temporary’ jobs were no more likely to employ these alternative methods for sustaining themselves than were families with good jobs and, even more surprisingly, ‘temporary’ job families were substantially less likely to have two earners at work in the formal labour force at the time of the interviews.

#### *b. Sharing rental units*

The other household strategy to cope with rental costs in these blue-collar *kampung*s is by sharing rental units. This happens usually between blue-collar workers from the same hometown. The author included this group in the research, for they themselves have lived in a group household for varying periods during their life, from relatively short to long term. Group households can be defined as two or more unrelated people aged 15 years and over where there is no reported couple relationship, parent-child relationship or other blood relationship.

A large proportion of migrant workers live in single-room accommodation. In the worst cases, tenement densities have reached the point where even one-room dwellings have been split up into units in which several households live simultaneously or alternate with one another in day-and-night shifts. Consequently, some rental units are inhabited by four people and more whereby they are designed for only two people. This overcrowded condition becomes the norm, contributing to group bonding. One respondent who managed one of the rental units in the *kampung*, aged late 20s, explained:



*“Unemployment is increasing [...] honestly, in here alone there are ten people out of a job now [...] I accommodate seven people, only two people are working [...] why I take this job so I can help my friends who are still unemployed [...] here connection is needed, if you see [...] it just like a hotel, someone staying here and the other staying there [...]”.*

### *c. Working in the Informal Sector*

Another way to survive involves working in the informal sector by doing work from home or in an open *warung* which sells daily goods to neighbours or other buyers, such as cigarettes, toothpaste, candy, soap and rice. One respondent, 31 years old, who had opened a *warteg* (*warung tegal*)<sup>2</sup>, explained:

*“[...] I just open this warteg with my mother [...] now it's my mother's allotment (the income from the business), rolling for every four months [...] (do you ever work in factories?) At the first time I came here (5 years ago) I work in the industrial estate [...] maybe just want to become an entrepreneur [...]”.*

Some of the respondents said that it was their choice to work in the informal sector, but for others, in particular the women, it was usually to support their husband's income when that income was insufficient, or when someone was ill. One respondent, 36 years old, recalled a story:

*“[...] yes, it's once, bapak (her husband) was not able to work, his leg swelling [...] that's why we buy it (her sewing machines) [...] He was just worked one month before he was sick [...] as a contract employee, you cannot get sick leave so he was out of a job but can apply again later [...] it was almost four months (her husband sick)”.*

Now she is working from home to support the household income and has never returned to industrial labour. A study conducted by Sinai (1998) in Kumasi, Ghana, shows that some households use their dwelling to get and to increase total household income, even though the evidence obtained indicates that the income earned is lower than would be the case in the formal sector. Nevertheless, he argues that although the contribution to total income is low, it is very significant as a survival strategy for those households.

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<sup>2</sup> Small food stall selling foods that are ready to eat, for example fried rice, 'pecel' (Javanese salad) etc, established by Javanese people from the town Tegal in Central Java



Figure 7.3 (Clockwise from the top)

- (1) Doing an 'outsourcing' job in the house to support household income  
Examples of informal sector work in the *Kampung*: (2) *warung kelontong*,  
(3) laundry service and (4) mineral water depot

### **7.3 Findings (White-Collar Households)**

#### *7.3.1 Housing Aspirations: Stories and Narratives*

*“The days are long gone when a college graduate could expect to go to work for a paternalistic employer and spend an entire career there, with a generous set of benefits and a comfortable pension upon retirement.” (Porter and Winter, 2004)*

The above quote perfectly describes the current labour market condition, including white-collar workers. Indonesian white-collar workers are people who work in professional, managerial, or administrative work in offices and are considered as ‘a new middle-class’. However, the Indonesian equivalent of ‘*kelas menengah*’ (middle-class) is a loaded term. With a population of more than 250 million, determining which of the population are ‘middle-class’ is a matter of debate. As has been mentioned elsewhere, Indonesia was ranked as a ‘middle-income country’ by the IMF in 2010 on the basis of its US\$3000 per capita GDP which was largely driven by household and personal consumption (60 percent of that GDP), surpassing foreign direct investment (Deutsch, 2010). The Indonesian middle-class can be categorised as part of the ‘new middle-classes’ or neoliberal middle-class which are products of the post-1980 global neoliberal turn. This new middle-class has grown since the New Order regime opened the country to international investment in private industry, which boosted both the civil service and private entrepreneurship. Around the world, declining rates of accumulation during the 1970s triggered new policies of systematic deindustrialisation in western industry and the ‘offshoring’ of industrial labour to countries such as China, India and South East Asian countries like Indonesia.

The growing middle-class in Indonesia has triggered the rise of the commercial real estate industry, which opened up new opportunities for urbanites to seek differentiated lifestyles, status recognition, and cultural orientations. This private homeownership and the increasing stratification of living space have proved vital to the formation of a new urban middle-class culture. In brief, the meaning of ‘middle-class’ may be ambiguous, but usually it also refers to the group which is ‘labelled’ as having a better education, in secure employment and having aspirations for homeownership.

From the fieldwork, it appears that a substantial number of young white-collar households finds it difficult to achieve their goals of becoming a homeowner. In the past, it may have been common for these groups to move from the parental home into owner occupation via a short stay in a rented house. A young white-collar worker family generally refers to a household

where the parents are in their 20s and 30s who are employed in a professional or white-collar occupation. Younger households are generally more vulnerable to income loss than more mature households, as their average incomes are lower and they are unlikely to have substantial savings to enable them to cope with a sudden change in their economic fortune. They are also more likely to be lower on the career ladder, and more exposed to job insecurity, which as already explained elsewhere, reflects the fact that the flexible labour market not only affects low-income households, but has also become common practice in mid-managerial level jobs (typically held by young white-collar workers). In addition, with few formal social safety nets, even those in the middle-classes are vulnerable to these insecurities. In Indonesia, like many other countries, young generations who live and work in cities face increasing difficulties in gaining access to housing. Housing occupies a pivotal position in the transition from parental dependence to adult independence. Delayed independence has significant implications for marriage and family formation, fertility, inter- and intragenerational tensions, social mobility and social inequalities. It is thus also interesting to have a perspective of this group of households.

The majority of these households work in private companies, as civil servants or in state-owned enterprises. As one of the 'global cities' in a functional system built around telecommunications, transportation, services and finance, Jakarta's parade of tall buildings in the major streets of the city has become the home to Indonesian and multinational corporations. The city also serves as a commercial centre for its surrounding area. In every part of the city, modern shopping malls exist alongside family enterprises. Thus, Jakarta City has already become a centre of services, commerce and finance, which attracts most white-collar workers to live here. They have better education compared to their blue-collar equivalents, most with a diploma or university degree. Arguably, in their age range, these young white-collar workers experience some significant life events like entering the labour market, moving for better employment, getting married or having children. From the fieldwork, these groups of young white-collar workers in Greater Jakarta usually had a monthly income between Rp.2,000,000 (£114) and Rp.10,000,000 (£571) given the average starting salary for a fresh graduate in Greater Jakarta was between Rp.2,000,000 (£114) and Rp.7,000,000 (£400) per month.

The author found that these young white-collar households are more attached to their employment, considering their employment is more secure than migrant blue-collar workers. Most of them planned to live and work for the longer term in Greater Jakarta. Although others were not aspiring to live in Jakarta City, their preference was still to work in the neighbouring cities near Greater Jakarta like Bogor and Bandung. Thus, these groups of people are more

concerned with the volatility of housing prices in Greater Jakarta compared to their blue-collar counterparts. The following two case studies paint this picture:

#### Case Study 1

EN (35) and her husband (35), had been married for 10 years at the time of the interview. They had 3 children, the oldest in the fourth grade of elementary school and the youngest only 3 years old. EN's husband worked as an assistant manager in a Korean shipping company, located in Kelapa Gading (North Jakarta), while she worked in the Indonesia Corporation Port, the state corporation of Indonesian ports and harbours, in Tanjung Priok (North Jakarta). Every day, they spent around 2-3 hours in traffic (Jakarta residents spend 2 hours on average): *"My husband will drive me to the office in the morning and then he will go to work...I then using Trans Jakarta (Integrated Bus) to get back home"*. Even though previously both of them were permanently employed with relatively moderate income (each had a salary of around Rp.7,000,000 - £400 - per month), both of them still felt insecure until EN finally gained work in a state company: *"[...] When me and my husband were both working in a private company, at the time we want to order something, we always concerned that both of us worked in a private company and can be laid off anytime [...] its different when I finally work in the state-owned company (her current employee) ... I'm becoming more confident"*.

That couple had lived in Kramat Jati (East Jakarta) for several years. They lived in the house of one of EN's relatives for a small amount of money. Before that, after getting married, they lived for four years in her husband's parents' house (which they inherited after both parents had passed away). However, because that house was near Kali (river) and a traditional market, she did not feel comfortable, and so they moved and rented that house to other people. They rented in Bukit Golf Cibubur (East Jakarta) for some time, but eventually moved to their current house, because the location was too far from their respective workplaces. That couple said that their fixed expenditure with three children gave them limited space for savings and investment. They were barely able to save money with their current expenses, such as paying off car loans, credit cards, school fees for their two children, house assistants and other daily operational expenses.

EN told the author that they actually had already looked for a house in the area, but the house that they like (have 3 bedrooms) already around 1 billion rupiah (£57,142) which out of their budget. they had looked around was in East Jakarta, because their children could get to school easier around that area, and living in an apartment was not an option for them: *"it is not for me...first, because I afraid of heights...second, because we already have children, it is better to have ground for them to be able to play but it's practical actually (lived in an apartment), maybe it's better for single people"*. Regarding how important it was to be able to buy a house, she explained: *"As for me, it's a must as it's both (for user and investment)...if we were renting in Jakarta, we don't get anything but if we buy (a house) it*

*will an asset and someday if something happens to us it will be valuable...in Jakarta if we able to buy a house, it is an extraordinary...because the house price keeps increasing*". That couple is hoping to be able to buy their dream house someday; meanwhile they will continue to save in order to have enough money for that down payment.

### Case Study 2

RD (31) is a single young professional working for one of the biggest palm oil companies in Indonesia. He has been renting almost two years on Thamrin Street (Central Jakarta) in order to be close to his office nearby, on Sudirman Street. He has been living in Jakarta since graduating from North Sumatra University and working several years on Batam Island. He spent around Rp.1,600,000 (£91.40) including bills per month, which he has preferred, allowing him a brief walk to the office. Although he is not yet married, and with his income around Rp.10,000,000 (£571), he has still found it hard to save, for he still sends some money to his parents. In addition, he feels that his expenditure has increased since using credit cards for entertainment and socialisation like other young people in Jakarta. He feels 'ok' to rent as many of his friends who work and live in Greater Jakarta are in the same position, even though some of them are already married: *"All of my friends from university are still renting a house or living in a boarding house around Jakarta"*. Given their range of incomes, he feels that buying a house is only possible if they are willing to buy in fringe areas like Depok, Bekasi, Cibitung and Serpong, or buy a small unit apartment around Jakarta: *"Most of my friends in the office are taking a commuter line from their house area, they don't care about the location as long as the neighbourhood is comfortable and price still affordable. I think for people who are already married, the motivation and pressure to buy a house is high...compared to people like me who are still single...also I don't really manage my money very well"*. In his view, it is important to have dual income in a family. After marrying, he and his wife will rent, buy a motorcycle, find a job with a better income, save for the downpayment and take out a housing mortgage. He sees the difficulties of buying a house as a result, with many people buying a house for investment which he views as the primary cause of inequality in contemporary Indonesian society. Therefore, he feels that the government needs to get involved and stop this investment speculation in housing. Nevertheless, he prefers to buy a house (despite its high price) rather than an apartment: *"My dream house is a house with enough space and must have a backyard with grass and trees"*.

### 7.3.2 Lifestyle Choice

Whilst the majority of respondents in the study articulated long-term preferences for home ownership, it is also clear that there has been a pragmatic adjustment of housing expectations in relation to their financial circumstances, like their ability to save for a downpayment, or their ability to access or afford to fund a mortgage. Thus, in the fieldwork, this levelling down of

expectations is in-turn linked to the increase in renting as the ‘new norm’, at least until they are in their late 30s. This shows the growing phenomenon of young people under 35 spending longer periods of their lives renting a house (for a newly married couple) or a room (for single people) in Greater Jakarta. These young people experience trouble working in or around Jakarta City, as the housing options for them are really limited and even if there is accommodation to suit their needs, the price range is already out of their budget.

The author found that even though their economic circumstances did not meet their housing goals, these young white-collar workers did not appear to be cancelling their entry into homeownership, but simply postponing it. Nevertheless, this can become a concern, as delaying entry into homeownership can affect their long-term housing careers. Whilst in many countries, the government gives special concern to these young white-collar households with certain housing schemes, in Indonesia, there are no subsidies or mortgage schemes to help these young households who are considered ‘middle-class’. They became the ‘intermediate’ housing need group who are a low priority for subsidised housing schemes and yet can barely able to afford houses marketed through the private sector. The only subsidised mortgage by the government is the KPR-FLPP, but this is only available for households with an income under Rp.5,000,000 (£285), which means that none of the respondents in this group are able to apply. A respondent explained:

*“Yes, I heard it (about KPR-FLPP) but only during chatting in my lunch time with office colleagues...but as far as I know it is only for people who have on income under Rp.5,000,000 (£285)”.*

Indeed, their housing career had already changed from their parents’ generation. Previously, their parents’ generation could expect to find work, leave the family home, marry in their mid-20s and raise children in the security of long-term employment. By contrast, a young Indonesian now tends to delay entry into the labour force as they complete higher education, marry older than their parents did and delay, or cancel altogether, entry into homeownership – all because of insecure employment. Recently, a study by Beer & Faulkner (2009) stated that housing careers have less to do with events, and more to do with financial circumstances. They argued that changes to employment status have a greater influence on housing careers than traditional life events. And a young person’s decision to enter the housing market is no longer based solely on their current or future life events. Similarly, Winter and Stone (1999) argued that the connection between life course and the stage within a housing career has weakened, and that the position in the labour market now determines an individual’s housing situation. Yet, some

scholars like McDonald and Baxter (2004) argue that the conventional relationship remains true, but with greater lags than in the past.

For this group, private renting is becoming their temporary option given their job mobility and financial constraints. Renting in various forms was seen by many as a way of coping with the current difficulties of homeownership. The study also found that location (as opposed to tenure or house type) was the most important housing preference in this household group. Other preferences included access to labour markets, access to services like banks and local shops, good transport links and the perceived quality of schools (a top priority for those with children). A respondent explained:

*“...For a house, the location is becoming my main concern...(only looking around Jakarta?) well, Bekasi still can be considered, but I heard from my friends, that the traffic jam is worst and the flood also frequent, so I’m not decided yet...”*

Another respondent added:

*“Well, there is two options...usually, people will choose either the nearest place from their workplace or choose a quite far place (from the workplace) but it’s more comfortable”*.

Interestingly, many of the respondents were not really interested in buying and living in an apartment, even if it meant they could live near the city centre or workplace. They only rented the apartment without considering purchasing it, except for investment. Declared one respondent:

*“I am not interested in investing in an apartment...cause Indonesia is prone to earthquakes so it is safer to live in a house”*.

Another respondent added:

*“I don’t really understand the legality of an apartment in Jakarta...the other day, I heard some of them only have a 50 years lease and Hak Guna Bangunan (Building Rights on Land) not freehold title”*.

This also might reflect the preferences in Indonesian culture, which views building from scratch on a plot of land as more valuable than owning high-rise property like a city apartment. The belief that land price will always increase every year means that it makes more sense to people to own a house compared to a residential unit like an apartment. The majority of those respondents preferred to buy a house in a gated community or ‘Kota Mandiri’ (integrated city)



around Jakarta. In brief, housing market choices do not occur in a vacuum; they are set within the changing economy, they vary from region to region, and they are affected by government policy. Thus, conditions at the macro level also influence the outcomes of the movements of households through the housing stock. This complex process in which general goals, household and individual preferences, and macro-level constraints and opportunities interact has led to a set of observed choice patterns.

### 7.3.3 *The Affordability of Housing*

It is not surprising that for many young households the affordability of housing in Greater Jakarta has become a key concern. Recent years have witnessed sharp rises in house prices across the big cities in Indonesia, particularly Greater Jakarta. Affordability is a key challenge for these young households, who work in many offices and commercial buildings in the city centre. The house prices are out of the reach of many households even when they earn a reasonable amount of money (in Indonesian income standards). From the fieldwork, the majority of respondents were found to have an income ranging between Rp.5,000,000 (£285) and Rp.20,000,000 (£1142). First-time buyers were particularly disadvantaged, even though they have already prepared to stretch their mortgage, usually up to 10-15 years. A respondent recounted his experience when looking for a house:

*“... I’m looking a house around Rp.1 billion (£57,142) which I think should be sufficient for a two bedroom + one bathroom house in Jakarta...I have seen a house on the internet it was Rp.700 million (£40,000) a year ago, but the last time I checked it is already 1.5 billion (£85,714).”*

The other possible choices for respondents are to look beyond the Jakarta area which means long commutes – a compromise which not all respondents were prepared to make. Meanwhile, the downpayment was also a concern because in Indonesia, first-time buyers are required to pay a 30 percent downpayment.

A respondent explained:

*“If I want to buy a house...it might be even for downpayment I will borrow from my family while the mortgage from Bank”.*

Another explained:

*“ [...] cause now the requirement for downpayment around 20-30 percent [...] it looks like, the house that I’m looking for (minimum having 3 bedrooms) [...] the price in my area is around Rp.700-800 million ( £41.176-£47.058 ) [...] (laughs) we could imagine, I need Rp.150 million (£8823) for downpayment [...] and the instalment itself around Rp.5-7 million per month (£285 - £400 [...])”.*

Mortgages are only obtainable by those who are able to provide a large deposit and have a high and steady income. The housing options for this group are also declining as many house prices in Jakarta have soared to the point where this group are unable to buy. Thus, this group of households also experiences housing insecurity. They are also being squeezed out further by tightening lending rules, including the larger downpayments that are now required.

Some of the respondents also needed to delay their housing purchase, as they decided to buy a car first, which they felt to be more urgent. Having a car becomes essential for people who work in Greater Jakarta, as there is a lack of public transport. The car has also become a status symbol of ‘success’, which is ‘important’ for modern urban Indonesian people. Said one respondent:

*“Yes, we just buy a car...(the instalment) Rp.4.4 million per month (£251) for 5 years... well because my wife is pregnant so it’s become a need for our family...also because on the weekend we like to holiday to Bandung”.*

Indonesia’s population is one of the youngest in the world with about half of the population under the age of 30. They are in earlier stages in their family and work cycles, therefore many rent in order to be closer to sources of employment, to live in better residential areas or to be able to save for the future. There was also evidence of uncertainty about current housing market conditions. The housing market was showing a ‘cooling-down’ sign at the time of the fieldwork (Oct 2012 to Jan 2016), after the significant price increase between 2012-2013, but it was not widely believed that housing prices would fall significantly. Indeed, the house prices were believed to continually increase, but at a moderate rate. Respondents were unclear about what would happen and this made them unable to plan for the future, besides waiting and hoping that the house prices would decrease. As for the future, it is difficult to predict whether job security will increase. One could argue that job insecurity is strongly linked to levels of unemployment, which may have been in a trough in the mid to late 1990s. This also connects to macroeconomics and the question of whether Indonesia is heading into another recession. Growing evidence from a number of cities, nevertheless, suggests that rapidly rising land prices and falling incomes are making the transition from renting to ownership far more difficult than

it used to be. Put simply, homeownership was out of range of most members of the middle-class given their low-income relative to the price of houses and their uncertain employment.

#### *7.3.4 The Element of Household Strategies*

This growing unaffordability has caused a number of changes to the way that young people experience housing, particularly in relation to tenure. Most obviously, buying a home is now beyond the reach of most young people. Two household strategies used by these young white-collar families, that emerged through the fieldwork, will now be discussed.

##### *a. The Dual-Earner Strategy*

Similar to their blue-collar counterparts, the importance of dual income earners is essential if this group wanted to step onto the housing ladder. This gives them more options to be able to plan and save their income. Ideally, one of the household incomes (either the husband or wife) will be used to pay the mortgage instalments while the other's income used for daily expenses including children's tuition fee, bills and other household amenities. The affordability challenge is more pronounced generally for single young people than it is for couples, where both have a regular income. Dual income clearly offered some the ability to get onto the housing ladder. Nevertheless, since their income was still limited, it took time and effort to save a substantial amount of money for down payment. This was reflected in the statement of one respondent:

*“... I think for us, the down payment will be from both of us ...we plan to give as much as we can, but the instalment will be from my wage and the daily expense will be from my wife...so I can be more responsible for the house (payment)...”.*

However, many of these young families will not be able to have this dual income as they need to look after their children, who are usually still babies or toddlers. The lack of proximity of close family to carry this burden, makes it almost impossible for families with children living in the city to earn a dual income, save for paying for a house assistant or nanny. Many young families in Indonesia are still relying on their parents to help take care of their children, so it is more convenient for most people to be able to live near their parents, but for some respondents, this is not the case.

