The Dualism Inside the Existence of Informal Sector in Relation with Indonesian Employment

Anggi Pratama 1, Rosalita 2, Sri Wulan Rahmawati 3, and Luphita Angelie 4

1 Department of Science Communication and Community Development, Faculty of Human Ecology, Bogor Agricultural University, Indonesia
Email: anggipratame@gmail.com
2 Department of Science Communication and Community Development, Faculty of Human Ecology, Bogor Agricultural University, Indonesia
Email: lita.rosa@rocketmail.com
3 Department of Science Communication and Community Development, Faculty of Human Ecology, Bogor Agricultural University, Indonesia
Email: sriwulanrw@yahoo.co.id
4 Department of Science Communication and Community Development, Faculty of Human Ecology, Bogor Agricultural University, Indonesia
Email: luphitaangelie@yahoo.com

Abstract— Informal sector provides the positive and negative impacts to some economic issues in Indonesia, especially in relation with employment. Many pros and cons are created by the existence of this sector. But, there’re many latent potential from informal sector which can be developed if the government concerns to support this sector. This paper will explain the positive and negative impacts from the informal sector and give many advices for developing latent potential of informal sector.

Keywords—informal sector, employment, potential, development

I. INTRODUCTION

Population is one of some major issue in a country. It needs to be considered in achieving the country’s development. The issue is related with growth level, amount, structure, and distribution of the people. That issue also can’t be separated from the employment issue in less developed country (LDC) and more developed country (MDC).

In Indonesia, the amount of labors in February 2013 are 121.2 millions people. With that high amount of the labors, Indonesia still has much unemployment. The rate of unemployment is 5.92% [1]. It proves that there are still some people that don’t have an opportunity to work in formal sector, for instance government institutions, organizations, companies or some other formal authorities. That condition is affected by inequality competence and quality in each individual. The educational level, income, and the life quality of individual can become the important factors to determine equality or inequality competence of each labor force.

The inequality competence of labor force will causes most of them, especially who come from the village, decided to work in informal sector. Based on data of the Indonesian employees on February 2012, the amount of informal workers are 70.7 millions of people or 62.71 percent from total workers. In terms, informal sectors refers to “some small-scale-economic activity” [3]. Generally, the characteristic of informal sectors are unorganized, unregulated, and most of them are ‘legal’ but unregistered [3].

In its development, the informal sectors create the dilemma for Indonesia. In one side, informal sectors have many big advantages in state economic. Through the informal sectors, the country gets many incomes and absorbs big amounts of workers that don’t get the opportunity to works in formal sectors. Seventy-percent of state income is supported by informal sectors [4]. In the other side, an unorganized informal sector often can damage the beauty of the city. The explanation about the dilemma from existence of informal sector and the latent potential of the informal sectors will be described below.

II. DISCUSSION

A. The Real Condition of Informal Sector in Indonesia

Indonesia have some various factors which increase the unemployed people (5.92%). The factors are a low education in every region, lack of human resources, lack of employment opportunities, and unbalanced competition to get a job for each person. The unemployed people in Indonesia can be found both in the city and village. The villegers choose to leave their hometown and go to city. It cause the increase of migration rate. As a result, the people choose to work in informal sectors.

To know more the real condition of informal sectors, the advantages, problems, barriers, and the expectations of the people that works in informal sectors, we will show the result of some interviews with the people who works in informal sectors. The selected sources are four different people who work in the different informal sectors in Babakan Raya, Dramaga, Bogor, West Java.

1. Name : Mr. Jek
   Occupation : Sell the spicy tofu
   Mr. Jek works as a seller of spicy tofu in Babakan Raya. He is the local citizen in that region. He has been in the informal sector since 1975. His early job was to sell “Rujak”.

   Table 1: Description of Sample Informal Sector Workers

<table>
<thead>
<tr>
<th>Name</th>
<th>Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Jek</td>
<td>Sell the spicy tofu</td>
</tr>
<tr>
<td>Mr. Wali</td>
<td>Sell vegetable</td>
</tr>
<tr>
<td>Mrs. Rat</td>
<td>Sell vegetables</td>
</tr>
<tr>
<td>Mrs. Ded</td>
<td>Sell vegetables and fruit</td>
</tr>
</tbody>
</table>
Until 2009, Mr. Jek tried to sell Spicy Tofu. He works from around 8 a.m until 8 p.m. His reasons to work in informal sectors because his level of education is low (he is graduated from Primary School). Besides, he does not have much ability to work in formal sectors. While working in informal sectors, Mr. Jek never gets any relief from the government in his region.

