

INTEGRATING THE INFORMAL SECTOR IN PLANNING FOR LOW-INCOME SETTLEMENTS : THE MALAYSIAN EXPERIENCE*

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Introduction

The New Economic Policy (NEP) of Malaysia aims to reduce the incidence of poverty through rapid economic and social development which allows for fuller integration of the lower income groups in the nation's expanding economy. One of the major social objectives in the NEP is to improve the quality of life of the low-income groups by facilitating their access to modern services and amenities in the fields of education, housing, health and employment (Malaysia, 1971; 1976; 1981). In order to attain the above objective's successfully, the NEP seeks to create a just socio-economic order in which all lower income groups could find self-fulfilment within a system which provides equitable and greater participation in the development of the nation.

While there has been persistent concern with the conditions of the low income groups, it was not until the second-half of the Fourth Malaysia Plan, which ran from 1981 to 1985 that serious government initiatives were developed to introduce the concept of assistance to stimulate the informal sector, because this sector was a major source of housing and employment for low-income groups (Agus, 1985). Traditionally, the low-income settlements in large urban centers in Malaysia have been referred to simply as *kampungs* (villages) or *petempatan setinggan* (squatter settlements) or *kawasan perumahan kos rendah* (low-cost housing areas) (Agus, 1981). This rudimentary classification does not offer an adequate basis for developing strategies to improve these settlements.

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It has been argued that low-income settlements are characterized not only by substandard living conditions and poverty but also the perpetuation of the "culture of poverty" which gave rise to gangsterism, drug abuse, prostitution and school drop-outs (Abdullah, 1979; Mohamad, 1979). However, this is not a true picture of all low-income settlements in Malaysia. In fact, each low-income group has a unique set of political, cultural, economic and environmental characteristics that must be taken into account in planning low-income settlements.

The integration of the informal sector in planning low-income settlements in Malaysia could provide several advantages to both the low-income groups and the city municipalities. Besides the obvious goal of bringing an adequate standard of housing to low-income groups, it also provides training of workers, utilization of a considerable amount of idle manpower, bringing out individual initiative and creating new jobs. Thus, the efforts of city municipalities are united with those of lower income groups to improve the economic, social and cultural conditions of the urban poor.

This paper is divided into two parts. The first part examines the concept of the informal sector and its roles in the national development strategies. The second part discusses the concept of the informal sector in the Malaysian context and also identifies and analyses the integration of the informal sector in planning for the low-income settlements and implication for development policy in Malaysia.

The Informal Sector

The term "informal sector" is first used by Hart (1971) in a study in Ghana and since then has gained considerable influence in the literature on development policy in general and employment in particular. Hart utilized the characteristics of the enterprises as the basis of the formal-informal dichotomy but enumerates detailed and specific characteristics of the two sectors involved in order to identify the target groups distinctly.

This concept is further developed by the International Labour Office (ILO) and used in the employment study in Kenya (ILO, 1972). The various findings of the ILO study pointed to the scope for generating additional incomes and employment in the "informal sector." The ILO Employment Mission considered that perhaps the most important target group in urban areas was what it described as the "informal sector".

According to the ILO Report, the informal sector has the following characteristics. It is a sector to which entry by new enterprises is comparatively easy. Enterprises rely on indigenous resources rather than foreign capital and are family owned. They operate on a small-scale, in unregulated or semiregulated and competitive

markets. It is also labor-intensive supplemented by simple technology. Most of the workers possess skills that are acquired outside the formal school system. In the ILO Report, both the formal and informal sectors are differentiated and discussed in detail (see ILO, 1972 : 6).

Another study also described the informal sector as an "unprotected" sector (Mazumdar, 1975). It is argued that employment is protected for some individuals in the labor force in the sense that wages and conditions enjoyed by workers in the formal sector are, in general, not available to all jobseekers in the market unless they somehow manage to overcome the barrier to entry. The protection may arise from the action of trade unions, of government or both acting together. In some cases, the informal sector is persistently and actively harassed or sometimes, totally ignored by city municipalities (Joshi et al., 1976).

