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**PROFILES AND DYNAMICS OF
THE URBAN INFORMAL SECTOR IN INDONESIA:
A STUDY OF *PEDAGANG KAKILIMA*
IN BANDUNG**

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ABSTRACT

This study analyses the ways in which the trajectory of development in Indonesia affects the poor who work in the urban informal sector. Situated in the context of Bandung, the third largest city in Indonesia, this study targets street traders, *pedagang kakilima*, to pursue three areas of inquiry: the economics of the street enterprises; human development of the traders; and coping strategies of the households. The data cover the period of economic crisis, notably between 1997 and 1999. This allows the study to emphasise how the crisis – along with the processes of capitalist industrialisation and urbanisation – affected the activities and lives of street traders and how they coped with the problems they faced.

This study has seen that the current economic crisis in Indonesia, following the advent of structural changes of the 1970s and 1980s, has been followed by the prevalence of employment shifts from the formal to informal sector. At the macro level, the informal sector continues to cater for a majority of total employment in the Indonesian economy and thereby sustains livelihoods, especially of the low-income households.

The data on the economics of *pedagang kakilima* show that profiles of the small and informal enterprises are distinctively different from those of larger and formal businesses. Although a few of the street traders demonstrate characteristics of successful merchants, most of their features still exhibit

vulnerability. These include volatile incomes, insecure premises, limited economic resources, inadequate technology for advancement, and lack of access to formal financial services. These limitations are generally typical of small-scale production and were already in existence prior to the crisis.

On the basis of human development indicators, the findings suggest that there is no automatic link between street trading and poverty, but equally there is no such link between street trading and prosperity. The widespread economic crisis detrimentally affected *pedagang kakilima*, especially their economic capital. Reduced consumer demand and price rises, for example, were widely found to diminish income earnings in street trading during the period of recession. With specific reference to human capital, however, it is clear that the crisis had not yet had a detrimental effect on their access to education, health, and housing facilities.

Information about coping strategies adopted by street trader households reveals that the urban informal sector is dynamic. Instead of being passive and static, *pedagang kakilima* make every effort to succeed in the city during economic hardship and try as best as they can to curtail the effect of the crisis. Those participating in this street trading, including men, women and children, prove to be active and creative in the ways they manage and manipulate a threatening situation in both enterprise and household settings.

This study ultimately suggests that together with the existing conventional approach, the holistic framework drawn from the human development and coping strategy perspectives can be combined and developed to shape thinking and actions concerning the urban informal sector. This combination will enable research and policy to become more sensitive to the needs and reality of urban development in Indonesia that more often than not neglects the reality of its human, social, and cultural fabrics.



Map of Indonesia; Source: Microsoft Encarta (1999)

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GLOSSARY

Angkot:	Angkutan Kota or Public Transport (lit. city pick-up)
Arisan:	Rotary Saving Clubs
Bahasa Indonesia:	Indonesian language
BAPPEDA:	Badan Perencanaan Pembangunan Daerah or Regional Development Planning Board (at provincial or district levels)
Becak:	Pedycab, tricycle, or trishaws
BMR:	Bandung Metropolitan Region
CBS:	Central Board of Statistics or Badan Pusat Statistik (BPS)
Desa:	Village or rural locality, the lowest administrative unit in rural areas below the <i>kecamatan</i> (see <i>kelurahan</i>)
Dinas Tata Kota:	City Planning Office at the district level
GBHN:	Garis-Garis Besar Haluan Negara or Broad Guidelines of State Policy
INPRES:	Instruksi Presiden or Presidential Instruction, a programme of special grants from the central government
Jalan:	Street
Jeger:	Informal watchmen or bodyguard
Jimpitan:	Rotary saving clubs using rice as saving
Kabupaten:	District, administrative unit below the province
Kampung:	Urban community or neighbourhood
Karang Taruna:	Youth organisation
Kecamatan:	Sub-district, administrative unit below the <i>kabupaten</i>
Kejar Paket A/B:	Kelompok Belajar Paket A/B or Study Club of Package A/B, a nationwide illiteracy-eradication programme
Kelompok Pengajian:	Islamic Religious Groups
Kelurahan:	Urban locality, the lowest administrative unit in urban areas below the <i>kecamatan</i> (see <i>desa</i>).
KIP:	Kampung Improvement Programme
Kota:	City
Kotamadya:	Municipality

LKMD:	Community Resilience Group, an advisory council of <i>desa</i> or <i>kelurahan</i> elite
NGO:	Non-Government Organisation
Ojeg:	Motorbike taxi drivers
Pasar:	Market
Pedagang Asongan:	Mobile hawkers who offer commodities to bus or car passengers within the city (lit. the “offering traders”)
Pedagang Kakilima:	Street traders or roadside vendors categorised as “static” or “semi-static” street vendors
Pedagang Keliling:	Itinerant petty traders who offer commodities to neighbourhood residence (lit. the “moving around” traders)
Pegadaian:	Government-subsidised pawning agency
PEMDA:	Pemerintah Daerah or Local Government (at provincial or district levels)
Pertokoan:	A private shopping area with small and medium-sized shops
Petugas TIBUM:	Petugas Ketertiban Umum or public security officers
PKK:	Pendidikan Kesejahteraan Keluarga or Family Welfare Organisation
Pondok:	A communal lodging house
Puskesmas:	Pusat Kesehatan Masyarakat or Community Health Centre
Repelita:	Rencana Pembangunan Lima Tahun or Five-Year Development Plan
RT:	Rukun Tetangga or Neighborhood Group
Rupiah (Rp.):	Indonesian currency (e.g. NZ\$1 = Rp. 4,000)
Siskamling:	Sistem Keamanan Lingkungan or Environment Security System
Susenas:	Survei Sosio-Ekonomi Nasional or National Socio-Economic Survey
Wilayah:	Region

CHAPTER ONE

INTRODUCTION

The informal economy, in all the ambiguity of its connotations, has come to constitute a major structural feature of society, both in industrialized and less developed countries. And yet, the ideological controversy and political debate surrounding its development have obscured comprehension of its character, challenging the capacity of social sciences to provide a reliable analysis.

Portes, Castells, and Benton (1989:1)

Over the last few decades, one of the most striking issues in Third World countries has been the paradox of limited industrialisation and rapid urbanisation. As industrialisation has failed to generate new employment, the unprecedented rapid growth of urban centres has been found to be accompanied by increasing, rather than decreasing, urban poverty and misery. High rates of unemployment, crime, squatter settlements, and environmental degradation are but a few examples of the social problems that persist in the cities.

This is an important issue in Indonesia since, in recent years, the combination of slower industrialisation, increasing growth of urban centres, and the economic crisis have amplified the already alarming rate of urban poverty and unemployment. As the capacity of urban governments in creating job opportunities and providing basic social services deteriorate, the prevailing

picture has ultimately fuelled interest in the urban informal sector as a means of generating employment, capital and income.

THE BACKGROUND

In Indonesia, the existence of the informal economy has been accorded official status. It is dealt with in the Broad Guidelines of State Policy (GBHN) as well as in the Five-Year Development Plan (Repelita) of the country (Sethuraman, 1985; Evers and Mehmet, 1994). The current shift of Indonesia's development strategy from that of economic growth to human-centred development should ideally bring the informal sector further into the mainstream of programmes in the ongoing development plans (1999-2004). Ironically, however, although it has a focal point in the development agenda of the country, the informal sector in Indonesia is a paradox and its actual features are not always satisfactory. While the government provides clear programmes to promote the formal sector, a similar commitment is not being applied to the informal sector, although it deserves it (Forbes, 1996:60). This bias threatens the conditions within the informal sector and poses a challenge to the urban development in Indonesia.

The role and vulnerability of the informal sector in Indonesia

The importance of the informal sector to Indonesia's development is obvious. High and uneven population distribution, increasing rates of urban population, and the effects of slow industrialisation call out for initiatives to create employment alternatives for an unprecedented growth of the labour force. During the 1990s, the employment situation in Indonesia was particularly difficult as employment opportunities in the formal sector were unable to absorb the growing labour force within the national labour market. Between 1990 and 1997, while the labour participation rate increased from 55 percent to 58 percent, the work opportunity rate decreased from 97 percent to 95

percent. As a result, the open unemployment rate increased from 1.7 percent to 4.7 percent during the same period (CBS, 1995:19; CBS, 1997:1).

As in many other Third World countries, the informal sector in Indonesia still accounts for most of the total employment, and has therefore, a larger impact on creating a more equitable distribution of incomes in rural as well as urban development. During the 1980s and 1990s, the number of those who constitute the economically active population and who depend on the informal sector as their main source of employment and income has been consistently more than sixty percent of the total labour force (see Sethuraman, 1985; Evers and Mehmet, 1994; Firdausy, 1995; Azis, 1997; CBS, 2001). In 1998, it consisted of 43 million in rural areas and 14 million in urban areas or about 65 percent of the total working population (CBS, 2001; Hugo, 2000:125).¹ This clearly shows that Indonesia has one of the largest informal sector economies in the world.

Despite the fact that the informal sector provides a livelihood for huge numbers in the national labour force, this sector continues to have low productivity, poor working conditions, low incomes and few opportunities for advancement. Although some of the more structured groups of the informal sector, such as street traders, tend to have an entrepreneurial character and sometimes high incomes, it is widely recognised that the informal sector is still vulnerable, with little capital, limited markets, inadequate economic returns, and low levels of living standards.

Many people in the informal sector of Indonesia earn extremely low incomes (Sethuraman, 1985). The workers in the informal sector are identified as having low education levels, low labour productivity, and hence, low incomes (CBS, 1994). According to Firdausy (1995), at the macro level the poor in Indonesia can be found in both the formal and informal sectors, yet the proportion of poor households in the informal sector is much higher than that

in the formal sector. In 1993, the percentage of poor households employed in the informal sector was very high, accounting for 74 percent of total poor households (Firdausy, 1995:285). Evers and Mehmet (1994:7) also found that the activities of the informal sector are full of risk and uncertainty which, due to a high probability of failure, is manifest not only in ease of entry to this sector but also in quick exits.

With reference to *pedagang kakilima*² or street traders, the vulnerable condition of the informal sector is particularly related to its business operation. As most street trading occupies busy streets, sidewalks, or other public spaces, it is often considered illegal. This status makes these traders victims of harassment and threats from police and other government authorities. In Bandung, for example, the municipality government continues to perform clearance operations in the five busiest areas: the Alun-alun Square and the streets of Asia Africa, Dalem Kaum, Kepatihan, and Dewi Sartika. It is believed that these areas should be free from the “nuisance” of *pedagang kakilima*, especially during event days. This actually often involves a “clear-the-streets and arrest-vendors” strategy that removes the street enterprises from the areas in which they have been operating. The statement by Enjang Soedarsono, a vice mayor of Bandung City, perhaps represents the best example of the attitude of many city administrators toward *pedagang kakilima*:

If the operation of *pedagang kakilima* is allowed in the city, it will create an unsightly appearance and there will be no other parts of the city that will make the inhabitants proud. The presence of the street vendors can breed social disorder (*Kompas*, 27 November 1997, translated).

The economic crisis and the urban informal sector

In July 1997, an Asia-wide economic crisis hit the Indonesian economy when its currency lost value against the US dollar. Compared with all the Asian countries affected, none fared worse than Indonesia (Sunderlin, et al,

2001:767). Among the consequences of the crisis was an increase in the aggregate rate of poverty and unemployment. CBS and UNDP estimated that between February 1996 and December 1998, the number of poor people grew from 22.5 million to 49.5 million people – an increase of 12.9 percentage points, from 11.3 percent of the total population in 1996 to 24.2 percent in 1998 (CBS, 1999:1). It was reported that in January 1998, 1.4 million new unemployed boosted the existing open unemployment to 10 million people, which in April 1998, jumped to 13.5 million of the country's 90 million work force (*Kompas*, 11 January 1998; *The Evening Post*, 28 April 1998).

The effects of the crisis on poverty and unemployment were most severe in cities and towns which account for most formal sector employment. This was particularly true for those who had experienced substantial retrenchments arising from price rises of imported inputs, increased debt repayment, and declining revenues associated with the reduced consumer demands of the population (Ranis and Stewart, 1999; Hugo, 2000; Tambunan, 2000).

At a theoretical level, it could be argued that people in the urban informal sector would not have been directly or severely hit by the crisis. It is likely that since the informal sector does not rely heavily on formal credit and imported goods, the depreciation of Indonesian currency (rupiah) and the increase in interest rates would not have immediately affected the sector. However, a combination of uncertain windfall gains and losses together with job insecurity in the informal sector, on the one hand, and the unavailability of income support or unemployment benefits, on the other hand, led to the Indonesian crisis adversely affecting the informal sector (see ILO, 1998; Ranis and Stewart, 1999; Firman, 1999; Tambunan, 2000; McGee and Firman, 2000). Three reasons stand out. First, the contraction in the formal economy forced the newly unemployed to enter the informal sector, thereby providing a ready supply of workers for the informal sector, which, in turn, tightened competition and suppressed its profits.

Second, although the reduction of purchasing power was likely to increase the demand for some informal sector products, the increase in price of production inputs and raw materials very likely neutralised any significant gain.

Finally, sharp price rises, dwindling earnings, and the removal of price controls and subsidies associated with currency depreciation and inflation, brought detrimental effects especially on those categorised as the poorer segments of the informal sector that usually earn smaller profit margins and are less able to manage sudden and drastic changes.

OBJECTIVES OF THE STUDY

The overall background described above clearly indicates that while the informal sector plays a significant role in the Indonesian economy, millions of workers in the informal sector are amongst the most poor and vulnerable of the country's 210 million population. As the urban informal sector is determined by the internal constraints of a small-scale production, the pervasive impact of the recent economic crisis is likely to further affect the informal sector in such a way that the crisis threatens the activities and lives of the workers as well as shapes their choices in adjusting to the changes. With this issue in mind, this study raises a main research question: what were the profiles and dynamics of the urban informal sector during the economic crisis in Indonesia?

The purpose of this thesis is to contribute to an analysis of the multidimensional characteristics of the urban informal sector by investigating the activities and lives of those who participate in street trading in Bandung during the crisis. The first objective aims to conceptualise the enterprise structures of street trading and to emphasise the predominance of small-scale production activities and family business attributes. This is to provide a crucial

backdrop for understanding major economic characteristics inherent to this informal and unprotected trade sector.

The second objective then proceeds to consider the features of human development of street traders. The focus is to draw on the level of living standards of people working in street trading and identifies a number of socioeconomic problems facing them. The effort is made to delineate the overarching limitations in economic, human and social capital within vulnerable business activities of the informal sector which were already in existence prior to the crisis, while arguably highlighting the extent to which the present crisis has affected the sector.

Having considered a macro and quantified perspective of the socioeconomic characteristics of the informal sector, this thesis finally moves further to a micro and qualitative approach and focuses on the implications of the crisis on individual and families engaged in street trading. The objective is to explore the key direct and indirect effects of the crisis on street trader families and how they adopt a variety of coping strategies in response to threats and shocks affecting their enterprise and household conditions.

THEORETICAL FRAMEWORK

Since the 1970s, economists and social scientists have drawn attention to the informal sector, yet it is still not possible to arrive at a full picture of the informal sector, its profiles and dynamics. Despite the fact that research on the urban informal sector has been on the increase, researchers have pointed out that they have been, and continue to be, hampered by a shortage of useful and reliable national and local data on the informal sector's socioeconomic characteristics. This is to a large extent because of major deficiencies in the ways in which data on the informal sector activities have been conceptualised and gathered usually on the basis of conventional

measures. These research parameters focus on wage-based employment, whereas much of the informal work continues to be livelihood-base activities. Such measures provide at best only a partial picture of the informal sector characteristics.

Reductionist-thinking of livelihoods

It is by now well recognised that in analysing different characteristics of employment and standards of living, most researchers and policy makers tend to rely on somewhat narrow definitions of work, incomes, and economic activities as their units of analysis (Grown and Sebstad, 1989; Chambers, 1995; Chambers, 1997; Donahoe, 1999; Chen, Sebstad and O'Connel, 1999). As Chambers (1995) asserts, this reductionist thinking in terms of livelihoods, is not only alive but also flourishing, dominating much of the debates on economic welfare. 'Employment-thinking is deep-rooted, and livelihood-thinking remains a marginalized orphan' (Chambers, 1995:11).

The main reason for researchers and policy makers to heavily rely on such economic attributes is because they are easily measurable and quantified. The economic parameters are largely standardised, and hence make them more confident to generate, identify, and evaluate the process and performance of the "economic things". However, economic data are inadequate to provide a full and accurate picture of the reality of human well-being, particularly in the informal sector of the developing world. The narrow definition of work and earnings data is not "poverty-sensitive". It cannot provide a better portrait of the dynamics of the poor where many people in street trading are involved.

The application of this approach in studying the informal sector cannot capture the range of employment structures and the complex and diverse reality of livelihoods (see Chambers and Conway, 1992; Chambers, 1995;

1997). This kind of research tends to define economic well-being through focusing on indicators of incomes through the use of earnings data. The indicators rely heavily on monetary remuneration, such as salaries or wages for time worked, and do not take into account non-monetary remuneration, such as goods, services, and information.

The approach also tends to cover only the enterprise setting in the formal economy accounted for in national statistics, thereby omitting other forms of employment undertaken in the household (see Evers et al, 1984; Grown and Sebstad, 1989; Mingione, 1991; Barber, 1993; Potter and Lloyd-Evans, 1998). As a result, the approach can only enumerate visible activities in the formal sector and ignore invisible activities hidden in the home. It can only give a crude measure of individual incomes, and cannot identify how the income is allocated or controlled within the household. It does not grasp the exchange of labour services for payment, non-market or subsistence production, and unpaid domestic work in the household setting.

The limitations of conventional approaches raise questions about the effectiveness of the research measures in analysing socioeconomic well-being and livelihood system in the informal sector. The application of alternative approaches is thus necessary. There is, therefore, an overarching need to develop a framework that focuses on the convergence of the various factors that affect the activities and lives of people working in the informal sector.

Significance of this study

The street traders targeted in this study incorporate their enterprises and households into a portfolio of livelihood activities. This particular configuration calls for a better understanding of the complex interrelationships between economic and social characteristics in two particular contexts: the enterprises

wherein the traders work and the households wherein they live. Therefore, this study places this analysis within and between three bodies of literature – economic theories on the informal sector; human development perspectives on living standards and poverty; and household coping strategies of the poor in response to threats and shocks they face.

The combination and interplay of such a holistic framework enables this study to deal with the effects of the crisis on the many layers of socioeconomic profiles of the informal sector as well as on the complexities and dynamics of its livelihood systems. This approach is able to trace the trajectory of industrial capitalist development and the effects that the course of events are having on the well-being of the street traders. It is also able to examine how the working poor in the informal sector adjust strategically to the course of events. By doing so, it challenges the notions that the informal sector consists of economic activities only and that the poor are passive victims of their environment. It is argued that as human beings, those in the informal sector have something to contribute to both the identification of their conditions and its improvement.

It needs to be stressed here, however, that although the conventional approach is inadequate, the framework should not be rejected entirely. Many informal activities, notably street trading businesses, can still be approached in terms of economic and monetary variables. The conventional approach provides the signal to which capitalist development has proceeded, and the extent to which the informal sector is engaged in corresponding activities (Grown and Sebstad, 1989).

Thus, it is essential to complement the available approach by paying greater attention to an expanded approach, which can capture, more fully, the nature of informal sector activities in any given environmental setting. Therefore, the multiple approach of this study challenges and also builds on previous

studies. In this regard, theoretical perspectives inherited in the concepts of human development and coping strategies are argued to be effective concepts to complement the conventional approach. Combining together they can grasp the nature and structures of the informal sector, including different components of employment and income earning activities in the small-scale business sector as well as the underlying relationships of livelihood systems between enterprise and household settings.

METHODOLOGICAL APPROACHES³

The type of research undertaken by this study is the triangulation method. This mixed-research strategy involves different quantitative and qualitative research approaches and multiple techniques of data collection ranging from standardised questionnaires to participatory research methods. The fieldwork for this study was located in Bandung over five months, between mid-April and the end of August 1999. The city selected as the study area shares much in common with other large Indonesian cities in terms of the level and pace of urban development as well as the severe economic downturn associated with the recent structural adjustment period.

Bandung is the capital of West Java province situated 180 kilometres southeast of Jakarta, the capital of Indonesia. It is one of the Indonesian cities that serves as a regional centre of administrative and business activities. This makes it a destination for rural migrants in search of employment and it has large and varied informal activities, including *pedagang kakilima*, *pedagang asongan* (mobile hawkers), and *pedagang keliling* (itinerant petty traders).

Bandung administratively consists of two regions: the district (*kabupaten*) and the municipality (*kotamadya*). The municipality covers the metropolitan core of Bandung City. Four research sites were selected within the municipality region: Cicadas, Simpang, Alun-alun, and Cicaheum. These sampling blocks

respectively represent the street, public market, commercial complex, and bus station – areas which typically contain a cluster of street enterprises.

As indicated earlier, the targeted participants of this study are the people engaged in street enterprises who are termed as the street traders or in what Indonesians commonly call *pedagang kakilima*. Some other names that share a common meaning with the street trader are petty trader, street entrepreneur, sidewalk trader, street-side hawker, roadside vendor, and pavement vendor. Unless otherwise indicated, these names – together with the terms informal sector, urban informal sector, and informal economy – are used interchangeably throughout this study.

The term “*pedagang kakilima*” is referred to within the concept of “informal sector” or alternatively the “urban informal sector” or the “informal economy”. This concept encompasses a range of small-scale economic activities in urban areas, which operate outside the governing institutions of Indonesian society and are not officially recognised in the national income accounts. In contrast to the formal sector, the informal sector is not regulated by the state, and hence, it is not subject to formal licensing, employment contractual rules, labour union protection and job security (ILO, 1976; Thomas, 1992; 1995; Williams and Windebank, 1998).

Although some people often use the term *pedagang kakilima* (PKL) for most urban informal economic activities, most Indonesian people, especially city administrators and scholars can differentiate *pedagang kakilima* and other informal sectors easily. They use the term *pedagang kakilima* to refer to street-based petty traders with static or semi-static vendors. Young men with mats laid out on the pavement selling clothes or offering shoe shines; women with baskets of mangoes, apples and oranges; men with pushcarts for selling noodles and meat-ball soup (*bakso*) are some obvious examples of the use of this term.

Literally speaking, the term *pedagang kakilima* has a special meaning in Indonesia. While the “pedagang” simply means a “trader”, the term “kakilima” contains different connotations.⁴ In Bahasa Indonesia origins, the *kakilima* is derived from “kaki” (feet or leg) and “lima” (five). Thus, the *pedagang kakilima* may literally have two meanings: first, the “trader having five feet wares” and second, the “trader having five legs”.

The first refers to the size of the pavement or sidewalk, or of the stall, or mat, used by the trader and identified as small, roughly about five feet (1.5 metres). In this sense, the *pedagang kakilima* refers to the “five feet trader” who operates businesses on the pavement or sidewalk or who displays wares on a stall or mat, which is about five feet in size. The second refers to the “number of legs” of the trader recognised as having “five legs”. As such, the *pedagang kakilima* is associated with the term “five-legged trader” reflecting the high mobility of the trader who can easily “pack-and-run” with his or her goods and tools when escaping from street clearance operations by police or public security officers.

Operationally, a *kakilima* enterprise is defined as a unit of business in the street selling products or offering services in permanent or semi-permanent or semi-static structures. Thus, other types of enterprise considered non-static or mobile are excluded from the study. Permanent structures consist of stalls, free-standing kiosks, shacks erected against power pillars or walls, heavy tables sheltered by canvas tents, or mats laid out on the pavement. Semi-permanent structures include various pushcarts or tricycle vendors that might be moved into a place of operation. They are included in this study only where they remain in a fixed spot all day.

This study excludes vendors with baskets or shoulder poles, vendors pushing or pedaling carts, and other itinerant traders. These mobile hawkers usually have no fixed business operations and often move from one area to another

during the day. In the Indonesian context, such mobile petty traders have their own designations and are not regarded as the *pedagang kakilima*. Itinerant petty traders or peddlers who walk from house to house within the *kampung* to sell kitchen wares, clothes, fruits, or vegetables in shoulder poles or pushcarts are called the *pedagang keliling* (this literally means the “moving around traders”). Mobile hawkers who offer newspapers, cigarettes, or candy in carrying boxes or baskets to bus or car passengers are known as the *pedagang asongan* (this literally means the “offering traders”).

This distinction between mobile traders and *pedagang kakilima* rests on whether, in the absence of street clearance or police raids, the vendor has an identifiable fixed location and is consistently in the same location together with their wares for the whole day. Thus, although in reality this distinction is not always satisfactory, when strictly applied, it leads one to say that a *pedagang kakilima* is distinctively a street trader, but not all street traders can be categorised as the *pedagang kakilima*. This division is the basis on which this research drew 150 surveyed samples and 27 households for subsequent case studies.

STRUCTURE OF THE THESIS

This thesis is organised into nine chapters. In this introductory chapter, the scene of this study is set to provide the background and focus of the study. Objectives of the study as well as the theoretical framework, methodological approaches, and the structure of the thesis are introduced.

Chapters two and three review literature that provides the context and key questions for this study. These chapters basically aim to elucidate dimensions and theoretical perspectives on the profiles and dynamics of the informal sector as a basis for further analysis. Chapter two begins with a historical review concerning the concept of the informal sector and theoretical debates

in development discourses. Chapter three reviews the development of ideas that relate to the large body of research parameters. Theories on human development and coping strategies are considered in this chapter to develop the focus of inquiry.

Research methods and data collection processes are discussed in chapter four. This chapter covers the mechanics of research methods as well as the experience of applying such methods in the field. In the first part, research methods and designs are presented to describe the triangulation method, descriptive survey and emergent case study designs, selection of sites and respondents, data collection techniques, and methods of data analysis. For illustration, this section also presents photos of *pedagang kakilima* and other related subjects explored in this study. In the second part, fieldwork experiences are explained to share the application of research methodology in the fieldwork. Six issues concerning entering the field, adjusting the samples, obtaining consent of participants, working with research assistants, home visits, and social involvement and field relations are discussed.

Chapters five and six present the setting of the study as a backdrop for understanding the existence of the informal sector at a macro-level. Drawing mainly on documentary analysis, these two chapters aim at placing the informal sector within the context of national development and Bandung's urban development. Chapter five highlights structural changes and the rise of the informal sector in the Indonesian economy. In order to comprehend the informal sector in the study area, chapter six goes on to describe Bandung and general features of *pedagang kakilima* in the city.

Chapter seven examines socioeconomic characteristics of *pedagang kakilima* focusing on the economics of the enterprises and human development of the traders. Three topics regarding enterprise structures of street trading (i.e. history of business activities, production process and employment figures,

and legality) are examined in the first part. In the second part, characteristics of human development of street traders and their households is analysed. A number of fieldwork-based indicators of economic capital, human capital, and social capital is considered to identify social and economic problems facing the urban informal sector.

Chapter eight deals exclusively with the dynamics of *pedagang kakilima*, with explicit reference to the issue of adjustment behavior to the crisis. This chapter examines different types of coping strategies adopted by street trader households in response to difficult situations, especially in times of economic hardship. Unlike the previous chapters, this chapter does not rely on statistical figures, rather it focuses on explaining the trader's day-to-day experiences on the basis of qualitative and participatory research approaches. After introducing the approach and setting of the study, this chapter explores enterprise-focused strategies, household-focused strategies, and management of resources and division of labour. Based on these qualitative findings, this chapter ends with the formulation of a model of coping strategies.

Chapter nine concludes the study. This chapter begins with a summary of key findings and highlights them in terms of research objectives. Reflections and implications of this study are then drawn, primarily to propose a window of initiatives for research agenda and follow-up policy interventions.

NOTES

1. The division of formal and informal employment in Indonesia can be attributed to a category of employment status as defined by the Central Board of Statistics (CBS) (see Evers and Mehmet, 1994; Azis, 1997; Firdausy, 1995:284; Firman, 1999:54; Hugo, 2000:125; McGee and Firman, 2000:325). The formal sector refers to workers involved in the wage employment, namely employer and employee. The informal sector refers to those engaged in non-wage employment, namely self-employed, self-employed assisted by family and day labourers, and

unpaid family workers. However, since the definition is broad in nature, the figure is still open to debate.

2. Technically, the term "*kakilima*" is derived from two words: "*kaki*" and "*lima*" which are commonly separated as "*kaki lima*". This study joins these two words into "*kakilima*", following common perceptions of the *kakilima* meaning as a single and distinct characteristic. Historically, the term *kakilima* was attributed to the rule applied by the Dutch during colonisation to free the pavement or walking area between street and stores which was about five steps or feet.
3. A more detailed discussion of methodological approaches is presented in chapter four on The Fieldwork: Research Methods and Experiences.
4. In different ways, McGee (1975), McGee and Yeung (1977), and Tinker (1997) classify the informal sector and differentiate the *kakilima* from other subgroups of the informal sector. For example, McGee uses the term hawker to name both static and mobile traders including the *pedagang kakilima*, while Tinker (1997:16) defines the *kakilima* as "five feet": two on the vendor and three on the pushcart.

CHAPTER TWO

DIMENSIONS OF THE INFORMAL SECTOR: TRACING ITS PROFILES AND DYNAMICS

The informal sector is like an elephant: we may not be able to define it precisely, but we know it when we see it.

de Soto (cited in Mead and Morrisson, 1996:1611)

Having introduced the focus and objectives of the study of the informal sector in chapter one, this chapter discusses the many facets of the informal sector in order to thoroughly lay down foundations for understanding its concept, roles and dynamics. It aims to provide a critical evaluation of contrasting standpoints of explaining the nature of the informal sector and draws on the way that mainstream economic approaches examine economic characteristics and structures of the sector addressed by this study.

This chapter consists of three sections. The first section begins with a brief history on the emergence of the informal sector and traces the origins of the concept. Section two presents the definition of the informal sector. Section three discusses the debate on the informal sector and theorises four emerging orthodoxies of the informal sector, namely dualistic, integrative, legalistic, and survival strategy perspectives. In this final section, points of convergence and divergence of the debate are examined and theoretical models concerning the nature of the informal sector are outlined.

THE ORIGINS OF THE CONCEPT

The origins of the concept of informal sector can be traced to a re-evaluation of economic development theory and policy in Third World countries during the late 1960s and early 1970s (Moser, 1978, 1994; Barber, 1993). For the first two decades after the Second World War, economic development analysis and planning of the Third World was dominated by the modernisation paradigm. In essence, modernisation celebrates a strategy of economic growth and large-scale industrialisation as measured by the increase of Gross National Product (GNP). It postulates that an increase in GNP would ultimately provide resources to develop the whole economy since it would have trickle down effects on the redistribution of resources and incomes throughout society.

One of the most influential ideas that emerged in mainstream modernisation theory during that period was the model of “economic development with unlimited labour supply” put forward by the Nobel laureate W. Arthur Lewis in the mid 1950s and later modified by John Fei and Gustav Ranis. The model considered that industrial expansion would create investment capital, save foreign exchange, and would ultimately enlarge the redistribution of per capita income due to the increase in wage employment opportunities, notably in urban-modern industrial sectors. With the process of modernisation, it was assumed that the transfer of surplus labour from the agricultural subsistence sector, characterised by zero or very low productivity, to urban areas would be closely followed by the growth of wage employment in the high productivity urban and modern industrial sector (see Grabowski and Shields, 1989; Todaro, 1994; 1997).

By the mid-1960s, however, it was realised that the process of capitalist development that occurred in nineteenth century Europe, as mirrored by the Lewis-Fei-Ranis model, did not occur under the prevailing conditions of

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twentieth century capitalism (see Barber, 1993; Moser, 1994). The accelerated industrialisation and GNP maximisation strategies held by the dualistic tradition were not leading to a desired level of income redistribution.

The particular characteristics of the capital-intensive industrial sector, on the one hand, and rapid population growth in many Third World cities, on the other hand, resulted in what is commonly defined by scholars as “urbanisation without industrialisation”, “overurbanisation”, “urban inflation”, or “hyper-urbanisation” (see McGee, 1971; Gugler, 1988; 1996; Mazumdar, 1994; Jones and Visaria, 1996; Potter and Lloyd-Evans, 1998). This typical reality of Third World cities suggests that the unprecedented rate of urbanisation that goes beyond the demand for work has been responsible for producing widespread unemployment and immense poverty of Third World urban populations (Todaro and Stilkind, 1981; Barber, 1993; Moser, 1994; Potter and Lloyd-Evans, 1998).

In response to this phenomenon, Harris and Todaro in 1970 reworked the dualist model to explain the migratory flow between the traditional and modern sectors as well as the transfer of resources from rural to urban areas. The fundamental premise of the model suggested that migrants consider the various labour market opportunities between the two sectors, and choose the one that could maximise their “expected” gains from migration (Todaro, 1994, 1997; Mazumdar, 1994; Thomas, 1995).

According to Todaro (1994; 1997) workers in the rural sector had two choices – either to stay working in that sector for the existing rural wage or to migrate to the city and pursue a job in the modern sector in the hope of achieving a higher paid wage. However, because the number of jobs in the modern sector was limited, the migrant might be unlucky and have to spend a period of unemployment while searching for a modern sector job – the ultimate objective of all rural migrants (Todaro, 1994:240-2; Todaro, 1997:280-3). The

model predicted that the probability of getting the modern sector job decreased as the level of migration increased and that the equilibrium was achieved when the expected modern sector wage equalled the rural sector wage, as in that case there would be no financial gain to be obtained by migrating (Thomas, 1995:17-8).

Since then the emphasis in development theory acknowledges that employment in urban areas was not only available in the modern-industrial sector. However, the “other” sector in informal activities was still largely ignored, and it played no part in the prominent dualist perspective of the Lewis-Fei-Ranis or Harris-Todaro models (see Fields, 1990; Thomas, 1995). Despite the many attractions of these models, and the subsequent extensions and refinements of them, the reality of urban labour force did not fit neatly into the dual models’ two categories: employed in the modern sector or unemployed (Fields, 1990; Thomas, 1995).

In fact, it became increasingly clear that within the urban areas of developing economies, there existed a significant group of people who were neither unemployed nor employed in modern sector: they were working but the work was by no means modern (Fields, 1990:53). They occupied an intermediate position by working in the tertiary sector that was created by their own. This sector is sometimes called under-employment, but alternatively known as self-employment.

Fulfilling the “missing piece” of the dualistic models, the division of employment into formal and informal sectors was explicitly coined by Keith Hart in 1971 (published later in 1973) in a paper titled *Informal Income Opportunities and Urban Employment in Ghana* and presented at a conference on “Urban Unemployment in Africa” held at the Institute of Development Studies, University of Sussex. The International Labour Organisation (ILO) then quickly took up the term informal sector and

subsequently popularised the concept in its policies and programmes, especially in its mission to Kenya in 1972 (Charmes, 1990; Moser, 1994; Thomas, 1995).

The ILO recognised that with low levels of employment and in the absence of unemployment benefits and other welfare schemes, there was a need to adopt the informal sector concept as a viable and realistic alternative more appropriate to the Third World context. This particularly influenced the work of the ILO in its World Employment Programme (WEP) and shifted its focus from a strategy of economic growth *per se* to a strategy of employment creation as a major policy objective in its own right (Barber, 1993; Rakowski, 1994b; Moser 1994).

DEFINING THE INFORMAL SECTOR

The informal sector is known by many different names according to different contexts and points of view.¹ Various referred to as the informal economy, unregulated economy, unorganised sector, or unobserved employment to cite but a few of its titles, this sector typically refers to both economic units and workers involved in a variety of commercial activities and occupations that operate beyond the realm of formal employment. These economic activities involve simple organisational, technological and production structures. They also rely heavily on family labour and a few hired workers who have low levels of economic and human capital and work on the basis of unstandardised employment laws.

Historically, activities in the informal sector were not included in national employment statistics. In an attempt to bring this sector to national attention as well as to reduce the concern over high unemployment, the inclusion of the sector in national figures has now become a common feature in many developing and developed nations alike (see Portes, Castells and Benton,

1989; Thomas, 1992; Williams and Windebank, 1998). However, their activities, which are mostly unregistered and unrecorded in national income accounts, are still the main determinant in referring to the sector as informal. The main reason is that the activities are almost always outside the scope of state regulation and protection. Even if their activities are registered, the informal sector does not follow any labour protection, job security and other protective measures of the workplace (see ILO, 1993; UNDP, 1997; Williams and Windebank, 1998).

In the urban context, the informal sector is often referred to as consisting of small enterprise operators selling food and goods or offering services and thereby involving the cash economy and market transactions. This urban informal sector is more diverse than the rural one and includes a vast and heterogeneous variety of economic activities through which most urban families earn their livelihoods. The main forms are retail trade, small scale manufacturing, construction, transportation, service, and domestic work operating either as home-based or public-based activities.

Activities of the urban informal sector in the public arena of cities are particularly apparent in street-based trading. Though these *kakilima* enterprises are mostly hidden from the state for tax, they involve very visible structures, and are often subject to certain limited administrative processes, such as simple registrations or daily collection fees.

Note that this study avoids the terms “shadow”, “invisible”, or “hidden economy”. This means that it does not assume the informal sector as an economic activity in the hidden interstices of contemporary society. It is argued that the informal sector is observable in the communities in which it takes place and even in areas where informal activity is condoned, it remains visible not only to society, but also to the state authorities (Williams and Windebank, 1998). This study also avoids the other common tendency of

referring to the informal sector as a criminal activity, known as the “black”, “underground”, or “clandestine economy”. It is held that unless the informal activity is illegal by nature, it is considered legitimate and legal in all other respects. The term informal sector is therefore not synonymous with criminal, antisocial, or morally questionable activities, such as theft, prostitution, drug dealing, or gambling.

Nevertheless, since the informal sector encompasses heterogeneous characteristics, whatever the term and approach used, it is still not possible to formulate a single and operational working definition which is applicable everywhere. The voluminous literature on the subject shows that from the beginning the study of informal sector is contradictory on conceptual and analytical issues, not least because the sector is riddled with divergent connotations and approaches to defining it (Stark, 1982; Evers and Mehmet, 1994; Thomas, 1995; van Diermen, 1997; Williams and Windebank, 1998).

THEORISING THE INFORMAL SECTOR

Despite the fact that the relative importance of informal sector is now firmly recognised in development discourses, the existence of the sector continues to provoke debate (see Evers and Mehmet, 1994; Rakowski, 1994b; Thomas, 1995; Mead and Morrisson, 1996). Nevertheless, the focus of the debate tends to change over time. While the focus on the concept and methodology evolved significantly between 1970s and 1980s, in the 1990s the focus appeared to shift on understanding the phenomenon regardless of what it was labeled (Peattie, 1987; Rakowski, 1994a).

The trajectory of an emerging orthodoxy on the informal sector is of diverse as well as being without clear lines of demarcation. However, drawing on extensive frameworks of Bromley (1979; 1994), Moser (1978; 1994), Rakowski (1994a; 1994b), Thomas (1995), and Williams and Windebank

(1998), it is possible to sketch four “ideal types” that appear to serve as the “umbrella of theories” in defining the informal sector. These four – the dualistic perspective, integrative perspective, legalistic perspective, and survival strategy perspective – are used here to examine how far the conceptualisation of the informal sector adheres to the dominant positions taken by different interpretations of the informal sector.² Figure 2.1 outlines these broad approaches and shows points of convergence and divergence amongst them.

The dualistic perspective

The first major stream of thought and most widely-held belief in defining the informal sector is the dualistic formal-informal sector perspective as in the Lewis-Fei-Ranis and Harris-Todaro tradition. This perspective generally portrays the economy in developing countries as being characterised by a dual production structure. The structure includes the firms or business activities operating in different production functions, one of which is modern, the other traditional. The modern sector is generally understood to mean industrial and large-scale economic units in the formal sector employing capital-intensive methods of production, while the traditional sector refers to small-scale economic units in the informal sector employing labour-intensive methods of production.

FIGURE 2.1: Main features of the four perspectives on the informal sector and points of convergence and divergence

	Dualistic Perspective	Integrative Perspective	Legalistic Perspective	Survival Strategy Perspective
Examples of proponents as exemplified by their respective works	Hart (1971), ILO (1972, 1993), Santos (1975), Sethuraman (1976, 1981)	Moser (1978), Bromley (1979), Scott (1979), Tokman (1979), Gerry and Birkbeck (1981)	De Soto (1989), Thomas (1992, 1995)	Cornia, Jolly and Stewart (1987); Portes, Castell, Benton (1989), De Soto (1989), PREALC (1990)
Approaches	Dualist, Positivist	Neo-Marxist, Dependency theory	Legalist, Neo-liberal	Structuralist
Key issues	Poverty, rural-urban migration	Poverty, relations of production, formal and informal sector linkages, capitalist - non capitalist domination	Marginality, rural-urban migration, excessive legal costs	Poverty, marginality, rural-urban migration, economic crisis
Basic assumptions	<ul style="list-style-type: none"> ● The informal sector is caused by inability of industrial sector to supply job opportunities ● The informal sector and the economy are analytically separate entities 	<ul style="list-style-type: none"> ● The informal sector is the expression of the uneven nature of capitalist development ● The informal sector and the economy are analytically integrated entities 	<ul style="list-style-type: none"> ● The informal sector is an effect of discriminatory bureaucratic restrictions ● The informal sector is the backbone of a country's economy 	<ul style="list-style-type: none"> ● The informal sector is a means of survival strategies of the poor ● The informal sector is a response and solution to economic hardship
Roles of the informal sector in development	Transitory sources of employment and income for the poor, unemployed and migrants	Create jobs and income for the poor, supply cheap goods and services	Reduce costs of regulation, create wealth	Safety net for crisis, creates entrepreneurship, wealth and capital accumulation
Policy agenda	Stimulate macro economy, provide welfare benefits, support poverty alleviation programmes	Diminish unequal linkages, promote equal opportunities	Promote small firms, reform institutions and changes in rules and regulations, provide training, improve access to credit	Promotes entrepreneurship, support welfare programmes (e.g. income supports, social and health insurance, welfare-to-work schemes, education allowances, social housing plans)

Source: after Rakowski (1994b:34)

In essence, the dualistic perspective relies basically on the “measuring rod” definition of the informal sector as traditional and the formal sector as modern (see Williams and Windebank, 1998). This perspective assumes that the informal sector and the economy are analytically separate entities, each of which operates according to its own distinct and separate principles. This scenario considers that the informal sector is an extension of the rural-traditional sector and that those who enter the sector are predominantly rural migrants who go to the cities in the hope of obtaining a job in the modern sector identified as having higher wage levels (see Todaro, 1994, 1997; Mazumdar, 1994; Thomas, 1995).

Many in the new entrants to the urban labour force are unable to find employment in the formal sector. They are eventually relegated to the “other” sector characterised by economically profitable activities, but not in modern activities. Included in this sector are ease of entry small-scale business activities, such as petty trading, sidewalk vending, shoeshine works, self-appointed parking services, masonry, tailoring and other small trading, cooking, and taxi-driving (see Fields, 1990:53). These kinds of economic activities, as Evers and Mehmet (1994:2) assert, generally create ‘a transitory “reserve army” of recent rural migrants waiting in some invisible line for job opportunities in overcrowded urban labour markets.’

As a way of understanding the vast number of activities taking place in urban areas, in 1971 one of the dualistic proponents, Keith Hart, made a momentous contribution to the understanding of the informal sector. Hart was credited as being as a pioneer in articulating the dualistic model into the analysis of urban informal employment. Based on his work in low income neighbourhoods in Ghana, Hart provided a list of activities divided into formal income opportunities and informal income opportunities. While the former consisted of public sector and private sector wages and transfer payments

(pension and unemployment benefits), the latter was subdivided into legitimate and illegitimate income opportunities as follows (Hart, 1973:68; Barber, 1993:3-4):

1. Informal income opportunities (legitimate):
 - a. Primary and secondary activities: farming, market-gardening, building contractors and associated activities, self-employed artisans, shoemakers, tailors, etc., manufacturers of beers and spirits.
 - b. Tertiary enterprises with relatively large capital inputs: housing transport, utilities, commodity speculation, rentier activities, etc.
 - c. Small-scale distribution: market operatives, petty traders, street-hawkers, caterers in food and drink, bar attendants, carriers, commission agents and dealers.
 - d. Other services: musicians, launderers, shoe-shiners, barbers, night-soil removers, photographers, vehicle repairs and other maintenance workers, brokerage and middlemanship, ritual services, magic and medicine.
 - e. Private transfer payments: gifts and similar flows of money and goods between persons; borrowing, begging.

2. Informal income opportunities (illegitimate):
 - a. Services: hustlers and spivs in general; receivers of stolen goods; usury, and pawnbroking (at illegal interest rates), drug pushing, prostitution, poncing, smuggling, bribery, political corruption, protection rackets.
 - b. Transfers: petty theft (pickpockets), larceny (burglary and armed robbery), speculation and embezzlement, confidence tricksters (money doublers), gambling.

Hart's definition (1973) of the informal sector emphasised the individual as the critical variable. The distinction between the formal and informal sectors relies

on whether the person was wage earner (the formal sector) or self-earner (the informal sector). Though this classification did not give a clear demarcation between informal and criminal activities, Hart's definition served as a springboard for the development of the concept afterwards (see Moser, 1978; Bromley, 1979; Thomas, 1995).

Soon after Hart's "invention", the ILO adopted the concept in its report of its mission to Kenya (1972). Nevertheless, different from the Hart's individual-based approach, the ILO defined the informal sector on account of the nature of the enterprise and the market involved in the activities. By excluding criminal activities, the ILO definition also differs from that generated by the Hart, which includes illegitimate income opportunities (e.g. receiving stolen goods, drug pushing, prostitution, petty theft and gambling) into his category of informal sector.

As presented in Figure 2.2, this definition is certainly more operational than Hart's one. By collecting information on the relevant characteristics of small enterprises, for example, one could use it to classify them into the formal and informal sectors (Thomas, 1995:22).

Informal Sector	Formal Sector
1. Ease of entry	1. Difficult entry
2. Reliance on indigenous resources	2. Frequent reliance on overseas resources
3. Family ownership of enterprises	3. Corporate ownership
4. Small scale of operation	4. Large scale of operation
5. Labour intensive and adapted technology	5. Capital-intensive and often imported technology
6. Skills acquired outside the formal schooling system	6. Formally acquired skills, often expatriate
7. Unregulated and competitive markets	7. Protected markets (through tariffs, quotas and trade licenses)

FIGURE 2.2: The ILO definition of the informal sector
Source: ILO (1972:6); Thomas (1995:20); van Diermen (1997:16)

Inspired by the ILO work, the analysis of labour markets in developing countries changed notably and the perception towards the informal activity

moved forward from “ways of doing nothing” (unemployment) to “ways of doing something” (employment) (Bromley, 1979; Moser, 1978; Thomas, 1992). However, the ILO’s concentration on enterprises makes it difficult to see what kinds of economic activities are likely to be found in the informal sector (Thomas, 1995). Given the great diversity that exists between cities in different countries and in different states of development, it is unclear whether certain activities specifically meet the informal sector criteria. For example, in order to be classified as belonging to the informal sector, it is not obvious whether an activity must possess all or only some of these characteristics, while some of the characteristics, such as the distinction between easy and difficult entry, are not easy to define (Thomas, 1995:20-2).

In an attempt to refine the ILO definition, one of the ILO experts, Sethuraman (1976), translated the characteristics of the definition into more specific rules, such as form of organisation, mode of production, scale of operation, and enterprise structures and mobility, that divided small-scale enterprises in the informal sector from large scale establishments in the formal sector. He identified nine employment characteristics of the enterprise which are likely to be found in informal activities of manufacturing, construction, transport, trade and service (Sethuraman, 1976:81):

1. It employs 10 persons or less (including part-time and casual workers).
2. It operates on an illegal basis, contrary to the government regulations.
3. It employs family members or relatives.
4. It does not observe fixed working hours or days of operation.
5. It operates in a semi-permanent or temporary structure or in a shifting location.
6. It does not use electricity in the manufacturing process.
7. It does not depend on formal financial institutions for its credit needs.
8. It produces and distributes outputs intended to reach the final consumer in a direct basis.

9. It employs workers who mostly only have fewer than six years of formal schooling.

The dualistic framework has served as the theoretical basis for an extensive literature and has become dominant thinking in analyzing the Third World's informal activities (Moser, 1978; Bromley, 1979; Thomas, 1992). Earlier definitions of informal sector generated by Hart, ILO, and Sethuraman in 1970s, among others, contain the formal-informal dichotomy and have been a foremost reference in over a hundred publications on the subject afterwards, many of them associated with the ILO policies and programmes (Bromley, 1979).

As shown in Figure 2.3, a dichotomy between the formal and informal sectors has been accentuated by different scholars with a wide range of terminologies. Santos' division (1975), for example, distinguishes two systems of production in developing countries, which can be called as the "lower circuit of production" and the "upper circuit of production". It is argued that there are intermediate types of activities within the two systems, but the model maintains that the members of the informal sector are most likely involved in the economic activities of the lower circuit of production.

Terminology	Scholars
1. Formal and informal income opportunities	Hart (1972)
2. Modern and staging-post sectors	Bugnicourt (1973), Lachaud (1976), Penouil (1985)
3. Upper and lower circuit of production	Santos (1975)
4. Structured and unstructured sector	Weeks (1975), Sethuraman (1976)
5. Protected and unprotected sectors	Mazumdar (1976)
6. Legal and illegal sector	Gaughan and Ferman (1987)
7. Formal and informal economy	Thomas (1992, 1994)
8. Formal and informal employment	Williams and Windebank (1998)

FIGURE 2.3: The terminology of dualistic model according to different scholars
Source: Hugon (1990); Thomas (1992); Moser (1994); Williams and Windebank (1998)

With reference to the Indonesian context, the dualistic view has a particular and long-standing articulation in its history of informal economy. Boeke (1953) and Geertz (1963) characterised the economic structure of the Indonesian societies on the basis of dualistic model that resemble the division of formal and informal characteristics as used in current development studies. With reference to Mojokuto (a pseudonym city), for example, Geertz (1963:28-9) differentiated two systems of production into “bazaar economy” and “firm centered economy”:

Mojokuto from its beginning has had a bazaar economy, i.e., one in which the total flow of commerce is fragmented into a very great number of unrelated person-to-person transactions. In contrast to the firm centered economy of the west, where trade and industry occur through a set of impersonally defined social institutions with respect to some particular productive or distributive end, this sort of economy is based on the independent activities of a set of highly competitive commodity traders who relate to one another mainly by means of an incredible volume of ad hoc acts of exchange.

Proponents of the contemporary dualistic perspective continue to use a dualistic definitional concept linked to size, type of employment or ways of production. Few analysts also still refer to informal activities as traditional in terms of organisation of production (self-employment, family firms, low level of capital, unsophisticated technology), outcomes (low productivity, poverty), and regulations (not recorded in the national income accounts, and not subject to formal rules of contract, licensing, labour inspection, reporting and taxation) (see ILO, 1984; Bekkers and Stoffers, 1995).

Most advocates of the dualistic perspective view that the existence of the informal sector is as obvious as the existence of a Third World or a middle class. This vision of the concept has encouraged a worldwide recognition to support the informal sector through promotion of appropriate technologies, indigenous enterprise, local self-help, and government welfare subsidies

(Bromley, 1994; Rakowski, 1994b). Adopting a positivistic approach, this perspective focuses on cleavages in economic and social composition between formal and informal economies and infers that the proper role of the state is to help equalize differences (Rakowski, 1994b:33).

This approach proposes that the informal sector has a critical role in the path to development and poverty alleviation. While the primary policy agenda of the dualistic framework suggests the promotion of macro economic improvements, a complementary package of mutually reinforcing policies are also proposed to deal with myriad factors that affect modern sector employment, job creation, productivity, and incomes (Marquez, 1994).

The integrative perspective

Criticism of the dualistic perspective raised a number of objections to the explanations of the formal-informal dichotomy and the assumption made about the independence of the informal sector from the formal one. One of the strongest opponents of the dualist view was Bromley (1979) who questioned the value of the two-sector approach. For Bromley, the formal-informal division was a very crude and simple classification. It divided all economic activities into two categories as if they were no dependency between them.

By dividing all economies into two categories, many researchers using a dualistic approach were inclined to assume that there was no link between the informal sector and the rest of the economy (Bromley, 1979:1034). In fact, Bromley argued that it was more likely to be the case that they were in a continuously fluctuating state of interaction and that parts of one sector may be dominated, and even created by, parts of the other sector (Bromley, 1979:1034-5).

The dissatisfaction about the two-sector division resulted in a new approach called the integrative perspective, or alternatively, the petty commodity production perspective. In recent years and mostly in Latin American context, this perspective has been revitalized in what Rakowski (1994b:36) referred to as the “underground economy approach” or the “Portes approach”.

Unlike the dualistic approach, the integrative perspective rejects economic dualism. It does not divide the labour market into two sectors, and hence, it does not imply that the two sectors were separate and independent on the ground. Rather, this view focuses on a continuum of economic activities and acknowledges the integrated interrelationships between the informal sector, as small-scale enterprises, and the capitalist sector, as large-scale enterprises, within the wider context of economic development. Integrative proponents suggested that both informal and formal activities were features of capitalist development that performed necessary functions for the accumulation of capital, including the disenfranchisement of organised labour (Castells and Portes 1989:11). In contrast to the dualist proposition, therefore, this view held that formal and informal activities have always existed side-by-side and that the relationship between the two is more complex than simply one of substitutability.

Taking a Marxist perspective, a number of scholars put the integrative framework into the analysis of articulation of “modes of production” (Long and Richardson, 1978; Scott, 1979; Barber, 1993; McKeever, 1998). This view postulates that in the urban sector there is more than one mode of production. Amongst different modes are the capitalist mode and the petty commodity mode of production, which are systematically interconnected by relations of domination or subordination.

In this case, the formal sector represents the capitalist mode of production, while the informal sector is likely to be a representation of petty commodity

production. The capitalist mode of production is integrated deeply into an international economy and perceived as subjecting the subordinate petty commodity mode of production which is more or less transformed through its relation with the former (Dasgupta, 1992; Barber, 1993; Moser, 1994).

According to Dasgupta (1992), the petty commodity production theorists, such as Moser, Scott, and Bienefeld, maintain that in the continuum of urban activities the capitalist sector dominates the small-scale producers through their linkages. This relation enables them to extract surplus (Dasgupta, 1992:1443). This stance, in view of Moser (1994), follows Marx's concept of petty commodity production classifying it as 'a form of production which exists at the margins of the capitalist mode of production but nevertheless is integrated and subordinated to it' (Moser, 1994:20). In Marx view, this production exists as a subordinate form in all modes of production. It flourishes particularly in the transition from feudalism to capitalism (Scott, 1979:110).

In light of the contemporary experience of urban economies, several studies challenged the diagnosis of petty commodity production as subordinate to the capitalist mode and suggested the considerable modification and redefinition of it (Moser, 1978; 1994; Forbes, 1981). This criticism gave rise to the idea of exploring more fully the heterogeneity and complexities of the informal sector and to examining the integrated relations of production within the urban sector of developing countries. In particular, the idea is initially addressed to identify the relationship between the informal sector and the rest of the economy, eminently the formal sector, within different types of linkages (Tokman, 1979; Forbes, 1981; Thomas, 1992).

Several studies support this position, and find that an interrelationship exists between the informal and the formal sector, and, unlike the former diagnosis, the linkages articulate in many different ways and lie between the continuum

of “benign” relationships and “subordinate” relationships (Tokman, 1979). Subcontracting is a very well-known type of linkage but other linkages are also found in many different activities, such as the use of workers and distribution of “agents” in retail trading who put up their own deposits so as to relieve some of the risks involved in the “mother” company (Moser, 1978; Portes, 1994; Thomas, 1995).

Based on the research in two cities of Kuala Lumpur, Malaysia and San Jose, Costa Rica, Fields (1990:67-8) found three other linkages:

1. The formal sector provides training for the informal sector workers to move into the upper-tier informal sector.
2. The formal sector provides the opportunity for the informal sector workers to accumulate savings to start up their own businesses.
3. The formal sector employs preferentially those workers who have acquired training in the informal sector.

Dasgupta (1992) also asserts that the relation between capitalist and petty commodity production is not always exploitative. Dasgupta found that there is a benign link and articulation between petty trading and the commercial capital in Calcutta’s urban economy in which the latter creates the conditions for the functioning of petty trading (Dasgupta, 1992:1475).

In examining potential linkages between the informal sector and the formal sector, Thomas (1995) concentrates on direct economic links and distinguished between backward and forward linkages. Backward linkages exist when those working in the informal sector obtain raw materials or other supplies from the formal sector. Forward linkages appear when the informal sector sells its output of goods or services to the formal sector (Thomas, 1995:56). Clearly the integrative proponents reject economic dualism and

focus on the way in which forms of production, units of production, technologies and workers are integrated into the economy.

The analysis also does not classify the informal and formal sectors as two independent sectors, since they are part of the overall capitalist system (Thomas, 1995:25-6). Although there is still a form of “duality” in the distinction between petty commodity production and the dominant capitalist mode of production, the coexistence and interpenetration of the modes exhibit a potential blurring of the demarcation line between the two systems (Thomas, 1995:25-6).

Despite dissimilarities between the dualistic and integration perspectives, however, there are many points of convergence between the two. Both focus on forms of production and see a link between poverty and the informal sector, and conclude that the informal sector is the expression of the unequal nature of capitalist development in peripheral societies. Within this framework the working definition of the informal sector and policy relevance has not been of primary concern, yet the conceptualization of the integrative perspective on the informal sector has important policy implications for the welfare of workers (Moser, 1994; Portes, 1994; Rakowski, 1994b; Thomas, 1995). It is argued that the informal sector can contribute to economic growth if state intervention can promote entrepreneurial efforts, support technological advancement, reduce inequalities, and limit exploitation (Rakowski, 1994b:37).

The legalistic perspective

Issues of legalistic and regulation lie in the work of the Peruvian Hernando de Soto in his notable book *The Other Path: the Invisible Revolution in the Third World* (1989). As the origin of the legalistic approach is usually credited to de Soto and the think tank he founded – the ILD or Instituto Libertad y

Democracia – it has been alternatively called the “legalist or ILO-de Soto” approach (Rakowski, 1994b:39).

