

Analysis of Determinants of Income and Efforts to Improve the Welfare of Street Vendors in Padang City

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Abstract

The increasing number of workforce in Indonesia without accompanied of adequate employment opportunities will lead to high levels of unemployment, especially coupled with the earthquake that struck the city of Padang in 2009. This gave rise to more and more people are losing their jobs and infrastructure, and the other hand the government's efforts to provide jobs limited and cause people into the informal sectors. This study examines the characteristics of the informal sector in the city of Padang on the aspect of income, capital, highest level of education, and welfare. Furthermore, it also examines how these factors affect revenue and its impact on the welfare of street vendors. The method used is descriptive analysis and percentages to describe the characteristics of the informal sector (street vendors) and multiple linear regression analysis to see the effect of these variables to income, also the influence of income to the level of welfare of street vendors. The results show that the turnover, capital work, and the daily cost is very significant to earnings PKL. Moreover PKL revenue influences very significantly to improving the welfare of which can be seen from the level of education, consumption and health.

Keywords: street vendors, income, consumption, welfare, capital

Introduction

With the increasing number of workers in Indonesia consequently job creation becomes a very important issue in development of labor forces sector. Job creation efforts have been made, but still not sufficient. Indonesian labor market conditions showed that the most of labor work in the informal sector that have low education and skills. However, informal sector plays a role to absorb employment in Indonesia. Even the informal sector can be a container of human resource development, where the workforce is not trained (unskilled) can improve his skills before entering the formal sector.

So also in the city of Padang, where a wave of dissatisfaction the poor, the unemployed and involuntarily unemployed as a result of the earthquake that struck the city of Padang in 2009 against the inability of development and government in providing employment opportunities, temporarily mitigated by the availability of employment opportunities in the informal sector in urban areas which is mirrored by street vendors as the main face.

Likewise when development policies tend to favor large-scale enterprises, the informal sector without the support of the facility entirely from the state, could provide subsidies as a provider of cheap goods and services to support the workers viability of large-scale enterprises. Even when the national economy suffered a setback due to the recession, the informal sector (street vendors) can survive without burdening the national economy, so that the community's economy is still running. This role has been going on since long in development of society and dynamics of economic development.

The informal sector as an alternative sector for migrants can contribute in urban development. In addition to employment opportunities, the informal sector can also increase revenue for the city. However, the rapid growth of the informal sector without obtaining good handling and planned would cause problems for the city. To that end, the city government should be cautious in dealing with this sector, so that it can thrive without disturbing the public interest, particularly not interfere with the safety, order and beauty of the city. The use of capital in the informal sector are relatively small when compared to the formal sector so its is able to employ people. By providing access to training and skills, the informal sector can have a major role in the development of human resources. The informal sector raises the demand for labor semi-skilled and unskilled that typically use appropriate technology and local resources that will create the efficient allocation of resources. There are some issues that will be answered in this article, namely how do the characteristics of perpetrators of the informal sector in urban areas and what are the factors that influence to revenue of street vendors and how the influence of income to welfare of street vendors?

Literature Review

Definition of Informal Sector

The term informal sector sourced from an econom in Ghana, Africa, namely Keith Hart, who observed activity of the population in the city of Accra and Nima, and divided them into three categories: formal, informal legitimate and illegitimate informal. These categories are based on the level of income, regularity way of working, the outpouring of time, and legal status. The first topic from informal sector is a marginal that become

the main characteristics of this sector.

Furthermore, the second characteristics are conflict to formal sector. The formal sector is used in the sense of a number of jobs that are interconnected, which is part of an interwoven structure of work and very well organized, the work was officially registered in the economic statistics, and protected by law. Economic activities that do not meet these criteria then included in the term informal sector is generally called entrepreneurship "self-help". This is the kind of employment opportunities that are less organized, hard enumerated, and therefore not registered in the official census, and rarely accessed by the rule of law.

There is also that defines the informal sector as workers who are self and if is helped by family workers that unpaid and does not require skill. It shows the opportunities that exist in the informal sector do not require specific requirements where everyone free entry and exit in this sector.

The Urban Informal Sector

Development that prioritize the city, had been spawned rural-urban inequality so occurred migration from rural to urban. Inequality occurs as a result of the centralization of the construction of various facilities such as roads, housing, trade facilities, entertainment facilities, banks, as well as education and government facilities in the city, so the city more quickly developed into the center of everything (Friedmann, 1989). On the other hand, the village does not get attention like his thing in the city, resulting in inequality enjoy various facilities so that villagers flocked moved to the city to enjoy the facility and get a higher salary. In fact, these immigrants are not able to enter formal employment in the city because it does not meet the various requirements, which generally have low education and poor skills and lack of preparation for entering the job market in the city.