Santos (1979) used the terminology, "upper circuit" and "lower circuit" to describe the formal and informal sectors respectively. Santos stressed the relationship between the two sectors in terms of two interacting and interlocking circuits of economic activities but differentiated them with respect to technological and organizational status. In addition, it is also argued that while the formal sector tends to generate a demand for skilled labor, the informal sector tends to generate a demand for more semiskilled and unskilled labor whose supply is increasing through the process of rapid urbanization (Sethuraman, 1981 : 33). Though these dualistic models are broad, they do provide a clear definition of the informal sector and also give an indication of its extent. It should be clear by now that the concept of the informal sector includes a wide range of economic activities. In this paper, we will only focus on the hawkers as one of the most important informal sector groups in Kuala Lumpur city.

The Role of the Informal Sector in the National Development Programs

It has been suggested by McGee (1978) that development of the informal sector as a strategy to alleviate the situation of employment in the urban areas can be discussed through three approaches :

The first approach (the Reformist approach), states that because of insufficient evidence, it is impossible to argue that the results of policies which favour the informal sector will be either favourable or unfavourable to development. Therefore, McGee argues, what should be done at the least is to continue policies designed to support the informal sector on the assumption that they will at least benefit the low-income populations of the developing countries.

The second approach (the conventional development wisdom), contends that because policies which favor informal sector development encourage the persistence of low-income and low productivity activities, first priority should be given to increasing inputs into the higher productivity sectors. McGee was also hopeful that this would

lead to increased economic growth and an eventual spread of income throughout the low-income populations and the rest of the economy.

The third approach or the radical approach sees these attempts to preserve the existing economic structure as essential to benefit international capitalism and the dominant mode of production in these peripheral capitalist societies.

However, it is important for city authorities to consider both the first and second approaches regarding policy towards the informal sector development. We could not rely too much on the view put forward by some scholars, including McGee (1982) lately, who interpreted the role of the informal sector negatively. In fact, we must be very positive in introducing a new approach towards the development of the informal sector and its roles in national development strategies. The informal sector should be seen as a vital and dynamic sector capable of providing employment and income opportunities for rapidly increasing urban populations, especially the urban poor.

The Informal Sector in Malaysia

The hawkers community in Kuala Lumpur city is one of the most distinct groups of the informal sector. They are not a homogenous group but consist of different characteristics in terms of location, mobility and types of economic activities. According to Kuala Lumpur City Hall's Departments of Hawkers Management, there are ten categories of hawkers in Kuala Lumpur city (see Table 1).

Table 1 Licensed Hawkers in Kuala Lumpur city, 1985
(Percentage)

Types of hawkers	%
Stationary Hawkers	42.8
Itinerant/Mobile Hawkers	2.9
Stall outside market hawkers	16.0
Stall inside market hawkers	25.4
Locked stall hawkers	7.7
Hawkers in shopping complex	0.1
Kiosk hawkers	0.2
Push-cart hawkers	0.5
Open market hawkers	0.1
Night market hawkers	4.1
Total	100.0
Sample size	13,609

Source : Department of Hawkers Management, Kuala Lumpur City Hall, 1986
(unpublished data).

Table 2 Licensed Itinerant Hawkers in Kuala Lumpur city, By Types of Activities, 1985

Types of Activities	NO.	%
Cooked Food	327	83
Fish and Vegetables	41	11
Meat	4	1
Textiles & Garments	19	5
Total	394	100

Source : Department of Hawkers Management, Kuala Lumpur City Hall, 1986 (unpublished data).

Both Tables 1 and 2 show a wide range of activities and types of hawkers in Kuala Lumpur city, from household to personal services, all involving many traditional activities such as preparation of cooked food for the city dwellers at cheap prices. More importantly, the informal sector is a sector of transitional employment that can absorb rural migrants.

Studies of the urban informal sector in Malaysia indicate that policies designed to support the informal sector will have long term benefits to the lower income groups (Sing Tong Joo, 1983; Mohd Taib, 1984; Agus, 1985). In fact, some of the lower income groups in the informal sector earned more than some of the groups in the formal sector. For example, the night-market hawkers in the informal sector earned more than twice the monthly income of the factory girls in the formal sector (Sing Tong Joo, 1983; Daud, 1985). Given the proper attention and support, the informal sector could help improve the economic conditions of the lower income groups. It does not necessarily lead to the underdevelopment and dependency as viewed by some scholars (Salih, 1980; McGee, 1982).

Recent studies of the urban informal sector in Kuala Lumpur city provide some indication of their income level (see Table 3).

