

SOCIO-ECONOMIC CONDITIONS OF COMMUNITIES WORKING IN THE INFORMAL SECTOR IN CIPADUNG VILLAGE

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Abstract

This study aims to analyze the socioeconomic conditions of people working in the informal sector in Cipadung Village. The informal sector plays a crucial role in absorbing labor, especially those without access to formal employment. However, this sector also faces various challenges related to income instability, limited access to capital, and minimal social protection. This study employed a qualitative approach with library research, where data was drawn from various secondary sources such as books, scientific journals, and reports from official institutions such as the Central Bureau of Statistics, the International Labour Organization, and the World Bank. Data analysis was conducted through content analysis to identify patterns and relationships between relevant concepts. The results indicate that the economic conditions of people in the informal sector tend to be vulnerable, characterized by low and unstable incomes and limited access to economic resources. Socially, people in the informal sector generally have low levels of education and limited access to health and education services, despite having strong social ties within their communities. Furthermore, people's socioeconomic conditions are influenced by various factors, such as education level, access to capital, social environment, and government policies. Thus, comprehensive efforts are needed through inclusive policies and empowerment of people to improve the welfare of informal sector workers in a sustainable manner.

Keywords: Informal Sector, Socio-Economic Conditions, Literature Study, Community Welfare, Employment.

A. INTRODUCTION

The informal sector is a crucial economic pillar in developing countries, including Indonesia, as it absorbs a significant portion of the workforce not accommodated in the formal sector (International Labour Organization [ILO], 2018). This sector provides an option for people with limited access to education, skills, or formal employment opportunities, making it crucial in reducing unemployment (Central Statistics Agency [BPS], 2023).

In Indonesia, the proportion of workers in the informal sector remains quite high compared to the formal sector, indicating that many people rely on jobs with relatively low and unstable incomes (BPS, 2023). This situation often places informal sector workers at risk of various economic vulnerabilities, such as a lack of social security, limited access to financial services, and limited legal protection in employment (ILO, 2018).

In addition to its impact on the economy, participation in the informal sector also impacts the community's social conditions. Informal sector workers generally have lower levels of education, limited access to health and education services, and varying levels of social participation depending on their residential environment (Chen, 2012). This demonstrates that

social and economic conditions are interconnected and influence the overall quality of life of the community.

Cipadung Village, as an urban area, has a diverse population with a fairly dynamic level of economic activity. Some residents in this area work in the informal sector, such as street vendors, freelancers, and micro-enterprises, which serve as the primary source of household income (BPS Kota Bandung, 2023). This situation makes Cipadung Village an appropriate location to examine how the informal sector affects the community's socioeconomic conditions.

However, although the informal sector provides numerous job opportunities, its workers still face various problems, such as income instability, limited business capital, and limited access to government empowerment programs (ILO, 2018). These issues can worsen the community's socioeconomic conditions if not addressed effectively and sustainably.

Therefore, it is crucial to conduct in-depth research on the socio-economic conditions of people working in the informal sector, particularly in Cipadung Village. This research is expected to provide a comprehensive overview of the characteristics, problems, and factors influencing the community's socio-economic conditions, thus providing a basis for more targeted policymaking (BPS, 2023).

Based on the background outlined, the informal sector plays a crucial role in absorbing labor, but it also faces numerous problems related to the community's social and economic conditions. Income instability, low levels of education, and limited access to social facilities are common issues for informal sector workers. These conditions demonstrate the close relationship between economic and social aspects in the lives of informal sector workers.

Cipadung Village, as an area with significant informal sector activity, is also not immune to these problems. People working in the informal sector face difficulties in meeting their living needs, maintaining household economic stability, and participating in community social life.

The research objective is the direction to be achieved in a study based on the identified problem. This research aims to obtain a clear and comprehensive picture of the socio-economic conditions of people working in the informal sector, particularly in Cipadung Village.

This research is expected to provide both theoretical and practical benefits, particularly in the study of the informal sector and the socio-economic conditions of the community. **Theoretical Benefits:** This research is expected to increase knowledge in the social sciences, particularly related to the study of the informal sector and the socio-economic conditions of the community. Furthermore, the results of this study can serve as a reference for further research on similar topics.

