

HUMAN DEVELOPMENT AND THE URBAN INFORMAL SECTOR IN BANDUNG, INDONESIA: THE POVERTY ISSUE

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One of the most striking issues in the study of the urban informal sector has been the relationship between the sector and poverty, a constant association made over the last few decades (see McGee, 1975; McGee and Yeung, 1977; Portes, Castells, and Benton, 1989; Mead, 1996; Cartaya, 1994; Thomas, 1995; Firdausy, 1995). Such previous studies of the informal sector, however, were often dominated by a 'reductionist' view of livelihoods, which focused on the enterprise (Suharto, 2002). Economic measures were often employed as the only yardstick to explore the many dimensions of the informal sector, with access to education and health for the operators and their families often overlooked as important determinants. Such research stressed wage-based employment, whereas much of the informal sector continues to revolve around livelihood-based activities. Such economic measures provided, at best, only a partial picture of informal sector characteristics.

The issue of poverty in the urban informal sector is also prominent in Indonesia since, in recent years, the combination of slower industrialisation, increasing growth of urban centres, and the economic crisis of the late 1990s have amplified the already alarming rates of urban poverty and unemployment. The limits of industrialisation and emerging trends of

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urbanisation in the country 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 (ILO, 1998; Ranis and Stewart, 1999; Tambunan, 2000; Suharto, 2002). Since many of the informal sector workers in Indonesia were amongst the pre-existing poor, during the recession they have faced particular difficulties arising from their reduced purchasing power, price rises, and subsidy removals.

Indonesia has one of the largest informal sector economies in the world. As in many other Third World countries, the informal sector in Indonesia still accounts for most of the total employment. 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 per cent 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 people in rural areas and 14 million in urban areas, or about 65 per cent of the total working population (CBS, 2001; Hugo, 2000:125).²

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). 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 per cent 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.

² 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 wage employment, namely employers and employees. The informal sector refers to those engaged in non-wage employment, namely the self-employed, self-employed assisted by family, day labourers, and unpaid family workers. However, since the definition is broad in nature, the figure is still open to debate.

This study attempts to verify the above aggregate findings by providing data on socio-economic characteristics of street traders, *pedagang kakilima*,³ on the basis of the human development perspective. Three main indicators of human development, covering the economic, human and social capital of *pedagang kakilima*, are examined to identify the relationship between the urban informal sector and poverty.

Methodology

Using micro-level surveys, the fieldwork for this study was conducted in Bandung over a five-month period, between April and August 1999. Bandung is the capital of West Java province and is situated 180 kilometres southeast of Jakarta. It serves as a regional centre of administrative and business activities and is a destination for rural migrants in search of employment. It has a large and varied informal sector, including *pedagang kakilima*, *pedagang asongan* (mobile hawkers), and *pedagang keliling* (itinerant petty traders).

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 administratively consists of two regions: the district (*kabupaten*) and the municipality (*kotamadya*). The municipality covers the metropolitan core of Bandung City and was selected as the focus of this study. In 1998, the population of Kotamadya Bandung reached 2.5 million, with an average household size of 4.07 people (CBS-West Java, 1999). Four research sites were then 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. The samples were drawn using the “multistage cluster sampling technique” (de Vaus, 1991:67) thus multi-stage classification before sampling (see Suharto, 1994: 31). After refinements, the total sample selected was 150 people. On average, this represented about 12.83 per cent of the population in the sampling frame. Standardized questionnaires were mainly employed to collect information, but informal interviews and observations were also conducted.

³ 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* 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.

An Overview of Indonesia's Development

The performance of the Indonesian economy has been notable, measured on the basis of economic indicators. Until the regional economic crisis hit Indonesia in mid-1997, the economy expanded 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 per cent, with average inflation of 9.0 per cent annually. In the period 1994-96, export and investment growth were also relatively high, at 11.9 and 20.7 per cent respectively (Garnaut, 1998: 22-5). Following this economic prosperity, basic social indicators pointed to the positive effects of such changes. Poverty declined from 70 million people or 60 per cent of the total population in 1970, to an estimated 22.5 million or 11.3 per cent in 1996;⁴ 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 per cent to 87.4 per cent of the total population (CBS, 1995; 1998; Smyth, 1997; Booth, 1998, 1999).

