

PAPER • OPEN ACCESS

The Impact Of Social Capital On Welfare : The Evidence From Urban Informal Sector In East Flood Canal (Bkt), Jakarta

To cite this article: Beti Nurbaiti and Chotib 2020 *IOP Conf. Ser.: Earth Environ. Sci.* **436** 012004

View the [article online](#) for updates and enhancements.

You may also like

- [Global review of human waste-picking and its contribution to poverty alleviation and a circular economy](#)
Jandira Morais, Glen Corder, Artem Golev et al.
- [Youth participation in the informal sector in subsector Tamalanrea Indah, Makassar](#)
Ashabulkahpi, A Munir and M Salam
- [Spatial adaptation as the Madurese migrant resilience form at urban informal sector workers settlement: a case study of Kotalama settlement - Malang](#)
Damayanti Asikin, Antariksa, Lisa Dwi Wulandari et al.

PRIME
PACIFIC RIM MEETING
ON ELECTROCHEMICAL
AND SOLID STATE SCIENCE

HONOLULU, HI
Oct 6–11, 2024

Abstract submission deadline:
April 12, 2024

Learn more and submit!

Joint Meeting of
The Electrochemical Society
•
The Electrochemical Society of Japan
•
Korea Electrochemical Society

THE IMPACT OF SOCIAL CAPITAL ON WELFARE : THE EVIDENCE FROM URBAN INFORMAL SECTOR IN EAST FLOOD CANAL (BKT), JAKARTA

Beti Nurbaiti¹ and Chotib²

¹University of Bhayangkara Jakarta Raya

²Head of Urban Studies Program, School of Strategic and Global Studies, Universitas Indonesia

E-mail : [¹bettysigit@gmail.com](mailto:bettysigit@gmail.com)
[²chotib@hotmail.com](mailto:chotib@hotmail.com)

Abstract. The purpose of this study is to look at the relationship / correlation between social capital and welfare of migrant workers / traders who are the informal sector in the flood area of the eastern canal (BKT) of Jakarta. Migrant workers / traders who act as objects of research / respondents in urban areas in the informal sector are able to survive to improve their welfare through the support of their social capital where group and network, trust and solidarity are sub dimensions of social capital variables that influence research. The results showed that there was a significant correlation between social capital and the welfare of migrant workers / traders.

Keyword : Urban Informal Sector, Social Capital, Welfare, East Flood Canal.

1. Introduction

Humans migrate from one place to another generally to improve their welfare, from rural to urban areas. When migrants arrive in the city, they are faced with scarcity of work, and forced to go into the informal sector, one of them being a worker / street vendor. One of the central areas of a group of street vendors that are quite famous in Jakarta is in the flood of the eastern canal and often abbreviated as BKT. On weekdays, this area starts to be crowded by traders from 4 pm and gets busier when coming home from work around 5 to 6 pm and closes at 12 pm until one in the morning for Monday to Friday. On weekends, Saturdays and Sundays, the area is busier than usual. Based on the phenomenon mentioned above, the researcher is interested in conducting further surveys about social capital applied by migrant workers / traders and wants to find out more about what dimensions are significant representing social capital and its effect on the welfare of migrant workers / traders in BKT as an urban informal sector.

2. Literature Review

Migration is one of one's efforts to improve his standard of living, and not only affects the population size of an area, but also has a significant influence on the socioeconomic aspects^[1]. In principle, business can be developed in areas with more population, which have purchasing power^[2]. The migration of urban village residents has been so massive with the advancement of transportation technology, then businesses are developing in urban areas in the informal sector^[3].

The informal sector is a dynamic sector, continues to grow and is always able to adapt to the development of the economic climate, poverty alleviation efforts and fulfilling basic human rights^[4]. Generally, informal work is self-employed, recruiting family members or close relatives, family workers, but also suitable for sale according to community needs^[5]. The informal sector answers this as a form of adaptation from oversupply of labor that is not absorbed by the market swerved into entrepreneurship in the sector^[6].

Migrant workers can survive in relationships by maintaining interpersonal relationships, friendships and close family ties which is often called social capital^[7]. According to^[8] social capital is included in 3 groups: (1) the input dimension, which includes group and network as well as trust and solidarity; (2) operational dimension, which includes collective action and cooperation as well as information and communication, and (3) implementation dimension, which includes social cohesion and inclusion and empowerment.