On the ground, the legalistic perspective is typically neo-liberal. Yet this framework does not strictly adhere to conceptual issues, economic modeling or academic research (Rakowski, 1994b:39; Bromley, 1994:131). In *The Other Path*, for example, it is difficult to assess how ideas are expressed and tested, and more especially to search out their sources as it has few citations and no bibliography.

The term informal sector hardly appears in de Soto’s analysis. He often uses the term “informality” and refers to participants in these activities as “informals” (de Soto, 1989; Bromley, 1994; Thomas, 1995).³ In *The Other Path*, de Soto also completely ignores the arguments over the formal-informal sector dualism held by the positivistic ILO-linked literature and definitions. Instead, he defines the sector in his own way using a simple means-ends criterion. As Bromley (1994) pointed out in a detailed review of the de Soto’s approach to the informal sector, de Soto perceives informal activity as an intermediary between formal and criminal activity. ‘Formal activities have legal ends and are conducted by legal means. Informal activities have legal ends, but are conducted illegally because it is difficult for the participants to comply with official regulations. Criminal activities have illegal ends and therefore cannot be conducted any way other than illegally’ (Bromley, 1994:133).

It appears that de Soto (1989) excludes criminality, such as drug trafficking and robbery and those categorised as morally questionable economic activities, such as gambling, prostitution, child labour, and begging, from the category of informality. In his view, such activities should be prosecuted and punished, but informal activities should be encouraged – or at least not be penalised – because they are well-intentioned and useful.

The legalistic perspective differs with the dualistic and integration perspectives in the analysis of the primary causes and outcomes of the informal sector and in the role of the sector in economic development. Whereas the first two perspectives see poverty as the main cause of the informal sector, the legalistic perspective views the informal sector as a 'spontaneous and creative response to the state's incapacity to satisfy the basic needs of the impoverished masses' and to the system that has 'traditionally made them victims of a kind of legal and economic apartheid' (de Soto, 1989:xiv-xv). The legalists assume that discriminatory state regulations and costs have forced the informal sector into poverty and illegality (de Soto, 1989; Rakowski, 1994b; Bromley, 1994). This has benefited the most powerful economic interest groups that compete unfairly with the informal sector which has no property rights and no access to credit (de Soto, 1989).

The legalists also believe that the informal sector has potential for competitive capitalist development if the state gets out of the market and eliminates the bureaucratic labyrinth and costs associated with legalising business operations (Bromley, 1994; Rakowski, 1994b). They see the informal sector as the backbone of a country's economy that contributes to the creation of wealth and the genuine path to development. The informal sector provides vital services and improves a nation's human resources through the development of small-scale industries and entrepreneurial talents. The sector helps reduce imports and indebtedness by providing goods and services and constructing necessary infrastructures, such as transportation systems, housing, and markets (de Soto, 1989; Bromley, 1994; Rakowski, 1994b).

In a more recent study, the legalistic concept is found in the analysis of Thomas (1992, 1995), when he differentiates four different sectors under the umbrella concept of informal economy. Thomas (1992) defines the informal economy as any activity that involves the production of goods and services; it has economic values but is not included in the measurement of national

income. In view of its legal status, the economy consists of four sectors (Thomas, 1992:3-9; Thomas, 1995:11-5):

1. The household sector or the home-unpaid activity. This sector produces and distributes legal goods and services within the home and are consumed within the family domain.
2. The informal sector or self-employed or small-scale producer. The outputs of this sector are perfectly legal, but the goods and services of this sector are produced and/or distributed in quasi-legal ways. Generally there are no laws being broken in the production as well as distribution processes.
3. The irregular sector or “black economy” (in the UK and some other European countries) or “subterranean economy” (in the USA). Like the informal sector, outputs of the irregular sector are legal, but the production and distribution of this sector involve some illegality, such as infringements of laws regarding industrial safety, non-payment of minimum wages of workers, and tax evasion.
4. The criminal sector or morally questionable activities. Unlike the three other sectors, the outputs of the criminal sector are illegal (e.g. drugs, robbery, prostitution, gambling) and therefore the process of production and distribution of the outputs are certainly illegal.

In essence, the basic principle of Thomas in defining the informal sector is “illegality”, which lies between *de jure* and *de facto* (Thomas, 1995:14). This means that despite the unconformity with bureaucratic rules and regulations, the informal sector does not necessarily break the rules, and hence, it does not fall in the category of criminality. In the criminal sector, those who break the law hide their activities, since they know the authorities are trying to enforce the law and will punish those they catch breaking it. In the informal sector, those flouting the rules and regulations are very visible since they do not hide their activities. In this case, the reaction of the authorities may be

either to ignore the law-breaking or to enforce the law only intermittently and/or impartially (Thomas, 1995:14).

In practice, the application of legal aspects into the informal sector frequently involves four dimensions (Mead and Morrisson, 1996:1611-2). The first relates to registration. The informal sector is regarded as an enterprise that is not officially registered or does not have a required license or permit to operate. The second relates to payment of taxes. The informal sector does not pay taxes or operation related-costs. The third concerns regulations of working conditions for the labour force. The informal sector does not have payments for social insurance or payments for minimum wages and paid holidays. The fourth includes other institutional regulations and requirements that are legally binding on producers and traders. These rules, which are often absent in the informal sector, are designed to protect consumers, control the quality of the product, or restrict the location in which the enterprise is permitted to operate or sell.

The legalistic perspective contributes to the debate over the meaning and significance of the informal sector. It provides alternative parameters in the study of the informal sector by drawing attention away from the characteristics of workers, activities, and exclusively economic factors in development as routinely proposed by dualistic and integration perspectives (Rakowski, 1994b). The legalist view has also drawn awareness toward the role of institutions, democratization, power and politics in analyzing the meaning and dynamics of the informal sector in development context.

Many legalists believe that the informal economy should exist with a degree of autonomy and flexibility, and hence, it should be free from government control (de Soto, 1989; Bromley, 1994; Rakowski, 1994b). They see that state intervention is often a barrier to the informal sector in achieving its self-sustaining growth. In terms of a policy intervention, legalists are often part of

the *laissez-faire* or neo-liberal doctrines suggesting the removal of all state restrictions and controls over the operation of informal economies, particularly the constraints created by tax and labour legislation. Nevertheless, a few legalists suggest that development initiatives can be provided to the informal sector through the promotion of small firms, institutional reformation, training, access to credit and changes in rules and regulations (Rakowski, 1994b).

The survival strategy perspective

The last but increasingly popular belief, held by the right- as well as left-wing defenders, is the survival strategy perspective. The basic idea of this perspective is based on the structuralist approach postulating that the emergence and expansion of the informal sector has been part of the process of social change. The emergence and proliferation of the informal sector has been an outcome of economic restructuring as a part of the process of industrialisation and modernisation taking place in many Third World countries.

This view places the growth of the informal sector within the context of economic crisis of the mid-1970s which was widespread throughout the world. Portes, Castells, and Benton (1989:29), for example, state: 'In many countries, millions of people have been subjected to harsh living conditions that have made them accept whatever ways out of their misery they could find. This is particularly the case of the periphery, heavily affected by global recession and the austerity policies promoted by international financial institutions.' This economic hardship, according to Portes, Castells, and Benton (1989), has forced people all over the world to work and earn their living on the margins of rules and organisational arrangements of the formal-modern sector. In their quest for survival, they have connected with a more flexible sector which offers them earning opportunities even at the level of simple subsistence.

In the 1980s, Cornia, Jolly and Stewarts (1987) described the issue of the informal sector in relation to the social costs of World Bank-inspired structural adjustment and stabilisation programmes. The programmes are criticised as having the high social cost of adjustment, particularly for their negative impact on the “working poor”. In their influential book *Adjustment with a Human Face* sponsored by UNICEF, they argued that economic adjustment programmes applied in many Third World nations are identified as lacking a “human face”. Instead of recovering economic development, these programmes in fact create difficulties to the economy and particularly to the lower income groups of the society. The evidence revealed that the crucial effect of the social cost of adjustment was pushing vulnerable groups into an expanding informal sector (Cornia, Jolly and Stewarts, 1987; Evers and Mehmet, 1994).

In an analysis of Thomas (1995), such phenomena are reflected in the contemporary Latin American countries experiencing the expansion of poverty resulting from economic crises and structural adjustment policies within their process of modernisation, industrialisation and rapid rural-urban migration. Thomas noted that debt crisis and falling employment in the modern sector during the 1970s and 1980s have forced most Latin American countries to adopt structural adjustment programmes imposed by the IMF and the World Bank. As elsewhere, Thomas argued, the costs of adjustment were not always shared equally among the population and that the poor paid a disproportionately high price for the economic changes that occurred as a result of adjustment. In the absence of state-provided social security, those poor and without work had no choice but to create their own employment in a variety of informal activities (Thomas, 1995:1-7).

Some of the most important proponents of the survival strategy perspective, especially in much of the international agency research on the subject, are the experts and collaborators under the ILO’s WEP (World Employment Programme) for Latin America and the Caribbean, widely known in the

acronym of its Spanish title PREALC (Programa Regional del Empleo para América Latina y el Caribe) (see Rakowski, 1994b; Thomas, 1995). In contrast to the previous ILO definitions focusing on enterprises, the view of the PREALC focuses on the labour market and considers the informal sector as an “unofficial” safety net in countries that have no welfare system.

PREALC considers that the existence of the informal sector is caused by an excess supply of labour for the formal sector resulting from a combination of high levels of rural to urban migration and a slow expansion of productive employment. Informal activities are undertaken as an alternative to open unemployment since, in the absence of state social protection, those unemployed could not afford to live in the city and had no alternative but to become involved in the informal economy (Thomas, 1995:23). This approach identifies at least three strata of informal activities as a means of survival (Rakowski, 1994b:35-6):

1. Survival strategies of the permanent poor – people with deficient human capital or trapped into marginal jobs because of their characteristics.
2. Survival strategies of the conjunctural unemployed – people who have lost jobs or whose incomes have declined due to economic crisis and structural adjustment policies.
3. Survival strategies of the small group entrepreneurs – individuals from the two above strata who have growth potential. They run the business not only for basic survival as such but also to accumulate capital.

In its earlier empirical studies, PREALC used two alternative definitions to classify those working in the informal sector (Thomas, 1995:23). The first defines the informal sector on the basis of household surveys. It classifies the sector as consisting of domestic servants, casual workers, own-account or self-employed workers, and all people working in enterprises employing four

or fewer labourers. The second defines the informal sector on the basis of low productivity and low income. It classifies the sector as including individuals with incomes below a minimum level, usually the legal minimum wage.

As summarised in *Contrapunto: the Informal Sector Debate in Latin America* edited by Rakowski (1994), PREALC modifies further its definition to include a wider category of informal economic activities ranging from small-scale businesses to direct subsistence productions. In keeping with the diversity of the definitions in the literature and amongst different contributors, Rakowski (1994a:4) reflects the PREALC definition on the informal sector. She describes it as any or all of the following features:

1. Small-scale firms, workshops, and microenterprises with low capital inputs where production levels depend on intensive use of labour.
2. Nonprofessional self-employed, subcontracted put-out workers, disguised wage workers.
3. Unprotected or only partially protected work, illegal contractual arrangements, not fully regulated or registered or extra-legal activities.
4. Activities that escape standard fiscal and accounting mechanisms.
5. Domestic service.
6. Cooperatives and associated activities with little or no separation between labour and ownership of the means of production.
7. Casual trade, street vendors, and market sellers, regardless of the source of goods.
8. Direct subsistence producers.

Interestingly, the link between informality and survival strategies is also at the heart of the de Soto analysis. Though his view is originally referred to as the legal, in *The Other Path*, de Soto also constantly portrays informals as decent hard workers and productive individuals and considers them as entrepreneurial, struggling to make a living and providing much-needed

services in the face of stifling regulations. Thus, in this sense, de Soto agrees with PREALC that the informal sector reflects a mechanism of survival strategies of the poor. de Soto maintains that participants in the informal sector are not necessarily doing what they want to do, but rather doing whatever they have to do (de Soto, 1989; Bromley, 1994).

In *The Other Path*, de Soto agrees with PREALC on the grounds that informal activities are fed through rural-urban migration. Based on a history of rural migration to Lima, de Soto (1989:11) explains that the effect of bureaucratic restrictions has forced migrants to become “illegal” and create informal activities:

Thus it was, that in order to survive, the migrants became informals. If they were to live, trade, manufacture, transport, or even consume, the cities’ new inhabitants had to do so illegally. Such illegality was not antisocial in intent, like trafficking in drugs, theft, or abduction, but was designed to achieve such essential legal objectives as building a house, providing a service, or developing a business.

The survival strategy thesis, viewing the informal sector as a form of peripheral labour for marginalised groups such as the poor, migrants, and the unemployed, has actually a long antecedence. It can be traced back to the historical origins of the activity in the initial work of Hart three decades ago who used it as a way of understanding the vast amount of activity taking place in developing economies. As Williams and Windebank (1998:112) note, this was at odds with conventional knowledge in western discourse on economic development, and as such, mirrors a similar period of the emergence of this form of employment in the advanced nations at about the same time. In some respects, the view agrees with the dualistic and legalistic perspectives that see the informal sector as a spontaneous creative response of ordinary people to the inability of the modern-industrial and government sectors in alleviating unemployment and poverty problems.

In fact, the dominant view of the survival strategy perspective in the earlier phase of its emergence was that the informal sector was synonymous with poverty and marginality. The diagnosis attributed the situation mainly to insufficient job creation in modern and urban sector as the primary cause of the informal economy. The informal sector is therefore often identified as a mechanism of survival strategies of the poor and unemployed to make a living on the margins of modern industrial economy (Charmes, 1990; Thomas, 1995; Williams and Windebank, 1998).

Proponents of the perspective postulate that the informal sector is that of small production units following pre-capitalist management patterns. As a petty unit of production, the informal sector refers to a small-scale business with a low level of capital intensity and simple use of technology and serves as a means of livelihood to the person and family involved. The informal sector is a family-organised enterprise adopting the system of subsistence production practised in the rural-agricultural sector. Although the management patterns of the enterprise could follow “rational” economic principles, its activities are often recognised as conforming to the traditional mode of production. Most workers of the enterprises are tied by social and kinship relations and that each enterprise is owned and closely controlled by the owner who also contributes most, if not all, to the business operations and capital.

Several defenders in the survival strategy stream of thought have furthermore developed and shifted their emphasis from mere marginality to the intrinsic dynamism and positive role of the informal sector. The informal sector represents the prototype of the entrepreneur who innovatively enters the existing labour market and economic opportunities. Hugon (1990:83), for example, stated that ‘adjustment policies have a negative impact on the informal sector, particularly at the capital-intensive fringe: by creating supply problems with respect to inputs and imported capital goods; by disrupting the

chains and all subcontracting and other activity between big and small units; by reducing effective demand.’ However, based on recent studies of the impact of stabilisation on the informal sector in Bolivia, the “new” defenders in the survival strategy perspective demonstrate the contrasting point: the informal sector did suffer from economic stabilisation, but interestingly, it also played a crucial role in mitigating the effects of stabilisation (Franks, 1994:105).

In sum, the survival strategy perspective considers that those engaged in the informal sector are able to make contributions to the welfare of a society since they can create new ideas of business opportunities, which, albeit small, are able to distribute wealth, particularly to urban poor communities. In the promotion of small-scale enterprises and entrepreneurship, the survival strategy proponents share their policy orientation with dualistic followers. In supporting the informal sector they all tend to focus not only on economic policies but also on social welfare programmes, namely income supports, welfare-to-work schemes, social insurance, health aids (medicaid), education allowances, and social housing plans.

CONCLUDING REMARKS

This chapter discussed the existence of the informal sector and its different characteristics in the realm of theoretical debate. The analysis of the origins of the informal sector provided some clarifications of its genesis, as it has occurred in particular in developing economies. The historical emergence of the informal sector seems likely to be specific to the historical development of a society. However, the unsuccessful scenario of the “accelerated economic growth” model in many Third World countries in the 1960s and 1970s appears to affect the expansion of the informal sector and the realignment of the concept into development policies.

The work of defining and characterising the informal sector shows that there is no generally accepted definition of the sector which explains the large heterogeneity concerning its characteristics, which can be applied uniformly. As such, de Soto's analogy, cited in this chapter's opening quote, is correct in that defining the informal sector is like defining an elephant. As Mead and Morrisson (1994:1617) suggest, African and Asian people may be different in describing their elephants, but they know that both elephants are still elephants. The important view here is that although the informal sector is substantially different from one country to another, people do know very well what they mean by the informal sector in their own context.

As Williams and Windebank assert, this is not a problem that can be overcome with intellectual ingenuity. Rather it is a central pillar in understanding the current perception of informal sector (Williams and Windebank, 1998:4). This study takes this position and holds that the concept of informal sector requires that the two characteristics of formal and informal sector can be discriminated categorically, but it does not require them to be independent and mutually exclusive. The informal sector is what the formal sector is not and can therefore be defined in such a manner. The concept of informal sector in this study covers a range of small-scale economic activities in urban areas, which operate outside the governing institutions of Indonesian society and are not officially recorded in the national income accounts. In contrast to the formal sector, the informal sector is not regulated by the state, and not subject to formal licensing, employment contractual rules, labour union protection and job security (ILO, 1976; Thomas, 1992; 1995; Williams and Windebank, 1998). As indicated in chapter one (see note 1), the operational definition of informal sector employed in this study follows the division of formal and informal employment in Indonesia which refers to a category of employment status as defined by the Central Board of Statistics (CBS) and applied by, amongst others, Evers and Mehmet (1994), Azis

(1997), Firdausy (1995:284), Firman (1999:54), Hugo (2000:125), and McGee and Firman (2000:325).

Theorising the informal sector debates into the emerging orthodoxy, four types of perspectives appear to represent the ideal types of the informal sector “paradigms”. They are the dualistic, integrative, legalistic, and survival strategy perspectives. Examining their basic assumptions and predictions over the existence of the informal sector, the model reveals that neither the trajectory of economic development nor the proliferation of informal sector is universally following a single and clear-cut theoretical model. Nonetheless, each perspective comes with distinguishable proponents, approaches, key issues, basic assumptions, notions of informal sector roles in development, and policy agenda. This configuration of the informal sector debate demonstrates how heterogeneous and dynamic is the informal sector. It combines a range of economic, social, institutional, and environmental conditions in diverse ways and in different places and times.

Given the commitment to the spirit of coping strategies, the approach of this study is probably closest in concept to the survival strategy perspective. However, the obvious overlap among many of the approaches makes this study to incorporate approaches that endorse both dualistic and integrative perspectives, and that acknowledge the importance of the legalistic perspective.

One of the foci of inquiries of this study is to explore economic characteristics of the informal sector. In order to provide a coherent and interrelated set of issues concerning the profiles and dynamics of the informal sector, therefore, this study incorporates aspects of many of the four perspectives of the informal sector outlined above. For example, the issues of poverty, rural-urban migration, relations of production, formal and informal linkages, capitalist-non capitalist domination, marginality, excessive legal costs, and

economic crisis will be used as lines of analysis to address basic characteristics of the informal sector in later chapters.

However, since this study also aims to examine further a wide range of socioeconomic features of the informal sector, this study follows an open and holistic assessment that considers the entire range of theoretical perspectives beyond the conventional approach. Thus, in terms of exploring profiles and dynamics of the informal sector, this study moves across theories and endorses the “alternative” theoretical model in the concepts of human development and coping strategies that will be discussed in chapter three. The integration of this eclectic approach will be developed further in chapter four in the discussion of the research methods and designs.

NOTES

1. Williams and Windebank (1998:2) listed 22 alternative adjectives (i.e. black, cash-in-hand, clandestine, ghetto, hidden, invisible, irregular, non-official, off-the-books, other, parallel, precarious, second, shadow, subterranean, twilight, underground, unobserved, unofficial, unorganised, unrecorded, and unregulated) and 4 nouns (i.e. economy, employment, activity, and work) used for different connotations of the informal sector in developing and developed countries.
2. In fact the emerging orthodoxy of informal sector does not follow a single model of analysis. The configuration of the framework often combines in multifarious route and “cocktail” of standpoint. As a result, the precise number of commentators on this account and whether they are dualists, integralists (anti-dualists), legalists, or survival strategy theorists is a matter of the debate itself as they overlap one with another. For example, as shown by this work, the view of de Soto is referred to as a legalist as well as a survival strategy theorist.
3. According to Bromley (1994:133), de Soto sometimes uses the expressions “informal sector” or “informal economy”, ‘but they seem little more than alternative ways of saying those activities and enterprises that can be deemed informal.’

CHAPTER THREE

HUMAN DEVELOPMENT AND COPING STRATEGIES: DEVELOPING A FOCUS OF ENQUIRY

After many decades of development, we are rediscovering the obvious – that people are both the means and the ends of economic development. Often, this simple truth gets obscured because we are used to talking in abstractions, in aggregates, in numbers. Human beings, fortunately too stubborn to lend themselves to becoming a mere abstraction, are conveniently forgotten.

Haq (1995:3)

The literature review in chapter two delineated the number and types of ways of understanding the informal sector using different theoretical frameworks, which are basically derived from conventional approaches. As indicated in chapter one, however, it is argued that in order to achieve a fuller understanding of profiles and the dynamics of the informal sector, existing research using conventional approaches needs to be complemented by an expanded approach. This chapter, therefore, aims to develop the literature review and suggests concepts of human development and coping strategies as additional frameworks to sharpen the focus of inquiry of this study.

The analysis proceeds in the following way. Section one begins with a review of the paradigm shift from modernisation to popular development over the last half-century.¹ The aim is not only to put the discussion into a wider context of development studies but also to note that the genesis of human development

and coping strategies perspectives is part of the paradigm revolution from the orthodox to the alternative point of view. Sections two and three then look more thoroughly at the ideas of human development and coping strategies. The predominant focus of these sections is to outline the roots and founding principles of the perspectives and to show how such alternative concepts allow for the analysis of multi-dimensional characteristics of the informal sector, which are often obscured in conventional approaches.

THE PARADIGM SHIFT

Starting from the post-World War II period, developmental theories have become the blueprint for practices in development programmes and projects. They have served the interests of governments, participatory organisations and international institutions and have brought about fundamental changes in people's lives worldwide. As Overton asserts (1997a:7), 'the lives of millions of people have been changed, for better or worse, by development theories.'

Over the decades, development thinking has shifted several times. It gradually and basically moved away from the "production-centred development" towards a "people-centred development" (Korten, 1990). The hegemony of modernisation developmentalism has been profoundly challenged by new perspectives of development, which is accentuated in the popular development paradigm (Brohman, 1997; Pieterse, 1998, 2000; Elson, 1997). Drawing on Overton's (1997a:5) categorisation, the modernisation paradigm is referred to as the right and the middle development stream, which appears as a "counter-revolution" to the left spectrum of development perspectives. By contrast, the popular paradigm is considered as the new perspective, which flourishes as a "development alternative" to both the right and left streams. Modifying Thomas' (2000:38) categorisation of the orthodox vis-à-vis alternative approaches to development, Figure 3.1 shows in some detail the contrasting views of the modernisation and popular paradigm with

regard to different ideas about poverty, core assumptions of development, the purpose and process of development, and its measurement criteria.

Ideas	Modernisation Paradigm	Popular Paradigm
Poverty	A situation suffered by people who do not have the money to buy food and to satisfy other basic material needs.	A situation suffered by people who are unable to produce enough to meet the material needs as well as the spiritual needs of themselves and their families.
Core assumptions	Domination, exploitation of nature and the possibility of unlimited growth in a broadly free market system. Economies would reach a “take-off” point and thereafter wealth would trickle down to those at the bottom. Superiority of the “Western” model and knowledge. Belief that the process would ultimately benefit everyone.	Sufficiency and local control. The inherent value of nature, cultural diversity and the community-controlled commons (water, land, air, forest). Human activity in balance with nature. Self-reliance on the market or external agents. Democratic inclusion, participation, e.g. voice for marginalised groups such as women, indigenous groups.
Purpose	Transformation of traditional subsistence economies defined as “backward” into industrial, commodified economies defined as “modern”. Production of surplus. Individuals sell their labour for money.	Creation of human well-being through sustainable societies in social, cultural, political, environmental, and economic terms.
Process	Top-down. Reliance on “expert knowledge” usually Western and definitely external. Large capital investments in large projects. Advanced technology. Expansion of the private sphere.	Bottom-up and participatory. Reliance on appropriate (often local) knowledge and technology. Small investments in small-projects. Protection of the commons.
Measurement	Economic growth. Gross Domestic Product (GDP) per capita. Industrialisation, including of agriculture.	Fulfillment of basic material and non-material human needs of everyone. Condition of the natural environment. Political empowerment of marginalised.

FIGURE 3.1: The modernisation versus the popular development paradigm
Source: after Thomas (2000:38)

Modernisation paradigm

Conceptually, the modernisation paradigm is not a monolithic structure. The notion of modernisation contains differences in stress and specific features resulting from its multidisciplinary roots, in approaches as well as interests. Ingham (1993:1807), for example, provides a wide range of dimensions in the very concept of modernisation, including its critics:

Modernization is a broad social science concept and many of its critics adopt a social science perspective. In economic terms, modernization implies industrialization and urbanization and the technological transformation of agriculture. Socially, it involves the weakening of traditional ties, and the rise of achievement as the basis for personal advancement. Its political dimension is in the rationalization of authority and the growth of bureaucracy. Culturally, modernization is represented by increased secularization of society arising from the spread of scientific knowledge. Taken together, modernization means change toward those types of economic and political systems that developed in Western Europe and North America in the 18th and 19th centuries. Modernization is closely identified in the eyes of its critics with Westernization.

Broadly speaking, the modernisation paradigm refers to the orthodox development thinking defining development processes and goals as economic growth measured by means of per capita GNP. Although the bulk of theories of the modernisation paradigm has been contributed to by different disciplines, notably from sociology, anthropology, social psychology, political science, and geography, economics still holds a leading position. The main features of the modernisation paradigm, at least as indicated by the elaboration of its thinking, are represented by economic growth theories or Keynesian economics, neo-classical theories, and neo-liberal approaches (see Hettne, 1990; Overton, 1997a; Brohman, 1995, 1997; Pieterse, 1998).

Thus, if anything, Lewis' (1954) "dual economy", Kuznet's (1955) "income inequality curve", Rostow's (1956) "stages of growth theory", and McClelland's (1961) work on "N-ach model" are some of the most prominent models under the modernisation paradigm. Although these theories are markedly different in defining development phenomena, to some extent, their models and theoretical framework nevertheless shared common ground. They remained firmly rooted in Western history. Their theoretical base was structured by a Euro-centric vision of development based on the unique, albeit historically important, experience of industrial capitalism of Western countries (Hettne, 1990; Mowlana and Wilson, 1990; Brohman, 1995, 1997).

As implied by Hettne (1990:39-40), the modernisation paradigm basically revisits the idea of progress using the metaphor of growth as manifested in the organism. In accordance with this metaphor, development is perceived as organic, immanent, directional, cumulative, irreversible and purposive which, in turn, implies structural differentiation and increasing complexity. Based on this perspective, the basic tenet of the paradigm is to focus on economic growth in which the saving, investment and foreign aid are treated as crucial elements for development. It follows the historical path of the now developed countries which have successfully achieved their high level of development progress (Todaro, 1994, 1997; Brohman, 1995, 1997).

Modernisation protagonists believe that the income level of a country is a crucial element to increase the marginal propensity to save and accumulate capital for further investment. It reconvenes growth as having a self-sustaining character and being market-driven (Brohman, 1997:12). They assumed that "all good things go together": that economic growth would ultimately and automatically reduce any inegalitarian tendencies in development and hence solve problems of relative as well as absolute poverty (Ingham, 1993:1811). 'Development thus became synonymous with rapid economic growth, while the rapid investment and saving was the engine

of that growth' (Todaro, 1994:98). Hence, the modernisation paradigm is a reductionist way of thinking about development in which the meaning of development has been reduced to economic development, economic development to economic growth, and economic growth to GNP growth.

In many ways this narrow view of development has been extended by the non-economic spectrum involving the addition of socio-cultural and institutional factors. Yet economic determinants continue to occupy a central place in the modernisation paradigm. Development is still perceived as a successive series of economic growth impulses derived essentially from the history of the West. Development is regarded as a linear and deterministic process. It characterises a stage of civilisation as the transformation of traditional societies into modern ones by way of growth. Once the stage gained momentum, the growth would spread benefits to all – to trickle down to the neediest sectors of society thereby alleviating poverty and inequality (Ingham, 1993; Todaro, 1994; Brohman, 1997). Industrialisation, urbanisation, westernisation, high mass consumerism, rationalism are thought to be typical of modern society, the highest level of development symbol (Ingham, 1993; Brohman, 1997; Pieterse, 1999, 2000).

Popular development paradigm

Since the end 1960s and early 1970s the dominant role of the modernisation paradigm in development has come under attack. This paradigm was criticised as being a-historic and elitist. It converts the power of people in development into economic attributes. It regards people as merely a means of development, as objects to be targeted, not subjects who determine the process and goal of development. This dissatisfaction has given rise to the emergence of the popular development paradigm – the model that basically redefines development goals from the simple preoccupation of economic growth towards the broader orientation of equitable development and the

satisfaction of basic needs within a given and local condition (Brohman, 1997).

Although the original concept of the popular development paradigm can be traced back to the 1950s and 1960s, the birth years of modernisation, the driving force for the alternative paradigm really began in the early 1970s when many large international organisations (e.g. the World Bank, ILO, UNEP, UNCTAD, UNICEF) and bilateral aid agencies (e.g. USAID, CIDA) became involved (Brohman, 1997:204). As Brohman (1997:206-8) notes, for example, the United Nations organisations played a prominent role in the creation of the popular paradigm.

During the 1970s, these institutions held a number of important conferences dedicated to reformulating the development agenda. The important moment was a symposium on “Patterns of Resource Use, Environment and Development Strategies” organised by the UNEP and UNCTAD in Cocoyoc, Mexico in 1974. The Cocoyoc meeting brought two major strands of new development perspectives: (a) meeting people’s basic needs and (b) maintaining the world’s ecological capabilities to sustain growth. The Cocoyoc Declaration marked the birth of an alternative trend in development theory which further received additional attention in the mid-1970s, notably from two other sources: the Swedish Dag Hammerskjold Foundation and the International Foundation for Development Alternatives (Hettne, 1990:153-154).

In its document entitled ‘*What Now: Another Development*’ published in 1975, for example, the Dag Hammerskjold Foundation criticised modernisation paradigm for neglecting issues of mass poverty and sustainability. It then promoted a development which was more basic needs oriented, endogenous, self-reliant, ecologically sound and based on structural transformation (Hettne, 1990; Brohman, 1997). On the other hand, the International

Foundation for Development Alternatives promoted a bottom-up approach to development termed the “Third System Project” dedicated to explore new methods of raising consciousness and increasing participation in development initiated by grassroots movements (Hettne, 1990; Brohman, 1997).

The popular development paradigm, as introduced by its advocate, Brohman (1997), is essentially referred to as an alternative approach to development. It refocuses the target of development ‘from simple economic growth toward broader considerations of equitable development and meeting human needs’ (Brohman, 1997: 201). Brohman further maintains that the popular paradigm not only addresses many of the central issues and questions which have continuously occupied postwar development studies, but also employs new concepts and methods designed to overcome the most serious shortcomings of current development frameworks. In this way, the paradigm seeks to advance rich alternatives to traditional development approaches (i.e. based on a modernisation framework).

As the term implies, the “popular” paradigm focuses on a central concern of all alternative approaches to development; that is ‘creating development appropriate to the needs and interests of the popular majority in Third World countries’ (Brohman, 1997:325). Therefore, in contrast to orthodox approaches to development, popular development is primarily concerned with the distribution of the gains of the development process, as well as the appropriateness of the process itself (Thomas, 2000:37).

In contrast to the well-structured and theoretically straitjacketed, but narrow, modernisation paradigm, methodologically the popular paradigm tends to be practice – oriented based on “neopopulism” ideology rather than neoliberalism (Brohman, 1997). It is perhaps intellectually fragmented and does not refer to any methodological way or another, but it is not necessarily

anti-theoretical. Rather, it keeps on generating alternatives sources from variety of expert opinions and their intellectual ideologies within a rather broad, eclectic, and loosely defined (Brohman, 1997; Pieterse, 1998:351-2). One of the perspectives that share much in common with the popular development paradigm is the human development approach introduced by Mahbub UI Haq and taken up by UNDP in 1990.

HUMAN DEVELOPMENT

The ultimate goal behind all development thinking concerns with human well-being. Since the emergence of classical economies, the preoccupation of development has dealt with society, not just with the economy (Haq, 1995). After the Second World War, however, an obsession with economic growth and national income accounts replaced the initial concern about people. The focus on people was submerged and mesmerised by a one single "spectacle" of economic proxy variable, that is the Gross National Product (GNP) which unfortunately obscured its prior focus on human well-being (Haq, 1995; Elson, 1997). Since then the wave of development thinking transformed into different variants, but in the 1990s the supremacy of people seems to be moving again to a centre stage.

The genesis

In line with the growing recognition of popular development paradigm, development analysts and policy makers have learned that economic growth is not synonymous with development. Spurred notably by international development agencies, it is now well accepted that what is seen as the humanization of development has become more prominent in the process of achieving goals of development. Two prominent institutions were the World Bank and UNDP (Elson, 1997:50-51; Hopkins, 1991:1469).

In the 1990s the World Bank renewed its previous development programmes and strategies from economic-oriented to people-oriented criteria. In its annual series of reports, in 1990 the World Bank concerned the eradication of poverty, in 1991 it concerned investment in people, and in 1993 it focuses on investment in health. In the same year, UNDP also launched a landmark study called the Human Development Report as a complement and counter to the World Bank's annual World Development Report. In its first annual series, UNDP declares:

We are rediscovering the essential truth that people must be at the centre of all development. The central message of this *Human Development Report* is that while growth in national production (GDP) is absolutely necessary to meet all essential human objectives, what is important is to study how this growth translates – or fails to translate – into human development in various societies. Some societies have achieved high levels of human development as modest levels of per capita income. Other societies have failed to translate their comparatively high income levels and rapid economic growth into commensurate levels of human development. What were the policies that led to such results? In this line of inquiry lie promising seeds of a much better link between economic growth and human development, with is by no means automatic (UNDP, 1990:iii).

Nevertheless, although the World Bank's and UNDP's reports of the early 1990s were symptomatic of a convergence of attention once again on people, they continued to reflect a divergence in the conceptual framework of development (Elson, 1997:51). The World Bank's reports mainly mirror the modernisation paradigm and focus on the production-centred model (e.g. economic growth, human capital theory and orthodox neoclassical economics). The Human Development Reports, on the other hand, draw upon heterodox ideas of the popular paradigm based on the people-centred model of development. They relied heavily on basic needs, and the redistribution with growth and the concepts of capabilities and entitlements put forward by the 1998 Nobel Prize winner, Amartya Sen, who is among the panel of

consultants for the reports. In essence, it can be stated that while the World Bank's vision views the people as a means for development, the UNDP's perspective envisions people as ends in themselves. In an attempt to differentiate it from human capital formation and human resource development theories adopted by the World Bank, UNDP explains:

Theories on human capital formation and human resource development view human beings primarily as means rather than ends. They are concerned only with the supply side – with human beings as instruments for furthering commodity production. True, there is a connection, for human beings are the active agents of all production. But human beings are more than capital goods for commodity production. They are also the ultimate ends and beneficiaries of this process. Thus, the concept of human capital formation (or human resource development) captures only one side of human development, not its whole (UNDP, 1990:11).

The distinctive feature of the human development approach lies in its multidimensional perspectives, which embrace all social and economic factors of development. The approach is thus best described as the most holistic concept of development. Haq (1995:23) argues:

It embraces every development issue, including economic growth, social investment, people's empowerment, provision of basic needs and social safety nets, political and cultural freedoms and all other aspects of people's lives. It is neither narrowly technocratic nor overly philosophical. It is a practical reflection of life itself.

Haq (1995) clarifies that although the human development approach is conceptually broad and comprehensive, the idea of the approach is simple, that is, putting people as the focus of development. It treats people as the first and the most important consideration of every development goal and process. The central tenet of the approach suggests that development objectives should be earmarked to enlarge people's choices, not just incomes. According to Haq (1995), the main objectives of human development are to

ensure more secure livelihoods, greater access to knowledge, better nutrition and health services, security against crime and violence, satisfying leisure time, cultural and political freedoms and a sense of participation in community activities. This approach envisages the development objectives for creating equal, sustainable, productive and conducive opportunities for people to enjoy long, healthy and creative lives. Put simply then, the human development approach reconvenes the supremacy of people in development.

The concept

Human development has been defined as a process and objective of the enlargement of people's choices. This conceptualisation draws on the concept of capabilities and entitlement, of which Sen's work on *Poverty and Famine* (1981) has been the single most influential source. According to de Haan (1998:14-5), the concept of capabilities is absolute requirements for full membership of society, while the concept of entitlement draws attention away from the mere possession of certain goods towards the rights to these goods and the command families have over them, using various economic, political, and social opportunities within the legal system.

Since its launch in 1990, the Human Development Report defines human development as enlarging people's choices in a way that enables them to lead longer, healthier, and fuller lives (UNDP, 1990). The report states:

Human development is a process of enlarging people's choices. The most critical of these wide-ranging choices are to live a long and healthy life, to be educated and to have access to resources needed for a decent standard of living. Additional choices include political freedom, guaranteed human rights and personal self-respect. Human development thus concerns more than the formation of human capabilities, such as improved health or knowledge. It also concerns the use of these capabilities, be it for work, leisure or political and cultural capabilities (UNDP, 1990:1).

This definition combines in an integrated manner both choice and capability in the concept of human development. Capabilities refer to 'what people can or cannot do, for example, whether they can live long, escape avoidable morbidity, be well nourished, be able to read, write and communicate, take part in literary and scientific pursuits, and so forth' (Sen, 1985:497). Referring to the generality of capabilities, there is a subset of human capability or human choice, which includes a human's willingness and capacity to do or not to do, in other words, to choose or to make a choice (UNDP, 1990; Haq, 1995).

Human capability and human choice are both means and end. They have both "instrumental" roles and "intrinsic" importance. They are valuable not only because they serve as a contributor to others, but because they are valuable in themselves (Haq, 1995). The emphasis on enlarging people's choices is not simply facilitating the maximisation of utility of resources, but enabling people to live in good quality over a given choice set. The emphasis on human capabilities, on the other hand, is not simply referred to as human capital, such as a stock of skills, but as activities through which people can express themselves.

It is obvious enough that capability and choice provide the support for the enrichment of human development, and vice versa. Although they are interrelated, however, the linkage is not necessarily automatic or mutually supporting. The certain level of capability, for instance, by no means guarantees to enlarge choices since it does not ensure the distributive justice of choices. Conscious policy measures are needed to enlarge the accessibility, distribution, and management of the available resources. Therefore, the use of definition in a practical context denotes not only the internal factors of human development (e.g. knowledge, skill), but also external factors of it (e.g. enabling environment, social institutions), which ensures an equitable access to the available resources. The balance between

the two factors should be finely maintained to increase mutual support and avoid considerable human frustration (Haq, 1995).

To reflect the concept of human development in a methodologically sound manner, the UNDP develops a Human Development Index (HDI) – the composite indices that measure the output indicators of human development. The index has three key components reflecting human life: longevity (approximated by life expectancy at birth), knowledge (approximated by the adult literacy rate and mean years of schooling) and decent living standard (approximated by GNP per capita adjusted for purchasing power parity).

In terms of poverty, this HDI contains a Human Poverty Index (HPI), which defines poverty as a lack of choices and opportunities for a tolerable life. Poverty is seen as having several dimensions, such as short life, illiteracy, exclusion and lack of access to public and private resources. It is maintained that income is less relevant if someone has access to land, water, seeds, and housing materials as well as to a close community with a rich cultural life, respect and social standing. Poverty exists when these important components of human life are lacking.

In the same ways as the HDI, the HPI measures deprivation in basic human terms. It reflects the percentage of people who suffer from deprivation relating to basic survival, knowledge, and a decent standard of living (de Haan, 1998:14). The indicators used are: mortality (the percentage of people expected to die before age 40), illiteracy (the percentage of adults who are illiterate), and a composite indices of access to overall economic provisioning (the percentage of people without access to health services and safe water and the percentage of underweight children under five) (UNDP, 1997:14; Briar, 2000:21). As stated by Haq (1995:47-60), however, not all human dimensions can be quantified or measured on the basis of statistical indicators. The indexes of both human development and human poverty can

only measure a few more choices besides income. They are used for comparing groups, nations and regions in terms of their level of human development.

At this stage, the indexes are only an approximation for capturing the many dimensions of human development. The values of the indexes therefore cannot and should not be seen as a subtraction of real human development. The human development approach goes beyond the HDI and HPI in that it is concerned with all human beings. It is a much richer concept than the HDI and HPI in capturing all human dimensions: material and immaterial, physical and social, quantitative and qualitative.

In addition, the approach is not a unique development strategy *per se*, but instead it also promotes accurate public policy measures, such as growth with equity, meeting basic needs of all, tackling disparities, and encouraging participatory development (UNDP, 1990; Rao, 1991; Haq, 1995). According to this approach, development initiatives need to consider not only the promotion of private initiatives but also the provision of basic necessities, particularly to the more vulnerable groups of society, including the small and medium farmers in rural areas and the informal sector workers in urban areas. The priority areas include basic education, primary health care, rural and peri-urban water supply, essential family planning services and nutrition programmes for the most vulnerable section of society (Haq, 1995:179).

Human development and human poverty

The review on human development perspective is directed by and to the debate concerning the effect of changes in development on human poverty. The contrast between human development and human poverty is reflected by two different ways of evaluating development (UNDP, 1997). While human development is based on the “conglomerative perspective” focusing on the

advances made by all groups in each community from the rich to the poor, human poverty is based on a “deprivational perspective” emphasising development as the way in which the poor and the deprived fare in each community (UNDP, 1997:15). This means that the human development approach moves beyond the conventional view of poverty and makes distinction between “income poverty” (e.g. US\$1 a day) and “human poverty” (e.g. short life expectancy illiteracy) (Thomas, 2000:8).

Poverty in the human development approach is regarded as multidimensional in character and diverse. Whereas this method acknowledges the importance of income and basic needs approaches, it draws particularly on the concept of capability. In the capability concept, the poverty of a life lies not merely in the impoverished state in which people actually live, but also in the lack of real opportunity – due to personal and social constraints – to lead valuable and valued lives (UNDP, 1997:16). The focus is on the functioning that people can or cannot achieve, given the opportunities they have. Functioning refers to the various valuable things the people can do or be, such as being healthy, being well-nourished, living long, mixing well with others in the community and so on (UNDP, 1997:16).

The inadequacy of traditional definitions of income poverty is widely acknowledged to explain the multidimensional aspects of human poverty. Single poverty lines that divide the population into the poor and the non poor are often inaccurate because they simplify, standardise, and hence, obscure what is complex and varied (Chambers, 1995). ‘What is measurable and measured then becomes what is real, standardising the diverse and excluding the divergent and different’ (Chamber, 1995:181). For example, Satterthwaite (1997:13-4) points out three issues that require emphasis:

1. The concept of poverty based only on income fails to pay sufficient attention to the social and health dimensions of poverty as well as to other forms of deprivation associated with poverty.
2. The use of income as the only measure of poverty minimises the involvement of the poor in determining what should be done to reduce poverty.
3. The equation of poverty with income level obscures the underlying causes of poverty. It misses the extent to which households face other forms of deprivation due to the strategies they adopt to keep their incomes above the poverty line.

In this context, the human development approach perceives poverty as a deprivation, not only due to the lack of the necessities of material well-being, but also to the denial of opportunities for living in a tolerable condition (UNDP, 1997:15). In other words, the concept of human poverty adheres to notions of deprivation. The human development approach suggests that the determinant of deprivation is not what people possess but what hinders people to do.

COPING STRATEGIES

The human development approach, whilst potentially useful for a wider and more comprehensive research on the informal sector's level of well-being in standardised terms, is still less easily used to capture dynamics of those categorised poor with reference to the nature of coping strategies adapted in their environment. The human development approach describes mainly the outcomes and focuses less on the actors and processes that cause them. It also focuses on national averages, and less on specific groups suffering from deprivation (de Haan, 1998; Briar, 2000). In its standardised conception of poverty, for example, the poor are seen almost as passive victims and subjects of investigation rather than as human beings who have something to contribute to both the identification of their condition and its improvement.

To avoid limitations inherent in a single approach, this study moves beyond the standardised measures of human development and human poverty by employing the concept of coping strategies. This additional theoretical approach helps illuminate the ways in which household and kinship structures affect living standards and shape the lived experiences and practices of the poor in reacting to difficult situations of the urban life.

The account to follow bases its discussion around the theme of how those identified as the poor cope with poverty and socioeconomic problems they face in their environment. This has been an important issue in Indonesia within the context of ongoing industrialisation and urbanisation, and which, in recent years has raised severe threats for urban families, particularly those engaged in the urban informal sector, resulting from a deep economic and political crisis.

The genesis and the concept

There is a growing body of literature documenting that people who live in conditions which put their principal source of livelihood at recurrent threat will adopt strategic adaptation to minimise risk (McGee, 1979; Cornia, Jolly and Stewart, 1987; Corbett, 1988; Roberts, 1995; Chambers, 1997; Kinsley, Burger and Gunning, 1998; Moser, 1998; Ellis, 1998). The ways in which people plan strategically such coping behaviour critically determine their chances of survival as well as future economic well-being.

This is particularly evident for the poor in the absence of a state-provided welfare system, which protects them against deteriorating conditions that they or their family and communities cannot cope with (Corbett, 1988; Roberts, 1995). Individual survival in this situation relies heavily on family, which, often together with wider kinship and social networks, helps its members with the

provision of care, such as the pooling of inadequate incomes, the sharing of shelter, and the assistance of emergency aid (Roberts, 1995).

The idea of coping strategies (also known as coping mechanisms, survival strategies, household strategies, coping mechanism, livelihood diversification) has appealed to a considerable number of studies using diverse theoretical approaches in great part because it mediates between micro- and macro-level analysis (Wolf, 1992:12). Conceptually, coping strategies are situated between socio-psychological attributes focusing on the overly individualistic view, and structural determinism viewing people as passive victims (Tilly, 1979:3).

The concept of coping strategies links individuals as social actors within wider structures and institutions, through imbuing them with the possibility of agency (Tilly and Scott, 1978; Wolf, 1992). In Third World research, the concept of coping strategies is easily and frequently invoked to describe what poor peasants or urban dwellers do and to explain why they do it (Wolf, 1992). The strategies are thought to be a part of how poor households cope and adapt to external structural changes reflected in any number of economic and demographic behaviour, including co-residence, marriage, child bearing, food allocation, education, labour force participation, and migration (Wolf, 1992:12).

At the same time, the concept of coping strategies also reflects a particular swing in the pendulum of theoretical models in such a way that it privileges the actions and decisions of poor peasants within the context of Third World development (Wolf, 1992:13). The modernisation paradigm has assumed most poor people as laggards and blamed them for their poverty. As the popular paradigm provided alternatives to the orthodox development theory, in the 1970s development analysts began to view the poor as knowledgeable

“rational actors” who made sensible “rational” decisions within a given environment.

Weitz (1971), Chambers (1984, 1997), and Todaro (1994), for example, give rise to the fact that farmers are the “real experts” in farming decision. This trend means that researchers no longer question what poor people do, but assume that their actions represent an underlying economic rationality reflected in a broader context of collective strategies (Wolf, 1992). The peasant, formerly viewed as the “bumbling idiot” of modernisation theory enslaved by tradition, was then transformed into a hyper-rational being who can play the social game according to optimal strategies; the domestic group, formerly seen as passive and “lacking in rationality,” was replaced by a portrait of more positive qualities (Wolf, 1992:13).

Coping strategies in rural and urban settings

As many studies suggest, the strategies that people employ to get by in the bitter situations are primarily referred to as a phenomenon of rural developing countries. However, it is now well documented that coping strategies are a part of adjustment mechanisms of urban dwellers (Maxwell, 1995; Rakodi, 1995; Drakakis-Smith, 1995; de Haan, 1997; Moser, 1998), not only in developing world, but in developed nations as well (Ellis, 1998). Ellis (1998:3), for example, shows that coping strategies are ‘becoming increasingly prevalent amongst farm families in advanced economies as agricultural price and other supports to farming are removed,’ while they are also ‘an emerging feature of labour markets more generally in the industrialised nations, being associated with the rise of part-time and home-based working patterns.’

In Asia and Africa, most studies on coping strategies focus on what peasants and/or rural households do in response to threats to their food security (Corbett, 1988; Kinsley, Burger and Gunning, 1998; Ellis, 1998; Francis,

1998). Although urban families may also be prone to various kinds of food insecurity, and the relative threat of these risks growing as urban population expand, due to a mix of economic and political reasons, however, mass starvation and mortality are unlikely to be the urban phenomenon (Corbett, 1988).

In the context of rural areas, Corbett's (1988) literature study records the kinds of coping strategies adopted by farmers living in drought-prone areas in response to a severe food crisis and famine, chiefly drawn from the Sahelian and Eastern African countries.³ In general, the strategies include the accumulation of assets during the food harvest season for the use in lean years; the development of systems of reciprocal obligation among households in order to manage flows of food and other resources during the crisis time; or migration to seek employment in a more distant labour market.

The other detailed kinds of famine-coping responses that are commonly observed are: dispersed grazing, change in cropping and planting practices, migration to towns in search of urban employment, collection of wild food, use of inter-household transfers and loans, use of credit from merchants and moneylenders, migration to other rural areas in search of employment, rationing of current food consumption, sale of productive household assets (e.g. livestock, land), consumption of food distributed in relief programmes, sale of possessions (e.g. jewelry), breakup of the household, increased petty commodity production and trading, and distress migration (Corbett, 1988:1100).

In the urban setting, according to Drakakis-Smith (1996), poverty is affected by a particular combination of factors that produce a special intensity and vulnerability to cities and the poor. In coping with all of these difficult situations, the urban poor are therefore restricted to a relatively more limited range of strategies compared to their counterparts in rural areas. While rural

poverty is highly determined by the ownership of land, urban poverty seems to be more complex. For example, the urban poor are vulnerable because of insecure tenurial status, changes in prices of basic needs, a lack of social networks, violence in urban neighbourhoods and streets, and environmental conditions that threaten their health (de Haan, 1997:4).

Most important in this context is the fact that the urban poor are much more engaged in the cash economy (Drakakis-Smith, 1996) or what Moser (1998) calls the high level of “commoditisation”. They must pay for almost all their needs and consequently must have a cash income. Position in the labour market is important and the status and sector of employment is a strong determinant of income. The corollary to low assets in this context is the higher expenses involved in living in the city. Almost all basic needs cost more in the city and, ironically, are often more expensive per unit for the poor, due in part to the increasingly expensive forms of retailing (Drakakis-Smith, 1996:693). Certainly, as Satterthwaite (1997:11) notes, urban households need a higher cash income than rural households to avoid poverty:

1. For public transport. To get to and from work as well as to reach essential urban services.
2. For schools where schools fees and associated costs, including getting to and from school, are higher than in rural areas.
3. For housing. To rent or, if living in a self-built house, to have access to a land site and building materials which is more expensive.
4. For access to water, sanitation and garbage collection. For many urban households, the payments made to water vendors represents a major item of household expenditure. They also have to pay for garbage collection whilst some have to pay for access to latrines.
5. For food. This is more expensive, especially for urban households who have no possibility of producing any of their own food.

6. For health care. This is often more expensive in urban areas, especially if no public or NGO provision is available and private services have to be purchased.
7. For child care where all adult members have to find income-earning opportunities and child-care is needed but there are no low- or no-cost solutions.

Coping with the city is often difficult because of the more fragmented nature of the household and the community (Drakakis-Smith, 1996). The urban poor are particularly vulnerable to “social fragmentation” (Moser, 1998). Female-headed households are more frequent in the city and often lack the assets of complete households. In addition, community ties are weaker, making claim-based assets less prominent in limiting vulnerability. Physical assets, too, are more limited in the city. Poor urban households are very restricted in the extent to which they can grow food, to supplement diet or income, or collect biomass fuel, although these vary with the physical environment of the city and its cultural or legal traditions (Drakakis-Smith, 1996:693).

The urban poor are also much more likely to suffer from “environmental hazards” than people in rural areas (Drakakis-Smith, 1996; Moser, 1998). Those in employment frequently work in dangerous and/or polluted conditions whilst the urban environment generally is subject to a much greater range of water and air pollutants. This has a serious impact on the human capital, health and well-being of the urban poor. In addition, the urban poor come into much more frequent contact with the state and its agents, such as the police, experiencing to a much greater degree than rural dwellers various forms of corruption, harassment and other abuses of civil liberties (Drakakis-Smith, 1996: 693).

As a number of observers has noted (e.g. Cornia, Jolly and Stewart, 1987; Thomas, 1995; Drakakis-Smith, 1996; Ranis and Stewart, 1999), structural

adjustment has made life particularly difficult for those living in cities. The removal of subsidies on basic needs such as food or housing, for example, has clearly hit the urban poor – those who are more reliant on them – very hard and has made them more vulnerable to sudden stress and changes in their economic circumstances.

Particularly important is the fact that a job loss or real wage cut has been much more extensive in the city, increasing vulnerability of the urban poor more seriously (Drakakis-Smith, 1996). In this situation, most responses of the poor to adjustment have been a reliance on various informal activities, as these are more likely able to meet basic needs and creating more opportunities for employment. However, as noted elsewhere, the role of this informal sector has proved to be limited to some very basic survival options (Reitsma and Kleinpenning, 1985; Gilbert, 1994; Drakakis-Smith, 1996).

Despite these difficult conditions, the urban poor do try to cope as best they can with what is increasingly becoming a difficult urban life. One of the most consistent features revealed by studies of the poor over the past 20 years is that they are not passive. The pessimism implicit in Oscar Lewis' culture of poverty theory has been challenged for poor nations and poor households alike from the 1970s onwards (Wolf, 1992; Roberts, 1995; Drakakis-Smith, 1996).

According to Drakakis-Smith (1996:694), this dynamism is equally evident today, albeit structured largely around survival rather than consolidation and growth. In a summary of the responses by the urban poor to their worsening plight, for example, Rakodi (1995:418) has outlined three interrelated strategies: those attempting to increase assets; those attempting to mitigate deteriorating consumption; and those designated to change household composition:

1. Increasing assets: bringing more household members into workforce, starting enterprises where possible, increasing subsistence activity such as growing food or gathering fuel, increasing scavenging, increasing sub-letting of rooms and/or shacks.
2. Consumption controls: reducing consumption, buying cheaper items, withdrawing children from school, delaying medical treatment, postponing maintenance or repairs to property or equipment, limiting social contacts (including visits to rural areas).
3. Changing household composition: migration, increasing household size in order to maximise earning opportunities, not increasing household size through fertility controls.

The urban study undertaken by Moser (1998) in Lusaka, Zambia; Guayaquil, Ecuador; Metro Manila, the Philippines; and Budapest, Hungary also provides substantive issues on coping strategies. In particular, her study incorporates urban household strategies into an “asset vulnerability framework”. The study links income-poverty measurements to more dynamic dimensions of vulnerability with regard to the asset stocks that poor households accumulate or lose during a period of economic hardship.

Moser (1998:6-14) categorises urban coping strategies on the basis of type of assets and household responses: labour assets (e.g. increasing the number of women working and child labour); human assets (e.g. diversifying income through home-based enterprises and renting out); productive assets (e.g. substituting private for public goods and services); household relation assets (e.g. increasing reliance on extended family support networks and labour migration and remittances); and social capital assets (e.g. increasing reliance on informal credit arrangements).

With reference to the urban informal sector and especially in the context of economic crisis, the issue on coping strategies is directed by and to risks and

uncertainty of the informal sector. This is attributed to as a consequence of volatile and little real incomes, high prices, and low quantity and quality of economic and social structures of the small business. However, a number of studies reveals that the urban informal sector is dynamic. Instead of being passive and static, those participating in the sector make every effort to succeed in the city during economic hardship and try as best as they can to curtail the effect of the crisis (Franks, 1994; Arellano, 1994; Thomas, 1995). As discussed in the preceding chapter, recent studies of the impact of stabilisation on the informal sector in Bolivia demonstrates that the informal sector did suffer from economic stabilisation, but interestingly, it also played a crucial role in mitigating the effects of stabilisation (Franks,1994:105).

An exploratory research conducted by Arellano (1994) in Lima also shows that the most fundamental characteristic underlying the survival of all informal activities is the use of business tactics that are well adapted to the economic situation and cultural peculiarities within their local context. According to Arellano (1994:7-15) the business tactics used by informal retailers can be classified under three general headings: keeping low prices (e.g. stocking low unit price products and lowering operational costs); high mobility (e.g. changing products and place); and efficient use of resources (e.g. avoiding risks in launching new products and using non-formal advertising through efficient promotion and intensive displays).

The study suggests that none of the tactics analysed are exclusive to informal retailers, but on the whole, the traders have applied more diverse approaches to business than do their formal counterparts (Arellano, 1994:16). Moreover, since the most common characteristic among informal traders is their very low level of education, it is argued that their tactics are of their own intuitive creation, not imported from textbooks, academic lectures, or formal business training (Arellano, 1994:16). These mechanisms are mainly based on a

pragmatic knowledge of the needs and wishes of customers as well as to the changing and challenging conditions.

Livelihood and coping strategies

Coping strategies refer to the process by which people construct a diverse portfolio of activities and social support in their struggle for survival and in order to improve their economic and social well-being (Ellis, 1998). By definition and necessity, coping strategies are complex and dynamic: individuals and households adjust their strategies according to the internal factors, such as age, life cycle, educational level, and time-specific tasks, as well as according to the external factors, such as season, locale, and climate (Grown and Sebstad, 1989). The concept generally encompasses the pooling of income, labour, and assets; changes in consumption patterns; social networking; borrowing patterns; innovation and adaptation of different technologies for production; and labour market involvement (e.g. savings, accumulation, and investment) (Grown and Sebstad, 1989:941).

