

ROLE OF THE FORMAL AND INFORMAL SECTOR IN WEST KALIMANTAN

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Abstract

The formal sector and the informal sector run with their respective changes, the informal sector becomes a buffer from the structural transformation of unbalanced employment. When it was realized that the informal sector was able to provide significant contributions both in terms of employment and output capacity, the perspective of this sector changed. The informal sector is no longer a crutch but also a complex alternative to the formal sector.

INTRODUCTION

The main problem faced by most Developing Countries (NSB) including Indonesia to date is how to take advantage of the abundant and mostly unskilled human factor for its development, so that a large population is not a burden for development. Thus, the role of the formal and informal sectors is very important in absorbing labor, so that there is no unemployment. However, the role of the formal sector is greater, due to its ability to absorb labor and does not require a high level of skill. Even the informal sector can be a place for human resource development, where untrained workers can improve their skills by entering the informal sector first before entering the formal sector.

The behavior of the formal sector, which is difficult to absorb labor, actually has a positive impact on the informal sector. How is it that the informal sector is expected to become a sector that can absorb a fairly large unemployment rate. Seeing symptoms like this, the decision makers in the government should become this sector as well as become a challenge in itself to reverse the direction of economic development from being oriented towards economic growth to economic equity. But the two still go hand in hand, instead of us being a priori to growth.

The swelling of the informal sector in big cities is also a result of the rapid urbanization of people from villages to big cities. Migration of people from rural to urban areas is mostly caused by differences in the expected income, although these expectations have deviated from reality. As a result, migrants who cannot enter the

informal sector in the city are thrown out, then these migrants try to enter the informal sector which provides opportunities for anyone to enter it. Therefore, the informal sector is also known as a safety valve in overcoming labor problems.

The informal sector is often seen as a transitional sector for workers from the agricultural sector in rural areas to the industrial sector in cities. The phenomenon of the emergence of the informal sector is only temporary. Due to limited skills, job seekers from the village, at the beginning of the move temporarily try and work in the informal sector. This is where the formalization process of the informal sector occurs, where there is a shift in business status from informal to formal and the shift of workers who previously worked in the informal sector to the formal sector. But in reality, this process often does not work as expected. What happens is that businesses in the informal sector, especially small industries and home industries, are mushrooming. Likewise with the number of workers. Most of the workforce from the village is not absorbed by the industrial sector but by the service sector (Mulyadi, 2017).

Based on the above background, the author is interested in discussing those related to the formal sector and the informal sector. So in this study will discuss what is meant by the formal and informal sectors and how the role of the formal sector and the informal sector in West Kalimantan Province.

THEORITICAL REVIEW

Formal Sector

The formal sector is a business field that obtains a permit from the government or an authorized official in an area where this business field is registered with a government agency and recognized by the state. This business entity or field of work can be seen at the tax office as well as the trade and industry office where the name and field of business will be registered. The formal sector in Indonesia is divided into three, namely; BUMN (State-Owned Enterprises), BUMD (Regional Owned Enterprises), Private Owned Enterprises (BUMS) and cooperatives.

In the framework developed by Hussmanns (2004), examples of certain groups of workers employed in the informal sector and informal workers employed other than in the informal sector are described. Those employed in the informal sector include: Workers who are self-employed in their own companies, 2) Employers in the informal sector. Informal companies, Workers in the informal sector, Family workers who work in informal companies, Members of informal producer networks/informal cooperatives.

Informal workers who work outside the informal sector, in particular: 1) Workers in the formal sector who are not protected by social protection, are not officially registered, or do not get worker rights such as annual salary or paid sick leave. 2) Paid

domestic workers who are not protected and do not receive the workers' rights as above.
3) Household members employed in formal enterprises.

A number of countries also include workers who produce goods specifically used for final use in their households, such as subsystem agriculture for self-consumption, as informal workers (Park, Wu, & Du, 2012). From the limits of formal and informal activities based on employment status and main types of work published by the Central Statistics Agency, it can be calculated the number of each formal and informal worker, namely: a) The status of work is assisted by paid workers and all workers/employees/employees formal; b) For those who are self-employed without assistance, independent workers in agriculture and non-agriculture with the positions of professional staff, leadership staff, and administrative staff are formal workers, in addition to being informal workers; c) Those whose business status is assisted by unpaid workers with the type of work as agricultural, hunting forestry, and fishery workers are informal workers, the rest are formal workers, except for other types of work which can be included as formal or informal workers; d) In the status of family workers, all of them are included in the informal economy.

