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Urbanization and City Growth

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Abstract

Urbanization always gives negative and positive influences on development in any sector. The impact that has occurred from this process is not only implicated in the aspect of spatial planning, but also in social, economic, and cultural aspects. The consequences of the rapid flow of urbanization to urban areas will cause the widespread spread of slum settlements and the mushrooming of micro informal sectors. The informal sector is really developing rapidly and profitably, but it has a consequence of increasing poverty. This condition will disturb the urban structure because buffer areas like "watersheds" will become targets for settlement. The increasing labor force that cannot be absorbed by industry can bring about internal conflict in the manpower sector, such as unemployment. Social and service facilities are increasingly becoming a reaction to user demand; however, the benefits are not distributed evenly because of high operating costs. The analysis of secondary data in this article/writing will try to show the urbanization condition in Indonesia and its developments.

Keywords: trend, urbanization, Indonesia.

INTRODUCTION

The problem of developing countries is not exclusively in Indonesia, namely the flow of urbanization from rural to urban areas. Large cities become attractive magnets for labor to obtain a more decent livelihood. At least, there are two reasons for urbanization. First, pull-factors: the concentration of infrastructure facilities in terms of economy, education, health, and entertainment becomes a pull factor for people to come to big cities. Second, push-factors: the increasing difficulty of obtaining access to employment in rural areas, land ownership transfer, and the lack of regional infrastructure availability become drivers of this internal migration. The mudik (exodus) phenomenon in Indonesia becomes one of the parameters to detect the high rate

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of urbanization.

The Department of Transportation predicts that this year no less than 10 percent (27.5 million people) of Indonesia's total population will leave big cities and return to their regions of origin. Of this number, 16.5 million people return using public transportation and 11 million others use private vehicles. The problems of congestion, the inability to accommodate travelers, and criminality have hidden the fundamental issue, namely the inequality of national economic development. The strong flow of urbanization makes the carrying capacity of big cities and several relatively overdeveloped regions compared to others become increasingly heavy.

For example, the concentration of economic activities on the island of Java makes the carrying capacity of this island increasingly heavy (over-populated). With an area of no more than 7 percent of Indonesia's total land area, there are 137 million people (60 percent) of Indonesia's total population. A positive correlation with a number of issues such as the availability of employment, quality of life (clean water, waste management, slums), ecology, health, urban crime, low access to education, and high urban poverty will occur.

Meanwhile, according to the Central Bureau of Statistics (BPS), the number of poor people in March 2009 amounted to 31.54 million people, of which 63.38 percent of the poor population is in rural areas. Although the number of poor people in urban areas is relatively lower compared to rural areas, its management does not mean it becomes easier. Sociologically, social ties are stronger in rural areas compared to urban areas. The spirit of individualism and pragmatism in urban areas reduces the spirit of collectivism.

This makes poor people in cities not necessarily in a better condition than in rural areas. One of the fundamental characteristics of rural migrants is the low ability, skills, and knowledge to compete in the urban formal sector. Meanwhile, high living costs in urban areas require migrants to keep working to support the family they bring or to help their families in their hometowns. At the same time, the capacity of the formal sector in urban areas to absorb labor is also limited (over-supply workers).

This results in an explosion of the urban informal sector. The proliferation of street vendors, domestic helpers, small traders, food sellers, and scavengers is an indication of this. There is a need for a paradigm shift in how we view the urban informal sector. We often give negative attributes and stigma to this sector by calling it the underground economy, marginal class, non-formal economy, and urban slum economy.

The creation of the informal sector is partly contributed by structural problems of inequality in national economic development. The uneven economic development between urban

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and rural areas, Java and non-Java, has given rise to the informalization of economic activities in urban areas. As long as we cannot reduce the inequality of economic development, the problems of urbanization, internal migration, and urban economic informalization will continue to be created. Not only in Jakarta, but Makassar will also share the same problems. Other big cities in Indonesia such as Surabaya, Medan, Semarang, and Bandung face similar issues.

The dichotomy between the formal and informal sectors needs to be eliminated. The future challenge is how these two economic sectors can be linked to one another. The reality in the field shows that the formal sector in Jakarta cannot stand alone and requires support from the informal sector. Every luxury office building in the Sudirman and Kuningan areas is always followed by the emergence of food vendors providing cheap breakfast and lunch. Every luxury apartment development in several big cities is always followed by the emergence of pop-up markets that provide food supplies, accommodation, and daily necessities for workers at affordable prices.