The group and network sub dimensions include aspects of participation, contributions, and informal networking and individual involvement in the social entity, while the trust and solidarity sub dimensions describe perceptions and attitudes of trust towards neighbours. Social capital is very helpful in increasing the productivity of individuals and communities in carrying out daily activities such as working, trading, and other social activities.

The collective action and cooperation sub-dimension describe the participation of individuals in the community^[9]. It is necessary to empower efforts, namely: (1) strengthening business capacity; (2) capital access needs to be given; (3) need to be given access to communication with local authorities; (4) a joint forum in the form of institutions; and (5) need assistance in overcoming business obstacles^[10]. All of the dimensions above illustrate the condition of community members in managing the ability to control all processes that are directly related to their lives to get welfare.

Welfare can be measured by income, consumption or family expenses, living conditions, housing facilities, health of family members, easy access to health services, ease of getting educational facilities, and transportation facilities^[11]. According to ^[12] welfare is measured in two aspects, namely (1) the objective aspect is measured through material and (2) subjective aspects is the internal experience of each individual other than material. Objective aspects include: income or income, wealth, expenditure / consumption, living conditions, education, and health, while the subjective aspects include psychological, social and spiritual well-being. Subjective aspects are generally related to one's ability to have a balanced lifestyle, to have interpersonal relationships, social networks, and community support, as well as to have a relationship with God and good worship.

3. Research Methodology

The study was conducted for one month from mid-July to mid-August 2019 in the BKT Jakarta area by taking primary data using a questionnaire instrument from 300 respondents. When taking primary data, researchers also conducted in-depth interviews with respondents randomly. The results of the field data were processed with Lisrel software.

According to ^[13] this process was carried out through 3 (three) stages, namely: (1) Test the measurement model that includes the Goodness of Fit test, validity, and reliability test. The fit test can be seen in the Goodness Of Fit Index (GOFI) table where there are 9 indicators to show a good match (RMSEA, NFI, NNFI, CFI, IFI, RFI, Standardized RMR, GFI, and AGFI). For the match above, both (Perfect Fit) contain degree of freedom = 0, minimum fit function chi-square = 0. The validity test can be seen from the Standardized Loading Factor (SLF) value ≥ 0.50 , and the reliability test is said to be good if the Construct Reliability value (CR) ≥ 0.70 , and Variance Extract (VE) ≥ 0.50 ; (2) Confirmatory Factor Analysis (CFA) Test, which tests all latent variables processed and simplified by calculating Latent Variable Score (LVS), and the last one is (3) Structural model test (hypothesis test), which tests the research hypothesis, if the absolute t value score ≥ 1.96 , then the hypothesis is accepted, whereas if it is not rejected. The standard coefficient value on the structural model test, shows the strength of influence between two latent variables.

4. Results and Discussion

Based on the survey data, the number of male migrant traders are greater than women, with the majority of middle school and high school education levels, and the most being at the age of 24 to 54 years. This results in line with the results of research from ^[14], metropolitan is a relatively large urban area in terms of area, population, and scale of economic and social activities, one of which is the city of Jakarta. This has become an attraction for people to come to metropolitan cities leaving their hometown / birthtown in the hope of improving their standard of living through the informal sector with entrepreneurship. The decision to become an entrepreneur or worker is related to an individual's attitude to risk, managerial ability, family background, and financial constraints^[15].

The tendency of work informality is experienced by young workers, where young female workers tend to experience work informality compared to male workers. And there is a tendency that young workers who do not experience migration tend to experience work informality compared to those who

migrate. Based on age, people who are in the productive age category (15-49 years) are the most migratory groups. The highest migration pattern occurs at the age of 30 - 50 years and will decrease with age at the age of up to 50 years. This is in line with research conducted by [16] and [17].

From the Group and Network (GAN) latent variable measurement chart below, sequentially based on the highest SLF value, it can be seen in Figure 1, that the ease of obtaining the knowledge of trading in groups is due to kinship which becomes the main thing in the findings in the field (GAN2), followed by the ease of capital (GAN1), ease of moral and material assistance (GAN5), ease of developing a business (GAN3), and ease of solving problems in trading (GAN4). Migrant workers / traders in the informal sector can more easily get capital if they are in groups. In addition, according to [18] those who have a group entity or a tribe are also more supportive to help if there are difficulties in terms of capital, as well as trading skills and information.