A brief review of human development, comparing the socio-economic conditions between 1980 and the mid-1990s, also shows that the improvements were remarkable in many respects (see Table 1). The data in Table 2, furthermore, suggests that, although its HDI rank is lower than that of its two major Southeast Asian neighbours, Thailand and Malaysia, Indonesia still performed modestly well by such comparative indicators. Data in Table 2 also 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 Indonesian 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".

As many studies show, however, the achievements resulting from the structural transformations were only partially successful (see ILO, 1998; Booth, 1999; Ranis and Stewart, 1999; Tambunan, 2000; Suharto, 2002). While the level of industrialisation continued to be surpassed by the level of urbanisation, inappropriate macro- and micro-economic policies and bad governance practices changed the past record of economic success into economic collapse.

⁴ The official poverty line in Indonesia is based on basic physical needs (e.g. the income required for a certain calorie intake) according to urban and rural areas. For example, at the end of 1998, CBS established a standardised estimation of the poverty line for urban areas of Rp.96,959 per capita per month (CBS, 1999:1).

Table 1. Features of human development, Indonesia 1980-1994

Indicators	1980	1994
Economic Capital		
<i>GDP per capita (constant price 1983/rupiah)</i>	452,908	1,841,534
<i>GDP growth (constant price 1983/rupiah)</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 (%)		
<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 Capital		
	(1984)	
Access to socio-cultural activities		
<i>Watch television</i>	44.5	69.4
<i>Listen 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

Source: CBS (1995 various tables); UNDP (1997:186).

In terms of changes in employment, for example, the ILO study (1998) 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 per cent to 41 per cent of the total labour force. In the same period, industrial employment rose from about 14 per cent to almost 20 per cent. Following the economic crisis, however, the trend of the movement of workers out of agriculture was reversed. It also witnessed the rise of the informal sector. The study estimates that in the period of crisis between 1997 and 1998, the layoff of 5.4 million workers from the formal sector resulted in the decline of waged employment from 35 per cent to 30 per cent. 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 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).

One of the striking results of this analysis is that a combination 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 into the informal sector and more than doubled its size. In the case of street enterprises, the increase was dramatic. In Jakarta and Bandung, for example, between the end of 1996 and 1999 the growth of the *pedagang kakilima* was estimated at 300 per cent (*Kompas*, 23 November 1998; *Pikiran Rakyat*, 11 October 1999).

Human Development of Street Traders

It is clear that becoming a successful *pedagang kakilima* is not as simple as one generally assumes. Basic requirements involve 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 these assumptions, it is argued that the association between the informal sector and poverty cannot simply be made on the basis of low incomes.

It is in this context that the human development perspective has been chosen to identify the living standards of the street traders, and examine the linkage between them and poverty. 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's 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 interrelated and un-weighted 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) 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 (see UNDP, 1990; Ranis and Stewart, 1999; Suharto, 2002). For the purpose of exploring the level of human development of *pedagang kakilima*, these measures need to be empirically narrowed. This study therefore considers the indicators of human development of street traders as consisting of economic, human and social capital. Economic capital includes working capital, trading revenues 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 socio-cultural activities. Tables 3 to 5 sum up the main findings and show to what extent street traders and their families in the study locations possess this economic, human and social capital.

Economic capital

Two of the crucial economic variables affecting the business performance of the street enterprises 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 (that is, the estimated prices of goods or wares of a given vendor) was felt to be the best indicator because it generally represents the working capital of the street vendors, regardless of 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 ‘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 (that is, daily gross revenues before a deduction of all total costs used in the daily operation of the trading) was easily supplied 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 3.

Table 3. 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 revenue 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 income 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

Notes: N= 150;

1) the average (mean) working capital was Rp.1,059, 545 or, calculated at the rate of NZ\$ 1= Rp.4,000, about NZ\$ 265;

2) the average (mean) gross profit per day was Rp.22,850 (NZ\$ 6);

3) the average (mean) household income was Rp.32,454 or about NZ\$8 per day.