A respondent explained their condition:

*“We are both from outside of Jakarta, both of our families are far from here... I'm from Padang and my wife her family live in Bandung...so it's impossible, but if one of our parents lived in Jakarta that option will be definitely considered”.*

*b. Shared house/flat*

Since these respondents are renting from private accommodation, be that a room, a house or apartment flat, the expense of the accommodation cost can be reduced by sharing with multiple occupants (depending on the number of bedrooms). This makes it possible for them to rent a more expensive house with better location and amenities, but one that is still cheap compared to living alone in a boarding house or apartment. A respondent gave details of his current accommodation arrangement:

*“I’m renting a house...we rent a 3 bedroom house around Rp.60,000,000 (£3,428) per year which I share with my friends...in average for a room in kos-kosan (boarding house) near Jakarta, you expect to pay around Rp.1,000,000 (£57) monthly, with an air conditioner around Rp.1,500,000 (£85) monthly but if you have a parking space around Rp.3,000,000-4,000,000 (£171-£228) monthly...it is a bit expensive in Jakarta...”*

For the others who are still single and more concerned about privacy, renting a room in a boarding house becomes the best option. It is important to note that while in some countries, the landlord usually has a poor image, this is not the case in Indonesia. Relations between owner-occupants, as small-scale landlords, and tenants, are more symbiotic, and it is not uncommon for owner-occupants and their tenants to have close social ties. This may be because owner-occupants are aware of their inability as small landlords to have a substantial influence on rent levels, and are usually more concerned with minimising tenant turnover than maximising the rent charged. Given those circumstances, small-scale, owner-occupant landlords indubitably fill an essential role in accommodating the growing numbers of urban poor who have little alternative but to rent.

## 7.4 Conclusion

This analysis has allowed us to explore household decision-making which relates employment to household roles and household expenditure. One of the important elements, as articulated by Clapham (2002, p.65), is that ‘a housing pathway will run alongside and be closely associated with other types of pathway, such as employment’, a point also made by others (e.g. Smith *et al.*, 2003). Thus, decisions about housing are not made in isolation, and housing circumstances are not necessarily a desired end, but may be a means of achieving some other necessity or aspiration in life. In addition, as Moser (2007) argue, households make crucial choices in managing complex asset portfolios at different stages of their lifecycles. Housing is a first-priority asset, and while it does not necessarily get households out of poverty, adequate housing is generally a necessary precondition for the accumulation of other assets. It is clear, from the fieldwork, that insecure employment is preventing people from accessing mortgages and reliably meeting their monthly housing costs. Thus, understanding housing careers is important across all tiers of government, and change within housing careers will have a significant impact on the demand for government assistance. However, it is important to recognise that there is a two-way relationship between government assistance and housing careers, whereby the services and subsidies provided by the public sector shape the opportunities available to individual households.

It is also well understood that addressing affordability also becomes crucial for both blue-collar and young white-collar families. Residential development in Jakarta, in particular apartment blocks, has increased rapidly since 2010, but can Jakarta’s ordinary workers afford to live in any of the properties that are being built? The author also argues that even meeting the needs of those on the lowest income is clearly important; the government need to intervene in the housing market as the housing market will not provide well for those who are most in need and have limited income. Even those in work and on middle-incomes face limited housing options and to be able to find suitable housing in Jakarta is now almost impossible. The author has examined the similarities and differences between these households’ accounts, and considered their relevance for the theoretical and policy debates about housing affordability. Arguably, in order to arrive at a housing agenda for the future, there must be a very clear understanding of the present and recent past. Thus, this qualitative study can draw attention to policy proposals which indicate how changes in the housing market would make it more compatible with the actual labour market conditions faced by the respondents.

The real use-value of housing cannot be measured in terms of how well it conforms to the image of a consumer society standard. Rather, it must be measured in terms of how well the housing serves the household. Every household, in deciding their own housing priorities, must balance the advantages and disadvantages of a complex set of monetary and non-monetary criteria. To achieve this balance, trade-offs between these various criteria must be made. Realistically, only the household itself can reasonably decide what these trade-offs should be. However, housing value becomes more complex in a big city like Jakarta, and the location has also become an important factor for housing, as commuting costs represent a big portion of the budget for most urban households.

The availability of financing, the amount of new construction, the prices of new homes, and the volatility of mortgage rates, all negatively influence the probability of making the move from renter to owner. Arguably, the movement between renting and owning will be most affected by fluctuations in the economy. This study gives a first glance of how families have struggled to accommodate themselves to these shifts in the economic tide. Those living in families without at least one ‘permanent’ job were considerably less capable of sustaining their capabilities to get by and planning their long-term goals. It seems that the failure of recent labour market conditions to provide these benefits – long-term and stable employment, regular hours, assured pension plans and health insurance – has been much more significant than expected. These people appear to be stuck in the role of ‘defending’ and cannot move onto home ownership. However, in the next section, we begin to discuss how different situations, conditions of employment and lifecycles have allowed some people to ‘make the move’ to home ownership, becoming either ‘managing households’ or progressing to become ‘improving households’.

## **Chapter 8**

### **The Voice of 'Managing' Households**

## Chapter 8: The Voice of ‘Managing’ Households

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## Chapter 8

### The Voice of ‘Managing’ Households

#### 8.1 ‘Managing’ Household Strategies

It is a widely held view that homeownership has become a ‘normalised’ tenure choice in many countries including Indonesia. However, after the 1997 economic crisis and followed by the 2008 global credit crunch, accessing homeownership has been increasingly challenging. Mortgage lending criteria have become more complex, bigger down payments are now required and a sharp increase in housing price has made it an almost unreachable goal for low to middle-income households. In June 2012, Bank Indonesia raised the minimum down payment requirement for housing loans for first homeowners to 30 percent (thus a loan-to-value ratio of 70 percent) and increased the minimum down payment requirement for the purchase of a second house or apartment (bigger than 70m<sup>2</sup>) to 40 percent (BI circular letter No.15/40/DKMP). That policy was basically designed to maintain the stability of the financial system and to strengthen the bank’s resilience by reducing credit risk in the property sector. The rule was not applicable to credit or financing within the housing program sponsored by the government. Nevertheless, given the limited subsidised mortgages available, the majority of Indonesian people only have a commercial mortgage with a high-interest rate as an option. The ability to enter into homeownership not only depends on a family’s or individual’s ability to fund a mortgage but also being able to meet home purchase cash requirements made up for a deposit and transaction costs.

To fully understand these challenges, the chapter will look beyond the immediate housing market issues and explore household experiences of taking out a mortgage with or without a government subsidy. A rich data set of interviews with people talking about their mortgages, housing histories, circumstances and future plans will be discussed in this chapter. The fieldwork was conducted in three subsidised housing areas in Bekasi from October to November 2014 (for blue-collar respondents) and by telephone calls between December 2014 and January 2015 in Greater Jakarta (for white-collar respondents).

### *Characteristics of 'Managing' households*

Whilst much research supports the assertion that homeownership has positive psychosocial benefits, these results often reflect the views of owners who are not exposed to the risks associated with the repayment of mortgages. That said research focused on homeowners at the higher end of the economic spectrum reflects that, by definition, the market for homeownership has been largely the domain of higher-income families (Rohe & Stegman, 1994b). In reality, recent home buyers, from low to middle-income households, have to face high housing prices, high up-front transaction costs, high-interest rates and limited housing options within their budget. The author uses the term 'managing' to describe people who struggle to keep up with their mortgage payments or who manage to pay their instalments but struggle to plan ahead given their current circumstances.

These households face a hard budget constraint every month; nevertheless, they have stepped onto the housing ladder despite those constraints. Maintaining equilibrium between needs and resources is the main goal for this household strategy. Thus, adaptability is crucial to achieving equilibrium. Whilst people who live on lower-middle incomes are not different in their attitudes and values to the rest of society, their aspiration for a decent home has made them more vulnerable to economic changes. As first-time buyers, their profiles in terms of employment, expectations and attitudes to job security arguably have influenced the timing, location, borrowing arrangements, or nature of their home purchase, their future mortgage commitments and how well-off they believe themselves to be.

To assert that 'all' first-time buyers think or act alike is almost falsified by the empirical data. Arguably, under current economic transformations, there are good reasons to expect each household to differ in response according to their individual and household situation. Macroeconomic changes involving inflation, interest rate changes, changes in housing prices and uncertainties about continuing paid employment make every household need to carefully enter into a long credit commitment such as taking out a house mortgage. It is low to middle-income home purchasers (with a mortgage) who can expect to face the greatest financial risks. In addition, the benefits and risks of homeownership for low-middle income households also need to be reviewed. Do low-middle income households gain the same benefits as households with higher incomes? Are these benefits offset by additional financial risks, including high mortgage burdens and additional expenses for house maintenance?

## 8.2 Findings (Blue-Collar Households)

### 8.2.1 *Moving from Renting to Owning: Income Stability and Employment Permanency*

Moving from a rental dwelling to owner occupation is an important event in the housing career of a household. Arguably, considerations of housing consumption are closely related to household circumstances which play a dominant role in the decision to rent or to buy a dwelling. Various studies have examined the relationship between housing tenure decisions and the family life cycle (Henderson and Ioannides, 1989; Davies and Pickles, 1991). From the fieldwork, the author found that the majority of respondents from the three subsidised housing areas in Bekasi were young families between 23 and 31 years old. This resonates with the idea that buying a house is closely linked to marriage and the birth of children. Clark *et al.* (1994) suggest that for many households the transition to ownership occurs just before or after the birth of a first child.

Moreover, one of the most significant reasons why Indonesian people are bound to homeownership is a social belief that a family ideally needs a house to raise their children. This social value is deeply entrenched in Indonesian culture and strongly associated with autonomy. It is almost accepted wisdom that buying is better than renting; after all, becoming a homeowner is not only a signal of personal success but also one of the most important methods of wealth accumulation. In addition, for many households, the home is the largest asset in their portfolio and labour income is the most important source of wealth. Shiller (1993) and Caplin *et al.* (1997) argue that without financial markets for insurance against volatility in housing prices and labour income, it is natural to expect risk-averse households to use housing purchase to hedge income risk.

Despite some people assuming that becoming a homeowner makes them exposed to fluctuations in house values, the alternative to home owning – namely, renting – is also risky since a tenant is also subject to periodic rent adjustment. Thus, the only practice to hedge against uncertain annual housing costs is to own a house so they can lock in the cost of future housing services. As (Sinai *et al.*, 2009) argue, even though the house price risk increases with rent risk, the latter empirically dominates for most households – so housing market risk actually increases homeownership rates and house prices. In addition, the regional variations in the composition of housing supply also have a large effect on decisions for owning or renting, as might be expected (Myres, 1990; Deurloo *et al.*, 1990).

From the fieldwork, the author found similar working backgrounds between respondents in renting dwellings and homeowners in this subsidised housing. Almost all of the respondents

worked in manufacturing industries around the *Jababeka* industrial estate. Most respondents lived in rental units in the *kampungs* near *Jababeka* before buying a house in their current dwelling, in the same *kampung* where most of the ‘defensive’ respondents were interviewed. A respondent, 28 years old, explained:

*“[...] renting first [...] in Pasir Gombang (A thousand door rental unit) then I moved again to ‘Sukaraya’ settlement when I worked in my current company [...] it was 2011, I got married at that time [...]”.*

Nevertheless, when he became a permanent employee in his current company, he decided to take out a subsidised mortgage (KPR-FLPP) to buy his current house. The other respondents also told the same stories; almost all of them took a subsidised mortgage when their employment status became permanent. Many of the respondents stressed how important the permanency of income was before they committed to buying a house. A common theme was the notion of income stability and permanency of employment that embodied the main factor which influenced respondents’ decision whether or not to buy. Arguably, the household’s short-term and long-term expectations about the development of their household and employment career are an associated aspect of the motivation to buy a home (Pas *et al.*, 1983). In addition, income level, income stability and income prospects are internal factors that influence the decision for renting or owning. When they choose to rent instead of buy, it is not the barriers to accessing credit by financial institutions (although these certainly exist) that make them stop trying, but rather through the individuals’ self-assessment of their own situation. A respondent, who had just become a permanent employee, 28 years old, spelt this out:

*“It is us who are afraid to take it (house mortgage) if we are not a permanent employee [...] if we get laid off how can we pay (the instalment) [...] it is a bad way to lose your money”.*

The step to house ownership is generally only undertaken when the person (usually the household head) has reached certain stability. Thus, some of them were renting and then bought their current house while others waited to have a house before deciding to marry. Nevertheless, one or two respondents admitted that they were in fixed-term contracts and outsourcing employment, but nevertheless able to take out a housing mortgage. This was likely because they had a connection with the developer or company, who was willing to help with administration issues, for one of the requirements of purchasing a home is to show a letter of appointment as a permanent employee to the housing developer. A respondent, 24 years old, explained:

*“Not yet, still working as contract employee [...] I’m asking for help from Human Resources but it is an unofficial letter (laughs)”.*

It seems that employment status has a big effect on decisions regarding tenure choice and the household strategy more broadly. Interestingly, it seems, some people were willing to risk buying a house using false supporting documents. Arguably, that was one of the important factors that distinguished the fieldwork respondents who were still renting from homeowners. It can be argued that the transition to homeownership mainly takes place when stability in both income and household situation has been reached (Davies and Withers, 1998; Dieleman and Everaers, 1994; Henretta, 1987). Besides the necessity of having a place to raise their family, buying a house is also affected by current housing market circumstances. A high increase in housing prices in the last few years, combined with the uncertainty of inflation and economic conditions, makes it logical for them to enter the housing market as soon as they can. A respondent, 28 years, agreed:

*“The thing is, you must hurry up (buying a house) [...] house prices are increasing beyond reason like in the central park region [...]”.*

The increase in housing prices over the last couple of years has already made many households decide to channel all their resources into buying a property. These ‘panic buyers’ are found not only in the more affluent economic households but in all levels of households including those in the lower-middle-income group. For these households, the urgency to buy a property as soon as possible is real, as they will be ‘left out’ if a purchase is not made immediately. Rudel (1987) argues that house price inflation has two contradictory effects: it raises the entry costs to owner-occupied housing, but at the same time increases the incentive to own a house as a hedge against the inflation of assets. The increase of housing prices in the last few years also has produced a side-effect, that many people are putting their money into property in the hope that they gain instant profit from house price appreciation. This highlights the tension between the need for property values to increase for low-income earners so that they have an asset that accumulates wealth, and the need for home prices to be affordable at the same time. However, this unsustainable housing market will produce more problems eventually, for Berkovec (1989) show that higher house price inflation makes higher-income households purchase a house while low-income households are excluded from this tenure. Many people are buying properties as an investment rather than to occupy (see Chapter 9).

## 8.2.2 Housing Aspirations: Stories and Narratives

To fully understand household housing aspirations it is important to understand how they make sense of their household economic condition and the available housing opportunities in the market. The following two respondents were found by the author to typify the subsidised housing mortgage (KPR-FLPP) receiver, which is one of the main topics of the study. Thus, these oral testimonies had a big impact on the research, contributing to how the bigger picture was eventually painted:

### Case Study 1

RB (26) and his wife (26) just married several months ago. RB was renting before he got married and has been working for five years in his company. Both of them are not originally from Jakarta, RB from Malang, East Java, and his wife from Cilacap, Central Java. RB felt lucky to be permanently employed by the manufacturer, which made him able to buy his current house and subsequently get married. *“Alhamdulillah (Praise be to God) I’m now a permanent employee”*. He took out a 15 years subsidised mortgage for his 36/60 type house (two-bedroom house) and pays Rp.790,000 (£45) for each monthly instalment and around Rp.160,000 (£9) for bills. He admits that he felt more secure after buying his own house: *“It is just like paying the rent...well, it is more than what we pay if we are renting a house, but at the end of the day, it will be ours”*. Regarding the down payment, he managed to get a relatively small down payment, of around Rp.10,000,000 (£571), as he purchased the house in the early days of estate construction which allowed him to pay 6 instalments (thus negating the need for family help).

Since then, he admits that they have not experienced any significant problems in paying those instalments: *“Well, for paying the instalment, it’s already our first priority...maybe if we have financial difficulty, the post of secondary expense like my expense of smoking cigarettes will be reduced”*. Besides, his wife also works and can give them additional income for the family. Even though he now lives farther from his workplace, he does like the neighbourhood and there is a shuttle bus near the housing estate that goes to his workplace. Regarding his plans in the future, whether he will live permanently in Bekasi or will return to his hometown, he said: *“Well for the future, I don’t know what will happen...if I buy a house in kampung (hometown) but I’m renting here it’s not really ideal, I think it is better like this...buy a house here and if I will be back to my hometown, it has already become my investment...I can rent it out or anything else”*.

## Case Study 2

ST (27) and her husband (29) had been living in the housing estate for a year and a half before the interview. They were renting in *Cikarang Baru* between 2009 and 2012 before being able to take out a 15 year subsidised mortgage on a new home, with monthly instalments of Rp.790,000 (£45). She was working in a restaurant for 3 years and a factory for 4 years before she got laid-off because the factory relocated to another region. Since then, she has not worked again. Her husband is working in a lathe workshop in Bekasi. Both of them are originally from Garut and Bandung, West Java. *“Regarding expense...I used to be working so there is an additional income, but now, since I stop (working) is just enough (laughs)”*. After the birth of her son, she feels she cannot go back to work: *“Actually my husband does not forbid me to work...but I have a son and since my sister already has her child, there is no one can help me to look after my son while I’m working. So, I just decided to stop working completely. Many other women are also not working (in the area), some of them put their children to their grandparents or send their children back to kampung (hometown)...I feel it is a pity to do that”*.

After they took the house (type 36/60), they made a small renovation and spent Rp.17 million (£971) to add a small space to the back of the house. They borrowed some money from her sister as she encouraged them to buy a house rather than renting forever. *“It is much more comfortable to live in your own house even though you are in debt (laughs)”*. Regarding their future plans, concerning whether they will be able to buy another house for investment: *“Have no idea, not yet thinking over there...to be honest, there is a nervous feeling if we aren’t able to pay (the mortgage) but as long as my husband is working...little by little, just have a house first”*. She felt comfortable in the neighbourhood as many neighbours are also young families with one or two children: *“Many women in the neighbourhood are just like me, having small children so it is convenient”*.

### 8.2.3 *The Cost of Owning Relative to Renting*

Although there was diversity in the individual experiences and perspectives across research respondents, there were many commonalities. The majority of respondents felt that they paid more or less the same amount of money as when they paid for rent. A respondent, 23 years old, explained:

*“I’m more peaceful [...] I pay the same when I was renting [...] but when I pay for rent, I just give the money to other people, but if I pay for a mortgage, at the end it will be mine [...]”*.

Even if they pay more on mortgages, it is considered as saving. Many respondents view buying a house as a type of forced saving which makes a monthly mortgage payment similar to putting money in a bank, unlike paying housing rent. This exposes a well-known view of many Indonesians that renting is ‘dead money’ and households are always better off buying if they can do so, irrespective of income and where they buy. The KPR-FLPP also helps lower-middle purchasers keep housing costs more predictable. A statement from one respondent, 26-years-old, reflected this view:

*“My expense is bigger when buying, but it can be seen as saving, it is also more manageable compared to renting”*

Nevertheless, it is clear that paying their mortgage has taken a substantial part of income, which the households will have to cope with in the long term; the majority have taken out a mortgage of 15 to 20 years. Whilst it is clear there is an issue of ‘access affordability’ for lower-middle households, simultaneously, there has been some concern with ‘ongoing affordability’ which is the capacity of households to continue to pay their mortgages in the face of external changes such as increasing interest rates, unemployment and illness or disability. The majority of respondents admit that they budget carefully and are determined to live within their means and avoid going into debt, by making the payment of their mortgage instalments their first priority before other daily needs. The individuals interviewed were very conscious of the limitations of their budget, so self-discipline and restraint were required for them. However, this could accentuate financial hardship in the family by leaving too little in the household budget for necessities other than housing.

The majority of respondents often showed great resilience in trying to make ends meet by sacrificing secondary needs such as ‘leisure time’ and parts of the food budget. A respondent, 23 years old, made this clear:

*“For me, at the early month, I pay for a house and motorcycle instalment, then the rest for food, you eat from what budget is left”.*

Another respondent, in her late 20s, added:

*“When we still rent, we just go out every weekend, but now just stay at home [...] sometimes when we want to buy some food, we just cook it at home, especially like now as we just have a baby just stay at home (laughs)”.*



The constant need for prioritising and juggling was not seen as an inescapable oppression. Instead they often viewed it as an ‘ordinary’ fact of life and identified continuous possibilities to improve the efficiency of their household management. For people to say that they are coping with the situation does not mean that they are living comfortably; economising, in the sense of doing without, is often necessary. Nevertheless, the respondents seemed satisfied with their current economic background despite their limited budget after paying the mortgage. This was likely because of the personal satisfaction of their current lifestyle was closely related to their previous financial circumstances, their parent’s economic condition and also the relative position of their neighbours – who, more or less, had the same working background.