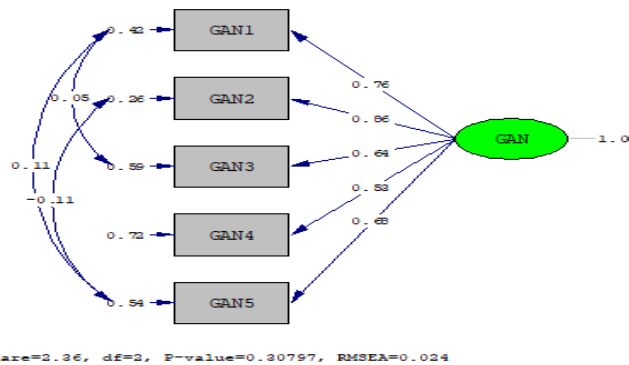


Figure 1. The Measurement Test Result of Group And Network (GAN) (Standardized Solution)

The Goodness of Fit, validity, and reliability test results from the Group and Network (GAN) can be seen in Table 1 below :

Table 1. The Goodness of Fit, Validity, and Reliability Test Results of Group and Network (GAN)

The Goodness of Fit Test Results				The Validity and Reliability Test Results			
Indicator	Good Fit	Goodness of Fit Test Results	Information	Latent Variable/ Observed Variable	Standardized Loading Factor (SLF)	Error	Information
RMSEA	≤ 0.08	0.024	Good Fit	GAN1	0.76	0.42	Good Validity
NFI	≥ 0.90	1.00	Good Fit	GAN2	0.86	0.36	Good Validity
NNFI	≥ 0.90	1.00	Good Fit	GAN3	0.64	0.59	Good Validity
CFI	≥ 0.90	1.00	Good Fit	GAN4	0.53	0.72	Good Validity
IFI	≥ 0.90	1.00	Good Fit	GAN5	0.66	0.54	Good Validity
RFI	≥ 0.90	0.98	Good Fit	Conclusion: all variables observed in GAN latent variables have good validity and reliability, with values CR = 0.82, VE = 0.50.			
Standardized RMR	≤ 0.05	0.015	Good Fit				
GFI	≥ 0.90	1.00	Good Fit				
AGFI	≥ 0.90	0.97	Good Fit				
Conclusion Goodness of Fit Test Results : has a good match, the data support the research model.							

For the Trust and Solidarity (TAS), the variable test can be seen in Figure 2, Respondents argued that voluntary donations during disasters (TAS1) were the most important factor, followed by donations if someone gave birth (TAS2) and voluntary donation for the dead (TAS3). This is the same as the results of research conducted by [19] that migrants generally have high emotional ties and solidarity, so that they are able to survive from generation to generation overseas with good emotional ties.

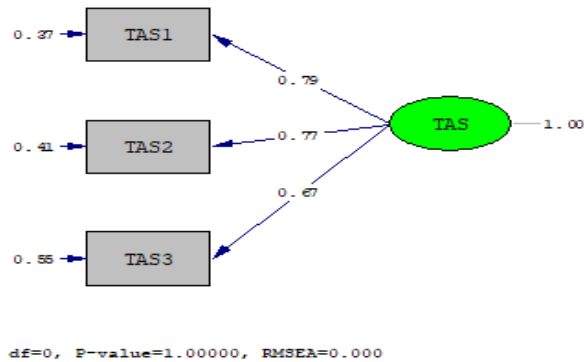


Figure 2. The Measurement Test Result of Task And Solidarity (TAS) (Standardized Solution)

The Goodness of Fit, validity, and reliability test results from the Trust and Solidarity (TAS) can be seen in Table 2 below :

Table 2. The Goodness of Fit, Validity, and Reliability Test Results of Trust and Solidarity (TAS)

The Goodness of Fit Test Results	The Validity and Reliability Test Results			
Degrees of Freedom = 0 Minimum Fit Function Chi-Square = 0.00 (P = 1.00) Normal Theory Weighted Least Squares Chi-Square = 0.0 (P = 1.00) Satorra-Bentler Scaled Chi-Square = 0.0 (P = 1.00) The Model is Saturated, the Fit is Perfect ! Conclusion Model Match Test: all variables observed in the TAS latent variable have a very good fit (Perfect Fit), the data support the research model.	Latent Variable/ Observed Variable	Standardized Loading Factor (SLF)	Error	Information
	TAS1	0.79	0.37	Good Validity
	TAS2	0.77	0.41	Good Validity
	TAS3	0.67	0.55	Good Validity
		Conclusion: all variables observed in TAS latent variables have good validity and reliability, with values CR = 0.79, VE = 0.56.		