Source: Field work (1999).

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 fruit need substantially more. Based on the mean value of the stock, the average working capital of the street vendors was estimated to be slightly over Rp.1,000,000 (NZ\$250). This relatively high capital was especially true for 16 per cent, 19 per cent, and 33 per cent of those trading services, food, and goods respectively. However, the majority of street trader capital was minimal, under Rp. 200,000, while wide variations were found among different activities, with vendors offering services having less capital than vendors selling food and goods.

In terms of trading revenues, most *pedagang kakilima* seemed to have no difficulty in remembering expenditures and profits, although they did not keep written records on their cash flow. After weighing 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 per cent 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 their families, the enterprise capital and trading revenues could not be equated with household incomes. As a part of a livelihood strategy, street vending is often not the sole source of income – though it is a major one – for the traders' households. It is common that almost all household members contribute to provide additional incomes for their family, either from similar activities, or from other sources of income. Therefore, data on household incomes need 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, accounting for up to 30 per cent of total household income. Bearing in mind 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 had low household incomes as well. Nevertheless, the findings appear to show that street traders make a reasonable profit from their trading, and that this return is relatively favourable in comparison to other available and accessible alternative sources of income.

In addition, on a monthly basis, the earnings of *pedagang kakilima*, counted either as enterprise earnings or total household incomes are 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 for Bandung, and substantially higher than the wage for 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 (for example clerks, or general assistants) (see Tinker, 1997; Turner, 2003).

At the end of 1998, CBS established a standardised estimation of the poverty line for urban areas: Rp.96,959 per capita per month (CBS, 1999:1). Noting that the average size of the street trader households interviewed was four, the poverty line for a household was Rp.387,836 per month, or about Rp.12,928 per household per day. On the basis of such an official poverty line, both the average daily vendor profits, and the household incomes of the *pedagang kakilima* interviewed, were nearly double the minimum basket of poverty measures of the country.

However, such calculations alone should not be used to situate the street traders in Bandung on a rich-poor continuum in the population. While the 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 varies 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 (see Thomas, 1995). They are still likely to face problems of overcrowded housing, and lack of access to transport and recreation facilities, which, although not being life-threatening, represent deprivation compared to the rest of the population (see Thomas, 1995:70).

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.⁵ Arranged in regards to trading revenues 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 1, such a link between the *pedagang kakilima* and income-poverty is manifested in a form of an 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 / day. This group consisted of 24 per cent and 20 per cent respectively of the traders based on their trading revenues and household incomes per day.
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 per cent of the traders were in this category.
3. Group three: the better-off *pedagang kakilima*, defined as those having daily earnings higher than Rp.30,000 and hence above twice the poverty line. Based on trading revenues and household incomes, respectively, the number of *pedagang kakilima* categorised as the 'well-off' traders was 16 per cent and 20 per cent of the total sample population.

Human capital

Education, health, and housing have been regarded as essential human capital for further economic and social development. In the context of development,

⁵ The rationale to use the approach of poverty line multiplication mirrors the Chilean Ministry of Planning and Coordination (see Thomas, 1995:71-2).

no country can secure economic well-being or poverty reduction without an educated, healthy, and well-housed population. The evidence in Table 4 shows the level of human capital of the street traders interviewed 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 since the figure is relatively comparable to, or even better than, the average welfare indicators of the Indonesian population. For example, in 1998 the percentage of Indonesian population aged 10 or above which did not complete Primary School was 26 per cent in both urban and rural areas (CBS, 1998:58).