Gilbert (Hariyono, 2007) as for the characteristics of formal sector activities including; Difficult to enter, Often relies on foreign resources, Jointly owned owners, Large-scale operations, Capital intensive and often uses imported technology, Requires skills that come from formal schools and also often come from abroad; and Markets are protected (through tariffs, quotas and trade permits).

Based on the characteristics above, it is stated that the formal sector requires skills obtained from formal education. In this case, the productivity of formal sector activities will increase with higher income than business activities in the informal sector. In addition, those who become workers in the formal sector have work safety guarantees (insurance) and welfare facilities.

The formal sector is considered to be closely related to the informal sector in urban areas, where the formal sector depends on the informal sector in providing production inputs and cheap labor, which are mutually beneficial.

Informal Sector

Portes and Cartells (1995), proposed a definition of the informal sector as a process of earning income outside the regulatory system. This term is an idea of common sense (common sense nation) which because the social boundaries are constantly shifting, cannot be understood with a strict definition. They see that the informal sector as a process of income generation has a central characteristic that is not regulated by social institutions in a legal and social environment. According to the

boundaries of the informal economy varies substantially according to the context and historical conditions of each.

Sethuraman (Hariyono, 2007) said that the informal sector is usually used to show a number of small-scale economic activities. However, the informal sector cannot be described as a small-scale “enterprise”. The informal sector is primarily seen as a manifestation of a growth in employment opportunities in developing countries. They enter small-scale activities in the city, mainly aimed at seeking employment and income opportunities rather than making profits because those involved in this sector are generally poor, very low educated, unskilled and mostly migrants. It is clear that they are not capitalists looking for profitable investments nor are they entrepreneurs as they are commonly known.

The definition and characteristics of the informal sector according to Wirosardjono (1979) in Hariyono (2007) suggests as follows; a) The pattern of activities is irregular, both in terms of time, capital and revenue; b) Not touched by the regulations or provisions set by the government so that their activities are often said to be illegal; c) Capital, equipment and supplies as well as turnover are usually small and are managed on a daily basis; d) Does not have a fixed place; e) Generally carried out by and serving low-income groups of people; f) Does not require special expertise and skills so that it can absorb various levels of labor; g) Generally, the business unit employs a small number of personnel and is from the environment of family relations, acquaintances or from the same area; h) Not familiar with the banking system, bookkeeping, credit and so on.

From the several definitions that have been mentioned, the informal sector in question has the following characteristics; 1) The capital and turnover are usually small and the business is carried out on a daily basis; 2) The tools and equipment used are usually simple; 3) Does not have a fixed place and is easily moved by the authorities, usually occupies a certain location along a sidewalk (pavement); 4) Generally, activities are carried out by and serve low-income groups of people; 5) Relatively does not require special skills and skills so that it can absorb various levels of energy; 6) Generally, each business unit employs a small number of personnel and is from the environment of family relations, close friends, trusted persons or from the same area; 7) Management is assisted by a small number of people (according to Sethuraman less than 10 people); 8) It is more inputted to find work than to seek profit.

According to Keith Hart (in David, 2004) there are two kinds of formal sectors of income earning opportunities, namely the legal informal sector and the illegitimate informal sector.

Difference Between Formal and Informal Sector

According to Munir in Satiadella (2007) that local economic problems, both cities and districts, cannot be separated from problems faced nationally. Physically, the various problems of the city appear on the surface, namely the development of the informal sector in almost every corner of the city. Where this is a spontaneous reaction from the increasingly narrow job opportunities in the formal sector which is not proportional to the growth of the labor force. In the regional context, this also shows that there are still inequality of employment opportunities between urban and rural areas and between regions. On the other hand, local regulations or city government policies have intensified the collection of local taxes and levies, which many have complained about by the business world.

RESEARCH METHOD

The research approach used in this research is qualitative research. Qualitative research is a type of research that describes as well as describes the real conditions of the object of research. Qualitative research is research conducted based on research procedures that produce descriptive data in the form of written or spoken words from people and researchers as well as observable conditions (Lexy J. Maleong, 2000:3-4)

Based on the place, this type of research is library research. Library research is research where data is not obtained from the field but from libraries or places that store references, documents, sources containing data that have been collected by other people, as well as the results of previous research reports that have been tested for validity (Sugiyono, 2014:23).