Meanwhile, formal sector employment is very limited due to an imbalance between economic growth and population growth, especially the growth of the labor force very quickly. To survive the immigrants must be self employment according with the capital, skills, and the opportunity that is known as the informal sectors. Of the total offer its work force, the informal sector can absorb labor quite a lot and act as a buffer zone that it is very flexible and open, also has close links with the distribution of goods and services at lower levels and even spearhead the marketing that potensial (Baccheta, 2009).

Sethurahman, coordinator of the ILO research team from Sri Lanka formulate some characteristics inherent in the informal sector actors. Based on his research in seven cities of the third world, he found that those who engaged in the informal sector is mostly located in the prime age, less educated, have lower incomes below the minimum wage, small business capital, and generally accommodating movement of workers of the agricultural sector and has the possibility for vertical mobility.

Urban Poverty

Poverty is always defined as the shortage of property and other basic needs. Poverty according to this perspective views of the economic problems, because more likely the income aspect. According to the World Bank, the poverty line is people living on under US \$ 2 per day. Indonesian, a poor categories based poverty line in the form of daily food consumption of 2100 kcal (plus non-food consumption) which is equivalent to Rp. 136 000 - Rp. 150,000 per month per capita (BPS: 2013).

The last two decades, the concept of poverty has changed from consideration of income and consumption, be a definition that includes multidimensional vulnerability and well-being. Robert Chambers has definitions that near to reality of poverty itself. According to Robert Chambers, the problem of poverty lies in what he described as "deprivation trap". Poverty trap in detail consists of five elements: first, poverty itself; second, physical weakness; third, alienation or isolation level; Fourth, the vulnerability; and fifth, helplessness. The all of elements is often said as deadly trap and does not provide a way out of this enmeshment (Alatas, 2003).

John Friedman stated definition of poverty in a broader scope. Poverty is inequality opportunity to accumulate capital and social that are broken down into five aspects. The first, capital productive on assets, such as housing, equipment, and health; Second, financial resources, such as fixed income and access to credit institutions that sustain its financial resources. Third, social and political organizations that can be used to achieve common goals such as cooperatives. Fourth, networking to get opportunity employment, goods, knowledge and other life skills, and the fifth is useful information to life (John Friedman, 1989).

Community Empowerment

The concept of empowerment lies in the importance of increasing public confidence to be involved in the process of social and political life. Friedman asserts that the empowerment approach lies in the autonomy of individuals and groups to participate in the greater social life through direct experience. Although empowerment can be done on an individual, but in the view of Friedman, empowerment in the group are preferred because they can provide feedback to each other and strengthen the ranks to solve the problem together. These empowerment concept is consistent with the type of perspective on poverty that not just look of purely economic issues.

The concept of empowerment developed as an effort to find an alternative in the concepts in growth in

the past. This concept, according to Friedman called alternative development, which requires the democratic inclusion in the sense of community engagement the broadest in the policy-making process to economic growth and is built on gender equality.

There are three Efforts that made to community empowerment by Kartasasmita. First, create an atmosphere or climate that allows the potential of the community to develop. The assumption behind it is the fact that every individual and community has the potential to be developed. The essence of self-reliance and empowerment of the people is the belief that it has the potential to organize itself and the potential to each individual to be empowered. The process of empowerment of the people is deeply rooted in the independence of the individual, which then extends to the family, as well as the public, both at local and national levels. Second, strengthen the potential or the resources owned by the community and provide the facilities and infrastructure that sustains physical life, the strengthening of the adequacy of social aspects such as health care, education, and easy of access to capital. Third, empower the people in terms of protecting and defending the interests of the community is weak. Therefore, the protection and siding against the weak is very basically. Protect and defend seen as an attempt to prevent unbalanced competition between social groups that have different resource(GinandjarKartasasmita, 1996:19-20).

Stages of community development can be done in various ways, but in general can be divided into three phases: first, the initial phase, the governments plan and implement empowerment, while the people accept the decisions taken by the government. Second, participatory phase, here the government and people plan empowerment is considered beneficial for the survival of life. At the last phase, emancipatory, where people are aware of the capabilities and potential as well as the group, and then independently plan and design the forms of empowerment for himself (Didik, 2010).