The concept of livelihood is critical in defining coping strategies. Coping strategies are a part of, and even synonymous with, livelihood strategies or livelihood systems (Grown and Sebstad, 1989). In this sense, the concept of coping strategies is closest to notions of household livelihood or householding (Barber, 1993), livelihood strategies (Grown and Sebstad, 1989; Seppälä, 1996), livelihood diversification (Ellis, 1998), or asset portfolio management (Moser, 1998).

Chambers and Conway (1992) define livelihood systems with reference to livelihood capabilities, assets (e.g. stores, resources, claims, and access) and activities required for a means of living. Chambers (1995) then gives emphasis to the interaction amongst them. He maintains that livelihood

capabilities, tangible assets and intangible assets are interrelated in sustaining and improving a living as visualised in Figure 3.2.

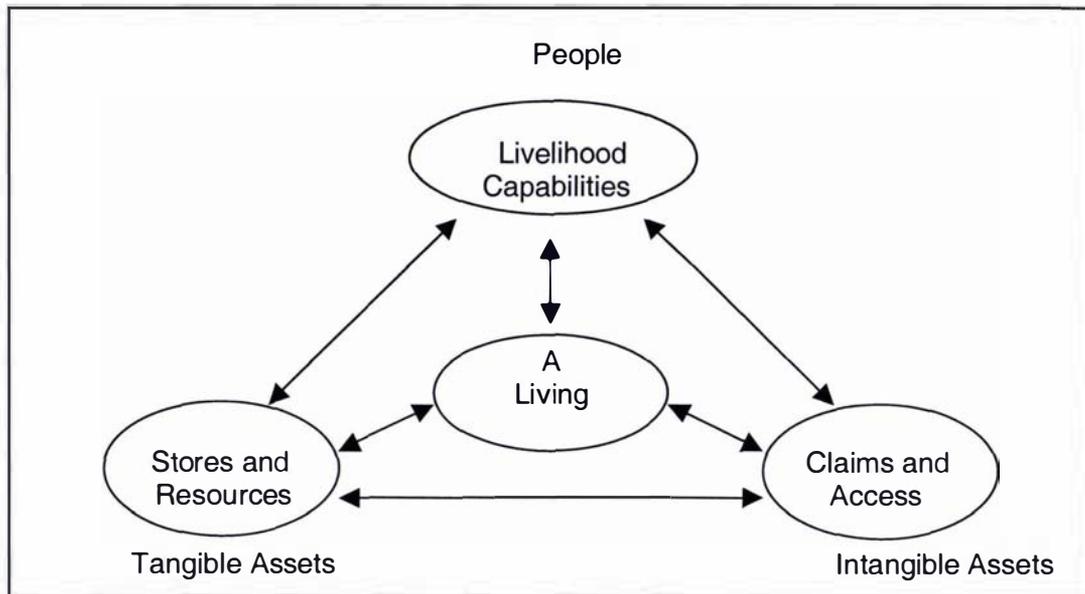


FIGURE 3.2: Components and flows in a livelihood
Source: Chambers (1995:24)

The figure shows that the core of a livelihood can be expressed as a living, with people, tangible assets, and intangible assets contributing to it. The tangible assets commanded by a household are “stores” (e.g. food stocks, stores of value such as gold, jewelry and woven textiles and cash savings in banks of thrift and credit schemes) and “resources” (e.g. land, water, trees, livestock, farm equipment, tools and domestic utensils). The intangible assets are “claims” which can be made for material, moral or other practical support, and “access”, meaning the opportunity in practice to use a resource, store or service or to obtain information, materials, technology, employment, food or income (Chambers, 1995:24).

A livelihood, according to Ellis (1998), encompasses income, both cash and in kind, as well as the social institutions (e.g. kin, family, compound, village), gender relations, and poverty rights required to support and sustain a given

standard of living. Ellis (1998:4) explains that social and kinship networks are important for facilitating and sustaining diverse of income portfolios, while social institutions are critical for interpreting the constraints and options of individuals and families distinguished by gender, income, wealth, access, and assets. Differential access rights to land are, for example, the key determinant of distinct livelihood strategies pursued by the rural poor compared to better-off households.

Similarly, social prescriptions on permissible courses of action of women can make big differences to the livelihood options available for women compared to men. Ellis (1998:4) also adds that a livelihood includes access to, and benefits derived from, social and public services provided by the state, such as health services, education, roads, and water supplies. She concludes that livelihood strategies are not synonymous with income strategies, although many economic studies on livelihood strategies focus on different income sources and their relationship to income levels, income distribution assets, farm output, and other related variables. The term income strategies refers to the composition of household incomes at a given instant in time; the term livelihood strategies, on the other hand, refers to the active social process of households engaged in increasingly portfolio of activities over time (Ellis, 1998:5).

Household and coping strategies: the role of family in small-scale enterprises

Most research on survival strategies utilises the household as the unit of analysis (Corbett, 1988; Wolf, 1992; Seppälä, 1996; Lopez-Gonjaga, 1998; Kinsley, Burger and Gunning, 1998; Ellis, 1998; Francis, 1998; Carter and May, 1999; Lawson, McGregor, and Saltmarshe, 2000). The terms household and family are often used interchangeably, although they are not synonymous concepts (Wolf, 1992; Roberts, 1995). Roberts (1995:161), for example,

maintains that while family refers to a set of normative relationships, household refers to the basic unit of co-residence.

Nevertheless, household and family are closely related. A family refers to a unit bound by kinship or biological ties consisting of parents and children, with perhaps some other blood relatives who live together in the same roof (Friedman, 1984:48; Bryant, 1990:3). Household, on the other hand, refers to 'a physical unit of co-residence,' (Barber, 1993:26) or 'those who dwell under the same roof and compose a family' (Bryant, 1990:1) in which the members agree to use and share their resources to pursue satisfaction or well-being. The household may be conceived as the social group which resides in the same place, shares the same meals, and makes joint or coordinated decisions over resource allocation and income pooling (Ellis, 1998:6).

A number of studies reveals that personal relationships and trust provide the basis for entrepreneurship in small-scale enterprises and leads to the fact that the family is a very important element in the dynamic coping strategies of the informal economy (McGee, 1971; Santos, 1975; Roberts, 1995; Tinker, 1997; van Diermen, 1997). On the basis of an analysis of informal traders in the bazaar sector of Indonesia, McGee (1971:74) finds that although members of the family may operate independently in the market place, the family is still the institutional basis of the enterprise in the bazaar economy. Within this system, the major labour commitment is total so that 'the head-of-the house is committed to ensuring members of his family entrance into this system' (McGee, 1974:74).

Santos (1975:103-104) shows that family employment is common in the small enterprises of the informal sector (the lower circuit) and 'permits increased output without advancing more variable capital'. The main reason, as Santos (1974:103) asserts, is that if small enterprises had to pay wages, they would be less competitive and would have to pay employee's social benefits and

taxes. In certain cases, especially when demand is uncertain, the transformation of a family enterprise into a capitalist enterprise would lead to bankruptcy and family employment is therefore most evident when turnover is small (Santos, 1974:104). Roberts (1995) also provides another reason why family business is central in small enterprises. Roberts (1995:125) shows that small-scale enterprises cannot afford to take on inflexible commitments since the risks and uncertainties of the competitive market in which it operates make such commitments hazardous undertakings. Roberts (1995:125) argues that small-scale traders generally cannot commit themselves easily to delivering a fixed quantity of goods at a fixed price over a period of time when they have no control over production or transport. In this position, such traders prefer to operate with tacit understandings with a variety of purchases, producers and transporters (Roberts, 1995:125). 'They will develop a wide network of contracts among all these categories to ensure that they can maintain a reasonable volume of business without running the risk of overextending their credit or liabilities' (Roberts, 1995:125-126).

With specific reference to street food vendors, Tinker (1997) also makes the critical point that in most developing countries informal enterprises are a family business. Tinker (1997:154) finds that these businesses always involve family members in many trade activities and illustrates the mixture of paid and unpaid help as well as the difficulty of defining unpaid or family help. For example, wherever the preparation of food was at home, the enterprise almost certainly received assistance from all family members – males and females, young and old – such as buying ingredients, pushing the cart or carrying the table to the place of sale, or watching the wares when the primary seller was absent (Tinker, 1997:168).

From this perspective, it is clear that for small enterprises family can act as both "social welfare agency" and "business firm" at the same time. In light of his study on small business in Jakarta, van Diermen (1997:125) finds that

'small scale enterprises combine both the functions of the family and the institutional organisation of the firm into one structure', and 'the family and the firm (or market) can both produce goods and services.' Van Diermen (1997:125) asserts that:

In contemporary Indonesia small enterprises exist in a capitalist market economy, in which family businesses must compete against more formally organised industrial production units.' Generally, the importance of the family to the firm diminishes as firms become larger. In this way, size influences the conceptual notion of small, not through size *per se*, but through the family's effect on the internal structure of the production process.

According to Mingione (1991) and Snooks (1994), however, economic activity in the family and the market place is fundamentally different. Mingione (1991:314) states that the operations of the informal economy are subordinated to the family reciprocal strategy, that is the changing form of reciprocal social organisation which mediates with market competition and with emergent individual consciousness. In family business organisations the gap between individual needs, requirements and creativity and the logic of management and decision-making is less pronounced than in large bureaucratised and conflict-oriented associative organisations (Mingione, 1991:314). Family businesses often have a more long-term outlook and great interest in stability. These businesses tend to achieve survival under changing conditions of market competition and variations in the needs and working capacities of the member of the family rather than unlimited expansion and economic success (Mingione, 1991:314). To Mingione (1991:314), the labour processes in the family business are designed more to suit the size and capacities of the family itself than the conditions set by the labour market. This means that various different options are available in family enterprises: they involve not only a more intensive and flexible use of labour, but also combinations of part-time external activities as a source of complementary income or of innovative investments, as well as strategies based on

educational achievements of some members to upgrade the business (Mingione, 1991:314).

Taking the individual as the unit of analysis, Snooks (1994:44) also shows that in order to maximise their utility (satisfaction) in a household or in the market place, people tend to behave cooperatively and that behaviour is greater within the family structure than in the market place. Snooks (1994) explains dilemmas faced by the individual when maximising their utility in the radically different economic activity of the household and market by modelling the individual at the centre of a set of concentric circles or spheres. Each circle represents a group in society, such as family members, friends, and work. Snooks (1994:73) argues that an individual can move 'spatially from the market to the household, or temporarily from the market economy to the pre-market economy'.

Whatever the case, in the context of family organisation and household coping strategies it is important to understand how informal enterprises are divided in terms of gender and age, compared with formal employment divisions. For example, Mingione (1991:173) found that informal activities are carried out by different sexes and ages. There are kinds of informal work which are done almost exclusively by adult males, as in the case of moonlighting (the holding of a second job in addition to a regular one) or which are carried out almost exclusively by females, such as out work. There are also informal activities which are commonly carried out by the young or the aged, or which involve every household member including children and old people. On the basis of these differences, Mingione (1991:173) establishes a simplified set of types of household dynamic with reference to employment divisions:

1. Type A: formally employed male "moonlighters" plus varying numbers of non-employed.

2. Type B: formally employed males plus informally employed females and sometimes children.
3. Type C: formally employed males plus informally employed young or old people and sometimes other members.
4. Type D: informally employed males or females and other non-employed members.
5. Type E: two or more informally employed members involved in the same informal enterprises.
6. Type F: two or more informally employed members involved in different non-family informal enterprises.

In light of this model, in sum, it can be suggested that the important role of family in street trading is particularly apparent in terms of income pooling and labour supply. Mutual aid within the family (especially the extended family) is preferred to reduce dependence on external services as well as to increase its capacity and competitive advantage in different types of coping mechanisms (see Godard, 1985:325; Carter, 2000:190).

Social networks and coping strategies

In addition to the significance of livelihood and household, a system of social networks appears to have potential to sustain the practice of coping strategies (Roberts, 1995; Darshem and Gzirishvili, 1998; Reingold, 1999; Williams and Windebank, 2000). In the West, social networks have been shown to be important resources for surviving disasters, accessing information, influencing socio-economic status, psychological and emotional well-being, health, and obtaining emotional and material support (Darshem and Gzirishvili, 1998). In the Eastern world, Darshem and Gzirishvili (1998) show that social networks can provide individuals and households with an exchange of food, financial assistance and as a pool of labour. Drawing on their study of informal social support network and household vulnerability in Georgia, Darshem and

Gzirishvili (1998) note further that social networks are an important resource for individuals and households in gaining access to scarce goods and services, increasing household food production and sales, handling symptoms and stress, and adapting to socioeconomic change. Darshem and Gzirishvili maintain that social networks in Georgia have been historically based on networks of informal social relations. Under the current social and economic crisis, however, they assert that these social networks are likely to be even more crucial for individual and household survival. They give an example that today, due to the crisis in the banking system, consumer goods and services, and a decline in the formal economy, social networks are a financial safety net by way of borrowing, identifying and gaining access to scarce goods and services, and obtaining remittances and gifts. In times of crisis and socioeconomic change, kinship and community relations are vital to survival strategies in everyday life and in adaptation to social change in Georgia (Darshem and Gzirishvili, 1998:1828).

The importance of social networks in urban areas is also brought out in Roberts' (1995) study on the urban poor in Latin America. In describing the significance of social relationships within the city, Roberts (1995) argues that similar to Asian and African cities, ethnic identities and customs survive in low income areas of some Latin American cities, and that they appear to ruralise the city. Roberts (1995) maintains, however, that the importance of ethnic identity in urban situations is not simply a survival of rural practices but a direct response to the exigencies of survival in a competitive urban economy where economic opportunities are scarce.

Urban migrants are commonly observed to continue to maintain strong rural family connections, even after several generations of urban residence (Mangin, 1970; Roberts, 1995; Ellis, 1998). In this regard, Ellis (1998:7) asserts that households with members working away in urban centres or abroad are often referred to as "split families", and their coping strategies are

described as “straddling” the rural and urban sectors. In the context of the urban informal sector, for example, empirical studies have consistently provided evidence showing the strong social and cultural affinities members of the urban informal sector retain with rural settings. A common strand connecting the peasantry and the urban informal sector is that the system of production and its social institutions of the latter is a direct extension of the former (Jagannathan, 1987:58-59). Using several cases of Hong Kong, Indonesia, Ibadan and others, McGee (1973) also argues that in carrying out their business activities, members of the urban informal sector replicate customary norms and behavioural patterns derived from their rural origin. In Third World cities, the urban informal sector of street traders, itinerant hawkers, food vendors, and small-scale food processing and service establishments is a leading part of this phenomenon (McGee, 1973; Evers, Claus and Wong, 1984).²

From this point of view, the argument that rural practices are categorised in terms of traditional or fatalistic behaviour is, then, of little relevance. There is no reason to assume that rural migrants have always inherent problems in adjusting to urban life as well as to urban occupations (Roberts, 1995). A number of studies has given rise to the fact that different groups of migrants and those city-born are able to cope with urban life by using the diversity of social networks, such as financial, social relationships, education, and other human and social capital (Drakakis-Smith, 1996; Darshem and Gzirishvili, 1998; Reingold, 1999; Williams and Windebank, 2000; Lawson, McGregor and Saltmarshe, 2000).

Sequences in coping strategies

Most studies of coping strategies indicate that every household is unlikely to adopt exactly the same coping mechanism (Rakodi, 1995; Drakakis-Smith, 1996; Ellis, 1998). As Drakakis-Smith (1996:694) asserts, the adoption of

these strategies depend largely on household's individual links to the wider economy and society, its internal structure, the political economy in which it is situated, and the ways in which these strategies change over time. Several studies, however, stress that the ways the households adopt such strategies are far from an accidental or random pattern and that the kinds of strategies tend to draw up typologies and sequences (Corbett, 1988; Grown and Sebstadt, 1989; Seppälä, 1996; Kinsley, Burger and Gunning, 1998; Moser, 1998; Ellis, 1998; Lawson, McGregor and Saltmarshe, 2000).

Some of the studies are predominantly concerned with coping behavior as a matter of survival, emphasising the reasons for coping with desperation (poverty, vulnerability, lack of assets, disaster, famine). Other studies, by contrast, focus on coping strategies as a matter of choice and opportunity, involving proactive livelihood strategies for improving socio-economic well-being. Within this argument, coping for survival has been contrasted with coping for accumulation (Ellis, 1998:7; Lawson, McGregor and Salmarshe, 2000:1501). Moser (1998), amongst others, maintains this position. She confirms that the importance of "strategy sequencing" or the sequential uptake of coping strategies has been supported by empirical evidence indicating that the preservation of assets commonly takes priority over meeting immediate food needs. This sequential typology is determined by a number of complex – albeit largely intuitive – calculations with regard to internal conditions (e.g. household characteristics, division of labour) and external circumstances (e.g. labour supply and demand) as well as to the feasibility, relative costs and expected return of each option for both immediate and future needs (Corbett, 1988; Grown and Sebstadt, 1989; Drakakis-Smith, 1996; Moser, 1998).

In urban research, this sequencing is useful to determine whether a coping strategy can be isolated in a linear and discrete stage, or whether it is compounded by the simultaneous adoption of several responses as found in

some rural studies (Moser 1998:5). In the rural scene, the bulk of evidence on coping strategies at times of famine in Asia and Africa documented by, amongst others, Corbett (1988) and Kinsley, Burger and Gunning (1998), obviously validates the fact that there are some typical patterns in these responses. Although such household responses to famines do vary from place to place, the evidence appears to show that these responses are not adopted in a haphazard or random manner, but typically fall into a distinct sequence. In an urban setting, Lawson, McGregor and Saltmarshe (2000) also find that the trajectory of coping strategies adapted by households appears to move categorically and serially. They interviewed households from a peri-urban community in Albania, that had experienced great economic and political instability since the overthrow of the communist regime in 1991. They categorised the households into three different titles according to the strategies they adopted (Lawson, McGregor and Saltmarshe (2000:1501):

1. "Struggling" households were those on very low incomes, many of them running down their assets, and sometimes requiring unilateral income transfers from other households to survive.
2. "Surviving" households were those which were generating enough income to sustain themselves significantly above subsistence level. However, they were not accumulating resources, or were not accumulating them sufficiently and rapidly to enable them to enhance their position in future.
3. "Thriving" households were those that had accumulated capital and had in place strategies which would provide a good chance of continuing to do so. Most of them came from households with the highest income per capita in the sample.

Lawson, McGregor and Saltmarshe (2000:1501) observe that, arranged in income per capita terms, there was a significant degree of overlap between these households and the "surviving" category. But the clear distinction was

that the “struggling” category had fewer and declining assets, and little chance of improving their situation. Half of such households were pensioners and 30 percent of the remainder relied heavily on unemployment or disability payments. The category also included casual labourers and failed entrepreneurs.

CONCLUDING REMARKS

This chapter was concerned with ideas about development, particularly the human development and coping strategies that, to some extent, fit in with the popular development paradigm. Focusing on two theories of the human development and coping strategies, this chapter formulated theoretical models to add to conventional perspectives on the informal sector discussed in the previous chapter. Also, it develops further research parameters and lines of analysis in order to achieve more fully the profiles and dynamics of the informal sector.

The human development approach, while it endorses some of the same principles as popular development, has some potential for becoming a more sensitive yardstick to capture dimensions of human and social capital that are not usually included in conventional studies of the informal sector. Particularly important is that this approach inherits ideas that are likely to be most useful for measuring the socioeconomic profiles of the informal sector in developing countries where conditions of poverty and marginality prevail. The assumptions about human capability, human poverty and deprivation, for example, have critical implications for exploring multidimensional profiles of the informal sector. In terms of measurement, the human development approach embraces and improves many of the earlier approaches to the system of measurement and monitoring of human development. The strategy brings together economic and social aspects into development, such as levels of incomes, education, health conditions, and social participation. This broad

and holistic nature of measurement makes it more possible to capture the complexity of human life of people according to their true economic, social, cultural, and political lives (UNDP, 1990; Haq, 1995).

The additional theoretical elements put forward by coping strategies, on the other hand, have delineated an analytical approach to explore the dynamics of the poor and the ways by which the poor are not seen as passive victims unable to control the course of events (Roberts, 1995; Wolf, 1992). This gives a chance to bring in the individual and the household as active and rational actors within their environment and course of event. This also suggests that the sheer necessity of coping with urban life sets social and cultural forces inherited from the interplay of rural and urban cultural interactions. As a result, those who are affected by these processes must react in a number of ways in managing threats and shocks that may jeopardize their present and future economic well-being.

Individuals and households in the informal sector, in this study, come mainly from the low-income population of the cities. The analysis of coping strategies therefore enables this study to explore the extent to which their activities, unplanned or planned, make up undercurrents of change in the economic, social and cultural arena (Roberts, 1995:157). The assumptions about income pooling, household cooperation, livelihood systems, the role of family in small-scale businesses, and social networks, for example, have empirical and methodological implications for understanding the dynamics of the informal sector.

The image created by the conventional approach tends to homogenise the broad range and variety of household interactions, and hence, misses entirely relations that include power differentials, cooperation, conflict and dissent. This distortion has prevented the orthodox approach from considering and exploring individuals and families that engage in behaviour, which are active,

strategic, non-resistant, or even multi-strategic and dynamic, to manage their life in the changing and bitter situation according to their available resources and capacities. These characteristics are somehow rarely considered in conventional informal sector studies – an approach that would be likely deemed unacceptably naïve in Third World communities (Wolf, 1992:17).

This study maintains that a mix of general theoretical models developed from the human development and coping strategies perspectives can help to make a significant contribution not only to understanding the condition of poor people, but also the course of poverty itself and how they attempt to cope with the threat of poverty. As will be outlined in chapters four, these coherent approaches to study the informal sector are complementary, and that effective research methods and designs should represent an integration of the holistic conceptual framework. After chapters five and six describe the macro context of this study, the holistic features of the human development and coping strategies of *pedagang kakilima* are exclusively presented in chapter seven and eight respectively.

NOTES

1. In this study, the term development paradigm refers to a basket of development theories which has similar perspectives or 'shared common ground' (Overton, 1997a:4), and subsequently has strategies or approaches to anticipate and interpret development problems. In this sense, the human development approach is regarded as a development strategy that adheres to the popular development paradigm.
2. In a wider context, this idea is often referred to as the phenomenon of "urban peasant" (Mangin, 1970) or "peasants in the cities" (McGee, 1973) or "cities of peasants" (Roberts, 1978, 1995).
3. In this work, Corbett (1988) draws her analysis on four case studies on (a) Food Crisis and Famines in Northern Nigeria; (b) Famine Migrants in Red Sea Province, Sudan; (c) Pastoral and Farming Populations in Darfur, Sudan; and (d) The Survival Strategies of Peasants in Wollo, Ethiopia.

CHAPTER FOUR

THE FIELDWORK: RESEARCH METHODS AND EXPERIENCES

Economists and other quantitatively trained social scientists are turning to fieldwork in greater and greater numbers. They often carry out surveys on a scale unit recently associated more with anthropologists. However, their methods remain distinct. They are trained in disciplines which view the data collection process as impersonal and neutral, and the formulation of questions from theory as entirely separate from fieldwork. They are encouraged to write up their research as if data collection were not a personal, social and political activity.

Lockwood (1992:164)

To achieve its objectives, this research involved fieldwork over a five month period between April and August of 1999 in Kotamadya Bandung. Targeting *pedagang kakilima* and their families in the city, the selection of the street traders for quantified surveys was concentrated in four different sites that represent their agglomeration, such as street, public market, commercial area and bus station. The selection of households for more qualitative research approaches was located in urban *kampung* settlements.

This chapter describes research methods, the tools that incorporate research objectives and fieldwork in the research location. This chapter is divided into two sections. The first section looks at the mechanics of research methods and designs including the triangulation method, descriptive survey and emergent case study designs, selection of sites and respondents, data

collection techniques, and methods of data analysis. For illustration, this section also presents photos of *pedagang kakilima* and other related subjects explored in this study. The next part discusses fieldwork experiences to explain the application of the research methods and to share how the politics and art of data collection were adapted during it.¹ Six themes discussed here are entering the field, adjusting the samples, obtaining the consent of participants, working with research assistants, home visits, social involvement and field relations.

RESEARCH METHODS AND DESIGNS

As indicated in the previous chapters, this study places its analysis within and between three bodies of literature, namely economic theories on the informal sector; human development perspectives on living standards and poverty; and household coping strategies of the poor in response to threats and shocks they face. In order to provide a holistic conceptual framework, these approaches complement each other and are integrated into the research parameters. For example, while economic theories and human development perspectives are used to explore socioeconomic profiles of street enterprises, theories on coping strategies are employed to examine the complexities and dynamics of the street traders and their households.

Figure 4.1 shows that the type of research approach undertaken by this study was essentially the triangulation method. This mixed-research strategy employed different techniques of data collection. In order to achieve clearly and thoroughly the mutual compatibility between quantitative and qualitative approaches, the application of the triangulation method was carried out in two complementary designs, namely “descriptive survey” and “emergent case study” designs. Drawing on the literature review in chapters two and three, different focus of inquiries were developed in line with each design.

Research Approaches	Quantitative (Descriptive Survey Design)	Qualitative (Emergent Case Study Design)
Focus of inquiry (unit of study)	1. Economics of street enterprises 2. Human development of street traders	1. Types of coping strategies 2. Resource management and division of labour 3. Sequences in coping strategies
Selection of respondents	Multistage cluster sampling	Purposive sampling
Data collection technique	1. Standardised questionnaire 2. Focused interview	1. PRA methods 2. Document study 3. Research journal
Methods of data analysis	Descriptive statistics analysis	Constant comparative analysis

FIGURE 4.1 A summary of the triangulation method

The triangulation method

The triangulation method refers to a combination of strategies to study the same phenomenon employing “between methods” or “across methods” derived from multiple quantitative and qualitative techniques of data collection (Denzin, 1978; Creswell, 1994; Das, 1983). As identified by Greene, Caracelli and Graham (1989), the purpose of the triangulation method is particularly to seek convergence, corroboration, and correspondence of results from the different research strategies. This method leads to more confidence in the results and generates an innovative approach to the study of social issues.

Jick (1979) notes that the triangulation method helps to uncover multidimensional aspects of a phenomenon. This method helps to minimise limitations, inherent in particular methods and data sources, by using them in conjunction with other methods and data sources. By flexibly combining the extensive method of surveys and the intensive method of case studies, limitations inherited in the surveys (such as brief and superficial coverage due to a large number of interviewing respondents) can be reduced by in-depth interviews and participant observations. Such an approach has enabled this study to reflect a greater richness of data and depth of penetration in analysis in exploring the dimensions of the urban informal sector.

Descriptive survey and emergent case study designs

Descriptive survey design refers to an approach to collect data from selected respondents in a selected location at about the same time. In this study, a well-prepared standardised questionnaire and focused interview were used. Structured categories and questions were predetermined in the research instruments before the fieldwork. The focus of inquiry pertaining to research variables was concentrated on profiles of *pedagang kakilima*, such as economics of the street enterprises and human development of the traders. Descriptive statistics were then used as a tool of analysis, particularly to describe and compare different characteristics of the research participants (Leedy, 1980; Bailey, 1982; Balian, 1988; Pratt and Loizos, 1992; Suharto, 1994; Soehartono, 1995).

Emergent case study design, on the other hand, refers to a procedure of collecting data involving the in-depth study of a particular source of information (Maykut and Morehouse, 1994).² In contrast to the descriptive survey design, this design is more flexible in the sense that the respondents and questions were not predetermined according to random sampling and standardised categories. Rather, the initial source of information and categories were refined and developed in line with the ongoing process of data collection and analysis. In terms of coverage, the design is much more limited than the survey design, but such a design contributes to the refinement of the research inquiries, the choice of questions, and the enrichment of the meaning of data. The focus of inquiry was directed to investigate the dynamics of street traders and their families focusing on types of household coping strategies, resource management and division of labour, and sequences in coping strategies.

During fieldwork, different types of participatory research techniques derived from Participatory Research and Action (PRA)³ methods were widely adopted,

including direct observation, sketch map of the site, in-depth interview, and resource analysis (IIED, 1994; Buenavista and Flora, 1994; Chambers, 1994, 1997; Suharto, 1997; Roos and Mohatle, 1998). Document study and a research journal were also employed to complement and record the processes and outcomes of events in the setting as and when they occurred. In view of the process of inductive reasoning, a constant comparative method was used to analyse such qualitative data derived from the fieldwork.

Selection of sites and respondents

Bandung covers a large boundary in terms of land size and number of street traders. As shown in Figure 4.2, therefore, the research locations focus on the municipality area. Because the number of population was very large and concentrated in various locations of the city, a certain number of participants were selected as samples of the street trader population in a certain site within the given municipality area.

Figure 4.3 highlights the procedure of selection for research sites and participants. The figure shows that to capture the respondents, the sampling procedure of this study generally employed two techniques: first, for a quantitative approach, the samples were drawn using the “multistage cluster sampling technique” (de Vaus, 1991:67) or the area sampling with multi-stage classification before sampling (see Suharto, 1994:31); and second, for a qualitative approach, the samples were selected by means of the “purposive sampling technique”.

The selection of the research sites involved several stages. The first was to determine the municipality as the area for the study. This decision was mainly based on the argument that it represents the core of Bandung city in which many conglomerations of street enterprises exist. The second step was to select regions within this municipality area.

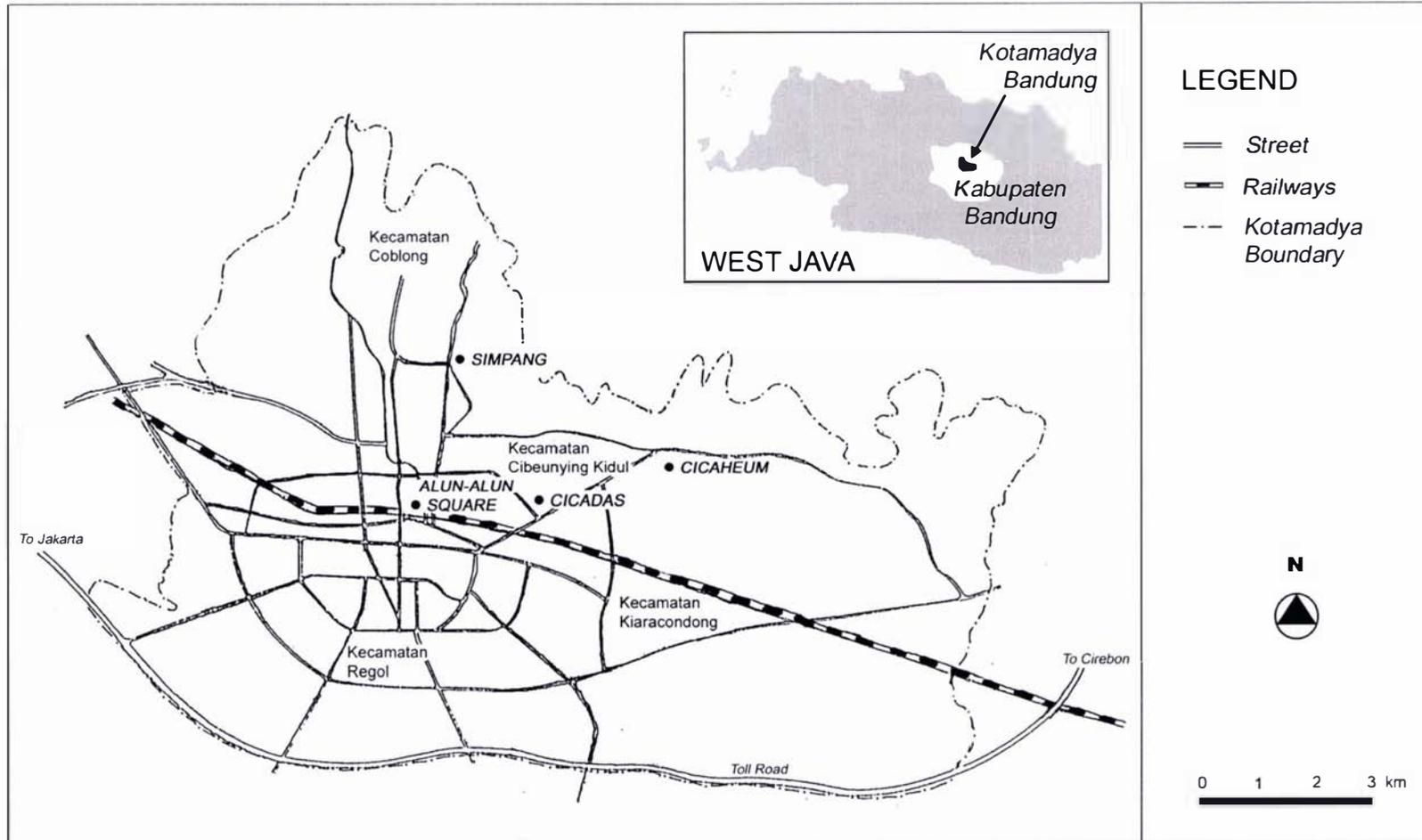


Figure 4.2: Research Sites in Kotamadya Bandung (Alun-Alun Square, Cicadas, Cicaheum, and Simpang)
 Source: Dinas Tatakota (1999)

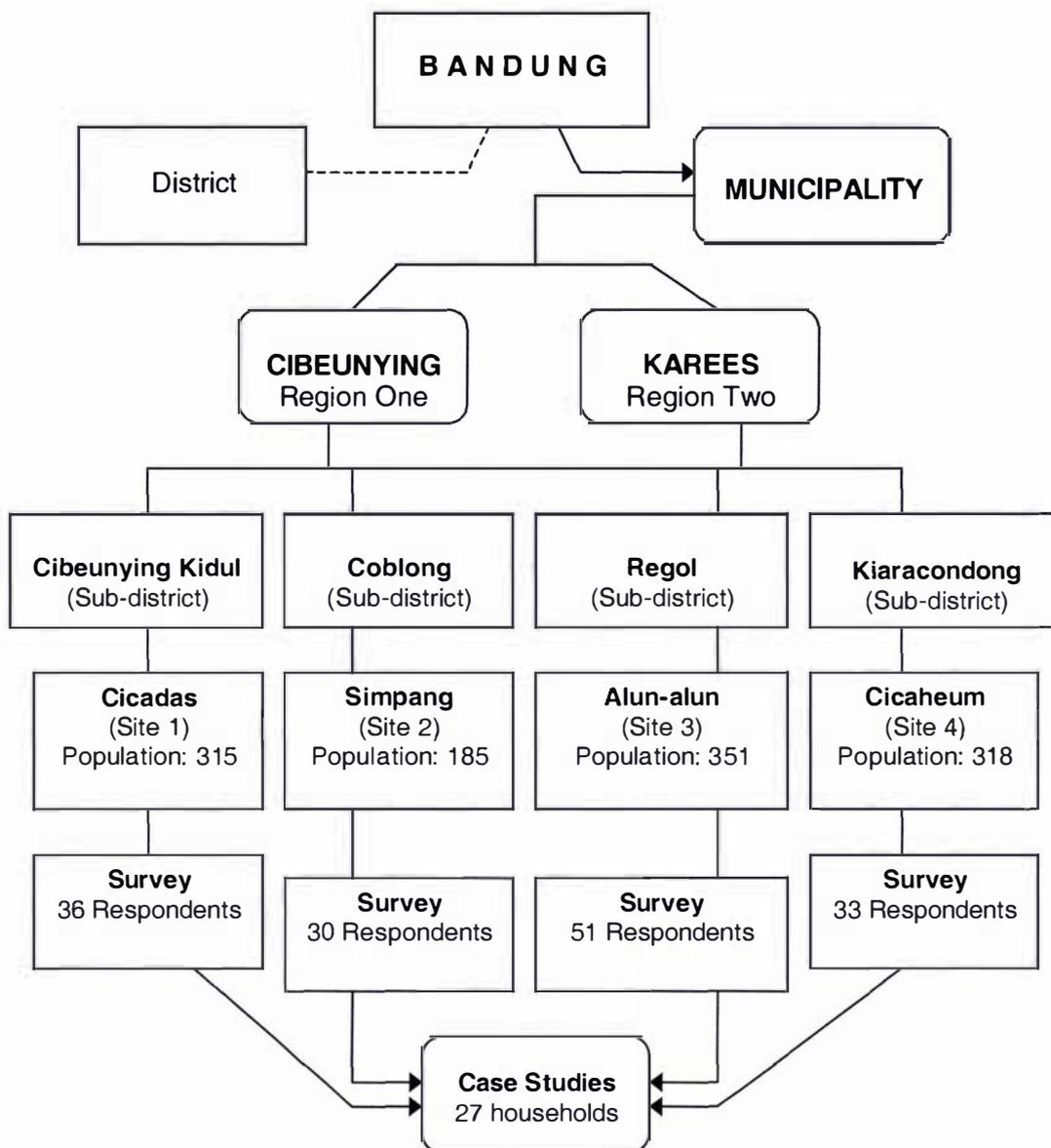


FIGURE 4.3: Sampling procedures
Source: Fieldwork (1999)

When information about the numbers of administrative regions and sub-districts (*kecamatan*) within each region was gained, two regions out of six were selected. They were Wilayah Cibeunying (region one) and Wilayah Karees (region two). The third task was to choose two sub-districts from each region. In this respect, two *kecamatan*s out of six in Cibeunying and two sub-districts out of four in Karees region were selected. The sub-districts were

Kecamatan Cibeunying Kidul and Coblong in the region one and Kecamatan Regol and Kiaracondong in the region two.

After four initial research sites were selected, the next step was to define the informal sector and categorise it into a sub-group of the *pedagang kakilima* or street traders. Provided that the activities of the street traders were spread out or conglomerated in various locations (such as public markets, busy streets, bus stations, movies, schools, hospitals, etc), the final procedure was to determine more specific locations in order to select the sites where the street traders operated their enterprises. Four sites were selected from four sub-districts to represent as a sampling frame: Cicadas, Simpang, Alun-alun, and Cicaheum. In general, while these sites characterised the most intense street trader operations, each location represented all sectors of the city: Alun-alun is in the central-west, Cicadas in the southeast, Cicaheum in the northeast, and Simpang in the north. After refinements, the total sample selected from each site was 150 people. On average, this represented about 12.83 percent of the population in the sampling frame.⁴

The selection of participants for case studies was based on the purposive sampling technique using the strategy of maximum variation among subjects (Maykut and Morehouse, 1994). This type of sample does not use randomisation in its selection of elements. Participants were selected, or hand-picked, in line with the purpose of the study. To obtain maximum variation of the population, street traders were subdivided by types of commodity sold (i.e. food, goods, services), ownership (i.e. employer, employee), age and gender differences, and household economic status (i.e. poor, vulnerable, and better-off families).

As this study applied a qualitative approach, the number of participants was flexibly adjusted to accommodate the process of research activities. The number and characteristics of participants was selected from those listed in

the above surveys when more substantial ways of understanding were to be found relating to the focus of the study. In total, 27 households were enlisted as research participants for the case studies. In-depth interviews of street trader households and direct observations of their environment were frequently held after surveys, though some of these were done in reverse.

Data collection techniques

Multiple techniques of data collection used during the fieldwork included standardised questionnaires, focused interviews, PRA methods, a document study, and a research journal. These techniques were employed on a complementary basis depending on the appropriate situation. Nevertheless, more sensible research tools and a well-focused set of questions were also supplemented by (and with) the local people. These emerged and accumulated both rapidly and surprisingly from informal interviews, daily observations, and participation in the local setting being studied. This flexible application enabled the study to plan as well as to refine its routes to go in the right direction, and to apply appropriate research instruments at a particular time, place or event.

Standardised questionnaire

In order to have systematic, representative and reliable information, a standardised questionnaire, which involved a series of structured questions was employed to scrutinise selected respondents. The main purpose of this questionnaire was to obtain a sizeable volume of information that could be classified by type, frequency and central tendency, by means of descriptive statistical measurements. Most of the data obtained from this questionnaire was statistically amenable for use as a basis for generalisation. The 150 street traders were mainly surveyed in their enterprises during the day and night business operations. It took one to two visits per respondent to fill in one

questionnaire. The information pursued by this questionnaire focuses on enterprise structures of street trading (i.e. history of business activities, production process and employment figures, and legality) and characteristics of human development of street traders (i.e. economic capital, human capital, and social capital).

Focused interviews

During the survey, it was found that important information pursued by the study was not included in the prepared questionnaires, and hence needed to be covered in the subsequent interviews. A focused-interview was therefore used with participants either during or just after surveys. The interview was to provide further supplementary information about profiles of the street enterprises, in addition to the facts gained by the structured questionnaire.

To achieve some consistency, the interview was guided by an interview protocol focusing on a short set of topics relating to the units of analysis pursued in the study. The focused-interview is one of flexibility and responsiveness to the expected (unanticipated) twists and turns which happen in a survey using a well-written questionnaire. The conversations were noted on the back of the survey questionnaires during the interview and then most of them were reconstructed afterwards at home. A tape recorder was not used for fear that its presence might cause respondents to become rigid or self-conscious and refrain from discussing personal stories (Wolf, 1992:75).

PRA methods

The nature of PRA methods is essentially about the approaches made to facilitate, listen and learn from local people or research-participants that enable them to express and analyse their knowledge of life; and to encourage

them to have an awareness and confidence to instigate their own actions (Chambers, 1994, 1997). PRA methods applied in this study involved a number of data collection techniques, namely direct observation, sketch map of the site, in-depth interview, and resource analysis.

Direct observation was initiated within a broad focus of inquiry. Through the ongoing process of observation and participation in the settings, the units of analysis that emerged through fieldwork were then developed. This enabled the inquiry to enter the real life of the *kakilima* traders, to observe their living conditions, to understand their preferences and aspirations, as well as to comprehend their own ways of different behavioural patterns of coping strategies. Various aspects of participants' everyday lives, including family situations, welfare conditions, enterprise works, and community settings were visually inspected. Any appropriate events or places, where the participants may practise different patterns of coping strategies, were also observed. This process involved keen observation and listening to what was going on in the field, among participants and other people in a given situation.

In line with direct observation, sketch map of the site was made to obtain geographical boundary of the location and show where resources, activities, problems and opportunities are located and to understand the boundaries and characteristics of the community involved. Together with key informants, I rapidly, but systematically, passed through the study area to ask, listen, and discuss different problems, solutions, resources, potential, and opportunities in that particular area. The findings were then transformed into rough sketch and maps. Notes were also made on what was seen and heard. Photographs were taken during or after the observations, whenever and wherever proved most appropriate.

In-depth interviews were conducted to selected *pedagang kakilima* and their households. This open-ended conversation focused on how the economic

crisis affected the street traders and how they managed problems and opportunities within their enterprise and household production activities. In this regard, case studies were also established to discover histories of the research participants being studied, what problems and difficulties were experienced, and how they were resolved. The interviews were arranged to be as informal as possible, according to the most favourable situation felt by the participants. The interview was conducted more than once in order to pursue subsequent aspects of the research issues that emerged from the interview process. The interview was controlled by an interview guide – a series of topics or broad questions which were free to be explored following new discoveries in the setting. During each conversation, key phrases were jotted down to record participant responses. More extensive notes were usually filled in after visits, either in the location or at home, to reconstruct many of the ideas that emerged during the conversation.

To analyse the range of resources and the impact of these resources, the resource analysis or livelihood mapping technique was also used. Participants were encouraged to make maps and diagrams, indicating and comparing different business facilities and technologies, methods of good and service production, and types of marketing tactics at different times and locations. Demographic conditions, livelihood patterns and sources, family expenditures and debts, distribution of days and labour as well as access to physical, economic and social facilities were also explored through this approach.

Document study

Document studies were conducted to collect information from secondary data (e.g. brochures, written media, policy manuals, files, maps) from the various sources of information available in the study area. These documents were reviewed with the intent of gaining statistical data from local, provincial and

national levels. Directed by document study checklists, the data generally covered profiles of the study area and its urban development, geographical characteristics, level of urbanisation and industrialisation, and the growth of the urban informal sector in these respective areas. In this regard, offices and organisations in Bandung and Jakarta were visited. They are District and Sub-district government offices (PEMDA), Department of Industry (Kanwil Deprin), Department of Manpower (Kanwil Depnaker), Regional Development Planning Board (BAPPEDA), AKATIGA Foundation (NGO focusing on socioeconomic research projects), Ministry of Social Affairs (Depsos Pusat) and Central Bureau of Statistics (CBS).

Research journal

In addition to the above data collection techniques, notes in a journal were also jotted down as an integral part of the research process. This research journal contained personal records of insights, early understandings, recurring words or phrases, ideas, questions, thoughts, feelings, and impressions of the research process. This documentary script was useful, not only in providing a narrative and verbatim description of the research process but also in enriching the analysis of the research findings. Storey (1997:6) found that a “methodology diary” was important to him ‘to think through ideas, list avenues that had opened and closed,’ and thus enabled him to look back at ideas and issues that needed to be followed up and explored.

Methods of data analysis

After the completion of data collection, the information gathered from the surveys and case studies was then categorised into two groups – numerical (quantitative) data and verbatim (qualitative) data. The analysis of the data involved descriptive statistics analysis and constant comparative analysis for quantitative and qualitative approaches respectively. The process of data

analysis using descriptive statistics and constant comparative is illustrated in Figure 4.4.

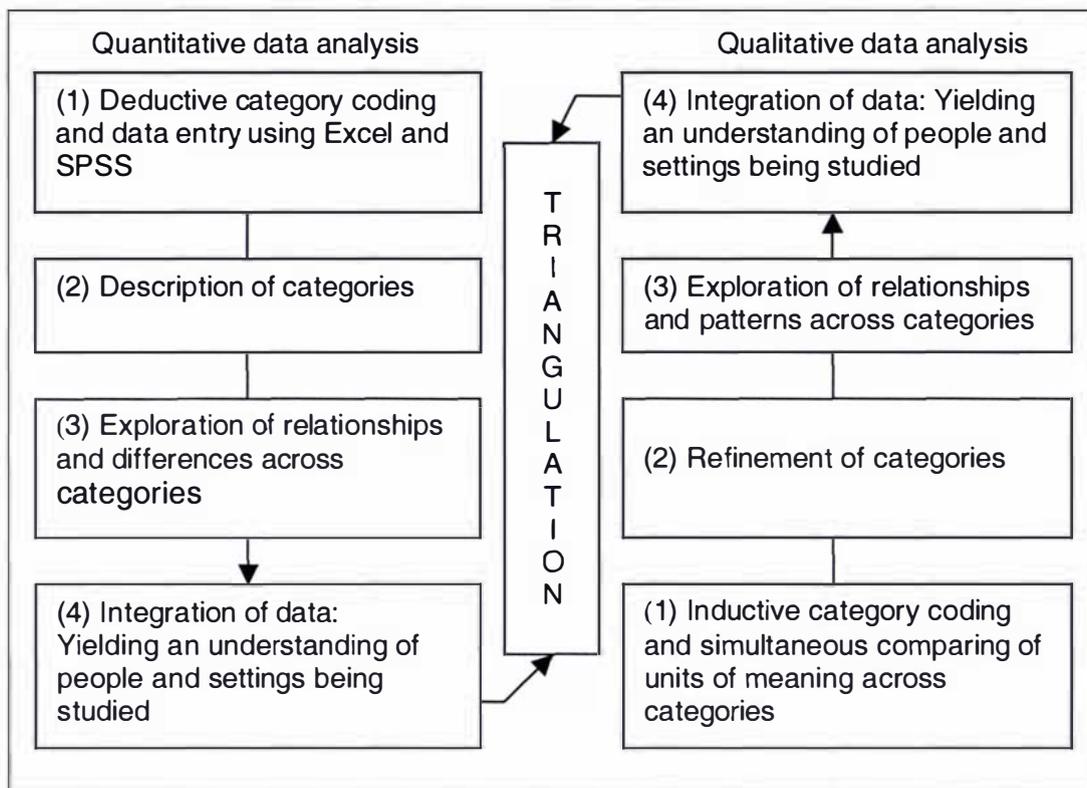


FIGURE 4.4: The process of data analysis
Source: after Maykut and Morehouse (1994:135)

The analysis of the numerical data was processed by descriptive statistical analysis methods. A code book and dummy tables were prepared prior to the analysis. Data entry and processing was done by means of Excel and Statistical Packages for Social Sciences (SPSS) programmes. Frequency distribution, mean, standard deviation, and cross tabulation were involved to describe characteristics of the *kakilima* traders which could then be classified by type, frequency, and central tendency. This approach was mainly to determine the common characteristics of the *kakilima* traders according to their gender, age, marital status, household size, and place of origin.

The verbatim data were analysed by constant comparative method, that is a non- mathematical model procedure designed to identify themes and patterns in qualitative data with a simultaneous comparison of all units of meaning being obtained (Maykut and Morehouse, 1994). After data from case studies were obtained, each unit of meaning was selected for analysis, which was then compared to all other units of meaning and subsequently grouped with similar units of meaning. If there were no similar units of meaning, a new category was formed.

This process of analysis provided room for continuous refinement: initial categories were changed, merged, or omitted; new categories were generated; and new relationships were discovered (Goertz and LeCompte, 1981; Lincoln and Guba, 1985; Maykut and Morehouse, 1994). The findings of the data were systematically sorted and then presented in the form of propositions that summarised the salient features of the participants' lives and conditions. Data and category coding were prepared before the analysis. All field notes and documents were clearly sorted, translated, and transcribed into systematic files.

Finally, all findings obtained from both quantitative and qualitative data analysis were presented coherently in conjunction with each other to enrich profiles and the dynamics of street traders being analysed. This triangulation procedure was aimed at achieving convergence, corroboration, and correspondence of the research results. For example, the presentation of the characteristics of the *kakilima* traders obtained from surveys was supplemented by case studies and life profiles of the selected participants based on semi-structured interviews and observations.



PLATE 1: Mall, McDonalds and the urban informal sector: the symbols and reality of urban development in Bandung.



PLATE 2: *Pedagang Kakilima* operating businesses on the pavement.



PLATE 3 and 4: Street food traders and a street grocery trader. Two examples of the *pedagang kakilima* considered as “semi-static” and “static” vendors.



PLATE 5: Helping a mother doing business: a connection between family duties and business activities.



PLATE 6: My enterprise is "SMALL", but I always "SMILE".



PLATE 7: Street restaurant selling “ethnic” cuisine of Padang, West Sumatra. Many vendors like to use prominent lettering to stress their specialty.



PLATE 8: Taking advantage of political change. Approaching the 1999 general election, many street traders switched temporarily their products to political party articles, such as t-shirts and flags, that were in heavy demand.



PLATE 9: Marketing tactic. One of the enterprise-focused strategies adopted by street traders is to arrange a good-looking display of their commodities.



PLATE 10: Backward linkage between informal and formal sectors. Some street traders sell fabricated products on commission. Since mother companies usually provide tricycle carts and receive back the leftovers, this practice is adopted to minimise risks in street trading.



PLATE 11: Examples of *pedagang keliling*. These itinerant traders are not included as samples in this study.



PLATE 12: Face of a *kampung* in Cicadas.

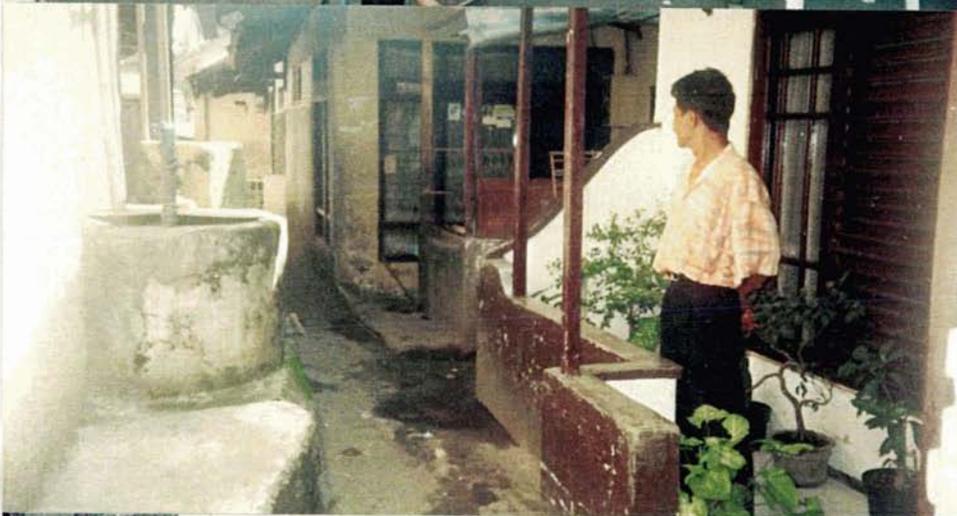
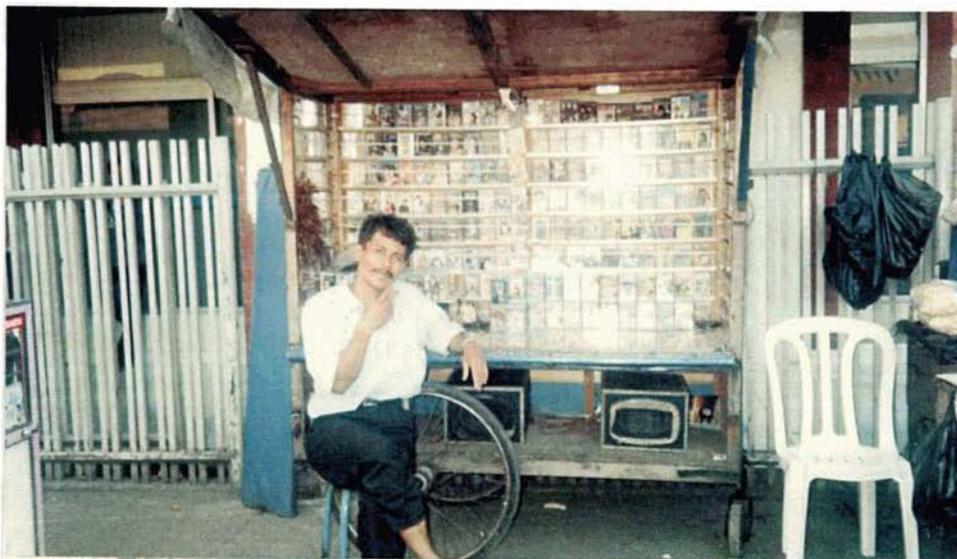


PLATE 13, 14, and 15: Enterprise and household. A *pedagang kakilima* with his merchandise in the street and with his family at home.



PLATE 16: Two children and their cousin are preparing food for sale. As a family enterprise, street trading involves family members in different kinds of household strategies in the home as well as in the street (see Plate 5).



PLATE 17: A workshop on “Regulating, Empowering, and Guiding *Pedagog Kakilima* in Kotamadya Bandung”. While some experts are discussing the urban informal sector in a luxurious hotel, *pedagog kakilima* and their households continue to struggle in the streets and *kampungs*.

FIELDWORK EXPERIENCES: ADAPTING METHODOLOGY

Having decided to conduct mixed-methods in a single study, I was influenced at first by the idea of an arbitrary division between quantitative and qualitative approaches. In the proposal to this study, for example, it was stated that to avoid “ontological oscillation” (Lee, 1992) or “counteracting bias” (Greene, Caracelli and Graham 1989), the combination of research approaches would be conducted in what Creswell (1994) calls “the two-phase design”. This means that the quantitative and qualitative approaches would be combined separately in two phases with the results of the first phase essential for planning the next phase. It was thought that such approach would enable the study to clearly isolate between the two research attributes as well as to present thoroughly the paradigm assumptions behind each phase.

However, after several preliminary visits and starting to get “stick-on-the-mud” it was found that interrelationships between quantitative and qualitative approaches were difficult to be segregated in an isolated and separated study. The indigenous and fluid reality found in the fieldwork persuaded me to apply the triangulation method with flexibility, compromises and improvisations. While paradigm attributes in quantitative and qualitative approaches were treated as indivisible, the process of data collection was mixed in accordance with the most appropriate inquiry problems and time availability. In this regard, Storey (1997:4), based on his fieldwork experience in urban communities of Manila, has rightly concluded that ‘methodology in the field should be both flexible and reflective’ and that the over rigidity of any method and technique in the field may lead to the danger of confining oneself to a cage.

Entering the field

As a part of doctoral requirements, a seminar on the research proposal before fieldwork was delivered at Massey University on 12 March 1999. After comments and consent from research supervisors was obtained, I went to Indonesia for fieldwork. Since I was departing for my home, I had a basket of cultural horizons which prevented me from having “pre-departure-disorder” – a psychological set of symptoms that frequently affects most foreign fieldworkers who plan to visit an “alien” country (see Razavi, 1992). Still, I had to make a plan, such as a definitive schedule of fieldwork and translation of questionnaires and interview guides to Indonesian language beforehand.

Originally, the plan was to undertake fieldwork for a year to obtain adequate data on different characteristics of the street vendors based on mixed research approaches through extensive surveys as well as in-depth intensive case studies. However, owing to financial constraints, it was only possible to spend approximately five months in the field. This study then limited its lines of inquiry in terms of the range and extent of topics to be covered, methods of data collection to be applied and data analysis to be executed. On my flight to Indonesia, I was relieved by Hoddinott’s (1992:74) advice about working under time constraints:

For some research topics three weeks of fieldwork may provide all the necessary data (though this may require the use of ‘rapid rural appraisal’ techniques). For other topics, a year may be insufficient. Put simply, the duration of fieldwork should be a function of the aims of the research. But if there are time constraints, it is necessary to limit the research planned to that achievable in the time available. Failing to do so creates the possibility of collecting inaccurate and/or incomplete data.

The primary and common procedure that has to be taken before conducting fieldwork in Indonesia is to obtain a research permit from the appropriate authority from the area to be studied. Because this study was located in

Bandung, the provincial capital city, the detailed and written permit was firstly given by the social and politics section of the provincial government followed by the municipality, and finally the sub-district authorities for the operational letter of permission. Long delays were experienced while waiting for the permit application. While three levels of government bureaucracy have to be passed, the research permit application was treated with “high” consideration. Three days after a formal letter was sent, accompanied by a research proposal and questionnaire, an invitation was received from the provincial government. It invited the researcher to come personally to the office for clarification of the intention of the study.