Contractors (formal sector) also include labor cost elements by considering the presence of this informal sector. Thus, the development costs of formal sector infrastructure become low after being supported by the informal sector. Looking at this social reality, it is highly likely that the informal sector subsidizes the formal sector. However, reconciling the formal and informal sectors is a short and medium-term policy.

CITY GROWTH

Urban economy is a combination of geography and economics. Economics explores people's choices when resources are limited. People make choices to maximize utility/satisfaction, while business entities maximize profit. Geography studies how things are arranged in space. Urban economics explores location choices in a space that can maximize utility/profit. For example, a student would prefer to choose a residence location close to their campus. Meanwhile, entrepreneurs prefer to choose locations close to sources of raw materials, labor, or densely populated areas as market targets for their products. Urban areas are defined as geographical areas consisting of a number of people in a relatively narrow area. In other words, urban areas have relatively high population density compared to their surroundings.

In urban economics, there are 2 types of growth: i) economic growth defined as an increase in per capita income or an increase in average urban wages, and ii) labor growth defined as an increase in the total labor force. Economic growth can come from: i) capital deepening, ii) increase in human capital, and iii) technological progress. In a geographical perspective, a fourth source of

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growth can be added, namely iv) economic agglomeration. The first source of growth, capital deepening, includes all physical capital used by humans to produce goods and services such as machinery, equipment, or buildings. Capital deepening defined as an increase in capital per worker raises productivity and income because each worker works with more capital. The second source of growth comes from an increase in human capital, where a person's human capital includes knowledge and skills obtained through education, training, or experience. Research conducted by Robert J. Barro using data from 100 countries during 1965-1995 has proven the relationship between human capital and economic growth (Barro, 2001).

The third source of growth comes from technological progress. More advanced technology causes an increase in output produced by each unit of input used. This increase in output per unit of input is called increased productivity. In the simplest sense, technological progress occurs because new methods are discovered or old methods are improved in handling work so that work becomes more efficient. This certainly affects the rate of economic growth.

Economic agglomeration is the collection or concentration of economic activities in certain locations, in this case urban locations. This can occur among other things because of the localization of production and marketing centers chosen by producers and entrepreneurs. In urban areas, producers are relatively easier to obtain skilled labor, access to inputs and finance, infrastructure, and marketing networks. All of this makes urban areas have advantages to be chosen as industrial locations. The concentration of business locations in urban areas has attracted workers both from within and outside the region, including from villages. As a result, the urban population becomes increasingly dense. The density of the urban population attracts producers to concentrate their product marketing in urban areas so that cities become trade centers. The development of trade is followed by the development of transportation, communication, and other services. Considering that trade and service centers are mostly found in urban areas, we can conclude that the high growth of these sectors indicates rapid urban development.

URBANIZATION

Urbanization can be understood in 2 meanings; first as the mass movement of population (migration) from villages to cities, and second, as the process of structural change of a rural area into an urban area. Rural residents are attracted to migrate to cities for both economic and non-economic reasons (Todaro & Smith, 2015). They will not do so if conditions in the village are the same as conditions in the city. In reality, development focused on urban areas creates a deep gap

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between villages and cities. Good infrastructure development and public services in urban areas are quite attractive for rural residents to migrate. Education, healthcare, and various goods and services in urban areas are attractions in themselves for rural residents. On the other hand, in rural areas, especially in remote areas, public facilities and infrastructure are still far behind. For example, transportation networks, lighting, communication tools, trading facilities, educational institutions (especially higher education), health facilities, and others.

Economic reasons greatly motivate rural residents to urbanize. Among them are the striking differences in employment opportunities and income between rural and urban areas. The limited educational facilities in rural areas cause rural residents to lag in education and skills (Todaro & Smith, 2015). With low education or even no education, and without adequate skills, rural migrants who move to cities do not get the jobs they dream of; instead, they add to urban problems. The development of the formal sector cannot create employment opportunities as fast as urban population growth. To survive, those who are not accommodated in the formal sector will make every effort through the informal sector that can accommodate them.

There may be many factors driving rural residents to migrate to cities, both economic and non-economic reasons. Non-economic reasons include getting closer to family, or pursuing better education in the city. For economic reasons, there are 2 forces driving urbanization. The first force comes from the village. The increasing population makes agricultural land increasingly narrow. This limited land area is used to accommodate an increasingly abundant labor force, thus reducing agricultural productivity. This condition causes farmers to receive low income. The low yield obtained from agriculture cannot support a decent living. This pressure of living in the village drives people to seek better opportunities in the city.