Method

Descriptive analysis

Descriptive analysis was conducted to see the background of the growth of the informal sector actors , the difference between formal and informal sector, fundamental characteristics, as well as appropriate policies to empower the informal sector's actors

Percentage Analysis

Characteristics of the perpetrators of the informal sector were analyzed using percentages and averages . The general formula used is as follows :

$$\% \text{ answer} = \frac{\text{the number of answers by type}}{\text{total respondents}} \times 100 \text{ while :}$$

$$\text{average} = \frac{\text{total respondents}}{\text{respondents}}$$

Regression Analysis

The regression model used in this research is to analyze multiple linear regression model, because it involves a dummy variable (Gujarati, 2012). Regression analysis was conducted on factors affecting revenue and the role of street vendors or the revenue contribution to the welfare of street vendors. To analyze the factors that affect the income of the street vendors, the regression model is used as follows:

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \beta_5 X_{5i} + \beta_6 X_{6i} + \beta_7 X_{7i} + \beta_8 X_{8i} + \beta_9 X_{9i} + \beta_{10} X_{10i} + \beta_{11} D_{1i} + \beta_{12} D_{2i} + \beta_{13} D_{3i} + \beta_{14} D_{4i} + \beta_{15} D_{5i} + e_i$$

Where are:

- Y_i = Income of PKL ke-i (Rp/month)
- X_{1i} = Omzet PKL ke-i (Rp/month)
- X_{2i} = Hours of work PKL ke-i (jam/day)
- X_{3i} = Capital early PKL ke-i (Rp)
- X_{4i} = Place of business PKL ke-i
- X_{5i} = Capital work PKL ke-i (Rp/day)
- X_{6i} = Legal Retribution PKL ke-i (Rp/day)
- X_{7i} = Illegal Retribution PKL ke-i (Rp/day)
- X_{8i} = Wage PKL ke-i (Rp/day)
- X_{9i} = Internal Cost PKL ke-i (Rp/day)
- X_{10i} = Long time of Business ke-i (years)
- D_{1i} = Kinds of Business PKL ke-i
- D_{2i} = Location (strategic, no strategic)
- D_{3i} = (Male, Female)
- D_{4i} = (Padang, luar Padang)

$$D_{5i} = (\text{Clean, Dirty})$$

$$e_i = \text{error term, standard error, ke-i}$$

Revenue PKL indirect effect to urban development through the improvement of the welfare of the PKL's family. In this case PKL income will directly affect the welfare of street vendors who reflected on the highest level of education achieved PKL family members, health and consumption. To assess the contribution or the role of street vendors to the economy of the city, the regression model is used as follows:

$$Z_i = \beta_0 + \beta_1 Y_i$$

Where:

Z_i = Welfare PKL (education, health, and consumption response ke i)

Y_i = Income of PKL ke i

Results and Discussion

Secondary data that released official market of Padang, the number of street vendors in the city of Padang as many as 2644 people, spread across 8 traditional markets in the city of Padang. Of the total population, the researcher took a sample 225 of people. PKL identification is seen from several aspects, one of which is net income/day of street vendors (Table1). his shows that revenue per day workers were among the dominant vendors Rp.50.000-100.000 per day as much as 29.8 percent, Rentangpendapataninihampirberdekatan between one and the other, which indicates that the informal parapekerja income is relatively common and is able to meet the daily needs of the members dependent relatives the street vendors.

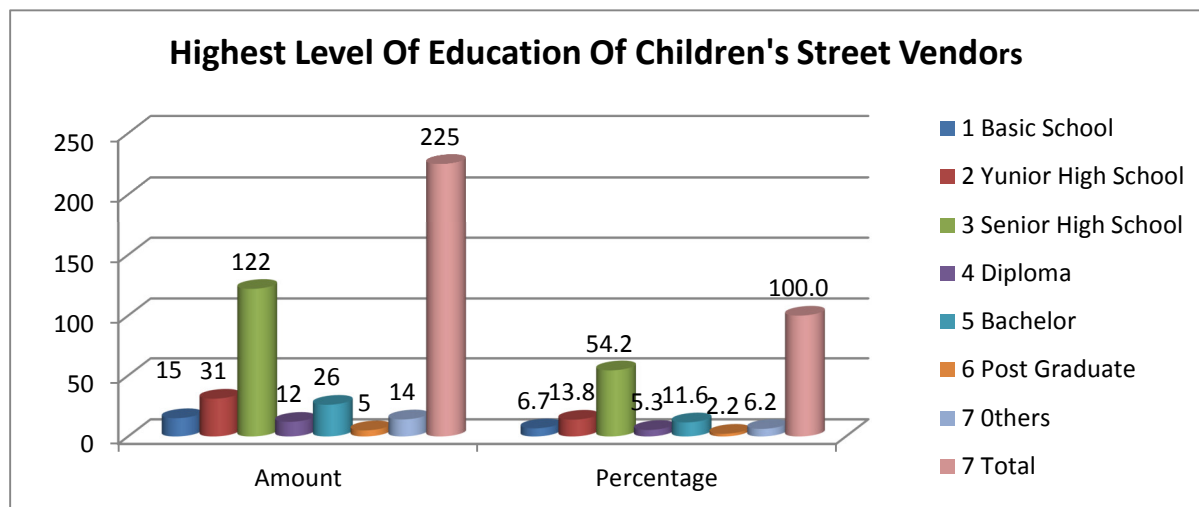
Table 1
Net Income/day of Street Vendors in Padang City