During the initial visit, the administrators seemed to be afraid (or suspicious) of research endeavours and warned me to avoid sensitive issues of state ideology and government budgets.⁵ I had clarified that the study had nothing to do with “politics”, but the government officers were still reluctant to grant the permit. Fortunately, my position as a civil servant and lecturer – a relatively respectable profession in Indonesian public administration ranks – helped me to get through this screening. Some of the officers saw me as their colleague after they noticed my position and even asked for advice in terms of development policies for supporting the informal sector or, sometimes, of strategies to pursue higher education. Once an unwritten agreement was achieved, they finally gave a permit that had to be followed up by subsequent letters from lower level administration. In the district and sub-district levels, no substantial difficulty was found, as they just gave affirmation to the conditions stated by the provincial government.

Spending hours and days waiting for a letter of permission created frustration. To avoid the time becoming unproductive several tactics were employed to make time as useful as possible. Writing in the journal, reading and refining questionnaires, carrying out reconnaissance surveys, or rescheduling a plan for follow-up visits were among such tasks. During this first week of pursuing

government permission, a seminar on my research proposal was also organised at the Bandung School of Social Welfare, where I hold a position. The seminar was attended by both faculty members and students and proved to be of considerable importance in improving and sharpening the research proposal, particularly in terms of research instruments, the selection of number and characteristics of research participants, and research locations. Since I had been away from the Bandung context for almost two years, the seminar helped recognise some up-to-date events and avoid unnecessary technical mistakes and double tasks.

Adjusting the samples

Doing fieldwork on the heterogeneous subject of street vendors within a very wide urban area required a number of improvisations and refinements. From the wider area of Bandung, an accessible sampling frame of the location had to be determined, and from the many faces of street traders, a manageable portion of the population had to be drawn. All these factors meant that the selection of the sites and respondents for this fieldwork was not free from compromise as well as surprises.

The first compromise was the selection of research sites. This was related to the issue of representation owing to the trade-off between geographical coverage of sample size and depth of contact with the samples (Harris, 1992:140). While a wide coverage of samples would provide a greater scope for statistical analysis, a smaller number of respondents would provide more detailed information (Hoddinott, 1992:81). To be sure of adequate representation, both municipality and district areas had to be chosen. However, the number of street traders in both areas exceeded 50,000. Therefore it was more realistic to focus only on one of these areas. The municipality was then considered as a manageable area for the study for three reasons: first, this area served as a centre for Bandung, second, its

area size was not too large, and third, the availability of information relating to the research topic was adequate.

According to a recent survey, the number of street traders in the municipality, in 1999, was estimated to be 32,000, differentiated by regions and types of commodity traded, location used, and time operation (PEMDA, 1999). To seize the most potential sites reflecting the operation of street traders, a preliminary trip was conducted to map the city and clarify the dispersion and/or the aggregation of the street vendors. To ensure fair spatial coverage within the municipality's territory, this area was then stratified geographically by administrative subdivision according to sub-districts. But because the sub-district coverage was still too large, including many segregations of street vendors' locations, a selection of only one dominant criterion of sites within the sub-district was made. As indicated earlier, these sites were the street, public market, commercial area, and bus station containing different pockets of street traders.

Within this sampling fraction, a rapid appraisal was conducted to create a census of the street vendors and a settlement-transect of their household. This preparatory trip provided a picture of street vendors in terms of their enterprise, as well as household location. To compensate for vendor variations, sub-sample size was also dictated by different, but manageable, commodities equal in proportion to the sampling fraction lists. A minimum of 15 traders was selected on the basis of their trading commodities, such as food, goods, and services.

After the selection of the area was determined, the complexity of street trading had then to be handled, although the population of this study was by then obvious. As in many developing countries, the informal sector encompasses a wide range of dimensions and therefore there is often considerable overlap and ambiguity surrounding its characteristics. It may

cover a wide range of economic activities differentiated by a massive scale of enterprise structures, commodities traded, location, mobility, and employment size. Considering such heterogeneity, the population of this study was therefore targeted at a manageable group of *pedagang kakilima*.

Street vendors in Bandung cluster around the market, clogging sidewalks, selling goods to travelers at bus stations, movie theatres, or supplying food for students, visitors, staff and patients in schools and hospitals. Given such a diversity, the distinction between street vendors and other petty traders is not clear and sometimes overlaps. Based on their mobility and enterprise structures, the category may include at least three clusters: static, semi-static and mobile street traders. The static or permanent vendors usually do business in kiosks, stalls, or booths in relatively static locations. They remain operating their business at least until the end of the day. The semi-static or semi-itinerant traders sell goods and services in semi-fixed locations (e.g. pavements or sidewalks or vacant lots) and bring their wares, tables or carts with them each day. The mobile, itinerant or ambulant traders change their locations frequently and carry their goods in vehicles, baskets, carts, or by hand.

To obtain distinct classifications and avoid overlapping, the study focused only on *pedagang kakilima* – those who are more likely to fall into the category of static and semi-static street traders (see Plates 3 and 4). After a few adjustments and the abandonment of some questionnaires, in total 150 questionnaires were obtained which were, I believe, adequate enough for statistical analysis within the constraints of time and money. The justification of the choice of *pedagang kakilima* over *pedagang keliling* and *pedagang asongan* was mainly pragmatic: first, to limit the number of too many and too diverse street vendors, and second, to stick consistently to the "true" meaning of street enterprises. In the Indonesian context, although the group of mobile traders frequently operates its businesses in the streets, it has a different

local and special connotation – the “*pedagang keliling*” (literally means the “moving around traders) or “*pedagang asongan*” (the “offering traders”) (see Plate 11). As noted in chapter one, both terms are attributed to ambulant hawkers or itinerant traders who move from house to house or from car to car, selling goods or offering services in baskets or pushcarts within the city and neighbourhood. Compared to *pedagang kakilima*, *pedagang asongan* and *pedagang keliling* are more difficult to be identified and approached for interviews, especially for the subsequent ones.

Obtaining consent of participants

I was conscious of the rights of the participants involved in this study. The process of fieldwork was therefore guided by the major principles of ethical conduct of the research stated in the *Code of Ethical Conduct for Research and Teaching Involving Human Subject of Massey University*. Before data collection, I introduced and informed the purposes of the research, including data collection assistants, to all participants and asked their permission for interviews and observations prior to data collection. Although it was not often fundamental in practice, the rights of the participants were regularly, as well as verbally informed. Their consents were clearly written in the information sheet on the cover page of the data collection instruments, which basically dealt with the rights to:

1. Decline to participate;
2. Refuse to answer any particular questions;
3. Ask any questions about the study at any time during participation; and
4. Provide confidentiality in terms of specific names and places to protect the identity of participants and their family.

In Bandung, and Indonesia in general, privacy and confidentiality are not always emphasised. It is a part of the local culture that to reject a guest is not

polite and not wise. Thus, the rate of refusals and non-responses, opened and closed, to the interview and home visit requests was very low. The value of time was also open and flexible to street trader households. Most local people enjoyed sleeping late at night after watching TV or listening to the radio (especially when their favourite programme of *wayang golek* or wooden puppet was on) or just making chit-chat with neighbours. To them all times are the same, and no time, such as weekends, is special. This condition made it easier to visit them in the evening and night or whenever was agreeable. But owing to traffic jams and no access to a telephone, a cancellation was time consuming and demanding.

As micro entrepreneurs, street traders are people who have strong motives to obtain economic benefits, as much as possible, from their enterprise. Neither I nor the research assistants were ever rejected openly. But interviews around peak hour (or happy hours for street food traders) were almost impossible. To avoid silent refusal, or to minimise the loss of their business profits due to conversation time, approaching them to arrange an interview or simply for an appointment took into account the time of the day when the trading was not busy. If the interview was held in their enterprise, the best time was about 10 to 12 in the morning and about 2 to 6 in the afternoon. The interview in their household was best done at 7 to 8 in the morning before they started selling or at 8 to 11 at night, after they had finished their business operations. Although the respondents were traders whose time is money, however, compensation for answers was not stressed as a serious matter. Thus, I did not pay money for any interviews. Indeed, not all respondents expected a return on his/her information. To some, I just gave a small gift as an expression of thanks. To others, I just prepared enough room in my stomach for food I purchased before some interviews. Some others were very happy to receive a photograph of their home or the vendor, or the interview in progress.

Working with research assistants

The surveys and interviews of respondents were conducted by both the researcher and data collection assistants.⁶ Collecting information from such a large number of street traders in dispersed sites was too large to be handled by one person. To avoid time being spent mainly on surveys, some interviewing questionnaires were delegated to data collection assistants. Ten part-time assistants worked in rotation in line with their time suitability and availability. They were chosen from students of the Bandung School of Social Welfare who were in the final year of their education and had considerable basic knowledge of social research methods. All of them were men who were ready at the time to carry out surveys in the day and night times. Three women assistants were previously hired, but for security and time availability reasons they quit their jobs after just two days of operation. Before data collection, the assistants were introduced to the research objectives and methodologies. The researcher accompanied them in almost every survey conducted, and introduced them to the respondents prior to the interviews.

Working with research assistants had both advantages and disadvantages (Devereux and Hoddinott, 1992b:25-26). The main advantage of this assistance was that the bulk of questionnaires could be collected in a relatively short time. It also enabled the researcher to have distant contact with respondents, an opportunity to write down unspoken words (e.g. gestures, tones of voice, and patterns of responses to certain subjects), as well as time to refine and sharpen questions for next interviews. A shortcoming was that the information was not received first hand, especially when the assistants were not accompanied as they carried out interviews. Some of them also appeared to work mechanically, just following schedules and formal instructions on the questionnaires. Consequently, several surveys

obtained information that was dry and rudimentary. This required me to abandon some questionnaires and repeat the survey if necessary.

The need to remove inaccuracies in data quality arising from survey drawbacks, and of minimising the insensitivity of external assistants, in some ways, prompted me to shift the research methods into participatory methods. Compromises and improvisations applied in the surveys enabled me to finish about a third of the standardised questionnaires and focused interviews within a month and half. This provided me with a break from the routine surveys so that I could allocate available time to using participatory methods without research assistants. I left the rest of questionnaires to be completed at the final stage of data collection.⁷

Home visits

Although reconnaissance observations had been conducted during the initial contacts with street traders, more intense home visits in *kampungs* around four selected sites – Cicadas, Simpang, Alun-alun, and Cicaheum – began by June after I was convinced that the rest of questionnaires could be finished within the available time. In order to meet with an owner of a street enterprise and his or her family, each *kampung* was generally visited two to four times depending on appointments made in the street, although two *kampungs* in Simpang and Cicadas were visited more frequently.⁸ The high number of households engaged in street trading and the mixture of their trading activities were the main reason for selecting these neighbourhoods as fieldwork posts.

On most visits, households were very friendly serving me with a glass of coffee or tea and snacks, and always inviting me to come back whenever I wished. During the interview at home, husbands often answered the questions directed at their wives. In such cases, the family was revisited to ask the wife separately and directly. In Cicadas, Pak Herman,⁹ a street trader and secretary of the *pedagang kakilima* association, often accompanied me

on transect walks, home visits, and related meetings with other traders. In most cases, he functioned effectively as an informant and mediator connecting me with almost all Cicadas' street traders. His openness and help, as well as the hospitality of the Cicadas community, made the fieldwork at this site a most resourceful data base.

Except for surveys and focused interviews, formal questionnaires were not used and a tape recorder was never brought in. However, photographs on physical conditions of the neighbourhoods and houses were always taken on my way to or back from the *kampungs*. Interviews and activities which took place during the conversations or subsequent group discussions were recorded on individual papers. The sheets were then attached to a ring binder which also functioned as a journal. The questions were loosely structured and had more of the quality of informal talk. Notes were usually taken during the interviews which were then developed at home in the mornings or evenings. Detailed information about household incomes, daily problems and livelihood strategies were obtained from the flexible discussions. Whereas these data were mostly not covered by the surveys, the figures encompassed not only the enterprise setting but also the household setting, including the neighbourhood.

Social involvement and field relations

Bandung is a city that I am very familiar with. Before beginning as a doctoral student I worked for the Bandung School of Social Welfare as a lecturer for six years. I was a student at that university between 1985 and 1990. Because I was working in my home town, I had no substantial problems interviewing members of the community. I could avoid many of the adaptation problems, such as adjusting to climate and physical conditions, social environment, and learning the language. This enabled me to carry out fieldwork without any substantial pressures.

More than having an advantage of language (I spoke both Bahasa Indonesia and the local language of Sundanese), I found that working within my own culture had many benefits. Though all research instruments had been translated only into Indonesian language, I could adapt them in Sundanese whenever possible. My relationship with respondents, both men and women, was close and relaxed. I could easily understand them and they too understood what I wanted to know.

In general, there were no serious obstacles in approaching street traders, including their families. Although at first, they seemed shy to participate in the interview, the old art of asking from general to specific topics did work. For example, when I required their permission for interviews, they commonly responded by lowering their social status and stating in Sundanese:

Mangga wae. Tapi, abdi mah teu tiasa naon-naon. Kumaha upama lepat ngajawabna? (It was ok. But I had no knowledge at all. What if I made mistakes in giving an answer?).

Whereas I understand that it was a kind of politeness in Sundanese culture, I replied and clarified (in Sundanese) that the research required only simple answers, or stated that it was just a chitchat to discuss their own everyday jobs experiences. I also often convinced them that I was not a security officer looking for fraud or tax evasion, but simply a teacher – “teacher” is stressed because it is commonly regarded as a respectable position – and graduate student seeking information about daily activities of street trading.

Once the “ice” was broken, they become more enthusiastic by asking questions regarding my life in New Zealand. “Where is New Zealand, is it a part of Australia?” “What do New Zealanders eat?” “Do you find rice there?” “Do you bring your family to New Zealand?” “How does your wife cook for your family?” “Are there street traders in New Zealand?” “What do they sell?”

After their curiosity was fulfilled, their stories were not difficult to obtain, especially when revisiting for second and third time since my connection with them appeared to deepen.

Perhaps the most important issue in this context was related to government affiliation. As well documented by Hershfield et al, (1983:243) rural as well as urban residents in developing countries often perceive researchers as always connected with government, and this was the case in my fieldwork. When participants realised, through introduction, that I was working for government, they seemed to consider me as the state representative. Noting that I am a government employee, my presence was often mistakenly affiliated with the government ruling party, Golkar (Golongan Karya). This indeed influenced the quality of the relationship we had between us. Some of the participants had hidden agendas. Some became enthusiastic with the hope that I would bring credit or charity or introduce them to local government for assistance. Others became reluctant because of the fear that they would be reported to the police or security services. Although not always successful, any misunderstanding was reduced by means of the fairly in-depth foreword before the interview. Similar to the procedure of social work practice (e.g. interview procedures), this prologue involved what is called “engagement and contract”. It introduced research objectives, participation procedures, ethical consents, and roles and expectations of the researcher-respondent relationship prior to surveys or in-depth interviews.

At the time of the fieldwork, the political climate was more volatile with the approaching new general election following Soeharto’s resignation in May 1998. Following this, the reformist groups spurred on by university students, forced the former Vice-President and the then acting President Habibie to bring parliamentary elections forward from mid-2000 to May 1999, the elections being finally held on 7 June 1999. As many observers stated, it was the most democratic election ever. It involved thirty nine parties and thirty six

of them new. After 32 years under Soeharto's authoritarian regime, every person now had the freedom to speak and to organise, and establish new parties. As the echo of civil society became apparent, people tended to criticise and blame Golkar as the cause of maldevelopment and the national crisis confronting Indonesia. In TV talk-shows, radio, and newspapers there were debates about the issues of politics, corruption-collusion-nepotism (KKN), presidential candidates and the worst monetary crisis in the country's history. In urban and rural areas, flags, billboards and pamphlets coloured every corner with party programmes and propaganda. Using hundreds of trucks, cars and motorbikes, thousands of party supporters repeatedly surrounded the city streets yelling with anger. Interviews and observations were occasionally interrupted or even cancelled by riots and clashes between two confronting parties. With careful, patient and avoidance tactics, this dangerous circumstance could be passed through, though some interviews and observations lost their momentum.

CONCLUDING REMARKS

This chapter illustrated how data were collected and analysed from fieldwork. The first part of this chapter discussed mechanics of research methodology to highlight lines of inquiry addressed by research methods and data collection techniques. The fieldwork experiences provided in the second section, furthermore, gave personal and professional accounts of adapting these methodological approaches in the field.

This study employed a triangulation method and involved a repertoire of approaches ranging from an extensive method of surveys to an intensive method of case studies. The focus of inquiry and research parameters were basically developed from the theoretical models discussed in the sections of literature reviews (chapter two and three). The reliance on such perspectives, however, does not mean that this study was strictly committed to specific

theoretical constructs and that the researcher arrived at the research site with a standardised questionnaire to prove or falsify hypotheses formulated from incorporated models (Devereux and Hoddinott, 1992a:10). Rather, this study celebrates the inter-relationship between theory and fieldwork, between quantitative and qualitative approaches, as well as between researcher and respondents (Lockwood, 1992:164). In this sense, the theoretical framework has suggested which questions should be important, and which units and categories should be used, both in fieldwork and data analysis. This rational modeling, however, was not taken for granted and blindly considered as a blueprint to determine the entire choice of questions in data collection. As suggested by Lockwood (1992:166), local knowledge and methodology emerging from the fieldwork was also taken into account in developing the process of questioning and giving meaning to data afterwards

The triangulation method used in this study was applied in a flexible manner. Although this study involved different types of data collection techniques, the use of the methods was conducted on a complementary basis. The data collection in the fieldwork, for example, did not rely on a single method which briefly interviewed a large number of respondents based on random sampling and predetermined questionnaires. The surveys, which provided the study with the bulk of the statistical data for generalisation and comparison, were also supplemented by case studies with in-depth information on respondents' life and their environment. This participatory research approach enabled the study to complement limitations inherent in a single method, either survey or case study.

The fieldwork experiences presented in section two confirm that quantitative and qualitative methods can be meaningfully combined in a single study and that both quantitative and qualitative attributes could be logically interwoven and contingent. They can be mixed and matched in conjunction within a given inquiry problem and appropriate method choices. As Storey (1997:4) so

effectively put it, 'better research is generated by the use of multiple research methods, and the need for this is recognised by a wide spectrum of methodologists.' It is especially true for social research involving human beings. Research needs to be sensitive to the reality of a given locality since social constructs are essentially constructed by people, not the other way around.

I found that working with street traders in a country facing an economic crisis and political tensions, such as Indonesia, gave significance to the importance of triangulation methods, particularly of integrating participatory approaches and adjusting data collection techniques. This flexibility and richness in data can hardly be accomplished through conventional requirements of the single and standardised survey method. The findings of this study in next chapters will show that an understanding of the informal sector profiles and dynamics were significantly enhanced by exploring convergence in stories generated from such a triangulation method.

Overall, as Wolf (1992) found in rural Javanese villages, I felt that street traders and families were very hospitable despite their difficult conditions and poverty. During fieldwork I was frequently reminded of Wolf's (1992:78) feeling of guilt when she did fieldwork in poor communities and realised one can do little to change the situation: "The longer I knew people and the better I understood their living conditions, the more depressed I felt about their poverty, in part because I was completely helpless to do anything about it." On my return to New Zealand, Wolf's account caused me to think about why most studies of poverty in developing world are still too far to reach the real conditions of the poor, let alone to change their life.

NOTES

1. Wolf (1992:73) notes that a description of survey and other positivist-like methods is, all too often, "mechanistic" in which 'texts are

presented as *faits accomplis*, without histories.' Experiences from fieldwork are now being increasingly documented and integrated into a description of research methodology (see Devereux and Hoddinott, 1992a; Lockwood, 1992; Storey, 1997). In this study, some of the fieldwork stories are also shared in the research findings, notably in chapters seven to nine.

2. Maykut and Morehouse (1994:64) divide research designs in a qualitative approach into two types: *an emergent research design* and *non emergent research design*. In the first design, the researcher begins with an initial focus of inquiry and initial samples and then refines the focus of inquiry and sampling strategy in accordance with the ongoing process of data collection and analysis. In the second design, the researcher pursues the focus of inquiry together with data collection and analysis.
3. It is formerly and widely known as RRA (Rapid Rural Appraisal) and PRA (Participatory Rural Appraisal). Since this method is now applied in many different setting, including in the urban areas, there have been new names for the participatory research approach, such as PLA (Participatory Learning and Action), PUA (Participatory Urban Appraisal), and PRA (Participatory Research and Action) (see IIED, 1994; Chambers, 1997).
4. Many authors generally agree that 10 percent samples are adequate to figure out the population (of sampling frame) of the study (de Vaus, 1992; Olsen, 1992; see also statistical table of sample size based on CV, Miah, 1993:363).
5. As documented by Devereaux and Hoddinott (1992a:7-8), Third World governments are generally suspicious of any kind of state opponents, including foreign researchers, scientists, reporters or journalists and even students.
6. The ten data collection assistants were Rudi Firnandi (21), Syaripudin (29), Asep Widodo (26), Dadang H. Susanto (27), Andri Agustiana (28), Bambang Sulistiyono (22), Johan Sigit (30), Sugianto (32), Ayi Sopyan (23), and M. Solichin (23). The younger students refer to *mahasiswa umum* or "fresh students" who continue their study directly after finishing senior high school. The older students refer to *mahasiswa tugas belajar* or "working students" who continue their study after some years of experience working in government offices. They are civil servants sent by their affiliated agencies.
7. At this stage, some completed questionnaires were inserted into the SPSS programme. Eri Susanto and two statisticians, Ibu Ineke and Pak Suliadi, helped me to accomplish this task.
8. Names of *kampung*s in this study are not indicated.
9. Names of respondents indicated in this study are pseudonyms.

CHAPTER FIVE STRUCTURAL CHANGES AND THE RISE OF THE INFORMAL SECTOR IN INDONESIA

Many economists concluded that economic development in the Third World, too, necessitated a concentrated effort to promote rapid urban industrial growth. They therefore tended to view cities as growth centers, the focal points of an expanded economy. Unfortunately, this strategy of rapid industrialization has in many instances failed to bring about the desired results predicted by historical experience.

Todaro (1997:235)

Chapter two noted that the term “informal sector” was introduced by Keith Hart in 1971 and popularised by the ILO mission to Kenya in 1972. The concept has now become a familiar term, used widely in research, development projects and policy interventions all over the world. In Indonesia, the notion of the informal sector first appeared a few years later in the work of Sethuraman (1976) and Moir (1978) (see Evers and Mehmet, 1994).

In fact, a close analogy to the origin of the informal sector dated back long before to the early 1950s and 1960s. While the formal and informal sectors resemble Boeke’s dual economy (1953), the informal sector embodies all features of “involution economy” or “bazaar economy” as described by Geertz (1963). Thus the existence of the informal sector had found ready acceptance in the Indonesian community not only because it tied in with the scholarly

tradition of writing on Indonesia, but also because it fitted very much with the reality of Indonesia's development.

It is in this context that the scope of the thesis is expanded to place the issue of the informal sector into a wider domain of structural changes. Looking particularly at the salient features of industrialisation and urbanisation, this chapter traces a conjuncture of events and forces that have directly or indirectly contributed to the generation and growth of the informal sector in Indonesia. This serves as a foundation for the empirical chapters to come and situates the informal sector within the context of structural changes in the macro level of development.

This chapter is organised into three major sections. Section one provides a brief review of Indonesia's development in order to introduce the background of structural changes in the country. Section two characterises trends and issues in contemporary industrial transformation and urbanisation and examines their impacts on employment shift. Finally, the third section looks at recent developments, focusing particularly on the economic crisis and the growth of the informal sector.

AN OVERVIEW OF INDONESIA'S DEVELOPMENT

Indonesia is the giant of Southeast Asia in terms of physical and demographic characteristics. Growing from about 40 million people in 1900 to over 210 million in 2001, Indonesia is the most populous nation in the Southeast Asia region and the fourth most populated country in the world after the People's Republic of China, India, and the United States of America. Although the state of development in Indonesia shares many structural features with other developing countries, particularly with other large countries of Asia, Indonesia has distinctive characteristics in terms of its size, geographic location, demography, society and economy. Its land area of about two million square

kilometres is distributed over 13,000 islands of which only five are major islands: Java, Sumatra, Kalimantan, Sulawesi, and Irian Jaya. Distribution of Indonesia's population is uneven throughout the country: more than 60 percent of the whole population live in Java – an island which covers only 7 percent of the Indonesia's total land areas.

The trajectory of development

On 17 August 1945, Indonesia achieved independence after three and a half centuries of Dutch colonisation and three and a half years of Japanese occupation. Headed by the country's founding President, Soekarno, Indonesia was ranked as one of the poorest countries in the world in the period from 1945 to 1965. It had experienced little economic growth, with a per capita income below that of many South Asian and African countries (Hill, 1998:1). Baker et al (1999:2) soberly describe the Indonesian economy at that time:

By early 1966 production was at a virtual standstill, physical infrastructure was disintegrating, and hyperinflation was rendering the nation's currency worthless. Most of the population of some 100 million people was living in a state of abject poverty, with the rural population at near subsistence levels.

In March 1966, Soekarno's Old Order government (*Pemerintah Orde Lama*) was succeeded by the New Order government (*Pemerintah Orde Baru*), led by then General Soeharto. Two decades of slow economic deterioration contributed to this succession, but the change of regime was especially triggered by political chaos following the abortive communist coup of 30 September 1965 (see Schwarz, 1994; Hill, 1996, 1998; Baker et al, 1999).

Over the next three decades, Indonesian development underwent what many Indonesianists classify as the New Order's "economic miracle" – in that the

national income expanded six-fold in real terms during this period and that economic prosperity was accompanied by a remarkable reduction of poverty (Smyth, 1997; Hill, 1998; Booth, 1998; Baker et al, 1999). Under the new regime, economists often cite Indonesia as one of the developing countries that experiences the remarkable economic growth. From the mid-1960s until the mid-1990s, Hal Hill (1996:3), the author of a number of influential books on the Indonesian economy, characterises the country as 'Southeast Asia's emerging giant':

The Indonesia of the mid-1990s is almost unrecognizable in a comparison with that of the mid-1960s. From the despair of the earlier period, the new regime was able to engineer an amazing rapid recovery, as manifested in sharply declining inflation and rising growth. Indeed, a little more than a decade on, Indonesia was being hailed as one of Asia's success stories.

The trajectory of Indonesia's development has been guided by a series of development strategies under the ongoing Five-Year Development Plans or Rencana Pembangunan Lima Tahun (Repelita). The plans covered social, political and economic targets, but since the first Repelita (1969-74) was put into effect, the objective was mainly directed towards achieving sustained economic growth on the basis of agricultural development along a path of accelerated industrialisation (see Soegijoko, 1992; Hill, 1996; Smyth, 1997).

During the early Repelitas (I to III), above all else, the intense utilisation of natural resources (notably oil) was the key engine of economic growth. National development policies focused on the rehabilitation of physical infrastructures (mainly irrigation and transportation systems), the control of monetary conditions (mainly inflation and budget deficits), and the reestablishment of cooperative relationships with the international donor community (Soegijoko, 1992; Hill, 1996). Within this approach, the development process rested on two strategies, namely the *green revolution* and *import substitution industrialisation* (Douglass, 1997).

With the green revolution strategy, development objectives focused heavily on the agricultural sector in order to increase rice production through massive investments on the input side – such as the introduction of, and subsidy for, new high-yield varieties, fertilisers, and pesticides. The import substitution strategy, on the other hand, intended to protect infant domestic industry from international competition by erecting tariff barriers and banning the importing of certain categories of manufacturing goods (such as fully assembled automobiles) (Douglass, 1997:113-9).

Unfavourable global economic conditions as well as the drastic fall of oil prices in the mid-1980s forced the next Repelitas to shift their emphasis. The change of direction in development policies was particularly striking when the twin strategies of import substitution industrialisation and exploitation of natural resources gradually moved towards export-oriented industrialisation and promotion of non-oil and gas revenues (Soegijoko, 1992; Hill, 1994, 1996, 1998; Douglass, 1997).

As Hill (1998) notes, during the 1980s, and particularly after 1984, the non-oil manufacturing sector has provided the real industrial dynamism in Indonesia. The Fourth Repelita – released in April 1984 – for example, indicated a major thrust into heavy industry and it was during that Repelita that exports and the private sector became the primary engines of industrial growth for the first time in the history of the New Order (Hill, 1998:29).

Since this time, direct foreign investment has been a powerful component in the restructuring of the national economy. Although resource-based industries still dominate manufacturing in both output and employment, policies have encouraged the production of intermediate goods and technologies. Light industries, such as textiles, garments, footwear, toys and electronics are acquiring importance, particularly as a result of the relocation of many manufacturing and capital-intensive industries from Japan, South Korea and

Taiwan. Amongst a range of goods for export expansion, textiles and garments became the most important (Hill, 1989; Smyth, 1997:31-2).

The performance of economic and human development

The performance of the Indonesian economy was notable, measured on the basis of the economic indicators. Until the regional economic crisis hit Indonesia in mid-1997, economic growth had seemed to expand at a constant rate between the 1960s and 1990s. While income per capita rose thirteen-fold from US\$50 to US\$650 between 1967 and 1995, the economic decline of the first half of the 1960s was substituted by strong positive growth for almost the entire period of 1966-90 (see World Bank, 1994, Hill, 1994; Smyth, 1997:29). The annual real GDP growth during 1994-97 was 7.2 percent, with average inflation of 9.0 percent annually. In the period 1994-96, export and investment growth were also relatively high, at 11.9 and 20.7 percent respectively (Garnaut, 1998:22-5).

Following this economic prosperity, basic social indicators point to the positive effects of changes (CBS, 1995; 1998; Smyth, 1997; Booth, 1998, 1999). Poverty has declined from 70 million people or 60 percent of the total population in 1970 to an estimated 22.5 million or 11.3 percent in 1996;¹ life expectancy improved from 52 to 65 years between 1976 and 1997; infant mortality declined from 108 to 50 per thousand live-births; and the literacy rate during 1961-97 rose from 42.9 percent to 87.4 percent of the total population.

A brief review of human development comparing the socioeconomic conditions between 1980 and the mid-1990 also shows that the improvements were remarkable in many respects. As summarised in Table 5.1, the performance of Indonesian achievements in human development between 1980 and 1994 was remarkable according to virtually every

indicator. The data in Table 5.2, furthermore, suggests that, although its HDI rank is lower than its two major Southeast Asia developing neighbours, Thailand and Malaysia, Indonesia still performed modestly well by such comparative indicators.

TABLE 5.1: Features of human development, Indonesia 1980-1994

Indicators	1980	1994
Economic Capital		
<i>GDP per capita (constant price 1983/rupee)</i>	452,908	1,841,534
<i>GDP growth (constant price 1983/rupee)</i>	9.9	7.3
<i>Inflation rate (%)</i>	16.0	9.2
Human Capital		
Literacy rate (%)	71.8	87.2
Educational attainment (%)		
<i>Junior High School and lower</i>	93.3	86.2
<i>Senior High School</i>	6.0	11.7
<i>Diploma/Academy/University</i>	0.7	2.1
Life expectancy at birth (year)	52.2	63.5
		(1995)
Infant mortality per 1,000 births	109	55
		(1995)
Doctors per 1,000,000 people	74	163
Hospitals per 1,000,000 people	51	51
Public Health Centre per 1,000,000 people	43	98
Access to housing facilities (%) ¹		
<i>Electricity</i>	14.2	60.9
<i>Piped drinking water</i>	7.0	16.1
<i>Private toilet facility with septic tank</i>	8.9	22.0
<i>Using non-land floor</i>	61.9	75.2
Social Capital²	(1984)	
Access to socio-cultural activities		
<i>Watching television</i>	44.5	69.4
<i>Listening to the radio</i>	49.4	63.9
<i>Read newspaper</i>	15.4	23.1
<i>Member of social organisation</i>	n.a.	38.1

Note: 1) the percentage indicates the availability of each facility, so that the total is not 100 percent; 2) similar to note 1, the percentage indicates the involvement of people in each activity, so that the total is not 100 percent. Source: CBS (1995 various tables); UNDP (1997:186)

Data in Table 5.2 suggests that the good performance of human development was due, in large part, to the combination of high economic growth and its allocation, especially on education and health expenditures. Ranis and Stewart (1999:109-10) confirm that Indonesia's government expenditure was

not particularly high by international standards and the lowest amongst its neighbours, but it 'was well distributed, with an emphasis on primary education and health care.'

TABLE 5.2: Indonesia's human development in comparative perspective, 1980s-1990s

Indicators	Country			
	Indonesia	Malaysia	Thailand	Philippines
HDI rank (1995)	96	60	59	98
Real GDP per capita (PPP\$) (1995)	3,971	9,572	7,742	2,762
Adult literacy rate (1995)	83.8	83.5	93.8	94.6
Life expectancy at birth (1995)	64.0	71.4	69.5	67.4
Social expenditures (1980-90):				
<i>Govt. expenditure (% of GDP)</i>	20.2	28.9	16.4	16.5
<i>Education exp. (% of govt.)</i>	8.9	16.4	12.1	9.1
<i>Health exp. (% of govt.)</i>	2.5	4.4	4.2	5.0
<i>Education plus health (% of GDP)</i>	2.3	6.0	2.7	2.3

Source: UNDP (1998:128-9); Ranis and Stewart (1999:110)

Some commentators (e.g. Booth, 1998, 1999; Hoa, 2000) also noted that Indonesia was one of the developing countries in Asia that had relatively good social development programmes. The government-sponsored poverty alleviation programmes had widely been acknowledged as having significant impacts on the improvements in living standards. These include a number of initiatives, such as the income generation programme (e.g. INPRES Desa Tertinggal or IDT Programme aimed at the improvement of the poor in least developed villages), subsidies for family planning and community health centre, and compulsory education and illiteracy-eradication programmes (e.g. Kejar Paket A/B) (see Suharto, 1994; CBS, 1995; 1998).

As will be shown by the following sections, however, the process of development in the country gives an indication that the achievements resulting from the structural transformation have been only partially successful during the entire period. While the level of industrialisation continue to be surpassed by the level of urbanisation, the inappropriate

macro- and micro-economic policies and bad governance practices have changed the past record of economic miracle into the economic collapse in the recent development trajectory.

INDUSTRIALISATION, URBANISATION AND EMPLOYMENT SHIFT

The analysis of employment in Indonesia cannot be alienated from issues such as limited expansion of industrial employment versus rapid urbanisation that suggest the potential growth of the less visible informal sector in the overall development process. The conjuncture of Indonesia's development since 1980s shows that the phenomenon of the informal sector has been a part of the labour movement associated with the drift of industrialisation, urbanisation and economic growth.

Following structural changes in the economy from agriculture to industry, the rate of urbanisation in Indonesia tended to grow, as indicated by the fact that a greater proportion of the labour force was becoming absorbed in non-agricultural activities. What is uncommon, however, is that most of the Indonesian non-agricultural labour force was not in formal, but in informal, sector employment: throughout the 1980s and 1990s, the growth of the informal sector had been steadily absorbing more than half of the people engaged in non-agricultural activities (Sethuraman, 1985; CBS, 2001).

Looking closely at this trend, the official statistics also indicate that the growth of the informal sector seems to be in line with the waxing and waning of the economy. During a period of economic growth, the sector tends to decrease as a greater proportion of the labour force is absorbed by formal employment in the modern industrial sector. In times of economic contraction, the sector tends to flourish as the modern sector is unable to absorb the growing labour force.

The growth of industrialisation

One of the outstanding features of the Indonesia's development achievement has been a wide range of economic reforms under the umbrella of industrialisation and modernisation. In a detailed study of the Indonesian transformation, Hill (1998) documented that the most important phenomenon in understanding Indonesia's development has been the country's industrial transformation. Since the 1960s, the growth of the Indonesian economy as a whole has been mirrored by the pace of industrialisation (Hill, 1998:1-3).

In the mid-1960s, Indonesia was regarded as the least industrialised country amongst the world's large developing economies. During this period, the Indonesian manufacturing sector was small in both absolute and relative terms: it contributed only about 8 percent of GDP, employed about 6 percent of the workforce, and used simple and manual technologies (Hill, 1998:2). The output was lower than that of much smaller nations, such as Hong Kong and the Philippines (Hill, 1998:24).

According to Hill (1998), since the late 1960s the manufacturing sector has grown rapidly in line with the economy as a whole. This initial period of rehabilitation and recovery had barely got underway when industrialisation began to involve foreign participants in terms of investment, trading and supply of technology and ideas in the newly liberal environment and improved physical infrastructures (Hill, 1998:2-3).

In the two decades between 1971 and 1991, structural changes in the Indonesian economy continued to occur quickly, from the domination of the primary sector (agriculture) to the supremacy of the secondary and tertiary sectors (manufacturing, trade, and services). During this period, in spite of the fact that agriculture grew at a moderate rate and the country achieved self-sufficiency in rice production in 1984, the share of agriculture in GDP tended

to decrease, while the share of manufacturing, trade and other service sectors continued to increase (Rachbini, 1999:13-4).

The increased role of industry in the economy is obvious from its contribution to GDP and employment. In the middle of the 1960s, agriculture accounted for 50 percent of GDP compared to the industrial sector with 13 percent, and manufacturing with only 8 percent. However, 30 years later the situation had greatly shifted. By 1990, the share of agriculture in GDP had decreased to 22 percent, while the industrial sector had increased to 40 percent with manufacturing accounting for 20 percent (Hill, 1994; Smyth, 1997:31). Between 1971 and 1990, the role of manufacturing in exports has also grown significantly – from 4.5 percent to 33.8 percent (World Bank, 1994; Smyth, 1997:31).

The contribution of the industrial sector (including manufacturing) to labour absorption has also recorded an expansion. Between 1971-80 and 1985-90, it increased from 16.1 percent to 26.7 percent of the total workforce, despite a decline to 10 percent in 1980-85 due to the oil price drop and other structural problems (Smyth, 1997:31). In addition, the drift of this modernisation has also led to the penetration of more advanced means of communication, transportation, and electrification, which further improved living standards of the population in most cities and villages, especially in Java. This contributed to the emerging trend of urbanisation due, in part, to expanded rural-urban relations and circular and permanent migrations.

The limits of industrialisation

Many authors on Indonesia's industrialisation (e.g. Hill, 1984, 1987, 1998; Wolf, 1992; Douglass, 1997) point out that although industrialisation in the last three decades of the New Order government contributed to considerable economic and social progress in the country, the feature of industrialisation

inherits fundamental limitations. Two striking examples are low employment absorption and the polarisation of industrialisation.

Low employment absorption

Hill (1984, 1987) and Wolf (1992) note that industrial growth in Indonesia has been substantial, but fragmentary and patchy. As a result of export-oriented manufacturing, Hill and Wolf point out that from the late 1960s to the mid-1980s, industrial growth was relatively sustained and rapid. During that period real industrial output grew by about 10 percent per annum, and the manufacturing sector quadrupled between 1970 and 1972, ranking tenth amongst less developed countries. However, this record was essentially smaller compared to those of its neighbouring countries (Hill, 1987:72). Although the contribution of agriculture to the economy continues to decrease, the percentage share of manufacturing in both Indonesia's GDP and employment is relatively low in comparison with that of other Asian countries (Wolf, 1992:37).

Similarly, Douglass (1997) remarks that following outcomes of the industrial strategy during the 1971-80 period, the number of workers in manufacturing doubled, but its small base meant that its share of national employment increased from 6.9 to only 9.3 percent. During this period, he shows that the absorption of the labour force into manufacturing was less than even the exceptionally slow-growing agricultural sector. The bulk of the increase in the labour force was absorbed in what are generally regarded as the non-basic sectors of construction, transport, trade and services as well as in small-based firms of self-employment in individual enterprises and family cottage industries (Douglass, 1997:115). According to Douglass, despite the substantial increase in manufacturing GDP during the 1978-85 period, the proportion of labour absorbed in this sector was half that of the 1970s, and its share of total employment remained almost constant. Meanwhile, agriculture,

trade, and services – the three sectors with the lowest levels of productivity – together absorbed 84 percent of the increase in the labour force during the first half of the 1980s (Douglass, 1997:127).

Hill (1998) also points to the fact that an ongoing feature of Indonesian industry from the colonial era (1930s) through the chaos of the early 1960s to the rapid growth since the late 1980s has been the remarkable diversity of Indonesian manufacturing. Enterprises range from multimillion dollar industrial plants to small seasonal household establishments. The big firms employ best practice technology with large foreign inputs and are integrated within the international economy. The small ones, on the other hand, rarely employ wage labour and sell only within the immediate neighbourhood. 'Both are engaged in manufacturing, but they are as different as multinational banks and occasional rural moneylenders in the finance industry' (Hill, 1998:47).

Hill (1998:47), furthermore, argues that manufacturing growth in the New Order era generated too few employment opportunities and that it led to the demise of small and cottage industries. He shows that between 1975 and 1986, small firms with 5 to 19 employees grew nearly as quickly as bigger firms with 20 or more employees in terms of output as well as employment (Hill, 1998:49). He also estimated that for the period of 1985-1990, this trend would have continued and that it would have confirmed the participation of small firms during this manufacturing export boom (Hill, 1998:49).

One contentious issue regarding the limits of industrialisation concerns the penetration of rural markets by manufactured goods made in large cities (Douglass, 1997). Many goods for daily use, ranging from clothing to food products, which had previously been fabricated locally are now made in the metropolis. For example, Japanese investment in textile production, concentrated in Jakarta and Bandung in the 1970s, led to an apparent absolute decline in manufacturing employment in Yogyakarta and much of

Central Java (Douglass, 1997: 123-4). This is confirmed by Wolf (1992) who found that most manufacturing growth in medium and large-scale modern firms, which are naturally more capital than labour intensive, has adversely affected the productivity of the small-scale establishments such as the traditional household, cottage and small industries. Many working in more traditional labour-intensive handicrafts have lost their livelihoods because their products simply cannot compete with the cheap manufactured goods, such as plastics and textiles, which now dominate the markets (Wolf, 1992:37).

Another feature of the reverse impact of industrialisation on employment absorption, which appeared in the early 1980s, deals with the rapid spread of mechanisation across the Indonesian islands (Douglass, 1997:127-8). For example, the introduction of threshers, paddy tractors and weeders have led to major decline in use of water buffalo as well as to lower use of labour per hectare in agricultural employment (Douglass, 1997:128).

The polarisation of industrialisation

Along with the success of sound macro development indicators, Indonesia's industrialisation also marked a polarisation between Java and other islands. Various studies of Indonesia's regional development provide a wide array of figures in which, apparently, no pattern is clear other than huge spatial disparity between Java and the outer islands (Azis, 1992; Soegijoko, 1992; Douglass, 1997; Rachbini, 1999). The terms "Java" or "inner" Indonesia and the so-called "outer" islands then emerged, where seemingly the modern and highly capital intensive industries go to Java and the rest to the outer regions. With regard to the distribution of foreign direct investment in Indonesia, for example, over the period 1967-90 Java (including Jakarta) absorbed 73.2 percent of the total number of projects with 54.1 percent of their value (Soegijoko, 1996:380; see Rachbini, 1999:18). Accordingly, in 1991, of the 75

industrial estates in Indonesia, 62 were located in Java, with 40 concentrated in West Java alone (Hardjono, 1994:196).

This situation is often referred to as the “Javanese bias” or even “Javanese imperialism” (see Douglass, 1997; Booth, 1998; Rachbini, 1999). Industrialisation often favours Java and neglects the development of other islands. The areas in Java which were already developed grew more rapidly, while the underdeveloped areas lagged behind. As a result, improvements in social and economic gains were not uniform across the nation. There is a development lag between Java and the outer islands. For example, poverty used to be mainly a problem confined to Java. This situation has been reversed since the 1970s. By 1987 Java had fewer than 50 percent of rural people living in poverty, while eleven provinces outside this island had a higher proportion of the poor than did any provinces in Java (Smyth, 1997:30).

As an archipelago and a large country Indonesia has, by nature, inherited enormously diverse regions, which are culturally and geographically heterogeneous and scattered. Such features have been partly responsible for major differences in the level and tempo of development. The concentration of development in Java has also been favoured by conducive resource endowments such as high soil fertility, more advanced infrastructures, abundant manpower, skilled human resources, and extensive markets (Harjono, 1992; Azis, 1994; Douglass, 1997).

Java has more comparative advantages and, hence, is still far ahead of other islands as the focus of industrial development. The shift in Indonesia’s development policy in the late 1980s and 1990s focused on attracting investment for industrial development, and export-oriented manufacturing has further resulted in new employment growth being concentrated in urban zones of Java (Hardjono, 1994; Hugo, 1996; Douglass, 1997). Within Java,

large manufacturing industries are clustered on the outskirts of cities, such as Jakarta and Bandung, where infrastructure facilities in transportation, communication and financial institutions are highly developed.

Obviously, the unbalanced growth and distribution of industrialisation have resulted in a pronounced regional concentration of population in Java. In particular, these factors have been very influential in shaping the structure and functional aspects of urban centres (Azis, 1992b; Hugo, 1996; Douglass, 1997;). The industrial concentration has widened the gap in the social, economic and technological spheres between Java and the outer islands. It has also accelerated the rate of urbanisation in the regions, particularly in the core urban regions of Jakarta, Bandung, and Surabaya, as well as in the peri-urban zones along with their corridors (McGee, 1994; 1995; Dharmapatni and Firman, 1995; Soegijoko, 1996; Hugo, 1996; Douglass, 1997).

Emerging trends of urbanisation and *kotadesasi*

With the majority of the population still engaged in agriculture, the pace and level of contemporary urbanisation in Indonesia is relatively modest. In 1990, the level of Indonesia's urbanisation was still below the average for Southeast Asia and was lower than those of Malaysia and the Philippines (Pernia, 1994:54-59). As noted above, however, indications of continuing structural changes are gradually but substantially moving the country from being an agrarian society toward being a more urbanised nation. This shift is manifested in an increasing proportion of Indonesia's population living in urban areas and engaging in non-agricultural occupations.

In 1961 and 1971, only 14.9 percent and 17.3 percent respectively of the population lived in urban areas. In 1980 and 1990, as many as 20.2 percent and 27 percent respectively of the population were urban residents (CBS, 1995, 1998). Although these figures confirm that most Indonesian people are

still living in rural areas, the increasing percentage of the population living in urban areas since 1960s shows that Indonesia will continue to become an increasingly urban society.

Table 5.3 shows further the shift of the Indonesian agrarian community to urban society. It indicates the changing patterns of population distribution and employment structure. In 1998, for example, more than 31 percent of the Indonesian population resided in urban areas, while nearly half of the population relied on the non-agricultural sector for their livelihood.

TABLE 5.3: Level of urbanisation in Java and Indonesia, 1980-1998

	Province						Indonesia total
	DKI Jakarta	West Java	Central Java	Yogya-karta	East Java	Java total	
Number of population (000)							
1980	6503	27454	25373	2751	29189	91270	147491
1990	8259	35384	28521	2913	32505	107582	179382
1998	9489	41578	30703	3018	34842	119630	204390
Growth rate (%)							
1980-1990	2.42	2.57	1.18	0.57	1.08	1.56	2.54
1990-1998	1.75	2.04	0.93	0.44	0.87	1.21	2.10
Urban population (%)							
1980	93.7	21.0	18.7	22.1	19.6	35.0	20.2
1990	100.0	34.5	27.0	44.4	27.4	46.7	27.3
1998	100.0	42.7	31.9	58.0	32.1	52.9	31.5
People engaged in nonagricultural sector							
1992	98.9	58.5	48.3	50.6	47.5	60.8	39.8
1996	99.6	69.2	60.0	65.0	57.2	70.2	48.6
1998	99.0	32.0	56.9	65.6	53.8	61.5	49.2

Source: computed from CBS (1995; 1996; 1998 various tables)

As pointed out earlier, the most prominent characteristics of Indonesian urbanisation relate to the highly uneven distribution of population between Java and the outer islands and urban agglomerations within Java. It was

found that the population is highly concentrated in Java. Indeed, some areas on the island of Java, particularly in West Java and East Java, are amongst the most densely populated areas of the world. In 1998, Table 5.3 shows that, out of 120 million of Java's population, 41.6 million (35%) and 34.8 million (29%) were living in West Java and East Java respectively.

Java contains the fastest growing urban regions, and the rapid population growth is evident both in urban areas and along their corridors. Java has been formally 35 percent urban since 1980. By 1998, more than half of the population of Java had become urban. Although West Java has the largest population amongst Javan provinces, Jakarta is the most urbanised city since 1990.

This condition is actually not surprising, since the city has been established for over 460 years. After more than four centuries of limited population and spatial growth, Jakarta has expanded at an explosive rate over the past four decades. By 1980, with an area of 65,400 hectares, Jakarta had a population of 6.5 million. By this time the influence of the city on the entire region – rather than merely on its fringes – was clearly evident. The urbanised society of Jakarta is particularly obvious in its physical appearance. As Jellinek (2000: 265) observed, the city had been transformed into an Asian Los Angeles with highways, overpasses, sky-scrapers, hotels, elegant offices, condominiums and mega-malls dominating the city during the 1990s.

The accelerated growth of Jakarta has spilled over into some of the adjoining district (*kabupaten*) areas of West Java province and subsequently created the extended metropolitan region of Jabotabek (i.e. Jakarta, Bogor, Tangerang and Bekasi) (Soegijoko, 1996:386). The urban population in this Jabotabek region contributes significantly to the scale of urbanisation in Java. In 1990 the urban population of Jabotabek was 13 million. With a growth rate of 5.8 percent annually during the 1980s, Jabotabek increased its share of the

national urban population to 24 percent. According to Indonesia's national plan projection, Jabotabek is estimated to reach 33 million in 2018, placing it amongst the world's largest urban agglomerations (Douglass, 1997:135).

Such metropolitan agglomerations are in evidence not only in and around the large urban core of Jakarta, but also in other peripheral urban regions of Bandung (BMR for Bandung Metropolitan Region) and Surabaya (Gerbangkertosusila for Gresik, Bangkalan, Mojokerto, Surabaya, Sidoarjo, Lamongan) and in corridors along major transport routes connecting core cities, such as Jakarta-Bandung, Jakarta-Cirebon, Semarang-Yogyakarta, and Surabaya-Malang (McGee, 1994; Dharmapatni and Firman, 1995; Hugo, 1996; Jones and Visaria, 1997).

These characteristics manifest themselves in the form of a single mega-urban region or in what McGee and other scholars have defined as an extended metropolitan region (Dharmapatni and Firman, 1995:299). Amongst other Indonesian cities, Surabaya and Bandung, with populations of 3.5 million and 3.3 million respectively, serve as the second and third largest cities that form the extended metropolitan regions in Java (Douglass, 1997:135).

In the Indonesian case, McGee (1989) describes such an urbanisation process properly by coining the term *kotadesasi* (rather than *urbanisasi*), while he has referred to such adjoining extended regions, as *desakota* regions. He juxtaposes the Indonesian words of *kota* (town) and *desa* (village) in order to make up the distinctive word "*urbanisasi*", involving the intense interaction of urban and rural activity that occurs in the same geographic boundary. This spatial process of extending a metropolitan region, which is also evident in many Asian countries,² is basically determined by the industrial development in both urban centres and the regions, and the linkages between them on the basis of their functional activities.

These *desakota* regions often incorporate two or more large urban cores and intensify rural-urban linkages which are connected by transportation routes. The impact of this case has not only produced a blurred distinction between rural and urban settlements, but has also created a growing mixture of agricultural and industrial activities, including migration or commutation to cities, accompanied by a huge transitional employment of the urban informal sector (McGee, 1989; Dharmapatni and Firman, 1995; Firman, 1996; Forbes, 1996; Hugo, 1996).

These accounts clearly describe how the polarisation of industrialisation has been followed by the specific feature of urbanisation in Indonesia, especially in large urban areas of Java. In the short term, the amplified concentration of industries in and around Jabotabek and other mega-urban zones in Java has, indeed, favoured the economic growth of these regions. However, the population pressure on their natural and built environments has also threatened the sustainability of that growth. The growth in Java, especially in Jakarta, Bandung and Surabaya, has been greatly in excess of the limit of their natural capacity to support the urban economy, public services and a healthier lifestyle. Traffic congestion, environmental degradation and urban poverty are some of the increasing problems affecting the living standards of the urban population.

Rural-urban migration

Like many of Indonesia's neighbours, there is no doubt that rural-urban migration played a key role in the growth of urban centres in the country. The concentration of industrial location, which has resulted in the acceleration of the growth of Javan cities – notably Jabotabek and its surrounding areas – has attracted rural people to migrate to these areas and hence they influenced the level of urbanisation and its character.

One striking feature behind this phenomenon has been the data showing that the migration to the outer islands was substantially less than inter-provincial migration to Java (Douglass, 1997; Hugo, 1996). Douglass (1997:129-30), for example, found that inter-provincial migration within Java is many times that of migration to the outer islands. For the 1980-5 period, 71 percent of all migrants leaving their home province in Java stayed in Java. This is consistent with Hugo's study (1996:159), confirming that between 1980 and 1990, the number of migrants from the outer islands residing in Java doubled, which meant that the net migration loss from Java showed only a comparatively small increase.

The Jabotabek region and West Java province continue to be the main destinations for rural migrants (Sugijoko, 1996). Although the government is still promoting various programmes, mainly aimed at shifting people from Java to the outer islands, the 1990s' censuses revealed that the number of migrants in Jakarta and West Java showed a significant increase over the last three decades. While the total population rose by 183 percent, the number of lifetime migrants increased by 114 percent (Hugo, 1996:165).

The 1995 Intercensal Population Survey further indicated that 50.9 percent, 27.7 percent, and 10.6 percent of the Jakarta population were recent migrants, life-time migrants, and five-year migrants respectively (CBS, 1996).³ In 1996, Central Java, Yogyakarta and East Java had a net lifetime migration loss, but Jakarta and West Java recorded the net lifetime migration gain of 1,782,099 people and 1,723,484 people respectively (CBS, 1999). This phenomenon explains the pattern of migration, which was dominated by "migration within provincial cities". This also suggests that the high concentration of industrial development in Java has been very powerful in pulling rural people to cities.

The standard argument to explain factors affecting urban migration is the often-cited thesis of “push-full factors”, which takes the view that people’s decision to migrate is the result of the interplay of various economic and social motives (Todaro, 1994; 1997; Azis, 1997). Based on a survey of urbanisation carried out in the six big cities of Jakarta, Bandung, Medan, Semarang, Surabaya, and Ujung Pandang in 1995, data in Table 5.4 confirm this argument. While social factors (e.g. joining family and education) contribute to the migration, the information suggests that the economic factor is the prime consideration in the migrant’s decision to migrate to these cities. This is particularly the case for rural migrants, for whom the main reason to move to all cities surveyed has been economic factors relating to obtaining a better job or income.

TABLE 5.4: Main reasons to migrate by place of origin, 1995

Place of Origin and Reasons to Migrate	Destination of Cities					
	Jakarta	Bandung	Medan	Semarang	Surabaya	Ujung Pandang
Urban Areas						
<i>Employment</i>	49.0	22.5	27.5	39.6	52.1	38.3
<i>Education</i>	4.4	35.7	22.4	13.5	18.8	42.4
<i>Marriage</i>	4.0	2.3	3.1	5.4	1.7	1.1
<i>Joining family</i>	35.0	29.5	42.9	33.3	23.1	24.0
<i>Housing</i>	6.2	1.6	3.1	3.6	3.4	1.1
<i>Others</i>	1.5	0	1.0	2.7	2.6	3.3
Rural Areas						
<i>Employment</i>	53.0	55.3	31.7	56.5	54.2	18.9
<i>Education</i>	2.7	16.8	27.1	14.1	10.8	63.4
<i>Marriage</i>	2.1	5.0	4.0	0	4.0	2.3
<i>Joining family</i>	37.9	20.2	31.1	29.3	29.6	12.0
<i>Housing</i>	3.3	1.7	3.4	0	0.4	2.9
<i>Others</i>	1.0	1.1	2.3	0	0.9	0.6

Source: CBS (1998:87)

These findings seem to be consistent with those of previous surveys. The more comprehensive survey of the 1982 *Susenas* (Azis, 1997:142-54) revealed that two economic factors, earnings and jobs probability, were the main considerations in the migrants’ decision to move and choice of a city of destination. The attractiveness of industrial locations in Jakarta and West

Java have contributed significantly to making these regions the main destinations for the largest number of migrants.

These accounts suggest that despite the importance of non-economic factors, the phenomenon of industrial concentration, together with perceived wider employment opportunities and higher earning in urban areas, serve as the significant determinants in explaining the patterns of labour movement in the urban labour market. The fact that the migrants' choice has been more determined by employment opportunities in the city of destination suggests the potential growth of the informal sector, mainly in urban areas of Java. It is expected that rural urban migrants who failed to enter the urban formal sector would make the informal sector their next choice.

With respect to the informal sector, another striking feature resulting from such a high rural-to-urban migration is the growth of urban *kampung* settlements as a consequence of loss of agricultural lands due to rapid housing and industrial developments, especially in the surrounding areas of Jabotabek and BMR (Dharmapatni and Firman, 1995).⁴ When migrants arrive in the cities, they need homes. However, the high cost of land and building materials forces them to move into overcrowded rental accommodation or seek shelter by taking part in land invasions as part of the development of squatter housing. Some, if not most, of the housing in *kampung* settlements are part of this phenomenon. As will be discussed in the next chapter, the *kampung*s are the "urban villages" for most rural migrants rely on informal housing and the informal sector for both their shelter and living.

RECENT DEVELOPMENTS: THE ECONOMIC CRISIS AND THE GROWTH OF THE INFORMAL SECTOR

As indicated above, Indonesia under the New Order government had been able to achieve substantial progress in various fields of national development.

In the past two decades of the post-independence era, the structure of Indonesia's development has undergone considerable changes in both the economic and social arenas. Whereas the agricultural sector had dominated the economy up to the late 1960s, manufacturing and service sectors had begun to induce the acceleration of economic growth since the 1970s. Industrialisation and the linkage with the world economy associated with international markets and foreign investment have presented the nation with unprecedented opportunities for economic growth and social improvements in national well-being.

The conjuncture of Indonesia's development during the past three decades after independence, however, shows that the country faces two fundamental problems: first, the relatively high and stable economic growth during New Order government – notably between 1970 and the 1990s – was accompanied by economic inequality and regional development disparities between Java and the other islands; and second, unprecedented urban population growth – aggravated by the uneven population distribution and migration of rural inhabitants to cities – meant that the rate of urbanisation far outstripped that of industrialisation.