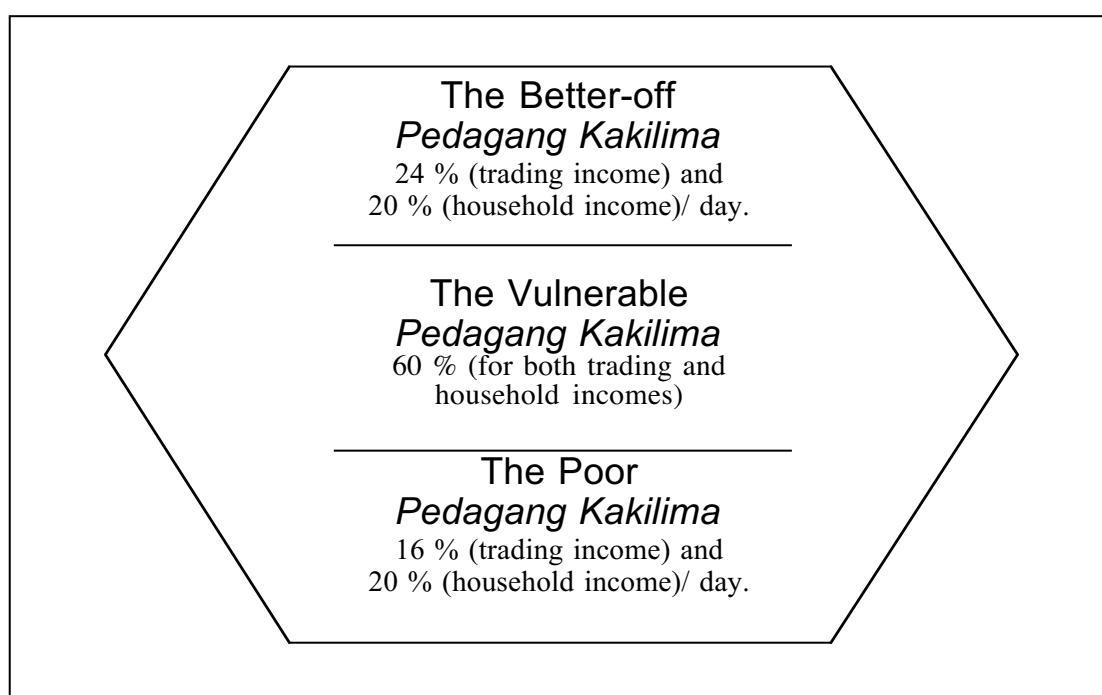


Figure 1. Street traders categorised as ‘better off’, ‘vulnerable’ or ‘poor’ based on multiplication of the poverty line.
Source: Field work (1999).

In view of potential business success, street traders require not only their natural talent, but also knowledge often acquired through formal schooling. Competence in reading, writing and arithmetic is extremely useful for operating small-scale enterprises. Table 4 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 and many have higher levels of education. The pattern of educational level by types of trading is even more striking, with street traders selling goods having 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.

Table 4. Human capital of *pedagang kakilima*.

Indicators	Types of Trading (%)			
	Food	Goods	Services	Total
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
<i>Average</i>	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
<i>Average</i>	85	83	88	84

Note: N= 150. Source: Field work (1999).

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; UNDP, 1990; 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 in her study, since doctor and hospital bills often consumed their entire assets.

The indicators in terms of health accessibility were measured on the basis of the utilisation of health services or medical facilities. 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 identifying health accessibility are available, the most empirically possible approach is the utilisation of health service facilities. Theoretically, high

utilisation of such medical facilities indicates the optimal access of health facilities allowing people to cure health-related problems at best. This, hence, decreases the propensity towards low life expectancy. However, since such an indicator does not 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 4 show that 81 per cent of *pedagang kakilima* used a health centre and 70 per cent of the traders saw a doctor when they got sick, while 41 per cent of them went to hospital and 25 per cent to health personnel (*mantri kesehatan*) when they felt unwell. The 'others' category in the table indicated a range of other ways of curing sickness, such as traditional healing or self-medication (using medicines not prescribed by a doctor) to cure their sickness. The high utilisation of health centres seems to reflect the cheaper cost of medical treatment available there, since most medical expenses in health centres in Indonesia are heavily subsidised by the government. 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 the 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 per cent of the trader houses were equipped with each of the facilities mentioned above. Over three-quarters of the trader houses had access to water supply, electricity and a toilet. Nonetheless, there was still 31 per cent of the houses with earthen-floors built over the ground. Although there was no significant difference in the accessibility to housing facilities amongst traders, on average street service traders were more likely to have better housing facilities than goods and food vendors.