He thinks that it is easy to sell “Rujak” or Spicy Tofu, and through that he can fulfill his family’s daily needs. He also gets some problems in selling the Spicy Tofu. The problems are sometimes when soybean price increased. It can influence his job. He expects nothing from the government because he feels free when the government does not make some rules in selling the Tofu. He thinks that the rules can disturb his business.

2. **Name**: Mr. Pardi  
   **Occupation**: Motorcycle Driver (“Ojek”)

   Mr. Pardi has been motorcycle driver in Institut Pertanian Bogor for five years. He lives in Situ Gede. He told that he is really happy to be a motorcycle driver because he can fulfill some of his daily needs. To be a motorcycle driver, he has a free working time. The reasons to be a motorcycle driver are because Mr. Pardi graduated from low level education. Another reason is the job is easy to be done. During working as motorcycle driver, Mr. Pardi never gets any relief from the government. In his opinion, he does not need any relief as long as he can fulfill his daily needs through being motorcycle driver.

3. **Name**: Mr Wendi  
   **Occupation**: “Harum Manis” Seller

   Mr Wendi is a seller “Harum Manis”, located in Institut Pertanian Bogor. Mr Wendi sold toys in some schools before he became the seller of “Harum Manis”. He told that he does not get much money through selling “Harum Manis”, but he is still able to fulfill his daily needs. Mr Wendi has a daughter so he needs much money. Similar to another informal sectors worker before, Mr Wendi never gets any relief from the government. He is also does not expect that relief as long as he is still able to sell “Harum Manis”.

4. **Name**: Mr Muhammad Saleh  
   **Occupation**: Banana seller

   Mr Muhammad Saleh has become banana sellers during ten years. He also has other jobs besides selling banana, which are selling food and snack. Mr. Muhammad Saleh choose to be a seller because he graduated from low level education. Through his business, he can fulfill his daily needs.

   He admitted that he never get any relief from the government to develop his business. But he also does not expect anything from the government. The problem when becoming the banana seller is in the increase of banana price from the wholesalers. He can’t produce bananas because the area to plant that fruit has become a settlement to the citizens and students.

   From the interview sources, we can conclude that the main reason of becoming the informal sectors workers comes from their low level of education and the ability to work in formal sectors. They also think that working in informal sectors is not difficult. They also never get any relief from the government and they also don’t expect anything since they can work in their own sectors to fulfill their daily life.

   ![Fig. 1. Informal sector in Indonesia](image)

   In the real life, informal sector has the important role to advance and grow the Indonesian economic. It cause informal sector could contribute to the GDP of Indonesia almost 40%. Unfortunately, the contribution of informal sector doesn’t supported by the government’s attention. It prove with that interview. Until this time, there are many informal sectors which have the internal problems, such as lack of financial capital, lack of technology using, uncompeten human resources, and many more. These problems cause the informal sector gets lose when competed with formal sectors.

   The less attention and concern from the government to that informal sector can cause the irregularity condition of informal sector, especially in the cities, as centre of villagers’migration. The government’s attention only focussed on provide a decent and regular space, give the financial
capital, and provide the training for informal sector’s actors. But the government’s concern to informal sector through the regulation or law still not done yet.

Until this time, the regulation about Indonesian employment only stand for formal sector, which is on Undang-undang No. 13/2003 about employments. That regulation only focussed on formal sector, such involves the relationship between employers and industrialist, and the clear control mechanism. There’s no discussion about informal sector. Whereas on Peraturan Pemerintah No. 32/1998 about the micro bussiness’s construction and development mentioned that the role of the government is needed in informal sector. The reason is to keep the role of informal sector to realize national economic better and more balance based on economic democratization in Indonesia.

Therefore, the government support is really needed to develop and manage informal sector. This is caused by the large contribution of informal sector in national economic. If the informal sector doesn’t exist in the country then the formal sector can’t grow and prosper. Vice versa, because there’s the dependency between one sector with other sectors.

**B. The Positive and Negative Impacts of Informal Sectors in Indonesia**

In general, the existence of informal sector can gives the positive impacts to the various life aspects, especially in employment. Informal sector can also play the important role in absorbing labor in large numbers. Informal sector, which has the plain characteristic and doesn’t require the high quality skill would be easy to get into, especially for the people who have low quality and self capacity.

BPPN shows many advantages of informal sector in terms of employment, compared with formal sector, such the easy and simple entry requirements, the flexible working hours, and the unlimited worker’s characteristic (e.g. age, educational level, skill level and many others). It will have implication on issues of excessive resources and unemployment people. The absorption of the labor force in large quantity that can be done informal sector, will decreases the unemployment people in Indonesia. Informal sector indirectly play the role as safety valve of both issues in many developing countries.