Some studies identified that personal perspectives and reflections on individuals’ current financial and social circumstances are influenced by an individual’s ‘frame of reference’ (Frank, 1997), which is in-turn affected by their expectations, aspirations, previous life history and social reference groups (Burchardt, 2004). The author also argues that it is also part of Indonesia culture, in particular, Javanese (the ethnic group of the majority of respondents), where the culture of ‘*nerimo*’ (acceptance) is very strong. This can be translated as having the courage to change the things we can and the serenity to accept the things that we cannot. Nevertheless, lifestyle adaptations of the respondents are also important to help them to cope with additional expenses. This was reflected in the statement of a 26 year old respondent:

*“At the first time, it really feels a bit hard, but a while, we just get used to, we just manage to meet all the basic needs”.*

Nonetheless, some respondents, in particular women, said they also felt anxious about the possibility of not being able to pay the instalments. A respondent, 25 years old, said:

*“Feel more anxious [...] for example, if you rent the landlord will chase you but if this (taking a mortgage) the bank (debt collector) will chase you”.*

Despite most of the respondents saying they had not spent anything on their house maintenance, some respondents said that they had to spend more to be able to make their house function. The poor finish of their houses had influenced them to renovate upon entering. One respondent, 26 years old, made it very clear:

*“Buying house like this, just like, ready for renovation but not ready for living [...] for the first time I got the key, some floor tiles are already cracked, so house like this just ready for renovation not for living”.*

Another respondent, in her end 20s, added:

*“Many were cracked, the floor tiles were installed really badly, and many are cracked already”.*

Certain house deficiencies required extra money to fix, for example installing an artesian well or fixing the septic tank. Some of them had also added rooms or extended the kitchen (the kitchen is only a kitchen sink when they handed over) using spare land around the house (type 36/60 houses are usually a 36m<sup>2</sup> building with 60 m<sup>2</sup> land overall). They spent from Rp.6,000,000 to Rp.30,000,000 (£342-£1714) to do that renovation. The author found that most of the houses did not meet the quality standard that the respondents expected. Poor quality building work also resulted in some of the households not directly moving in when they got the keys but living elsewhere until the house was ready to be lived in. Nevertheless, over time, rooms have been added, higher standard material used and utilities installed. In order to pay for this ‘extra’ expense, some of them had taken out a personal loan from their bank; whereas others just waited until they had the cash or borrowed from friends. Many households were reluctant to utilise credit except to finance a major expenditure such as house renovation or buying a motorcycle. Two respondents, aged 28 years and 26 years respectively, explained why:

*“No, my parent advises me not to take it; they said it (credit card) is a devil card (laughs)”. His wife added, “We prefer paying by cash, we are just afraid cannot control it, some (banks) offer it to us but we don’t take it, just borrow from my neighbour (laughs)”.*

Arguably, KPR-FLPP helps lower-middle purchasers keep housing costs more predictable. The question is, do lower-middle income purchasers struggle for years and only achieve financial relief after many years of hardship, or is their decision to purchase vindicated relatively quickly?



Figure 8.1 (Clockwise from the top)

- (1) Main entrance to the housing estate
- (2) Typical subsidised housing unit
- (3) The atmosphere of the housing estate
- (4) Some facilities in the area (convenience store, clinic and barbershop)
- (5) Some desolate and derelict houses
- (6) Major renovation to maximise 'spare' land

### **8.3 Findings (Young White-Collar Households)**

#### *8.3.1 Housing Aspirations: Stories and Narratives*

Young white-collar workers, particularly those who live in Greater Jakarta, face increasing difficulty in finding suitable housing, as the problems of affordability and accessibility restrict the options available to them. Since 2008, house prices have been rising consistently across Greater Jakarta, with some areas experiencing dramatic increases. This has made homeownership unattainable for most young families, even for those with relatively high income. Allocations for subsidised social housing (*Rusunami* and *Rusunawa*) and subsidised mortgages (KPR-FLPP) exclude this group as their income exceeds the applicable limit. Meanwhile, rents are becoming higher and there is a lack of housing security. This group has to face the housing market with no help from the government, and has become more vulnerable. As Andrew (2006) note, young people are particularly disadvantaged by the housing price increase trend because they have had limited opportunity to accumulate the liquid wealth required for the deposit and are on relatively low wages at the start of their careers. The situation is most acute for those aged 35 or younger, as they are still developing their career, which is usually concentrated in the capital city. Arguably, in current housing market conditions, young white-collar workers do not have time to plan and just have to react to their housing situation. These young white-collar households usually are seeking a house between Rp.400 million (£22,857) and Rp.1 billion (£57,142).

The majority of young white-collar workers also stressed how important homeownership is for them, much like their blue-collar worker counterparts. Arguably, with their more secure employment background and bigger income, these young white-collar households should have more options for their first home. Unfortunately, these housing price increases across Greater Jakarta have made housing become more polarised. In order to get a house within their budget, young families must be willing to live on the edges of Jakarta City or in a multi-storey apartment with limited space for children. It is likely that they have to adjust their dream to their budget rather than vice versa. The following two case studies exemplify this situation:

### Case Study 1

MH (30) is a young professional working for an oil and gas company in Cilandak (South Jakarta). With an above-average income at around Rp.20 million (£1,142) per month and permanent employment, he had bought a 98/63m<sup>2</sup> house in Cinere for Rp.900 million (£ 51,428) with a 15-year mortgage from the bank. He was waiting for bank approval before making a final decision on the best mortgage to finance his house purchase. He needed to wait a year for the house to be built after his mortgage application was approved. Given the 30 percent downpayment required to buy a first house, he was considering taking a higher rate mortgage to help him with that downpayment. He had no financial help from parents or friends, while the allowance from his company was also limited to those workers who had worked a minimum of five years and were in a managerial position. So the only option for him was to take out a mortgage from the bank.

He said that he needed to buy a house for his preparations for marriage that year and hoped that additional income from his wife would help them to cope with the mortgage instalments. He prefers to allocate his salary to pay the mortgage and his wife's for daily expenses. He was also considering taking out a car loan when able to do so. During the interview, he was living in a boarding house near his working place, at Rp.1,200,000 (£68) a month including bills. On average his monthly fixed expenditure was around Rp.5,000,000 (£280). He admitted there were not many housing options in his budget range, which ideally would be less than Rp.800 million. He said that "*... now the developer just become a single determinant (to dictate the house prices around Greater Jakarta) which make the uncontrolled increase on house price and beyond reach of most of Jakarta people...*". He was not considering an apartment because he thought a house was a better residential unit. Regarding the process, he said: "*I think it much easier now in term of administration as many bank compete to provide KTA (no collateral credit) but again the interest makes many people afraid to buy a house...but for the administrative issues, it is them who approach us (customer) rather than as it was several years ago we needed to apply by ourselves*". He considered buying a house as an end user rather than for investment: "*I don't ever think about it (buying another house)...for investment, I put part of my income to financial service like investment insurance and mutual funds*".

## Case Study 2

DA (29) and her husband (29) have lived in Jakarta for several years. Both of them work as architects. They have been married for four years and have a child which made her decide to resign and do freelance projects while her husband works as an architect in Kuningan (Central Jakarta). After they were newly married, they decided to rent a house before moving to her parent's tenement. They decided to spend Rp.20,000,000 (£1,142) to renovate the tenement rather than renting a house, and lived there for two years. They then sold their car to buy a piece of land in the Greater Jakarta fringe area (140 m<sup>2</sup>) in 2013. *"At first, we planned to save some money for the down payment but after my son's birth, we had only very limited money so must delay our plan to have a house"*. During that time, they also kept looking for a house mortgage but because of the legalities of the land (which was AJB / Deed of sale and purchase, and not SHM / freehold title), no bank wanted to finance their plan. She explained: *"We then went to a Multi finance company and we mortgaged the car to get some loan and used the money to build the house gradually"*. She added *"The process was quick but the rates was high, almost double the money that we borrowed (in three years loan period)"*.

Given their expertise in construction, they were able to manage the build themselves by hiring only builders. *"As for us, the house also become my (architecture) studio advert, so if the client want to see our design they just need to come to see (laughs)"*. They spent Rp.120 million (£6857) to build the house (55/140). She added: *"As we build by ourselves, we can adjust the budget to build the house, some part we just down grade the materials or the other just waiting until we have enough money before we installed it"*. She admitted that they put all the resources they have into the house: *"All the money come from my parents, me and my husband salary, the freelance jobs money...that's all"*. They also needed to make some adjustments in their lifestyle to pay their loan instalment: *"As I don't work anymore, we have to make some adjustment from dual income to only one income...I think it's more to our lifestyle, before we have a house we usually eating out in restaurant but now is just occasionally, sometimes the expense of entertainment is the same as the expense of eating at home for a month"*. They were still paying for the loan instalment while hoping to buy a house in the future, using the current house for their architecture studio office.

### 8.3.2 *Work/home Balance*

Young white-collar workers arguably were also more committed to their area and usually did not want to move outside their current place. Thus, it is not surprising that many young households experienced a real lack of housing options in their local area and difficulties throughout their housing journey. Compared to their blue-collar colleagues, these young white-collar workers stressed the importance of house location because they wanted to live near the workplace, be near their family and support networks, and be close to better schools.

A respondent explained:

*“[...] we have to look at the cost and benefit (in buying a house) [...] location and price, for location, it must be near my workplace, the main consideration is the effectiveness and efficiency, then the price [...]”.*

The location was more important to them when they already had a family. Nevertheless, because of price considerations some respond by choosing to compromise their ‘ideal’ location, which sometimes means long commutes and traffic jams. A respondent declared:

*“[...] it is all different, some people must buy a house that fits their dream, maybe must near their working place, but if you consider the budget, like myself, you must looking for the house on the edge of Jakarta, if you are not willing to move out same distance you won't be able to buy (a house) nowadays, a far as there is a public transport, I'm fine [...] the distance is around 35 km from my house to my workplace”.*

### 8.3.3 *Affordability*

In the last decade, house prices have risen much faster than wages, which means that houses have become less and less affordable. It is clear that achieving outright ownership at an early age has become more difficult. Arguably, like other markets, such as the labour market, homeownership is becoming a mechanism for reinforcing inequality. Many lower-middle and moderate-income families are being locked out of the opportunities for wealth building and secure occupancy that have historically been offered by homeownership. Households who did not already own a house before the bubble started growing, ended up giving up more and more of their salary simply to pay for a place to live. This increase in prices led to a massive increase in the amount of money that first-time buyers spent on mortgage repayments. Ideally, young couples should buy or rent a small house to start a life and after 2-3 years, manage to save for

a house down payment to step onto the housing ladder. However, current housing prices in Jakarta are soaring to an astronomical level, and the gap between income and house price is too great. The requirements of bigger down payments makes many young white-collar workers put off their plan to buy a house or even if they eventually are able to buy their 'dream' house, they must be willing to use all their savings or consider re-mortgaging to be able to fund the down payment. Financial constraints are still the biggest problem for these young families. A respondent stated:

*“Difficulties? [...] more about approval and cash flow [...] between my dream and budget [...]”.*

Another respondent explained:

*“Down payment not yet enough [...] some banks already give some offers to help to pay the down payment but with higher interest rate, it also becomes my concern [...]”.*

Another respondent also added:

*“[...] all of my saving were taken for the down payment”.*

Unsurprisingly, many young white-collar workers have delayed their personal plans, like marriage and having a child. Ermisch (1999) and Andrew & Meen (2003) report that higher housing costs discourage household formation while higher real incomes encourage it. Arguably, the typical housing career model envisages a smooth progression from leaving the parental home into rental housing where the household saves the deposit necessary for a transition to homeownership. Once that transition is complete, the typical family household trades up as child-rearing responsibilities prompt a higher demand for housing space. However, the limited availability of suitable and affordable housing showed that making the transition to suitable long-term housing is not a linear process and could involve many different types of housing. For example, a respondent must first rent a *Rusunawa* (affordable rental flat) before being able to save for a down payment and taking out a loan from their employee.

Whilst many of these young white-collar workers have a relatively good job and security on their employment background, housing affordability become the main issue which makes them also vulnerable to current housing market conditions. Given that home purchases are low liquidity assets and entail undertaking a long-term, high level of debt, housing price becomes as important as the level of income and employment status when deciding their tenure choice. The generally positive correlations between income and home prices suggested that households enter financial markets with a greater exposure to risk now than before. Arguably, all house



purchases after 2008 (since which the price increased significantly every year) have an affordability problem compared to the households that purchased their dwelling many years earlier. A respondent illuminated this:

*“For my colleagues, many of them are older than me and already settled [...] the thing is, all of the house prices are changing really significantly in the last five years and now the house prices are much higher [...] the majority of them were lucky to buy their house a few years ago”.*

Here, the timing of buying is really important to determine whether they are a ‘managing’ or ‘improving’ household. Lack of adequate housing units at affordable prices has made the price appreciate dramatically over the last few years. For people who bought before 2008, when the house price started to pick up, they can enjoy their house appreciation, but for the unfortunate young families who planned to buy this year or last year, they face the ‘peak’ of housing price. A respondent explained:

*“I’m buying this house for Rp.350 million (£20,000) in 2011, now the price in this area around Rp.650 million (£37,142)”.*

It is clear that price appreciation sometimes can be almost 100 percent of the original house price. Therefore, this made people think twice before entering the housing ladder. Arguably, they need to wait until the price slows down or ‘bursts’ but on the other hand, delaying buying a house may make them never able to do so in the future. Even if we can agree that homeownership is a lifelong aspiration, it is important to be able to enter the housing ladder as soon as possible. Arguably, as we get older our lives may become more complex (and expensive), for instance with more children, which adds economic pressure.

### 8.3.4 Lifestyle Choice

Interestingly, from the fieldwork, the author found that some respondents are not really interested in living in an apartment, although it has become more common for young Indonesian people to live in high-rise apartments around Jakarta. Reasons include future plans to raise a family, which is still associated with a detached house with a garden and community spirit. They prefer a small to medium-detached house in a housing estate or a cluster for security and comfort. In addition, the housing estate or cluster helps to prevent the house price from possible degradation. A respondent made this clear:

*“Apartment, not interested [...] I’m looking for a family house that socialises (with the neighbour) so the focus is more on a housing estate or housing cluster”.*

Another respondent added:

*“[...] as long as my child is still small, I’m not interested (to live in an apartment) I prefer here, we have a park, if in the apartment, even they also have the facilities, we have to share with others, people smoking, not comfortable [...] in a cluster, the park is only for our children and they can play with their friends. So as long as my child is still growing up, I don’t have any plan to move to apartment”.*

Historically, Indonesians have preferred to purchase houses rather than apartments, which were typically bought by investors for rental. Apartments tend to be a cheaper form of accommodation, so another way to become an owner is to acquire such accommodation. It seems that households should be more flexible in their options, as what is important is stepping onto the property ladder, especially in the face of affordability pressures. Nevertheless, there are some common perceptions that buying a house is always better than an apartment, as generally, house price appreciation is higher than for an apartment. Besides, the idea that a house provides better accommodation to raise children than an apartment is still strong in Indonesia.



Figure 8.2 (Clockwise from the top)

- (1) Typical units in the market for ‘middle’ class Indonesians
- (2) ‘One Gate’ Clusters have become more popular in Indonesia
- (3) Spacious living room with unfinished kitchen  
(usually only a kitchen sink)

### 8.3.5 Coping Strategies

Given that the value of homeownership is so strong in Indonesia, it appears that each household is responding in various adaptive ways to achieve purchase in the face of quite difficult barriers. As with their blue-collar counterparts, although their salary is three to five times higher, some respondents also said that they have reduced their ‘luxury’ expenses in order to save for the deposit. A respondent, 30 years old, noted:

*“Leisure cost, like travelling, goes to the cinema [...] that the expense will be reduced”.*

Dual income earners are also crucial for these young families. When both husband and wife can work they both do so. In addition, financial support from families is likely to be a crucial factor in the ability of young people to access homeownership in the future. Previous studies have shown that parents play an important part in the transition to homeownership. The homeownership by parents contributes to their offspring’s chances of also becoming a homeowner as a result of their financial contributions and similarities in housing market

conditions (Helderman & Mulder, 2007). In addition, homeownership is the most important form of family wealth (Kurz & Blossfeld, 2004) and is often transmitted from one generation to the next. Even though the exact mechanisms for the intergenerational transmission of homeownership have not yet unravelled, arguably there are some explanations. First, parents who are homeowners themselves are more likely to help their children financially on their way to homeownership than parents who rent their home (Helderman & Mulder, 2007). The higher the socioeconomic status of parents, the greater the resources available to them to invest in their children, whose socioeconomic status will consequently increase (Blau & Duncan, 1967). Second, children tend to strive for a socioeconomic status that is at least equal to that of their parents. Those who lived in owner-occupied homes during their socialisation period might have a strong wish to become homeowners themselves (Easterlin, 1980; Henretta, 1984).

#### **8.4 Housing Stress? Housing Markets and Despair**

People who benefited from the house financing liquidity facility (FLPP) or a subsidised KPR by the government are still limited, as only 3.71 percent of total home mortgages are distributed by banks (BI, 2014). This means that the majority still need to apply for a commercial mortgage with a high-interest rate. Meanwhile, it is still debatable as to how much the government should intervene in the market. It is clear that the market has failed to produce affordable housing for low to middle-income households. Arguably, government intervention is also needed to redistribute income within society. A respondent noted his frustration about current housing market conditions:

*“[...] because it (housing) is not a luxury need, the government should become a regulator to control the house price increase and what house type can be built [...], now every developer can build what type they want [...] so there is an uneven spread of housing stock and limited supply of affordable housing [...]”.*

The aspiration to own one's home remains high, but there are signs that expectations may have been moderated, especially among the young. A respondent who eventually was able to buy his house explained his concern about current housing prices:

*“No, it doesn't make sense at all [...] there is no regulation from government to control the increasing of house price, it looks like the developer becomes a single determinant of the house price, when it goes up, how much it increasing, it makes the property price becomes uncontrolled and for the Jakarta people it is already out of the [...] and the*

*behaviour of some developers damages the system [...] but also it happens because there is no government presence in this problem”.*

The absence of the government in regulating housing prices arguably has made house prices increase significantly. The housing stock has decreased relative to the formation of many new households who need a house. The developers also use this condition to maximise their profit and compete to sell their projects with the promise that their house price would increase in a short time. The same respondent added:

*“ [...] also, in many places in Jakarta there is potential for major fraud, mainly through developers selling houses which are not built, so they raised the funds but the property is not there and it happens many times in Batar Gebang, Bekasi [...]”.*

It is common practice in Indonesia for many consumers to buy their house by giving some amount of money as a down payment, even though the house does not yet exist, which makes them vulnerable to fraud. As a result, the name and reputation of the developer become the main consideration for people before deciding to buy, and it gives more power to developers to control the housing price. This author argues that rising house prices are eventually only rewarding the people who have the most, creating more economic inequality and more polarisation between those who have and those who have not. The next chapter will discuss the people who enjoy the benefit of their house appreciation and have become ‘investors’ in the current property bubble.

## 8.5 Conclusion

In this chapter, the expectations and experiences of home purchase among blue-collar and white-collar households in Greater Jakarta were explored. It is clear that job security is the most important determinant in deciding whether to buy or keep renting. The stability of income and household becomes the main consideration. Nevertheless, this does not mean that these households are free from problems. Housing affordability is another constraint that makes these home purchasers becomes vulnerable and insecure against inflation and the possibility of increasing interest rates or even falling house prices.

Most respondents were families with small children or young people who planned to be married or were just married. Feijten and Mulder (2002) found that couples were likely to become homeowners some time before they had their first child. It can be argued that couples who plan to get married and/or expect to become parents might anticipate their future household status by seeking appropriate housing that will be suitable for a long time period. It is important to the young family to be able to access homeownership when they are just married, as delaying homeownership can be a problem for raising a family, which is costly. It can be argued that once a couple has already made the transition to parenthood, the transition to homeownership might be postponed or not be made at all for practical or financial reasons. An ascending housing career is typically described as stepping up the rungs on the ladder – from parental home to rental, from rental to home purchase, from home purchase to outright ownership (Abramsson, Borgegård and Fransson, 2000).

On the other hand, it is also clear that house prices have reached levels where up-front cash requirements far exceed the savings a typical young household has managed to accumulate. For them, the problem is not only in accessing the mortgage, but also the amount of down payment, which sometimes delays or even prevents the decision to take out a mortgage. Thus, from the fieldwork, the author argues that KPR-FLPP is a good program to help first-time buyers step onto the housing ladder. Despite some difficulties, it appears that compared to continuing to rent, blue-collar purchasers buying in outer urban areas will experience financial advantages within four or five years of purchase. Nevertheless, it is also clear that much homework still needs to be done by the government, including assessing the quality of subsidised housing and the availability of housing in many areas in Greater Jakarta, which is still limited.