Practical Benefits: Practically, this research is expected to provide information and a clear picture of the socio-economic conditions of informal sector workers in Cipadung Village. This information can be used by the government as a consideration in designing more targeted policies, particularly those aimed at improving the welfare of informal sector communities. Furthermore, this research can also serve as evaluation material for the community and relevant parties in developing more effective economic empowerment strategies.

B. LITERATURE REVIEW

Informal Sector Concept

The informal sector is a subset of economic activity that is not officially registered and typically lacks legal protection and social security. According to the International Labour Organization, the informal sector encompasses businesses and workers that operate outside of formal regulations or only partially fall within them (International Labour Organization [ILO], 2018). This concept was first introduced by Keith Hart, who explained that the informal sector

emerged as a response to the lack of formal employment opportunities in developing countries (Hart, 1973).

The informal sector is characterized by small businesses, simple technology, the absence of formal employment contracts, and irregular incomes. Furthermore, this sector has low barriers to entry, making it easily accessible to the general public, especially those with low levels of education (Chen, 2012). This makes the informal sector a safety valve in the economy, particularly in absorbing labor not absorbed in the formal sector (Todaro & Smith, 2015).

However, despite its ability to absorb a large workforce, the informal sector is often associated with low productivity and worker welfare. This is due to limited access to capital, training, technology, and social protection (World Bank, 2019). Therefore, the informal sector plays an ambivalent role, serving as both a solution and a challenge to economic development.

The Concept of Socio-Economic Conditions

Socioeconomic conditions reflect the position of an individual or group in society from a social and economic perspective. According to Max Weber, social stratification in society is influenced by economic factors, social status, and power, which are interrelated in determining an individual's position within the social structure (Weber, 1978). In the modern context, socioeconomic conditions are often used as indicators of societal well-being.

Social aspects include education level, health, and social interaction, while economic aspects include income, type of employment, and asset ownership. These two aspects influence each other in determining an individual's quality of life (Sen, 1999). The capability approach, developed by Amartya Sen, emphasizes that well-being is not solely measured by income but also by an individual's ability to access various opportunities in life (Sen, 1999).

Good socioeconomic conditions allow people to gain broader access to education, health services, and economic opportunities. Conversely, poor socioeconomic conditions can lead to limitations in meeting basic needs and increase the risk of poverty and social inequality (World Bank, 2019). Therefore, analyzing socioeconomic conditions is crucial for understanding a community's level of well-being.

Faktor Yang Memengaruhi Kondisi Sosial Ekonomi Factors Influencing Socioeconomic Conditions

Socioeconomic conditions describe the position of an individual or group in society, viewed from a social and economic perspective. According to Max Weber, social stratification in society is influenced by economic factors, social status, and power, which are interconnected in determining a person's position within the social structure (Weber, 1978). In the modern context, socioeconomic conditions are often used as an indicator of societal welfare.

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Previous Research

Extensive research on the informal sector has demonstrated a strong relationship between informal sector employment and the socioeconomic conditions of the community. A study by Chen (2012) showed that informal sector workers tend to have low, unstable incomes and little social protection, resulting in low levels of well-being.

Another study by Hernando de Soto emphasized that the informal sector emerged due to overly complex regulations, which encouraged people to operate outside the formal system (De Soto, 1989). This suggests that structural factors also play a role in the development of the informal sector.

Furthermore, a World Bank report (2019) shows that informal sector workers in developing countries have limited access to financial services and social protection. In Indonesia, data from the Central Statistics Agency (BPS) shows that the majority of the workforce remains in the informal sector, reflecting inequities in the employment structure (BPS, 2023).

These studies demonstrate that the informal sector is not only related to economic aspects but also has a broad impact on the social conditions of the community. Therefore, studying the socioeconomic conditions of informal sector workers is crucial for a more comprehensive understanding of the dynamics of community well-being.

C. RESEARCH METHODOLOGY

Types and Approaches of Research

This research adopted a qualitative approach using a library research method. A qualitative approach is used to understand social phenomena in detail through the analysis of non-numerical data from various scientific sources (Creswell, 2014). A library study is a research method conducted by examining and analyzing various written sources, such as books, scientific journals, official reports, and other documents related to the research topic (Zed, 2014).

