

INFORMAL SECTOR AND EMPLOYMENT: EMPIRICAL EVIDENCE FROM DISTRICT OF GOWA INDONESIA

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Abstract

informal sector proved to be able to demonstrate toughness and capable of being dampers (buffers) turmoil in the urban labor market to accommodate the overflow of millions of workers victims of layoffs in the formal sector. The existence of the informal sector create unemployment and poverty did not explode strong feared. In addition to the positive aspects as mentioned above of course there are negative aspects that need to be anticipated. This study was conducted using quantitative and qualitative approaches, namely the secondary and primary data collection through surveys of the objects of economic / informal sector operators associated with informal sector development planning in Gowa. Besides, it will also be conducted in-depth interviews (depth interview) in the informal sector operators / informant was chosen with a view to deepen the analysis and assessment. The informal sector as an alternative for the community sector able to contribute to the development of the region. In addition to employment opportunities, the informal sector can also increase revenue for the community. However, the rapid growth of the informal sector without obtaining good handling and planned will create problems. To that end, the local government (LG) Gowa should be cautious in dealing with the informal sectors. Thus, the informal sector can thrive without disturbing the public interest, particularly not interfere with the safety, order and beauty of the city.

Keywords: informal sector, employment, poverty reduction

Preliminary

The informal sector has characteristics such as the number of business units that many small-scale, ownership by individuals or families, low-tech and labor-intensive, level of education and low skills, access to financial institutions area, labor productivity is low and wage rates also relatively lower than the formal sector. The main issue in many areas that are in the informal sector of the city center area and occupy sidewalks normally used by pedestrians (walkers) on the grounds easily accessible by the buyer. This often creates chaos and congestion of city traffic and disturbance of cleanliness, orderliness, safety, and convenience for warp kola, and the beauty of the city.

Since the informal sector concept was first introduced in 1973, has done a lot of research and policy began to highlight the employment opportunities of the poor in the city. In particular, entrepreneurs who earn an income opportunity in the city can be divided into three groups, namely: formal, informal and informal illegitimate legitimate.

Posts Hart (1973) is based on the results of research in Ghana explained the findings by two typologies of income earning opportunities in the city, namely: (1) the Formal Sector, through the payroll of the state, the salaries of the private sector, and benefits are pensions, unemployment benefits. (2) The informal sector are legitimate, such as: (a) the activities of primary and secondary, namely agriculture, plantation market-oriented, tailor, etc., (b) venture tertiary capital is relatively large, such as speculation merchandise, activities lease, etc., (c) the distribution of small, such as market traders, haberdasher, vendors, etc. ; (3) The informal sector is not valid (services: a receiver of stolen goods, prostitution, pimping, etc. Transactions: theft and gambling).

What mentioned above certainly spread not only in the capital of the district but also in the district, village and even to remote villages. Once the importance of the informal sector which is as mentioned by Prof. Mubyarto that when the crisis hit the country in 1997, the informal sector proved to be able to demonstrate toughness and capable of being dampers (buffers) turmoil in the urban labor market to accommodate the overflow of millions of workers victims of layoffs (layoffs) in the formal sector. The existence of the informal sector create unemployment and poverty did not explode strong feared. Post-crisis, the informal sector back into a safety valve in the middle of the inability of the government and formal sector employment.

Literature review

The informal sector has a big role in developing countries, including Indonesia. The informal sector is unorganized sector (unorganized), irregular (unregulated), and most legal but not registered (unregistered). In developing countries, about 30-70% of the population in the urban labor force works in the informal sector (Widodo, 2005).

The existence of informal sector workers helped to contribute to the development and business activities. It is undeniable that the activities of the informal sector has contributed in no small part to the local economy in a region even in a district where the informal sector presence. Judging from the above description, that with the increase in people's income lower class then an increase in their standard of living. This situation is expected to contribute to the enhancement of regional and national income. Therefore, the informal sector has an important role in realizing the goal of equitable development. Encyclopedia of economics, business and management (1997) explains that there is no unanimity about the appropriate boundaries for the informal sector in Indonesia. But there is no formal agreement between the scientists were seen in the study of social problems to accept the definition of the informal sector in Indonesia as follows: (a) sectors that do not receive assistance or economic protection of the government; (B) the sector which has not been able to use (because it does not have access) support, although the government has been prepared; (C) sector, which has received government assistance, but such assistance has not been able to make it independent sector.