The second force comes from the attraction of city life. The city is the center of economic activity that provides broader employment opportunities (LeGates & Stout, 2016). The development of companies in urban areas gives hope for rural residents to obtain jobs with better income. Besides economic opportunities, relatively complete life facilities in urban areas become an attraction for rural residents. This disparity in employment opportunities, income, and public facilities concentrated in cities drives population mobility from villages to cities. The development of public facilities such as schools, hospitals, trade centers, as well as entertainment centers and recreational parks is focused in cities.

Rural situations have characteristics including: population spread across many villages, no standard working hours, few public facilities, communal society and altruistic (prioritizing others), and others. The characteristics of 'village culture' that is communal and altruistic sometimes

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actually support community resilience against economic difficulties. Facing problems together feels lighter compared to individually. Meanwhile, urban society has characteristics: high population density, rapid population growth caused by both good health so that life expectancy is high, fertility greater than mortality, and migration flows from villages, individualistic society (Bairoch, 1988). The gathering of people in urban areas triggers the development of trade centers. Furthermore, transportation, communication, and other services also develop. With many urban residents, public services become more developed and more efficient. It is not surprising that quality schools and better health services are found in urban areas.

Economic disparity not only occurs between rural and urban areas but also covers wider regions. In Indonesia, this disparity also occurs between Eastern Indonesia and Western Indonesia. More broadly, disparity occurs between developing countries and developed countries. The following is the urban population in developed and developing countries.

The proportion of urban population continues to increase over time. In 1975, the urban population comprised 37.2% of the total world population, increasing to 48.6% in 2005 and estimated to reach 52.8% in 2015. Urban population growth in developing countries is faster than in developed countries. In less developed countries, the proportion of urban population from 1975 to 2005 increased by 80%, while in developing countries it was 61% and in OECD countries it was 13%. The fastest growth occurred in the East Asia and Pacific region from 20.5% in 1975 to 42.8% in 2005 (more than doubled). In Indonesia, the proportion of urban population in 1975 was 19.3% of the total population, increasing to 48.1% in 2005. Compared to several Asian countries such as Japan, Thailand, Brunei, or India, the increase is much greater (Gilbert & Gugler, 2007).

Population growth has changed the demographic structure both in rural and urban areas. The working-age population in rural areas increased from 85.67 million in 2004 to 89.16 million in 2006. Meanwhile in urban areas, the population increased from 68.27 million in 2004 to 70.1 million in 2006. The proportion of the working-age population in rural areas increased from 55.65% to 55.98%. Meanwhile, the proportion of the working-age population in urban areas decreased from 44.35% in 2004 to 44.02% in 2006.

Population growth within certain limits can increase economic growth because labor is one of the production factors that determines the quantity of output (Mankiw, 2021). However, too rapid population growth may not be followed by an increase in employment opportunities. This creates unemployment problems. The number of open unemployed from year to year increases. In rural areas, the number of unemployed in 2004 was 4.8 million, increasing to 5.7 million in 2005 and 5.3 million in 2006.

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In urban areas, the number of unemployed was initially 5.4 million in 2004, becoming 6.2 million in 2005 and 5.8 million in 2006. Viewed from its proportion, the proportion of unemployed in cities is higher than in villages. However, the proportion of open unemployment in urban areas is decreasing. This decrease likely occurs because of the return of residents who failed to find work in the city.

Besides open unemployment, another problem arising from the increasing population is underemployment. A person is said to be underemployed if in a week they work less than 35 hours. The majority of underemployed are in the agricultural sector compared to other sectors (Mankiw, 2021). The agricultural sector dominates rural areas, so we can say that the rate of underemployment in rural areas is very high. This reflects the high pressure of living in rural areas so that certain jobs are done by many people when they should be done by fewer.

INFORMAL SECTOR

The concentration of so many people in urban areas can be beneficial for creating enormous economies of scale that enable cost savings for organizing various production activities, providing services and social facilities, ranging from transportation, market potential, skilled resources, and so on (Jacobs, 1969).

Although there are benefits that can be derived from urbanization, the problems it causes are far more complex and complicated. The first problem is the provision of adequate housing. Increasingly densely populated urban areas must be divided for settlements, offices, industry, trade, and others. The limited land in urban areas makes land values so high that they are unaffordable for some low-income residents. This creates slum settlements nestled among modern buildings. Even some residents do not have housing and become homeless. This population density problem leads to subsequent problems such as poor environmental sanitation, environmental pollution, the provision of water, electricity, and other social services, traffic congestion, and crime. With the limitations possessed by migrant residents, they cannot be accommodated in the formal sector that promises a better livelihood.