The test diagram of the measurement model of latent variable Social Capital (MS) which forms invalid social capital / does not represent the respondents' perceptions namely: Collective Action and Cooperation (CAAC), Social Cohesion and Inclusion (SCAI), Information and Communication (IAC), and Empowerment (EMP). The latent variables that constitute MS that represent respondents' perceptions which are GAN and TAS can be seen in Figure 3 :

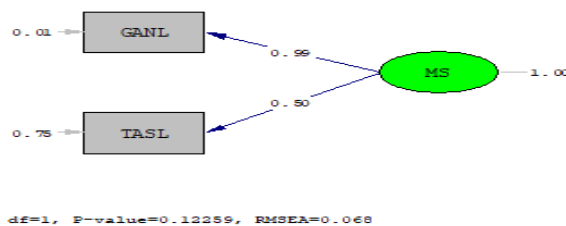


Figure 3. The Measurement Test Result of Social Capital (MS) (Standardized Solution)

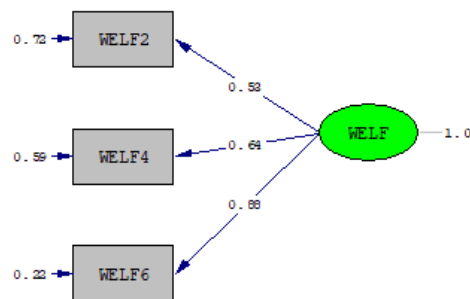
The Goodness of Fit, validity, and reliability test results from the Social Capital (MS) can be seen in Table 3 below :

Table 3. The Goodness of Fit, Validity, and Reliability Test Results of Social Capital (MS)

The Goodness of Fit Test Results	The Validity and Reliability Test Results			
Degrees of Freedom = 0	Latent Variable/ Observed Variable	Standardized Loading Factor (SLF)	Error	Information
Minimum Fit Function Chi-Square = 0.00 (P = 1.00)	GANL	0.99	0.01	Good Validity
Normal Theory Weighted Least Squares Chi-Square = 0.0 (P = 1.00)	TASL	0.50	0.75	Good Validity
Satorra-Bentler Scaled Chi-Square = 0.0 (P = 1.00)	Conclusion: all variables observed in MS latent variables have good validity and reliability, with values CR = 0.74, VE = 0.62.			
The Model is Saturated, the Fit is Perfect !				
Conclusion Model Match Test: all variables observed in the MS latent variable have a very good fit (Perfect Fit), the data support the research model.				

These findings are consistent with the results of research from ^[20] which states that social capital is used in its application in society as collective assets, and refers to social / social networks and relationships between individuals based on mutual trust, mutual care, help, and mutual assistance. Social interaction in social capital can be done in groups in a horizontal direction by several individuals with the same characteristics^[21]. This shows that the group / group entity factor is a key factor in social capital according to traders / migrant workers in the Jakarta BKT, followed by a factor of mutual trust between them. Social capital is described as a dynamic condition in a community of mutual trust using norms, values, and social sanctions that are based on similarity in social structure in the group ^[22].

For latent welfare variables (WELF), which can be seen in Figure 4, respondents consider that welfare is primarily to have a place to live that is protected from heat and rain (WELF6), to have time to worship and explore religious knowledge (WELF4) and to be able to consume healthy and nutritious food (WELF2). Welfare is measured by income marked by decent living conditions, and nutrition fulfilment^[23].