Table 3 Monthly Income of the low-income groups in the Informal Sector in Kuala Lumpur city, 1984

(Percentage)

Monthly Income (M\$)	Night-market Hawkers	Medicinal Street Peddlers
1001 and above	35	50
701 - 1000	30	20
501 - 700	30	10
Total	100	100
Mean	M\$ 695.00	M\$ 703.00
Sample size (N)	600	70

Source : M. R. Agus, Informal Sector Survey in Kuala Lumpur, 1984, Department of Anthropology and Sociology, University of Malaya, 1984 (Unpublished data).

Note : US\$ 1 is equivalent to M\$ 2.5

More than two-thirds of the low-income groups in the informal sector earned more than M\$ 700 per month. More importantly, mean monthly income of the night market hawkers (M\$ 695) is equal to the mean monthly income of the urban population in Malaysia, which is M\$695 (see Malaysia, 1986 : 99). However, the medicinal street peddlers show a better performance because their mean monthly income (M\$ 703) is slightly higher than the mean monthly income of the urban population. The Malaysian city authorities such as Kuala Lumpur City Hall must be cautious in identifying the target groups in the informal sector so that help and assistance will benefit the lower income groups rather than the "rich" urban groups.

The Integration of the Informal Sector in Planning for the Low-Income Settlements : Implication for Government Policies

The importance of the informal sector has been largely ignored in planning for low-income settlements in developing countries (Habitat, 1981). However, recently, new emphasis has been given to the informal sector in Malaysia, especially in planning and implementation of an integrated human settlement. It is important that the planning of low-income settlements should not merely be confined to the housing needs of the lower income groups but also to the improvement of job opportunities, social services and physical infrastructure and plans in order to enable the urban poor to afford higher residential standards. These new settlements should increase possibilities of the urban poor for future improvement as well as for the development of small scale enterprises or industries. Moreover, employment generating programs in low-income settlements should facilitate the activity of small traders, hawkers of the informal sector.

Kuala Lumpur City Hall, in 1981, estimated the total number of squatter families to be about 45,209 with a total population of 225,209 persons (Dewan Bandaraya, 1981). It is estimated the number has decreased because of the regular monitoring of the movement of squatters and exercising control on the expansion of existing and formation of new squatter settlements by the Enforcement Directorate of Kuala Lumpur City Hall.

Recognizing the failures of early resettlement programs, the city authorities devised several approaches in dealing with the problems of squatters.

The first approach is to improve coordination and streamline methods of channeling social, economic and physical development programs to the existing squatter areas. Through discussions and informal meetings with the squatter communities, the Sang Kancil Program was introduced in 1981 with the establishment of a community center which provides health services for mothers and children, pre-school education for the children and a minifactory of income-generating activities for women to supplement her family/household income (Agus et al., 1984). In a study done in 1984, we observed that a higher level of participation in all services offered by the Sang Kancil Program in squatter areas (Agus, 1984a).

The second approach is related to the planning and implementation of new low-cost housing in the New Growth Areas (NGA) in Kuala Lumpur city such as Wangsa Maju, Bandar Tun Razak, Bukit Jalil and Damansara new townships. These NGAs are new areas on the fringe of Kuala Lumpur city being developed by City Hall and the private sector as part of the authorities' strategies of dispersion of population concentrations, especially from the slums and squatter areas to new settlements. It is also part of the authorities' plan to relocate some of the illegal or unlicensed hawkers from the city center to NGAs townships.