Whilst blue-collar purchasers are more willing to buy in outer suburban and growth zones where the price is still cheaper, their counterparts, young white-collar purchasers, face bigger problems in finding suitable housing, as they must live in the city centre to be able to access the

transport, employment and educational opportunities they aspire to. Having to spend more on housing makes them become ‘managing’ households, same as the blue-collar workers, even though their incomes are much higher than blue-collar households. Blue-collar workers also seem to be able to enter the housing ladder earlier than their white-collar counterparts, as from the fieldwork, the majority of blue collar worker first time buyers were in their early 20s while the white-collar workers spent more time on their education, so the majority were not able to buy their housing until their late 20s and 30s. It is however, impossible to directly compare them as the diverse housing options and prices combine with different preferences and lifestyles. Although blue-collar households were able to enter homeownership early in family life, they are more likely to be unable to progress well in their housing career because of their insecure employment, which presumably affects their ability to earn higher salaries or other benefits.

Blue-collar and young white-collar workers have some similarities. First, the main driver for purchase among these households is to have a home (rather than an investment) in which the psychosocial benefits of owning can be achieved, in particular, security, control and stability of living. Second, most of them feel that they are incapable of moving to better housing given their current economic circumstances, and housing market and housing options available to them. Arguably, these households will not be able to reap the most benefits from their house in the near future, as they are still paying for their housing debt. It is also because of the difficulties these young households must face, including affording both buying a home and raising children, since such families value security, control and stability for their children highly. There is also a mismatch between the profile of these purchasers who increasingly comprise singles, couples with no children and those with one or two children and the type of housing which is affordable in Greater Jakarta. This raises questions about the degree to which the government can use the planning system and other policy levers to enable more appropriate and diverse housing outcomes.

## **Chapter 9**

### **The Voice of 'Improving' Households**



## Chapter 9: The Voice of ‘Improving’ Households

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## Chapter 9

### The Voice of 'Improving' Households

#### 9.1 'Improving' Household Strategies

Homeownership in Indonesia plays a far more important role today than ever before, both in housing the population and as a potential source of capital gains and losses. Homeownership is also seen as insurance against inflation, in which buying a house was considered a sound investment. Doling & Ford (1991) note that homeownership is one of the best, if not the best, investments accessible to ordinary people. Theoretically, as inflation has increased, the real value of the debt has progressively reduced, while the price of the asset has increased. By the time the mortgage was paid off, owners were sitting on a substantial capital asset. Unsurprisingly, homeownership functions as the principal vehicle of domestic capital accumulation for millions of people, so houses are not simply place to live, but also function as important investment vehicles. This idea has not only become common in Indonesia but in many countries in other parts of the world, including other Asian countries such as Japan, China, Malaysia and western developed countries such as the United Kingdom, United States, Canada and Australia.

The housing market also provides financial benefits in addition to the benefits of residence. At the height of a boom the value of housing could easily rise by more than the average annual salary. It is often described as “a cheap, almost risk-free method of financing an appreciating asset with a depreciating debt” (Hamnett, 1999). Ray Pahl (1975) observed in the wake of the early 1970s UK housing boom, that a family may gain more from the housing market in a few years than would be possible in savings from a lifetime of earnings. As house prices rose, the longer one had owned, the larger the gain became. An increasing number of households had realised that house price inflation had increased the financial advantages of moving their savings ‘under their own roof’. Thus, the belief that ‘what you owe today, you will be worth tomorrow’ has become sounder in the time of good economy and high inflation, a condition that has suited Indonesia’s economy over the last 10 to 15 years. In brief, property became seen not only as the best mechanism against inflation but even as a form of savings which offered high, sometimes very high, returns which outperformed other saving opportunities. This forced prices up even more quickly, which in-turn stimulated demand, as purchasers extended

themselves financially in order to participate as much as possible in a game in which it seemed no one could lose.

Indonesia's house price inflation has clearly been driven by a number of fundamental drivers, in particular, population and household growth, continuing urban concentration and a long period of high economic growth and rising incomes, and increasing female labour market participation leading to the growth in two-income households. In addition, increasing international insecurity and uncertainty makes an investment in stock become more volatile, so many people are looking for an alternative investment with a high return but less risk such as real estate investment. It is unsurprising that property prices have been increasing by 15-17 percent annually in recent years. In the capital city Jakarta, the growth of Jakarta's population combined with the limited supply of property has made property prices double or even triple since 2008. It is the rising domestic demand for property that makes the price climb up, as foreigners are officially only allowed to lease properties.

On the other hand, there has been a new trend in the housing sphere concerning the increase in multiple-property owners who own one or more dwellings beside the home they live in. Whilst the decision to purchase a home for the first time is closely associated with marriage or other life events, these older households and repeat home buyers, put more emphasis on wealth accumulation and portfolio allocation as income becomes more stable and net wealth continues to grow. Older households, aged more than 35 years old, mostly purchased their first house in the 1990s and the early 2000s before the house price 'bubble' peaked. The majority of these homeowners have paid off all or most of their mortgage and decided to buy more property for their children or simply for investment. Therefore, they are the people who enjoy the benefits of the current housing market and its housing appreciation.

This section will discuss further these households and how they maintain their position on the housing ladder by putting their money into property and becoming private 'investors' in the current property market. Within the marketplace, the term 'private investor' is often used to cover a broad range of investor types, whether individuals with only modest sums of money seeking to capture the performance of real estate through indirect vehicles, or sophisticated investors with much larger sums to spend. The author calls these older households 'improving' household categories as they are able to build their housing wealth under current housing market conditions.

### *Characteristics of 'Improving' households*

The author uses the term 'improving' to imply people in the final stages of paying off their mortgages or who are already established homeowners, in the position to not only own a house but also to buy other property as an investment. They can use their properties not only as a safety net but also to build wealth. Indonesians believe that a home is a must-have investment. Thus, they do not stop at becoming a homeowner but also a small real-estate investor. No official data in Indonesia records how many people have more than one property but it has been a 'norm' for people to buy property for investment. In the context of this study, the author used the private investor classification by Almond & Tsolacos (2005) that classified it into two distinct groups. The first are the 'property savvy' who will trade in order to make a profit. These investors look mainly for the capital appreciation in the property investment market so they can be considered 'footloose' in that they will buy in and out of property and some may even take a short-term view depending upon the relative performance of other assets. The other investor type is the 'income seeker' which is attracted to property because of its secure and long-term cash flow, with typical property leased long-term to a secure covenant. Unlike the 'footloose' investors, they tend to hold a property for the longer term.

A house is not only a consumption good but also an investment tool. The link between house prices and consumption is closely related, arguably, giving confidence for the buyer in what economists call 'the wealth effect'. In short, if they experience an increase in their house values, and the wealthier they are (or feel), households consume more and consumption boosts aggregate economic activity and employment. Conversely, as real housing prices fall, owners become less wealthy, save more out of current income and cut back on consumption. After a housing market increase, investors who have made profits in the market may be willing to take more risks, because they still feel they could give up higher consumption level if investment losses force them to do so. It makes these investors keep putting their money into buying more and more property as an investment even if the price is already overvalued. However, the speculative bubble cannot grow forever. People's demand for a property considering current high price increases cannot grow forever, and when it stops growing price increases will stop. Obviously, at that point people no longer think prices will continue to rise and therefore no longer see a good reason to hold property, thus bursting the bubble.

The housing affordability debate is shaped between those warning of a speculator-led housing bubble and concerns that supply constraints are to blame for pushing up prices. This section

describes how ‘improving’ households, in some circumstances, benefit from current housing market conditions and are able to move forward to achieve their housing goals in different ways.

## 9.2 Findings (Blue-Collar Households)

### 9.2.1 Housing Aspirations: Stories and Narratives

For obvious reasons, the author found it more difficult to find blue-collar households in this category compared to ‘defensive’ and ‘managing’ groups. Nevertheless, several respondents had almost or already paid off their mortgage. They expressed almost identical views about the housing and labour market. One of the main points is that all the respondents were able to buy their house long before the housing bubble and the house price then was much more affordable. This made them able to pay off their mortgage, giving them less burden and more choice in achieving their housing goals. The following two case studies clearly demonstrate this:

#### Case Study 1

PO (44) has been working for a Japanese manufacturer in Tangerang for 24 years. The factory produces zippers to export all over the world. His wife is also working in Pulp and Paper in Tangerang. He and his wife along with 3 children have lived in Greater Jakarta for more than 15 years now. He said: *“In my factory, the outsourcing was already ended, replaced by fixed term contract (Perjanjian Kerja Waktu Tertentu/PKWT) directly from company...the combination is around 538 permanent employees and 426 people in fixed term contract employees”*. He himself is a permanent employee with some benefits apart from his basic salary, like Jamsostek, ASKES (before both was replaced with BPJS – a National Health Insurance established under President Jokowi) and a family allowance. He said that at the time he started working it was to be offered a permanent contract employed: *“From the beginning I was working, already as a permanent employee, in the past the outsourcing had not yet appeared”*. Despite the allowances being relatively small, he feels that he has a secure job given he has been working for a long time. He stated: *“Whether I am satisfied or not (with current jobs) it’s relative...but considering my age, it is alright...I don’t have much more choice but I do get job security in the place (his current employment)”*. Regarding his current house, he said that it was a long time ago that he already obtained a mortgage from BTN (a government bank specialising in subsidised housing mortgages): *“I started working in 1988...in 1994, I took the mortgage for 15 years but it was paid off...the monthly instalment still cheap around Rp.88,000 (£5) but at that time, it was half of my salary...the house (21/66 m<sup>2</sup>) in Tangerang was around Rp.7,000,000 (£400)”*. He admits that the house price is already out of reach for a blue-collar worker like him: *“Around my area, the most standard of house is around Rp.200 million (£11,428)...very expensive...most of the new employees not be able to buy a house in Tangerang area,*

*they usually take further outside Greater Jakarta like Cicades, Rangkas, Balaraja. The price is still cheap there compare to the Tangerang Area near Lippo, so many young couples who are just married prefer to move there”.*

#### Case Study 2

RB (35) is working in a factory for a British-Dutch multinational company in *Cikarang, Bekasi*. He has been working for 11 years in the current company. *“The factory was in Surabaya (East Java) but now already moved to Bekasi”*. He is already a permanent employee and in terms of job security in the factory he is working for, he felt that it was better: *“Now the outsourcing is already ended...it used to be, but after the government regulations about outsourcing, many outsourcing workers were appointed as permanent employees”*. He added: *“for allowances, in the factory... the health insurance and working insurance are managed by the company, so it is better than ASKES because there is no limit for treatment”*. Nevertheless, he felt that he did not get enough opportunity to build his career. After working for several years, there is no significant career progress for a blue-collar worker like him, even with a diploma. Meanwhile, his wife is also working in a factory in a fixed-term contract, extended once a year. Their monthly income was between Rp.5, 000,000 (£285) and Rp.10, 000,000 (£571). They have two children. They got a housing allowance from the company, at around Rp.7, 000,000 (£400) per year. The company also work with Mandiri Bank (a state-owned bank) to help employees take out a mortgage. RB himself already took the 10-year mortgage from 2008 to buy a house (36/90 m<sup>2</sup>), with monthly instalments of Rp.1.3 million (£74). He said: *“the house price was 127 million (£7257)...I’m able to buy because the help (from his company), otherwise I won’t ever be able to buy”*. He felt uncomfortable asking for financial help from family or relatives, thus preferred to borrow from the company or bank.

#### 9.2.2 Anxiety No More? Established Homeowners

It is unsurprising that these ‘improving’ households are less anxious about their housing than the previous two groups. These households, even in some cases with the same income bracket as managing and defensive households, were in the final stages of paying off their mortgages or had already discharged them. Established and outright owners had benefited from a decade of spectacular real-estate appreciation which created a broader feeling of financial well-being. Given the interview was conducted at a time of high house prices, these established homeowners emphasised a difference between themselves and younger households in the way housing was viewed. The respondents who had been working since the 1980s and 1990s were

able to buy when the house prices were still relatively ‘cheap’ or within reach of ordinary people and the land price was still relatively low, in particular in areas surrounding Jakarta. They also found that getting into the housing market was immeasurably easier in the past, where affordability was not as severe as now. It is likely that mid-life stability with homeownership and a permanent job has ceased to be the fate of many people born in the 1960s and 1970s for better or for worse. Given that outsourcing was relatively ‘new’, legalised from 2003, these respondents who started working in the 1980s and 1990s had more job security as they more likely started as ‘permanent’ employees with relatively secure and stable employment compared to their younger co-workers.

The author classified these households as ‘improving’ also because of the fact that they are in the final stage of paying off their mortgage, and they have an opportunity to ‘trade up’ to a better house or simply invest in property. Households move up the housing ladder as they acquire the resources to do so, besides changes in occupation, income, age and marital status. Their position as a homeowner gives them more options in their housing career. Besides their permanent employment, ‘improving’ blue-collar households were able to enter the housing ladder long before the price boom and in relatively young age. This gave them advantages, as the younger the age of entry of the households, the more likely they were able to move upward in price because there will have been (on average) a longer period of time to accrue the assets necessary to move up in the long housing inflation trend.

Despite, their good fortune to be able to buy a house when the price was still relatively affordable, some of them also benefited from company programs that helped their employees buy a house. A company factory was moved from Surabaya to Bekasi and in order to stimulate their employees to move to Bekasi, the company gave the house allowance to those who wanted keep working for the company. A respondent explained:

*“[...] compared to the salary, the house allowance is around 110 percent (from their salary) a year, the company also have cooperation with Mandiri Bank (a national state bank)... I pay around Rp.1.3 million which I started (taking the mortgage) since 2008, the house price itself around Rp.127 million [...] It is because I get the help from the company that I was able to buy”.*

Nevertheless, dual income and secure employment had become the main precondition to make them able to ‘move forward’ in their housing career. All the respondents benefited from both conditions which boosted their ability to pay off the mortgage.

### 9.3 Findings (White-Collar Households)

#### 9.3.1 Housing Aspirations: Stories and Narratives

Arguably, attitudes to homeownership are not only potentially influenced by access to employment and income, but may also be affected by security and stability of income. White-collar households who are already established homeowners perfectly cover the precondition of ‘improving’ households. In this section, we look in more detail at the labour market and housing career of this group of household strategists. The following two case studies gives us the preliminary background.

##### Case Study 1

AF (38) and his wife (38) both work as teachers in an elementary school in Jakarta. They live in Kalideres, West Jakarta with their two children. After getting married both of them built their house on the land owned by his wife in 2005. The house (36/85 m<sup>2</sup>) was built using their own money (75 percent) with some help from their parents (25 percent). Besides his job as a supply teacher, AF has income from his welding shop: *“It is my wife who is a permanent employee, she is a civil servant (teaching in a public school)...my income is not fixed every month. It is actually because of the bank that we are able to buy a land for investment in which we were built some rental units”*. He explained: *“...well, actually, it is because we are really familiar with bank, like just a year ago, we buy land and build a house with a short term bank loan like 2-3 year, it’s not a mortgage, but more loan credit ... using my wife’s civil servant decree (A letter that someone is a civil servant can be used as a guarantee to the bank) for Rp.350 million and interest rate 11 percent ... have never had a problem (with his loan) cause we are already familiar with the bank and have a good relation, it is from my parents who always went to the bank if they want to buy a land or a house, so we from the time we were married we were already familiar with the bank...”*. He added: *“for instalment payment, the source is from my wife income while for daily expense is from my income”*. They already enjoy homeownership and appreciate the security of that investment: *“I think around my area the land price is just about Rp.1.5 million per m<sup>2</sup>, my house price is around Rp.500 million (£28,571). I spent around Rp.70 to 80 million (£4,000-£4,571) for the construction and we bought the land for Rp.20 million (£1142)”*. Recently, they had just finished building a rental unit for investment: *“now we just build a house for investment, we built some rental houses (laughs) cause I already try many businesses like laundry, motorcycle workshop, air conditioner service workshop but most of them fail so I just put my money to buy land and built rental houses (laughs)...”*. He earned around Rp.2, 000,000 (£114) from a 4-unit rental house as an addition to their monthly income, around Rp.12 million (£685). Regarding current house prices, he admitted: *“Yes, I think the house price is just too high now...the development is more to East Jakarta which still relatively cheaper”*. He said that he just wants to focus on their children’s education but is willing to buy another house for his daughters if able to do so.



### Case Study 2

TT (33) and his wife ES (30) have been homeowners for two years. He has been working in a multinational petroleum company in Cilandak, South Jakarta for several years after working in Singapore for five years. His wife was working in Panin Bank (Private Bank) in Central Jakarta before deciding to stop working due to the birth of their first child. They have a total income of more than Rp.20 million (£1142), not including benefits and some investments in mutual funds. Both of them lived in his wife's parents' home in East Jakarta for two years in order to help raise their child (many parents in Indonesia help to take care of their grandchildren, especially the firstborn). Besides, they also did not have a house at that time. They chose to take out a car loan first with their savings while looking for a house around the area near the wife's parents. After looking for several months, they still could not find a house within their budget and to their preferences so they chose to keep living with his wife's parents until the second child was born. At this time, they chose to look again to see if suitable houses were available on the market. Fortunately, TT's parents had land in East Jakarta, which was eventually passed on to him. They then changed plans from looking to buy a house, to building a house on that land. They chose to take a 15-year mortgage to build the house (5 bedrooms + 3 bathrooms) which was around Rp.1.5 billion (£85,714) in 2013. The house was finished within a year and they were able to move in. Nevertheless, during that time his office was relocated to Serpong, West Jakarta, forcing him to travel 4 hours every day which he found unbearable in the longer term. Thus, they decided to move and rent out the house for around Rp.100 million (£5,714) per year. They rent another house in Serpong for 35 million (£2000) per year, which has helped them to pay the mortgage. They are looking to pay off the mortgage in 5 years and will buy another house or not depending on his employment circumstances.

### *9.3.2 Benefiting from house price appreciation*

Critical periods of increased access to owner-occupation and house price inflation have combined to structure a pattern of mass home ownership among older generations who have enjoyed relatively secure employment and the augmentation of their property asset values. The timing of entry into owner-occupied housing market has become crucial in determining the fortunes of household economic conditions. The author found that households that entered the homeownership market before the bubble started in 2008, gained a much better position on the property ladder.

A respondent acknowledged how he was helped from his apartment price appreciation to buy his current house:

*“I was bought an apartment first in Depok but when I build my current house, the apartment was sold to finance partly my loan (Is there any price appreciation when you sold the apartment?) Oh yes, it was around 35 percent in 2011, bought in January and sold in August, I was bought around 180 million, it was a studio type”.*

He applied for a soft loan from his employer in order to buy his current house, which coupled with current house price inflation made his house double in value.

*“I already have a house in Duren Sawit [...] it took me 9 months searching a house to buy, I bought around 1 billion (£57,142) for a house type 300/253 (two story house) [...] I got a soft loan from my employer (a national government bank), they have a facility for their employee [...] it is more like a mortgage, but the home certificate held by the company until the house is paid off (Is it available to all employees?) No, only for permanent employee, I have been working for six years in my office [...]”.*

Another respondent also told his story:

*“ [...] before I married, I'm already had a house in Bogor on 2003 but in 2007 I bought another house, my current house, and I sold the house in Bogor to add the payment for my new house in Bekasi. When I was first married from 2006 to 2007, we lived in my parent in law's house [...]”.*

He then added:

*“I bought 65 million (£3,714) (type 45/96) for my first house and for the second house 385 million (£22,000) (type 79/144), I sold the first home for 110 million (after 2 years) [...] (Do you know how much your house price is worth now?) I'm already renovating the house from 79 m<sup>2</sup> to 210 m<sup>2</sup> (He raises it in two levels), the price is around 1.4 to 1.5 billion (£80,000-£85,700) last year. The NJOP price for the area around my house 1.2 million (£68.5 per m<sup>2</sup>) [...]”.*

He was asked how much he thought his house was worth in the current market, given house price inflation:

*“[...] I heard that someone who sell the house with the same size with mine already sold around 1,6 billion to 1,8 billion (£91,428-£102,857, I just renovate my house so the house condition is much better now as I am investing addition money for this house [...].”*

Many other well-established households might have the same stories and this made many people able to buy their secondary house for their children or for investment. It is an inverse situation for the young middle-class families which the author classified as ‘managing’ households, who purchased during the height of the bubble. During the peak bubble years, the rate of housing price inflation hurried young middle-class into home purchase, but they were at risk from the collapse of the bubble and tremendous property price devaluation, where they would need to continue repaying hefty loans on properties whose value has declined. It seems that in order to be able to buy property, the common notion is to put all their money into the property as soon as possible because the house price inflation always surpasses the annual income. A respondent told his perspective of this notion:

*“[...] majority the people who buy property in Jakarta are secondary buyers, the people who already own their first home and they usually have investment motivation [...] in order to able to buy a property for investment, it cannot be done by saving, so let’s say they (the home buyers) have the money of around 20 percent of the property price, they have to put the 20 percent in the property even the building itself is not ready, because the value of the building (on the construction progress) will help themselves, so if they take 60 x (instalments), after 3 years, they can sell their property to buy a smaller property with cheaper price, but manage to pay in full, in the sense that they are actually saving (in the form of property) [...].”*

Business owners are also more likely to own other residential property, and those with higher business wealth tend to have more investments. Also notable is that homeowners that are not first-home buyers are more likely to own other property. This is in line with the expectation that households will generally purchase their own home before looking to invest in another property. One would expect that the decision to invest in other residential properties is closely related to the decision to gear the investment. Gearing provides a financing option that may seem particularly attractive during a time of rising property prices, as has been witnessed in Indonesia over the past few years. Thus, it is not surprising that most respondents said that they

have or will buy another property in 10 years' time. With rapidly rising house prices, many billions of money is now directed to private landlords and other kinds of properties, further promoting property as a form of financial investment. A respondent explained:

*“(Do you buy your house as a place to live or for investment?) I think both (laughs), first, for investment, because the house price increase is fantastic in Jakarta, so investment for money, for having a family, for comfort and for a place for living, so I don't need to worry again where to live like in boarding house or rent an apartment, so the money just disappears not really working for our benefit (if he is still renting)”.*

Arguably, with rising house prices and leverage the potential returns on investment increase dramatically through capital growth and give more incentive to homeowners to create wider property investment 'portfolios'. He also added:

*“[...] in ten years' time? Yes, I will if my wife said that we need to, but I think we are just looking at an apartment instead [...]”.*

Another respondent revealed similar plans but with different preferences:

*“Yes, I will, I'm planning to buy a house next to the one we use for my wife's dental practice (his wife is a dentist) (Are you interested in buying an apartment?) Not really, first, I'm not really keen to live in an apartment, secondly the monthly service charge for the apartment makes it less attractive and thirdly because I have a child so I'm a bit afraid to live in a high-rise building”.*

### 9.3.3 Parental Wealth and Welfare Transfer

Many studies find that parental resources play an important role in determining the level of human capital of children (Haveman & Wolfe, 1995; Acemoglu & Pischke, 2001; Cameron & Heckman, 2001), the returns to children's schooling (Altonji & Dunn, 1996), and children's adult earnings (Behrman & Taubman, 1990; Peter, 1992; Zimmerman, 1992). Arguably, parental wealth continues to play roles in their children's early lifecycle stages or direct financial aid during adulthood even after their children marry. From the fieldwork, it is clear that almost all respondents get some amount of financial support from their parents. Most parents had given some financial and non-financial assistance in the form of informal no-interest loans. A respondent said he got a loan to help him renovate his house:

*“Oh yes, there is, for renovation [...] it was over budget so I borrow some money from my parents [...]”.*

Although they are likely to inherit their parents’ homes eventually, they have tended to purchase their own housing without waiting for inheritance, and subsequently inherit their parents’ house later. Arguably, this wealth and welfare transfer is not the only way to help their children; some parents also transfer their knowledge about having good relations with the bank and how to be financially educated.