Besides, the informal sector also has other positive impacts. Although it has the different characteristic from formal sector, informal sector can works side by side and acts as a activities supporter in formal sector. Informal sector acts as the provider of many basic needs for the middle to lower people, who can’t access formal sector. Informal sector also gives the substantial contribution for economic growth in Indonesia. It caused by almost half of population in Indonesia were below the poverty line, so that they felt difficult to get their needs on formal sector. Because of that, most of the economic activity take place in informal sector.

In addition to positive side of informal sector, there are also the negative side of this sector’s existence. The negative impact is the disorder of informal sector that damages beauty of the city or other regions. Operation of the economic activity would produces much waste in environment. The lack of skill and knowledge of informal sector’s workers tend to be a causing factor for a lack of attention about good and true waste management. In many case, informal sector also exploits a lot children as workers.

Informal sector also creates uncertainty of the economic, such as haven’t a bussiness license, unprotect labor’s rights and the difficulty in capital access and marketing. In addition, there’s bias in the government regulations about economic sector, because the government only controls formal sector, although the informal sector gives many advantages to Indonesian economic growth.

**C. Potential and Challenges of Informal Sectors in Indonesia**

The existence of informal sector creates the dilemma for Indonesia, and definitely arouse many ideas to manages informal sector better than today. In the real life, informal and formal sector depend on each other. So that, the existence of the informal sector will never be lost even if the government pressure is too strong to eliminate this sector.

There are many potential which can be developed to the informal sector. Based on the worker’s capacity, informal sector promotes the worker to be creative when face the global competition from formal sector or another informal sectors. The informal sector actors are full of entrepreneurial ideas to keep their own bussiness alive. They create their own activity, start from capital source, the commodity that will be traded, income management, and profit allocation to their daily life. Although most of them are unskilled labor, but they have the competency to manage their own bussiness. It would be the one reason about importance of the informal sector existence in many countries.

Beside of that, the informal sector is also a place to fill the basic needs of middle-lower people in Indonesia. This type of people often doesn’t considered by the government and difficult to access their needs in formal sector. Because of that, the existence of informal sector is really important to increase the prosperity of the middle-lower people.

However, in the globalization era, the informal sector is often faced with various challenges. One of the challenges is free competition between informal and formal sector. The changes in technology and public taste demands the informal sector actor to be more creative than before when uses the technology and produces quality commodities with lower price. Informal sector, which has the plain characteristic (such as financial capital, technology, quality of human resources), will become so susceptible when compete with formal sector or other large scale business. This challenge will be so hard to informal sector, especially if there’s no support from the government yet.

Therefore, the development of informal sector must be done as good as possible, so the informal sector will not lose the competitiveness with other complex sector. The development support could be realized by special training to informal sector’s actor, because most of them are unskilled
and uncompetent. The training could be associated with their respective business field, such as financial management, skill development, motivation training, and many others.

The other challenge of developing informal sector in Indonesia is coming from internal side of this sector, which is their arrangement and management are quite difficult. It caused by the large quantities of informal sector and its presence in various area in Indonesia. This condition leads to the difficulties of informal sector development thoroughly and evenly.

Some regions in Indonesia are very repeatedly managing the city in order to create regularity of informal sector. It’s good to do while it’s concerned the existence of informal sector. The relocation of informal sector would be good if the local government has considered the advantage and/or disadvantage on moving the informal sector from one place to the other place. Maybe with the relocation, the prosperity of informal sector’s actor will be decreased. So, there’s so important for government to communicate all of programs, especially about people in that area.

The regulation that protects the informal sector will also help the development of this sector. The regulation is the basic support from the government, so it won’t be lose in the competition with formal sector. Government should also creates the institution that protects the existence of informal sector in Indonesia. This institution will provides the solutions for many informal sector’s problems and gives the training to informal sector’s actor. The institution will also bridges the aspiration from informal sector actor and many government’s policies. Because of existence of the informal sector which became the way of life most Indonesian people, so that the government should be more serious and sensitive when handling the informal sector in Indonesia.

III. CONCLUSION

In its development, informal sector provides the positive and negative impacts for the country, thus causes a dilemma for policy makers, especially in development country. But in the real life, informal sector has the latent potential if the government is willing to support this sector. The government support could be realized through the training for the informal sector’s actor and making the regulation, which protects this sector. Because of many positive impacts which given from this sector, it’s so important for Indonesia to develop the potentials inside the informal sector.

ACKNOWLEDGMENT

We are very acknowledge and gratefully to all support also lot of contribution of out parents, friends, Faculty of Human Ecology, Bogor Agricultural University, and another support was provided by sponsor.

REFERENCES