Cutting across these gradual changes has come the third equally powerful dimension of the sudden development disruption: the economic crisis. This recent development tragedy, which rocked the Indonesian economy in mid-1997, has damaged all sectors of Indonesia's development, and has particularly expanded unemployment and poverty in urban areas. The following section will show that the interaction of these three forces appears to be directing the growth of the informal sector in the Indonesian economy.

The course and the cause

The economic crisis that began in July 1997 brought the growth miracle of the preceding three decades to a sudden halt. As described by many commentators, Indonesia fared worse than any other of the Asian countries that were affected. It is also the most profound crisis to have affected the country's development in decades. The 1998 annual World Bank Report describes it thus: 'Indonesia is in deep crisis. A country that achieved decades of rapid growth, stability, and poverty reduction, is now near economic collapse. No country in recent history, let alone one that size, has ever suffered such a dramatic reversal of fortune' (World Bank, 1998:1).

The decline in its GDP was far sharper than during the country's recession of the 1980s and even of the early 1960s (Evans, 1998:5), and similar to that which occurred in the United Kingdom during the worst of the depression years 1929-32 (Hill, 1999:1). Its currency contracted by as much as 20 percent in 1998, inflation reached almost 100 percent at its peak in mid-1998, while annual real GDP growth was -10.0 percent in 1998 (Hill, 1999:2). As Soesastro and Basri (1998:5) assert, 'what is most astounding about the Indonesian crisis is the extreme depreciation of the rupiah and the time it is taking to achieve a new equilibrium exchange rate.' On 22 January 1998, the Indonesian currency fell to a record low of about 17,000 rupiahs (Rp.) per US\$1, compared to Rp. 3,380 and Rp.2,604 three and six months earlier respectively (Soesastro and Basri, 1998:3; Robison and Rosser, 1998:1593).

A number of specific factors contributed to the depth and magnitude of the crisis (Baker et al, 1999:4). These included pure coincidence, since the initial run on the country's currency of rupiah in July was due in part to the contagious effect of a foreign exchange crisis in Thailand that spread to the currencies of all Southeast Asian countries. In fact, the domestic problems in the Indonesian economy added to the severity of the crisis (Soesastro and

Basri, 1998:6; McLeod, 1998b:916-22; Baker et al, 1999:4). These encompassed weak and unsustainable macroeconomic fundamentals, inappropriate microeconomic policies, over-investment in property development, excessive foreign debt, lack of transparency in the banking and financial systems, government failure to dampen overheating pressures, and political uncertainties (especially in relation to the presidential succession issue).

At a more fundamental level, however, a series of long-term problems that had built up over the three decades of the New Order government had also exacerbated the crisis (McLeod, 1998a, 1988b; Soesastro and Basri, 1998; Baker et al, 1999; Hall, 1999). According to Baker et al (1999:5), for example, the culprits of the crisis inherited from the New Order government ailments such as pervasive corruption, crony capitalism and nepotism (KKN), and the associated monopoly arrangements that raised the costs for the economy as a whole and reduced Indonesia's international competitiveness.

The impacts on the informal sector

The crisis has resulted in an economic downturn, especially massive inflation and currency devaluation in the country. As the economy became worse, the accomplishment and sustainability of Indonesia's development which had been achieved over the preceding three decades turned sour. The people's standard of living dropped considerably, accentuated by the increasing incidence of poverty, unemployment, malnutrition, and school drop-out rate (Evans, 1998; Hill, 1999; Booth, 1999; Hancock, 2001).

According to many recent surveys (CBS, 1998; Booth, 1999; Sumarto, Wetterberg and Pritchett, 1999; Hugo, 2000) the impact of the crisis has damaged almost all sectors of Indonesia's development, and has particularly pushed the numbers of the unemployed and the poor to a critical level. The

ILO (1998) estimated that some 5.4 million workers in the formal sector would be displaced by the current economic crisis, mainly from the service, manufacturing, and construction sectors. In 1999, because of stagnant wages and incomes in nominal terms, the increase in displaced workers, and high inflation, it was estimated that about 129.6 million or about 66.3 percent of the Indonesian population fell below the poverty line, at poverty levels not seen since the 1960s (CBS, 1999:3; Tambunan, 2001:101).

These problems led the Indonesian government to depend heavily on the external debt under the Structural Adjustment Programme (SAP) imposed by the International Monetary Fund (IMF) and the World Bank. The programme is mainly aimed at liberalising the market away from heavy government interventions. It involved a variety of economic reforms, such as restructuring bureaucracies and the banking system, and privatising state-owned enterprises (BUMN).

It is widely acknowledged, however, that the adjustment process is not free of costs. The costs were particularly high for vulnerable groups in the population, such as the unemployed and poor (e.g. Cornia, Jolly and Stewart, 1987; Evers and Mehmet, 1994; Thomas, 1995). In the cities, where forms of social protection such as social security or unemployment benefits are not available from the government, those who are unemployed and poor cannot afford to live without income. As data in Figure 5.1 and Table 5.3 and Table 5.4 below show, the solution for many in this position is to create their own employment in the informal sector as a strategy for survival (see Portes, Blitzer and Curtis, 1986; Moser, 1994; Rakowski, 1994b; Thomas, 1995).

Using the CBS definition, the data of the labour force situation in Indonesia, shown in Figure 5.1, reveal that the bulk of Indonesia's employment is in the informal sector (see note 1, chapter one). Between 1990 and 2000 this has been steadily surpassing 60 percent of the country's total labour force,

making the informal sector in Indonesia one of the largest in the world. The data in 2000 show that the sheer magnitude of the informal sector is phenomenal: its absolute number of 58 million people means that the employment density – the number of people engaged in informal activities per 1,000 people in the population of 210 million – is about 276 people or one informal sector worker for every 4 people.

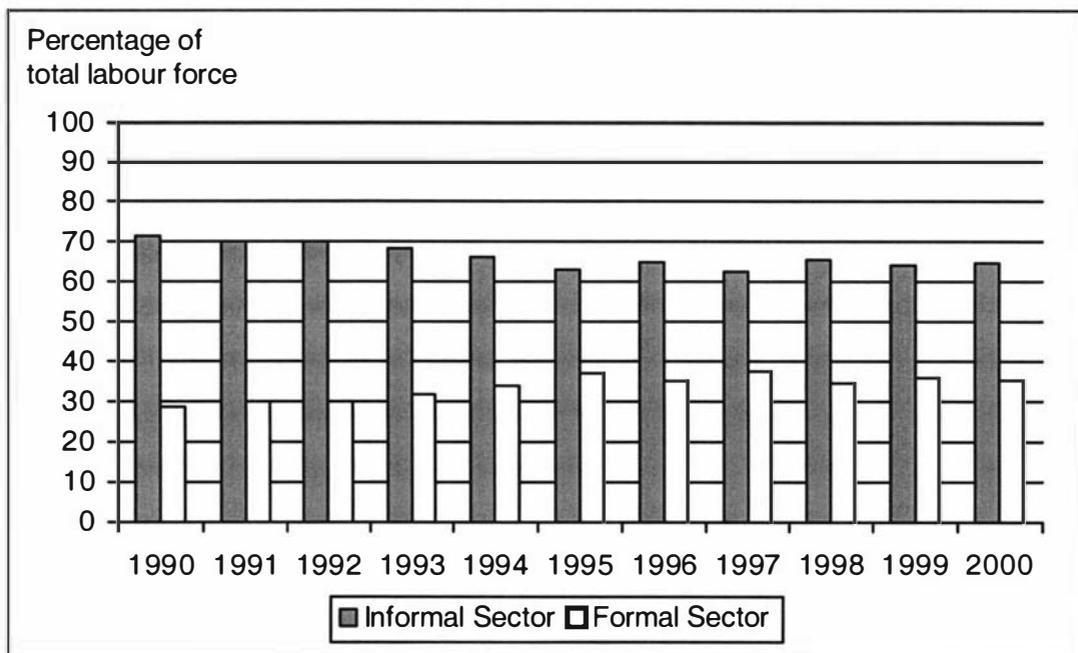


FIGURE 5.1: The size of informal sector, Indonesia 1990-2000
Source: Computed from CBS (1995,1998,2001 various tables)

Figure 5.1 clarifies some insights into the size of the informal sector contrasted with the formal sector in the larger context of Indonesia, and provides an overview of what has happened to the Indonesian economy during the decade. It is obvious that not only does the informal sector in Indonesia contribute significantly to the economy, but also it is flourishing and showing no indication of withering away. The information covers the period of the recent crisis and the findings are consistent with the idea of inverse relationship between the economic stagnation and the rate of growth of the informal economy.

The data show that in a period of economic prosperity, such as 1990-1997, those working in the informal sector decreased from 71 percent to 62 percent. In the peak of recession, such as in 1997-1998, the number increased again to 65 percent. This confirms that the impact of the economic crisis on patterns of employment growth in Indonesia is significant, and that the economic strategy of most Indonesian labour forces during the economic hardship was to engage in the informal economy. When the economy flourished, the modern industrial sector made a major contribution to the absorption of a new labour market, whereas in times of economic stagnation, a large proportion of new unemployed entered the informal labour market.

TABLE 5.5: Changes in employment by sector and employment status, Indonesia 1986-1998

	Total Employment (Million)				Percentage			
	1986	1990	1997	1998	1986	1990	1997	1998
By Sector								
<i>Agriculture</i>	37.6	42.4	35.8	36.4	55	56	41	43
<i>Industry¹</i>	10.8	10.4	16.5	14.2	8	14	19	17
<i>Trade</i>	9.8	11.1	17.5	18.3	23	15	20	22
<i>Services</i>	19.1	12.0	17.4	15.4	14	16	20	18
Total	68.3	75.9	87.0	84.3	100	100	100	100
By Employment Status								
<i>Formal sector</i>	17.6	21.1	30.5	25.1	26	26	35	30
<i>Informal sector</i>	50.8	54.8	56.6	59.2	74	74	65	70
Total	68.3	75.9	87.0	84.3	100	100	100	100

Note: 1) includes mining, utilities, manufacturing and construction sectors.

Source: ILO (1998)

The data on the trend of informal sector growth and its distribution in Indonesia in Table 5.5 and 5.6 confirms this view. In terms of changes in employment, Table 5.5 shows that before the crisis, between 1990 and 1998, although most employment was still concentrated in the agricultural sector, employment in that sector declined rapidly from 55 percent to 41 percent of the total labour force. In the same period, on the other hand, industrial employment rose slightly from about 14 percent to almost 20 percent.

Following the economic crisis, on the other hand, the period of 1997-98 saw the reverse trend in the previous movement of workers out of agriculture. It also witnessed the rise of the informal sector. The ILO (1998) study estimates that in the period of crisis between 1997 and 1998, the layoff of 5.4 million workers from the modern sector resulted in the decline of waged employment from 35 percent to 30 percent. It is estimated that at least half of the newly unemployed were absorbed by the informal sector and other small-scale or cottage industries (Tambunan, 2000:116).

Table 5.6, furthermore, shows that the informal sector constitutes a larger proportion than the formal sector for the whole country and that the informal sector is centralised in rural areas and on Java. Within Java, the importance of the informal sector in provincial employment is more significant in urban centres than in rural areas, except in East Java. When the sector is stratified by urban and rural classification, in aggregate West Java contains the largest number of people working in those categorised as the urban informal sector.

Thomas (1995) and Tinker (1997), amongst others, reveal that in most developing countries the urban informal sector increases as the urban population rises. This study confirms this trend. Although in general the informal sector still predominates in rural areas, as indicated by Table 5.6, there is a tendency that along with increased urbanisation and the ongoing economic crisis, the growth of the informal sector in urban areas has been higher than its counterpart in rural areas.

One of the striking results of this analysis is that a combination of the degree of urbanisation and economic crisis has greatly affected the size and growth of the informal sector, particularly in urban centres of Java, such as Jakarta, Bandung, Surabaya and Yogyakarta. As widely reported by national and local newspapers, the crash of the modern economy between 1997 and 1999, involving the closure of banks, factories and service agencies, pushed the

newly unemployed to more than double in the informal sector. In the case of street enterprises, the increase is even more impressive. In Jakarta and Bandung, for example, between end 1996 and 1999 the growth of the *pedagang kakilima* was estimated at 300 percent (*Kompas*, 23 November 1998; *Pikiran Rakyat*, 11 October 1999).

TABLE 5.6: The size of informal sector by province, Indonesia 1998

Province	Informal Sector		Formal Sector			
	Urban	Rural	Urban + Rural	Urban	Rural	Urban + Rural
DKI Jakarta						
<i>Number (000)</i>	1,171	0	1,171	2,383	0	2,383
<i>Employment share (%)</i>	8.45	0.00	2.04	14.48	0.00	7.86
West Java						
<i>Number (000)</i>	2,904	6,114	9,017	3,817	2,790	6,606
<i>Employment share (%)</i>	20.96	14.06	15.73	23.20	20.10	21.78
Central Java						
<i>Number (000)</i>	2,330	6,940	9,270	2,167	2,749	4,916
<i>Employment share (%)</i>	16.82	15.96	16.17	13.17	19.81	16.21
Yogyakarta						
<i>Number (000)</i>	504	409	913	382	156	537
<i>Employment share (%)</i>	3.64	0.94	1.59	2.32	1.12	1.77
East Java						
<i>Number (000)</i>	2,411	8,289	10,700	2,800	3,333	6,134
<i>Employment share (%)</i>	17.41	19.06	18.66	17.02	24.01	20.22
Java Island Total						
<i>Number (000)</i>	9,320	21,752	31,073	11,549	9,028	20,577
<i>Employment share (%)</i>	67.28	50.02	54.19	70.20	65.05	67.84
Other Islands Total						
<i>Number (000)</i>	4,532	21,737	26,269	4,903	4,851	9,754
<i>Employment share (%)</i>	32.72	49.98	45.81	29.80	34.95	32.16
Indonesia Total						
<i>Number (000)</i>	13,852	43,489	57,341	16,452	13,879	30,331
<i>Employment share (%)</i>	100.00	100.00	100.00	100.00	100.00	100.00

Source: Computed from CBS (1998 various tables)

During the crisis, the growth of the *pedagang kakilima* was particularly accelerated by new entrants from the formal sector. As a result of the economic contraction, it is assumed that large scale dismissal of waged employees in most sectors of the economy would force many of the newly unemployed to return to their villages of origin. This is not the case. A micro-

study conducted by CBS and UNDP (CBS, 1998) in 36 villages in six regencies showed that only 6 percent of 21,000 household samples were identified as recent migrants.

This figure is not different from the similar study of ICPS (1995) which also noted a result of 6 percent (cited in CBS, 1998:49). It seems, therefore, that the victims of the economic crisis were still holding out in the city and that the rising difficulty of life in the city did not push the unemployed to return to their villages of origin. As indicated by the study, it is widely believed that the conditions in the migrants' villages of origin would not be any better than those in the city, especially in terms of job opportunities.

The crisis has contributed substantially to the size of the informal sector through two interrelated modes: it has created new entrants in the labour market as well as persuading the old players to remain in the city. The crash of the modern economy has pushed people, not only the poor but also the middle class, to rely on the typical urban informal economy. As indicated above, these activities are particularly significant in street trading, which constitutes the highest share of the urban informal sector. Those amongst the middle to low income communities in urban areas and urban fringes, who have suddenly fallen below the poverty line, have turned to all sorts of new strategies for survival (see Jellinek, 2000).

In the current crisis, growth prospects will remain unfavourable in most formal sectors of the Indonesian economy at least until 2002. The employment impact of the crisis has been, and will be, very severe in cities and towns which account for most formal sector employment. The newly unemployed will obviously suffer a drastic loss in income, and since in Indonesia there is no safety net for them, they will not be able to remain unemployed for long and will enter the informal sector. Therefore, in such a pessimistic scenario,

new entrants from the newly unemployed will eventually depress average incomes in the informal sector.

At the same time, sharp price rises following the devaluation of rupiah and the removal of price controls and subsidies associated with the crisis, will threaten the informal sector, since many of Indonesia's 58 million informal sector workers are amongst the pre-existing poor in the population. It is therefore expected that since working in this unprotected sector leads to life in poor conditions, those – particularly the “old” – poor informal sector workers are likely to be severely affected by the crisis. As Ranis and Stewart (1999:111-2) assert, the newly unemployed obviously suffer a drastic loss in income, but the old poor, especially in urban areas, are more likely to be deeply impacted since – possibly unlike the “new” poor – they do not have the buffer of prior saving.

In Indonesia, there is virtually no safety net for the poor and unemployed. The traditional systems that supported the poor in the past, such as the reliance on family links and community supports, have been weakened with the emergent capitalist development in a modern and urban economy. However, since new social security systems suited to a modern industrial economy have not yet been established, the reliance on a growing economy – which proved to be successful in reducing poverty over the previous three decades – had severe limitations in making no provision for social security for the old as well as newly poor and unemployed (see Ranis and Stewart, 1999:112). In this sense, informal and social networks, such as household and community provision, may moderate the negative impact of the crisis, but cannot eliminate it. If many of the members of households and community are subject to the same risks at the same time, the systems of mutual coping strategies may cease and not be effective as risk spreading mechanisms (Corbett, 1988). This is particularly true in Indonesia, since, in most cases, the severity of the crisis tended to be widespread as it was exacerbated by other

exogenous shocks such as political turmoil and social unrest mounted in 1998, the peak and first year of the crisis.

CONCLUDING REMARKS

The foregoing discussion has presented an overview of the contribution of structural changes in Indonesian economy to the understanding the macro-level of development processes of industrialisation, urbanisation, and economic crisis and their effects on the rise of the informal sector.

The findings show that along with structural changes, Indonesia has undergone a major shift in the urban and structural pattern of development, which saw the growing proportion of population living in urban areas and engaged in non-agricultural occupations of the informal economy. The growth of the informal sector tends to follow the fluctuation of the industrial sector. Therefore, it is obvious that during the economic crisis the increase was very high compared to normal times. Moreover, as the impact of the crisis on the labour market and access to economic activity has been most severe in the urban areas of Java, the tremendous growth of the sector is concentrated in these regions, especially in the large cities of Jakarta and Bandung.

The findings also suggest that since the problems of unemployment and poverty in urban areas were already acute before the crisis hit, the socio-economic impacts of the crisis are more serious in affecting the activities and lives of those participating in the urban informal sector. It shows that the crisis is not only proliferating the already high number of the informal sector workers but also reducing their incomes.

What had happened to the *pedagang kakilima* and their families in Bandung is one of the main themes explored in this study. Later in chapters seven and eight, the issues of how the gradual impacts of structural transformation as

well as the sudden impacts of the recent economic crisis are reflected in the lives and choices of those involved in street enterprises will be considered in detail. But before that, chapter six will introduce profiles of Bandung City and general features of *pedagang kakilima* in the study area.

NOTES

1. The official poverty line in Indonesia is based on basic physical needs (e.g. income that is equivalent to calorie intake of 2001) according to urban and rural areas. For example, at the end of 1998, CBS established a standardised estimation of poverty line for urban areas of Rp.96,959 per capita per month (CBS, 1999:1).
2. A number of scholars have argued that many Asian countries, such as China, South Korea, Japan, Pakistan, and India, have been experiencing the phenomenon of integrated zones or extended metropolitan regions (McGee, 1989, 1994, 1995; Jones and Visaria, 1997; Potter and Lloyd-Evans, 1998). The similar feature has also been found in Tanzania (Potter and Lloyd-Evans, 1998).
3. Recent migrants are people who have lived in another province. Lifetime migrants are people living in a province other than their province of birth. Five-year migrants are people who moved to their present province of residence from another province within the five years preceding the census (Hugo, 1996:166; CBS, 1996:53-5).
4. Dharmapatni and Firman (1995:304-5) reported that during 1980-89, housing development in Botabek took up 15,900 hectares of former rice fields, constituting three-quarters of total land needed for housing development. Four-fifths of the total land needed for industrial development was taken from wet and dry rice fields. In the same period, about 70 percent of land for housing development in Kabupaten Bandung was taken from wet rice land, and about three-quarters of the total land for industrial development was from dry rice fields. However, as one might suspect, the actual amount of agricultural land loss due to housing and industrial uses could be much greater than recorded.

CHAPTER SIX

BANDUNG: THE CITY AND THE *PEDAGANG KAKILIMA*

Surely it is not surprising that people moving from rural to urban areas take with them habits and behaviour patterns learned in the previous place of residence.

McGee (1973:136)

The preceding chapter noted that the process of industrialisation in Indonesia has been marked by strong regional agglomeration. In fact, a large proportion of foreign and domestic investment, as a driving force of industrialisation, is concentrated in the West Java province, particularly in the regions of Jabotabek and Bandung. The impact of such changes on the spatial, social and economic conditions of these regions has been immense, especially on the transformation of rural and semi-urban communities.

As the third largest city in Indonesia, after Jakarta and Surabaya, Bandung shares many similarities with these cities in the pattern and level of urban development resulting from the national economic boom since the 1970s. The process of urban development in Bandung has increased the city's prosperity and has therefore made it a magnet for rural migrants from the surrounding areas who come to the city in order to obtain a better livelihood and standard of living. The interaction between migrants and permanent residents has given distinct profiles to the nature and character of the Bandung inhabitants,

especially to households in *kampung* settlements. Although industrial capitalist development has contributed to the reinforcement of the cash economy, households retain the social networks and class structures broadly found in rural Java. One striking feature of these characteristics has been a cultural mixture – a combination of urban and rural identity standing side by side in the same community where industrial capitalism and the informal economy are highly interdependent.

This chapter introduces urban development and *pedagang kakilima* in Bandung. The main aim is to examine general features of the research locations and research participants in the city under study. The analysis proceeds in the following way. The first part looks at profiles of Bandung and introduces the urban development, population, sub-districts (*kecamatan*), and *kampungs* in the local community. The second part then describes general features of *pedagang kakilima* to highlight the magnitude, typology, products, and demographic characteristics of the street traders in the city.

PROFILES OF THE CITY

Bandung is the capital of West Java, located about 200 kilometres southeast of the national capital, Jakarta. The name “Bandung” can be referred to as a district (*kabupaten*) or a municipality (*kotamadya*) areas (see Figure 4.2 and 4.3). In this study, unless otherwise indicated, Bandung refers to the municipality as it represents the core of the city and the focus of the study. Both municipality and district have two different administrative areas and are included as a part of the Bandung Metropolitan Region (BMR). This metropolitan region, situated 650 metres above sea level in the upper stream of the Citarum River Basin, covers an area of about 2,367 square kilometres. The region is one of the three largest urban agglomerations in Indonesia, after Jabotabek (Jakarta metropolitan region) and Gerbangkertosusilo (Surabaya metropolitan region).

Bandung urban development

Bandung is the urban core of the BMR and central government of West Java province. In 1999, the municipality comprised 26 sub-districts with 130 *kelurahans* (urban localities) and 9 *desas* (rural localities). Following its rapid growth, the city's boundary has administratively been expanded from 80.98 square kilometres in 1987 to its present 167.29 square kilometres (Dinas Tata Kota, 1999). Thus, while the "old city" is referred to as the *kotamadya* before its area of expansion, the "new city" is designated as the extension area.

The expansion of the municipal administrative boundary has given the city two distinctive features. The old city accommodates intensive urban land-uses through vertical growth, whereas the new area mostly consists of agricultural lands with low urban density. At present, the eastern and southern areas of the city are being transformed into housing, commercial, service and industrial areas. Part of the development in these areas is also formed by residential movement from the city centre to the fringe areas, used for new housing estates, and also by the decentralisation of the regional activities from the city centre. The northern part of the city (north of the railway), which was developed during the Dutch colonial period, is distinctively different from the southern part. The northern part is characterised by lower density, larger residential plots, and villa-type houses with numerous recreational facilities. The southern part, on the other hand, is distinguished by high densities of land use, with relatively small housing plots and small houses.

The economic growth of Bandung between 1980 and 1997 was relatively rapid and substantial. Real per capita GRDP (Gross Regional Domestic Product) increased seven-fold in less than two decades, from Rp.385,000 to Rp.2,772,880 (BAPPEDA, 1997, 1999). The growth had been positive for almost the entire period 1980-97. In line with national trends, economic development in Bandung denotes a gradual shift from the agricultural sector

to an industrialised one. The role of agriculture as a determinant in Bandung's economy continues to decrease. The agricultural share of the city's GRDP has now been overtaken by the trade and manufacturing sector – the first and second largest contributors. In 1997, agriculture was the only sector with negative growth (BAPPEDA, 1999).

Despite the impressive growth in the trade and manufacturing sector, the Bandung economy is also characterised by the tertiary sector, such as transportation, and financial and community services. While the primary sector was the main contributor to the economy until 1990, the tertiary sector was dominant during the 1995-97 period and contributed significantly to Bandung's thriving economy (BAPPEDA 1999). The decline of agricultural sector alongside the unprecedented growth of the secondary and tertiary sectors has become very apparent in recent years, as shown by the conversion of agricultural land to industrial uses, and growth of residential and commercial sectors. Firman (1996:9) reported that between 1985 and 1992, farmland in the Bandung-Soreang corridor declined by an average of 16.7 hectares per annum, while uses of land for non-agricultural sectors continued to increase annually. Between 1985 and 1992, the annual increase for housing was 9.6 hectares, for industries 2.4 hectares, and for urban facilities 0.2 hectares (Firman, 1996:9).

The majority of economic units in Bandung are labour-intensive and small-scale enterprises. Although the large-scale industries involve the bulk of employment, more than 90 percent of establishments are categorised as small-scale industries, while less than 2 percent of establishments are large-scale industries (BAPPEDA, 1997:202). The proportion of small-scale establishments is particularly high in textiles and garments, food processing and wood production. The shoe industry in Cibaduyut and the jeans trading centre in Cihampelas, for example, involve local owners and employ abundant domestic workers. Moreover, a "bazaar type" economy can also be

found in Bandung in which most establishments in the services and wholesale and retail trades are run predominantly with family labour.

Bandung has comparatively better infrastructure, social amenities and services to support and facilitate economic development than other Indonesian cities of comparable size. The city is also close to Jakarta, the centre of national development. Therefore it is not surprising that Bandung has been chosen by both domestic and foreign investors for their businesses and industries. Bandung is the place where manufacturing industries, services, and other important business activities are largely agglomerated (Firman, 1996; Dinas Tata Kota, 1999). The city is known as one of the centres for hi-tech industries in Indonesia. There are three such industries located in the city: the aircraft industry (IPTN), the arms industry (Pindad) and the telecommunication industry (PT INTI), which, in 1999, employed about 10,000, 5000, and 2000 workers respectively.

Typical of the BMR has been one of the largest concentrations of textile industries in Indonesia since the first decade of the twentieth century. This region is often declared as the “textile capital” of Indonesia (Firman, 1996:4). In 1994, the textile and garment industries accounted for more than one-third of the industrial employment in Kotamadya Bandung and almost two-thirds of that in Kabupaten Bandung (Firman, 1996:4-7).

Other sectors which have also played an important role in the Bandung economy are tourism and education. Owing to the beautiful scenery and cool weather in the northern part of the city, tourism has been extensively developed in Kecamatan Lembang and near the volcanoes of the Tangkuban Parahu (Firman, 1996; Dinas Tata Kota, 1999). In education, six state universities (e.g. ITB, UNPAD, IKIP, IAIN, STKS, STIA-LAN) with between 4000 and 13,000 students, as well as private colleges with between 500 and 1,500 students, are located in Bandung. The universities involve not only

students from regions within West Java province, but also from all over Indonesia.

Ever since the Indonesian economy has been in a state of crisis, the Bandung economy also suffered. The crisis between 1997 and 1999, which the period of this study covers, had a widespread impact on the local community in the city. This crisis was made worse by natural disasters, such as massive droughts, forest fires and the el Nino effect in various part of Indonesia, all of which happened between mid-1997 and mid-1998, the first year of the crisis period (see Booth, 1999; McGee and Firman, 2000; Sunderlin, et al, 2001).

The exceptionally dry conditions in some rural areas and heavy rains in others crippled agriculture, withered crops and caused widespread loss of livestock. This pushed rural people to migrate to urban areas. In the cities, similar problems occurred. Life for those who moved into the city has not been any better than for those who stayed in the villages (CBS, 1998:49). The closures of factories and banks as well as the tremendous increase in the food prices, also created an “unnatural disaster” for urban households.

A cursory examination of the Bandung economy suggests that many, if not most, industries are severely affected by the crisis, particularly construction, trade, and financial services (BAPPEDA, 1997). For example, the manufacturing industry in Bandung was initially designed as an export-oriented industry, so that it could increase revenue in foreign exchange. However, since this industry is not locally-based and relies largely on non-domestic raw materials, this sector is very susceptible to the crisis (CBS-West Java, 1998).

As a large proportion of manufacturing industries are still highly dependent on imported goods, the strong depreciation of rupiah followed by a high inflation rate have made these inputs very expensive. Because stocks of imported

goods became rapidly exhausted, a large number of import-intensive companies curtailed or stopped their operations. As a result, large and growing numbers of workers were discharged with many of them being forced into jobless, poverty or the urban informal economy.

An observation in the central part of the Bandung city found that this phenomenon was particularly apparent in *kampung*s and streets. As supplies dwindled and prices rocketed, queues for food, charity and relief programmes became a common feature in urban *kampung* settlements. In main streets around Alun-alun square, Asia Africa, Dalem Kaum, Dewi Sartika, Braga and Cibadak, on the other hand, informal enterprises lined public markets, malls, schools, and hospitals, while vacant lots and public sites were also converted into “incidental and crowded flea markets” (*pasar kaget* and *pasar tumpah*). A variety of stalls or plastic-covered stands of the street vendors colour the city, but in some areas their agglomeration and the customers they attract are inevitably responsible for creating street crowds and cutting off traffic flow.

The population

In 1998, the population of Kotamadya Bandung reached 2.5 million with an average household size of 4.07 people (CBS-West Java, 1999). This gives an average population density of 14,780 people per square kilometre. The density ranges from 53,327 people per square kilometre in Kecamatan Bojongloa Kaler to 1,152 people per square kilometre in Kecamatan Cicendo. This is clearly a very high population density, especially when compared to the average for West Java, which was 7,205 per square kilometre, and also impressive considering that Jakarta has a density of 14,291 (BAPPEDA, 1997; CBS, 1998; CBS-West Java, 1999).

The population of Bandung City is mainly concentrated on the southern region of the central city (e.g. Kecamatan Bojongloa Kaler, Cibeunying Kaler,

and Astanaanyar), as well as in the eastern region of the central city (e.g. Kecamatan Kiaracondong, Batununggal, and Cicadas) (Dinas Tata Kota, 1999). This condition is caused mainly by the concentration of development activities. Primary and secondary businesses, home industries and informal sectors are predominantly operating in these areas.

Official statistics show that the population of Bandung is characterised by non-permanent residents or circular migrants, accounting for up to 25 percent of the population (BAPPEDA, 1997). This is influenced by well developed transportation networks, as well as cheap and relatively accessible public transport, and booming housing development. The well-developed road networks that link Bandung with the adjacent districts, allow the labour-intensive technology of the construction companies to absorb a huge number of low-skilled rural workers to participate in the urban labour market without being forced to migrate to the city on a permanent basis. This seasonal migration especially expands in the dry season, when labour demand in the construction sector increases, and correspondingly labour demand in the agriculture sector declines.

The natural beauty and favourable climate of Bandung contributes to a trend in the growth of immigration and *kampungs*. Bandung not only exerts a “pull effect” on the rural poor but also on the metropolitan upper-class. Bandung has also become a second residence for the rich people of Jakarta, government elite, generals, and some rich Chinese or foreigners. Along with this trend, the modernisation of Bandung and the immigration of affluent households has increased the cost of living (which already is almost as high as Jakarta), land prices, and consumerism.

The high rate of rural-urban migration in Bandung has been a major cause of the rapid sprawl of slums and *kampung* settlements, which, owing to the expansive increase in land prices and the high demand for rural labour, has

pushed immigrants to build their homes in low-cost and informal-type of settlements. As *kampung*s are able to maintain an urban foothold for the migrating people and other lower class communities, these self-help habitats contribute to the diversification of survival strategies of the inhabitants to work in different sectors at different stages according to seasonal employment, times of the year, or even times of the day.

This phenomenon creates a “cultural dualism”, delineating a stark contrast of strata between modern and traditional society within the community. The upper-class community lives in modern housing and works in the formal economy. In contrast, the lower class lives in *kampung* areas and works in the informal economy. In the economic boom, these two cultures seemed to have no interaction, but during the economic crisis, a proximal connection was revealed; both of them came to rely more on the different types small-scale production and subsistence economy. In times of crisis, people from different class structures are involved in a wide range of livelihood strategies for survival. For the poor, such household-base coping mechanisms have been a part of their daily crisis-prone reactions adapted over generations; for the middle class these copied survival strategies are more transitional adaptations until something better comes along.

The sub-districts

Bandung is a “full house” for thousands of *pedagang kakilima*. The official statistics show that over 32,000 street vendors exist in this city. They are agglomerated in specific locations, which are close to places where they can be approached easily and favourably by their consumers. Specific sites for fieldwork were therefore selected on the basis of dominant economic activities and facilities, which contain a pocket of street traders. In this study, the four sites in Cicadas, Cicaheum, Simpang (cross-roads), and Alun-alun square were chosen following their main functional activities as shown in Figure 6.1:

1. *Pasar*: a market owned by local government.
2. *Pertokoan*: a private shopping area with small and medium-sized shops.
3. Commercial Complex: a commercial area with large-sized malls, super-markets, and private business offices.
4. Bus Station: a transportation destination situated just outside or adjacent to, (*pasar* and *pertokoan*).

Location	<i>Pasar</i>	<i>Pertokoan</i>	Commercial Complex	Bus Station
Cicadas	√	√	√	-
Cicaheum	√	√	-	√
Simpang	√	√	-	-
Alun-alun	√	√	√	-

FIGURE 6.1: Dominant economic activities in the research locations
Source: Fieldwork, 1999

All locations reflect their physical proximity to the main road and also their reliance on activities located on the road. At these locations, public transportation passes along the road at all times of the day and night and there is a considerable volume of traffic. Their locations in relation to both the central city and the dominant economic facilities reveal certain marked differences. However, since all of the four sites were located in relatively connected urbanised areas, they share many similarities, particularly in terms of their geographic and demographic profiles.

The locations are respectively next to and at some distance from the centre of the city. While the Alun-alun is central, the other three are located about 5 to 10 kilometres from the square: Cicadas to the southeast, Cicaheum to the northeast, and Simpang to the north. Administratively, each location belongs to different *kecamatan*s or sub-districts: Cicadas belongs to *Kecamatan Cibeunying Kidul*, Cicaheum to *Kecamatan Kiaracondong*, Simpang to *Kecamatan Coblong*, and Alun-alun to *Kecamatan Regol* (see Figure 4.2).

Permanent residents in these *kecamatan*s generally work in the formal sector with regular hours of work and fixed salaries, either as private enterprises in larger scale and capital-intensive firms (e.g. factories, banks, hotels, restaurants, malls) or as public and bureaucratically organised offices (public administrators, teachers, army) within or outside their *kecamatan*. Local statistics show that, except in Kiaracandong, those working in the agricultural sector account for less than 1 percent (BAPPEDA, 1997). In Kiaracandong, agricultural employment accounts for 3.55 percent of the active population. Although there is no survey data on the subject, but based on informal interviews and group discussions with local people, the disappearance of agricultural land appears to be related to industrial and housing developments.

There are public buildings in the *kecamatan*s, from which local government services to the population are available. In addition to buildings which house the *kecamatan* administration offices, educational facilities are available from kindergarten to senior high schools. For their immediate health needs, the inhabitants of all *kecamatan*s can reach Puskesmas (Community Health Centre) or clinics. While clinics are generally privately owned, Puskesmas are substantially government subsidized. These centres provide services for minor illnesses and accidents, routine check-ups, services for mother and child health, and family planning services.

Facilities not available within the *kecamatan*s and yet important for the community are located along the road or in other *kecamatan*s, which can be reached by most means of public transport. Higher educational institutions and more extensive and specialised medical facilities are to be found in other areas, but they are still accessible to public transport. Borromeus hospital, Bandung Institute of Technology (ITB) and Padjadjaran University (Unpad),

for instance, are only about two kilometres away from the Kecamatan Cobleng office or from *kampung* settlements around Simpang.

The *kampungs*

As this study focuses on urban inhabitants who work as street traders, the research participants and their households that were within commuting distance of their business operation have been selected. Fortunately, although a few traders were found to live in neighbouring areas, the great majority of the research participants live in *kampungs* next to their business operation. In Cicadas, for example, the *kampungs* are located around Jalan Cikutra, Jalan Kiaracandong, and Jalan Cicadas, each of which are only about a ten-minute walk to Cicadas' main road.

Since the Alun-alun area is the central city, covering a larger area for commercial activities, the street traders there have to walk and push their cart from the more distant *kampungs* that surround the central city and which appear to create radial-like settlements. The *kampungs* provide the inhabitants not only shelter but also the proximity to the income-earning activities in the city. The great majority of the inhabitants are ethnic Sundanese, who speak both Bahasa Sunda and Bahasa Indonesia, and are Muslim.

Kampung is essentially the typical settlement in rural Java and *kampungs* in urban areas still retain rural culture. But houses in the urban *kampung* are built very close to one another and are rarely surrounded by the home-yard or *pekarangan* – a typical characteristic of houses in rural *kampungs*. The families or households generally occupy a house with an average space of 21 to 36 square metres. Rooms are usually divided and subdivided as new members arrive. Most houses are modest with their brick walls, cement floors, roof tiles, and window glasses. With rudimentary structures and materials,

however, a few houses look closer to what some describe as “self-help housing” in slum or squatter areas. All of the houses enjoy the benefits of power, although some of them share power between two and three houses.

A sketch of one *kampung* in Cicadas is provided Figure 6.2 to give an insight into the physical features of the urban settlement (see Plate 12). Based on a rapid reconnaissance, I was accompanied by two participants and we drew up *kampung* profiles to show general components of the settlement, including pathways, houses, and public facilities. The details on household population was discussed further and noted by four other *kampung* inhabitants: a husband and wife and their two secondary school boys. They indicated households of street traders and specific public facilities, such as schools, factories, and public toilets.

In general, *kampungs* suffer from inadequate urban facilities. Roads which lead to the core of the *kampungs* are generally small and only partly paved. The unpaved sections are dusty in the dry season and muddy in the wet months of the year. Inhabitants mainly walk to work, to school or to the market. But *becak* (trishaws) and *ojeg* (motorbike taxi) are favoured by local people as means of transportation along the narrow pathways of the *kampungs*. Until very recently, city government, with the support from UNDP and an NGO (CARE), has delivered the Kampung Improvement Programme (KIP) to facilitate and improve the physical infrastructure (sewerage system and cement pathway) of the *kampungs*. However, owing to the lack of maintenance and evaluation, some public facilities are damaged and not usable. Inhabitants dispose of solid waste everywhere, often in drains, creating an unhealthy smell of excrement, as well as flooding caused by the clogging of the drainage system, especially during the rainy season.

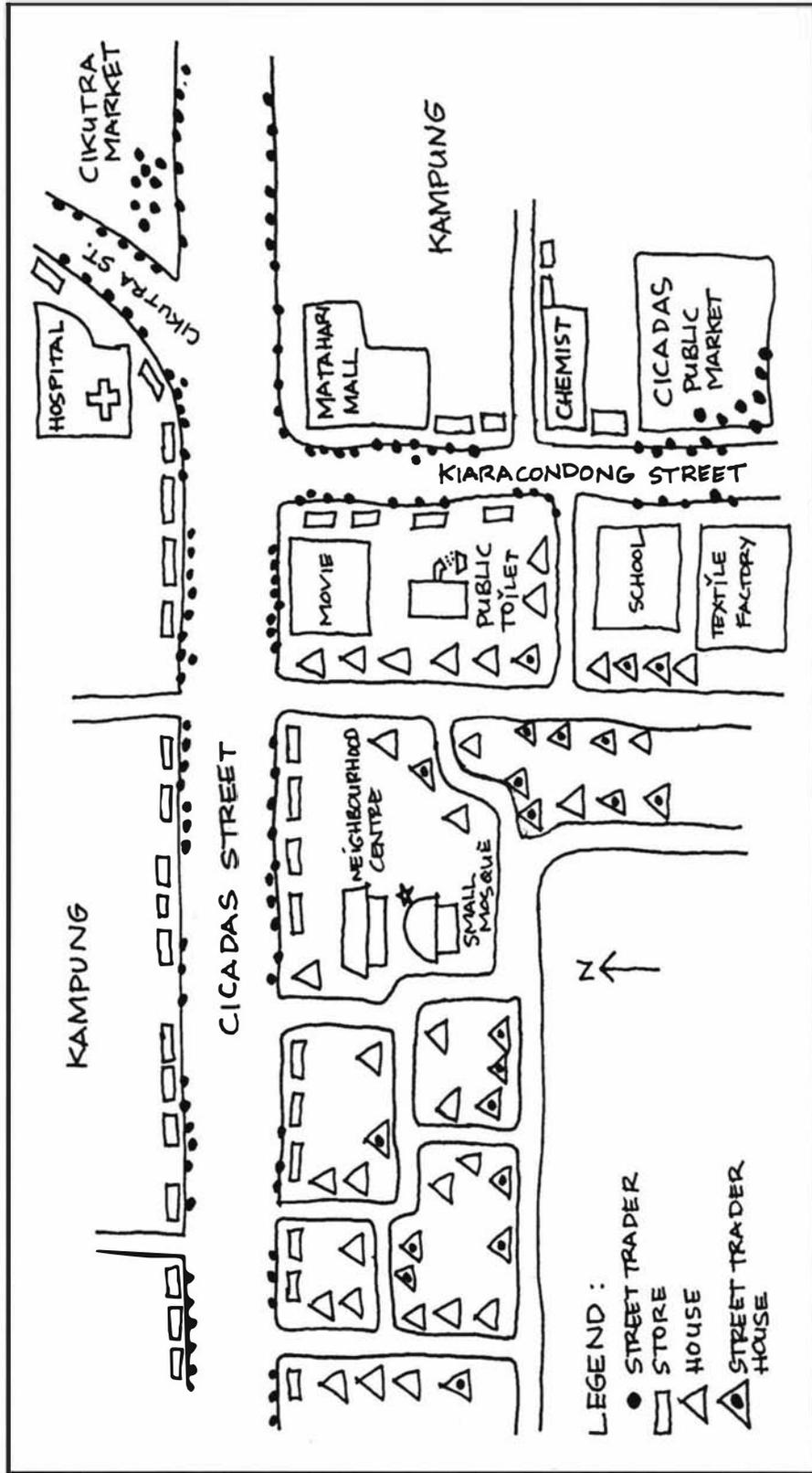


Figure 6.2: A sketch of one kampung in Cicadas; Source: Fieldwork (1999)

Since the ownership of land and a house is an expensive luxury, which only rich families can afford, houses are mostly rented. Young couples living in a house of their parents or parents-in-law (*mertua*) are very common. Not all respondents have their own house, and hence they live with their *mertua*. When I asked participants where their home was, they often responded by laughing and answered jokingly: “my home is in *mertua indah* housing” – *indah* means beautiful, a designation that often appears in the name of expensive housing complexes, such as Pondok Indah, Permata Indah etc.

Night and day, itinerant traders (*pedagang keliling*) move from house to house delivering daily commodities (rice, sugar, fresh vegetables, fruit, kerosene, water), kitchen wares (saucepans, kerosene stoves, glasses, plates, spoons), home appliances (beds, tables, chairs, brooms) and other household and personal needs (clothes, shoes, towels, toys), or offering a variety of services (loans, barber, body weight measures, shoes or umbrella repairs). In each *kampung*, there are five to ten small and medium-sized kiosks or fixed stalls (*warung*). Some of them are rudimentary stands (often just a table and bench outside a home) from which basic necessities (rice, sugar, cooking oil) or prepared foods and drinks (instant noodle soups, noodle with meat ball soups, soybean porridge, a filling chicken porridge, tea and coffee) are sold.

Jellinek (1991; 2000) found in Jakarta that although *kampungs* suffer from a lack of physical facilities, these settlements have a positive effect in terms of social and mutual support. *Kampungs* in Bandung also have close social networks and relations reflecting the mutual values of Indonesian tradition of *gotong-royong* or working together and helping each other. As Bandung is at the heart of Sundanese culture, social relations and cohesion of the neighbourhoods are based on the local proverb of *silih asah, silih asuh, silih asih* (to learn, care and love each other). It essentially delineates a value of togetherness, such as *riung mungmulung* (group sharing of good fortune) and *anjangsana* or *silaturahmi* (to visit and care for friends and neighbours).

The role of social networks in *kampung*s is critical for its inhabitants. Dwellers generally know one another by sight, origin and occupation. They also care for and help one another without any economic motive in a direct sense. Having good relations with neighbours is important for security and for assistance of various kinds, particularly in such issues as the exchange of labour or food, house construction, environmental security and cleanliness (*keamanan dan kebersihan lingkungan*), and water distribution.

Neighbours are also a common source of short and occasionally long-term loans. There is a tradition of giving gifts or money to families on the occasion of a significant life event, such as a wedding, child birth, child circumcision or death ceremony. This reciprocal exchange is known locally as the *undangan*, which literally means the "invitation". This practice provides a means of sharing emotional experiences as well as providing some practical assistance within a boundary of *kampung* settlements and cultures. Those who through poverty are not able to reciprocate contribute their labour.

During the growing season and dry months, *kampung*s provide temporary and cheap accommodation for rural migrants who flood the city to seek work or need to work temporarily in the city during the off-season of agricultural activities. These migrants generally come from the countryside around Kabupaten Bandung (e.g. Padalarang, Banjaran) or from more distant areas of Kabupaten Sumedang, Kuningan, Cirebon, Majalengka, and Indramayu. They usually rent a communal lodging house called *pondok* and share its space and expenses with others. They often move from one house to another or one *kampung* to another if conditions do not please them. The inhabitants often crowd into tiny, unventilated two to four rooms of the house in which they dress and sleep together.

In terms of mutual benefits between households, there are several activities which form basic social networks amongst inhabitants. Women are usually

involved in the *kelurahan*-base family welfare organisation (PKK), a nation-wide movement under the support of various government ministries or in *pengajian* (Islamic religious groups) which, beside functioning as an Islamic religious study club, initiates some basic but essential voluntary services, such as collecting donations for sickness or funeral events. Most adult males participate in a community resilience group (LKMD) and a neighbourhood group (RT) to organise social activities and facilities. Some of them are involved in the environment security system group (*Siskamling*) to protect their *kampung*s from burglars, thieves and other criminals. Youths are commonly involved in youth associations of Karang Taruna, which organise sport, music and other leisure time activities. Some Karang Taruna in *kampung*s around Cicadas and Simpang are also active in garbage collection activities within their local neighbourhood.

Despite the fact that the presence of these organisations benefits the community, several members of the community commented that the participation of people in the activities of these organisations is steadily declining. One of the reasons is that most adults, particularly of the younger generation, are busy with their income earning activities, which often keep them up until late at night, so that they have little flexible time to dedicate to the voluntary organisations.

GENERAL FEATURES OF PEDAGANG KAKILIMA

Earlier studies on the informal sector in many developing countries indicate that the types of commodities sold were one of the major variables that relate to the level of operation of the traders, value of stock, and profits (McGee, 1975; McGee and Yeung 1977; House, Ikiara and McCormick, 1993). In favour of this view, it is convenient to classify the street enterprise on the basis of its commodities. Therefore, the basic segregation of the analysis towards the street vendor in this study is given over its main trading, such as

food, goods, and services. An analysis of vending differences will especially be spelled out when striking features merit discussion.

The magnitude

It is not possible to determine exact statistics for the informal sector in Bandung for both *kotamadya* (municipality) and *kabupaten* (district) areas, since recent and extensive surveys on this matter are not available. But if the employment density stated in chapter five is used to estimate the number, with the population of 2.5 million in 1998, the informal sector in Kotamadya Bandung was about 700,000 people. This includes all types of urban informal sector workers, from those working in the off-street-based activities called “household sector” (e.g. handicraft makers, *warung* operators) to those working in the on-street-based activities (e.g. *becak* drivers, motorbike taxis, ambulant traders, and *pedagang kakilima*).

In the case of *pedagang kakilima*, it is possible to figure out their numbers, distribution, and some main features. In 1999, the Municipal Government (PEMDA) commissioned a survey to explore the basic characteristics of the street trader within its own administrative area.¹ PEMDA estimated that the number of street traders was 32,000 (PEMDA, 1999) or about 4.6 percent of the estimated number of the urban informal sector in the municipality zone. Compared to the city population, the vendor density per 1,000 city inhabitants is about 9.2. This means that one vendor serves about 109 people.

This PEMDA figure appears low relative to the number of informal sector workers in national statistics. Unlike the CBS’ nation-wide and larger household survey, the PEMDA survey was counted only on the basis of the smaller headcount from identifiable enterprises in certain types of location. While the survey did not cover up the informal sector boom relating to the

recent economic crisis, it probably underestimates the size of the entire - *pedagang kakilima*. This assumption confirms Tinker's (1997:26) finding that in Bogor, a smaller Sundanese city which has a cultural heritage similar to Bandung, the ratio between street vendors and the city's inhabitants was 1:14. Her baseline survey included street vendors of both static and ambulant traders, but only those categorised as "street food". It excluded entirely goods and services vendors.

According to their distribution in the region (*wilayah*), of the total *pedagang kakilima* in Bandung, the number of street traders varies between 320 vendors in Wilayah Gede Bage to 8,640 establishments in Wilayah Karees (Table 6.1). In selling a variety of items and services, the vendors are found in various places and structures. The majority of vendors use mat or basket for their wares and operate their business on the pavement, street or roadside (*badan jalan*), public facility, sewerage and a green area, respectively. Some street traders also sometimes shift and roll their locations from, for instance, the pavement near a school or hospital in the morning to the roadside at the entrance of the square, park, or movie theatre, where crowds congregate at night.

In terms of time of operation, the survey noted that most of the street traders (80%) operate their business in the day, which generally starts at 7 am and ends at 6 pm, while the rest operates at night from 6 pm to 7 am. Food sellers operating businesses at night were significantly more numerous than goods and services traders. This reflects the active night-life of Bandung (generally until midnight). Food was the most marketable for traders, and the most favoured by city inhabitants who search for food at night at affordable prices. Some of those street traders, who generally operated the night round – some of them even operating 24 hours a day – were the noodle soup vendors (*mie rebus*), coffee shops (*warung kopi*), soybean or chicken porridge vendors (*bubur kacang* and *bubur ayam*). Such food is especially in demand on

Saturday nights when city streets are full of travelers going to, or coming back from the movies, malls or the square.

TABLE 6.1: *Pedagang kakilima* in Bandung 1999

Category of Operation	Numbers	Percentage
Regions		
<i>Karees</i>	8,640	27
<i>Tegal Lega</i>	8,320	26
<i>Cibeunying</i>	6,400	20
<i>Bojonagara</i>	6,400	20
<i>Ujung Berung</i>	1,920	6
<i>Gede Bage</i>	320	1
Types of area used		
<i>Pavement</i>	14,080	44
<i>Street or roadside</i>	10,560	33
<i>Public facility</i>	5,440	17
<i>Above sewerage</i>	1,280	4
<i>Green/restricted area</i>	640	2
Types of structure		
<i>Basket/mat</i>	11,840	37
<i>Cart</i>	11,200	35
<i>Kiosk/stall</i>	8,960	28
Types of trading		
<i>Street food enterprises</i>	19,200	60
<i>Street good enterprises</i>	11,200	35
<i>Street service enterprises</i>	1,600	5

Note: N= 32,000; Source: Computed from PEMDA (1999)

The typology

As elsewhere, the popular image of *pedagang kakilima* in Bandung finds them agglomerating around potential business locations. In Cicadas, Simpang, and Alun-alun, for example, street enterprises surround the market (*pasar*), shopping area (*pertokoan*), and commercial complex trading food, commodities, and services to city dwellers. In Cicaheum, street vendors were found at and nearby the bus station selling products to travellers and drivers. In addition to these locations, the street traders, mainly food sellers, were also observed at the entrance of schools, universities, and hospitals, providing food to pupils, students, patients, staff and visitors.

Although they were widespread in many different places, their locations always reflected their reliance on economic activities which were either located on, or affected by, the street. Thus, while many street enterprises may clearly be drawn from the main roads or intersections, some of them clogged sidewalks or pathways reflecting their physical proximity and access to the streets. They know how to sell and make profits by selecting only those strategic locations where demand for their products is high. This knowledge and instinct is basically obtained from friends and kinship, as well as from trial and error according to their experience and involvement in the street.

Putting the distinction of *pedagang kakilima* under the umbrella concept of urban informal sector, Figure 6.3 provides a typology of those categorised as *pedagang kakilima* compared to other urban informal activities. It seems that their characteristics reflect, to some extent, four orthodoxies on the informal sector (i.e. dualistic, integrative, legalistic and survival strategy perspectives) as analysed in the literature review (chapter two). Observations and interviews on their appearance suggest that the *pedagang kakilima* in the study areas meet all or most of the following criteria:

1. They operate in public premises, which are not intended for business purposes, such as the roadside, pavement and other connected-to-street premises (e.g. near public market, the square, green areas).
2. They trade a variety of items categorised as food, goods, or services for economic benefits involving market transactions.
3. They form linkages with the rest of economy, especially backward linkages with the modern-formal sector (e.g. many commodities sold by *pedagang kakilima* are industrially manufactured goods).
4. They are unlicensed, but not categorised as criminal by law or the regulations of the Bandung administrative area.
5. They do not pay tax, but pay daily fees to the city authorities such as for sanitary and security purposes.

6. Their businesses involve family members in both ownership and management systems.
7. Their enterprises are small and are mostly own-account workers or employing less than five workers, including unpaid family members or apprentices.
8. Their employment is not protected by any sort of employment benefit either from government (e.g. social services, pension) or labour union (e.g. insurance, fixed and standardised salaries).
9. Their establishments are characterised by inadequate infrastructure and technology, and limited economic and human capital.

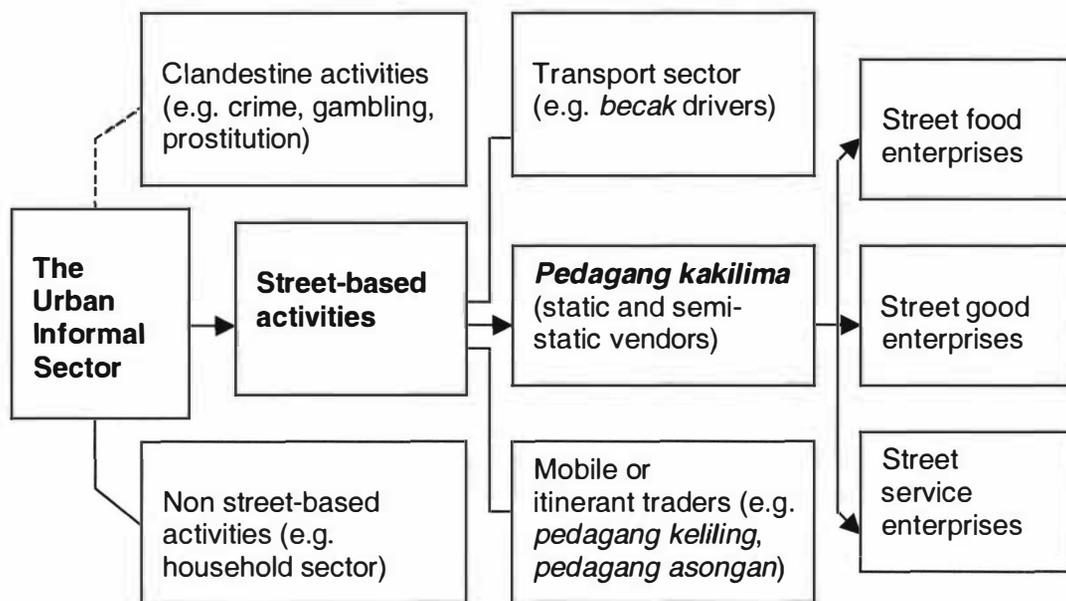


FIGURE 6.3: A typology of *pedagang kakilima*
Source: Fieldwork (1999)

The products

It is estimated that about 300 different kinds of items (200 were for food sellers and 100 for goods and services traders respectively) were available in the streets of Bandung meeting the demand of the city population (see Tinker,

1997).² Figure 6.4 shows further that the *pedagang kakilima* generally are categorised as those selling food, trading goods, and offering services. It is not a clear-cut classification, however, since such items as unprocessed food (fruits, vegetables, sugar, rice), cigarettes, flowers, and pets are rather difficult to be included in the classification and, thus, are put in the “other” categories. A wide range of food, goods, and services, and the fact that many establishments sold more than one type of product, make it laborious to establish fixed parameters and generalise such diversity into a similar basket.

Street Food	Street Goods	Street Services
<p>MEALS: steamed rice with fried fish, seafood, grilled meat, beef, lamb or chicken kebabs, curried vegetable, meat soups. SNACKS: noodle and meatball soup, chicken porridge, hot fried snacks (cassava chips, rice crackers, tofu, <i>tempe</i> or <i>oncom</i> cakes, fried banana, mixed vegetable cakes), sweets, boiled/fried/ grilled peanut or corn. DRINKS: hot coffee or tea, bottled tea, ginger tea, ice-cream, carbonated drinks (sprite, coca-cola), flavoured ice drinks, medicinal herbal drinks (<i>jamu</i>), juices, sweetened coconut drinks. OTHERS: cigarettes, candies, fruits, vegetables, rice, cooking oil.</p>	<p>PERSONAL NEEDS: towel, clock, watch, shirts, t-shirts, belt, tie, accessories, spectacles, rings, necklaces, wallets. BASIC COMMODITIES: soaps, toothpastes, perfumes, candles, lamps. HOUSEHOLD WARES: beds, tables, chairs, buckets, saucepans, kerosene stoves, glasses, plates, spoons, cupboards, wardrobes. OTHERS: books, pencils, pens, candles, toys, spare-parts, VCDs, cassettes, stamps, flowers, pets (iguana, bird, monkey, snake).</p>	<p>CREATIVE SERVICES: hair cutting, tailoring, shoe-shining, music, fortune telling, magic, the typing of student assignments, the translation of documents. REPAIR SERVICES: shoes, watches and clocks, keys, bicycles, lighters, electrics, electronics, umbrellas, home appliances.</p>

FIGURE 6.4: Various types of products of *pedagang kakilima*
 Source: Fieldwork (1999)

Street food enterprises represented the largest segment of the vendors. They sold a variety of food from light snacks (e.g. cassava chips, rice crackers) to

heavy meals (steamed rice with *satay* or curried beef soups). The second largest was the street good vendors selling different types of personal needs, basic commodities, household wares and other products, such as books, pencils, pens, candles, toys, spare-parts, and so on. Involving 5 percent of the street traders, those offering services (e.g. typing of student assignments, translation of documents, hair cutting) were the smallest portion of the vendors in the research locations.