#### *9.3.4 Becoming a Property Investor and/or Property Speculator*

For some, after having their own house, they also use property to build their wealth which triggers many speculative transactions. De Magalhães (1998) points out that property had a history of being one of the few secure forms of investment for those looking for a reasonably stable stream of returns in the long term. A speculative bubble can be defined as a situation in which news of the price increase spurs investor enthusiasm, which spreads by psychological contagion from person to person, in the process amplifying stories that might justify the price increase (Shiller, 2000). In this condition, a large class of investors, despite doubts about the real value of the investment, are drawn to it partly through envy of others’ successes and partly through a gambler’s excitement. Speculative buying is good news and bad news for property developers, nevertheless, a unit sold even to someone who never plans to live in it, is better for the developer’s bottom line than a unit unsold – though only a minority of home builders admit to welcoming speculative buyers. A respondent gave his opinion:

*“[...] for the developer as they are selling property funded by borrowed high interest loan from the bank, what they (developers) need to do is sell the properties as soon as possible, so basically they not really concerned with who is the buyer whether they are a speculator, investor or end user, the most important issue for developer is they can give a guarantee that the value of the property that they are selling will increase in seven months or after the construction ends, and for the property, the value is increasing significantly from the concept to the construction, so let’s say the unit price is Rp.1 billion, they can make sure that the price will increase by 20-30 percent within a year (during the construction period), and after that the property still increase normally between 7 or 8 percent annually, therefore, during the construction progress, the speculator is able to make most of their profit [...]”.*

The statement above perfectly captures the idea of ‘development profits’ – the difference between the value of a completed building and its costs of production, which might be between 30% and 50% of the initial investment, depending on the location and the type of property, and the subsequent realisation of these aspects through the sale of property to long-term investors or to owner-occupiers (De Magalhães, 1996). The extent to which speculative buyers have contributed to housing price volatility has not been studied extensively. Home ‘flippers’ never expect to take up occupancy in the house they buy; instead, they hope to profit from a quick resale. They buy house units/apartments in the early stage of development and sell on unit during construction or after construction is completed in order to gain profit. Arguably, the property increase is highest during this construction time, which can be expected to increase by 20-45 percent, and if the market finds the property units popular the price even can increase more than 100 percent. So it is not surprising that many projects, especially those in prime locations, were sold just minutes after launch and even for some property selling was done using lottery systems because the potential buyers outnumbered the units being sold.

The other problem that can lead to a bubble is that after a housing market increase, investors who have made profits in the market may be willing to take more risks because they still feel they could give up a higher consumption level if investment losses forced them to do so. This makes these investors keep putting their money into buying more and more property as an investment, even if the price is already overvalued. Arguably, that is the danger people are willing to ignore when things are going up. Most homeowners and apartment owners acquire the property for their personal use and only incidentally as an investment while speculative buyers are only interested in profitable resale. A respondent, who is a speculative buyer of apartment units in Jakarta, told his story:

*“[...] like me, I have a group of people behind me who are waiting to buy properties, so the group, around 20 to 30 people, we build a mutual trust so when a property project started, if my analysis is that the project prospect is good, they trust me to evaluate the property value, we will buy some units in the project (how many units?) We usually buy 2 to 3 floors, around 20 to 50 units, but what we are looking for is not the cheapest price, but how to pay it. The other day, I bought one floor of apartments in Kemang Village apartment, the 20 percent of the down payment can be paid within three years gradual instalments [...] such a deal, and no need to pay the unit prices, but only the down payment. I was lucky [...] but the thing is when you buy two or three floors of apartments you have the bargaining power to negotiate the unit price with the developer [...] and after that, we collect the money and make the payment. At the end, after I sold*

*every unit apartment, I was able to get two units for free, the money is from the price increase [...] I bought the units when they were not yet finished and sold them when still not finished [...]*”.

In addition, the speculative bubble relates closely with the psychological contagion that promotes a mind-set that justifies price increases, so that participation in the bubble might be called almost rational, but it is not. Blanchard and Watson (1982) introduce a model of rational speculative bubbles which addresses this phenomenon, albeit with two key disadvantages. The first is the implicit suggestion that bubbles will grow exponentially and can never be negative, as rational investors would never expect the future price of a stock to be below zero. The second is that the model assumes two states of nature, with the first state being one in which the bubble survives and the second representing the bubble collapse. Reliance on sentiment in the wider financial market is, however, regarded as sub-optimal behaviour that leads to mispricing. Arguably, investor sentiment plays in property decision-making which lead to higher housing price inflation.

Examples of investor sentiment-in-action include reliance on general market commentaries and the adoption of trading strategies, such as trend-chasing. Shiller (1990) uses the term ‘popular models’ to describe models that are actually used by the broad masses of economic actors from their expectations, as distinct from the models used by economists that assume these expectations. In contrast, the models used by economists that assume these expectations are formed rationally. Investors’ willingness to rely on sentiment may also be facilitated by excessive subjective certainty about their judgment ability (e.g. overconfidence; see Ayton & McClelland, 1997). In property markets, however, whether reliance on investor sentiment is rational or not may depend partly upon the extent of available information. Even where information is copious, however, paying some heed to sentiment may still be justified as rational, on the basis that other market participants, less rational in their decision-making, may still influence prices. Investors who can ‘*guess better than the crowd how the crowd will behave*’ may still come out ahead (Keynes, 1936).

It is clear that if speculative buyers had been kept out of the market, housing prices would not have increased as significantly as has been happening in the last few years. Nevertheless, as has been discussed earlier, the strong opinion that house price is always going to increase has made speculative buyers keep investing.

A respondent gave this picture:

*“[...] for that (high price) it all depend on the market [...] in Jakarta, you can say that every property can be sold whatever the price, the question is how long [...] if the price is a bit too high you still can sell it but it may take one or two years to sell [...]”.*



Figure 9.1 Some Investment Properties

- (1) A house in a cluster in Gading Serpong (in the market from Rp.1.5 billion to 2.3 billion (£85,000-£131,000))
- (2) Apartments in Kemang Village in South Jakarta have tripled in price since launch, now in the market from Rp.2 billion to 16 billion (£114,000-£914,000)

### 9.3.5 *Mind the Gap: the Rise of Inequality*

Arguably, one of the most damaging effect of house price inflation is the widening social inequality. Intergenerational relations are a new factor in the reorganisation of social inequalities relating to housing wealth. Housing and asset conditions of younger generations in the future will be partly determined by: whether or not their parents own a house; whether they can inherit it or not; and whether or not they can obtain financial and non-financial support from parents when purchasing a home. Those with relatively high incomes tend to have better prospects of housing inheritance while most low-income renters have little possibility of inheriting residential property. In other words, social inequalities in terms of housing across a generation tend to be hereditary.



These survey respondents were middle-class and their parents were assumed to be relatively wealthy. There are many low-income households whose parents are also low-income. While there will be an increasing number of families accumulating housing wealth over generations, low-income renters who have little possibility of property succession will continue to be excluded from the homeowner society. A respondent made this clear:

*“[...] yes its right, so for those people (outsourced and fix term contract employees) are in the lower level of the pyramid, they only become a renter, the buyers right now are the people who already own the property for investment [...]”.*

He added:

*“[...] so in Jakarta the property owners [...] already have many properties [...] if we look at people lifestyle in Jakarta, apartment actually bought so they can live near their working place and not spent too long on commuting, so they actually can buy property anywhere (for the rent and value increase) and for themselves, they can rent from other people in order to live near their working place, so most of the people who already own buy another property again”.*

Arguably, if no action is taken, inequality in housing wealth becomes one of the starkest inequalities in Indonesia. Such inequality is dangerous both politically and economically. Through house price inflation, young families become either unable to purchase a property or face the prospect of undertaking oppressive debt levels. Conversely, those with the existing benefits of home ownership, or more pertinently multiple home ownership, are able to acquire additional ‘cash’ through no productive effort. Those with limited financial means or without the support of family wealth become greatly disadvantaged, forming an ever-more polarised society between the haves and have-nots.

#### **9.4 Conclusion**

The lifecycle of a household is an important factor affecting the relative importance of the different motives for property ownership. Nevertheless, the current housing market also has a big effect on people’s experiences of the housing ladder. Some elements in understanding household strategies in the context of Indonesian homeowner society are: housing market volatility, labour market reorganisation, changes in family formation, intergenerational relations and the reorientation of housing policy.

This study, by focusing on the Indonesian case, seeks to demonstrate the importance of understanding each household condition based on their position on the housing ladder. Whilst in Indonesia there is no government policy that provides incentives for home ownership through the tax system, in recent years it is clear that the majority of this ‘improving’ household group earn more from their investments and dramatic investment appreciation, particularly in real estate. Whilst the house mainly functions to give ontological security to raise a family, it has become a tool of investment and a ‘wealth portfolio’ that could presumably shield owners from various personal and societal risks. Arguably, the fundamental flaw in the principle of house price inflation is the simple truth that there is no creation of wealth. Any capital gains through house price inflation are only achieved at the expense of successive home buyers.

In addition, ever-increasing asset values fail to recognise that prices must inevitably reach a level where it becomes no longer feasible to obtain or service increased levels of borrowing. It gives real risk to putting the housing market in a bubble and burst cycle, which will affect economic growth. Social inequality is also significantly increased as all of this house price inflation has both enabled and encouraged residential property to be purchased for purely investment and profit seeking. Through the basic human necessity for accommodation, those with capital are enabled to acquire further wealth at the expense of those with lesser wealth. It is middle to lower segments that typically take out mortgage loans and developers’ instalment payment schemes (progressive until completion), while buyers for and from the high-end also use those schemes but add their own hard cash.

The government’s long-term strategy must be to reform the housing market to eliminate the influence of financial speculation on residential housing and thereby moderating prices to sustainable levels for the sole purpose of providing housing. There is a potential solution to reform the housing market through the introduction of a capital gains tax to all residential property sales regardless of being a main or secondary home. In addition, the government need to be more active in promoting social housing, particularly in big cities like Jakarta, so it can reduce the housing backlog and relocate prices to a level more affordable for many low-middle income households.

## **Chapter 10**

### **Concluding Discussion: Indonesia and the Global Picture**

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## Chapter 10

### Concluding Discussion: Indonesia and the Global Picture

#### 10.1 Continuing Trends: Job Insecurity and House Price Inflation

It is clear that from the fieldwork, there is an accepted wisdom of respondents that buying their own home was both desirable and rewarding. However, current developments in the labour market, in particular over the last decade, have created a situation where long-term security of income is becoming increasingly rare in all sectors of the labour market. There have been substantial structural changes in the Indonesian labour market, in which many employees are now in fixed-term contracts, outsourcing, seasonal jobs and on employment probation. Although from 2003 until now there have been some improvements in labour market policy given the pressure from labour unions and NGOs, such as the increase in provincial minimum wages and the limitation of outsourcing to only five sectors, casual employment practices are likely to continue.

On the other hand, whilst homeownership has been a centrepiece of the post-war social contract and the spread of middle-class lifestyles in many countries with Indonesia no exception, the continuity and sustainability of homeownership in many countries are at risk. The affordability, security and market stability of the housing market are at the heart of debates on housing literature. The majority of people have to acquire their home through the market as many governments have retreated from any housing subsidy scheme and allow the market to provide and finance housing. As a result, recent housing price inflation has put homeownership beyond the reach of many households. Affordability has worsened considerably, although factors influencing the changes in affordability are complex and not simply due to a continuing increase in house prices in relation to household income but also the relationship between the costs of housing production and the ability to provide widespread access to that housing. Arguably, house price inflation has created inequality and a widening gap between the rich and the poor, which threatens societal stability.

In Indonesia, the continuous increase of investment in real estate has kept pushing up housing prices and heavily burdening low-income households and young people. House price inflation since 2000 has increased the pressure on more and more Indonesians who live and work in big cities like Greater Jakarta. In addition, as homeownership has been predicated upon loans taken out against future income, the increasing job insecurity means that the risk of default with

repossession and financial loss is likely to remain substantial. Unsurprisingly, these circumstances affect the behaviour of all households in the market. Nevertheless, there has been little empirical understanding of the behavioural impact of this changing structure. Thus, what is needed now is an in-depth analysis of household attitudes, decision-making processes and attitudes concerning current inflation and increasing insecurity in the labour market.

This chapter does not merely summarise the previous ones but clarifies the relationships between some of the main issues and themes in the study. The first section begins with a discussion which reflects the phenomenon of households regarding their employment and housing career. The second part explores the implications of the findings from three different household strategies, and from these, makes links between findings and theory in the global context. This part identifies aspects of the sociocultural and economic state of Indonesian households compared to other places and explores the common and different causes and consequences of these trends. Pointing to the significance of this household strategies paradigm can help us understand the emerging polarisation of Indonesia's housing market. Finally, there are suggestions for further research and a closing note about the author's reflection on the whole research process. Thus, this final chapter provides a comprehensive analysis of the study and its contribution to wider knowledge.

## **10.2 Reflecting on the Research Questions**

Through a qualitative research approach, this study has revealed how job insecurity is affected both blue collar and white collar on the way they achieve their housing goals. This study has explored the nature of how different households based on their employment and financial background understand, construct and respond to their economic condition with different household strategies. This section will summarise some findings to answer four research questions from Chapter 1.

### **10.2.1 What has been the impact of the changing labour market on the income of blue-collar and white-collar households and their ability to afford homeownership?**

This question guided the main issue of increasing job insecurity and its effects on how people ability and willingness to take a mortgage. Two main conclusions appear significant: the first is the confirmation that both blue-collar and white-collar households became less certain to commit to long-term commitment such as taking 15 to 20-year mortgage, in particular, if they not feel safe enough with their employment status. The majority stresses the importance of

stability of future income and employment before they are considering buying a house. The second theme is many young households have delayed their decision to step in to the housing market, which implies that they are tend to live with their parents or remain in the rented housing sector longer.

### **10.2.2 What are the factors limiting homeownership for both blue-collar and white-collar workers in Indonesia?**

Affordability problems for blue-collar and white-collar households are also the main issue that stopped many households to enter to homeownership. The rising property prices in the last few years have given difficulties to the potential homeowners. Young households are at greatest risk when it comes to increasing house prices, interest rates with the portions of their monthly income are spending on monthly payment for the housing debt. Most of them are just starting their career and hardly earned a good pay. Thus, the dream to own a decent house is only able to be realised if it is affordable to them. Zairul (2013) highlight that the term affordable simply means, the housing price will not cause excessive financial burden towards their monthly commitment.

### **10.2.3 What are the costs and benefits of new labour flexibility in terms of homeownership and workforce development opportunities? Whose costs and benefits?**

Greater job insecurity and combined with housing price increase contributing to more inequality in housing market. Those who purchased before the latest housing boom, ‘improving’ households, have typically realised substantial capital gains and able to use the current housing market to their advantage. Whilst, for ‘defensive’ and ‘managing’ households have to take high debt at the early stage of their life in order to be able to jump into the housing market or just keeping renting for unforeseeable future. This indirectly will lead to urban ills and other social problems which related to depression and what we can called as ‘housing stress’. Until the time this study was conducted, no official statistic on the housing stress level among Indonesian has been done. However, the pressure is really for most of ‘defensive’ and ‘managing’ households which explained clearly from fieldwork interviews.

### **10.2.4 What are the solutions that will allow the blue-collar and white-collar income households to own their homes? Who can implement these solutions?**

Whether the government should keep encouraging homeownership and rely on the market forces to provide housing solutions for most of Indonesia need to be reviewed again. Arguably, housing provision has an important role to ensure social economic stability and to promote

national development as it is not only to meet people's needs but also help to boost country's economic growth. The author believes that the government need to look out for a realistic housing policy that enables young households to own or rented a house according to their financial capability. The government also needs to consider how to resolve the issue of bubble pricing and speculative of house pricing. The central government and local government need to collaborate to solve the housing *backlog* in each province.

### **10.3 Valuable Lessons**

Exploring the phenomena in this field has uncovered some substantial lessons, both concerning specific issues that emerge in many countries, but also those that might only reflect the uniqueness of housing and labour in Indonesia. In addressing the topic, this section explores the phenomena of homeownership and the labour market, with particular reference to mature homeownership societies such as Japan, Britain, Australia and developing countries with the highest housing cost increases like China and Malaysia. This part thus recounts the author's lessons learned.

#### *10.3.1 Divergence in housing careers*

The Indonesian post-war housing system has consistently been driven by the growth of owner-occupation where many people have followed a conventional life-course in terms of ascending the housing ladder towards homeownership. For decades, similar to many other countries, the promotion of homeownership has provided many households with routes into what is judged to be mainstream society. Many renters regarded themselves as potential homeowners while young people, who were able to expect a steady increase in income, assumed they would acquire an owner-occupied house. This reduced the extent to which people were conscious of inequalities and thus served to sustain social stability (Hirayama, 2010). Nevertheless, in an increasingly globalised world, we have seen more booms and busts in the residential property market in the last two decades. From the fieldwork, it seems that a more insecure economy combined with more unaffordable housing prices has led to the divergence in household housing careers. As many countries have progressively been involved in more volatile and uncertain economic situations, increasingly studies have been drawn to how economic instability together with policy changes has impacted on housing and homeownership conditions (Doling & Elsinga, 2006; Doling & Ford, 2003; Forrest, 2008; Kurz and Blossfeld, 2004; Stephens, 2003). Bubbles, financial crises, asset deflation and inflation and new financial



products have accentuated the economic and financial dimensions of homeownership (Forrest & Hirayama, 2014).

The underlying theme is that in response to pervasive neoliberalism, the government has moved sharply towards accentuating the role of the market in providing housing and mortgages. Consequently, new fault lines have emerged between longer-established borrowers and new buyers, between the high risk and low risk, between the well-resourced and the less well-resourced families and between those on rising incomes and those with stagnant or failing incomes. The homeownership system has been and become more favourable to the financially privileged. Watson (2009) refers to the emergence of two distinct housing classes – the ‘market included’ and ‘market excluded’ in terms of past trajectories of housing wealth accumulation, market pricing strategies and future housing market resilience. Those in the strongest financial positions, typically on higher incomes, in relatively secure jobs and with high levels of equity have been able to extract profit from their housing investment and negotiate the most favourable terms with banks. As for relatively privileged younger people, the increase of parental financial support makes them able to step onto the housing ladder earlier than those without family resources to call upon, who face the prospect of higher interest rates and higher deposit requirements.