Net Income/day	Amount	Percentage
≤Rp.50.000,-	24	10.7
Rp. 50.000- 100.000,-	67	29.8
Rp. 100.000 - 250.000,-	33	14.7
Rp. 250.000 - 400.000,-	38	16.9
Rp. 400.000 - 500.000,-	43	19.1
≥Rp.500.000,-	20	8.9
Total	225	100.0

Source :the results of research in 2016

To see the level of well-being, can be observed from the level of education the family members of street vendors (graph 1) and the level of consumption by looking at the frequency of meals a day (figure 2) and health (Table 3) which of the 225 perpetrators of street vendors who are sick only 4.7 percent which means that the perpetrators of street vendors in the city of Padang in healthy condition as much as 95.3 percent. So from here we can see that informal sector can maintain their health, which if they are sick, they go to the clinic or health center immediately (Table 2).

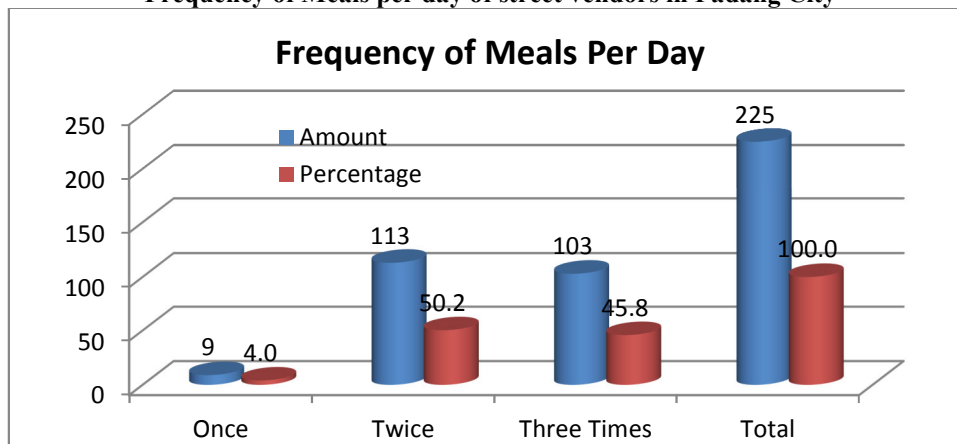
Figure 1
Highest level of Education of Children's Street Vendors



In figure 1 shows that the highest level of education of children of street vendors is dominated by senior high school more than fifty percent, amounting to 54.2 per cent which is equivalent to 122 of the 255 samples studied. In fact, there are 11.6 percent that successfully completed education up to undergraduate level. This

indicates that the informal sector with have a small income could encourage family members to continue to higher education. There is implied a desire to improve the economic conditions of families through their children. But there are 6.2 percent of the respondents that not be able to complete education, which is only up to grade 5 elementary school or not completed at junior and senior high school.

Figure 2
Frequency of Meals per day of street vendors in Padang City



As already mentioned earlier, to see the welfare of informal sector can done from the level of education and their daily consumption. One indicator used is frequency of meals in a day. The result was a dominant two and three times meals a day. This shows that their consumption standards are met, only 4 percent are eating only once a day. And this also evident with the level of education is quite high (see figure 2).

The other side we can see their welfare through their health problem. Alternative most dominant visited during illness is health centers / clinics. This is due they have participated in health insurance, so no need to pay for treatment when visiting a clinic or hospital. From here we can also see that the level of welfare them good enough.