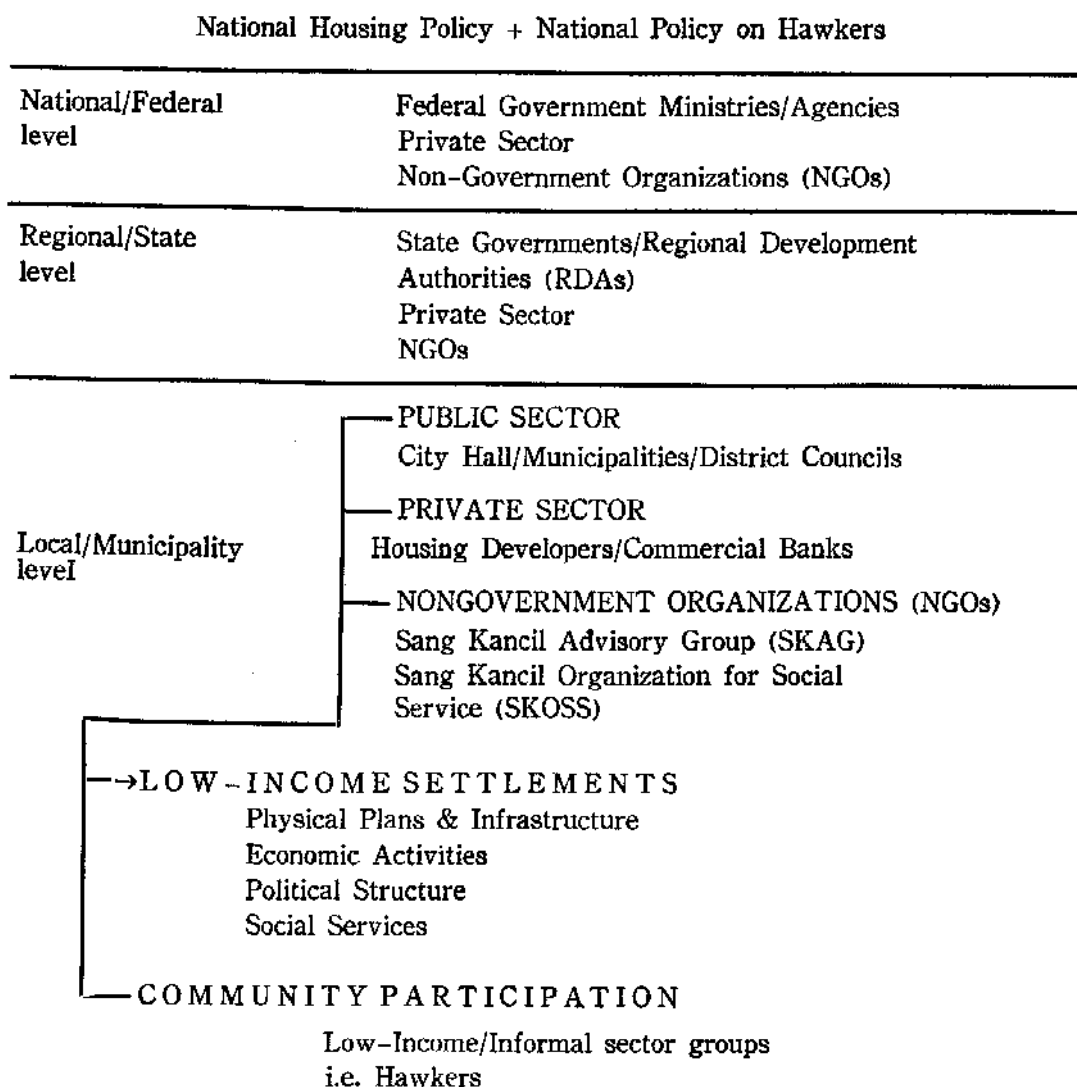
The informal sector is incorporated in the planning of NGAs because it partly solves the problems of housing and provides new employment opportunities for hawkers and small-scale traders. For instance, in the first phase of development of Wangsa Maju new township, 470 hectares of land were developed and 8,000 units of houses, shops and relevant infrastructure were completed in 1986. More than 1,300 families have moved in to this new township which emphasizes the concept of neighborhood among its populations. One of its notable features is the provision of new hawker centres in the area. Each hawker centre can accommodate about 40-50 hawkers and licenses are issued to the relocated hawkers and interested residents of the area.

In the early development programs of the City Hall, the role of the informal sector was neglected by the city planners. On the one hand, the presence of hawkers in Kuala Lumpur city was viewed as an obstacle to city development and affected the city's image as the national capital (Dewan Bandaraya, 1984 : 91) On the other

hand, the Kuala Lumpur City Hall acknowledged that there were 14,150 hawkers in Kuala Lumpur city in 1980. This change of policy was welcome by city dwellers, especially the hawkers. With the incorporation of the informal sector in the NGAs such as Wangsa Maju township, hawkers are given proper assistance and incentives in the development of city's economy. With this positive attitude of the KLCH management and active participation of the hawkers, the total number of people involved in this informal sector has increased to 25,042 in 1986. If we assume that each hawker in this sector supports a family of five, we can safely say that 20 percent of the population of Kuala Lumpur (approximately 1.1 million in 1986) are involved in the informal sector. It is estimated that if all categories of the urban informal sector, including all the illegal jobs that are classified, about half of Kuala Lumpur city population are involved directly or indirectly in this sector. The potentials of the informal sector in contributing to the economic growth should be fully exploited and assisted by the city authorities.