In Indonesia, many households have delayed entering the owner-occupied housing market and many in insecure employment have tended to remain in the rented housing sector. Section 7.2 and 7.3 clearly demonstrate that the ‘defensive’ group, in particular younger households, has been excluded from stepping onto the housing ladder given their income and employment background. As a result, these households are renting in the private rent sector without knowing how and when they are able to buy a house in the foreseeable future. Similar conditions are found in Japan (Forrest & Hirayama, 2009; Hirayama & Ronald, 2008), Britain (Heath, 2008), Australia (Baxter & McDonald, 2004; Yates, 2002), China (Tan, 2013) and Malaysia (Zairul, 2013). Arguably, the choices and aspirations of individual households do matter but their choices and experiences constrain how their housing histories are shaped in housing market conditions which are not of their own making and control.

### *10.3.2 Dual-Earner Household: Trend or Necessity?*

At the same time, transformation in the homeownership market has made it more rational for married couples to form dual-earner households (Hiramaya & Izuhara, 2008). The reorganisation and introduction of flexibility into the labour market have weakened the stability of male employment and consequently decreased household incomes. In Japan, that condition has resulted in increasing numbers of married women entering the paid workforce (Iwama, 2008). Similarly, In Indonesia married women, when they are able to do so, are entering the labour market to supplement the household income and enabling homeownership to be accessed. Although it is a common understanding of Indonesian culture that households are composed of a male breadwinner and a female housewife, now more than ever that model has been changed totally (see section 7.2.6 and 7.3.4).

Watson (1991) discusses the role of gender in the shifting relationship between home and work and explores definitions of class from a feminist perspective. She discusses the increasing role of women in the part-time and informal sectors of the labour market against a background of declining welfare provision and reduced public expenditure. In Indonesia, the role of women to support household income has not been studied extensively; nevertheless, the idea of women working is already a common thing in Indonesian culture. In the fieldwork, the author found some of the women work alongside their husband, in particular, those who had no children. Not only has that participation in the labour market helped household income, but it has increasingly determined whether households can attain homeownership. The study also supports the argument that dual-earner households with relatively higher income brought in by wives are now more advantaged in achieving homeownership compared with traditional ‘male breadwinner families’ or single-earner households. Arguably, this difference can provide a new driver accelerating the diversification of homeownership patterns, with a decline in conventional ‘husband-earned housing’.

However, in Indonesia and to some extent Japan, the economic status of women in the employment has not been equal to that of men. Hirayama (2010) argues that the neoliberalisation of labour policy has promoted the ‘feminisation’ of casual employment. In Japan, the Employment Status Survey in 2007 revealed that the percentage of non-regular employees was 18.3 percent for men (aged 25-29) compared to 39.9 percent for women of the same age. In Indonesia, low-wage workers also tended to be disproportionately female, with this trend likely reflecting the increasing number of women shifting from unpaid family work to part-time contract work as an employee (ILO, 2015). Women are especially predominant in

electronics, textiles, the garment industry, and other light industries which are mostly labour-intensive manufacturing.

Increased employment opportunities for women outside the household are generally regarded in a positive light from the standpoint of economic development. First, the additional income generated through wage-employment raises living standards. Second, increases in the opportunity costs of women's time in childbearing are expected to reduce fertility, possibly leading to greater parental investments in child quality (Becker and Lewis, 1973). Kupke and Marano (2002) suggest that a single income household finds it increasingly difficult to purchase, as housing prices and borrowing arrangements reflect the purchasing power of dual-income households. Nevertheless, from the fieldwork, it is evident that not all husbands feel comfortable about letting their wife work; it is still a dominant concept that a man should become the breadwinner for his family even though this is sometimes not enough. They still accept the traditional gender norms that men should make a greater economic contribution to the family than women, so the husband goes out to make money while their wife stays at home.

In addition, lack of institutional support such as childcare made some female respondents choose to stay at home to take care of their children. The absence of their parents to help take care of their children made it impossible for a wife to enter full-time employment. The institutional support to help working mothers such as childcare, is still limited and costly for the majority of low-middle income households. Interestingly, from the fieldwork, in some *kampung*, there is an informal 'nursery' which basically is women in the *kampung* who stay at home, help to take care of the neighbourhood babies while the mothers work. This kind of community support only applies to small blue-collar *kampungs* where the sense of community is still strong. The nanny usually gets paid between Rp.400,000 (£23.50) and Rp.500,000 (£29.40) per month. Indeed, this informal 'nursery' helps many women to be able to work. Given that labour is the poor's greatest asset, a frequent response by poor households to declining real income is to mobilise additional labour – principally women's labour, but in the poorest households even children's labour (World Bank, 1997).

Nevertheless, Attanasio and Webber (1994) argues that the growing need for two incomes to pay for housing is further affected by the notion of a household living wage being replaced with individual wage determination. Arguably, growth in dual earning households has, in turn, resulted in the unintended consequence of overall house price inflation and the necessity for two incomes to ensure levels of security comparable with the generation before. Households

comprising only one earner, especially single-headed households with children will be the most disadvantaged.

### *10.3.3 Who Gets to Own? Employment and Housing Relationship*

Parkinson (2010) suggests that two causally contingent processes for how insecure work may contribute to housing security. First, it was proposed that ‘insecurity in employment’ and ‘income security’ contribute to ‘insecurity in tenure’ by threatening the predictability and amount of earnings available to meet housing costs. Second, ‘insecurity in employment’ and ‘income insecurity’ contribute to ‘access insecurity’ in housing via the precautionary practices of households and other actors. Section 8.2.1 revealed that the majority of households make a prudent decision in moving from renting to buying, whereas other respondents had stopped trying to take out a mortgage. Benito (2006) points out the links between income uncertainty and precautionary household consumption of durable goods. In many respects, buying a house entails major decisions about capital investment. By taking out a mortgage, households are committing themselves to regular payments over a long period of time and, when they put down a deposit, it represents investment or consumer spending foregone, irrespective of whether buyers are aware of this or not.

The current study shows the rise of insecure working households as the result of increasing casual and temporary contract employment in many countries. Due to globalisation and structural changes in the labour market, significant changes are shaping the distribution and composition of the workforce in developing and emerging countries. In Australia, DeBelle and Borland (1998), Borland (2001) and Watson *et al.* (2003) clearly show the changing structure of the Australian labour market, where significant growth in ‘non-standard’ employment has increased, including part-time, casual, contractual, labour-hire and certain types of self-employment. In Japan, the social norm of secure and long-term employment with a raft of corporate benefits has been severely undermined, replaced by insecure and contract-based work, affecting particularly the younger entrants to the labour market (Nagase, 2002; Hirayama and Ronald, 2008). At the same time, these low-income working households have been significantly excluded from access to public housing and do not have ‘priority needs’, such as those who are homeless or at imminent risk.

From the cases in Greater Jakarta, the same phenomena can be observed, where many blue-collar and white-collar households are facing greater insecurity than their parents’ generation.

In some cases, a household has been in outsourcing or contract-based employment for more than 20 years without significant career improvement. On the other hand, rising house prices are forcing lower-income households to move to more affordable areas with less opportunity for employment. From section 8.2.1, it can be seen that household decisions to purchase or rent, and when and where to move, are strongly affected by both the certainty and security of income from employment and the overall stability of the household.

Moreover, the timing of housing transitions in their housing pathway will influence whether or not household events such as childbirth or employment changes threaten housing security. Whilst many lower-income households have little choice but to take out a mortgage, they may find themselves financially over-committed and face difficulties in modifying their housing situation if their resources become threatened. For some who opt for a non-subsidised mortgage, increases or decreases in interest rates will affect these households unequally.

However, for many households, particularly existing outright owners, increasing house values have actually improved their housing security and capital wealth. House price growth is intensified through wealth effects associated with large capital gains for pre-existing homeowners and investors. This wealth effect means that many who purchased before the latest housing boom have typically realised substantial capital gains, contributing to burgeoning intergenerational inequalities derived from housing wealth (Yates, 2002a). Therefore, the notion of winners and losers in the housing market is a reminder that the security consequences of the general decline in housing affordability are both positive and negative depending on where one sits on the 'housing career ladder' (Badcock and Beer, 2000).

#### *10.3.4 Welfare, Housing and Family*

Whilst the debate around welfare change has tended to concentrate on the balance between market and state provision, welfare provision generally has been in decline through neoliberal reforms. In many western countries, the notion of an 'asset-based' or 'property-based' welfare system has become increasingly central to debates on the restructuring of the welfare system (Groves *et al.*, 2007; Sherraden, 2003; Watson, 2009). The principle underlying the idea is that, rather than relying on state-managed social transfers to counter the risks of poverty, individuals accept greater responsibility for their own welfare by investing in property assets and financial products which allegedly augment in value over time. The potential wealth tied up in owner-occupied housing has been considered, more or less explicitly, to be a solution to the fiscal

difficulties involved in the maintenance of welfare commitments, and through that the asset in asset-based welfare has frequently become a property or housing asset (Doling and Ford, 2007).

Homeownership has become a measure for asset-based welfare provision with the traditional basis of the welfare state progressively eroded. In Britain and some developing countries, the owners of houses not only accumulated property assets but could also use their properties to obtain re-mortgages for consumption, sometimes called 'equity release' in the UK or 'reverse mortgages' in some other countries. Unsurprisingly, the expansion of the owner-occupied housing market involved the growth of the 'buy-to-let' housing market. Multiple property ownership with rental incomes developed as a means of acquiring economic security, particularly in old age (Forrest and Hirayama, 2009).

In developing countries where there is underdevelopment of the welfare state and limitation of the public housing sector, the significance of homeownership and family welfare exchanges has been reasonably important. The family sphere has been, and remains, an important and dynamic source of welfare provision across changing regimes and between generations (Izuhara and Forrest, 2013). In South East Asian societies, with some parallels with Southern Mediterranean societies, the role of the family is assumed to have retained a more central position. Material and non-material assistance between and within generations and the family ethic of filial piety is rooted in the distinct traditional agricultural economy and patriarchal-feudal society systems (Sheng and Settles, 2006). Arguably, family support offered the means of survival when resources were scarce, and families have always filled a gap between the state and occupational provision.

It can be argued that generations who were born in the 1980s or early 1990s did not have the same opportunities for buying property that their parents' generation did. In Britain, research for the UK charity Shelter (2013) estimated that parents were spending some £2 billion a year to help their children buy their first home; more than the amount invested by the government in affordable housing. In Japan, the government has increased the extent of reductions in gift tax in cases where parents financially support their children in purchasing housing. Similarly, in China, parents with a son tend to prepare a 'marriage home' to help their children with current high housing prices. Over just one generation, however, 'purchasing a commercial apartment' has become increasingly common. Arguably, for these privileged young people, this increased family financial support will involve a greater degree of financial dependence on parents among young generations while on the other hand, aspirations for greater independence in terms of

attitudes and lifestyles. This paradoxical dependent-independence is likely to lead to more intergenerational frictions and conflicts (Forrest and Hirayama, 2014).

In Indonesia, like many other countries, the growing and widespread commodification of housing and periods of substantial house price inflation combined with institutional factors have produced significant wealth divisions within and between families and generations. The above observation strongly supports the idea that intergenerational family reciprocity has become a new component of homeowner societies, implying a trade-off relationship between the decline in socially-controlled housing and labour markets, and the increased reliance on family resources (Forrest and Hirayama, 2009).

### *10.3.5 Temporary Dweller: The Case of the Urban Migrant*

One of the most profound changes during the twentieth century was massive migration from rural hinterlands to burgeoning cities and the emergence of giant cities, often referred to as ‘Megacities’ (Sorensen and Okata, 2011). In 1950, there were two cities in the world with a population of more than ten million people: New York and Tokyo. By 1975, there were three, with the addition of Mexico City. In 2015, according to Demographia’s World Urban Areas Index (2015) there were 34 cities, of which Jakarta was second just behind Tokyo as the largest urban area in the world. Section 7.2.1 revealed the phenomena of urban migrant workers in Greater Jakarta, borrowing Turner’s (1968) argument about the ‘bridge-headers’ or rural migrants who hope to make their fortune by coming to a city and living in inner-city areas close to the available jobs. In migration studies, the conventional household strategies approach emphasises the economic or utility gains that households can make via migration (Boehm *et al.*, 1991). Arguably, the net family gain becomes the main reason motivating migration rather than net personal gain. Thus, labour migration is often interpreted as a strategy to increase income and diversify income sources for the entire household (Adams and Page, 2003; De Jong, 2000). In some developing countries and poor areas, migration and remittances from migrant work are essential for the subsistence of rural households and households in poverty (Goldscheider, 1987; Radcliffe, 1991).

In Indonesia, every year thousands of people move to Jakarta with the return flow of the Eid Mubarak (the main Muslim celebration after Ramadan) holiday exodus. When the holiday is over, they return to Jakarta and some bring their relatives or friends with them. Many end up working in construction and manufacturing industries surrounding Jakarta. They work in outsourcing or contract-based employment in many industrial estates in Bekasi, Tangerang and Cikarang. Nevertheless, from the fieldwork, many respondents typically found it difficult to

plan ahead with their current employment conditions. Most did have some sense that their current job was not long term employment, and so planned to move back to their hometown (the majority from Lampung, Medan and Java) if they had some savings to open their own small business or were unable to find other jobs to survive in Jakarta. There were many reasons for this trend. Similar to China, economic reasons tend to highlight this migration phenomenon which usually involves consideration for and collaboration of other family/household members. The most popular arrangements include the gendered division of labour – the husband does migrant work and the wife stays behind – and the intergenerational division of labour – the husband and wife both do migrant work and their parents stay behind (Tan, 1996). Better forms of transport and communication have reduced the friction of distance and allowed migrants to maintain closer and more intimate linkages with their families in the village. Arguably, migrants can obtain the best of both worlds by earning in the city (high-income destinations) and spending in their village (low-cost origins).

As mentioned elsewhere, *kampungs* are the first place these migrants stay. That informal way of living and minimal infrastructure and services, suits their needs of affordable accommodation in the city. *Kampungs* in peri-urban areas also provide housing for service workers, domestic workers, and other employees in the informal sector upon whom residential estate dwellers depend on (Leaf, 1996; Winarso and Saptono, 2008). A study on rental housing in Greater Jakarta shows that the rental percentage (including for both unit and room rentals) is higher in *kampung* areas (30 percent of households) and lowest in higher income areas (14 percent) while the overall percentage of rented housing in urban areas is 26 percent. As the place of residence for low-income employees, *kampungs* keep the wheels of the city turning in many different ways (UN-HABITAT, 2003).

This observation strongly supports the ideas of Turner (1968, p.362) that the government in developing countries need to take into account the needs, priorities and resources of the poor. Rather than building housing units, the government should create conditions under which the poor can decide for themselves how to make the best use of their limited resources to improve their housing conditions. Turner identified three stages in the trajectory of the (immigrant) urban poor: bridge-header, consolidator, and status-seeker. Housing priorities differ radically at each of these stages (or rather income levels). Proximity to income-generating opportunities (location) is the highest priority for the very poor bridge-header while permanent homeownership and residence (tenure) and modern standard (amenity) have no priority (Turner, 1968, p.353).



### 10.3.6 Housing prices in Indonesia: Are Developers the Sole Determinant?

Unlike Australia, Malaysia and the UK (particularly London) where housing price increase is driven in part by foreign capital investment, the Indonesian housing market has been driven by high domestic consumption and surplus economic growth. While traditionally, owner-occupiers and private investors have been the main investors in the residential sector, in recent years, corporate and institutional investors are turning to residential investments. Residential property returns are valued equal to commercial property returns, with lower risk and depreciation. Section 9.3.4 highlights that phenomenon by exploring how residential buyers have higher investment motivation than end user buyers especially in areas of high housing demand. Given their strong financial background, these buyers prefer buying with cash rather than taking a mortgage. In the apartment sector in 2012, 63 percent of apartment purchases in Jakarta were made with cash instalments and 21 percent with hard cash, while only 16 percent of them were purchased using a mortgage. In terms of supply, around 115,928 apartments were built in 2012 alone (Colliers, 2012).

One of the more distinctive factors of the Indonesian housing market, shared with China, is the existence of a pre-sale housing market which explains why there are highly active developers in the property industry and why the majority of Indonesians own their home even when there is lack of a formal financing system. Pre-sales investment has become the most popular property selling system for new housing and apartments, usurping conventional housing mortgages in Indonesia.

Developers do pre-sale marketing when they sell their property before the building process is started, to acquire financing for the development and to reduce the risk of building property that might remain empty. When developers have obtained the building permit, they can pre-sell the property to a real estate buyer who will then pay according to the construction schedule. For example, a buyer might pay 5 percent of the house price for the deposit and sign the contract, specifying the date at which the construction starts. The buyer pays 30-40 percent of the house price after the first 6 months of construction. When the property is completed, the buyer has already paid their instalment (some developers offer 12, 24 and 36-month instalments). Pre-selling is not only popular in Indonesia but is a popular practice in many Asian countries, for instance: Deng and Liu (2009) studied the pre-sale market in China; Ong (1997, 1999) studied the pre-sale market in Singapore; Chang and Ward (1993) studied the pre-sale market in Taiwan; and Chau *et al.* (2003), Yiu *et al.* (2005) and Wong *et al.* (2006) studied the Hong Kong market.

It arguably gives benefit to both developer and buyer: from the property buyer's viewpoint they can avoid a large down payment through the pre-sale system, while for developers, it has a significant effect on the distribution of risk between developers and buyers. However, this gives an opportunity for speculative buyers to buy a house/apartment before the project has started and then sell it during the construction project when the house/unit price has already increased. There is no liability for transaction tax before the property is completed because the property does not yet appear on the official property registration. Since there is a relatively high transaction tax on registered properties, many transactions may be made on the pre-sales property before the property is completed (see section 9.3.4). The only downside of this system is that the buyer is asked to take the business risk of project failure that the developer would otherwise accept. In addition, there is a lack of security of payment for the buyer if a developer takes the deposits and then walks away from the contract. There may be many cases devoted to property pre-sale problems. The pre-sale system, though reasonably efficient for financing property development is also risky. Because non-virtual products are sold in the pre-sale system, the reputation of the property developer is important and valuable. This gives more bargaining power to some big developers to dictate the housing price increase in Greater Jakarta.

Section 2.4 revealed that during the 1990s, the conversion of land for housing development was immense, which influenced a concentration of land in the hands of a few large developers. Winarso (1999) suggests that by 1997 the land held by companies under the permit system in Greater Jakarta had already reached 121,631 ha, amounting to more than enough for 6.08 million houses, assuming that 50 houses can be built on a hectare of land. The concentration of these land banks in the hand of a few big developers means that the house price increase is easily dictated by the developer, which is unhealthy. Whilst Indonesia's house price inflation has clearly been driven by a number of fundamental factors, in particular, population and household growth, continuing urban concentration and a long period of high economic growth and rising incomes, arguably, the limited supply of property and exploitation of developers of their housing product to gain bigger profit has also contributed. The absence of government in the housing market also gives the developers absolute power to determine the housing price. In addition, the developers also have a 'responsibility' to increase the house price to keep the house buyers and investors happy. When they increase their housing price, it also increases the housing prices in primary and secondary markets. Not surprisingly, in section 8.3.3, some respondents complained about house price affordability and inflation, which had resulted in house price increases in real terms every year.

## 10.4 Implications of the Findings: Between Theory and Practice

### *10.4.1 Developing the Ideas: Household Strategies as a Way to Understand Housing Problems*

It has been suggested that only some households have strategies. Anderson *et al.* (1994) and McCrone (1994) in their study of families in Scotland argued that only better-off households perceived themselves as having control over resources and were thus able to make choices and plan strategies, while others did not. In addition, people behaved more or less strategically at different points in their life-course. At certain stages, it was necessary to plan (for housing, children etc.) and at other stages it was not. On the contrary, Vinay (1985) argued that only poor households had to develop strategies in the struggle for survival. The author of this thesis believes that, and has demonstrated how, every household, regardless of their economic background, develop their own strategy in order to achieve their life goals, in particular for an important life event such as buying a house or taking a mortgage. Nevertheless, the increasing prevalence of the flexible labour market with its casual and contract-based employment, makes it more difficult for some households to plan their foreseeable future, as the stability and security of employment has already reduced significantly. Wallace (2002) states that some aspects of social change in a range of contemporary societies have indeed forced households to become more self-conscious and reflexive in the way that they organise their resources and this is where household strategies as a concept can continue to have analytical value.

This study set out to understand the wider impacts of getting or not getting on the property ladder, and the different paths in life that people have taken to get there. In addition, this exploration intended to identify and differentiate between the constraints, housing priorities and different housing assistance needed by different households groups. Statistics alone cannot capture the wider impact of people's journey into homeownership. As has been discussed in Chapter 6, the author divided the households based on the household strategies they applied: 'defensive', 'managing' and 'improving' household strategies regarding their position in the housing career. The concept of a housing career provides a useful way of integrating residential mobility into understandings of the operation of the housing market. It shows how the progression of households through the housing stock is influenced by the circumstances that prompt moves, economic resources and the stage in the family life cycle (Kendig, 1984).

