

A Reflection on the Informal Sector and Developmentalism in Indonesia

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Abstract

This article explores the concept of empowerment within the informal sector, particularly as it relates to the development paradigm in Indonesia. Drawing on a range of ethical theories and critical thinkers, the discussion examines how development and empowerment function in parallel, each reflecting distinct yet intersecting moral orientations. While empowerment through informal labor is often framed as a counterpoint to mainstream developmentalism, it is not inherently free from ethical judgment or contradiction. The article begins with a brief overview of Indonesia's developmentalist trajectory. It then argues that although empowerment, especially through the informal sector offers an antithetical vision to formal development narratives, it remains an ethically complex site and needs redress. Rather than a clear-cut alternative, such a form of empowerment emerges as a morally contested terrain, where survival, dignity, and agency are negotiated under persistent structural constraints.

Keywords: empowerment, developmentalism, Indonesia, informal sector

Abstrak

Artikel ini mengeksplorasi konsep pemberdayaan dalam sektor informal, khususnya dalam kaitannya dengan paradigma pembangunan di Indonesia. Dengan merujuk pada berbagai teori etika dan pemikir kritis, pembahasan ini menelaah bagaimana pembangunan dan pemberdayaan beroperasi secara paralel, masing-masing merefleksikan orientasi moral yang berbeda namun saling bersinggungan. Meskipun pemberdayaan melalui kerja informal sering diposisikan sebagai tandingan terhadap arus utama developmentalisme, ia tidak serta-merta terbebas dari penilaian etis atau kontradiksi. Artikel ini diawali dengan tinjauan singkat terhadap trajektori developmentalis di Indonesia. Selanjutnya, artikel ini berargumen bahwa walaupun pemberdayaan, khususnya melalui sektor informal, menawarkan visi yang bertentangan dengan narasi pembangunan formal, ia tetap merupakan ranah yang kompleks secara etis dan memerlukan perhatian kritis. Alih-alih menjadi alternatif yang tegas, bentuk pemberdayaan semacam ini muncul sebagai medan yang secara moral dipertentangkan, tempat di mana kelangsungan hidup, martabat, dan agensi dinegosiasikan di bawah tekanan struktural yang terus berlangsung.

Kata Kunci: pemberdayaan, developmentalisme, Indonesia, sektor informal

Introduction

The language of development in Indonesia has long been shaped by a legacy of postcolonial politics and an uncritical adoption of modernization theory, most notably Walt Rostow's linear model of progress. By charting a trajectory from "traditional society" to "high mass consumption," Rostow offered postcolonial states an alluring, if reductive, roadmap for asserting global relevance and national legitimacy (Gilman, 2018). By this logic, Indonesia, in economic terms, might be said to have reached the final stage. Yet the central question remains: can it be considered truly "developed"?

For many observers, the answer is far from straightforward. Equating development with economic growth has lost both moral and practical traction. Scholars such as Haque (1999a; 1999b) have long critiqued the development apparatus for its inability to resolve entrenched social inequalities ranging from poverty and infant mortality to environmental degradation. Rather than dismantling the colonial logic of conquest and extraction, development often reproduces it under

the language of progress (Escobar, 2018; Kothari, Salleh, Escobar, Demaria, & Acosta, 2019; Mignolo, 2011; Quijano, 2024). Development becomes less a moral promise than a technocratic trajectory, one that frequently defers justice in favor of efficiency.

In Indonesia, the pursuit of development is frequently underwritten by a sense of deontological duty, one grounded in national unity and modernization. Yet what is often missing from this moral posture is an ethic of care and autonomy: a commitment to treat individuals and communities not merely as means to economic ends, but as ends in themselves. When growth becomes the primary purpose rather than a byproduct of development, it risks undermining the very social goods it claims to promote. Moral ideals, stripped of contextual grounding and filtered through state imperatives, become both blunt instruments and fragile aspirations.