Chi-Square=0.00, df=0, P-value=1.00000, RMSEA=0.000

Figure 4. The Measurement Test Result of Welfare (WELF) (Standardized Solution)

The Goodness of Fit, validity, and reliability test results from the Welfare (WELF) can be seen in Table 4 below :

Table 4. The Goodness of Fit, Validity, and Reliability Test Results of Welfare (WELF)

The Goodness of Fit Test Results	The Validity and Reliability Test Results			
Degrees of Freedom = 0 Minimum Fit Function Chi-Square = 0.00 (P = 1.00) Normal Theory Weighted Least Squares Chi-Square = 0.0 (P = 1.00) Satorra-Bentler Scaled Chi-Square = 0.0 (P = 1.00) The Model is Saturated, the Fit is Perfect ! Conclusion Model Match Test: all variables observed in the WELF latent variable have a very good fit (Perfect Fit), the data support the research model.	Latent Variable/ Observed Variable	Standardized Loading Factor (SLF)	Error	Information
	WELF2	0.53	0.72	Good Validity
	WELF4	0.64	0.59	Good Validity
	WELF6	0.88	0.22	Good Validity
	Conclusion: all variables observed in WELF latent variables have good validity and reliability, with values CR = 0.73, VE = 0.50.			

The results of the confirmatory factor analysis (CFA) test are shown in Figure 5. The latent variables of Social Capital (MS) and Welfare (WELF) have good values of model fit, validity, and reliability when tested simultaneously which can be seen in Table 5 below :

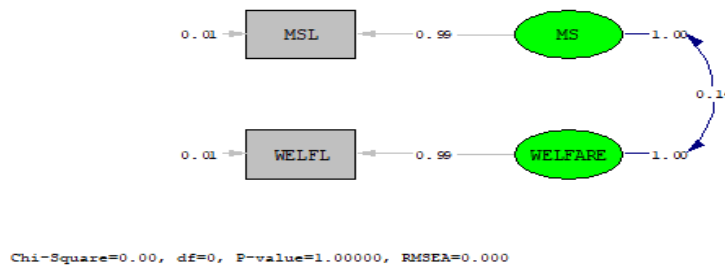


Figure 5. The Measurement Test Result of Confirmatory Factor Analysis (CFA) (Standardized Solution)

Based on the results of the structural model test below, the research question has been proven that there is a significant relationship / correlation between Social Capital (MS) and the welfare of workers / migrants in urban areas, namely Jakarta. The research hypothesis is accepted, where there is a significant relationship between Social Capital (MS) and Welfare (WELF). This is indicated by the calculated t value of 2.31 which is greater than 1.96 which can be seen in Figure 6 and Table 6 below :

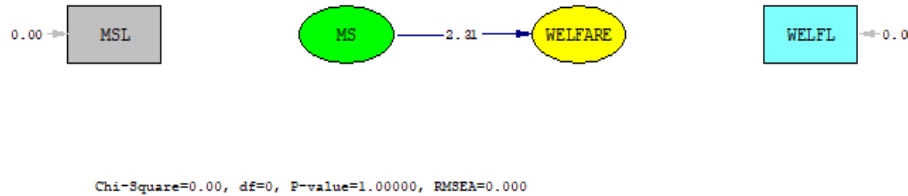


Figure 6. The Measurement Model Test (T-Value)

Table 6. Structural Model Test Results / Research Hypothesis Test

Information	Relationship between variables	T – value Score	Hypothesis Test Result
Hypothesis 1	There is a significant relationship between MS and WELFARE variables	2.31	Hypothesis 1 was accepted because the T Value Score \geq 1.96, positively related

5. Conclusions and Contributon of Research

Jakarta as a metropolitan city seems to be a focus for migrant workers to maintain their survival in the informal sector by trading at BKT. The migrant worker / trader is able to maintain his business in making a living by utilizing the social capital he has. The findings of the survey in BKT prove that social capital in this case in the form of Group and Network and Trust and Solidarity correlate / significantly with the Welfare of the traders / migrant workers who work in the urban informal sector.

The contribution of this research is for Jakarta Regional Government, which hopefully in the future could make the East Flood Canal a unique destination for travelers, to become the longest night market in the world with more public facilities, green hangout areas, and water recreation (such as the Floating Market). In addition, all aspects of the environment and the rotation of the people's economy are expected to be achieved on the scale of the informal sector in Jakarta.