Migrants from villages are generally less educated, lack skills, and do not have access to financial or institutional support that can enhance their human capital. On the other hand, employment opportunities in the urban formal sector only provide opportunities for educated and skilled workers. This situation forces migrants to enter the informal sector (O'Sullvan, 2018).

So far, the definition of the informal sector tends to be non-standard, but two source studies conducted by the ILO (International Labor Organization) descriptive as follows can be used

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to describe this sector (Yustika, 2007). First, the informal sector is not limited to jobs on the outskirts of big cities, but also includes various economic activities characterized by: ease of entry, reliance on local resources, self-owned businesses, small-scale operations, labor-intensive and adaptive technology, skills acquired outside the formal school system, not directly subject to regulations, and competitive markets. Second, studies conducted by Cole and Fayissa describe this informal sector with characteristics: small business size, family ownership, labor-intensive, individual business status, informal, without promotion, and no barriers to entry.

Following Meier, the informal sector has the following characteristics (Meier, 1995): (i) easy to enter, (ii) relies on own resources, (iii) self-owned or family business, (iv) small business scale, (v) labor-intensive and adaptive technology, (vi) skills can be acquired outside the formal school system, and (vii) without regulation and competitive market.

In Indonesia, workers in the formal or informal sector can be distinguished based on their main employment status. According to BPS (Central Bureau of Statistics), the main employment status is divided into:

1. Self-employed without assistance.
2. Self-employed assisted by non-permanent workers.
3. Self-employed with employees/workers.
4. Worker/employee.
5. Casual worker in agriculture.
6. Casual worker in non-agriculture.
7. Unpaid worker.

Workers are classified as formal sector workers if their main employment status is self-employed with employees/workers or as workers/employees (points 3 and 4). The number of workers in the formal sector was only 30.32% in 2004 and decreased to 30.25% in 2006, although in absolute terms it increased. Meanwhile, the number of workers in the informal sector reached 69.68% in 2004 and increased to 69.75% in 2006. This shows that the informal sector plays a very large role in labor absorption and unemployment reduction. With its characteristics, the informal sector has distinctive strengths, as follows:

1. Ability to survive. The informal sector is able to survive in the face of economic crises due to its independent nature, both in the use of production technology and capital. Because

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this sector is relatively easy to enter, workers who previously worked in the formal sector and experienced bankruptcy due to the economic crisis, then the decline in employment opportunities in this formal sector causes workers to shift to the informal sector. Thus, the informal sector becomes a safety valve for employment. From the demand side, the crisis that causes people's purchasing power to decline causes a shift in consumption patterns, from formal sector goods/services to informal sector products.

2. Labor-intensive. The production technology widely used by the informal sector is labor-intensive so that it can absorb a lot of labor. The wage system in the informal sector does not depend on government regulations regarding wages, so workers can receive low wages, even sometimes without pay. This is quite helpful in absorbing unemployed labor.
3. Traditional skills. The products produced by the informal sector do not require formal education. These skills are usually obtained hereditarily, from generation to generation.
4. Capital depends on own strength. Most entrepreneurs in the informal sector depend on their own capital, family savings, or informal funding sources, although many small entrepreneurs also use special credit facilities from the government. In addition, investment in the informal sector is on average much lower than the investment required by the formal sector.
5. Can support the formal sector and also low-income groups. The goods/services produced by the informal sector can be linked to the formal sector, for example as suppliers of raw materials needed in the formal sector's production process. As final products, the output produced by the informal sector at relatively cheap prices can be reached by the majority of the community.

The future of the informal sector is greatly determined by its ability, especially in facing competition with the formal sector or imported products. The weaknesses of the informal sector are reflected in the constraints faced by this sector, which often become serious obstacles to its growth and development. The constraints often experienced by entrepreneurs in the informal sector are primarily limitations in capital, physical, human, and technological resources. In addition, the informal sector also faces marketing constraints, raw material supply, management, and low communication skills.

CONCLUSION

Going forward, the government needs to seriously view economic development inequality

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as a serious matter. There is a need for affirmative action and positive discrimination to reduce the gap in economic development. Strategies to develop the agricultural, plantation, fishery, and livestock sectors must empower local labor. Involving every regional element, creating regional entrepreneurship, and price guarantees are policy instruments that need to be studied to prevent the labor force from exodus to urban areas. In the future, we can hope that internal migration is not only carried out by low-skill employment, but also by high-skill employment. The distribution of highly skilled workers is expected to become the driving motor of regional economies. Making national economic growth more qualified and more distributed nationally.

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