However, it is important to bear in mind that the relation between housing and the labour market is essentially a complex phenomenon. There are many variations in households stories that all offer possible explanations of the emergence of the flexible labour market and household decisions to step onto the housing ladder. Differences in these responses, from one household to the next, are due to changes and different circumstances in their life course. It is clear from this study that attitudes to homeownership are influenced by security and stability of future income and employment. As a result, the ability and willingness to take on a long-term commitment like a housing mortgage seems unsustainable within casual worker households. So, they choose to keep renting until they see a better opportunity in their employment, usually after becoming a permanent employee, and even then they just plan for buying a house within their budget. For others, few expected to achieve homeownership as quickly as they had hoped, whereas some of them doubted that they will ever be able to become a homeowner. Many respondents, both blue-collar and white-collar, told the author of their casual employment background and how their lack of ability to save for a deposit made them delay house purchase. The rapid and ongoing appreciation in Greater Jakarta's housing market over the past several years has also worsened their chances of stepping onto the housing ladder.

#### *10.4.2 Globalisation and Housing: Reflection on the Housing Question*

It is impossible to discuss housing and social change without some reference to processes of globalisation. It is the mega-urban regions such as Greater Jakarta where these processes of incorporation and connectivity have been concentrated. McGee (2002) points out that this has not only driven a sharper wedge between these expanding megacities and their hinterland but also heightened the vulnerability of the poor living within them. In this section, we explore key aspects of the current housing question in relation to processes of globalisation, demographic change, rising social inequalities and new social divisions associated with wealth accumulation via homeownership. Held and McGrew (2000, p.5) suggest that even though this discourse of global interconnectedness is apparent, our everyday lives are still dominated by national and local circumstances. Housing provision and housing markets are inherently local in how they require, in the main, local knowledge on the part of both agents and consumers, providers and clients. Nevertheless, more than ever, substantial amounts of capital are tied up in the housing sector including in many Asian counties.

On the other hand, as discussed in Chapter 2, there are some similarities and variations in dimensions of globalisation which are relevant to this discussion of housing and social change

in contemporary society. First, while contexts and consequences may vary dramatically between developed countries and emerging countries, the globalisation of policy communities (shepherded in great measure by global organisations such as the World Bank and IMF) has nonetheless produced an increasingly global policy language and policy response to privatisation, deregulation, marketisation and outsourcing. It has become axiomatic that large, state housing bureaucracies are inefficient, expensive and distort the normal market process. Thus, most governments, including Indonesia's, have stopped building mass social housing and replaced them with subsidised mortgages. This trend arguably transformed many housing policies in different countries from a producer subsidy approach to a consumer subsidy orientation. Housing policy, both in developed and developing countries, is now commonly pursued as a conscious attempt by the state to boost private consumption and economic growth (Forrest and Lee, 2003). Privatisation and the retreat of the state in housing have become a dominating topic in housing literature.

Second, there is a climate of greater risk, insecurity and market volatility. Influential and provocative commentaries such as Beck (1992) and Castells (1996) conjure up a world where we can no longer assume the old certainties and securities of the past. In particular, we can no longer assume job security. Flexible labour markets, essentially easier 'hire and fire' regimes with more casual and insecure contracts, create conditions which are not ideal for the promotion of homeownership. The pressures of competitive globalisation have driven increasing job insecurity which made people sense of security are seriously shaken. Doogan (2001) points out that while the fear of job loss or the extent of casualisation may be greater than the reality, even this 'manufactured uncertainty' has a powerful impact on popular senses of stability and security. Arguably, the best conditions for the development of homeownership are rising real incomes, growing job security and a good dose of inflation – the conditions that prevailed in many industrial countries in the three decades following the end of the Second World War.

Third, real estate is deeply implicated in general financial flows and has impacted significantly on macroeconomics. The Asian financial crisis in 1997 and sub-prime mortgage crisis in 2008 clearly demonstrated that real estate investment is at the centre of this boom-bust economy. For example, prior to the bursting of the economic bubble, some 70 percent of lending by Japanese banks was secured against real estate (Forrest *et al.*, 2003). In Hong Kong, real estate accounted for almost half the total lending in 1997 (Fung and Forrest, 2002). In Indonesia, the 1997 financial crisis was triggered by high levels of collateralisation of bank loans against real estate (see section 2.4). Forrest and Lee (2003) suggest that homeownership embodies this

juxtaposition of the local and the global as a use value (locally-rooted lived experience) and as something to be traded (exchange value) on the international monetary markets.

Given the many commonalities across the global context of housing policy and trends over the last few decades, there are also some important contrasts that must be considered. First, for western developed countries, absolute housing shortages are seen generally as a thing of the past. Housing policies are now more likely to be targeted at particular groups such as lone parents or lowest income households or at the new housing demands of demographic ageing rather than as general strategies to raise standards or widen access. Most western housing markets are generally well-established, with mature institutional structures. On the other hand, developing countries like Indonesia still struggle with a housing backlog and access to decent quality and affordable housing (see section 4.2.2). Indonesia now also faces rapid changes in working and living conditions which have been highly uneven. As a result of industrialisation and globalisation, the transformation of people's lives through new opportunities has collided with the insecurity of global financial markets. Newly expanding middle classes, who aspire to homeownership and put some of their savings and assets in property, are set against the most vulnerable economic groups: the least skilled, the youth, and workers in the casual and informal sectors.

Thus, it can be argued that these transformations in the structure of labour market and in the nature of employment are central to contemporary housing questions, whether in terms of affordability problems; changing household structure as the pattern of labour force participation change or absolute housing shortages; or the extent to which the housing opportunities which were available to the previous generation will be available to current and future generations.

#### *10.4.3 A Way Forward: More Localised and Tailored Solutions*

In the English-speaking countries, high levels of owner-occupation supported by liberalised finance systems and often favourable government policies have been criticised as causing tenure polarisation and housing market volatility. Even though the social and economic significance of high levels of owner-occupation is increased as the result of liberalised financial system, when fundamental affordability problems arise, the level of owner-occupation stagnates and may well decline. In addition, the housing market tends to be more volatile with periodic speculative housing price booms and busts. At the household level, owner-occupiers carry more risk, manifest in the rise in default and foreclosure rates in countries such as the US

and the UK following mortgage market liberalisation. Widening access to mortgage credit might also lead to greater tenure polarisation. On the other hand, relying on social housing for the answer also has not yet given a satisfactory result. In the UK, social housing has generally been restricted to the provision of rented housing for lower income. In Scandinavia, the Netherlands and Germany, and in many Commonwealth countries, housing has been directly provided mainly for government employees, and in countries such as Singapore the vast majority of housing has been built by the government as part of a wider social policy (Whitehead, 2003). In Indonesia, social housing has had much more to do with poverty, resettlement and extreme housing shortages.

The underlying argument is that the resource costs of housing have risen as land has become more valuable and productivity of housing production did not keep pace with population and economic growth. Thus, the study supports the argument that government intervention in market economics is needed to use scarce resources as efficiently as possible and to distribute the resources available in a more equitable fashion. In addition, because housing is such a basic necessity, not just in terms of shelter but also with respect to security and opportunity, housing is more socially important than most other goods and services. Housing takes a large proportion of the household budget – especially for low-income households – so is an obvious area for concentrating redistribution policies through kind rather than cash (Hancock, 1991; Whitehead, 1998). Moreover, the heavily market-driven housing strategy cannot be sustainable in Indonesia while a considerable segment of the population is still not adequately housed. Huang and Li (2014) point out that after more than two decades of housing privatisation, the distribution of housing in China is less, rather than more, equitable.

The above rationality is strongly supported by the findings of this study and inspires the ideas of household strategies to help the government or housing agencies to understand the specific constraints and opportunities that relate to employment and housing career background. The findings chapters clearly show that the households observed have been exposed to a house price fluctuation through the limitation of housing choices in Greater Jakarta. The government has only built a small amount of *Rusunami* (subsidised low-cost flat) and *Rusunawa* (subsidised rental low-cost flat), and the ratios of low-income subsidised low-cost flats to those who need it have been very low. Moreover, the provision of subsidised mortgages (KPR-FLPP) for low-middle income groups with incomes below Rp.4,000,000 (£228) was expanded to some cities but has not greatly impacted the big cities like Greater Jakarta where land prices are already expensive. This gives very limited housing options for low and middle-income households who aspire to buy a house in Jakarta or the surrounding area. Maclennan *et al.* (1998) suggest that,

as important as the efficiency of housing provision itself, is the fact that housing is seen as one of the most effective ways of addressing macroeconomic problems, notably with respect to unemployment and income distribution but also in terms of macroeconomic stability.

Thus, the priorities of housing subsidies also need to be carefully reconsidered. From the cases in Greater Jakarta, it can be observed that households in different housing circumstances have different housing assistance needs. Turner (1968) underlines that a very cheap bed space or, if in the case of a family, a rented room in a run-down tenement would be far more appropriate than a modern standard dwelling that would absorb an impossibly high proportion of income. Section 7.2.1 explains that for many 'defensive' blue-collar households, renting a '*rumah petak*' or small rental unit in *Kampungs* around Greater Jakarta becomes their best option to cope with their temporary housing needs. Arguably, unlike a mortgaged house, the rented room can be given up with very short notice and the occupier is free to move quickly to another location. Overcrowding and discomfort may be a price the aspirant to better living standards is quite willing to pay for improved opportunities. In addition, the fact that some of this 'defensive' group see themselves as temporary urban dwellers makes their housing needs different than the rest of the population. Meanwhile, section 8.2 and 8.3 also show that for those who already have stability and security in their employment, becoming a homeowner is essential for their long-term plan to live and settle in Greater Jakarta. The permanently settled can use their dwellings as a means of reducing their expenditures to the subsistence minimum in times of financial crisis (often brought on by illness or unemployment) and as a source of additional income (Turner, 1968). Meanwhile, section 9.2 and 9.3 discussed how the established homeowners used their advantage to become property investors and/or property speculators as they tried to use their properties not only as a safety net but also to build wealth. These households usually had stable or increasing incomes and the inflation in housing prices ensured that entry costs were decreasing in real terms, and thus the continued payment of housing costs was not generally problematic.

This phenomenon clearly demonstrates that there is a diversity of experience within homeownership and to an extent, the image matches reality. Moreover, there also appear to be different patterns of diversity between parts of the province or even within one city. Any presumption that market provision consistently delivers the benefit of homeownership to all households evenly can be firmly rejected. Arguably, local authorities have the power and resources to achieve the greatest benefits from the resources employed. Part of this may involve a new acceptance of rental forms as a legitimate part of contemporary housing systems and as a lifestyle choice for some rather than as necessarily a tenure of constraint or transition. What



is required are not imported or universal policy responses but more localised and tailored solutions. All in all, the important conclusion is that there are choices.

#### *10.4.4 Future Research*

Given current high inflation of housing prices and steady economic development in Indonesia, increasing numbers of homeowners are affected by the belief that homeownership is necessary to success or – unlike renting – provide security of tenure. The promotion of homeownership as a cultural assumption makes becoming a homeowner a necessity for joining the ‘social mainstream’ for many Indonesians. This has made the house price boom in Indonesia since 2000, judged as a positive boost to private consumption and economic growth. Spectacular housing increase was then accepted as the rational market response to the situation of high demand and low supply. Ironically, rising house prices have not curtailed the number of units demanded, as economic theory would predict. Rather they have increased the number by stimulating greater total demand by people who expect additional price increases. First-time buyers stretch themselves to get onto the property ladder before price rises shut them out of the market altogether. The notion that prices will keep rising forever makes people heavily channel their resources into property, reflecting Saunders’s contention (1990, p.153) that ‘as long as the capitalist economy keeps growing, house prices are likely to keep rising’. However, Eatwell (1992) clearly underlines that houses are worth what someone will pay for them and, in a slump, what people are prepared to pay can fall sharply as expectations fall. Arguably, when a boom is under way it seems inconceivable that it could end, and during the depths of the slump some thought that the market would never recover, that an era had ended and that housing market booms were a thing of the past.

Nonetheless, there are always cyclical trends in prices and sales volume as the housing market heats up or cools down after a boom. Such booms and slumps are common to most asset markets where, when prices begin to rise sharply, and buyers fear they may miss the boat, a period of frenzied speculative activity can set in, with buyers bidding up prices to levels which later prove to be unsustainable (Hendry, 1984; Case and Shiller, 1988). Japan’s experience teaches us the lesson to be more careful and sceptical of that most fundamental myth behind all asset bubbles: that prices will keep rising forever. Like many US sub-prime home buyers in 2008, too many Japanese home buyers overextended their debt, buying property that cost more than they could rationally afford because they assumed that values would only rise. When prices dropped, many buyers were financially battered or even wiped out.

Future research could explore how different actors make their adjustment in the case of a burst housing bubble. Wallace (2002) suggests that the concept of household strategies can be relevant for the analysis of aspects of complex industrial societies as well as transitional societies, enabling us to better understand the social foundations of economic behaviour. More detailed results on the complexity of the phenomenon can be accomplished by undertaking more in-depth inquiries to develop the qualitative findings. It can be argued that when mortgage interest rates rose and house prices fell, many recent buyers with high mortgage to price ratios had no safety margin. Over-gearred and over committed, they fell victim to the inevitable correction in prices and demand. Buying a house might become a passport to losing money. Therefore, this study can become an initial study to explore more the relation of financialisation of the housing market and housing (as policy, as investment and as lived experience) in Indonesia.

### **10.5 A Reflection at the End of the Journey**

*“No man ever steps in the same river twice, for it’s not the same river and he’s not the same man.”*

(Heraclitus, Greek Philosopher, 402 BC)

That quote accurately reflects the long journey of this study, given that many challenges had to be overcome to conduct the research: first, determining the main issues to be explored in the field; then, choosing the most appropriate methodology. The biggest challenge during the research was to make sense of the complexity of different qualitative data from the household respondents, labour activists, estate agents and government officials. In addition, there were also many changes in labour and housing issues in Indonesia during the time of the research. The national strike of Indonesian workers in 2012 and 2013, the Indonesian presidential election in 2014 and some major national events had made housing and labour policy become more fluid. The discussion in the fieldwork made the author revisit the study’s main research questions and research objectives. Here, the qualitative interviews in the cases studied supported by direct observations and photographic records enabled the exploration of the main themes and issues in order to develop the findings. That flexibility became important in this study, in selecting the most appropriate methods, organising and analysing data, and exploring the implications of that analysis.

The opportunity to explore people's daily constraints and problems regarding their employment and housing, which the author had taken for granted, became the most valuable experience of this study. Interestingly, the author found that Indonesian people are really sensitive and easily react to the smallest change in their employment such as wages, benefits or security of their job, but are sceptical in terms of housing affordability or quality as the majority of people accepted it as a market-driven and out of their hands. National newspapers and televisions also cover the hot topic of labour market changes more intensely. The argument has some validity, that in the last few years, trade unions at the national level have reinvented their political power and are regarded as a serious political force by politicians after decades of oppression under the Suharto regime. Their ability to mobilise a general strike on 3 October 2012, in which an estimated 3 million people participated across 24 cities made the government take more consideration, and careful measures, in responding to the trade union's demands. Meanwhile, housing is more about 'aspirational issues', that is how people consider it only if they can afford it. Nevertheless, from the fieldwork there was a sense of frustration from young white-collar and blue-collar workers that they are not able to step onto the housing ladder. Over the last 30 years, Indonesia's economic development has seen a dramatic transformation in its housing system since the deregulation of the financial sector and property boom. Many people who had no previous hope of homeownership now aspire towards it. In addition, the latent demand for owner occupation was stimulated by measures which the government took.

From this study, we can also see the significance of households as the basic unit for getting by. By looking at the world from the perspective of household strategies, different factors for explaining hardship and prosperity, success and failure, emerge. What also emerges is that each household always reflects upon their resources, consciously or not, in order to make some important decisions in their household. In particular, for women the strategies involved not just work, but also the management of time, childcare and domestic life. It is clear that their strategies interacted with the labour and housing markets in determining where they wanted to live and what sort of jobs they could do. In addition, Wallace (2002) suggests that household strategies as a concept, method and unit of analysis also can help us to understand social changes in different societies around the world. Nevertheless, it is important to highlight here that at the macro level we would need to take into account the cultures, norms, values of local societies, civic and welfare rights beside the nature of the labour and housing market. Clearly, different societies would throw up different factors as being important.

At the end of this journey, the author hopes this study can improve our understanding of the impact of job insecurity on the affordability of homeownership and how different households

from diverse employment backgrounds applied different kinds of strategies depending on their housing career position. The implication of this study, at least, can give some perspective on how we understand our contemporary societies from the household point of view which can help housing and labour stakeholders to better plan policies which are responsive to the real needs of the people.

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## Appendix A:

### Questionnaire for Pilot Study

This survey is to examine the impact of job insecurity on the ability of Indonesian citizens to afford homeownership and how this affects their long term goals.

#### Personal Details

1. Age : .....
2. Gender : male / female
3. Education (*Please tick one*) :  Elementary School  Junior High School  
 Senior High School  Collage / University: S1 S2 S3

#### 4. Family members

	Male / Female	Age
a. Husband / Wife		
b. Son / Daughter		

#### Occupation

5. Employment Type :  Civil Servant  Military  Private Company  Self-employment
6. How long have you had your current job  
 Less than 1 year  between 1 – 2 years  between 2 – 5 years  more than 5 years
7. Employment status :  Permanent employment  Contract employment (Please specify) .....  
 Agency / Outsourcing  Others (Please specify)

#### **For contract, agency & outsourcing only:**

How many job contracts have you had in the last 5 years?

- 1  2  3  4  5 & more

Why?.....

8. Employment rights :  National Insurance  Health Allowance  Pension Allowance (Select  you are entitled to)  paid Holiday  Maternity leaves  
Others .....

1. Monthly salary (*Please tick one*)  Under Rp. 1000.000, -  
 Between Rp.1000.000, - and Rp.4.999.999,-  
 Between Rp.5000.000, - and Rp. 9.999.999,-  
 Between Rp.10.000.000, - and Rp. 19.999.999,-  
 Above Rp.20.000.000,-

2. Have you been unemployed in the last 5 years?  No  Yes , for .....(month/year)

3. How certain are you about what your future job picture looks like?  
**(Please circle, 1: strongly disagree, 5: strongly agree)**

10. I will soon lose my job



- 1      2      3      4      5
11. I am confident that I could quickly get another similar job  
      1      2      3      4      5
12. I have had enough and intend to leave  
      1      2      3      4      5
13. Do your partner (husband / wife) working?    Y / N    Employment Type & Status  
 .....

Monthly Salary  
 .....

14. How secure do you feel with you current job? Why?  
 .....  
 .....

15. How confident do you feel to find another jobs if your employment finish today? Why?  
 .....  
 .....

**Housing & Settlement**

16. Where do you live in the past five years? (please tick more than one if appropriate for you)  
 Buying a house       Renting a house       Boarding house       Rusunawa / Rusunami

17. Do you have any housing mortgage? Y/ N  
 How long?.....years Monthly payment .....  
 If not, how long do you feel to be able to buy a house?.....

18. Which options do you feel more suitable for you?  
 Buy it with a combination of down payment and a loan  
 Buy it with cash with my own resources  
 Buy it outright with cash with help from my family or friends  
 Buy it outright with help from my family and / or friends

19. Where do you get a loan for home purchase?  
 Commercial Bank       Cooperative       Private Developer       Money  
 Lender  
 Family and friends       Employer       Other

20. How important do you feel to have your own house? Why?  
 .....  
 .....

21. Do you find any difficulties to take the home mortgage? Why?  
 .....  
 .....

22. What do you hope from the housing program by the government in the near future?  
 .....  
 .....

Do you mind if I contact for further interview? Y / N      Telp Number  
 .....

**Many Thanks**

## Appendix B:

### **In-depth Interview Guidelines (with the Ministry of Public Housing)**

1. What is the SBY<sup>1</sup> government's target in housing? How success is measured?  
.....  
.....
2. After the 1997 crisis, what are amendments that government have been done to help the property sector growth again?  
.....  
.....
3. The government's role has been changed from being a 'direct provider' to a housing 'enabler' by providing sound regulatory and financial environments. What are housing finance policies & programs to enable access to homeownership and how success is it?  
.....  
.....
4. How the government developing better access to credit (especially for low-income people)?  
.....  
.....
5. The government also are providing home mortgage supported by Liquidity Facility (KPR FLPP) for low-income first home-buyers. How success is it?  
.....  
.....
6. One of the requirements to get KPR FLPP is having permanent employment with minimum one year tenure. How it will work for the people who just have fixed working contract or working under outsourcing and agency system?  
.....  
.....
7. The other problem is the difficulty to find specific housing with the price that government have been regulated to limited around Rp.70 million to Rp.130 million. What the solution and how the government find it will be success?  
.....  
.....
8. How the government maintaining the sustainability of recent public housing programs such as, National Movement for a Million Houses, National Program for 1000 Towers and others program in the future? What the major problems and solutions that government need to take?  
.....  
.....