Table 2
Place of Treatment of street vendors in Padang City

Place of treatment	Amount	Percentage
Puskesmas/clinic	110	48.9
Hospital	55	24.4
Midwife/Nurse	51	22.7
Docter	7	3.1
Shaman	2	0.9
Total	225	100.0

When viewed from the data processing, in the model summary show that the correlation between the dependent variable (income) with 15 independent variable is 0.673, or 67.3 percent, and 45.4 percent determination coefficient, and the coefficient of determination that has been corrected is 40.6 percent, meaning that revenue of street vendors of city of Padang can be explained by variations in turnover, start-up capital, working capital daily, the number of stalls, long time of effort, cost, hours of work, the value of the location, retribution legal and illegal, sex, origin PKL, wages, and cleanliness. Meanwhile, when viewed from the ANOVA table then the model is said to be fit or suitable due to the error rate or a probability of 0.000 means that simultaneously of independent variables are able to explain the dependent variable. From here also can be seen that this model is free from autokorelasi of classical assumption, where durbin Watson is between $-2 < 1.830 < 2$.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.673 ^a	.454	.406	17.867	1.830

a. Predictors: (Constant), Consumption, Value, Education, IllegalRetribution, Capital of work, Health, Wages, Legal Retribution, Units, Hours of work, Capital, origin, cost, shantie, Long time, gender, clean, Omzet

b. Dependent Variable: Income

The regression results show that of the 15 independent variables are used, then very significantly affect revenue PKL is the turnover, working capital and cost all of which were also positive. This means that the higher the turnover received consequently higher their income, and the greater the daily working capital will increased their income, and if operating costs are increase so the income received are higher, too.

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	54579.745	18	3032.208	9.498	.000 ^b
	Residual	65763.917	206	319.242		
	Total	120343.662	224			

a. Dependent Variable: Income

b. Predictors: (Constant), Consumption, Value, Education, IllegalRetribution, Capital of work, Health, Wages, Legal Retribution, Units, Hours of work, Capital, origin, cost, shantie, Long time, gender, clean, Omzet

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	18.718	9.885		1.894	.060		
Omzet	.261	.033	.523	7.849	.000	.595	1.681
Hours	-.623	.673	-.049	-.926	.356	.929	1.077
Capital	.018	.023	.044	1.777	.138	.823	1.215
Shanties	-2.598	2.527	-.057	-1.028	.305	.867	1.153
Capitalwork	.028	.011	.170	2.664	.008	.646	1.548
Legal Ret	-.610	.475	-.070	-1.283	.201	.898	1.113
Illegal Ret	-.031	.581	-.003	-.053	.957	.869	1.150
Wages	-.006	.021	-.015	-.262	.794	.860	1.163
Cost	.085	.052	.086	2.635	.004	.957	1.045
Longtime	-.124	.128	-.051	-.967	.335	.941	1.063
Units	-.198	.180	-.059	-1.103	.271	.928	1.077
Value	5.210	6.674	.042	.781	.436	.925	1.081
Gender	3.501	2.548	.076	1.374	.171	.872	1.146
Origin	1.010	2.525	.022	.400	.690	.892	1.121
Clean	-1.264	3.151	-.022	-.401	.689	.889	1.124

a. Dependent Variable: Income

Moreover income greatly affect welfare where is evident that the increase in revenue of street vendors can improve their welfare. Where the results of this analysis are very significant and positive (see coefficient and a model summary).

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.068	.684		-.100	.921
	Income	.885	.014	.974	63.896	.000

a. Dependent Variable: Welfare

Conclusion and Recommendation

This research can draw the conclusion that the informal sector is represented by 225 samples of PKL can play a role in absorbing labor trouble to finding work in the formal sector. There are several things that can increase revenue of PKL which the most significant is the sales turnover, working capital daily, and costs. However, work of this business in a long time not been shown to increase revenue, meaning that the longer the work in the informal sector does not mean will make the perpetrators skilled and increase revenue. While the dummy variables such as regional origin, gender and type of business that is run do not affect revenue significantly. This means that anyone and any type of business in the informal sector can be followed by anyone (free exit and free entry). When viewed on the analysis for the welfare of informal sector, clearly show that the increase of income of this sector will improve the welfare of them, which means society PKL enjoys his job and can meet their needs. they can fund family members to either increase education or maintain their health.

The direction general of policy in a democratic Indonesia towards the economic recovery, accompanied by social protection universally and reducing the vulnerability of economic concerns, structural changes in the economy, but still create new problems. Stagnant manufacturing industry, the low reduction of poverty in some provinces, the increase in economic inequality between regions, likely to be a major obstacle in the formulation of development policies in the future . To address this effectively, must move forward from debate without end about the importance of the informal economy to the debate about when and how much the policy will be enforced in the middle of the agenda which has been so solid . The best results from the transformation of the informal economy will emerge from a deep understanding of what should be made by the government, and what should be left.

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