RESULT AND DISCUSSION

Development of the Formal and Informal Sector in West Kalimantan

The composition of the working population according to the main occupation can describe the structure of the workforce in the labor market (Swasono, 1986). Based on the results of Sakernas in 2022, the three jobs that absorb the most labor are Agriculture, Forestry, and Fisheries, which are 44.95 percent; Wholesale and Retail Trade by 14.68 percent; and Processing Industry by 6.71 percent.

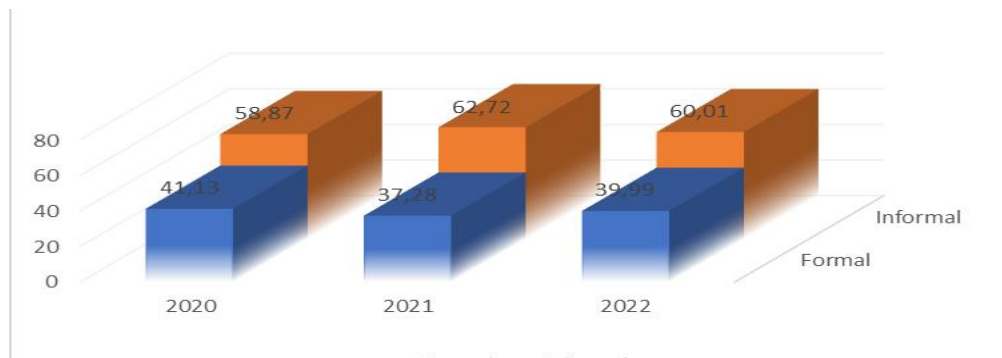
The pattern of employment in absorbing this workforce is still the same as in 2021. The percentage of the main jobs that experienced the largest increase was Transportation and Warehousing (0.92 percentage point); Processing Industry (0.80 percent points); and Government Administration (0.68 percentage points). Meanwhile, the three jobs that experienced the largest percentage decline were Agriculture, Forestry, and Fisheries (1.98 percentage points); Accommodation and Food and Drink (1.11 percent points); and Construction (0.34 percentage point).

Table
Percentage of Working Population by Main Employment Status
Year 2020-2022

No	Main Employment Status	Per year (%)		
		2020	2021	2022
1	Labor/ Employee/ Employee	37,26	34,01	36,55
2	Try Alone	20,79	19,78	20,18
3	Trying to Help Temporary Workers / Unpaid Workers	17,02	18,37	18,1
4	Family Worker	15,57	17,15	14,83
5	Free Worker at Non Farmer	3,52	4,51	3,82
6	Trying to Help Permanent Workers	3,86	3,27	3,44
7	Free Worker on Farm	1,97	2,92	3,08

Based on the graphs and tables above, it can be seen that in 2022, the working population has the most status as laborers/employees/employees, which is 36.55 percent, while the least with the status of casual workers in agriculture is 3.08 percent. Compared to 2021, the status of workers/employees/employees, self-employed, trying to be assisted by permanent/paid workers and agricultural free workers has increased with the largest increase in the status of workers/employees/employees, which is 2.54 percentage points (BPS, 2021). Other employment statuses experienced a decrease in percentage with the largest decline in family/unpaid workers, which was 2.32 percentage points.

Main employment status, working population can be categorized into formal and informal activities. Residents who work in formal activities include those with business status assisted by permanent/paid workers and workers/employees/employees, while the rest are categorized as informal activities (self-employed, trying to be assisted by temporary workers/unpaid workers, casual workers, and family workers /unpaid).



Based on the graph above, in 2022, the population who work in informal activities is 1.64 million people (60.01 percent), while those who work in formal activities are 1.09 million people (39.99 percent). Compared to 2021, the percentage of the population working in informal activities has decreased by 2.71 percentage points. (BPS, 2022).

CONCLUSION

From the explanation above, it can be concluded that the formal sector is a business sector that obtains a permit from the government or an authorized official in an area where this business field is registered with a government agency and is recognized by the state. While the informal sector is usually used to indicate a number of small-scale economic activities. However, the informal sector cannot be described as a small-scale “company” whose activity pattern is irregular, both in terms of time, capital and revenue.

Then, the discussion of the development of the informal sector and the informal sector In 2022, the population who work in informal activities is 1.64 million people (60.01 percent), while those who work in formal activities are 1.09 million people (39.99 percent).). Compared to 2021, the percentage of the population working in informal activities has decreased by 2.71 percentage points.

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