The variety of products sold in the street tends to follow a potential market of the products. This seems to reflect that street traders have market awareness. Thus, although the trading in each location encompasses all three kinds of businesses (food, goods, and services), street traders in Simpang and Cicaheum, for example, are more likely to sell food, since their locations are not far from schools, universities, hospitals, and a bus station, where food consumers are very numerous.

In general, one main factor contributing to the large number of street vendors in Bandung is economic: the high demand for lower price items. The reason that city inhabitants purchase food, goods or services from street enterprises is because the prices of most street products are always lower than those for restaurants, shops or supermarkets.

Almost all strata of the community were observed to purchase items from street vendors. However, the main consumers generally come from middle to lower classes, from schoolteachers to taxi drivers, from office guards to *becak* (pedicab) drivers, and from office clerks to construction workers. Street vendors ensure that everyone gets a bargain and that different consumers are offered items of reasonable quality and at affordable prices.

In particular, a significant determinant that influences the high variety of street commodities is related to local practice or habit. This is particularly true for

food vendors (see Tinker, 1997). The typical diet patterns as well as the dietary preferences of local people for meals and snacks influence the plethora of food choices in such a way that the traders respond to market demand.

The distinctive Bandung meals include steamed rice (*nasi*) – sometimes flavoured by coconut milk (*nasi uduk*) or turmeric (*nasi kuning*) or fried with onion (*nasi goreng*) – accompanied by a source of protein and fat (e.g. fried tofu, *tempe*, fish, chicken or egg/omelette), and mixed vegetables or *lalab* (cabbage, eggplant, lettuce, cucumber) together with *sambal terasi pedes* (spicy hot-chilli sauce flavoured with shrimp paste). Since canned and bottled food are not common, hot rice with the tofu, *tempe* or meat) and fresh *lalab* and *sambal terasi pedes* are generally favoured.

In addition, eating snacks or sweets in between rice is also a common practice. Hot fried snacks (*gorengan*) and sweets are among the favourite since they dominate the food sold. *Bala-bala* (fried cake made from wheat flour mixed with vegetables), *pisang goreng* (fried banana mixed with wheat flour), *kripik singkong* (fried cassava chips) and *kue putu* (steamed buns of sweet glutinous rice filled with coconut), *bubur pacar* (tapioca pudding served with coconut milk and boiled brown sugar), *kue lapis* (moist cakes made from sweetened and coloured steamed glutinous rice) are typically some of Bandung's hot snacks and sweets.

The plethora of street products is also reflected in the kinds of trading that can be recognised by their ethnic origins (see Tinker, 1997). Barbers are predominantly people from Garut, clothes and meal traders are dominated by people from Padang, *jamu* and *bakso* are sold by people from Central and East Java. Also, many establishments, particularly food vendors, sell special food flavoured by traditional style and local spices according to their places of origin: sweet and spicy chicken kebabs are dominated by the Maduranese,

known as Sate Madura, salty and spicy beef soups are typical of Surabayanese or Sulawesi, known as Soto Surabaya or Soto Sulung.

Bandung itself is very well-known as a city with a variety of food, such as *gado-gado* (balanced cooked/uncooked salad with sweet and spicy hot peanut sauce), *tape* or *peuyeum* (sweet fermented cassava), *tempe* (fermented soybean cakes) and *oncom* (fermented peanut cakes). Thus the assertion of “Gado-gado Bandung”, “Peuyeum Bandung”, “Tempe Bandung”, and “Oncom Bandung” are recognised as typical food of Bandung and are nationally acknowledged.

This long list of food varieties would be much longer if different types of beverages, homemade or fabricated, were displayed. Since refrigeration is a luxury for most Bandung inhabitants, carbonated beverages (Coca cola, Sprite and Fanta) or chilled drinks (juices, flavoured ice drinks), sold in a glass or small bottle were very popular with travelers and drivers, especially in the hot season.

Demographic characteristics

Table 6.2 summarises five important aspects concerning demographic characteristics of *pedagang kakilima* in Bandung. These include gender, age, marital status, number of children, and ethnicity and migration patterns.

Gender

Most street traders in Bandung are owned and operated by men. There are significant differences by gender in that large numbers of men are found in all types of trading, ranging from over three-quarters of food enterprises to 100 percent of the service providers. Male traders are likely to have larger scale operations and to deal in non-food items, while female traders are likely to

have smaller scale operations and to deal in food items. Also, the operation of street trading participated in by women tends to be concentrated in a relatively narrow range of activities. Women were predominantly observed selling fresh fruit or vegetables, but such items as books and stationary, fried snacks, sweets, cigarettes and candy, are also traded by some of them. No women in the study areas were involved in service activities.

TABLE 6.2: Demographic characteristics of *pedagang kakilima*, Bandung 1999 (%)

Variables	Types of Trading			
	Food	Goods	Services	Total
Gender				
<i>Male</i>	84	85	100	87
<i>Female</i>	16	15	0	13
Age				
19 – 21	5	8	0	5
22 – 40	61	54	63	59
40 +	34	38	37	36
Marital Status				
<i>Married</i>	81	75	90	80
<i>Unmarried</i>	13	21	5	15
<i>Divorced/Widowed</i>	6	4	5	5
Number of Children				
<i>No Child</i>	21	31	11	23
1 – 2	44	25	47	38
3 – 4	22	27	42	26
5 +	13	17	0	13
Place of Origin				
<i>West Java</i>	71	77	90	75
<i>Central Java</i>	19	2	5	12
<i>East Java</i>	5	0	0	3
<i>Sumatra</i>	5	21	5	10

Note: N= 150. Source: Fieldwork (1999)

In the larger context, Tinker (1997) and Brooksbank (2000) found a similar result that small business is largely dominated by men. This is particularly apparent since it is more common for women to help their husbands with their enterprises rather than male spouses helping their wives. In the case of street food vendors in Bogor, Indonesia, Manikganj, Bangladesh, and Minia, Egypt, Tinker's study shows that religion, cultural and social practices influence the low participation of women in street trading. Women responsibilities in their

household, which “should” be higher than that of men, make their involvement in the public domain are not apparent. In the case of self-employment, Brooksbank (2000:17) also notes that female partner often plays the role of “housewife” whilst her husband goes out to run his own business. It is often assumed that women have less of an impact on small business data if they are married because of this minor role. However, although the number of women operating and heading an enterprise is low, it does not mean that women do not contribute to the enterprise. The figure for women’s involvement is probably too low, since the enterprise production related to household tasks and the home-based trading of *warung* is not included as women street vendors.

Many women (adults and girls) participate in, at least, the production process of the vendors (e.g. buying commodities, preparing food, cleaning utensils, arranging wares). In most *kampung*s, many women also operate *warung* that sells basic necessities or prepared food and drinks. The *warung* from which basic commodities are sold encompasses small to medium-sized stalls, some of them even just a rudimentary stand, table and bench erected against a wall outside a home. In this case, the lower role of women in street trading is related to women’s preference for the flexibility of working at home. The activities in street-based *kakilima* trading are considered to be unsuitable as to time and work, especially to those with many children.

Age and marital status

In Bandung and Indonesia in general, marriage is a sense of moral and religious duty. It is uncommon for mature men and women to be unmarried. When data on age, marital status, and number of children are combined, the information shows that young adults, between 22 and 40 years of age and married with one or two children, were the predominant portion of *pedagang kakilima*. This shows that single people of whatever age are less likely to be

the street traders. Marriage seems to provide support in establishing a successful enterprise, and spouses are often partners in such schemes (see Brooksbank, 2000). Single traders observed in the study were usually very young (19 – 22 years of age) and male. Most women in this age category were already married and even having children.

The figure also demonstrates that as many as eight people, or about five percent of the street vendors, were divorced or widowed. Most of them were women in an older age category having double roles in heading the family and running the business. These widowed or divorced women inherit such businesses from their deceased husbands who were their partners before the death or separation. Those who live with their children, usually employ their teenage boys at least to help them pushing the cart to the business premise and back home.

Ethnicity and migration patterns

Information concerning place of origin of the vendors indicates ethnicity and migration patterns in the study area. On the whole, street vendors in Bandung are Sundanese with majority of them are migrants who came from other districts (*kabupaten*) within the province of West Java, ranging from the nearest districts (e.g. Kabupaten Subang, Purwakarta, Sumedang) to the more distant ones (e.g. Kabupaten Garut, Kuningan, Majalengka). When an analysis of the surveyed data is broken down on the basis of their length of stay in Bandung, the information reveals that most vendors had lived in the city for over 20 years (25%), followed by those who had lived in the city less than 5 years (23%), between 5 and 10 years (20%), and those who were born in the city (18%).

The rest stated that they had lived in the city about 10 to 15 years, and about 15 to 20 years, accounting for 9 percent and 6 percent respectively. As such,

if we define recent migrants as those who had arrived in the city within the last 5 years, street traders are not predominantly new migrants since most of them (59%) were long-term residents, migrating to Bandung between 5 and 20 years ago, or more and also many of them (18%) were born in the city.

This evidence seems inconsistent with the framework of rural-urban migration, especially with its dualistic labour market predictions in the Harris-Todaro model. The model stressed that the urban informal sector is a “staging-post” or transitory “reserve army” of recent rural migrants awaiting their opportunity to obtain a desirable formal sector job in overcrowded urban labour market (see Blau, 1986; Evers and Mehmet, 1994; Thomas, 1995). If the migration pattern is analysed on the basis of wider definition of migration (i.e. long-term migrant vs non-migrant), however, the result is greatly different. There is no doubt that the bulk of street traders are indeed migrants, accounting for 82 percent of the total population.

The finding of this study therefore suggests that while the link between the level of migration and informal sector is not as linear as sometimes hypothesised, the relationship between the degree of urbanisation and the informal sector in Bandung, as in many other cities of Indonesia, might be masked by the distinctive process of urbanisation and the indicators used.

Turning to data on patterns of urbanisation in Indonesia discussed in chapter four, it appear to be affected by: (a) the absence of a consistent definition of urban and rural areas and of agricultural and non-agricultural employment due to *desakota* phenomenon, and (b) the involvement of rural dwellers to work in the urban informal sector through long-distance commuting and circular migration (see Hugo, 1996:137; Jones and Visaria, 1997:14). The conclusion that can be drawn is that although a direct correlation between new migrants and the street traders is not reflected in this study, the data

clearly suggest that a logical sequence is found and traders are likely to increase as more migrants come to the city.

CONCLUDING REMARKS

This chapter has basically described profiles of the study area and respondents of this study. The description on profiles of the study area provided a review of the Bandung city, its economy and its inhabitants. Features of urban development in the city reflect several important patterns of development trajectory occurring more broadly in the national context. The economic and social development in Bandung has contributed to the level of industrialisation and urbanisation in which the contribution of agricultural sector to the Bandung economy is decreasing, released by trade, manufacturing and service sectors. The disappearance of agricultural land has clearly changed the work structure of the community, putting an end to most agricultural activities and a beginning of the emergence of non-agricultural employment.

The urban *kampungs*, in which most Bandung inhabitants and the informal sector workers live, represent a manifestation of the informal economy in many ways. As a human settlement, they are built informally and incrementally without a plan and permit. As a community, they consist of inhabitants who are predominantly engaged in self-employed and small-scale production. *Kampungs* have for decades suffered from a lack of urban facilities, but the social fabric of the settlements have some positive aspects to the urban poor inhabitants. *Kampungs* enable their inhabitants to adopt a variety of survival strategies, especially to those who engaged in the urban informal sector, such as petty commodity production, hawking and street trading.

In Bandung, most *pedagang kakilima* were found to sell foods and operate on the pavement area. They generally used baskets or mats to sell their products in the day operations. The information about general characteristics of *pedagang kakilima* in the city challenges the common perception of the “homogenisation” of the informal sector. It was found that from over 32,000 street traders, more than 300 types of commodities were sold in the streets of Bandung. Although the types of products are varied, they generally consist of food, goods and services.

Demographic characteristics of *pedagang kakilima* delineate several key points: the industry is dominated by males and young adults and involves married couples with one or two children, and those of Sundanese ethnic of origin. Data on marital status of the street enterprise in this study area indicate the important role of family in street trading. Children and spouses seem to provide support in establishing a successful enterprise, especially in terms of labour supply. Another important point regarding demographic characteristics is that although street vendors are not recent migrants, as a whole the data indicate that migration has played a very substantial role in the growth of the informal sector in Indonesia. The domination of long-term migrants in this sector, however, is slightly inconsistent with the patterns of the dualistic view, especially in the Harris-Todaro model. Most of *pedagang kakilima* are not recent migrants, but migrated to Bandung from the surrounding cities between five and twenty years ago.

These general features of *pedagang kakilima* will be further detailed in the following chapters. Focusing mainly on research objectives addressed, chapter seven will discuss the economics of street enterprises and human development of the traders. Chapter eight will explore different types of coping strategies adopted by street trader households in their daily life activities, especially in response to threats resulting from the economic crisis.

NOTES

1. When I was doing fieldwork around May 1999, I was fortunate to have the opportunity to attend the three-day national conference on the *pedagang kakilima* organised by the Provincial Government (PEMDA Bandung) and the Provincial Chamber of Trade and Industry (KADINDA Bandung) (see Plate 17). I could share my preliminary findings with the authorities, NGO workers, street traders and other participants. Also, I had access to a set of basic data on the street traders in the municipality area.
2. The figure on a variety of food was based on Tinker's estimation (1997) raised as high as 200 items for food sold in the streets of Bogor Municipality. Bogor is smaller than Bandung, but it is nearby and has similar heritages to Bandung. Observations and informal talks with research participants and customers in this study area confirmed that Tinker's estimation was close to the types of food sold in Bandung, though it slightly overestimates the number.

CHAPTER SEVEN

ECONOMICS OF THE ENTERPRISES AND HUMAN DEVELOPMENT OF THE TRADERS

The pedlars, whether carrying their wares around on a pole or setting up stalls along the streets, have but small capital, make but a meagre profit, and do not earn enough to feed and clothe themselves. They are not much different in status from the poor peasants and likewise need a revolution that will change the existing state of affairs.

Mao Tse-Tung (cited in McGee, 1975:1)

Previous chapters showed that structural changes in the Indonesian and Bandung economy have substantially determined the existence of the urban informal sector. The limits of industrialisation and emerging trends of urbanisation have resulted in the proliferation of the informal sector in the labour markets. This is particularly true during the period of economic crisis between 1997 and 1999, when Indonesia suffered severe cuts in the rate of expansion of employment within the industrial-formal sectors of its economy.

Given the depression in Indonesia's development resulting from the current economic recession, the years of 1997-1999 can be termed the "reversal of fortune" period. The achievements in economic and social progress for over three decades have drastically ground to a halt. While economic growth remains unfavourable in most industrial and modern sectors of the formal economy, high rates of unemployment and poverty will continue to affect Indonesia's population until at least 2002. The preceding chapters indicated

that while many of the 58 million informal sector workers in Indonesia have been amongst the pre-existing poor, during the recession they face particular difficulties arising from their reduced purchasing power, price rises, and subsidy removals.

In line with the first and second objectives of this study, this chapter attempts to verify the above aggregate findings by providing data on socio-economic characteristics of *pedagang kakilima* on the basis of micro-level surveys in the research location. This chapter begins by presenting examples of enterprise structures of street trading in order to provide backdrops for the subsequent analyses. Section two then goes on to describe features of human development of *pedagang kakilima*. This final section is made particularly to identify social and economic problems facing the street traders and examine the links between them and poverty.

Not all quantified variables sought to measure the impacts of the recent economic crisis on street trading. However, as the period of the data collection in 1999 covered the pervasive crisis, whenever possible the analysis is supplemented by qualitative and secondary data to emphasise its effects on *pedagang kakilima*. By doing so while this chapter can discover limitations in economic, human, and social capital within the informal sector which were already existence prior to the crisis, this can illuminate the degree to which the crisis has affected the activities and lives of those in the informal sector.

ENTERPRISE STRUCTURES OF STREET TRADING

Pak Jumhari, aged 55, and Ibu Aminah, aged 47, live with their three children and one son in law.¹ They are both street food traders in Cicadas, a local town under study. Pak Jumhari sells carbonated and iced beverages (Coca cola, Sprite, Fanta, and bottled tea) on commission. Ibu Aminah sells fried

snacks (*gorengan*), such as tofu, *tempe*, and *bala-bala*. The couple begin their trading around 5.00 am by shopping at a local market near their *kampung* to obtain raw materials and ingredients and cook them between 6.00 and 7.30 am.

Although Pak Jumhari sometimes might move his three-wheel pedal cart nearer an elementary school and hospital on Cikutra street, only metres away from Cicadas' main street, he can usually be found beside the pushcart of his wife at the entrance of Matahari Mall between 8 am and 5 pm. Their businesses obtain primary support from their extended family of six, who all help to make the establishment survive. The oldest daughter, Sumiyati, although she is responsible for nearly all household tasks from house cleaning to laundry, helps her mother by preparing the food to be sold. Sumiyati's husband helps by pushing the heavy cart from home to the selling spot and back before and after doing his job as *angkot* (pick-up) driver. The other two younger children, a boy and a girl, help sell food in the afternoon after finishing their elementary school schedules. In particular, they replace Ibu Aminah at her stand so that their mother can go home earlier to prepare meals for the whole family.

Pak Jumhari and Ibu Aminah were born in Kuningan, about 200 kilometres south-east of Bandung, and migrated to Bandung in 1970. Pak Jumhari worked as *becak* driver, then did casual labour in the construction sector for a couple of years. He created a self-employment business as a *pedagang kakilima* selling fried snacks in Jalan Asia-Afrika, a street linked to Jalan Cicadas. When their third child was born, Pak Jumhari decided to pass on his trading to his wife in order to obtain some additional income. He preferred to sell carbonated beverages and bottled soft drinks on commission. He said that this business had no risks and no need for new capital to start the business, because the distributor provided the tricycle cart and received back the leftovers (see Plate 10).

This story of a couple jointly operating their own enterprise confirms that, as theoretically and empirically revealed in most developing countries, the informal sector is a family enterprise and involves household strategies that connects the system of production of the urban informal sector with the system of subsistence production found in rural settings (e.g. Jaganathan 1987; Evers and Mehmet, 1994). In the cities of developing world, street vendors and small-scale food processing and service establishments are a leading part of this phenomenon (see McGee, 1973; McGee and Yeung, 1977; Evers, Claus and Wong, 1984; Tinker, 1997) (this theme is chiefly detailed in chapter eight). Descriptive statistics and information below, summarised in Table 7.1 to 7.3, provide further data concerning the economics of the street enterprises in Bandung. Drawing mainly on economic perspectives on the informal sector reviewed in chapter two, this section describes enterprise structures of street trading: history of business activities, production process and employment figures, and legality.

History of business activities

Tinker (1997) argues that starting a street enterprise is not a simple matter and that successful street traders had previous experience in various kinds of jobs, either in wage employment or self-employment. Although the informal sector is widely known as having ease of entry, it indeed requires certain methods and experiences to become successful. The fried chicken seller was an unpaid family labourer for a couple of years before earning the right to know the secret recipes and potential markets for his own business. The young barber learned his skill through a social network: he worked as an apprentice for his neighbour from Garut (their place of origin) and received a small stipend as he learned the skill and contributed labour. Many have tried other forms of trading from hawking to service provision, before entering street vending.

The figures on previous occupation, source of information and the period of running business in Table 7.1 provide findings on the history of business activities. The information indicates that for a significant proportion of respondents, being street traders was their only or their first work experience. Most street traders (66% and 21% respectively), stated that their previous occupation was in the informal sector or not working. This information shows that the mobility of employment in Bandung labour market generally takes the form of horizontal mobility within the informal sector.

TABLE 7.1: History of business activities

Variables	Types of Trading (%)			Total
	Food	Goods	Services	
Previous Occupation				
<i>Not Working</i>	22	23	10	21
<i>The Informal Sector</i>	69	65	58	66
<i>The Formal Sector</i>	8	12	32	13
Source of Information				
<i>Parents</i>	16	19	5	15
<i>Relatives</i>	24	17	26	22
<i>Friends/Neighbours</i>	30	42	32	34
<i>Others</i>	29	23	37	28
Period of Running Business				
<i>0 – 5 Years</i>	41	39	37	40
<i>5 – 10 Years</i>	23	15	37	22
<i>10 – 15 Years</i>	16	17	0	14
<i>15 – 20 Years</i>	6	13	10	9
<i>20 – 25 Years</i>	4	4	10	5
<i>25 +</i>	10	10	5	9

Note: N= 150. Source: Fieldwork (1999)

Before starting the street enterprise, many traders had been involved in some kind of informal sector activities from the least skilled vendors, such as those selling boiled corns or peanuts, to the relatively more skilled ones, such as electricians or electrical repair workers. For most women, street vending was mainly their first job experience: they were previously street traders' daughters or housewives who contributed to the process of production, but not directly involved in managing the business. Nevertheless, this study, too, found vertical mobility from the formal to informal sector. This especially

involved those recently unemployed as a result of firms closing during the economic crisis. To substitute the sudden lost of income, some people formed a new business in the informal sector. Copying the survival strategies of the poor, those from the middle classes who lost their jobs in factories, offices, advertising agencies, banks and super-markets became "middle-class" street vendors in the form of tent-covered cafes (*café tenda*), street restaurants or roadside coffee shops, which sprang up around hotels, in mega-malls and recreation centres. They turned to such kinds of street trading since it could provide immediate income without degrading their social status drastically. As indicated in chapter six, these survival strategies were more transitional adaptations until something better came along.

Many also reported that during the crisis they undertook joint occupations (either between formal and informal jobs or between informal and informal jobs) in such a way that they could move back and forth between the two activities. In some cases, government employees (i.e. primary schoolteachers and clerical workers) were found to "moonlight" by doing street vending in the afternoons or at weekends, in which some of them used their car as kiosk. In other cases street traders would use their motorbikes occasionally to operate as *ojeg* (unofficial motorbike taxi drivers).

Starting a small business requires information about places for the business premises, access to human, financial, and physical resources, as well as about well-functioning products and supply channels. *Pedagang kakilima* in the study areas generally learned the trade through the kinship network either from friends/neighbours, relatives or parents. This accounts for almost three-quarters of the vendors. In the early stages almost half of the vendors began selling products on commission or earning money from their vending after being apprentices for friends or parents through social connections. To avoid business failure, the new vendors usually shared and utilised not only the site, cart and tools with their seniors, but also the supply chains and market

opportunities through these family connections, before starting their own businesses.

In terms of longevity, some 40 percent of the vendors had been selling for less than five years and about 36 percent had been in the trade between 5 and 15 years. Precisely, a *pedagang kakilima* is particularly vulnerable during the fragile initial years, when the trader is learning how to operate a new business. The data set in this study did not pursue specific information covering the issue of business failures, but, as discussed earlier and will be discussed further in the following chapter, it was observed that the commission system, apprentice and household labour mechanisms were amongst the strategies adopted by *pedagang kakilima* to avoid business risks.

Table 7.2 on the reasons of people to enter street trading provides additional information about the history of business activities. This makes clear that there are variations from different types of trading in the reasons for entering the street enterprise from economic to non-economic reasons.² The figures broadly suggest that the flexibility of street vending has motivated them to become involved in the trade notwithstanding the low returns on income, social status and job attractiveness. As indicated earlier, this is particularly true during the crisis when the reduced dynamism of the modern economy led factories and other formal sector services to lay off their workers and forced new unemployed to enter the informal sector.

The majority of respondents perceived that they participate in the street trading because of the difficulty of entry into the formal job sector or alternatively, due to the ease of entry into street trading. In order to obtain some incomes, it is relatively easy to start and operate the business. They can, for example, operate it by following their predecessor through kinship networks, or they can adjust it to their knowledge and skills. As to the rest of

the variables (questions number 6 to 8), their low percentage (between slightly above 50% and below) may indicate that these reasons have had relatively less influence on their decision.

TABLE 7.2: Reasons of *pedagang kakilima* to participate in the street enterprise

Reasons	Types of Trading (%)			
	Food	Goods	Services	Total
1. It is difficult to obtain a job in the formal sector	82	77	95	82
2. It is easy to operate the street enterprise	78	79	84	79
3. It is easy to enter/start the street enterprise	72	85	84	78
4. Following parents, relatives, friends or neighbours	73	81	79	76
5. It is suitable with my knowledge and skills	56	56	79	59
6. It is a job that provides adequate incomes	63	44	37	54
7. It is a job that provides high social status	51	35	10	41
8. It is interesting and challenging job	46	48	53	48

Note: N= 150. Source: Fieldwork (1999)

Production process and employment figures

Data on production process and employment figures are presented in Table 7.3. The table shows that the overall majority of *pedagang kakilima* purchased what they sold, especially goods traders who purchased all that they sold from other merchants. However, notable exceptions were food traders, where over half of them made and prepared their food at home and then brought them to the street for selling. It is important to note that for street service providers, the data on the source of products were attributed to the tools they used since, and hence, most services available were basically derived from their own. The frequency of obtaining or producing the products was mostly operated on a daily basis, although a large portion (33%) was accomplished on a weekly basis. Those who purchased the products, either their raw materials, ingredients, or final goods, used public transportation as their main vehicles. But to street traders whose settlements were at nearby markets or commodity distributors, walking was also favoured by 18 percent.

TABLE 7.3: Production process and employment figures

Variables	Types of Trading (%)			Total
	Food	Goods	Services	
Source of Products				
<i>Self-production</i>	57	0	16	34
<i>Purchased from others</i>	43	100	84	66
Frequency of Obtaining Products				
<i>Daily</i>	90	25	16	60
<i>Weekly</i>	10	56	74	33
<i>Monthly</i>	0	19	10	7
Means of Transportation				
<i>Public Transport</i>	71	86	95	79
<i>Own Car</i>	1	8	0	3
<i>Walking</i>	28	6	5	18
Number of Workers				
<i>1 Worker</i>	62	92	90	75
<i>2 Workers</i>	28	8	5	19
<i>3 Workers</i>	7	0	0	4
<i>4 Workers</i>	1	0	5	1
<i>5 Workers</i>	1	0	0	1
Working Hours per day				
<i>1 – 5 hours</i>	6	4	5	5
<i>5 – 10 hours</i>	46	42	32	43
<i>10 +</i>	48	54	63	52

Note: N= 150. Source: Fieldwork (1999)

These findings clearly indicate the links between the formal and informal sector as confirmed by non-dualistic views (e.g. integrative, legalistic and survival strategy perspectives). In the case of street enterprises, the links are predominantly attributed to what can be called backward linkages (Thomas, 1995). Backward linkages are particularly apparent from a quick observation of *pedagang kakilima* offering goods and food. The goods sold by the street traders were entirely industrially manufactured goods. Beds, kitchen wares, books, shoes, clothes and other branded goods, for examples, were obtained from the modern formal sector. Some of them had been purchased from wholesalers. However, given the small scale of the purchases of the street vendors, most industrial goods were obtained from retailers.

Almost half of the street food vendors in these study areas were inclined not to use home-made products. Packaged snacks, bottled drinks and other “non-

traditional" or non home-produced food (e.g. cigarettes, candy, and all carbonated beverages) were produced by factories. This industrially processed food was bought from local markets. But the purchasing of food is not always from factories or markets. Some sweets and snacks, such as moist cakes and cassava chips, were purchased from other merchants, who processed the food by themselves. Such food traders played a role as middlemen, who obtained the food from household productions and resold them in markets.

Family businesses are critical elements in the economy of street enterprises. In most countries the urban informal sector, notably street trading, is a family business and hence a larger circle of family or kin labour is essential to the functioning of the street establishment (Tinker, 1997:154-5). As indicated in chapter three, Carter (2000) also asserts that family labour seems to have a critical role of "competitive advantage" since it is cheap and usually never creates the problem of supervision. This advantage is made possible by the superior capacity of a ready supply labour power which enables 'family workers to work long, unsocial hours at their customer convenience' (Carter, 2000:190).

As reflected in the story of Pak Jumhari's family, data on employment structures of the street enterprise in this study area also emphasise how fundamental the family is to the survival of the street trading. Family in this context encompasses not only the nuclear family (spouses and offspring), but also extended ones. With reference to the six types of household dynamic formulated by Mingione (1991:173) (see chapter three), types D and E appear to dominate family characteristics in the study area. Most families consist of 'informally employed males or females and other non-employed members' and 'two or more informally employed members involved in the same informal enterprises.'

The information about number of workers demonstrates this pattern of family business. It shows that most establishments are very small: well over the three-quarters of the street vendors consist of only one person working alone. If one defines the street establishment with less than five workers as micro or small enterprises, clearly all establishments in the study locations fall within this category. With most establishments operating as one-person undertakings, it is obvious that the largest employment category is the own-account worker or working proprietors, a group that encompasses the category of self-employment.

At first sight most street traders seemed to run their establishment alone, but closer observations provide a different picture. Most enterprises are indeed operated by a single trader or by a trader couple with no employees, but generally they obtain considerable unpaid assistance from family members. Nearly all traders rely heavily on family labour or assistance, both at the place of sale and at the production site in the home (see Plates 5 and 16). Males and females, young and old, are involved in some part of the enterprise operation, ranging from the production processes (preparing commodities to be sold, pushing the cart or carrying tables to the place of sale) to the final operation of the vendor (watching and selling products at the place of sale, pushing the cart or carrying tables back home). Such tasks carried out by family members are often regarded as household duties and hence seldom compensated. In another trading enterprise, however, young men or women might receive a small stipend as they also contribute labour to the trade. In this case, the paid workers are usually not tied by blood relationships (children), but involve more distant relatives (nephews or nieces), or those just tied by friendships or neighbourhood affiliation.

As shown by other studies (e.g. Thomas, 1995; Tinker, 1997), the data on working hours reveal that the overwhelming numbers of *pedagang kakilima* are hard workers and keen entrepreneurs. Although about 5 percent of the

traders can be categorised as underemployed, overall, they work very long hours: more than 10 hours a day, seven days a week, year-round. As indicated above, some street traders work only in the morning, some work all day, and many work until late at night. When gender differences are taken into account, men are more likely to sell seven days a week, work longer hours and be found among those selling at night than women traders. Women frequently work about five days a week, work shorter hours, and work in the morning until the afternoon. They said that working in the day is safer and that shorter working hours were preferred to balance their public labour with domestic responsibilities.

The timetable of street trading reflected fluctuations in the number of establishments. National events or seasons of year altered the types of products sold and the time of sale. When the fieldwork was done between April and August 1999, Indonesia was facing a general election. During this period, many vendors switched merchandise to sell political party articles, such as flags, billboards, t-shirts, posters and imitation bank notes showing the most popular political figures (see Plate 8).

Seasonal and weather changes affect those selling street food (see Tinker, 1997). In the hot dry months, such as July and August, many *pedagang kakilima* change their trading to sell fruit drinks or chilled carbonated beverages. In the cooler rainy season in March, the demand for such drinks is very low and hence some drink vendors stop selling during this period or switch to sell hot drinks, such as coffee, ginger tea (*bandrek*), and coconut milk beverages (*bajigur*), when these beverages are favoured to warm up the body and add energy. During the fasting month of Ramadhan, many street traders reported that they usually turn to selling clothes, shoes, and hats as the demand for these items increases with the approaching celebration of Iedul Fitri, the biggest Muslim ceremony at the end of the Ramadhan.

Legality

More than 90 percent of the street enterprises in Bandung operate without license. Some of them, however, have some kind of identification. The common identification is mainly in a form of registration card with a photo stating the name of the owner, main type of trading, and specified location. Most, if not all, *pedagang kakilima* pay registration fees. Street vendors near an office building, public park or market also rent regular stall space or pay a daily fee to set up a table or squat on the path. The fees vary according to the value of the stocks and the attraction of the business location, but it generally costs between Rp.300 and Rp.1,000 per day. Other expenses, which are undercover and negotiable, include security fees, more often paid to informal watchmen or bodyguards known as *jeger* (derived from Mick Jagger, a British rock star) in local language.³

These licenses, rental and security fees generally make them safe from eviction, although this sort of business authorisation is not protected by the law. Conversely, a lack of payment almost certainly leads to a convenient excuse for harassment and eviction. Of course, formally and openly, authorities do not encourage such trading. Yet, in many main and secondary streets, vendor operations are tolerated at least for most of the time. They may be driven off the street by the police as part of a temporary smartening up of the city environment during national or international celebrations. In such events, street enterprises, viewed by city authorities as unsophisticated or unsightly, were covered temporarily to prevent important people or potential investors from seeing them and gaining a negative impression of the city. Once the celebrations finished, however, the traders went back to the streets and the city dwellers, including the authorities and the police, began again to purchase fresh fruits, cigarettes, second-hand goods, and uniforms from the street enterprises.

Noting that *pedagang kakilima* operate their businesses in the areas that can be classified as public spaces, which are originally not intended for trading purposes, it is in this context that harassment and eviction over their premises might be justified. During fieldwork, Jakarta and Bandung often appear in the newspaper and television as the cities that most frequently adopted street cleaning and eviction. As a result, demonstrations and even clashes between traders and security officers happened in the streets of the cities. In this case, their business license and fees do not automatically or permanently protect street vendors from eviction, especially those selling in the busy streets or green areas. When authorities find that the city streets are overcrowded or when important events will occur, at any time and without notification, street clearances are applied to tidy up the streets. Thus the registration card and fees are ignored and no exceptions are permitted.

The issue on the legality of the informal sector still provokes lively debates. As discussed in the literature review, from the beginning, the definition of informal sector in both developed and developing countries is always connected to the concept of legal and illegal activities (e.g. Hart, 1973; de Soto, 1989; Rakowski, 1994b; Mead, 1994; Thomas, 1995). Thomas (1992; 1995), for example, distinguishes between legal and criminal activities according to the nature of the outputs and the production and distribution of the outputs sold with reference to the impact of the policy implications: governments may seek to encourage legal informal activities, but would discourage those that are criminal.

Based on this view, Thomas (1995:13-4) argues that the goods and services of the informal sector are regarded as legal, but that the production and/or distribution is “quasi-legal”. Although the informal sector may not follow the law, either in the production (e.g. not comply with the industrial safety or minimum wages or social security) or in the distribution of the product (e.g. through tax evasion), it does not break the regulation. In contrast, the

production and distribution of the criminal sector is entirely illegal, because the sector produces and distributes goods or services which fully break the law. For example, drugs and robbery in many countries, or gambling and prostitution in Indonesia are considered illegal both in the production and distribution of these outputs.

In reality, however, the distinction is often not clear-cut. Officially, it rests on the degree of law enforcement, but it virtually depends on the attitude of the authorities and the local culture, which not only differ from place to place, but also change over time. For example, in Bandung, selling liquor is illegal, but in Tapanuli, North Sumatra, liquor is legally sold in the street. The local alcoholic beverage, called *tuak* is a popular drink for many people. There are also people selling “pirated” copyright products, such as cassettes, videos, or textbooks. The distinction on this issue is even more imprecise in Bandung, since both the formal and informal businesses sell these goods all over the city. Lecturers, university students, authorities and even police were amongst the customers for such material.

From this perspective, it is safe to state that while the issue of legality is still open to alternative interpretations, the general assumption that enterprises that are not registered would automatically be called criminal, is not always the case. For example, formal enterprises once registered are subject to pay taxes, whereas street enterprises that are officially unregistered do not pay taxes. However, the latter does not necessarily intend to break the rules or evade taxes. The reason is, while these enterprises pay regular fees as required by the government, they do not pay taxes simply because their earnings are unlikely to be large enough to attract the tax collector (see Thomas, 1995; Mead and Morrisson, 1996).

Thus, although it is problematic, the existence of the street enterprise in developing countries often results from the real condition of the country:

governments cannot provide enough work opportunities and social security to those unemployed and the poor. One important implication of this condition is that the “guilty feeling” of the government leads to a double standard treatment of the informal sector: authorities may be fully aware of the unwanted effects of the street enterprises but may choose not to enforce the rules, either because of lack of staff or resources to do so, or because of concern that this would drive the enterprises out of business, with a consequent loss of employment (Mead and Morrisson, 1996:1612).

HUMAN DEVELOPMENT OF *PEDAGANG KAKILIMA*

It is clear that becoming a successful *pedagang kakilima* is not as simple as one generally assumes. It demands basic requirements involving not only physical and financial resources, but also human and social resources. In addition to suitable trading premises, tools, and working capital, for example, street traders require knowledge and entrepreneurial skills as well as a healthy body to run the ongoing business properly and profitably. Based on this assumption, it is argued that the issue of association between the informal sector and poverty cannot simply be devoted to the issue of low incomes. In order to examine a linkage between street trading and poverty, this section therefore explores socio-economic problems that hamper street trading by using more holistic indicators in the human development perspective.

Earlier chapters in this study (especially chapter one and two) argued that previous studies of the informal sector were often hampered by reductionist-thinking of livelihood in the domain of the enterprise setting. Economic measures are often employed as the only yardstick to explore the many dimensions of the informal sector, whereas conditions of education and health of the operators and their family are overlooked as important determinants to the production unit of the informal enterprise.

It is in this context that the human development perspective is chosen to identify the living standard of the street traders. The human development approach adopted by UNDP in 1990 basically argues that people are the real wealth of a nation and hence the basic objective of development should focus on enlarging people choices through the creation of 'an enabling environment for people to enjoy long, healthy, and creative lives' (UNDP, 1990:9). The approach then goes into great detail to define and develop the Human Development Index (HDI). This index is an attempt to measure three interrelated and unweighted aspects of economic (e.g. income), education (e.g. literacy rate), health (e.g. life expectancy), and sociopolitical (e.g. social participation, freedom of speech, multiparty system) as determinants of development that can be used to make cross-country comparisons.

The given definition of human development as 'enlarging people's choices to enjoy long, healthy, and creative lives' is very broad. For the purpose of exploring the level of human development of *pedagang kakilima*, these measures need to be empirically narrowed down. This study considers the indicators of human development of street traders as consisting of economic, human and social capitals. Economic capital includes working capital, profits and household incomes. Human capital includes attainment of education, access to health services, and access to housing facilities. Social capital covers access to social institutions as indicated by the participation in sociocultural activities. Tables 7.4 to 7.6 sum up the main findings and shows how well street traders and their families in the study locations possess these economic, human and social capitals.

Economic capital

Two of the crucial economic variables affecting the business performance of the street enterprise are working capital and trading revenues. Given the nature of the survey data, it was decided to measure working capital and

trading revenues on the basis of the value of stock and daily gross earnings of the enterprise respectively. Value of stock (i.e. estimated prices of goods or wares in a given vendor) was felt to be the best indicator because it generally represents the working capital of the street vendors regardless their types of trading (McGee, 1975; McGee and Yeung, 1977). For example, the working capital of street traders offering services is frequently rudimentary since they are often called “sweat-shops” involving only simple tools and manual labour. Thus, the value of stock can be used as a proxy to measure their working capital in terms of the tools and resources used. Likewise, in a pragmatic sense, gross earnings can be used to identify trading revenues. The question about gross earnings (i.e. daily gross revenues before a deduction of all total costs used in the daily operation of the trading) was easily responded by street traders, since it did not involve complicated calculations. Overall, these measures were less liable to errors of response since both traders and interviewers could easily check the amount of stock on display in the vendor unit of operation as well as count the amount of money obtained from trading each day. The data on working capital and trading revenues per day are presented in the first and second rows of Table 7.4.

For very small enterprises, the amount of capital needed to start and operate a business varies considerably from activity to activity, and the larger and more technically skilled the establishment, the higher the demand for capital (see House, Ikiara and McCormick, 1993:1213). For example, street traders offering services such as hair cutting and shoe-shining require little initial and working capital, while traders operating a street restaurant, or selling clothes, shoes, and fruits need substantially more. Based on the mean value of the stock, the average working capital of the street vendors was estimated to be slightly above Rp.1,000,000 (NZ\$250). This relatively high capital was especially true for 16 percent, 19 percent, and 33 percent of those trading services, food, and goods respectively. However, while the majority of street trader capital was indeed very minimal, under Rp. 200,000, wide variations

were also found among different activities with vendors offering services having less capital than vendors selling food and goods.

TABLE 7.4: Economic capital of *pedagang kakilima*

Indicators	Types of Trading (%)			
	Food	Goods	Services	Total
Working capital ¹				
0 – 200,000	27	36	47	32
200,001 – 400,000	12	15	26	15
400,001 – 600,000	13	8	5	11
600,001 – 800,000	17	2	0	10
800,001 – 1,000,000	11	6	5	9
1,000,000 +	20	33	16	23
Trading revenues per day ²				
0 – 10,000	15	31	42	24
10,001 – 20,000	41	44	42	42
20,001 – 30,000	26	8	11	18
30,001 – 40,000	7	4	5	6
40,000 +	11	13	0	10
Household incomes per day ³				
0 – 10,000	12	29	37	20
10,001 – 20,000	41	39	47	42
20,001 – 30,000	23	12	16	18
30,001 – 40,000	8	2	0	5
40,000 +	16	18	0	15

Note: N= 150; 1) The average (mean) of the working capital is Rp.1,059, 545 or, calculated at the rate of NZ\$ 1= Rp.4,000, about NZ\$ 265; 2) The average (mean) of the gross profit per day is Rp.22,850 (NZ\$ 6); 3) The average mean of household income was Rp.32,454 or about NZ\$8 per day. Source: Fieldwork (1999)

Sources of capital for these small enterprises typically come from informal schemes such as from family (47%) and moneylenders (23%). Personal saving and friends were also common sources of capital for many vendors, accounting for 18 percent and 12 percent respectively. Many argue that the main constraints preventing development of the informal sector can be attributed to capital shortages. House, Ikiara and McCormick (1993), for example, found that shortages of capital are almost universally considered as a major problem for small enterprises. This study also mirrors this argument since most street traders said that lack of capital was their greatest obstacle to improving business success, and hence, they claim to demand more capital.

In terms of trading revenues, most *pedagang kakilima* seemed to have no difficulty to remember expenditures and profits although they do not keep written records on their cash flow. After weighting up their answer against the observed daily cash flow, it was found that the vendor's daily average profits were about Rp. 22,850 (NZ\$6). These daily earnings, especially those earned by 35 percent of the vendors, placed their revenues up to Rp.685,500 per month.

The data on working capital and trading revenues of the street vendors, to some extent, show the incomes of the operators and their households. However, to infer the standard of living of the traders and family, the enterprise capital and profit could not be equated with household incomes. As a part of livelihood strategies, street vending is often not the sole source of income, though it is major, for the traders' household. It is common that almost all household members contribute to provide additional incomes to their family either from similar activities or from other sources of income. Therefore, data on household incomes needs to be identified as well.

The average household income of street vendors was found to be Rp.32,454 or about NZ\$8 per day. Compared to their daily enterprise profits, this income was well above the earnings, accounting for up to 30 percent. Provided that the overwhelming majority of street traders had very low working capital of no more than Rp.200,000, it is not surprising that most of them earned small profits from their trading and that they have low household incomes as well. Nevertheless, the findings appear to show that street traders make a reasonable profit from their trading. This return is relatively favourable in comparison to other available and accessible alternative sources of income. On a monthly basis, this earning is well above the standard minimum wage of formal employment, known as UMR or *upah minimum regional* (regional minimum wages) of nearly Rp.300,000 per month, and substantially higher than the wage of unskilled manual labour such as construction workers and

cleaning service workers. This income is also comparable to the salaries paid to new civil servants in almost all government offices, to lower ranks of military officers, and to the low-skilled labourers in banks and other private industrial factories (e.g. clerks, general assistance).

Previous studies of the structure of earnings in the formal and informal sectors in most developing countries have documented the same existing patterns in the earning structures between the formal and informal sector, for example, Blau (1986) in Malaysia, Portes and others (1986) in Uruguay, House, Ikiara and McCormick (1993) in Kenya, and Funkhouser (1996) in five Central American countries (Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica). In Indonesia, similarly, Evers and Mehmet (1994:5) reported that although income from the informal sector was generally low, as the government-set minimum wages were frequently undercut by small and medium entrepreneurs, the gross income of informal sector traders was substantially higher than wage labourers in industry.

Several studies revealed the same pattern as this finding that, on aggregate, the incomes in the informal sector were comparable to those in the formal sectors and even superior to some of them (e.g. Thomas, 1995, Tinker, 1997). Tinker's study (1997:174), for example, revealed that while street food traders in Thailand earn incomes that are relatively higher than the lower to middle ranges of waged employees, in Pune, 75 percent of the traders earn an income above the official poverty line for a family of four – although 15 percent of the traders achieve this level by combining vending income with other sources – and 10 percents of the traders earned income below the poverty line.

It is important to bear in mind, however, that the high revenues of street enterprises are based on averages that may mask the real profits of the majority. The wide range of household incomes as illustrated by interval

figures, for example, shows that most street traders (42%) obtain daily revenues of between Rp.10,000 and 20,000 and more than 20 percent of the traders earn less than Rp.10,000 a day. Separately, the household incomes of street traders selling goods were better than those selling food and services respectively. However, similar to the pattern of enterprise revenues, the majority of the trader household incomes was categorised as low, with over 60 percent of the traders earning less than Rp.20,000 per day.

At the end of 1998, CBS established a standardised estimation of poverty line for urban areas: Rp.96,959 per capita per month (CBS, 1999:1). Noting that the average size of street trader households is four, the poverty line for household was 387,836 per month or about Rp.12,928 per household per day. On the basis of such an official poverty line, the average of daily profits and incomes of *pedagang kakilima* are higher than the minimum basket of poverty measures of the country. But again, this cannot be used to justify that the street traders in Bandung are amongst the non-poor, let alone the rich, in the population.

Note that while this poverty line can be used to gauge the capability of individuals or families in meeting basic needs and hence get close to the idea of absolute or extreme poverty, this yardstick would vary among cities. The costs for purchasing basic meals, for example, are higher in Bandung than in smaller cities. Moreover, this poverty line is also very low (about NZ\$1 per capita per day). It is based only on very basic physical needs (calorie intake) and does not take into account social needs, such as education, health and housing. As a result, while those who are unable to purchase their basic needs can be labelled as being extremely poor or destitute, those who are able even to meet the costs of the basic necessities cannot automatically be labelled as “not poor” since their incomes are still in the lower tail of the income distribution of the country. They are still likely to face problems of overcrowded housing, lack of access to transport and recreation facilities,

which, although not being life-threatening, represent deprivation compared to the rest of the population.

Taking into account the limitation of the CBS' poverty line, the link between poverty and street trading in Bandung appears to be more adequate if it is categorised into three groups on the basis of the multiplication of the poverty line.⁴ Arranged in gross profits and household incomes, *pedagang kakilima* in Bandung can be classified into three groups, namely the poor, vulnerable, and better-off *pedagang kakilima*. As illustrated in Figure 7.1, such a link between the *pedagang kakilima* and income-poverty is manifested in a form of hexagonal shape.

1. Group one: the poor *pedagang kakilima*, defined as the traders whose daily earnings are lower than Rp.10,000. They are categorised as poor since their economic situation is less than the basic poverty line of Rp.12,928. This group consist of 24 percent and 20 percent of the traders based on their trading revenues and household incomes per day, respectively.
2. Group two: the vulnerable *pedagang kakilima*, defined as those having daily earnings between Rp.10,000 and 30,000. They are vulnerable because their gross profits and incomes are higher than the poverty line, but still around or only slightly above twice the minimum level (Rp.25,856). Based on both trading revenues and household incomes, 60 percent of the traders are under this category.
3. Group three: the better-off *pedagang kakilima*, defined as those having daily earnings higher than Rp.30,000 and hence well above twice the poverty line. Based on trading revenues and household incomes, respectively, the number of *pedagang kakilima* categorised as the "rich" traders is 16 percent and 20 percent of the total population.

The important issue regarding the street trader incomes concerns the uncertainty and volatility of their business. All informal sector workers are not entitled to any job security schemes (e.g. health insurance, pension). While their business revenues are subject to market fluctuation, their incomes are also often considered to be basic “wages”. In contrast to formal sector jobs, for example, street traders do not have fringe benefits (e.g. additional payments, transport costs). A middle-range factory worker at the textile industry received fixed monthly wage of Rp.350,000, but, in addition, he also received Rp.5,000 per day for transport and meal costs. Government employees and military officers usually could make additional salary from their offices that was often the same as their basic remuneration. If these extra incomes were taken into account, certainly, the street trader incomes were very low in comparison to waged employees.

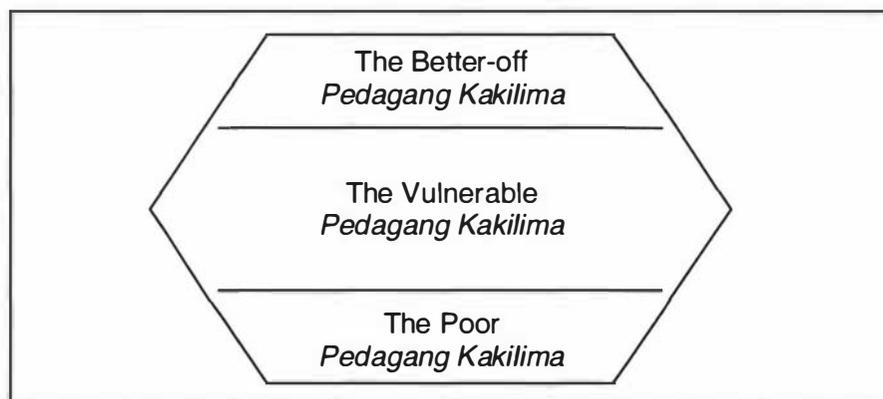


FIGURE 7.1: *Pedagang kakilima* and income-poverty
Source: Fieldwork (1999)

Moreover, even though gross earnings are easy to count, the term in fact exaggerates profitability since it differs from net profits: gross revenues deducted by all total costs used in the daily operation of the trading, such as cost of goods sold, wages of paid employees, transport costs, capital depreciation (see Evers and Mehmet, 1994:5). Accordingly, if the calculation of the revenues takes into account the standard economic concept of profit (i.e. a residual return of the entrepreneurs calculated as excess of total

revenue over total costs), many street vendors in Bandung would probably end up with a trading loss. For example, if from the average gross profits was deducted transport costs and labour costs, accounting for, say, Rp.10,000 per day, the great majority of the vendors (65%) would gain profits of less than Rp.10,000 per day, with some 24 percent of them possibly closing their trading due to failing to make any profit at all.

Another notable aspect of the structure of earnings in street trading is related to a wide variation of earnings between males and females. As indicated above, women tend to operate smaller enterprises that require little investment in new equipments or processors. They also work shorter hours than men. One of the strongest patterns in the data sets is that gross profits in all trading are lower for women. For paid employees, adult females generally receive payments of as much as male children. This in large reflects their lower potential labour market experience, smaller unit of operation, less capital and shorter working hours than their male counterparts. Such low wages and discrimination also mirrors the general society, where low and unequal pay is common, especially in the informal sector employment. Across the study sites, most paid employees receive very low wages and even many kin labourers are being rewarded only with meals or accommodation.

Human capital

Education, health, and housing have been regarded as essential human capital for further economic and social development. In the context of development, no country can secure economic well-being or poverty reduction without an educated, healthy, and well-sheltered population. The evidence in Table 7.5 show the level of human capital of street traders with respect to access to education, health services, and housing facilities. In general, the findings show that street traders in Bandung have adequate access to such human capital.

TABLE 7.5: Human capital of *pedagang kakilima*

Indicators	Types of Trading (%)			Total
	Food	Goods	Services	
Level of education				
<i>No Schooling</i>	1	6	5	3
<i>Primary School</i>	55	25	21	41
<i>Junior High School</i>	31	29	48	33
<i>Senior High School</i>	9	38	26	20
<i>Tertiary Education</i>	4	2	0	3
Access to health services				
<i>Doctor</i>	79	56	68	70
<i>Hospital</i>	45	33	42	41
<i>Health Centre</i>	89	71	79	81
<i>Health Personnel</i>	22	26	33	25
<i>Others</i>	29	5	12	18
Average	53	38	47	47
Access to housing facilities				
<i>Water</i>	88	79	89	85
<i>Toilet</i>	84	87	84	85
<i>Electricity</i>	98	97	100	98
<i>Floor</i>	68	67	79	69
Average	85	83	88	84

Note: N= 150. Source: Fieldwork (1999)

In view of potential business success, street traders require not only their natural talent, but also acquired knowledge through formal schooling. Competence in reading, writing and arithmetic is the minimal requirement needed for operating small-scale enterprises. Without these, the street traders would find it difficult, if not impossible, to run and expand their businesses. Table 7.5 shows that since almost all *pedagang kakilima* have had some formal education, illiteracy is not a major problem for street traders in Bandung. The data show that the majority of *pedagang kakilima* have achieved primary school level followed by higher levels of education. The pattern of educational level by types of trading is even more striking where street traders selling goods have had relatively better education than those selling services and food respectively. According to these types of commodities, the highest level of education attained ranges sequentially: senior high school (12 years of schooling) for those selling goods, junior high

school (9 years of schooling) for those offering services, and elementary school (6 years of schooling) for those trading food.

Confirming the information in chapter five, the relatively adequate level of education is probably caused by the success of national education programme. As stated in the chapter, the program of Kejar Paket A/B in Indonesia, for example, has been widely recognised in combating illiteracy. According to many commentators, including the World Bank and UNDP, Indonesia is one of those poor countries in Asia that have relatively good educational outcomes. The New Order government had adequately invested in education over the thirty years and has proportionally upgraded the educational level of its population (Hoa, 2000:13).

The value of health as human capital is widely acknowledged. It is argued that, like education, health is often taken to be a key indicator since it has multiplier effects on both economic productivity and basic needs achievement (Hicks, 1982; Haq, 1995). Better health will permit street traders to work harder and thus produce more, which can be used to satisfy their basic needs, including those of their family. With reference to street enterprises, furthermore, the health of the street traders was central to the functioning as well as the sustainability of street trading.

The importance of health is not only because it relates to productivity but also because it relates to the survival of street trading as health problems can lead to the closure of a business. At present there is no health insurance scheme for street traders in Indonesia, and yet physical fitness is a fundamental constituent to the ongoing operation of street enterprises. Tinker (1997) reveals that illness was found to be a principal cause of temporary as well as permanent termination of most street food enterprises, since doctor and hospital bills often consumed their entire assets.

The indicators in terms of health variables were measured on the basis of the accessibility of health service facilities as indicated by the utilisation of medical facilities. In favour of the local context, these facilities can be ranked from those having high quality treatment to those with the lowest, such as doctor, hospital, health centre, health personnel and others (traditional healer or self-treatment). While a number of different approaches to identify health conditions are available, the most empirically possible approach is referred to as the access to health service facilities. Theoretically, the high access to such facilities indicates the optimal utilisation of health facilities allowing people to cure health-related problems at best and hence decreasing the propensity towards low life expectancy. However, since it does not exactly identify direct links between health accessibility and health condition, this limitation should be borne in mind in interpreting the findings reported below.

Data on health in Table 7.5 show that 81 percent of *pedagang kakilima* used a health centre and 70 percent of the traders used a doctor when they got sick, while 41 percent of them go to hospital and 25 percent to health personnel (*mantri kesehatan*) when they felt unwell. The “others” category in the table indicates some other ways of curing sickness, such as traditional healing or self-medication (using medicines not prescribed by a doctor) to cure their sickness. This high utilisation of health centres seems to reflect the cheaper cost of medical treatment since most medical expenses in all health centres in Indonesia are heavily subsidised by government, as indicated in chapter four and five. On the whole, the figures reveal no striking differences in the pattern of health conditions amongst the different types of traders.

Another important aspect associated with human capital is the availability of adequate housing facilities, such as clean water supply, toilet facilities with a septic tank, electricity, and a constructed floor. Such facilities are substantial constituents of human well-being. Better housing facilities improve resistance to disease. Clean water, for instance, can reduce the incidence of water-

borne disease, which, in turn, enables people to absorb greater nutritional value from their food (Hicks, 1982:489). Questions concerning this issue were mainly pursued at the place of sale by using survey questionnaires. Street trader homes were also visited particularly to observe household environment, when qualitative approaches were used.

This study found that the proportion of *pedagang kakilima*'s shelters equipped with housing facilities appear to be adequate: overall 85 percent of the trader houses are equipped with each of the facilities. Over three-quarters of the trader houses had access to water supply, electricity and a toilet. Nonetheless, there is still 31 percent of the houses with earthen-floors built over the ground. Although there is no significant difference in the accessibility to housing facilities amongst traders, on average street service traders are more likely to have better housing facilities than goods and food vendors.

Again, this figure appears to be consistent with the data on Indonesia's human development presented in Table 5.1 and 5.2 in chapter five. The tables show that before the crisis, the level of human development was relatively high as was the economic growth. The Indonesian government has committed to invest its expenditure on the improvement of health programmes, one of them, through providing subsidy on primary health services in community health centres throughout the country.

In addition, as chapter six indicated, this satisfactory figure can also be attributed to the success of the Kampung Improvement Programme (KIP) in improving physical conditions of the *kampung* environment. Although lack of infrastructure could still be perceived at a community level (e.g. lack of rubbish bin, sewerage system, which often leads to flooding), the KIP, a nation wide government-sponsored programme, has contributed to the improvement of the physical infrastructure of the *kampung*, especially with regard to electricity, water supply and pavements.

Social capital

Standards of living of a society can also be reflected in the ways of using leisure time for social and cultural activities. In this study, the access to sociocultural activities was measured approximately by the proportion of street traders watching television, listening to the radio, reading newspapers, or by the proportion of street traders participating in local organisation activities (e.g. women welfare organisations of PKK, youth organisations of Karang Taruna, cooperatives and rotary saving clubs, or religious groups).⁵

TABLE 7.6: Social capital of *pedagang kakilima*¹

Indicators	Types of Trading (%)			
	Food	Goods	Services	Total
Access to sociocultural activities				
<i>Television</i>	52	53	63	54
<i>Radio</i>	44	36	74	45
<i>Newspaper</i>	15	48	31	27
<i>Local Organisations</i>	16	21	21	18
Average	31	39	47	36

Note: N= 150. Source: Fieldwork (1999)

Table 7.6 shows that in total, the social capital of *pedagang kakilima* is very low. The proportion of street vendors having access to each of the facilities was only 36 percent. The proportion of service providers having access to sociocultural activities was relatively better than that of goods and food vendors. The sequence of events in the table demonstrates that, as expected, watching television, listening to the radio, reading newspapers, and participating in local organisations appear as the most regular to the lowest regular activities that vendors engaged in.

