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THE CONTRIBUTION OF THE INFORMAL SECTOR TO DEVELOPMENT
A STUDY OF STREET FOOD VENDORS
IN JAKARTA INDONESIA

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Fixy

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ABSTRACT

This thesis discusses how the development strategies and policies implemented by the Government have failed to distribute income and wealth and have exacerbated inequality instead. It shows viewpoints which argued that this kind of development has enriched only a few people while leaving others marginalised. It also reveals that the misconception of ideal development as similar to the state found in developed countries has undermined other forms of economic activities and development which are different from and do not conform to the recipe given by those model countries. It leads to the harsh treatment and affects many economic activities initiated by the marginalised people.

This study tries to point out the importance of the informal sector to development, which forms a large portion of the workforce in many developing countries. It studied how these economic activities provided a means for survival for those people. It assesses the contribution of this sector to job creation, income generation activities, improved livelihoods and living standards. It studied the sustainability of this sector against the economic crisis which started in the middle of 1997. It focused on food businesses operated on the

sidewalks in the area known as the Segi Tiga Emas (the Golden Triangle) in Jakarta. The results of this study revealed a number of interesting findings.

This particular informal sector was found to make a huge contribution to the livelihoods of the people involved in it. It also contributed to the well-being of many people who used its services. Some of the income derived from these businesses was transferred to other provinces from where the vendors came from, meaning it helped in the regional distribution of wealth. As most of these businesses employed relatives or family members it also created jobs for the unemployed. These businesses were found not to be badly affected by the economic crisis and seeing how they had been running for a number of years, they were also sustainable. Unfortunately, this good living enjoyed by the people involved in this sector was only for the self-employed or the owners of the businesses. The wage workers who worked at street food stalls did not receive a good income for their labour nor did they get any protection from the Indonesian Government.

Regardless, the existence of the informal sector should not be curbed or eliminated. The Government should take decisive steps in promoting the development of this sector. This promotion should include steps to protect the rights of the workers in this sector. The development policies and programmes should regard the development of individuals, small groups and marginalised people as an important part of development.

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GLOSSARY

ACFTU	: All China Federation of Trade Unions
ADB	: Asian Development Bank
BPS	: Central Bureau of Statistics
Ekonomi Rakyat	: People's Economy
First World	: Developed countries
GDP	: Gross Domestic Product
GRDP	: Gross Regional Domestic Product
IBRA	: Indonesian Bank Restructuring Agency
ILO	: International Labour Organisation
IMF	: International Monetary Fund
Jabotabek	: Jakarta, Bogor, Tangerang and Bekasi
Kelurahan	: The lowest branch of the Government's body
LDCs	: Less Developed Countries
MSEs	: Micro and Small Enterprises
OECD	: Organization for Economic Cooperation and Development
Pemda	: City Council
Pesantren	: An institution which focuses on Islamic teaching, often considered as an informal education
PREALC	: United Nations Regional Employment Programme for Latin

	America
Ramadhan	: The month in the Islamic Calendar where the Muslims fast
Sakernas	: National Labour Force Survey
SAPs	: Structural Adjustment Programmes
SD	: Elementary School
Segi Tiga Emas	: Golden Triangle (Business District Centre formed by three main streets)
SMA	: Senior High School
SMP	: Junior High School
Susenas	: National Economic Survey
Third World	: Developing and Less Developed Countries
Trantib	: City Public Order Force (Agency) whose job is to clean city streets' off of its offenders
Tukang Ojek	: People who used their motor cycle (or others' that they rent) to transport people to their destination for an agreed fee