REFERENCES

[1] Chotib and Nurbaiti 2018 Are Migrant Workers in DKI Jakarta More Welfare Than Non Migrants? A Data Analysis of SUSENAS 2013 *Journal of Strategic and Global Studies 1 (1)*, pp. 15-28

[2] Horiouchi, S. Kanazawa Y, Suzuki, T. and Takikawa H 2013 Who Gain Resources From Which Social Capital? A Mathematical Review In *Social Capital : Theory, Measurement and Outcome, Nova Publisher pp. 3 – 28*

[3] Horiuchi, S. and Takashi T 2016 Globalization and Regional Revitalization in A Local University of Japan. In : *Globalization , Economic, Political and Social Issues Nova Publisher, pp. 149 – 159*

[4] International Labour Organization (ILO) 2012 Decent Work Profile in Indonesia *Geneva, International Labour Office*

[5] Chen, Martha Alter 2012 *The Informal Economy ; Definitions, Theories and Policies USA, WIEGO*

[6] Priyono, Edi 2015 *Memahami Pasar Tenaga Kerja Pustaka Lentera, Jakarta*

[7] Walsh, Kieran and Isabel Shutes 2016 Care Relationships, Quality and Care and Migrant Working Caring for Older People *National University of Ireland Galway, London School of Economics and Political Science, UK*

- [8] Narayan, D. and Michael F. Cassidy 2014 A Dimensional Approach to Measuring Social Capital : Development and Validation Of A Social Capital Inventory *Current Sociology, SAGE Publication. London, Thousand Oaks, CA and New Delhi., Vol. 29 (2) : 59 – 102*
- [9] Farr, James 2014 Social Capital : A Conceptual History *Sage Publications, Political Theory, Vol. 32 No. 1, pp 6-33*
- [10] Utami, Trisni 2010 Pemberdayaan Komunitas Sektor Informal Pedagang Kaki Lima (PKL), Suatu Alternatif Penanggulangan Kemiskinan *Universitas Sebelas Maret*
- [11] Schueller and Seligman 2010 Pursuit of Pleasure, Engagement, and Meaning : Relationships to Subjective and Objective Measure of Well Being *The Journal of Positive Psychology. Vol. 5, No. 4, pp. 253-263*
- [12] Alatartseva, E. and Barysheva, G 2015 Well-being : Subjective and Objective Aspects *Procedia-Socia and Behavioral Sciences, 166, pp 36-42*
- [13] Wijanto, Setyo H 2008 Structural Equation Modeling dengan Lisrel 8.8, Konsep dan Tutorial *Graha Ilmu, Yogyakarta*
- [14] Handiyatmo, D 2009 Penggunaan Jenis Transportasi Oleh Pelaku Mobilitas Ulang Alik di Enam Kawasan Metropolitan (*Analisis data SUPAS 2005*)
- [15] Catherine, Y. Ira N Gang and Myeong Su Yun 2012 Self Employment and Wage Earning : Hungary During Transition *IZA Discussion Paper No 572*
- [16] William, Collin C. and Youseff, Youssef 2015 Classifying Latin American Economies : A Degree of Informalisation Approach *International Journal Of Business Administration Vol. 5, No. 3*
- [17] Chaudary, SR and Barman A 2014 Holistic Model of Subjective Well Being A Proposed Model and Exploration of Content *Zenith International Journal of Multidiscipline Research ISSN 2231-5780. Vol. 4 (3)*
- [18] Kourtit, Karima and Peter Nijkamp 2012 Strangers on The Move : Ethnic Entrepreneurs as Urban Change Actors *European Review, Vol. 20, No 3, pp. 376-402. Academia Europe*
- [19] Beegle, K. De Weerd, J., and Dercon, S 2011 Migration and Economic Mobility In Tanzania : Evidence From a Tracking Survey *Review of Economics and Statistics, 93(3), pp. 1010-1033*
- [20] Putnam, Robert. D 2013 Making Democracy Work : Civic Tradition In Modern Italy *Princeton University Press, New Jersey*
- [21] Badan Pusat Statistik 2013 Statistik Modal Sosial *Tahun 2012 Jakarta*
- [22] Mahanani, W. and Chotib 2018 The Influence of Collective Action, Community Empowerment, and Shared Vision to The Community Capacity in Urban Water Resource Conservation *IOP Conference Series Earth Environmental Science*
- [23] William and Lansky 2013 Informal Employment In developed And Developing Economies : Perspectives and Policy Responses *International Labour Review, Vo. 152, No. 3-4, pp. 355-380*