This condition, in a large part, has been influenced by the rapid expansion of information system exposure since Repelita I (1968). This enables Indonesians throughout the country to have access to television, radio, and newspapers as media for information as well as entertainment. Between the

years 1968 and 1983, for example, broadcasting hours increased from 8 to 12 hours and 8 to 21 hours for, respectively, television and the radio, while the circulation of newspapers increased from about 880,000 to 4.8 million copies during the same period (CBS, 1998:77). When respondent houses were observed, I was often impressed by the fact that many street trader households in each *kampung* owned a television and a radio separated or attached to a tape recorder. Reflecting their extended family living patterns, however, the ownership of the equipment was frequently shared among family members. Even more surprising was that some male traders read newspapers regularly, although they did not subscribe. They mostly purchased a newspaper occasionally, or read an old copy, or for those selling newspapers or trading near to a newspaper seller, they freely read a copy of a newspaper while waiting for customers.

The crisis and human development

How does this study explain the impacts of the economic crisis on street trader human development? The earlier account stated that the quantitative approach did not enquire to examine the direct effect of the crisis on this aspect, as in the controlled experiment. The approach relied to a great extent on the qualitative and documentary approaches.⁶ Much of the analysis comparing and crisis conditions focused on the contrast between two reference periods: (a) the pre-crisis period (before July 1997 when the onset of the crisis began) and (b) the present crisis period (April-August 1999 when the fieldwork was being done).

As chapters five and six indicated, on the basis of the ability of respondents to recall their trading activities and household well-being prior to and during the crisis, informal talks with respondents made clear that their trading activities as well as household well-being were greatly affected by the crisis. This is particularly obvious in the case of their trading revenues and household

incomes. When they were asked to rate and compare their incomes between before and after the crisis came, almost all respondents stated that they were worse-off during the crisis. Only three out of twenty seven respondents said that their situation was better-off or even the same during the economic hardship. They generally recognised that the rising nominal costs of informal sector inputs and of consumption goods during the crisis were faster than the nominal revenues gained from their trading.

These arguments are strongly supported by secondary data. Despite the fact that the informal sector is very flexible and resilient in comparison with its counterpart, the larger industrial sectors, local newspapers, government agencies, and NGOs suggest that the crisis is adversely affecting the informal sector, although not all in the same way or to the same extent. *Pikiran Rakyat* (28 August 1999), for example, reported a survey of 325 *pedagang kakilima* in Yogyakarta during the 1999 crisis. The survey revealed that 73 percent of the traders experienced a reduction in profit, 19 percent were not affected by the crisis, while 8 percent said that their profit increased. One of those who experienced windfall gains from the crisis is snack traders. For example, Tambunan (2000:106) notes that while there is a sharp downturn, producers of snacks producing cassava chips have experienced an increase in their demand as consumers switch from higher priced snacks, produced mainly by large firms, to lower priced ones produced by small-scale enterprises.

Another related survey conducted by Department of Cooperative and Small and Medium Entrepreneurs (Depkop and PKM, 1998) also provided similar findings. Its survey of 175,903 small enterprises in a number of sectors in 27 provinces showed that 43 percent of the population had closed down their business, 25 percent had experienced a decline in activity, and 18 percent had stopped activity, although not yet officially stopped. The survey also reveals that husbandry, mining, and manufacturing had fared the worst amongst the nine sectors investigated.

As reported by several studies, although most street enterprises do not rely heavily on formal credit schemes, and capital requirements vary considerably depending on different types of activities and businesses, the crisis has caused credit constraints in street trading. As confirmed by Musa (1998) and AKATIGA (1998) studies on small-scale and cottage industries,⁷ this typical small-business risk has detrimental effect on the enterprise survival. Major findings from Musa's (1998) survey shows that the crisis has a mixed impact on the cost and availability of credit to small businesses: (a) higher interest rates and the reduction in aggregate demand have reduced the demand for credit by small firms, with most enterprises reporting a decline in borrowing; (b) some enterprises report that it is more difficult to obtain credit, especially credit from supplier of raw materials. It is reported that most suppliers have drastically reduced the grace period for payment; and (c) many establishments have repaid their bank debts, despite the apparent willingness of many banks to reschedule debt. The study of AKATIGA (1998) also demonstrates the effects of the crisis on credit constraints. It notes that although the effects were varied among individual producers in different sizes as well as different sub-sectors, during the crisis micro-scale and cottage industries had to adopt different and even bitter adjustments to such constraints: stop the business, change their occupation, reduce the quantity of product by changing or reducing raw materials, and change their products (see Tambunan, 2000:112-3).

Although information concerning human capital shows that the crisis is unlikely to affect street traders in Bandung, especially on their education and access to health and housing facilities, many respondents in focus group discussions claimed that price increases for basic items such as food, oil, and transport, greatly impacted their purchasing power, especially to pay for their children's health and education costs. According to a household survey in Banjaran, a nearby city in Kabupaten Bandung, the crisis caused prices of food and cooking oil to increase by 230 percent and transport costs by 70

percent between 1997 and 1999 (Hancock, 2001:19). The higher costs of living means that the traders often have to trade-off expenditures for the costs of food or of the education and health. It is obvious that for many the traders will cut education and health costs first.

In terms of housing facilities, it has been indicated in chapter five that not all street traders live in their own house. While a few street traders live in houses they or their family own, most of them rented houses or shared with other traders. These homes were typically permanent structures made from bricks covered with mortar walls and roofed with ceramic tiles (*genteng*). The home of Pak Herman, a cassette seller in Cicadas that I often visited, was about 28 square metres (4 x 7 metres) in size, consisting of two main bedrooms, one living room and one bath/laundry room. There was no courtyard. In front of the home was a small walkway and on all sides of, and behind the home were other neighbouring homes. In the centre of the living room was a sofa, cupboard with TV and tape recorder inside. In the kitchen, which was rather dark due to lack of ventilation, were two kerosene stoves, two saucepans, a bucket, plates, glasses, and other old kitchen wares. The home was relatively adequate compared to others. But it was overcrowded noting that seven people were in residence and that the living room also functioned as a bedroom at night.

There is no doubt that shared and overcrowded rental accommodation does not provide many street traders with an adequate home. But it is the only way that the poor can afford a place to live. As the land and materials for a house is beyond their budget, such families are even unable to dream about having their own house. Given the severity of the recent economic recession, the fear is that, if the crisis continues, more and more people will be forced to live in the cheaper rental and shared accommodations with no adequate housing facilities.

Compared with the accessibility to other human capital, the access of street vendors to sociocultural activities was notably low. This finding is consistent with the description raised in chapter six that most street traders were busy with their income earning activities. To compensate a drastic decline in incomes during the recession, many street traders extend working hours and for some it keeps them up until late at night. Obviously, those with little and no spare time are unable to do such leisure activities, particularly to dedicate to the community organisations.

CONCLUDING REMARKS

This chapter has documented socio-economic characteristics of *pedagang kakilima* in Bandung with reference to their enterprise characteristics and human development features. The quantified variables did not sought to examine direct impacts of the crisis on *pedagang kakilima*, but, as supported by documentary and qualitative studies, the crisis adversely affected them, although not all in the same way or to the same extent.

The principal finding on the enterprise characteristics of street trading reveal that with many street vendors obtaining some kind of benefit from kinship networks, the largest enterprise category of the street vendors can be referred to as a family establishment. As a family enterprise, street trading in Bandung involves kin relationships in its history of business activities as well as in its production processes and employment characteristics. Regarding the issue of legality, street enterprises presumed to be illegal if business permits are taken into account as the only justification for their operation. Although most street vendors operate without licenses, this issue of legality is complicated since almost all vendors paid a daily selling fee.

With reference to human development features, many of *pedagang kakilima* are living in poverty, especially measured by their income levels. It seems

likely that the problem of low incomes was especially experienced during the economic crisis. However, street traders are not the poorest of the society. While some street trader incomes are relatively higher than those in the low skilled formal sector, in aggregate and average, street trading provides a favourable source of income compared to other visible alternatives, such as unskilled construction workers. Moreover, on the basis of human and social capital, street trader households are possibly not poor. They have relatively adequate basic education, and access to health services, and housing facilities, although their opportunity to participate in social activities seemed to be low. In general, their average scores of human and social capitals are also comparable to the related scores in the national figure (see Table 5.1 in chapter five).

Overall, given the fact that many of those in the street enterprises are poor and vulnerable, the next question is: do they represent a passive or active group in coping with such challenging conditions? On the basis of a coping strategies perspective, the following chapter will answer to such a question by exploring the dynamics of street traders and their families in adapting their enterprise and household activities with difficult situation, particularly associated with the economic crisis.

NOTES

1. In Indonesia “Pak” and “Ibu” (“father” and “mother”) is the usual form of address for adults since it is not polite to call adults by their names only.
2. To avoid complexity to the street trader respondents, the questionnaire takes into account the perceptions of street traders in terms of their agreement or disagreement that apply to each question posed (“tick/yes” answer). This approach also applies to questions on “access to health and housing facilities” (Table 7.5) and “access to social activities” (Table 7.6). In view of this approach the figures should be viewed as approximations rather than as very precise estimates.
3. Rock music and Mick Jagger in Indonesia are often regarded as a symbol of “troubles” such as fighting, drugs, or alcohol related

- problems. Since the informal bodyguard is perceived as the trouble maker (e.g. harassment, blackmail), people often call him as “jeger”.
4. The rationale to use the approach of poverty line multiplication mirrors the Chilean Ministry of Planning and Coordination (see Thomas, 1995:71-2).
 5. In Indonesia, these local organisations play important roles in the local community development, including in a variety of poverty alleviation programmes (Suharto, 1994).
 6. See also note 1 in chapter nine about the limitation of the study.
 7. In Indonesia, the definition of informal sector often includes those working in small-scale and cottage industries (see Tambunan, 1998).

CHAPTER EIGHT

THE CRISIS AND COPING STRATEGIES

A people-centred strategy for eradicating poverty should start by building the assets of the poor.

Human Development Report (1997:6)

The information in the previous chapters provided general profiles of *pedagang kakilima* in Bandung, discussed their enterprise and household characteristics, and identified a number of socioeconomic problems in light of economic and human development perspectives. The discussions suggest that there is no automatic link between street trading and poverty, but equally there is no such link between street trading and prosperity. With reference to their enterprise profits and household incomes, for example, most street traders fall in the category of poor and vulnerable. The success of a few of the most prosperous people working in street trading, therefore, should not blind us to the economic defenselessness of the vast majority of the participants in such street-based occupations.

In addition, after Indonesia was hit by great economic and political instability in 1997, the country became a patient of the World Bank and International Monetary Fund (IMF), which requires it to undertake Structural Adjustment Programmes (SAPs). As has been noted earlier, the benefits and costs of the adjustment process have not been shared equally amongst the whole population. A small number of Indonesian households have found wealth and

success in times of economic hardship, but for most it has brought poverty. Millions of Indonesia's informal sector workers, including those working in street trading, are among the disadvantaged in the country's population. During the crisis the difficulties they face have become more severe with some fared the worst amongst the affected population.

Although the description in preceding chapters has covered many faces of *pedagang kakilima*, the analysis has so far been restricted to the "dormant" characteristics of the traders as if they are only objects of investigations and passive victims of changes. As shown in the literature, the natural phenomenon of human beings, whether they are poor or not, always have something to contribute to both the identification of their condition and its improvement (see Roberts, 1995; Drakakis-Smith, 1996; Moser, 1998). With the focus on their dynamics, therefore, this chapter examines further the effects of the crisis on street trader enterprises and households and emphasises how they respond to problems they face. The basic assumption of this chapter is that difficulties inherited from internal limitations of street trading together with external shocks brought on by the crisis all shape the lives and choices to those involved in street trading. Since they are not passive, it is argued that they must react in such a way that they adopt a variety of natural adjustments.

Five sections are provided in the analysis. A brief review of the approach and setting of this study is outlined in section one. The second and third sections then start to elaborate common patterns of coping strategies adopted by *pedagang kakilima* in their enterprise and household settings respectively. Section four goes on to discover such household arrangements in relation to management of the resources and division of labour. Drawing on these qualitative findings, finally, this chapter ends with an analysis of the spectrum in coping behaviours and generates a typical model of coping strategies.

THE APPROACH AND SETTING

Unlike previous chapters, the approach of this chapter is based more on micro-level studies, involving different types of qualitative research approaches. Since the research process was to be participatory and interactive, the main method of identifying the various types of coping strategies of household involved PRA methods, such as in-depth interviews, direct observations and resource analysis or livelihood mapping (Buenavista and Flora, 1994:39-40; Suharto, 1997:170-6; Roos and Mohatle, 1998:47). Questions regarding the coping strategies were directed to assess a wide range of responses in two different settings, namely enterprise and household environments. Therefore, the strategies adopted by street trader households were grouped into two focus of responses: the enterprise-focused strategies and the household-focused strategies.

Although the PRA methods were not applied to all households, the methods required that husband, wife and children participate during the data collection process. Most interviews and discussions included participants of the same household, but some group discussions involved members of different households. In some cases, the discussion was organised in one selected house or neighbourhood centre. Different methods were generally carried out sequentially on the same day or on separate days depending on appointments with the interviewee households. Including the introduction to the process, each method lasted almost an hour.

With regard to resource analysis, for example, participants were asked to list all activities, facilities and services that they consider as very important in dealing with the socio-economic problems they face in both enterprise and household settings. In the first step, a chart was prepared written on a large piece of paper. The problems were written on the left across the chart. In response to problems listed, participants were then asked to write a number

of important activities on the right side of the chart. Enough space was also left to write down additional activities and strategies. The activities can be from their home, neighbourhood, markets, business site or streets. The notion of “importance” can refer either to the most frequently practised or to the necessity for daily use, survival or augmentation.

It is significant that in addition to the above coping mechanisms, the particular strategies selected by street traders in responses to social and economic threats focused on management of resources and division of labour. These systems refer to household arrangements dealing with its internal and external resources in such a way that the household can obtain incremental benefits to sustain its livelihood. These mechanisms appear to be a critical part of household coping strategies, and thus, together with household- and enterprise-focused activities, they were explored to understand how a household’s mobilise contemporary as well as traditional economic, social, and cultural systems.

ENTERPRISE-FOCUSED STRATEGIES

The crisis affected small businesses in the informal sector as has been noted earlier. The information suggests, however, that although the crisis has resulted a number of difficulties in street trading, the benefits and costs of the adjustment process were not shared equally amongst the whole population. For most the adjustment brought difficulties, but for some it still provided a window of opportunities. A small number of those participating in street trading found wealth and success in facing the economic hardship. Therefore, the fact that the crisis had either negative or positive effects on the street trading meant that there were widely diverging opportunities generated by it.

The drastic fall in the purchasing power of the Indonesian population led to an increasing demand for the informal sector commodities. This meant that some

street traders could get income windfalls from this change of purchasing pattern. As discussed in the previous chapter, for example, amongst those experiencing windfall gains during the crisis were producers of snacks producing cassava chips (see Tambunan, 2000:106). They experienced an increased demand for their products as consumers switched from higher priced snacks, produced mainly by large firms, to lower priced ones produced by small-scale enterprises.

The serious decline in the formal economy, in contrast, led to an increasing number of the informal sector being supplied by newly unemployed who had left their formal employment. One consequence was that it tightened competition and reduced income gains described as “*memperebutkan kue kecil yang semakin kecil*” or “fighting over a small pie that is getting smaller”. It was found that the fall in the aggregate national income had decreased sales and profits of the informal sector to almost half of what they received before the crisis. The informal economy, described for decades as an “ease of entry” sector, now came to be associated with an “ease of exit and bankruptcy” sector.

The incomes in the informal sector were also highly uncertain as a result of the volatility of prices for their products. The cost of wares, which kept radically and unpredictably climbing, made it difficult for traders to determine what price to charge for their products the next day (see Jellinek, 2000). Moreover, massive droughts and fires in various parts of Java affected agricultural production and hence pushed up input costs, especially to those selling food commodities. As a result, even to those experiencing windfall gains, the increased input costs during the crisis neutralised the nominal income gains of the street trading in Bandung.

In response to such conditions, *pedagang kakilima* adopted enterprise-focused strategies. These activities were resorted to by the traders to adjust

to the exposure of enterprise-related problems that directly affect street trading. Some of the strategies appear to hold up marketing patterns of the urban informal sector, as discussed by Arellano (1994), but they typically emphasise a dividing line between household livelihood strategies adopted by urban small-scale traders and by rural small-scale producers. In the period of the 1999 crisis, these trading tactics became the prominent strategies in the operation of street enterprises in Bandung, although it is likely that some of them can be found during more normal times.

Minimising operational costs

During the crisis, when the sales of street trading declined drastically, the profits from business operations also decreased. The increased competition and drastic fall in consumer demand frequently meant profits were only enough for buying daily trading commodities to continue the trading supplies for the next day. This caused traders to greatly tighten their operational expenses of trading, particularly in terms of labour and location costs. Most street traders had only limited capital and investment and, hence, could not afford to pay high labour wages or the costs of associated labour contract systems. To minimise labour costs, most *pedagang kakilima* increased their reliance on family or kin workers. Family labourers were seldom paid, while kin workers received very low wages, many of them being rewarded only with meals and/or accommodation.

In order to reduce location costs, *pedagang kakilima* sought out free or cheap sites for their businesses operations. To be safer from eviction, they were generally less reluctant to pay daily trading fees to the security officer. Even if there was higher location fee, especially in a few selected places, *pedagang kakilima* would always attempt to follow the rules, although they bargained for lower fees on the basis of business returns obtained over the day. Since there

was no fixed cost for the space involved, the street enterprises could keep the location costs lower than the formal establishments.

Lowering unit prices of products

It is widely accepted that the market segment of the informal establishments commonly comes from the lower income group of communities who cannot afford higher priced commodities. Customers buy lower priced products in the informal trading even at the expense of lower quality. In the 1999 fieldwork, after the onset of the most challenging crisis, an enormous decrease of purchasing power in the Bandung population caused the higher classes to rely on informal sector products in the hope of getting lower prices.

In response to this, informal traders became very price aggressive in order to make their prices lower than those offered by formal establishments. The most common tactics adopted by them were to purchase local products and use second-hand goods. To some these strategies involved “black market” activities. They sold illegal goods or *barang bajakan* (e.g. books, cassettes, computer software) without complying with legal copyright, or they traded copies of famous foreign brands (e.g. Levis, Dunhill, Rolex) obtained from local producers.

Despite these negative factors, street traders showed keen entrepreneurship in order to keep the unit price of products lower than that of other competitors. Apart from the difficulties caused by the crisis, many street traders in interviews and group discussions stated that they created opportunities by actively obtaining product supplies direct from producers. Instead of waiting for the supplier to offer the products on site, they went directly to the manufacturer or to the largest supplier. To make additional savings, they often took products home on public transport or carried them home on their bicycle or even their bare shoulders.

Increasing competitive advantages

As the economic crisis led to a significant decline of sales in the street trading, *pedagang kakilima* had to make additional efforts to increase business sales and revenue. Nearly one-third of the street traders reported that they adopted a variety of marketing plans for increasing their competitive advantages. Two critical features were bargaining transactions and direct or attentive promotion.

The bargaining transactions meant that street traders made the prices for goods and services they sold negotiable. The New Zealand Warehouse trade motto of “where everyone gets a bargain” seemed to be applied widely, or perhaps previously, by street enterprises in Bandung. All street restaurants selling ready-to-eat foods had fixed prices. Conversely, almost all street traders selling fruits, clothes, and shoes also quoted a price. However, the traders still let buyers bargain the price. This was especially true for the service sector. Nearly all service providers (e.g. electronic and watch repairers) stated only initial prices. They let the users state what they were willing to pay. In most cases, this strategy appeared to increase not only competitive advantages, but also “comparative” advantages through both incremental and speculative revenues gained from the different margins of different buyers.

Not all street establishments in the study area could afford to use formal advertising methods to advertise their commodities. But this did not mean that they did not make any effort to promote their products. The primary form of advertisement used by them was attentive or “word of mouth” promotion, which involved a different means of straight and personal promotion. To attract the attention of pedestrians and visitors, *pedagang kakilima* in Bandung use colourful posters specifying food or goods to be sold with distinctive, often unique messages (see Plate 7). For example, two

establishments selling meatballs (*bakso*) put up different posters with prominent lettering, saying “Bakso Pak Kumis” (Mr Moustache’s Meatballs) because the trader has big moustache, or “Bakso Rudal” (Missile Meatballs) to stress that the meatballs he sells are extremely big. Another example of the “innovative” advertisement was that of the traditional medicine seller, who acted as a magician with music, a loud speaker, and snakes to attract visitors to come and buy.

Flexible trading

Flexible trading refers to the capacity of *pedagang kakilima* for change and adaptation to market demands and urban conditions. In response to the changing demands of customers affected by the recession, many *pedagang kakilima* in Bandung did not restrict themselves to one type of product. Instead, they switched product lines very quickly. The street traders appeared to follow the market more easily, either geographically or time-wise (temporarily).

As the crisis brought about radical and unpredictable business challenges, street traders changed their locations, products, working hours and workers to suit the seasons or hours of the day. For example, although *pedagang kakilima* have an identifiable location in a relatively fixed site, they can change their location from the school backyard in the morning to the movie entrance in the night. Street enterprises generally consist of easy-to-make-and-remove stalls, often just a cart made with recycled material or recovered from its previous owner. While this “natural” appearance can save investment costs, it also appears to hold their flexibility, especially to anticipate sudden street clearance operations.

Expanding business activities

It is important to stress again that the crisis did not negatively affect all street trading in Bandung. To street traders who could adapt and manage changes, the crisis did not hinder them from running the business productively. Therefore, to those categorised as more dynamic entrepreneurs the crisis still provided opportunities for business expansion.

As in the large and formal business sector, this mechanism encompassed growth and accumulation strategies from diversifying or increasing the quantity of products to the opening of a new branch of business in other nearby areas. This practice usually took place within family and kin relationships. For example, while a household head and his wife sold local fried chickens, their young adult son with his wife also traded similar food in the street only some metres away. Very often the investment, working capital and other associated inventory costs were complementary almost as in a “two-in-one” concept. This complementary business activity was also observed in other types of commodities, both goods and services.

This kind of positive effect of the crisis was also found in street trading with the selling of political party articles (e.g. flags, billboards, and pamphlets) for the forthcoming general election. When the fieldwork was conducted in 1999, the crisis not only influenced economic conditions, but also influenced political changes. It was responsible for removing three decades of Soeharto power as president in May 1998. As many repressive aspects of the Soeharto’s regime were withdrawn, the political campaign was described as the most democratic process ever. It involved forty-eight parties and forty-five of them were new. All street traders selling party related articles (e.g. flags, t-shirts, calendars) reported that the pace of political change and the high number of parties participating in the campaign meant an increasing demand for their products (see Plate 8). To adjust to such selling opportunities, some traders

changed their products totally, while others combined with their previous ones.

During the fieldwork, one of the successful traders was also found amongst those who sold video compact disks (VCDs) and compact disks (CDs). He got a windfall gain from higher market demands. Most of his customers mainly came from middle to high class in the Bandung population who experienced sudden decline in purchasing power due to the 1999 crisis. Compared to the products sold in stores, these street goods were lower in quality, but because unlicensed, the prices were half than that of in the stores.

HOUSEHOLD-FOCUSED STRATEGIES

A number of studies conducted by, amongst others, Jellinek (2000) in Jakarta and Hancock (2000) in Banjaran (the Southern part of Bandung) reported that the national crisis caused many in the middle to low-income communities to succumb to poverty. My own observations and interviews confirmed that households in Bandung were also threatened by the crisis. Income fluctuations and the sharp price rises associated with devaluation and the removal of price controls and subsidies, for example, led to consumption instability. This brought serious effects, especially to those households that were very poor where a consumption deficit could lead to destitution.

Almost all of the participants in the 1999 fieldwork claimed that they had difficulties in satisfying the basic necessities, such as rice, sugar, and cooking oil. These were hard to obtain not only because prices rose sharply, but also because local stores ran out of stock. At the same time, social security was unavailable, and credit and insurance markets did not function properly. In the absence of such formal supportive mechanisms, various household arrangements became crucial to street trader families in the organisation of their livelihood activities.

Household-focused strategies were adopted to deal with the exposure of crisis that directly affected family conditions and created household-related problems. In contrast to the enterprise-focused strategies, most coping mechanisms focused on this household setting appear to be in common with strategies resorted to by poor households not only in urban places (e.g. Rakodi, 1995; Drakakis-Smith, 1996; Moser, 1998), but also in rural areas (e.g. Corbett, 1988; Grown and Sebstadt, 1989; Lopez-Gonjaga, 1998).

Multiplying source of income

All *pedagang kakilima* families studied reported that the major impact of the economic recession was on the increasing living costs due not only to radical price escalation for basic items (e.g. rice, sugar, kerosene, and cooking oil) but also to decreased purchasing power. Most respondents estimated that between 1997 and 1999 the price of rice and cooking oil, for example, rose by almost three times. Some others, especially those who experienced windfall gains from the crisis, reported that during the 1997-1999 period, the average of daily revenues from street trading was nominally increased due to a rise in the price of their products of over 100 percent. However, the increased cost of living, as well as input costs, clearly reduced any nominal income gains they made.

The usual method to adjust to these additional living burdens was to diversify income sources. All household members increased their reliance on a variety of economic activities and make their household an income-pooling unit. All family members, from children to grandparents, became involved finding alternative incomes throughout the informal sector. When families were burdened by too many members and hence badly needed additional income to cover heavy expenditures, child labour was widely used to make money, either occasionally after school, or permanently after dropping-out of their education.

It was also found that low and volatile revenues from street trading were complemented by other part-time jobs in the informal sector. In Cicaheum, some street traders supplemented their dwindled revenues by additional money from informal transport sectors, such as being pedycab (*becak*) or pick-up (*angkot*) drivers. In Alun-alun some street trader families were engaged in part-time jobs in construction and domestic workers. In order to maximise business profits, a number of street enterprises in Simpang and Cicadas were also observed to operate small enterprises on a complementary basis where husbands and wives run the business separately, rather than working together in one unit of operation.

Lowering expenditures

As a part of household strategies to adjust to the drastic contraction of the Bandung economy, *pedagang kakilima* families practised what is called a “belt tightening strategy” or known in local term as “*strategi mengencangkan ikat pinggang*”. Families changed their consumption patterns and spending habits radically. The change in consumption patterns meant that families curtailed their wants and diet by changing from expensive foods, such as meat and fruits, to less expensive foods, such as tofu or *tempe* (soybean curd) and salted fish, or changing to a carbohydrate diet of lower quality rice or root foods (e.g. cassava, taro or sweet potato). Family members, particularly the older ones, agreed to reduce the quantity and quality of foods at each meal or to decrease the number of meals per day from three to two or even one. To those selling food, this meant eating leftover foods from their trading, or adjusting the household menu to the foods they were selling.

By changing spending patterns, families reduced living expenditures by cutting down overall luxury costs (e.g. recreation), or by spending less on education, health, transportation and clothing (e.g. not buying new dresses or shoes). This strategy also includes do-it-yourself activities, asking older

children to do housework or to look after the younger ones, applying self-medical treatment, or sharing household expenditure and properties. For many worse-off households, this strategy often meant adopting sacrificing patterns and tolerating bad living standards, such as accepting low nutritional food; tolerating bad housing, health, and working conditions; sleeping at business sites; or allowing children to leave school at an early age.

Enlarging sources of credit and borrowing patterns

The drastic fall in the aggregate national income resulted in the decline of sales and profits of most informal economic activities. One of the worst impacts of this was the search for a means of obtaining cash. Compared to the situation before the crisis, more than half of the families interviewed stated that the crisis had made it extremely difficult to obtain cash, whereas the remainder reported it a fairly difficult. In times of emergency, the need for cash was acutely felt when a member of the household had to be rushed to the hospital, there was a death in the family, or when schools were due to reopen, or important family celebrations (e.g. wedding and child circumcision parties) had to be prioritised. Strategies commonly resorted to by families were to enlarge their sources of credit and borrowing patterns, to include pawning, and in some cases selling household furnishings.

By using these types of cash pursuit strategies, a household was able to obtain a variety of credit schemes. These included borrowing money from merchants, friends, neighbours, and relatives in *kampung* with no interest. In such cases, the types of repayment were not always in the form of money but may encompassed household property and labour. Alternatively, households were also found to go to moneylenders for a cash loan at an interest rate of 20 to 30 percent per month. With such a high rate of interest, borrowing money from moneylenders was often a last resort of households in deep distress.

With pawning and selling household property, members of a household pawned or sold their personal effects (e.g. gold, necklace, bangle, ring) or household properties (e.g. furniture, sundry household belongings) to obtain some cash. Other items commonly pawned or sold are motorbikes, bicycles, TVs, radios, blankets, shoes, and clothes. A pawning system was preferred by most households rather than selling, because the householders were able to reclaim their property.

The pawnbroker could be a rich neighbour or moneylender, but the most common method was by using a government-subsidised pawning agency, known as *pegadaian*. In the *pegadaian*, instead of paying what one commonly calls “interest” rate, the pawner has to pay an additional price when he or she takes back their belongings.¹ Thus, although most respondents thought that the *pegadaian* had no interest rates, in fact, the pawner still loses, because from the price of every item he or she pawns a 10 to 20 percent reduction is made, depending on the period of repayment. At the time of pawning, the price of goods and the date of repayment is agreed on by both the pawnbroker and pawner. Failure to meet the conditions of the agreement means the outright confiscation of the pawner’s property. When this happens, the *pegadaian* can sell the unclaimed properties at a weekly auction.

Barter and reciprocity

In order to minimise expenditure, *pedagang kakilima* families tended to adopt barter and reciprocity within their own households and neighbourhood. Using this mechanism, a member of family would accept rice stock or meals from neighbours in exchange for her labour in laundry, baby-sitting or domestic services. Conversely, she might offer labour, chicken or eggs to the local store (*warung*) owner, and in return, would be given cooking oil, kerosene, sugar, soap, toothpaste and other groceries. A working mother who was heavily involved in street trading would cook extra amounts of food in

exchange for home cleaning or baby-sitting provided by her niece or a nearby woman neighbour.

Other examples of barter and reciprocity were found in terms of house construction and family celebration. A house owner renovating his house attempted to minimise costs by receiving advance contributions of commodities or free labour from his nearest neighbours. He paid for this later by supplying commodities or labour when his neighbour wished to build or renovate their houses. In order to lessen expenses, a family celebrating a wedding or child circumcision party often relied on a traditional exchange known locally as *undangan* (literally means the invitation). By this tradition, the family received gifts or money from friends and relatives and then returned it later when the givers had a party.

Saving and mutual investment

The most constructive coping strategy adopted by street trader families in Bandung was probably the mechanism of saving and mutual investment. It was generally resorted to by better-off households which experienced windfall gains from the crisis. It basically encompassed a variety of saving mechanisms, such as saving money at home and/or the bank, or joining local co-operative organisations or loan clubs, such as *arisan* (rotary savings), *jimpitan* (rotary savings club which is similar to *arisan* but using rice as savings). Sending remittances to family members in rural regions was also practised. This was especially true for what Ellis (1998) called the “split family” or a household of breadwinners living in the city without their families.

In some cases, this saving mechanism took place as a form of mutual investment. Instead of saving money at the bank, a household head purchases land or livestock in a rural place of origin where relatives are available. If the land was selected, the trusted relative was then asked to

plant crops (mainly seasonal crops such as rice, corn, and a variety of vegetables) on a sharing basis. The operation costs for weeding the crops were often shouldered by those who managed the land. When a crop was ready to be harvested, the person who raised the crop and the owner made an agreement about its selling price and profit sharing. Generally, the profits were divided equally between the owner and the one who did the weeding.

Temporary separation

For the poor household, the crisis between 1997 and 1999 was very difficult to escape. It was found that amongst the poorest, coping strategies involved a difficult choice. The most common strategy was to accept temporary separation. In this case, some household members, especially the head and the older members of the household, had to temporarily migrate to other cities in search of casual work or charity, or alternatively, to move to rural areas in search of assistance from relatives.

A few families also adopted the strategy of splitting up family members, such as sending children to relatives in other urban places or in their village of origin. However, during the 1999 fieldwork, this was adopted only as a last resort by the poorest household, when no other option was available and when their financial crisis was at its worst.

RESOURCE MANAGEMENT AND DIVISION OF LABOUR

The analysis of resource management and division of labour aims to trace whether, as a system of production, the urban informal street establishment replicates footprints of customary norms and behavioural patterns derived from the system of production in rural origins. The kinds of production system referred to include a variety of subsistence activities, such as home

gardening, using common property, and doing small animal husbandry within their *kampung* boundary as a deposit for a future unexpected income deficit.

Related to the issue of resources management, leads to the question of how the burden of household duties is spread amongst different household members. In this regard, the notion of household division of labour is also analysed in order to specify the distribution of labour within the household. In fieldwork, research participants were asked to indicate who performed the activity or the type of labour arrangement in those cases where labour outside the family was put to use.

Resource management

Regarding resources management, the information collected from the previous sections were used as a guide to conduct a method of resource analysis (Buenavista and Flora, 1994) or livelihood mapping (Roos and Mohatle, 1998). The main purpose of this method is to explore the kind of resources that households would have access to. This can uncover further varied livelihood activities and delineate the trends and patterns of the mechanisms. This can also indicate whether a particular resource is available within or outside the community, and whether its availability is sufficient, partially sufficient or insufficient in quantities. The discussion basically covered such issues as what types of resources (e.g. school, market, drinking water, common property) are available, where they are available, who has access to them, and how these resources are used.

Before visiting each household, a resource “map” was outlined on a large sheet of paper. It shows the physical layout of the *kampung* on the basis of a sketch map of the site (e.g. see Figure 6.2). After explaining the purpose of the activity and the process involved, a discussion leader was selected from the participants. The house of the interviewees was placed at the centre of

the map and used as a reference point through which resources flowed in and out of the household. Participants were encouraged to write down a number of resources and indicate where each of these resources came from. A large circle representing the *kampung* boundary was drawn on the map, and a number of pictures containing the names of the resources listed were then placed beside the map of the *kampung*.

All the resources which were available within the *kampung* were put inside the map, those which were partially available were placed on the border of the map, and those which were completely unavailable within the community were put outside the map. The discussion leader facilitated the key information in mapping out the location of the resources. Arrows were drawn to show the flow of interconnection that existed and the relative importance of the resources. A result of the resource analysis was a map of livelihoods, showing the availability of resources and the flow of resources in and out of the household. As an example, Figure 8.1 illustrates the system of livelihoods of a sample household in one *kampung* in Kecamatan Coblong.²

The figure shows that the household has access to different types of resources ranging from those categorised as non-capitalist-base structures (e.g. neighbours, common property, social organisations) to those categorised as highly capitalist-base systems (e.g. markets, stores, moneylenders, *pegadaian* public loans). Since the *kampung* is highly influenced by the cash economy, the household generally places economic institutions (market, *pegadaian*) as the most important resources to sustain household livelihoods. However, they also considered informal networks with neighbours.

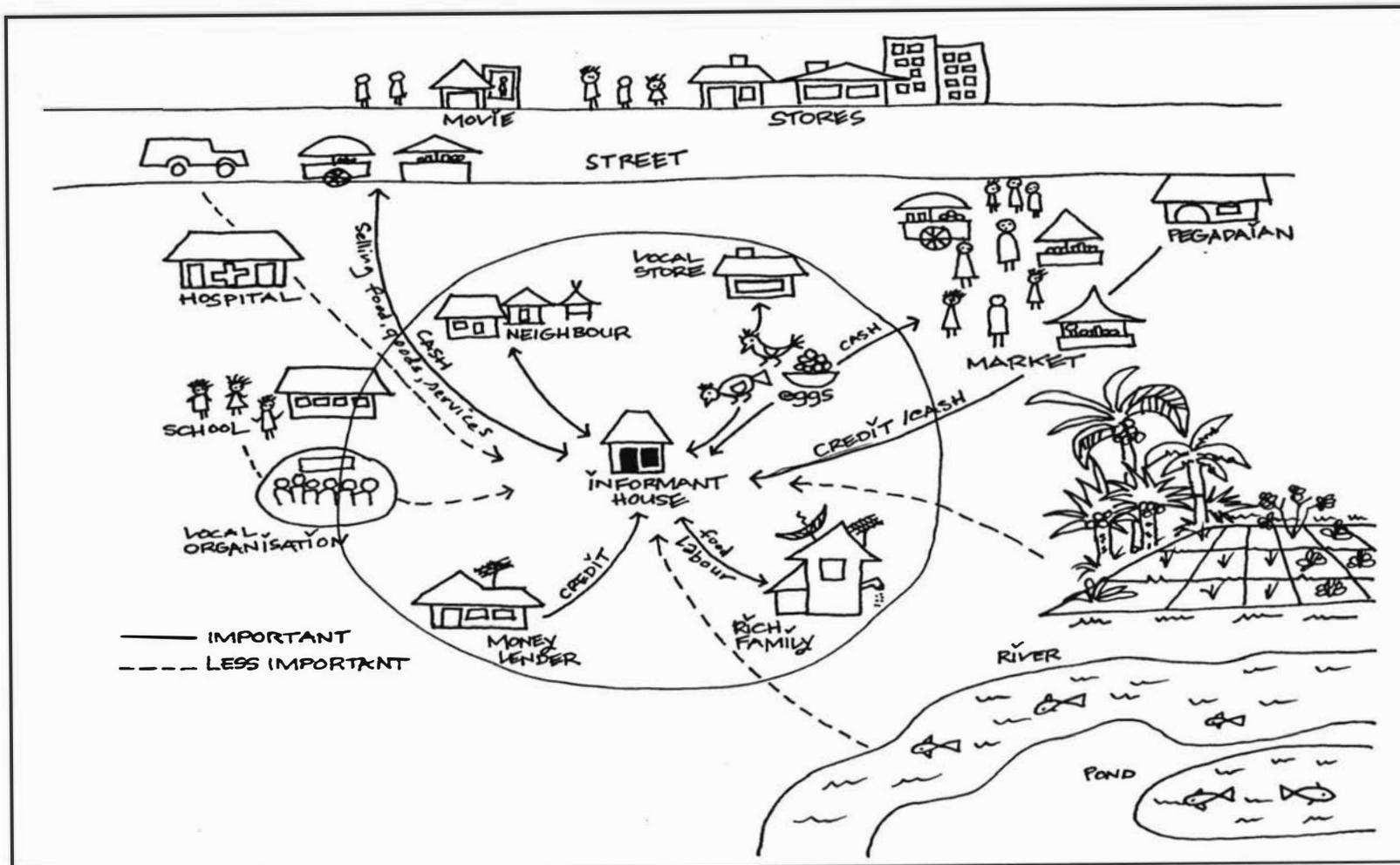


Figure 8.1: System of livelihoods of a sample household in one kampung in Kecamatan Coblong; Source: Fieldwork (1999)

As shown on the map, this mechanism involved informal exchanges and relations in terms not only of goods and foods, but also of services, such as exchange of labour for childcare or house construction. A rich family is sometimes helpful in providing a casual job (domestic work) or in giving food, used clothes and shoes when the household provides labour. Drinking water is obtained from a public toilet or neighbour who is better-off and owns an electric water pump.

A housewife in the involved household stated that although a market is located outside the *kampung*, the household is highly dependent on it as her family can purchase commodities and inputs for street trading. The street is also very useful for her to sell products of her household business. She mentioned that credit in cash is usually obtained from a moneylender within community or alternatively from a *pegadaian* located some distance away.

She perceived that lack of credit is one of the greatest difficulties in her establishment and hence she claimed to need loans for business capital. But loans for health or consumption costs, she further noted, are also needed in times of emergency, as in the case of accident, illness or for family celebrations. She complained that interest rates of moneylenders are very high, but only moneylenders were always ready to “help” without collateral. *Pegadaian* is also useful to provide loans with only a small guarantee, such as a radio, bicycle, or even kitchen wares, clothes and blankets. What is most revealing in this case is that the respondent does not use the services of the banking system. This cannot be divorced from the fact that the formal financial institution is not accessible to most people in the *kampung*. In almost every *kampung*, only a few of inhabitants are able to borrow from the banks since only the better-off families possess suitable assets as collateral for bank loans.

The map also shows a subsistence production of the agricultural-based activities commonly resorted to by rural households. In fact, a few households in the *kampung* still use the available public spaces for their additional sources of income. In this case, the natural space is used to keep small animals (chickens) or to plant edible and medicinal shrubs as a source of the usual additions to the diet and general welfare of the households. Other than fruits, households also plant rootcrops and vegetables, such as cassava, tomato, spring onion, hot chilli, herbs, and even flowers.

In addition to the need for shading and beautifying their home surroundings, most families can make savings out of the plants by decreasing their dependence on vegetables and fruits in the market. However, in contrast to coping strategies commonly resorted to by rural households, the collection of wild-foods is not found amongst households in the research areas. Since, unlike in rural areas, wild-foods in the form of edible, naturally occurring plants, fruits, seeds, as well as animals and insects are not generally available to urban people.

As elsewhere, agriculture is well combined with the rearing of livestock such as chickens, ducks, sheep, goats, water buffalo, and cows. However, different from the still practised rural livelihood strategies, urban households do not any longer rely on big animals (water buffalo and cows) for their saving or “social security” mechanism. Industrial capitalism has not only linked the community with the cash economy, which thus more relies on the fluid form of production, but also has made it impossible for inhabitants to feed and tend big animals due to changes in land use and the disappearance of agricultural land. Local people in one *kampung* in Simpang said that when many households had rice fields, albeit small in size, several owned water buffaloes for ploughing, but with the sale of land, this is not possible. One male in the *kampung* explained this:

When we moved here from village in 1970s there was still a lot of rice land. We could get grasses to feed animal for free, by asking permission to the land owner. Now the land was sold to the rich and middleman for factory, malls and housing. Since there was no land, there was nobody to collect fodder and we did not keep cattle any more. Beside that, raising cattle was no longer suitable and profitable with our present day. It took a long time and was impractical for immediate cash. Our family did not have enough time to look after such livestock and even our children might not know how to do that.

The only domestic livestock now reared is poultry and sheep, though the latter is limited to a very few households in Kiaracandong. Similar to larger animals, none of the households in Simpang raise sheep, ducks and swans. Chickens, which are a common sight and run free on the *kampung* pathway, were observed to be tended by twenty to thirty families in each *kampung*. Chickens are not only used for family consumption, but also for exchange or sale to pay for emergency expenses or for other specific purposes, such as special foods in religious celebrations, as in Munggah and Iedul Fitriy celebrations – the day before and after the fasting month of Ramadhan.

Household division of labour

A number of studies show that household patterns in Java seem to be based on rural cultures or peasantry systems in many ways (see Wolf, 1992; Smyth, 1997). Social norms in the Javanese rural community generally dictate that men, women and children are responsible in different ways for doing domestic tasks, such as the collection of water, looking after and feeding domestic animals, as well as for other productive and reproductive tasks. The division of labour is generally differentiated along both gender and intergenerational lines. Children often represent an important source of labour for housework and other domestic tasks. Boys as a rule are more likely to be engaged in collecting water, feeding domestic animals (e.g. chickens), while girls tend to lend their help in tasks such as cleaning and cooking.

The changes brought by industrialisation to the community, however, have necessitated certain adaptations in task distribution within households. For example, Wolf (1992), Seppälä (1996), and Ellis (1998) showed that one of the multiplier effects of industrialisation is the “occupational multiplicity” or “economic diversification”. This has forced most members in rural households to engage in several economic activities and different systems of production simultaneously. The fact that households are naturally indirect units of production makes limits or boundaries between production and domestic activities unclear or even disappear. In fact, instead of being monolithic and undifferentiated, the division of labour in households is dynamic and entails collective strategies: all members are involved in both domestic and household production.

For most people in the urban *kampung* in Bandung, a household is the most important social institution beyond the nuclear family. It provides a network of mutual support, connection, economic information, capital, emergency aid and, in some cases, long-term income transfers. Some households consist of one nuclear family (father, mother and children), but an extended family is most common. The latter refers to a household consisting of the nuclear family members with their married children and offspring, and even distant relatives, who live under the same roof. In addition, there is also the third type of household that can be called “split-family” (Ellis, 1998). It consists of many breadwinners living together without their families in a sort of collective accommodation or *pondok*. The inhabitants of this *pondok* are generally the same sex, either men (e.g. *bakso* sellers, *becak* drivers) or women (e.g. *jamu* sellers). They are migrants of the same rural origin but they carry on independent economic activities (see Jellinek, 1991).³

This study found that coping strategies in relation to mechanisms of household production and control of resources all had gender-related aspects. Women tend to be involved in home-based economic production and

men are likely to work in public or street-based occupations. They both increasingly sought cash income through running different types of household production or selling labour through casual work. As the penetration of industrial capitalism has led households to involve all their members, including women, children and grandparents, to participate in a diversity of income earning opportunities, tasks within the household have had to be negotiated. For example, in domestic work, the contribution of men and boys continues to decrease substituted by women, often helped by daughters or nieces.

In the production tasks, on the other hand, households tend to involve all household members regardless of their gender differences and age-specific cohort. As a result, although household consumption and production activities entail a division of labour, in reality it is often fluid and mixed. In the making of goods for selling, for example, different genders and ages are involved in multifaceted and mixed activities simultaneously. The only significant dividing line may be in terms of time references, particularly to children of school age in which their contributions have to be adapted to their school schedules.

This dynamic division of labour has been clarified in the Pak Ujang household (respondent 23) which, among others, organises his household strategies into efficient household management and collective strategies. The family head and wife are both dominant business managers. Their extended family with many children and a distant relative are involved in the whole process of livelihood strategies.

Pak Ujang (aged 43) and Ibu Iis (aged 36) have one daughter and two boys: Nengsih (aged 13), Agus (aged 5), and Jaja (aged 2). Pak Ujang and Ibu Iis are also responsible to look after Otong (aged 12), a distant relative who came from a village in Tasikmalaya where Pak Ujang was born. This

household was involved in a variety of income earning and all members of the household contribute to the household's income.

Pak Ujang cannot afford to buy his own house. His family live in a house belonging to *mertua* of Pak Jaka (aged 63) and Ibu Minah (aged 54), the father and mother of his wife, Ibu Iis. Pak Jaka worked for government as a train-traffic controller, but since he was involved in an accident in his work fifteen years ago in which his leg was amputated, he is now retired with his small pension. Ibu Minah sells her labour as a part-time domestic servant or doing laundry work for university students or families around her neighbourhood. In this house also live the other two: Udin and Euis, aged 27 and 25, a brother and sister of Ibu Iis.

Pak Ujang is a street trader selling used clothes and shoes in Alun-alun. Ibu Iis was a street trader selling fruits, but since she became pregnant and had a baby, she passed on the business to her brother, Udin. She is now selling snacks and cooked food in a table in front of her house. Nengsih and Otong are actually still at primary school, but after school they support their household business by hawking fried food to surrounding neighbours. Ibu Iis also depends on these two children to take care of cooking and feeding their younger siblings, especially when she is busy or going to the market.

Inheriting his business from Ibu Iis, Udin is a street trader selling fruit near to Pak Ujang. His sister, Euis, is working at a textile factory nearby. Owing to her low level of educational attainment (i.e. junior high school), she often complains about long working hours and low wages. She wishes to resign. In order to lessen the financial burden at home, however, her parents always encourage her to hold on to the job even if only to support herself.

The daily expenditure of this household is between Rp.15.000 and 30.000 pooled from all breadwinners. Sixty five percent of expenditure goes on food

consumption, such as rice, vegetables, sugar and cooking oil. In the morning, all household members subsist mainly on *nasi goreng* – cold leftover rice fried with red onion, salt, monosodium glutamate and soybean sauce. In the afternoon and evening, their lunch and dinner usually consist of rice and fish, *tempe*, tofu and vegetable soups or, alternatively, food equally low in prices, such as *ikan asin* (salted fish), *krupuk* (chips made from tapioca), and *sambal terasi* (hot chilli sauce with scrimp pasta). The household has no fridge to store foodstuffs and hence it heavily relies on the local stores or market where the prices of commodities are subject to sudden increase. Expenses for cigarettes constitute nearly 10 percent of the expenditure since all older males are heavy smokers.

Although most family members contribute to the household income either from “steady” or casual jobs, more often than not, however, the incomes are insufficient to meet the household’s requirements. With this tight budget, the household members, especially the adults, are living under pressure to smooth their income and cut overheads. This often leads the household to adopt the parallel action of sacrificing patterns amongst the members of the household.

It was observed that the household incomes and purchasing power dropped dramatically, as high as 50 percent, between 1997 and 1999. This happened particularly when the economic crisis was at its worst during 1997-98 when the economic crisis collide with the political turmoil following the collapse of New Order government.

SPECTRUM OF RESPONSES: GENERATING A MODEL OF COPING STRATEGIES

The findings discussed above lead this study to further ask: were all coping strategies adopted by street traders simply random responses or following distinctive patterns? To answer this question, the coping strategies were split

into distinct and sequential responses along with a continuum of surviving and augmenting lines. Drawing on the strategy sequencing approach raised in chapter three, these responses were labelled “strategies for survival”, “strategies for stabilisation”, and “strategies for augmentation” and were developed as a means of identifying patterns of coping strategies. These categories were then associated with three classes of socio-economic status discussed in chapter eight, namely better-off, vulnerable, and poor families, to allow the data to highlight a spectrum of responses and generate a simple model of coping strategies.

Spectrum of responses

It appears that coping strategies selected by a street trader’s household to cope with pressing social and economic threats is far from accidental or random. Households tend to plan not only what strategies they are going to select but also how these strategies are going to be adapted in response to the problems they face. This means that the strategies follow a serial pattern, rather than an arbitrary mode. Even within the same category of strategies, the process seems to be selective: some responses are more likely to be adopted earlier, while others follow later.

This pattern appears to contrast with some other studies in which coping strategies entail infinite gradations and variations (see Mingione, 1991; Ellis, 1998; Drakakis-Smith, 1998). This, on the other hand, does match closely the patterns of household strategies delineated by Corbett (1988), Grown and Sebstad (1989), Seppälä (1996), and Lawson, McGregor and Saltmarshe (2000) that suggest sequential spectrum.

Taking into account socio-economic status as a determinant of household coping strategies, the selection of strategies was found to be in accordance with the level of asset possessions and the extent of problems perceived by

the households. Households are more likely to engage in strategies dealing with less acute threats that require a fewer asset disposal. It appears that while households make every effort to hold on to their assets, especially the productive ones, as long as possible, they tend to prioritise by taking actions that will not risk their ongoing income capacities or impair the future welfare of the households (see Corbett, 1988; Lawson, McGregor and Saltmarshe, 2000).

It is clear that better-off households have higher assets and that their problems tend to be less acute than poor families. The better-off households therefore have a higher chance to improve their situation compared to vulnerable and poor households, and hence they were more likely to adopt strategies of the earlier category in the spectrum of responses. In this sense, the better-off households tend to adopt strategies for augmentation, while the vulnerable and poor households are likely to adopt strategies for stabilisation and for survival respectively.

Category I: Strategies for augmentation

Households categorised as better-off and those that have adequate assets appear to concentrate their strategies on adjusting to risks that would affect their future economic welfare. The goal is to maximise income earning in the street trading or to accumulate household properties available to them. For the “richest” families, the first stage involves investments in other economic activities to obtain additional return with less risky activities. The variety of activities under the title “saving and social investment” meets this category. The next stage of such augmentation strategies encompasses the strategy of business expansion to open up new opportunities to diversify their trading activities. The final stage includes direct marketing methods, such as bargaining transactions and selective and directive promotion strategies.

Since the strategies under this category focus on relatively non-acute problems, the stages of response within the category are in fact blurred and difficult to be identified serially. Households tend to mix the responses and move across stages overtime. However, the richer families tend to adopt the earlier stage within the category of strategies. During the 1999 fieldwork, this type of adjustment was an option resorted to by a few street traders who were relatively successful in running their business and facing up to the crisis.

The common notion used by local households in conducting this strategy for accumulation refers to a Sundanese proverb "*mawa beunghar sadapur ngarah bagja salembur*" or "to improve the wealth of members of the same kitchen (household) so as to improve the well-being of community".

Category II: Strategies for stabilisation

In the category of strategies for stabilisation, the goal of coping strategies was to achieve safety or security in response to the exposure of usual problems identified as less acute to acute risks. The strategies involved the stabilisation of their daily conditions or the mitigation of day-to-day basis problems (e.g. fluctuations in incomes due to the variations of good and bad weeks in street trading). This category was commonly resorted to by vulnerable households, whose assets were assured moderately.

The strategy of efficient enterprise operation, such as lowering operation costs and unit prices of products, was commonly observed to be one of the early responses to a drastic decline in consumer demand and trading revenues. Once the preceding options have been used up and the problems worsen, action may shift to adapt a flexible trading or barter system. This includes changes to products for sale or increasing working hours (in the enterprise setting) or transfers of food and loans within and between families,

exchange of labour with neighbours and relatives, or credit arrangements with neighbours (in the household setting).

When the crisis continued to worsen, households moved to the third stage of action. They begin to adopt strategies of resource and asset management. Households intensify the available resources within their boundaries or manage their stocks of assets either by selling or mortgaging them to obtain cash. The kinds of strategies, such as the sale and pawning of household property or personal effects and the enlargement of source of credit and borrowing patterns, were examples of this.

At this level, the key assertion commonly referred to is “*gali lubang tutup lobang*” or “dig a hole to cover another hole”. It refers to the practice of rationalising the limit of resources (e.g. cash) by circulating its source from one source to another.

Category III: Strategies for survival

Coping strategies under this category are generally resorted to by poor households. A variety of strategies referred to as multiplying source of income, sacrificing patterns, and temporary separation, for example, form the key features of Category III. For the poorest, coping strategies are identical with survival geared to cope with acute problems that apply pressures to their life. The goal of the strategies is to obtain a subsistence base. It is attributed to the ability to meet subsistence requirements and avoid destitution, or in what commonly local people use the term “*asal dapur ngebu*”, which literally means “at least our kitchen can smoke”. It refers to efforts of achieving a level of subsistence requirements, which basically aims to maintain the household’s current food security, defined as stable and quantifiable food intakes up to three times a day.

In the first stage of this category, households would cope with a risk to their subsistence by adopting the strategy of livelihood diversification (i.e. multiplying a variety of income earning activities). In the second stage, strategies were adopted to reduce household expenditures. This stage involves changes in consumption patterns and spending habits. By these sacrificing or severity patterns, households lessened their consumption and income expenditures: reducing a variety and quality of food consumption or minimising numbers of meals per day. The terminal stage within this category was identified as temporary separation. It involves migration by adult males in search of wage employment, relief or charity in more distant areas or temporary separation of family members to send the younger ones to relatives. Households adopted this stage were found to experience a severe economic disruption in which the range of possible actions open to them may be exhausted. During the 1999 fieldwork, however, this was an option resorted to by only three out of twenty seven households in the case studies.

The model

On the basis of the spectrum of responses, the patterns of coping strategies adopted by street trader households can be formulated into a simple model of coping strategies. Figure 8.2 illustrates the model and provides key examples of the coping strategies.

As Figure 8.2 shows, the model designates a categorical framework to illustrate the role of coping strategies in times of economic crisis. The vertical axis in the figure denotes the level of asset possessions, A (Assets), which ranges from the low to high levels. The horizontal axis represents the extent of problems faced or perceived by respondents, P (Problem), which ranges from non-acute to acute problems. The path labelled D (for Devastation) is the economically deteriorating path leading to poverty or destitution due to the unavoidable shocks in the environment. The point of CI suggests that the

category of strategies for augmentation tends to be adopted by better-off households that have high asset possessions (A^3) and that face non-acute problems (P^1). The points of CII and CIII, on the other hand, tend to be adopted by vulnerable and poor households, respectively, in accordance with the level of assets they have and the extent of problems they face.