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<sup>1</sup> SBY: Susilo Bambang Yudhoyono, 6th President of Indonesia president (2004 – 2014)

Appendix C:

**In-depth Interview Guidelines for Households**

<i>Theme</i>	<i>Issues</i>
Respondent Background	<p>Household members' age, education</p> <p>Husband's employment status (permanent, fixed-term contract, outsourcing), wife's employment status (working / not working)</p> <p>Length of employment in current company (husband and wife)</p> <p>Total household income per month including salary, investment, etc.</p> <p>Total household expenditure including rent/mortgage, bills, children tuition fees, etc.</p> <p>How the husband/wife feels about their current working conditions (secure or insecure)</p>
Household Strategy	<p>How the household makes some adjustments to their expenditure</p> <p>How the work and income are distributed between husband and wife</p> <p>The size of the house mortgage affecting their monthly income</p> <p>The differences in terms of security, income and stability between the position of tenants and homeowners</p>
Housing Career	<p>Family story (single, newly married, after several / many years of marriage)</p> <p>Factors considered in buying / renting a house</p> <p>Future housing preferences (compared to now)</p> <p>Investment choices of the households</p> <p>The importance of the help of family/relatives whilst buying a house</p> <p>Constraints in buying a house / applying for a mortgage</p>
Housing / Labour Policy	<p>The most important aspects of current employment conditions</p> <p>Expectations of housing conditions in the next 10 years (paying off mortgages, buying another house)</p> <p>Expectations around current housing policies</p>

## Appendix D: Transcript of an Interview (Extracts)

The following transcript is an extract from a telephone interview with white-collar respondent living in Cimanggis, West Java and working in Kuningan, South Jakarta. It has been translated (from Bahasa Indonesia into English) and transcribed by myself.

Name of interviewee: Kemal, aged 35

Date of interview: 26 September 2014, 4 pm to 5 pm

Place: Telephone Interview (using skype and MP3 Skype recorder v.4.1)

<i>Themes</i>	<i>Evidence / Opinions</i>
<b>Housing Career</b>	<p><b>Surya:</b> Could you tell me your housing story from early married life until now?</p> <p><b>Pak Kemal:</b> After married, we were renting in <i>Rusunami</i> (subsidised low cost apartment) Bendungan Hilir for 3 years, which we paid around 14 million rupiah per year, we then decided to buy a house. We bought it in 2011 for 350 million rupiah.</p> <p><b>Surya:</b> Whilst considering whether to buy, did you feel any anxiety or problems?</p> <p><b>Pak Kemal:</b> oh not at all, when we were deciding to buy and pay the instalment, we had already committed 100%, we were just praying and gave up to God our plan. You never have a house if you do not <i>nekat</i> (run the risk) What I mean by <i>nekat</i> (run the risk) is that all my savings were used to pay for the downpayment.</p> <p><b>Surya:</b> Did you face any difficulties in paying the instalment?</p> <p><b>Pak Kemal:</b> Well, because I took the mortgage from my office (he works in a private bank), the instalment was always directly taken from my salary, so as long as I still work there, it won't be late (the instalment payment).</p>
<b>Housing : Investment or Place to live</b>	<p><b>Surya:</b> Have you made any investment in property anywhere else?</p> <p><b>Pak Kemal:</b> Not at all, well...just this house. I have a car loan and the other big expenditure is maybe just for my child's education.</p> <p><b>Surya:</b> Do you find any difference between yourself as a homeowner and your colleagues in the office?</p> <p><b>Pak Kemal:</b> Well, it is really varied, some of them just will not consider living far from the workplace, maybe the house price around the area they are interested in is already high, or maybe they have other unexpected expenditure. To buy a house, we need to take all the considerations, but you should only buy within your capability. Usually the people in my income range have to look at alternative houses far away on the fringe, if you don't want to compromise that you will never be able to buy a house. After all, as long as there is public transport you should be able to commute. I myself have to commute 35 kilometres from the office to my house.</p> <p><b>Surya:</b> Are they many people like you living far away?</p>

<i>Themes</i>	<i>Evidence / Opinions</i>
	<p><b>Pak Kemal:</b> Oh yes, many...the bus is always full of people commuting from my area to the city centre (Jakarta). Each day, people from my residency area use the same bus to go to work in the <i>Sudirman, Thamrin</i> and <i>Kuningan</i>. It is not a public bus, but from the developer (some developers have their own bus to help their residential people commuting), they have cooperated with <i>Kramat Jati</i> (a private bus dealer). My residence is Bukit Golf Riverside.</p> <p><b>Surya:</b> How about house maintenance?</p> <p><b>Pak Kemal:</b> Well, if it is excluded bill, I usually pay Rp.150.000 for area maintenance like security, a gardener and waste collection. Not much really, maybe I spend some money also for roof renovation.</p>
<b>Household Strategies</b>	<p><b>Surya:</b> In relation to household finance, how do you manage it?</p> <p><b>Pak Kemal:</b> Well, it already has some allocation, each month I divide my income to give to my wife, my parents and payment instalments. For my household expenditure, all expenditure is through my wife.</p>
<b>Housing Preferences</b>	<p><b>Surya:</b> Would you consider living in an apartment?</p> <p><b>Pak Kemal:</b> Well, as long as my children are still growing up, I prefer to live in a house with a park and playground space. I have seen apartments like the <i>Kalibata City</i> apartment, where despite having a garden and playground, many people were smoking in the garden and it was not comfortable. Here, it is only kids playing around so I think it is safer, that way, for the time being, I don't think I will live in an apartment.</p>
<b>Housing Price Inflation</b>	<p><b>Surya:</b> Do you know how much your current house value is on the market?</p> <p><b>Pak Kemal:</b> Well, I bought it in 2011 for Rp.350 million, maybe now on the market it is around Rp.650 million. My house type is 110/128 m<sup>2</sup>. So after three years the house price inflation has been just like that.</p> <p><b>Surya:</b> Did you face any difficulties when trying to buy this house?</p> <p><b>Pak Kemal:</b> Well, because I bought a second-hand house, we needed around 6 months to complete all the papers to be able to take out a mortgage, which usually only takes 2 months for a new house, so it was more about administrative problems.</p> <p><b>Surya:</b> Why did you take a second-hand house and not build a new one?</p> <p><b>Pak Aryo:</b> Well the price of a new house at that time was not realistic with its value, if you can find a second-hand house that is already finished, this is better, because brand new houses are usually marked up too high by the developer, and so are not worth it.</p>

## Transcript of an Interview (in Bahasa Indonesia)

The following transcript is an extract of one interview in KPR-FLPP subsidized housing in Bahasa Indonesia

Name of interviewee: Pak Aryo, aged 26

Date of interview: 15 October 2014, 2.30 pm to 3.15 pm

Place: Perumahan Bumi Waringin Indah, Cikarang

<i>Themes</i>	<i>Evidence / Opinions</i>
<b>Latar Belakang</b>	<p><b>Surya:</b> Aslinya darimana Pak? Sekarang umur berapa?</p> <p><b>Pak Aryo:</b> Saya dari kebumen, saya umur 26 tahun kalau istri 21 tahun, ini baru menikah awal bulan kemarin, belum punya anak.</p> <p><b>Surya:</b> Di Jakarta sudah berapa lama pak?</p> <p><b>Pak Aryo:</b> Sudah 5 tahun lah, hampir 6 tahun sekarang.</p> <p><b>Surya:</b> Rencana kedepannya untuk menetap bagaimana pak?</p> <p><b>Pak Aryo:</b> Kalau saya <i>sih</i> rencananya menetap aja disini.</p>
<b>Riwayat Pekerjaan</b>	<p><b>Surya:</b> Kerja dimana pak? Sudah berapa lama?</p> <p><b>Pak Aryo:</b> Saya kerja di Jababeka, nggak terlalu jauhlah dari sini, sudah 5 tahunan.</p> <p><b>Surya:</b> Berarti sudah pegawai tetap?</p> <p><b>Pak Aryo:</b> <i>Alhamdulillah</i>, sudah.</p> <p><b>Surya:</b> Katanya untuk ambil rumah harus pegawai tetap ya pak?</p> <p><b>Pak Aryo:</b> Ya memang ada persyaratan harus (pegawai) tetap. Di tempat saya sudah banyak yang pegawai tetap, kalau kontrak masih ada, cuma tinggal sekarang penilaian dari atasan bagaimana begitu, sekarang sudah sedikit, kalau outsourcing sudah tidak ada.</p> <p><b>Surya:</b> Saya dengar setelah outsourcing dibatasin sekarang lebih susah cari kerja pak?</p> <p><b>Pak Aryo:</b> Iya memang begitu <i>sih</i>, ya saya pernah merasakan kerja di yayasan, kadang ada yang kurang bagus, melakukan pemotongan (gaji) namun kalau yang masih ada pengertian dipotong paling uang transport, sama jaminan kesehatan tetap bisa dapat...kalo gaji tidak pernah dikurangi, gaji <i>kan</i> kebutuhan pokok kita tapi kadang masih dikurangi juga, <i>kan</i> kepikiran kedepannya. Mungkin banyak yang demo ya seperti itulah, mungkin kalo yayasan yang bersih gaji pokok <i>kan</i> kebutuhan karyawan jadi tidak dikurangi, kalau saya cuma dua-tiga bulan, habis itu saya keluar. Kalo menurut saya outsourcing cuma berkurang kalau untuk dihapuskan saya yakin tidak bisa.</p>
<b>Riwayat Rumah</b>	<p><b>Surya:</b> Sudah tinggal berapa lama di perumahan ini pak? Sebelumnya tinggal dimana?</p>

<i>Themes</i>	<i>Evidence / Opinions</i>
	<p><b>Pak Aryo:</b> Baru 3 bulan pak, kalo mau yang lama tetangga saya ini. Sebelum ini saya tinggal di kontrakkan di Cikarang di dekat Jababeka.</p> <p><b>Surya:</b> Kenapa memilih tinggal disini?</p> <p><b>Pak Aryo:</b> Kalau di BCL (Bumi Citra Lestari) sudah macet, lebih enak disini lah. Jalannya cuma ada satu, kalo di sini masih banyak alternatif, kalo mau ke Bekasi masih bisa lewat belakang.</p> <p><b>Surya:</b> Ini ambil yang KPR ya mas? Berapa lama?</p> <p><b>Pak Aryo:</b> Iya, KPR BTN yang 15 tahun, cicilan perbulannya sekitar Rp 800 ribu. Ini dulu kan saya dapat yang promo DP (Down Payment) nya cuma Rp. 1,000,000 cicilan DP Rp 5,500,000 dapat dicicil 6 kali.</p> <p><b>Surya:</b> Kemarin dapat info perumahan ini darimana pak?</p> <p><b>Pak Aryo:</b> Kalo saya sih memang butuh ya, saya cari karena butuh perumahan, mau cari daerah-daerah yang sekiranya belum begitu macet begitu, disini ya lumayan.</p>
<p><b>Keuntungan setelah memiliki rumah</b></p>	<p><b>Surya:</b> Setelah punya rumah seperti sekarang ini, apakah merasa tenang atau malah kuatir mas?</p> <p><b>Pak Aryo:</b> Awal-awal memang terasa ya mas, memang pikiran kesitu terus karena belum pernah merasain tapi kalau lama-lama akhirnya sudah terbiasa, kebutuhan pokok dan pengeluaran segini ya sudah terbiasa, akhirnya bisa mengatur sendirilah.</p> <p><b>Surya:</b> Selain cicilan rumah ada cicilan yang lain pak?</p> <p><b>Pak Aryo:</b> Untuk sekarang untungnya baru rumah aja pak, belum yang lain, kalau rumah sudah agak tenang baru yang lain, untuk sekarang masih kebutuhan pokok dululah.</p>
<p><b>Subsidi rumah yang diterima</b></p>	<p><b>Surya:</b> Sebelum disini sudah cari-cari disekitar pak?</p> <p><b>Pak Aryo:</b> sudah keliling, cari-cari kedepan, tapi yang ada tipe yang besar (luas rumah), harganya juga sudah diatas Rp. 100 juta-an, kalau yang rumah saya sekarang ini cuma Rp 85 juta karena dapat subsidi, untuk DP (Down Payment) nya dapat bantuan cuma Rp 5,5 juta, dicicil 6 kali...kalau tipe yang lebih besar DPnya lebih mahal sekitar Rp 15 juta-an</p>
<p><b>Perencanaan ke depan mengenai rumah</b></p>	<p><b>Surya:</b> Kalau ibu kerja juga pak?</p> <p><b>Pak Aryo:</b> Nggak pak, cuma di rumah saja, semauanya dia dulu lah kalau mau kerja silakan, sekarang di rumah <i>aja</i> dulu kalau sudah agak bosan, y silakan kerja.</p> <p><b>Surya:</b> Dalam 10 tahun kedepan ada rencana beli rumah lagi nggak pak?</p> <p><b>Pak Aryo:</b> wah belum <i>tau</i> pak, keinginnya <i>sih</i> bikin usaha dulu, kalau rumah asal sudah nyaman ya sudahlah, fokus ke usaha dulu, kalau bisa maunya usaha sendiri (wiraswasta).</p>

## Appendix E:

### List of Respondents

Case Number	Respondents	Age	Gender	House Tenure	Type of Property	Date of Interview	Location
<b>'Defensive' (Blue-Collar Household) – Face to face interview</b>							
1	Rizki Ananda	20	M	Private Rented	'Rumah Petak' <sup>2</sup>	6/11/2013	Kampung Seribu Pintu (Thousand Door), Karawang, Bekasi
2	Linda	24	F	Private Rented	'Rumah Petak'	6/11/2013	
3	Desi	22	F	Private Rented	'Rumah Petak'	6/11/2013	
4	Bayu	24	M	Private Rented	'Rumah Petak'	7/11/2013	
5	Astuti	36	F	Private Rented	'Rumah Petak'	7/11/2013	
6	Sri Kurniati	21	F	Private Rented	'Rumah Petak'	8/10/2014	
7	Rani	18	F	Private Rented	'Rumah Petak'	8/10/2014	
8	Aang Karianda	23	M	Private Rented	'Rumah Petak'	8/10/2014	
9	Miftah	22	M	Private Rented	'Rumah Petak'	8/10/2014	
10	Setya	23	M	Private Rented	'Rumah Petak'	9/10/2014	
11	Adi Pramono	25	M	Private Rented	'Rumah Petak'	9/10/2014	
12	Wawan	24	M	Private Rented	'Rumah Petak'	9/10/2014	
13	Karjo	31	M	Private Rented	'Rumah Petak'	9/10/2014	
14	Ridwan Budi	23	M	Private Rented	'Rumah Petak'	10/10/2014	
15	Koko	27	M	Private Rented	'Rumah Petak'	10/10/2014	
16	Dwi	26	F	Private Rented	'Rumah Petak'	10/10/2014	
17	Panji	25	M	Private Rented	'Rumah Petak'	10/10/2014	
18	Wahyu	27	M	Private Rented	'Rumah Petak'	10/10/2014	
19	Muhammad	26	M	Private Rented	'Rumah Petak'	10/10/2014	
20	Hidayat	31	M	Private Rented	'Rumah Petak'	11/10/2014	
21	Saputra	23	M	Private Rented	'Rumah Petak'	11/10/2014	
22	Sukini	32	F	Private Rented	'Rumah Petak'	13/10/2014	Pulo Gadung, East Jakarta
23	Siti	34	F	Private Rented	'Rumah Petak'	22/10/2014	Batar Gebang, Bekasi
24	Rahayu	36	F	Private Rented	'Rumah Petak'	22/10/2014	
25	Ayu	36	F	Private Rented	'Rumah Petak'	22/10/2014	
<b>'Defensive' (White-Collar Household) – Telephone Interview</b>							
26	Aron Sidabutar	32	M	Private Rented	House (sharing)	18/4/2014	South Jakarta
27	Ricky Dwitama	31	M	Private Rented	Boarding house	20/12/2014	Central Jakarta
28	Soni	28	M	Private Rented	Apartment	13/9/2014	North Jakarta

<sup>2</sup> 'Rumah Petak': A very modest house, usually only have 2 or 3 inner partitions.



Case Number	Respondents	Age	Gender	House Tenure	Type of Property	Date of Interview	Location
29	Endah Dwi Puspita	35	F	Private Rented	House owned by a relative	24/8/2014	East Jakarta
30	Eriksson Tambunan	31	M	Private Rented	Boarding house	15/12/2014	East Jakarta
<b>'Managing' (Blue-Collar Household) - Face to face interview</b>							
31	Dimas	29	M	Mortgage (KPR-FLPP)	Semi-detached house	15/10/2014	Perumahan Bumi Kahuripan Indah, Cikarang, Bekasi
32	Indah	27	F	Mortgage (KPR-FLPP)	Semi-detached house	15/10/2014	
33	Siti	27	F	Mortgage (KPR-FLPP)	Semi-detached house	15/10/2014	
34	Budiono	24	M	Mortgage (KPR-FLPP)	Semi-detached house	15/10/2014	
35	Romlah	23	F	Mortgage (KPR-FLPP)	Semi-detached house	15/10/2014	
36	Evi	22	F	Mortgage (KPR-FLPP)	Semi-detached house	16/10/2014	Perumahan Bumi Waringin Indah, Cikarang, Bekasi
37	Saraswati	27	F	Mortgage (KPR-FLPP)	Semi-detached house	16/10/2014	
38	Arya	24	M	Mortgage (KPR-FLPP)	Semi-detached house	16/10/2014	
39	Rina	26	F	Mortgage (KPR-FLPP)	Semi-detached house	16/10/2014	
40	Fauzi	29	M	Mortgage (KPR-FLPP)	Semi-detached house	16/10/2014	
41	Haris	42	M	Mortgage (KPR-FLPP)	Semi-detached house	16/10/2014	
42	Aryo	26	M	Mortgage (KPR-FLPP)	Semi-detached house	16/10/2014	Perumahan Taman Permata Indah, Cikarang, Bekasi
43	Hantoro	25	M	Mortgage (KPR-FLPP)	Semi-detached house	19/10/2014	
44	Darma	25	M	Mortgage (KPR-FLPP)	Semi-detached house	19/10/2014	
45	Endang	30	F	Mortgage (KPR-FLPP)	Semi-detached house	19/10/2014	
46	Wisnu	27	M	Mortgage (KPR-FLPP)	Semi-detached house	19/10/2014	
47	Nurul Gantari	26	F	Mortgage (KPR-FLPP)	Semi-detached house	19/10/2014	
48	Sulastri	24	F	Mortgage (KPR-FLPP)	Semi-detached house	19/10/2014	
50	Wadi	25	M	Mortgage (KPR-FLPP)	Semi-detached house	19/10/2014	
51	Rasamala	26	M	Mortgage (KPR-FLPP)	Semi-detached house	19/10/2014	Cikarang, Bekasi
52	Ranu	23	M	Mortgage (KPR-FLPP)	Semi-detached house	20/10/2014	
53	Ahmad	40	M	Mortgage (KPR-BTN)	Semi-detached house	20/10/2014	
54	Malik	35	M	Mortgage (Mandiri Bank)	Semi-detached house	20/10/2014	
<b>'Managing' (White-Collar Household) – Telephone Interview</b>							
55	Maringan Hutagaol	32	M	Mortgage (On the process)	Semi-detached house	2/2/2015	South Jakarta

Case Number	Respondents	Age	Gender	House Tenure	Type of Property	Date of Interview	Location
56	Dhee Ariani	30	F	Owner - Occupied (Leasing)	Detached house	1/4/2015	South Tangerang, Banten
57	Kemal	35	M	Mortgage	Detached house	26/9/2014	Cimanggis,
<b>'Improving' (Blue-Collar Household) - Face to face interview</b>							
58	Rambang	35	M	Owner-Occupied	Semi-detached house	20/10/2014	Cikarang, Bekasi
59	Puji Okto	44	M	Owner-Occupied	Semi-detached house	20/10/2014	Tangerang, Banten
<b>'Improving' (White-Collar Household) – Face to Face &amp; Telephone Interview</b>							
61	Acok	35	M	Owner-Occupied	Detached house	25/10/2014	South Jakarta
62	Ai Mulyana	36	M	Owner-Occupied	Detached house	25/9/2014	Bekasi
63	Arif	38	M	Owner-Occupied	Detached house	28/9/2014	West Jakarta
64	Tanta Nugraha	33	M	Owner-Occupied	Detached house	10/10/2014	East Jakarta
65	Mesah Roni	33	M	Owner-Occupied	Detached house	21/9/2014	East Jakarta

## List of unstructured interviews with housing and labour stakeholders, activist and academics<sup>3</sup>

### Housing and Labour Stakeholders

- TURC (Trade Union Rights Centre) Jakarta: Andriko Otang, Deputy Director.
- The Ministry of Public Housing: Mr K, Deputy of Finance.
- FBSI (the All-Indonesia Federation of Trade Unions / Federasi Buruh Seluruh Indonesia): Ade, President.
- PT Outsource Indonesia: Greg Chen, President Director.
- PT ISS Outsourcing: Gunawan, Operation Manager.
- Jakarta Provincial Government: Ledy Siahaan, Staff member.

### Academia and NGOs

- AKATIGA research: Rina Herawati, Senior Researcher.
- Bandung Institute of Technology / ITB: Dr Jehansyah Siregar, Senior Lecture.
- Bandung Institute of Technology / ITB: Dr Ismet Belgawan, Senior Lecture.

<sup>3</sup> Real names only used with interviewees' permission