Based on the working definition, it agreed a series of characteristics of the informal sector in Indonesia, which include (a) business activities are not organized well, as business units occur without using the facilities or institutions provided formally; (B) the business unit generally does not have a business license; (C) the pattern of irregular business activities properly, in terms of location and hours of work; (D) the general policy of the government to help the economically weak groups do not get to this sector; (E) business unit alternated from one sub-sector to sub-sectors; (F) the technology used is traditional; (G) capital and business turnover is relatively small, so the scale of the operation is also small; (H) to run a business is not required formal education, largely based on experience gained while working; (I) general business units including one man enterprise group and if there are workers, usually from family members; (J) the source of venture capital funds, primarily from their own savings, or from

unauthorized financial institutions; and (k) results of production or services mainly consumed by social class town / rural low-income or middle.

According to Subarsono (1998), the informal sector has the characteristics such as the number of business units that much on a small scale; ownership by individuals or families, simple technology and labor-intensive, educational level and skill the low-end of the financial institutions access to an area, low labor productivity and wage rates are relatively lower compared to the formal sector. Characteristics of the informal sector is characterized by: (1) easy to get into; (2) Air-leaned on local resources; (3) own business; (4) operations on a small scale; (5) labor-intensive and adaptive technology; (6) skills can be acquired outside the formal school system; and (7) is not a direct hit by a pitch-regulation and the market was competitive. The activities of the informal sector are generally excluded, rarely supported, often governed by strict rules, and sometimes not addressed by the government. Munkner and Walter (2001) identified several characteristics of the informal sector, namely: easy to enter, dependency on native resources, capital raised locally and a little, ownership of family-oriented, small-scale operations, lack of planning, labor-intensive and technology adapted, productivity the relatively low cost of production and lower fixed costs, high flexibility in supply, production, price and suitability of budget funding. Then the skills acquired from non-formal education system, but usually through internships or short training, a free market and competitive regulation or volatile. Small-scale businesses with a solution for resolving the problems of the world economy today. Global changes most great though can only be solved with a flexible management mechanism. Small-scale enterprises to meet these requirements for managerial organisatorik informal sector is not rigid. This trait is a central plank of the informal economy.

According to Tambunan in Hidayat (2005), the strength of the informal sector is as follows: (1) the strength of the labor-intensive and labor supply in Indonesia is still very much, to keep pace with population growth in the labor force on average per year is still very high. So that the nominal wages of workers, especially the low-educated group is still relatively low; (2) small industries still more make simple products that do not necessarily require formal education but only special skills that can be owned by local people through formal sources. In addition the price is cheap; (3) the general activities of the informal sector are agricultural based, because many of the commodities that can be cultivated on a small scale; and (4) small entrepreneurs and more households rely on their own money, or loans from moneylenders source, for working capital and investment, although many wear special credit facilities from the government.

Besides the power it has, the informal sector also has weaknesses. With the weakness of the informal sector will certainly cause trouble. Weaknesses, especially in terms of ability to compete is still very weak in both the domestic and export markets. Besides the informal sector also lack of product diversification. This of course would be a serious obstacle to development and growth. Unreliability in management and the inability to manage the company with the optimal the weaknesses, and the subsequent survival of the informal sector in the future to be very worrying. Furthermore, it can be observed also that the number of informal sector in the form of goods providers; which is done by opening stalls or vend in a stroller, often brings chaos to the city space. If they are peddling haphazardly alongside a road, then there is congestion.

The informal sector is in fact able to be supporting the country's inability to provide jobs for its citizens. At this time, the informal sector can create jobs with low education and without high skills, and reducing unemployment and underemployment in Indonesia tends to increase every year.

Rachbini (2010) asserted that the informal sector fills the entire corner of the national economy, of the agricultural sector in the broad sense, industry, trade, and other service sectors. The informal sector to fill at least two-thirds of the national economy. This structure is a strategic part in the system, but at the same time is a complex problem. Based on the description above, the informal sector has a variety of

very important role, namely (1) shore up the state's inability to provide jobs for its citizens; (2) able to absorb workers with low education and without high skills, and reducing unemployment and underemployment; and (3) fills the entire corner of the national economy, of the agricultural sector in the broad sense, industry, trade, and other service sectors.

Development is not only the pursuit of progress outward like food, clothing, housing, health and so forth or inner satisfaction, such as education, security, freedom of expression responsible, sense of justice, and so on. Rather harmony, harmony and balance it evenly across the country and not just for something group or part of society, but for the whole society and should really be felt by the people as the improvement of living standards of social justice, which the ideals of freedom we. Development of the informal sector should be directed in an integrated manner by the government to the root of the problem can be solved. There are several things that must be done with respect to the informal sector guidance: First, to strive for the transfer of businesses from the informal situation into a formal business. Second, fostering mental attitude and the ability to manage the business for the members. Inbetween a formal business, requires members to analyze the market in order to establish the required type of merchandise buyers in the market. Third, a breakthrough in order to shorten distribution channels. To maintain competitiveness, need to be initiated procurement efforts merchandise directly from manufacturers. Thus the sales will be lower, decreasing the profits of traders. This way of working capital is not too big. Fourth, the need for capital support. In the case of switching its place of business and at the same time to switch the type of merchandise, due to the demands of a new request must be so, then the role of capital support to be important (Knopi FE-UI, 2010).