In planning for the low-income settlements in the NGAs, an integrated planning strategy was adopted by the Kuala Lumpur City Hall planners. It is part of an overall planning strategy for housing development and employment expansion in the city. In the national planning structure, both the elements of housing provision and informal sector are taken into account, especially at local/municipality level (see Figure 1)

Figure 1 Integrating the Informal Sector in Planning the Low-Income Settlements : A Malaysian Model



At the national level, government policies such as the national housing policy and the national policy on hawkers are needed to ensure that the lower income groups have access to land and housing, to basic amenities and services such as water and electricity supplies, education, health facilities and, most importantly, jobs.

However, its implementation would require a large effort indeed and commitment by the government, the private sector and NGOs at all levels. Since the need of

lower income groups cut across the traditional organization of government services, the private sector and NGOs, the delivery of an integrated package of assistance requires a high degree of coordination at all levels, especially at the local/municipality level. For instance in the Sang Kancil program, both the Sang Kancil Advisory Group (SKAG) and Sang Kancil Organization for Social Service (SKOSS) are guided by UNICEF and the Division of Social Development, Ministry of Federal Territory of Kuala Lumpur. Most of the assistance is concentrated on the management and financial aids of the program.

Similarly, in the planning and implementation of new townships of NGAs in Kuala Lumpur city, the private sector is given an equal opportunity to be involved. For instance, in the new township of Wangsa Maju, a private housing developer, PGK Sdn. Bhd., together with the City Hall are developing this new township on a joint venture basis. In its implementation, both the public and private and private sector are given an important task in incorporating the informal sector in the development of this new township.

Concurrently, a positive development to help the informal sector was started in 1986. A M\$30 million Special Loan Scheme (SLS) was launched by the Central Bank of Malaysia (Bank Negara) to help hawkers and small-scale traders in their operation, especially in these new townships (Malaysia, 1986). The Credit Guarantee Corporation (CGC) acts as the coordinator and guarantor for borrowers under this scheme. Four commercial banks have been selected to channel the funds to these informal sector groups. The hawkers and the small-scale traders will get a maximum loan of M\$ 2,000 each without a guarantor, provided that they fulfil the necessary requirement of having a license, be a member of hawkers' or traders' association and be a full-time hawker/trader. The loans will be subjected to 4% interest and must be repaid within 3 years. In addition, the Kuala Lumpur City Hall has invited representatives from the hawkers' association and academicians to sit in the City Hall Hawkers' Consultative Committee to discuss problems of hawkers and review the implementation of policies on hawkers in Kuala Lumpur city.

More importantly, at the local level, public participation in government is very crucial to their success. In the community structure, a committee of local leaders should be identified and consulted to achieve a smooth running program. For instance, leaders of hawkers associations would be responsible for mobilizing popular support and community participation. With the identification of local leaders, the City Hall officials, private sector executives and NGOs volunteers would be able to communicate effectively with the people. The Sang kancil program has shown that an effective communication with the target groups could ensure the success of the program, in terms of the city management administrative capacity and a high level of public participation.

Suggestions

In order to increase the productivity of the informal sector, several steps could be introduced and implemented by the City Hall or municipalities, the private and NGOs at the local level :

- 1) Giving up-to-date information on economic opportunities available both in the formal and informal sectors;
- 2) Giving access to available land and housing;
- 3) Training lower income groups at an industrial or business training institute to upgrade their skills and knowledge;
- 4) Counseling and advice services on ways to gain subcontracts from public and private sectors, and
- 5) Providing technical assistance in getting cheap and improve technologies and finding new markets for their products both in the country and overseas.

Conclusion

There has been a tendency in the past to focus too heavily on the physical improvement of the low-income settlements in Malaysia rather than raising the incomes of the urban poor. With the introduction and implementation of the new policy on the informal sector, the problems of the lower income groups could be gradually eradicated. The role of the informal sector should be reviewed from time to time so that improvements and innovations could further strengthen this sector in terms of high productivity and income-generating enterprises. It is also suggested here that the urban informal sector be an integral factor of both the national housing policy and national policy on hawkers.

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