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 socio-cultural 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 (for example, *Pendidikan Kesejahteraan Keluarga* (PKK, women welfare organisations), youth organisations of *Karang Taruna*, cooperatives and rotary

saving clubs, or religious groups).⁶

Table 5 below shows that in total, the social capital of *pedagang kakilima* was very low. The proportion of street vendors having access to each of the facilities was only 36 per cent. The proportion of service providers having access to socio-cultural activities was relatively better than that of goods and food vendors. The sequence of events in the table demonstrates that watching television, listening to the radio, reading newspapers, and participating in local organisations appear as the most regular to the lowest regular activities that the vendors engaged in. When respondent houses were observed, it was found that many street trader households in each *kampung* (village area) 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. Also, reflecting their literacy, it was clear that some 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.

Table 5. Social capital of *pedagang kakilima*.

Indicators	Types of Trading (%)			
	Food	Goods	Services	Total
Access to socio-cultural 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
<i>Average</i>	31	39	47	36

Note: N= 150.

Source: Field work (1999)

Conclusion

Measured by the level of income alone, the results of this study are quite consistent with the findings of the pioneering work of McGee (1975), McGee and Yeung (1997) as well as with recent empirical studies (see Cartaya, 1994, Evers and Mehmet, 1994, Thomas, 1995, Firdausy, 1995 and Turner 2003) that argue that whilst members of the informal sector need not include the poorest in society, they are still often associated with poverty. In aggregate and on average, the street traders interviewed were not the poorest in society as the incomes of those interviewed were often higher than the official poverty

⁶ In Indonesia, these local organisations play important roles in the local community development, including in a variety of poverty alleviation programmes (Suharto, 1994).

line, and some street traders even had higher incomes relative to those in the low skilled formal sector, and unskilled construction workers.

However, despite this calculation, the vast majority (80 per cent) of the street traders interviewed could still be categorised as being poor and vulnerable. Some 20 per cent of street traders' incomes were found to be below the poverty line. A further 60 per cent – the vulnerable *pedagang kakilima* – had daily earnings between Rp.10,000 and 30,000. Whilst their incomes were higher than the poverty line, they were still near or only slightly above twice the minimum level (Rp.25,856). This means that although those labelled as being extremely poor or destitute are only a minority, there are many more who are only just able to meet the costs of basic necessities, and are still living in vulnerable conditions. This becomes even more clear when one notes just how low the poverty line is, as well as the problems with its calculation.

As illustrated in Figure 1, when examining these income–poverty relations, the profiles of *pedagang kakilima* in Bandung form an hexagonal shape. This contrasts with the pyramid shape often portrayed in examinations of the linkages between the informal sector and poverty in most developing countries, notably in Latin America (see Marquez, 1994: 166; Thomas, 1995:129–30). At the top of the hexagon are a few more 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. In the mid–section are a large 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, as a result of unfavourable markets and competition. At the base, are a large number of 'subsistence economic producers' with rudimentary operations who earn only 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.

Moving from these income based indices however, to take other human development measures into account, we are provided with a somewhat different picture of poverty amongst the informal sector interviewees. With reference to human and social capital indicators, for example, it was possible for the street traders to be categorised as not 'poor', because they had relatively adequate basic education and access to health services and housing facilities, although their propensity to participate in social activities seemed to be low.

The relatively high scores gained by the interviewees for access to health services (such as doctors and health centres) and housing facilities (such as water, toilet, and electricity) were somewhat surprising. It was expected that the low trading profits and household incomes would be automatically followed by low scores regarding human capital. This did not happen. In

general, the human and social indicators of development for *pedagang kakilima* also appeared to be satisfactory when compared against national figures. Government initiatives to improve social services may have had a part to play here. This evidence also suggests that although economic indices are important and, perhaps, still the most critical factors for measuring the performance of enterprise activities and household living standards, the expanded yardsticks in the human development approach provide a fuller picture of the socio-economic profiles and problems of those in the informal sector.

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