Research methods

This study was conducted using quantitative and qualitative approaches, namely the secondary and primary data collection through surveys of the objects of economic / informal sector operators associated with informal sector development planning in Gowa. Besides, it will also be conducted in-depth interviews (depth interview) in the informal sector operators / informant was chosen with a view to deepen the analysis and assessment in this study. The main analysis methods used in this study is a Descriptive Statistics. The data collected in the form of quantitative figures through the questionnaire later in the tabulation, and interpreted in the form of frequency value, percentage (%), and average (mean). Then analyzes the potential and problems of the informal sector based on field data. Further analysis of economic aspects, social, cultural, and environmental, followed by planning the development of the informal sector based on data and information that has been collected. Furthermore, qualitative data that has been collected in the field through in-depth interviews (depth interview) will be served by performing the interpretation and narration clearly to data and information in accordance with the conditions that occur in the field.

Discussion

The informal sector has been around us since man walked the earth. Because since humans on earth, they do activities to meet their needs by creating their own employment or self employed. The evidence suggests that job creation and poverty reduction in urban areas are two of the many major problems that must find a solution in the national development. Theoretically suggested the need for attention to the development of economic activities of the informal sector in urban areas. However, on the other hand there are also more likely to emphasize the modern sector of economic activity. For example, through the expansion of investment and industrialization in urban areas.

Informal sector problem never completed without the support with a strong commitment by the government (central / local) for planning the development of the sector as a clear and measurable.

Therefore it is very necessary strategies, policies, and programs that can be used as a guide for all stakeholders (government, private sector, NGOs, PT, etc.) to be able to take a role in the development of informal sector enterprises.

All planning informal sector development strategy begins with clearly know the profile, potential, and the problems facing the sector. Furthermore, based on field data, can be formulated informal sector development strategy within a certain time.

Based on the results of field data, the following was stated potentials and problems faced by informal sector enterprises as presented in the following table:

Table 1. Potential and Problems Informal Sector Business Development

No.	Potential	No.	Issues
1.	The ability to survive in a crisis	1.	Still Weak support from the government (central / local)
2.	Sources of employment	2.	Access to capital is relatively difficult, because of administrative issues
3.	Source of PAD	3.	Management business (conventional)
4.	The role in poverty alleviation	4.	more low labor skills
		5.	Network marketing is difficult
		6.	Levy burdensome
		7.	Policy spatial
		8.	no business license
		9.	Competition Competitive
		10.	The existence of bribery (extortion)

Source: Data processed, 2016

The data in the table above shows that, besides having some problems in its development, the informal sector also has good potential if developed. The potential of informal sector enterprises include: (1) the ability to survive, (2) as a source of employment / livelihood, (3) a role in poverty alleviation, and (4) potential sources of revenue for the region. In various limitations as well as the competitive situation tight capitalist economy, the informal sector has demonstrated its ability to survive. The informal sector has created jobs for those who do not have the opportunity to work in the formal sector. Factually, urban informalisation can create jobs and alleviate poverty in urban areas.

The role of the informal sector is very strategic city as a safety valve unemployment. In many major cities, when the crisis hit Indonesia and unemployment occur everywhere, then the chance is the only one who can save the survival of millions of victims of layoffs and unemployment of the village is the informal sectors.

Problems faced by the informal sector include: (1) the lack of government support, (2) access to capital is quite difficult, (3) management of the business, (4) labor skills are low, (5) a lack of marketing network, (6) levy , (7) the urban planning policy, (8) generally do not have a business license, (9) competition of competitive firm, and (10) the existence of bribery (extortion).

Delays in the process of empowerment of the informal sector is not only due to a limited budget but also government policy (central / local) that are likely to be less supportive of the sector. Informal sector operators do not have the business management which can make them work efficiently and have a strong bargaining power in the market. Factors limited capital and access to markets is a major constraint and can not be a good insurmountable. The informal sector has not been able to organize themselves with the outside world (the lack of business networks). Informal sector is also seen as a

destroyer of the city, so it must be curbed. In general, urban spatial master plan actually has a plan evicting and informal sector business units concentrating in one place with a plea for the beauty, cleanliness, order in the city. The informal sector, especially street vendors (PKL) is considered a disorder that makes the city dirty and untidy, causing traffic jams, throw garbage in any place and disrupt the activities of the pedestrians.