This approach was chosen because the research aims to analyze the socioeconomic conditions of informal sector communities based on theoretical studies and the results of previous studies, without directly collecting data in the field (Neuman, 2014). Therefore, this research focuses more on conceptual analysis and the synthesis of information from various reliable sources.

Data source

The data sources in this study consist of secondary data obtained from various literature relevant to the research topic. Secondary data is data obtained not directly from the research object, but through existing documents or sources (Sugiyono, 2019).

The data sources used include: (Scientific books discussing the informal sector and socioeconomic conditions, national and international scientific journals (open access), official reports from institutions such as the Central Statistics Agency (BPS), the International Labour Organization (ILO), and the World Bank, scientific articles and other academic publications). The use of these various sources aims to obtain comprehensive and in-depth data on the socioeconomic conditions of informal sector communities.

Data collection technique

The data collection technique in this research was conducted through documentation study. Documentation study is a data collection technique that involves collecting and studying written documents relevant to the research topic (Zed, 2014).

The steps in data collection include: (Identifying relevant literature sources, collecting data from books, journals, and official reports, selecting data based on its suitability to the research focus, and grouping data based on the discussed themes. This technique allows researchers to obtain extensive data without having to conduct direct field research.

Research Subjects

In qualitative research based on literature, the research subjects are not individuals or respondents directly, but rather documents or literature sources that serve as the object of study. Therefore, the subjects of this study are various scientific works and documents discussing the informal sector and the socioeconomic conditions of the community. The research subjects

include: (Scientific journal articles related to the informal sector, economics and sociology textbooks, official reports from national and international institutions, and relevant previous research results.) Therefore, the focus of this research is on the content and substance of these sources, not the individual respondents (Neuman, 2014).

Data Analysis Techniques

The data analysis technique used in this study was qualitative analysis using the content analysis method. Content analysis is a technique used to systematically study and interpret the meaning of data contained in documents (Krippendorff, 2018).

The steps of data analysis include: (Data reduction, namely selecting and simplifying relevant data; Presenting data in descriptive narrative form; Drawing conclusions based on patterns and relationships between concepts). This analysis aims to generate an in-depth understanding of the socioeconomic conditions of informal sector communities based on various theoretical and empirical perspectives from previous research.

Data Validity

To ensure data validity, this study employed source triangulation techniques. Source triangulation is performed by comparing information obtained from various literature sources to ensure data consistency and accuracy (Creswell, 2014).

In addition, the researcher also conducted: (Evaluation of the credibility of sources such as indexed journals and official institutions, cross-checking between references, and the use of relevant and up-to-date sources). Thus, the research results are expected to have a high level of validity even though they do not use direct field data.

D. RESULT AND DISCUSSION

Overview of the Informal Sector

The informal sector is a crucial component of the economies of developing countries, particularly in absorbing workers who cannot be employed in the formal sector. In Indonesia, the informal sector still dominates the employment structure, particularly among groups with low education and skills (Central Statistics Agency [BPS], 2023). The existence of this sector reflects the economic flexibility of communities in the face of limited formal employment opportunities.

In general, the informal sector encompasses various types of jobs, such as street vendors, freelancers, micro-enterprises, and other informal services. The main characteristics of this sector are the lack of clear legal protection, irregular income, and minimal access to social security (International Labour Organization [ILO], 2018). This makes the informal sector a primary alternative for low-income communities.

Furthermore, the informal sector also serves as a means of survival for urban communities. In many cases, individuals without access to formal employment turn to the informal sector as their primary source of income (Todaro & Smith, 2015). This demonstrates the strategic role of the informal sector despite facing various structural limitations.

Economic Conditions of Informal Sector Communities

The economic conditions of people working in the informal sector are typically characterized by low and unstable incomes. Income is highly dependent on market conditions, customer base, and other external factors, making it difficult to predict consistently (ILO, 2018). This instability impacts people's ability to meet their daily needs.

Furthermore, limited access to business capital is a major obstacle to increasing income. Many informal sector workers rely on limited personal capital, making it difficult to significantly expand their businesses (World Bank, 2019). This situation tends to stagnate their businesses and hinder productivity growth.

On the other hand, some informal sector workers also face limited access to formal financial services, such as banking and business credit. This forces them to rely on informal financing sources, which often carry higher risks (Demirgüç-Kunt et al., 2018).

