

# Construction Business Experiences Oligopsony

Monday, 19 March 2012 WIB, By: marwati

---

YOGYAKARTA - Current construction business is very unhealthy. There are suspicions that it created oligopsony market that will drive the behavior of predatory pricing which is prohibited in the Business Competition Act. Oligopsony is a condition in which there are many business actors fighting over small piece of business offers. Therefore, the average income of both workers and experts working in this sector is among the lowest or the fifth after a variety of other professional jobs.

"What happened is remarkable exploitation of labor in this sector because the component of equipment and materials in general became unavoidable cost, which influences the decrease of product quality, too," Chairman of the Institute for Research and Community Service (LPPM) UGM, Prof. Dr. Tech. Ir Danang Parikshit, M.Sc said in a book discussion titled 'Indonesia Construction 2011: The Implementation of Sustainable Infrastructure, Innovation, Investment and Construction Sector Support in Indonesia' taking place at the University Club UGM, Saturday (10/3).

Besides Danang, presenting as speakers were Ir. Bayudono, M.Sc (Expert Staff to Yogyakarta Governor), and Ir. Purnomo, MT (Chairman of Construction Services Development Agency of Yogyakarta). The discussion guided by the moderator, Ir. Dr Akhmad Suraji (Chairman of the Regional Association of Indonesian Engineers in Yogyakarta).

The same opinion was delivered by Ilham Purnomo. He conveyed the unhealthy condition of business entity has caused many experts to choose to lend their diploma or expertise certificate to other companies to be able to working on a project with certain compensation rather than running their own business. This is done because it has more minimal risk. In addition, many companies choose to borrow the "flag" of other companies rather than their own to work on a project.

The situation is also true with the salary of skilled workers, which is still low. A company expert is paid only 4-6 months. Because government projects generally only last 4-6 months in a year. "The standard unit price for the work and material set by the government is quite low," Ilham said.

He said that the company's operating cost by K1 qualification in Yogyakarta reaches 130 million



rupiah per year. Meanwhile, the average K1 consultant only gets two packages of jobs amounting 25-50 million per year. Therefore, the company would not be healthy and not able to support its expert workers.

"In terms of availability of certified HR experts, it is generally only able to meet 80 percent of needs. For example, any consulting firm on average only has 4-5 experts. This number is less than that required for K1 Consultant which should have 6 experts. The condition is similar to the contractor's," he said.

---

## Related News

- [Young Independent Entrepreneurs Socialised](#)
- [Nine New Structural Officials Inaugurated at UGM](#)
- [Faculty of Economics and Business UGM Builds Learning Centre](#)
- [20 Percent Construction Worker Yet to Get Certified](#)
- [Startup Business Players Should Not Easily Give up](#)