Social changes that occurred in a region marked by changes in the structure and social relations based on age, level of education, livelihood, and so forth. Social changes result in changes in other sectors, and therefore can not be viewed only from one side. While cultural changes associated with changes in the substance of culture such as values, beliefs, attitudes, norms, behaviors, institutions, and others. Environmental aspects related to the area or environment where informal sector activities running. Therefore, changes in economic, cultural and social environment can not be separated from one another, and they would all affect each other.

Based on the results of descriptive analysis and profile of informal sector enterprises in each district in Gowa, it can be concluded as follows: (1) the economic aspect: the informal sector enterprises are small-scale economic activities with relatively minimal capital. Open-access so easy to enter new businesses, local consumers with lower middle income, technologically simple or without technology, limited business networks, business activities managed by one person or family businesses with relatively traditional management pattern. In addition, the type of commodity traded tend perishable commodities such as food and beverages; (2) the social aspect of culture: most players are less educated and migrant (arrivals) by the number of household members were great. They are also most live in slums or in the suburbs; and (3) the environmental aspects: informal sector in its activities less attention to aspects of environmental hygiene and often occupy such a crowded location near the shops, roadside, or in a congested traffic.

Based on the results of the analysis of the potential and problems, the analysis of socio-economic, cultural, and environmental, the expansion plans, the informal sector can be designed (designed) and formulated in a number of programs and activities as follows: (1) data collection on the number of informal sector enterprises continuously, prioritizing efforts informal sector who sell in places with problems through baseline surveys; (1) the revitalization of locations such as growth areas Main Market Minasa Maupa, Market Sungguminasa, Region Sheikh Yusuf Discovery, District Pallangga, District Bajeng, Bontomarannu and growth areas more or search for an alternative location / place to be used for the informal sector to be moved / relocated, with due regard to the strategic location and low costs; (2) capital assistance, local governments (LGs) can provide their own capital will be used to assist the informal sector or it can also work together with other parties such as banks through the KUR program (small loans), and SOE; (3) training / technical assistance (technical guidance) for the apparatus; local authorities (government) must have the apparatus that has a high commitment and loyalty to the duty of supervision over informal sector; (4) dissemination of local regulations (regulation) is irrelevant; The government should be able to disseminate the regulations relevant to the existence of the informal sector, for example for spatial regulation of the city, the local government should be able to provide direction that the purpose of coaching is not to get rid of the informal sector, but to assist the informal sector in obtaining a better location, helping capital and created a nuanced informal sector of urban planning with a clean, beautiful, and comfortable; (5) credit policy of giving priority assistance; Local government will give priority to the provision of credit for informal sector enterprises that would in relocation / disciplined; (6) construction planned and integrated; development activities in the form of training, technical assistance), and should be done assitant planning, scalable, and can be integrated. Development activities include several important matters, among others (the increase in workforce skills, institution building, development capital, development of markets and marketing network, and development of Business Management (management, production, marketing, finance, and human

resources); and (7) gradually and consistently provide support for informal sector enterprises that want to move to the formal sector to simplify business licensing matters (AIS, TDP, SIUP, etc.)

Conclusion

Based on the analysis and discussion, it can be formulated some conclusions as follows:

1. Evaluation of existing informal sector development program; respondents generally informal sector development program in the category quite well with the objectives of the program were quite clear, as well as guidance and supervision in the category quite well. On average respondents said that government and private aid is enough to fit their needs in developing their business.

2. Policies relocation; Average of respondents disagree with the demolition and relocation program. Respondents assess the behavior of officials has been good enough to informal sector entrepreneurs. Availability of centers for the informal sector is considered to be sufficiently available. Most respondents respondents willing to be relocated his business from place to place legal illegal prepared / facilitated by the Local Government (LG).

3. Role of stakeholders; respondents rate the role of government, NGOs / Universities / private and Parliament's role has been in good enough category in developing or supporting business development activities in the informal sector Gowa.

4. The informal sector as an alternative for the public sector is able to contribute to the development of the region. In addition to employment opportunities, the informal sector can also increase revenue for the community. However, the rapid growth of the informal sector without obtaining good handling and planned will create problems. To that end, the local government (LG) Gowa should be cautious in dealing with the informal sectors. Thus, the informal sector can thrive without disturbing the public interest, particularly not interfere with the safety, order and beauty of the city.

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