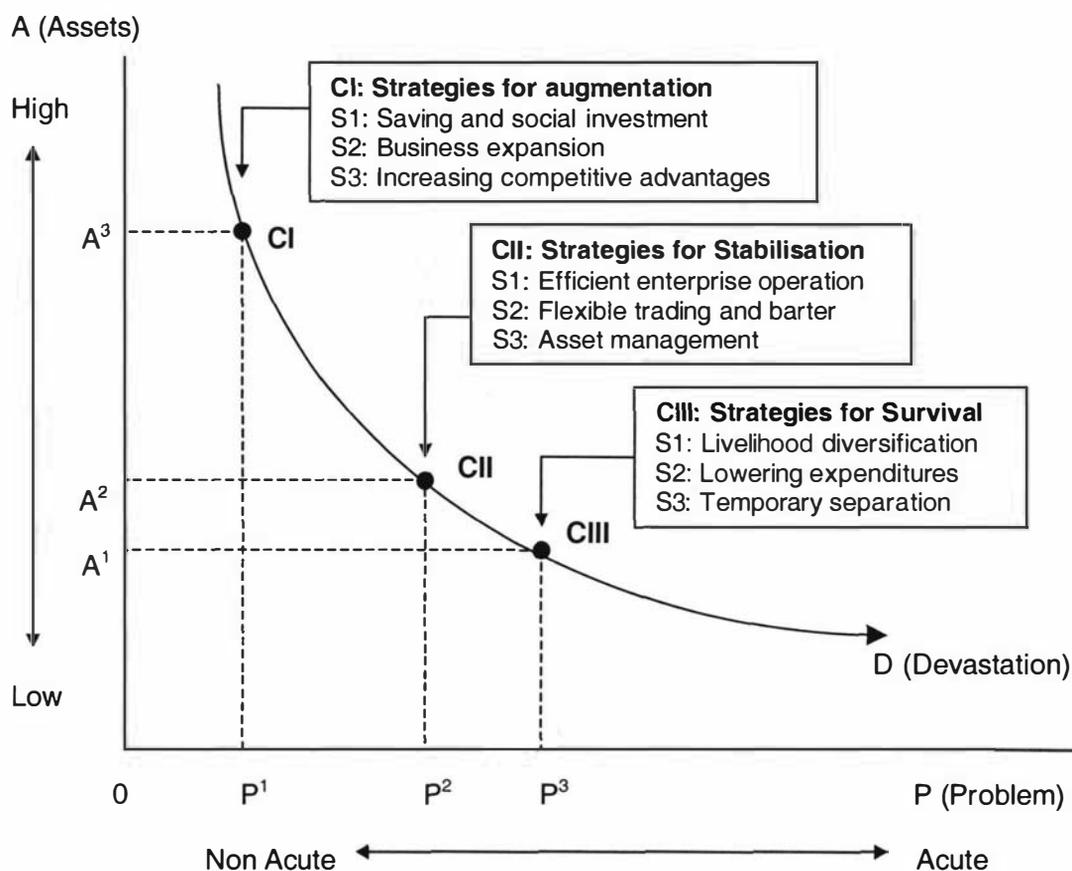


FIGURE 8.2: Model of coping strategies of street trader households
Source: Fieldwork (1999)

Along the path of devastation (D), the change of strategies from augmentation to stabilisation may occur as a result of a significant break in asset possessions or a significant deterioration of problems or both. However, as shown by the large gap between the two points (CI and CII), the transition takes a considerably longer time to occur. The deterioration from CII to CIII, on the other hand, takes a relatively shorter time, as shown by a small gap

between the points of CII and CIII. This suggests that coping strategies under these two categories are difficult to distinguish and that the transition from one path (i.e. vulnerable households) to the other (i.e. poor households) can take place easily in the period of crisis. A transition in the opposite direction can also be made, for example, from CIII to CI; but this is an “uphill battle” and takes considerably longer to achieve compared with the jump from CIII to CII.

The application and limitation

This simple categorical model of household coping strategies provides a useful approach for analysing the economic behaviour of households in response to economic hardship they face in their everyday life, particularly in times of economic recession. Of course, not all coping strategies are available to every household and those types of coping strategies which households are likely to hold vary from household to household. There are a number of reasons which might explain these variations. The internal structure of the household, the relative differences in defining the extent of socio-economic problems faced as well as the link to social networks within which the household is situated, critically determine the patterns of coping strategies individually.

In-depth interviews and close observations indicated that the extent of a problem was not necessarily perceived equally by all households provided that the capacity of the household resources are not exactly the same. As a result, when a sudden and short-term shock, such as declining purchasing power, hampers product marketing in street trading, the worse-off households may not have the same options open to them as those that are better-off. Even amongst a group of households with the same economic status, there may be a superficial difference between the options open to, and the strategies chosen by, each household.

For all of these factors, in reality, there could be infinite gradations and variations in the mixture of these different types of strategies and there would be the possibility for households to move between levels overtime. However, the model suggests that coping with risks and threats is central part of the street entrepreneurs and that the merchants and their households react and anticipate in a number of ways to problems concerned. They do not only adopt such a diversity of strategies *per se*, but also select and prioritise the strategies relative to their significance and logic of the “local ideology”.

The model presents clear contrasts to the most consistent research of coping strategies, which reveal that coping strategies are only for survival. In the case of street enterprises, it suggests that coping strategies can act both as a safety valve and as a means of accumulation for the households. Modelling the coping strategies of street traders in this way points to the fact that the extent of the problems and the ways in which a household copes with the problems fundamentally determine not only the chance of survival of the household, but also the growth of economic well-being of the household.

CONCLUDING REMARKS

A key feature discussed in this chapter is that the bitter and difficult situation during the crisis has forced households to create and diversify in a number of ways to cope with the excessive stress and risks to their livelihood. The role of this economic household behaviour has become more important, particularly among the poor and vulnerable.

A detailed analysis of the types and patterns of coping strategies adopted by street traders in Bandung shows that the strategies are basically in response to socio-economic problems they face in their family and enterprise environments. In coping with the problems, households adopt different sets of responses. The responses generally fall into what is referred to as

“household-focused strategies” (responses geared to deal with household-related problems) and as “enterprise-focused strategies” (responses directed to the exposure of enterprise-related problems).

In practice, it is difficult to differentiate exactly between enterprise and household-focused adjustments since many strategies in response to problems in the household and enterprise setting may in fact be the same. For example, the strategy of enlarging the source of credit and borrowing patterns has impacts on both family and enterprise conditions. Moreover, since the way in which the household perceives the problems affects the types of strategies resorted to, it is likely that the same problems will not always be followed by the same responses. As a result, the problems addressed and the responses adopted are not always on a one-to-one basis (e.g. one solution for one problem and vice versa). There is considerable evidence in which the household applies a mix of strategies to cope with one problem or, alternatively, the household adopts one strategy to deal with different problems.

In common with rural households, street traders are observed to place a household as the basic unit of coping strategies across the two settings. The household represents the collective commitment of whole livelihood strategies. Therefore, confirming street trading as a family business, decisions about consumption, production, and investment mechanisms are applied within the boundary of households and that the responses to problems in both an enterprise and household setting are taken primarily as a part of the household strategies portfolio.

Another striking feature inherent in the above findings is that the household is organised not only in terms of an income pooling unit, but also of decision-making in maximising a set of income earning activities and the resources available and accessible to it. In this regard, this study shows that rural

culture still effects household livelihood strategies. Reflecting rural-urban migration, some of the coping strategies adopted by street traders are inherited from a rural tradition, particularly in terms of resource management and division of labour.

Industrial changes have further influenced the ways in which households supplement their incomes and access other resources, especially those related to the urban economy. In terms of a diversification of household livelihoods, those directly related to the use of the natural resources and subsistence production have tended to decrease, while those directly related to the use of marketable economic production have tended to increase.

As formulated in the model of coping strategies, it is found that households do not respond arbitrarily to threats faced. Rather than responding these problems in a random manner, they do so serially with respect to what they might perceive as the intensity of the problems and the household capacity and assets. Although it does not seem likely that the same coping strategies will be adopted by all households, a closer look at these coping behaviours suggests that the elements of the crisis strategies may be grouped into distinct and sequential strategies along with a continuum of surviving and augmenting lines. Surprisingly, this mode of strategies was found to be not directly dictated by types of commodities sold in street trading, such as food, goods or services, but rather by the level of economic well-being of the street trader households, such as poor, vulnerable, and better-off.

It is acknowledged that the data on the coping strategies of *pedagang kakilima* may not be found exclusively during the crisis time, since many of them could be a part of their day-to-day risk management. During normal time, coping with risks and threats might be a central part of the everyday life of *pedagang kakilima* and the traders and their households might react and anticipate in a number of ways to daily problems faced.

The critical point of the findings, however, suggests that during times of economic hardship such strategies become the main methods in their enterprise and household portfolio of strategies, whereas before the crisis they were not adopted in an intensive and extensive manner. It is suggested therefore that while coping strategies remain a part of different adaptations of those engaged in activities of making a livelihood within bitter and difficult situations, for street traders in Bandung, these strategies were especially and essentially accentuated to reduce business risks and household welfare losses during periods of recession.

NOTES

1. Owing to cultural and religious reasons, people preferred to choose the *pegadaian* because they think that no interest rates are being charged in the institution. Many financial institutions (e.g. cooperative groups) in the local community use the term “service fee”, rather than “interest” (*bunga*) for their services. They, in fact, just change the name because both service fee and interest are essentially the same.
2. Due to the size, the map has been redrawn and titles changed into English.
3. According to Jellinek (1991), at least four types of households can be found in urban *kampung*: (a) nuclear family (mother, father and children), (b) only mother and children (or brother and sister), (c) extended family (mother, father, and married children and offspring), and (d) many breadwinners living together without their family in communal lodging houses (*pondok*).

CHAPTER NINE CONCLUSIONS

A worm can roll a stone. A bee can sting a bear. A fly can fly Versailles.
'Cos flies don't care! A sparrow in a hat can make a happy home. A flea
can bite the bottom of the pope in Rome!

Les Misérables (cited in da Costa, 2001:1)

This exploratory study has examined the role of development in Indonesia in shaping the urban informal sector of which the profiles and dynamics of *pedagang kakilima* in Bandung are striking examples. This chapter concludes the study and proceeds in two sections. The first part begins with a summary of key findings and an analysis of their significance for the research objectives. In the second part, reflections and implications of this study are discussed, mainly to highlight a window of initiatives for future research agenda and follow-up policy interventions.

SUMMARY OF KEY FINDINGS

In order to trace the impact that the development process is having on the urban informal sector, particular attention has been paid on what the economic crisis from 1997 to 1999 has meant for the *pedagang kakilima*. Although the quantitative approaches did not seek to verify statistically the causal effects of the crisis, as in the randomised experiment, the document study and qualitative approaches enriched the findings and enabled the

analysis to explore different angles of *pedagang kakilima* and relate them to the crisis.¹ In general, it can be stated that the current and widespread economic crisis had a considerable effect on the activities and lives of *pedagang kakilima*. The following sections highlight four overarching results with specific reference to structural changes and the urban informal sector, economics of street enterprises, human development of street traders, and coping strategies adopted by street trader households.

Structural changes and the urban informal sector

This study has demonstrated that the current economic crisis in Indonesia has been followed by an employment shift from the formal to informal sector. Yet the informalisation process has not been entirely new and isolated. It has been a result of the country's structural changes over the years, principally consisting of a typical blend of "too little industrialisation" and "too high urbanisation".

The industrialisation process in Indonesia during the three decades after independence pushed the economy to move gradually from that of a rural-agricultural community towards an urban-industrial society. Unlike the historical experience of the more advanced economies, modernisation in the archipelago has been occurring in the typical model of most developing countries with the constantly accelerating urbanisation being accompanied by a slow growth of labour absorption in the modern-industrial sector.

The orthodox development strategies applied in Indonesia, with their emphasis on economic growth and urban-based industrial transformation, have led to a substantial geographical imbalance in economic and social gains across the nation. Given the fact that the rates of labour supply continue to exceed the job absorption capacity of industry, it is not surprising to find that there is a critical component in Indonesia's structural changes –

that of the increasing role of the informal sector in the overall economy. The statistics on the labour force situation clearly show that the Indonesian economy has been characterised by informal employment for at least three decades. In recent years, the polarisation of development between Java and the outer islands on the one hand, and the low expansion of industrial labour market there on the other hand, have further resulted in an escalating Java population residing in urban areas and working in the informal sector.

During the economic crisis of 1997-1999, the increase was strikingly higher than that of normal times. Since the crisis hit the urban population in Java much harder, a larger part of the increase in that region has been attributed to the urban informal sector, mainly in street trading. This evidence confirms the popular argument that the role of the informal sector is particularly significant in terms of employment creation. It generally uses labour-intensive techniques and therefore employs more labour than other sectors.

At the macro level, the urban informal sector continues to cater for a majority of total employment in the Indonesian economy. *Pedagang kakilima* in Bandung shows that they have a potential impact of sustaining urban livelihoods, especially for low-income households during economic hardship. The street establishment cannot provide a high economic contribution to withstand a persistent recession, but it can cushion the shortage of employment within the reduced dynamism of the formal industrial sector. It also increases the alternative access of urban households to affordable basic commodities that become luxuries following inflation and the removal of price controls and subsidies. As street traders are able to flexibly adjust to a sudden economic downturn, the sector can function as a buffer to avoid urban economic stagnation and individual destitution where social welfare provision is unavailable.

Taking into account the broad debate on the paradox of industrialisation and urbanisation, this study complements as well as challenges both neoclassical and orthodox Marxist economic theories. The urban informal sector has been, and continues to be, the major income earning activity for the urban poor, unemployed, and unskilled rural migrants, and this study emphasises the unchanged “classical” picture of the informal economy as raised in the dualistic model. The findings also appear to hold for other perspectives relating to integrative, legalistic, and survival strategy frameworks and explain why, with the advent of industrialisation and urbanisation, pre-capitalist subsistence and small-scale production activities continue to be proliferating rather than disappearing. This challenges the commonly held arguments that modern capitalism will dissolve traditional economic activity and eventually eliminate the pre-existing relationships between them (see Portes and Blitzer, 1986; Thomas, 1995; Tinker, 1997).

The economics of street enterprises

Bandung is one of the Indonesian cities that has a huge number of *pedagang kakilima*. The sheer size of the total labour force involved in this street trading is remarkable. Its number is well over 32,000, and the vendor density per 1,000 city inhabitants is about 9.2 or one vendor for every 109 people. Depending on the demands of the population, it was also found that more than 300 types of food, goods and services are traded in the city. They are sold in specific locations, mainly on the pavement, street or roadside, being close to places where consumers can purchase the products with ease.

Sundanese culture with its greater internalisation of patrilineal and Islamic systems explains, in part, the personal characteristics of *pedagang kakilima* in Bandung. Similar to several cities in other developing countries, such as Manikganj, Bangladesh; Minia, Egypt; Kingston, Jamaica; and Pune, India (Tinker, 1997:153), street trading in Bandung is mostly operated by men. A

great number of the traders are in the 22-40 years old age bracket, usually a married couple with one or two children. This shows that the role of family in street trading is very important. Children and spouses are supporting the success of such family business, especially in terms of labour supply. In relation to demographic characteristics, this study also supports the widely known characteristic of the urban informal sector that connects it with the rural-urban migration. Most of the *pedagang kakilima* (82%) were migrants from surrounding rural areas. However, since many amongst them (59%) were long-term residents, who migrated to Bandung between 5 and 20 years ago, street traders are clearly not recent migrants, as generally suggested by theorists in rural-urban migration (such as Todaro).

The main reason for becoming a street trader is to obtain some income. Street vending is regarded as the easiest and best available source of income especially amongst the poor. Previously, most street traders were employed in meager income earning activities, largely in menial jobs in the informal sector. This demonstrates that the shift of employment in the Bandung labour market usually takes the form of horizontal mobility within the informal sector. The impact of the prevailing crisis on employment, however, has also illustrated an element of vertical mobility from the formal to informal sector, as was found amongst those newly unemployed and resulting from the retrenchment of waged occupations. For example, copying the survival strategies of the poor, the middle classes who have lost their jobs in factories and banks became, in a sense, "middle-class" street vendors. They turned to such kinds of street trading since it could provide immediate income without degrading their social status drastically. These survival strategies can be seen as more transitional adaptations until something better came along. This evidence shows that there are numbers of street traders who choose to work in the informal sector voluntarily, and that this job is their main and permanent employment. But since the growth of the informal sector was most prominent

during the economic contraction, many of them did not choose to enter the sector but were forced to do so by the collapse of the formal employment.

Another set of core findings in terms of the economics of street enterprises concerns the linkage between the informal sector and the rest of the economy. The study shows that informal street trading is not separated from the formal sector. Forward and backward linkages were found between *kakilima* and formal enterprises. However, since most of the commodities traded by street vendors were entirely industrially manufactured goods, the connection predominantly takes the form of backward linkages.

Data on the production process and employment figures show that street trading in Bandung is a family enterprise and a part of household strategies. It involves kin and family relationships in its many trade activities. These include buying and preparing goods and food to be traded, moving the cart to its site and back home, and selling products. During times of economic hardship, such as occurred in 1999, this type of livelihood strategy has become predominant. All family members are required to maintain the survival of the enterprise and sustain the well-being of the household.

On the basis of trade operation, the data demonstrate that most *pedagang kakilima* are micro-entrepreneurs, being either sole operators or proprietors with less than one worker or family assistant. Most of them work very long hours, more than ten hours a day, seven days a week, year round. The most critical issue relating to this business procedure is that over 90 percent of street enterprises in Bandung have been operating without license. Although they paid some kind of "tax" for their business, this informality or, perhaps, illegality, often makes them very prone to harassment and eviction, not only from police and other formal security officers, but also from informal bodyguards.

Human development of *pedagang kakilima*

Measured by the level of income, the results are quite consistent with the findings of the pioneering work of McGee (1975) and McGee and Yeung (1997) as well as with recent empirical studies (e.g. Cartaya, 1994, Evers and Mehmet, 1994, Thomas, 1995, and Firdausy, 1995) that the informal sector still cannot be disassociated from the condition of poverty.

When the economic data are segregated by gender differences, the problem of low incomes is predominantly experienced by women who generally earn less than men or the same as boy workers in the same trading activities. However, not all *pedagang kakilima* are poor, and they are not the poorest group compared to other low-income households. In aggregate and average, while a few street traders can earn higher incomes than other comparable jobs, for those who are unemployed and have no advanced labour skill, street vending provides a reasonable source of livelihood.

Linked to the issue of such income-poverty, the profiles of *pedagang kakilima* in Bandung form a hexagonal shape as illustrated in Figure 7.1. The shape is not a pyramid as is portrayed in the linkage between the informal sector and poverty in most developing countries, notably in Latin America (see Marquez, 1994; Thomas, 1995). At the top of the hexagon are a few economically successful street merchants or “petite bourgeoisie” who tend to operate small enterprises successfully and earn relatively high revenues and household incomes from the business. At the midsection are a huge number of vulnerable establishments operating businesses under unstable conditions. Amongst this largest proportion, there are “petty entrepreneurs” who could potentially respond to market opportunities and/or graduate to the top pushed by favourable conditions in their environment. But in this group, there are also “marginal traders” who could possibly slip down to the base crumpled by unfavourable market and competition. At the base, are a large number of

“subsistence economic producers” with rudimentary operations who could earn but small and inadequate incomes. They are barely able to sustain their business and family well-being unless they are assisted by supportive developmental initiatives from external agents.

The feature of poverty in the informal sector based on the income-poverty indices seems inconsistent with the picture of poverty in light of the other human development measures. With reference to human and social capital indicators, for example, street traders are possibly not poor. They have relatively adequate basic education and access to health services and housing facilities, although their propensity to participate in social activities seems to be low.

The relatively high scores of access to health services (i.e. doctor and health centre) and housing facilities (i.e. water, toilet, electricity) seem somewhat surprising. It was expected that the low trading profits and household incomes would be automatically followed by shortage of human capital. This does not happen. The findings show that there was no simple and causal link between poverty and street vending. In general, the features of human and social characteristics of *pedagang kakilima* also appear to be satisfactory in view of the similar indicators in the national figure. Government initiatives have largely been successful in providing social services could be the reason for this phenomenon. However, this evidence also suggests that although the economic indices are important and, perhaps, still the most precise factors for measuring the performance of enterprise activities and household living standards, they are not sufficient.

The expanded research yardsticks in the human development approach provide a fuller picture of the socio-economic profiles and problems in the informal sector and reveal that there are no automatic and direct linkages between incomes and poverty. This suggests that households in the informal

sector are likely to have better incomes, at least above the poverty line, and that there are many variables affecting households in the informal sector to become poor. These factors are not only related to economic determinants alone (e.g. working capital, incomes, access to credit, location) but also to social determinants (e.g. access to education, health, housing, and local organisations).

Coping strategies adopted by street trader households

An analysis of coping strategies adopted by street trader households during times of economic crisis in Bandung shares much in common with studies on livelihood mechanisms in developing countries (e.g. McGee, 1973; 1979; Cornia, Jolly and Stewart, 1987; Corbett, 1988; Grown and Sebstadt, 1989; Wolf, 1992; Arellano, 1994; Rakodi, 1995; Roberts, 1995; Seppälä, 1996; Smyth, 1997; Chambers, 1997; Lopez-Gonjaga, 1998; Kinsley, Burger and Gunning, 1998; Moser, 1998; Ellis, 1998; Lawson, McGregor and Saltmarshe, 2000). It confirms that households faced with difficult situations logically conduct a range of strategic adaptations to reduce their losses and sustain their future well-being.

With regard to street vending as a family enterprise, the findings show that when street traders are under threat, the households take up the major task of manoeuvring in the enterprise as well as the family environment. As social welfare security and other insurance mechanisms are unavailable, those in threatening life situations extensively face up to reality, readjusting their trade tactics as well as their domestic activities.

The specific mechanisms of such adjustment behaviour are different from one household to another depending on the extent of the problems and the level of asset possessions. In broad-spectrum, it appears that the types of responses dealt with risks that affect their enterprise and household

conditions. Accordingly, the responses fall into two distinct categories: (a) the enterprise-focused strategies (e.g. minimising operational costs, lowering unit prices of products, increasing competitive advantages), and (b) the household-focused strategies (e.g. multiplying source of income, lowering expenditures, barter and reciprocity). Although in reality they may not be distinguished easily, each element of the categories has critical consequences not only for their current income deficits but also their future well-being.

Connecting the coping strategies with the concept of resource management and division of labour, the findings suggest further that rural cultures still have impacts on street trader livelihood strategies (see McGee, 1973; 1979; Jagannathan, 1987; Wolf, 1992; Roberts, 1995; Smyth, 1997; Ellis, 1998). As a result of the adjustment with urban economy, industrial capitalism influenced other ways in which households supplement their incomes and have access to other resources outside agriculture.

In terms of contribution to household incomes, those directly related to the use of the natural resources have tended to decrease, while those directly related to the use of marketable economic production have tended to increase. Industrialisation has also forced most members in the urban households to become involved in both domestic and household production activities simultaneously. As a result, the division of labour in the household becomes blurred in terms of gender segregation.

As illustrated in the model, instead of being chaotic, households adopt the adjustment mechanisms in a deliberate and sequential manner that can be grouped into three continuum and serial stages from “higher” to “lower” categories, namely strategies for augmentation, strategies for stabilisation, and strategies for survival (see Corbett, 1988; Seppälä, 1996; Moser, 1998; Lawson, McGregor and Saltmarshe, 2000). These strategies typically can be

distinguished in accordance with three socio-economic statuses of the households, namely the better-off, vulnerable, and poor households. The better-off households tend to adopt strategies within the higher category of responses, which then move to the lower category when problems continue to worsen.

The movement from stage one to the next stages between and within the categories was gradual and selective depending on their perception towards the severity of problems and the priority of their asset disposal. Households are more likely to adopt strategies dealing with less acute threats or the first stages in the patterns of sequences. Rather than disposing valuable assets, they also tend to use up assets that they perceive as “unproductive” where they will not impair drastically on their present income capacities or endanger the future welfare of the household.

The conceptualisation of coping strategies in this way provides dividing lines with general assumptions while most research on the subject indicates that the objective of coping strategies is only for survival. Although it seems likely that variations could be found amongst households, street traders in Bandung have shown that coping strategies were adopted to achieve both a current safety valve and a future means of welfare accumulation.

REFLECTIONS AND IMPLICATIONS

The data on the economics of *pedagang kakilima* show that profiles of the small and informal enterprises are distinctively different from those in the larger and formal businesses. Although a few of the street traders demonstrate characteristics of the successful merchants, most of their features still inherit vulnerability. These include volatile incomes, insecure premises, limited economic resources, inadequate technology for advancement, and lack of access to formal financial services. These

limitations are generally typical of small-scale production and were already in existence prior to the crisis.

On the basis of human development indicators, the findings suggest that the widespread recession had adversely affected *pedagang kakilima*, especially on their “economic capital”. Reduced consumer demand and price rises, for example, were widely found to diminish income earnings in street trading during the daunting period. With specific reference on “human capital”, however, it is clear that the crisis has not yet had a detrimental effect on their access to education, health, and housing facilities. The most likely explanation is that while this evidence could be a result of government social investment (e.g. safety net programmes), it could be argued that the effect of the economic crisis did not directly and immediately shape human capital of the *pedagang kakilima* compared with the effect of the crisis on their economic capital.

Information about coping strategies adopted by street trader households, furthermore, reveals that the urban informal sector is dynamic. Instead of being passive and static, *pedagang kakilima* make every effort to succeed in the city during economic hardship and try as best as they can to curtail the effect of the crisis. Those participating in this street trading, including men, women and children, prove to be active and creative in the ways they manage, manoeuvre and manipulate a threatening situation in both enterprise and household settings. When appropriate, they use and mobilise contemporary as well as traditional economic, social, and cultural systems.

In view of their sustainable livelihoods, this study suggests that some of the coping mechanisms, such as minimising operational costs, adopting flexible trading, multiplying source of incomes, are relatively safe to the present as well as future well-being of the population concerned. However, others seem to have harmful impacts on their ongoing living standards. While selling

productive assets and borrowing money from moneylender with a “neck-tight” interest rate might jeopardize their assets in the short-term, tolerating bad living conditions and removing children from school pose considerable risks to them in the long term.

An understanding of the above limitations and strengths in the urban informal sector has a number of important implications for the design of both research and policy initiatives. Five striking points can be highlighted as follows:

First, **the holistic framework**. Together with the existing conventional approach, the holistic framework drawn from human development and coping strategies perspectives can be combined and developed to shape thinking and actions on the urban informal sector. This combination will enable research and policy to become more sensitive to the needs and reality of the urban informal sector.

Second, **macro and micro contexts**. The informal economy cannot be separated from the rest of the economy and structural context. The improvement of development performance at macro-level and the ways it is generated and allocated is therefore the first step to consider supportive initiatives for the urban informal sector. As a micro enterprise, however, street vending is organised in terms of a portfolio of livelihood activities that encompasses both enterprise and household settings. Incorporating the linkage and finding initiatives that have a multiplier effect on the firm-household-sum-production unit would be a promising prospect. Moreover, lack of economic resources is not always the major constraint for the urban informal sector, and similarly, not all problems require economic interventions. Strategies to improve social, educational, housing, nutrition, and health conditions are necessary to enable those in poverty to pull back from severe destitution as well as to accomplish an adequate standard of living and to maintain their sustainable livelihoods.

Third, **the diversity of street traders.** *Pedagang kakilima* consist of the poor, marginal and better-off establishments. Recognising such diversity within them is the crucial position to choose the most appropriate interventions. Plans to help those amongst the poorest should be differentiated from those amongst the better-off vendors. For example, safety net policies are still vital, particularly to “surviving” traders living in substandard conditions. However, policies should not be focused only on the provision of social welfare services in a narrow sense. The provision of infrastructural and institutional facilities, such as business sites, electricity, licensing, and access to appropriate technology and credit at relatively lower costs, are some suitable examples for the more “thriving” micro-enterprise needs.

Fourth, **coping mechanisms.** By adopting a wide range of responses to cope with the adverse impacts of the recession, street traders have shown how to survive as well as thrive within the threatening and challenging situation. This information can be used not only to understand the course of the crisis itself but also to recognise what those who are affected are trying to do, why, and how their actions proceed. Since this study also reveals that the households typically adopted the less harmful mechanisms and tended to move gradually to the harmful ones as the problems worsen, it can be argued that the poorer the households, the riskier the coping strategies. The lesson that emerges is that if assistance from external agents can be made early and appropriately to the target groups, the intervention could preserve some of the household productive assets and avoid reaching the worst stage of devastation.

Fifth, **research agenda.** The adoption of the triangulation method in this study suggests that quantitative and qualitative methods can be meaningfully combined in a single study and that both quantitative and qualitative attributes could be logically interwoven and contingent. They can be mixed and matched in conjunction within a given inquiry problem and appropriate method choices. It was found that employing such extensive research was

not only possible but also appropriate under the difficult and volatile conditions of Indonesia after the fall of the New Order. This particularly gives rise to the importance of integrating participatory research approaches with a standardised survey method. Nevertheless, since this study focused only on one group of the urban informal sector on the basis of “one shot case study” (i.e. the evaluation was conducted only during the crisis with no control group), further study is required on this topic to verify the differences and similarities between characteristics of *pedagang kakilima* and other informal sector activities not only during the crisis but also in more “normal” times. In approaching the holistic profiles and dynamics of the urban informal sector, it is necessary to view the small and informal business as embedded within a broader social context that incorporate the enterprise, family, and kinship and even wider social networks in an integrated approach. With reference to the fact that street enterprises are a family business, for example, attention can be given to the processes through which small-business principles and household strategies are enacted within the family enterprise and how such characteristics shape the dynamics of family and workplace issues.

CONCLUDING REMARKS

This thesis has analysed the ways in which the trajectory of development in Indonesia affects the poor who work in the urban informal sector. The purpose is not only to examine how the course of events affects people but to illuminate too how people cope with the threats of the events facing them. To support this argument, this study complements the conventional research approach and employs concepts of human development and coping strategies. By broadening the scope, the findings dispel the myths that the informal sector is homogenous and trivial. As this chapter’s opening quote so aptly states, this study reveals that the sector is complex and dynamic and that being informal and small are not the same as being passive, unimportant or transitory.

This is not to argue that the urban informal sector in general, and street traders in particular, is the urban miracle, let alone the panacea for any urban malaise. It is sufficient to say that the urban informal sector contributes economically and socially to the existing Indonesian economy and that understanding its multidimensional characteristics would serve as a critical element in urban development of the country that more often than not neglects the reality of its human, social, and cultural fabrics.

NOTES

1. As stated in chapter seven, the analysis on the impact of the crisis on *pedagang kakilima* compares pre-crisis and present-crisis conditions. But since the evaluation of the pre-crisis condition relies heavily on the ability of respondents to recall the past action, the assessment is in fact a “post-crisis” evaluation relying on the “theory-based” approach (see Knowles, Pernia and Racelis, 1999:3). In this case, a theoretical framework involving theoretical statements about cause and effect are generated to evaluate the already available evidence and validate the theory. If the observed facts are consistent with the theory, it is inferred that the event (i.e. the economic crisis) is the cause of the observed outcomes (i.e. profiles and the dynamics of *pedagang kakilima*). This condition suggests the limitation of the findings.

APPENDICES

INFORMATION SHEET (English and Bahasa Indonesia)

Introduction

I am Edi Suharto, lecturer of the Bandung School of Social Welfare. I am currently studying at PhD programme in Development Studies, Massey University, New Zealand.

As a part of my study programme, I would like to invite you to participate in my research project. Please read (or hear my reading) and consider carefully this information sheet before you decide to participate. The project will take place for about four months starting from the mid April to mid August 1999. In this project, I will also involve research assistants who are all students of the Bandung School of Social Welfare.

Purposes of the study

Basically, this study is to identify the socio-economic characteristics of the urban informal sector or street enterprises in Bandung. I would like to discuss with you several topics relating to profiles and the dynamics of your business and family. My research project is intended for the academic purposes only.

Procedures

I and/or my research assistants will set purposeful and scheduled interviews and participant observations which tactfully ask, listen or observe your family, as well as your enterprise setting, in order to understand various aspect of your activities, lives, choices and experiences. Subjects of interviews and observations include the profiles of the informal activities (e.g. enterprise structures, human development features) and the dynamics of street trader households (e.g. different types of coping strategies, resource management and division of labour, sequences in coping strategies). I and/or my research assistants will take notes during or after interviews, or ask permission to take photographs during or after observations.

All information will be treated with the utmost CONFIDENTIALITY and your name and your community will not be mentioned anywhere in the study report. After the data have been transformed into computerised analysis, all information will be destroyed. Names of *kampungs* involved in this study will not be indicated, while names of participants will appear as PSEUDONYMS. In the process of interviews and observations, however, you can refuse to answer any particular questions which are inappropriate, or even decline to participate at any time. Declining to participate will in no way affect your lives or business activities. If you have decided to participate in this project, please READ (or HEAR my reading) the information sheet and, if possible, SIGN the attached consent form.

I thank you very much for taking the time to read (or hear my reading on) this information sheet and I hope you wish to take part in this research project. Please let me know if you wish to see the summary of the findings once it is concluded. Should you have any queries regarding this project, please feel free to contact me:

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LEMBAR INFORMASI

Pengantar

Nama saya Edi Suharto, dosen di Sekolah Tinggi Kesejahteraan Sosial (STKS) Bandung. Sekarang ini saya sedang belajar pada program Doktor dalam bidang Studi Pembangunan, Massey University, Selandia Baru.

Sebagai bagian dari program belajar saya, saya ingin mengajak saudara/i untuk berpartisipasi dalam proyek penelitian saya ini. Mohon saudara/i dapat membaca (atau mendengarkan penjelasan saya) dan mempertimbangkan secara cermat lembar informasi ini sebelum memutuskan untuk turut berpartisipasi. Proyek ini akan berlangsung selama empat bulan mulai dari pertengahan April sampai dengan pertengahan Agustus 1999. Dalam proyek ini, saya juga akan melibatkan asisten peneliti yang kesemuanya merupakan mahasiswa Sekolah Tinggi Kesejahteraan Sosial (STKS) Bandung.

Maksud dan tujuan penelitian

Penelitian ini secara umum bertujuan untuk mengidentifikasi karakteristik sosial dan ekonomi sektor informal perkotaan atau *pedagang kakilima* di Bandung. Saya ingin mendiskusikan dengan saudara/i mengenai beberapa topik seputar profil dan dinamika usaha dan keluarga saudara/i. Proyek penelitian ini dilakukan hanya untuk kepentingan akademik semata.

Prosedur

Saya dan/atau asisten peneliti akan merancang wawancara dan pengamatan yang menanyakan, mendengarkan atau mengamati langsung lingkungan usaha dan keluarga agar dapat memahami berbagai aspek dari kegiatan, kehidupan dan pilihan-pilihan serta mengenai pengalaman-pengalaman

saudara/i di dalam lingkungan yang bersangkutan. Tema wawancara dan observasi meliputi profil kegiatan sektor informal (seperti struktur perusahaan, gambaran pembangunan manusia) dan dinamika keluarga pedagang kakilima (seperti berbagai bentuk strategi penanganan masalah, manajemen sumberdaya dan pembagian kerja, tahapan dalam strategi penanganan masalah). Saya dan/atau asisten peneliti akan membuat catatan-catatan selama atau setelah wawancara atau meminta ijin saudara/i untuk membuat foto selama atau sesudah pengamatan.

Semua informasi akan diperlakukan secara sangat RAHASIA dan nama saudara/i dan kampung saudara tidak akan disebutkan didalam laporan penelitian ini. Setelah data ditransformasikan kedalam analisis komputer, semua informasi akan dimusnahkan. Nama-nama kampung yang terlibat tidak akan dimunculkan, sedangkan nama-nama para peserta akan muncul dalam NAMA SAMARAN. Namun demikian, dalam proses wawancara dan pengamatan, saudara/i dapat menolak untuk menjawab pertanyaan tertentu yang tidak dikehendaki atau bahkan untuk mengundurkan diri kapan pun. Pengunduran diri tidak akan membawa akibat pada kegiatan usaha dan kehidupan saudara/i. Apabila saudara/i telah memutuskan untuk berpartisipasi dalam proyek ini, silahkan BACA (atau MENDENGARKAN penjelasan saya mengenai) lembar informasi dan, jika memungkinkan, TANDATANGANI formulir persetujuan yang terlampir.

Saya berterima kasih sekali atas kesediaan waktu saudara/i untuk membaca (atau mendengar penjelasan saya mengenai) lembar informasi ini dan berharap kiranya saudara/i dapat berpartisipasi dalam proyek penelitian ini. Silahkan beritahu saya jika saudara/i ingin memiliki ringkasan hasil penelitian jika telah selesai dilakukan. Apabila saudara/i memiliki pertanyaan mengenai proyek ini, mohon tidak ragu-ragu untuk mengontak saya:

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CONSENT FORM
(English and Bahasa Indonesia)

1. I have read and/or had explained to me and fully understand the information sheet about taking part in the research project on the urban informal sector in Bandung.
2. I understand that taking part in this project is voluntary and that I can withdraw from the activity involved at any time and this will not have any consequences on my families and business activities.
3. I understand that taking part in this project is confidential and that no material which could identify me and my community will be used in any reports of this project.
4. I understand that all notes, questionnaires, consent forms and any other relevant information will be destroyed after the data have been transformed into computerised analysis.
5. I understand that a summary of the findings will be made available by contacting the researcher at the Bandung School of Social Welfare (BSSW) or Institute of Development Studies, Massey University.
6. I know how to contact the researcher if I have any queries regarding this project.
7. I have had time to consider whether or not to take part. I hereby give my informed and/or signed consent to participate in this project.

SIGNED : _____ DATE : _____ 1999
(Participant)

SIGNED : _____ DATE : _____ 1999
(Researcher)

FORMULIR PERSETUJUAN

1. Saya telah membaca dan/atau dijelaskan kepada saya dan mengerti keterangan dalam lembar informasi mengenai ajakan berpartisipasi dalam proyek penelitian mengenai sektor informal perkotaan di Bandung.
2. Saya mengerti bahwa berpartisipasi dalam proyek ini bersifat sukarela dan bahwa saya dapat mengundurkan diri dari kegiatan-kegiatan yang berlangsung tanpa membawa akibat pada kegiatan usaha dan keluarga saya.
3. Saya mengerti bahwa berpartisipasi dalam proyek ini adalah rahasia dan bahwa tidak ada bahan keterangan yang dapat mengidentifikasi saya dan komunitas saya akan digunakan di dalam laporan penelitian ini.
4. Saya mengerti bahwa semua catatan, kuesioner, formulir persetujuan dan informasi yang terkait lainnya akan dimusnahkan setelah data ditransformasikan kedalam analisis komputer.
5. Saya mengerti bahwa ringkasan hasil penelitian ini akan dapat diperoleh dengan mengontak peneliti pada Sekolah Tinggi Kesejahteraan Sosial (STKS) Bandung atau Institute of Development Studies, Massey University.
6. Saya mengetahui bagaimana mengontak peneliti apabila saya memiliki pertanyaan mengenai proyek ini.
7. Saya telah memiliki waktu untuk mempertimbangkan apakah saya akan berpartisipasi atau tidak. Dengan ini maka saya memberikan persetujuan lisan dan/atau tertulis untuk berpartisipasi dalam proyek ini.

TANDA TANGAN: _____ TANGGAL: _____ 1999
(Partisipan/Responden)

TANDA TANGAN: _____ TANGGAL: _____ 1999
(Peneliti)

**STANDARDISED QUESTIONNAIRE
(English and Bahasa Indonesia)**

A. GENERAL INFORMATION

1. Area: Bandung Municipality

Location: Simpang Alun-alun Square

Cicadas Cicaheum

Sub-district: Cibenyng Kidul Coblong

Regol Kiaracandong

Region: Cibeunying Karees

2. Types of structure:

Kiosk/Stall

Cart

Basket/Mat

3. Types of products offered:

Food: _____

Good: _____

Service: _____

B. DEMOGRAPHIC CHARACTERISTICS

1. Gender: Male

Female

2. Age: _____ years

3. Marital status: Not Married

Married

Divorced/Widowed

4. Number of children:

None

5. Place of origin: West Java

Central Java

East Java

Others: _____

6. Duration of stay in Bandung:

Less than 5 years

5 – 10 years

10 – 15 years

15 – 20 years

More than 20 years

Born in the city

C. ENTERPRISE STRUCTURES

C1. History of business activities

1. Status of the present occupation:

Major occupation

Minor occupation

2. Previous occupation:

Not working

Working in the informal sector

Working in the formal sector

3. The first source of information about street trading you are now involved in:

Parents

Relatives

Friend/Neighbour

Others

4. Period of operating the present business:

0 – 5 years

5 – 10 years

10 – 15 years

- 15 – 20 years
- 20 – 25 years
- More than 25 years

5. The reasons for becoming *pedagang kakilima* (Tick as many as apply):

- It is easy to enter/start the street enterprise
- It is easy to operate the street enterprise
- It is difficult to obtain a job in the formal sector
- It is suited to my knowledge and skills
- It is a job that provides adequate income
- It is a job that provides high social status
- It is interesting and challenging job
- I just follow my parents, relatives, friends or neighbours
- Other: _____

C2. Production process and employment figures

1. Times of operation:

- Day (6 am – 6 pm)
- Night (6 pm – 6 am)
- Day and night

2. Source of products sold:

- Self-production
- Purchased from other producers

3. Frequency of obtaining these products:

- Daily
- Weekly
- Monthly

4. Means of transportation used to carry these products:

- Public transport
- My own car/truck
- Walking

5. Number of workers:

- None
- 1 worker
- 2 workers
- 3 workers
- 4 workers
- 5 workers
- More than 5 workers

6. Working hours per day:

- 1 – 5 hours
- 5 – 10 hours
- More than 10 hours

C3. Legality

1. Permit or license to carry out the business:

- None
- Identity or Registration Card
- Business licence (SIUP or Surat Ijin Usaha Perdagangan)

2. Fees paid relating to business operation per day:

- None
- For registration or retribution Rp. _____
- For cleanliness or sanitation Rp. _____
- For security Rp. _____

3. Harassment(s) you have received from during the operation of business:

- None
- Security officer or *Petugas Ketertiban Umum* (TIBUM)
- Informal watchmen or bodyguards (jegger)
- Others _____

D. HUMAN DEVELOPMENT

D1. Economic capital

1. Working capital (value of stock):

- Less than Rp.200,000
- Rp.200,001 – 400,000
- Rp.400,001 – 600,000
- Rp.600,001 – 800,000
- Rp.800,001 – 1000,000
- More than Rp.1000,001

2. Source of capital: Family

- Relative
- Friend
- Money Lender
- Other: _____

3. The average trading revenues (gross earnings) per day:

- Less than Rp.10,000
- Rp.10,001 – 20,000
- Rp.20,001 – 30,000
- Rp.30,001 – 40,000
- More than Rp.40,000

4. The average total income of the household per day:

- Less than Rp.10,000
- Rp.10,001 – 20,000
- Rp.20,001 – 30,000
- Rp.30,001 – 40,000
- More than Rp.40,000

D2. Human capital

1. Level of education attained:

- No Schooling
- Completed Primary School
- Completed Junior High School
- Completed Senior High School
- Completed Higher Education (Academy/University)

2. Housing facilities available (Tick as many as apply):

- Floor
- Piped drinking water
- Private toilet facility with septic tank
- Electricity

3. Health services used every time the respondent gets sick

(Tick as many as apply):

- Doctor
- Hospital
- Health Centre (Puskesmas)
- Health Personnel (Mantri Kesehatan)
- Others (traditional healer, self-treatment)

C3. Social capital

1. Socio-cultural activities that the respondent does frequently (Tick as many as apply):

- Listening to the radio
- Watching television
- Reading newspaper

2. Participation of respondent in one of the following local organisation activities (e.g. women welfare organisations of PKK, youth organisations)

of Karang Taruna, cooperatives and rotary saving clubs, or religious groups):

Yes

No

Survey Number : _____
Name of surveyor : _____

Date and time of survey
Date: _____ 1999:
Time: _____ am/pm

KUESIONER STANDAR

A. INFORMASI UMUM

1. Wilayah: Kotamadya Bandung

Lokasi: Simpang Alun-alun Square

Cicadas Cicaheum

Kecamatan: Cibenyng Kidul Coblong

Regol Kiaracandong

Wilayah: Cibeunying Karees

2. Jenis struktur kakilima:

Kios/Tenda

Dorongan

Lesehan

3. Jenis barang yang dijual:

Makanan: _____

Barang: _____

Jasa: _____

B. KARAKTERISTIK DEMOGRAFIS

1. Jender: Laki-laki

Perempuan

2. Usia: _____ tahun

3. Status perkawinan:

Tidak kawin

Kawin

Cerai/Janda

4. Jumlah anak:

Tidak memiliki

5. Daerah asal: Jawa Barat
 Jawa Tengah
 Jawa Timur
 Lainnya: _____
6. Lama tinggal di Bandung:
 _____ tahun
 _____ bulan

C. STRUKTUR PERUSAHAAN

C1. Sejarah kegiatan usaha

1. Status pekerjaan sekarang:
 Pekerjaan utama
 Pekerjaan sampingan
2. Pekerjaan sebelumnya:
 Tidak bekerja
 Bekerja di sektor informal
 Bekerja di sektor formal
3. Sumber informasi mengenai pekerjaan anda sekarang:
 Orang Tua
 Saudara
 Teman/Tetangga
 Lainnya
4. Periode lamanya usaha:
 0 – 5 tahun
 5 – 10 tahun
 10 – 15 tahun
 15 – 20 tahun
 20 – 25 tahun
 Lebih dari 25 tahun

5. Alasan menjadi pedagang kakilima (Pilih sebanyak mungkin):

- Adalah mudah memasuki atau memulai usaha kakilima
- Adalah mudah menjalankan usaha kakilima
- Adalah sulit mendapatkan pekerjaan di sektor formal
- Usaha kakilima sesuai dengan pengetahuan dan keterampilan saya
- Pedagang kakilima adalah pekerjaan yang memberi pendapatan memadai
- Pedagang kakilima adalah pekerjaan yang memberi status sosial tinggi
- Pedagang kakilima adalah pekerjaan yang menarik dan menantang
- Saya hanya mengikuti orang tua, saudara, teman atau tetangga
- Lainnya: _____

C2. Proses Produksi dan gambaran tenaga kerja

1. Waktu beroperasi:

- Siang (6 am – 6 pm)
- Malam (6 pm – 6 am)
- Siang dan malam

2. Sumber barang dagangan:

- Produksi sendiri
- Membeli dari orang lain

3. Frekuensi memperoleh barang dagangan:

- Harian
- Mingguan
- Bulanan

4. Alat transportasi yang digunakan untuk mengangkut barang dagangan:

- Angkutan umum
- Mobil pribadi
- Jalan kaki

5. Jumlah tenaga kerja:

- Tidak memiliki
- 1 orang
- 2 orang
- 3 orang
- 4 orang
- 5 orang
- Lebih dari 5 orang

6. Lamanya jam kerja per hari:

- 1 – 5 jam
- 5 – 10 jam
- Lebih dari 10 jam

C3. Legalitas

1. Ijin untuk menjalankan usaha:

- Tidak memiliki
- Kartu identitas atau registrasi
- SIUP atau Surat Ijin Usaha Perdagangan

2. Biaya yang dikeluarkan sehubungan dengan usaha kakilima per hari:

- Tidak ada
- Untuk registrasi atau retribusi Rp. _____
- Untuk kebersihan atau sanitasi Rp. _____
- Untuk keamanan Rp. _____

3. Pelecehan yang pernah diterima selama menjalankan usaha:

- Tidak pernah
- Petugas Ketertiban Umum (TIBUM)
- Petugas Keamanan Informal (jegger)
- Lainnya _____

D. PEMBANGUNAN MANUSIA

D1. Modal ekonomi

1. Modal kerja (nilai stok barang):

Kurang dari Rp.200,000

Rp.200,001 – 400,000

Rp.400,001 – 600,000

Rp.600,001 – 800,000

Rp.800,001 – 1000,000

Lebih dari Rp.1000,001

2. Sumber modal: Keluarga sedarah

Saudara

Teman

Lintah darat

Lainnya: _____

3. Rata-rata untung kotor per hari:

Kurang dari Rp.10,000

Rp. 10,001 – 20,000

Rp. 20,001 – 30,000

Rp. 30,001 – 40,000

Lebih dari Rp. 40,000

4. Rata-rata pendapatan keluarga per hari:

Kurang dari Rp.10,000

Rp. 10,001 – 20,000

Rp. 20,001 – 30,000

Rp. 30,001 – 40,000

Lebih dari Rp. 40,000

D2. Modal manusia

1. Tingkat pendidikan yang ditamatkan:

- Tidak sekolah
- Sekolah Dasar
- Sekolah Menengah Tingkat Pertama
- Sekolah Menengah Tingkat Atas
- Perguruan Tinggi (Akademy/Universitas)

2. Fasilitas rumah yang tersedia (Pilih sebanyak mungkin):

- Lantai
- Air bersih
- Toilet pribadi dengan septic tank
- Listrik

3. Pelayanan kesehatan yang digunakan setiap kali responden sakit
(Pilih sebanyak mungkin):

- Dokter
- Rumah Sakit Umum
- Pusat Kesehatan Masyarakat (Puskesmas)
- Mantri Kesehatan
- Lainnya (dukun, pengobatan sendiri)

C3. Modal Sosial

1. Aktifitas sosiokultural yang dilakukan responden setiap hari (Pilih sebanyak mungkin):

- Mendengarkan radio
- Menonton television
- Membaca newspaper

2. Partisipasi responden dalam kegiatan salah satu organisasi lokal berikut ini (Pendidikan Kesejahteraan Keluarga/PKK, Karang Taruna, Koperasi atau Arisan, Kelompok Pengajian):

Ya

Tidak

Nomor Survey : _____

Nama pensurvey : _____

Tanggal dan waktu survey

Tanggal : _____ 1999:

Waktu/jam : _____ siang/malam

FOCUSED INTERVIEW PROTOCOL (English and Bahasa Indonesia)

A. ENTERPRISE SETTING

1. What was your last job before becoming *pedagang kakilima*?
2. What other jobs have you as well as *pedagang kakilima*?
3. Are all your family *pedagang kakilima*? Which members are? Where and what are they selling? What business partnership exists between their enterprise and yours (e.g. in terms of capital, source of products, sales)?
4. Do you often change your products? What factors affecting this change?
5. What are the reasons of choosing this place to operate your enterprise?
6. What are the main characteristics of your customers (e.g. in terms of occupation, level of income, or level of education)?
7. Why do you think your customers buy your products?
8. Effect of the economic crisis on enterprise conditions:
 - a. How do you rate and compare your enterprise conditions during the crisis period (April – August 1999) and the pre-crisis period (before July 1997)?
 Worse-off The same Better-off
 - b. What trading activities were most affected by the crisis (e.g. reduced demand, increased prices of inputs, reduced profits)?
 - c. How did you cope with the above business difficulties resulting from the crisis?

B. HOUSEHOLD SETTING

1. What is the best description that illustrates your present accommodation (e.g. living in own home; renting a home; living with parents and other relatives and paying board; living with parents and other relatives and NOT paying board)?
2. What are the reasons of choosing this accommodation?

3. How many people live in this accommodation? What are their relationship to you?
4. Do your family members assist you? Which members are? What kind of assistance do they do?
5. Do you pay members of your family who assist you? What kind of payments do you give (e.g. cash or in kind)?
6. How many of your neighbours became *pedagang kakilima*?
7. What is your relationship with your neighbours?
8. Effect of the economic crisis on household conditions:
 - a. How do you rate and compare your household conditions during the crisis period (April – August 1999) and the pre-crisis period (before July 1997)?
 Worse-off The same Better-off
 - b. What household conditions were most affected by the crisis (e.g. a reduction in household income, an increase in household expenditure)?
 - c. How did you cope with the above household difficulties resulting from the crisis?

Interview number : _____
 Name of interviewer : _____

Date and time of interview
 Date: _____ 1999:
 Time: _____ am/pm

PEDOMAN INTERVIU

A. LINGKUNGAN PERUSAHAAN

1. Apa pekerjaan terakhir saudara/i sebelum menjadi pedagang kakilima?
2. Apa pekerjaan lain saudara/i selain menjadi pedagang kakilima?
3. Apakah saudara/i memiliki keluarga yang menjadi pedagang kakilima? Siapa mereka? Dimana dan apa yang mereka jual? Apa kerjasama usaha antara mereka dan saudara/i (misalnya: dalam hal permodalan, sumber barang dagangan, penjualan)?
4. Apakah saudara/i sering mengubah produk yang didagangkan? Faktor-faktor apa yang mempengaruhi perubahan tersebut?
5. Apa alasan saudara/i memilih tempat ini untuk berjualan?
6. Apa karakteristik utama pelanggan saudara/i (misalnya: pekerjaannya, tingkat pendapatan, pendidikan)?
7. Apa alasan mereka membeli barang/jasa yang saudara/i jual?
8. Dampak krisis ekonomi terhadap kondisi perusahaan:
 - a. Bagaimana menurut saudara/i perbandingan antara kondisi perusahaan pada saat krisis (April – Agustus 1999) and sebelum krisis (sebelum July 1997)?
 Lebih buruk Sama saja Lebih baik
 - b. Kegiatan usaha apa yang paling terpengaruh oleh krisis (misalnya: menurunnya pembeli, meningkatnya harga bahan pokok, menurunnya keuntungan)?
 - c. Bagaimana saudara/i mengatasi masalah perusahaan akibat krisis tersebut?

B. LINGKUNGAN KELUARGA

1. Bagaimana saudara/i menggambarkan akomodasi sekarang ini (misalnya: tinggal di rumah sendiri; menyewa; tinggal bersama orang tua dan

saudara lainnya dan membayar sewa; tinggal bersama orang tua dan saudara lainnya dan TIDAK membayar sewa;)?

2. Apa alasan saudara/i memilih akomodasi ini?
3. Berapa orang yang tinggal di rumah ini? Apa hubungan mereka dengan saudara/i?
4. Apakah anggota keluarga membantu saudara/i? Siapa saja mereka ini? Bantuan apa yang mereka berikan?
5. Apakah saudara/i membayar anggota keluarga yang membantu? Apa bentuk pembayaran yang saudara/i berikan (misalnya: uang atau barang)?
6. Berapa orang tetangga saudara/i yang menjadi pedagang kakilima?
7. Bagaimana hubungan sosial saudara/i dengan para tetangga?
8. Dampak krisis ekonomi terhadap kondisi keluarga:
 - d. Bagaimana menurut saudara/i perbandingan antara kondisi keluarga pada saat krisis (April – Agustus 1999) and sebelum krisis (sebelum July 1997)?
 Lebih buruk Sama saja Lebih baik
 - e. Kondisi keluarga apa yang paling terpengaruh oleh krisis (misalnya: menurunnya pendapatan, meningkatnya pengeluaran keluarga)?
 - f. Bagaimana saudara/i mengatasi masalah keluarga akibat krisis tersebut?

Nomor wawancara : _____
Nama pewawancara : _____

Tanggal dan waktu wawancara
Tanggal : _____ 1999:
Waktu/jam : _____ siang/malam

GUIDELINE FOR PRA METHODS¹ (English only)

A. DIRECT OBSERVATION

Goal: (a) to enter the real life of *pedagang kakilima* in both enterprise and household environment; (b) to understand in depth their living conditions (well-being and ill-being) and to consider participant lives and their perceptions about their lives.

Key themes: Observe various aspects of the street trader activities, including observation of enterprise works, family situations and conditions, community settings, and any other appropriate events and places where the participants may practice different patterns of coping strategies.

Procedures: Observation can involve a variety of settings of street trader activities, including the enterprise, the household and community. After preliminary visits, site selection can be determined. Observation can be guided by broad focus of inquiry which can be developed through the ongoing process of observing and participation in the setting involved. Taking notes and photography during or after the observation.

B. SKETCH MAP OF THE SITE

Goal: (a) to show the boundaries and characteristics of the community or *kampung* involved; (b) to understand the dimension and scope of issues to be investigated.

Key themes: A rough and large-scale topographical map can be used to delineate boundaries of the *kampung* and to show where resources, activities, problems and opportunities are located.

Procedures: The researcher and local people or community representatives (informants) can undertake this exercise. The various parties bring different but complementary ideas to the process. While the researcher can verify technical issues, the informants can provide clear guidance on the matters, such as the correct position of boundaries and other site-specific details. This is done by walking or (driving) round the site (e.g. urban locality, business location) with assistance and guidance from the local people. Once the boundaries are in place, a more comprehensive reconnaissance can be conducted to gather other relevant information. Several maps of the same area can be produced to highlight different problems or opportunities.

C. IN-DEPTH INTERVIEWS

Goal: (a) to collect socio-economic information from a cross section of enterprises and households; (b) to gain an understanding of the wide range of variations in coping behaviour between families; (c) to give a chance to talk with residents who might not normally be included amongst the leaders or in group meetings.

Key themes: The focus is on the effects of the economic crisis on enterprise and household management, including the perception of the interviewees toward problems and opportunities related to the improvement of their trading activities and household quality of life. A wide range of coping strategies adapted to cope with problems affecting both enterprise and household conditions; who is doing what; and how it is done.

Procedures: After determining the ecological zones, urban localities, or other natural demarcations of the community, five or six households from each zone can be selected. If random sampling is not possible, avoid the standard biases (e.g. selecting only houses near the urban tarmac or choosing only heads of the households). The sample can include households from amongst

both well-off and poor families within the zones and the community at large, selecting some households headed by men and others headed by women. There may be about 5 to 20 interviews for an entire sub-location. The interviews can be conducted with adults who have primary responsibilities in the household, although other members of the household may be present. Interviews can be done for about one hour each and are based on informal and open interview schedules.

D. RESOURCE ANALYSIS

Goal: (a) to identify facilities and services considered by participants as very important to their livelihood activities; (b) to investigate the most important resources that the household would have access to and the various activities that the members could perform.

Key themes: The availability of physical and social resources in and outside a *kampung* and the interconnection of these resources.

Procedures: The resource analysis can be initiated by the researcher and discussion leader to explain the purpose of the activity and the processes involved. The leader facilitates key information in mapping out the location of the resources and draws arrows to show the flow of each opportunity and the interconnection between them. A large circle can be made to represent the community. One house of the participants can be used as a reference point through which resources flow in and out of the household. Participants are asked to indicate where each of these resources comes from: place the resources inside the circle if they are available within the *kampung*, place them on the border of the circle if they are partially available, and place them outside the circle if they are unavailable within the community. Indicate the interconnection amongst the resources. Connecting them with unbroken

arrow lines if they are important or with broken arrow lines if they are less important.

CHECKLISTS FOR DOCUMENT STUDY (English only)

A. Geographical characteristics of Bandung:

1. Profile of municipality and district, sub-districts, *kampungs* and urban localities (*kelurahan*).
2. Number of population in each location.
3. Number of households in each location.
4. Map of Bandung and of each location.

B. Level of urbanisation and industrialisation in Bandung and Bandung Metropolitan Region:

1. Number of population living in localities categorised as rural and urban areas
2. Population growth due to natural increase.
3. Population growth due to rural-to-urban migration.
4. Number and types of manufacturing and service sectors.
5. Land-use for agricultural, manufacturing and service sectors.
6. Contribution of agricultural, manufacturing and service sectors to GDP.

C. General characteristics of *pedagang kakilima* in Bandung

1. Growth of the urban informal sector and the *pedagang kakilima* in Bandung.
2. Indicate their products, places and times of operation.
3. Problems and possible solutions relating to the urban informal sector and street traders.
4. The existing and future plans and measures for the urban informal sector and the street traders (e.g. regulating, accommodating, eradicating), including their advantages and disadvantages.
5. Agencies (e.g. police, city administrator, public security officer) which deal and are concerned with the urban informal sector and street traders.

NOTES

1. Adapted and developed from Paliniswamy, Subramaniam, Pretty and John (1992); IIED (1994); Buenavista and Flora, (1994); and Roos and Mohatle (1998).

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