Thus, the economic conditions of informal sector workers are often vulnerable. Nevertheless, the informal sector continues to make a significant contribution to supporting household economies, particularly for low-income groups. Even though the income is relatively small, this sector remains the main source of income for many people (BPS, 2023).

Social Conditions of Informal Sector Communities

The social conditions of informal sector workers also exhibit distinctive characteristics. Most informal sector workers have relatively low levels of education, which affects the types of jobs they can access (Todaro & Smith, 2015). This low level of education also limits their ability to improve their skills and become competitive in the job market.

Furthermore, access to healthcare and education is a challenge for informal sector workers. Limited income often prevents them from accessing adequate healthcare, which can reduce their quality of life (World Bank, 2019). This situation demonstrates the close relationship between economic and social aspects of community life.

Conversely, informal sector workers typically have strong social ties within their communities. Active social interaction and solidarity among community members constitute a form of social capital that helps them survive difficult economic times (Putnam, 2000). This social capital is crucial for supporting the sustainability of informal economic activities.

However, participation in the informal sector can also limit community participation in broader social activities. This is due to the demands of precarious employment and flexible but irregular working hours (Chen, 2012).

Factors Influencing Socioeconomic Conditions

The socioeconomic conditions of informal sector communities are influenced by various interrelated factors. One key factor is education level, which plays a role in determining a person's type of employment and income level (Todaro & Smith, 2015). The lower the level of education, the more likely a person is to work in the informal sector.

Another factor is access to business capital. Lack of capital is a major obstacle to business development and income growth (World Bank, 2019). Without sufficient capital, informal sector actors find it difficult to scale their businesses.

The social environment also significantly influences a community's socioeconomic conditions. A supportive environment can strengthen social networks and open up new economic opportunities (Putnam, 2000). Conversely, an unsupportive environment can worsen a community's socioeconomic conditions.

Furthermore, government policies are also crucial in determining the socioeconomic conditions of informal sector communities. Empowerment programs, skills training, and social assistance can help improve community welfare (ILO, 2018). However, if these policies are not well-targeted, their impact will be less effective.

Discussion

From the literature review, it can be concluded that the informal sector plays a crucial role in the economy, particularly in absorbing labor. However, this role is not matched by significant improvements in the welfare of its stakeholders. This indicates a gap between the contribution of the informal sector and the socioeconomic conditions of the communities involved.

This finding aligns with Amartya Sen's theory, which states that welfare is influenced not only by income but also by an individual's ability to access various opportunities in life (Sen, 1999). In the context of the informal sector, limited access to education, health care, and social protection are factors that hinder improvements in community welfare.

Furthermore, the concept of social capital proposed by Robert Putnam is also relevant to explaining the conditions of informal sector communities. Despite economic limitations, informal sector communities often have strong social networks that help them survive difficult conditions (Putnam, 2000).

Therefore, efforts to improve the socioeconomic conditions of informal sector communities can be achieved not only by increasing income but also by increasing access to education, social services, and appropriate policy support. An integrated approach is needed to address the various problems faced by informal sector communities in a sustainable manner.

E. CONCLUSION

Based on the results of the literature review, it can be concluded that the informal sector plays a crucial role in absorbing labor, especially in developing countries like Indonesia. This sector is the primary option for people who lack access to formal employment due to limited education and skills (Central Statistics Agency [BPS], 2023).

However, the economic conditions of people working in the informal sector tend to be vulnerable to problems. This is characterized by low and unstable incomes, limited access to business capital, and minimal social protection (International Labour Organization [ILO], 2018). These conditions make it difficult for informal sector residents to sustainably meet their living needs.

Socially, informal sector residents typically have relatively low levels of education and limited access to health and education services. Nevertheless, they tend to have relatively strong social ties within their communities, which serve as social capital in dealing with economic pressures (Putnam, 2000). This demonstrates that social and economic conditions are closely related and influence each other.

Furthermore, the socioeconomic conditions of informal sector communities are influenced by various factors, such as education level, income, access to capital, social environment, and government policies. These factors interact to determine the level of community well-being (Todaro & Smith, 2015).

Therefore, it can be concluded that the informal sector not only plays a role in absorbing labor but also reflects structural problems in the economy that require serious attention from various parties.

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