Indonesia's post-independence state-building project fused two normative commitments: the ideological unity of Pancasila and the economic unity promised by developmentalism. While both were seen as nation-building tools, their convergence has produced ambivalence particularly in a context marked by ethnic heterogeneity, regional inequality, and persistent struggles for agrarian and ecological justice. Among Indigenous and customary communities, moral claims to resource custodianship are often diluted by political expediency and anxieties about national cohesion (Berenschot, Dhiaulhaq, & Saraswati, 2024).

The effects of this ideological entrenchment are tangible. Persistent disparities in Eastern Indonesia (Nugraha & Prayitno, 2020; Wibawa et al., 2021), the uneven realization of decentralization, and the consolidation of local elite power (Aspinall & Berenschot, 2019; Berenschot, 2018), all point to the limitations of mainstream development frameworks. Even participatory governance, once envisioned as a vehicle for empowerment, has been co-opted by new forms of exclusion (Azis & Pratama, 2020; Hofman, Kaiser, & Schulze, 2009). Forest conflicts involving Indigenous communities further demonstrate how development, when pursued through universalist logics, fails to engage with local moral and epistemological worlds (Astuti & McGregor, 2017; Dhiaulhaq & McCarthy, 2020).

These tensions make clear that development is not merely a policy issue, but an ethical dilemma and one that demands a reconsideration of its underlying assumptions. However, the search for alternatives must be approached cautiously. While "alternative development" gestures toward grassroots participation, small-scale economies, and empowerment, it also bears its own ethical and political limitations. As such, this article resists both wholesale rejection of developmentalism and utopian endorsement of its alternatives. Rather, it proposes a spectrum-based reading, one that locates practices and paradigms in relation to each other without collapsing them into rigid binaries. This approach allows for a more careful and context-sensitive account of what development does, for whom, and at what cost.

Theoretically, this article draws on key works that examine empowerment and the informal sector, particularly those that position these concepts as more than technical fixes, but as ethical and political orientations. As will be elaborated in subsequent sections, I argue that interpreting the informal sector as a form of empowerment is especially relevant in the Indonesian context. This framing offers a compelling response to the limitations and, arguably, the obsolescence of a

growth-obsessed developmentalist model that continues to dominate state discourse. The informal sector, in this sense, embodies a kind of pluralism: it is tolerated, resilient, and often overlooked, yet it also reveals the fault lines of the formal economy. Its potential for alleviation lies not simply in its adaptive capacities, but in its relation to broader institutional reforms. As envisioned in state planning documents such as Presidential Regulation No. 12 of 2024 on the National Medium-Term Development Plan (Rencana Pembangunan Jangka Menengah Nasional) (Perpres No. 12, 2025), such reforms at the macro level presuppose the possibility of meaningful transformation at the micro level. If these trajectories align, the informal sector may offer not just a stopgap, but an entry point for more just and context-sensitive forms of development.

Accordingly, the focus of this article is twofold. First, it explores the deep entrenchment of developmentalist ideology in Indonesia, its reliance on abstract metrics, ideological blind spots, and its marginalization of epistemologies rooted in Indigenous and local knowledge. Second, it engages with alternative frameworks, particularly one that resonates with Friedmann's notion of empowerment, as a counter-vision that values informal economies. I find this perspective especially generative in the Indonesian context, where the informal sector remains a persistent feature of everyday economic life and a potential site of alternative development.

This article begins with a brief overview of developmentalism in Indonesia, followed by an exploration of the structural and institutional shifts that occurred after the fall of the New Order regime. I exercise particular caution in employing the terms "Reformasi" (Reformation) and "pasca-Reformasi" (post-Reformation), as they appear to imply distinct temporal and conceptual phases. In this context, Reformasi denotes the initial moment of political and institutional awakening, characterized by aspirations toward democratization, regional autonomy, and decentralization. Meanwhile, pasca-Reformasi is often used to signify the succeeding period; one that is presumed to reflect the outcomes or continuation of the reform agenda. However, the prefix "post" can be misleading, as it suggests a departure from or completion of the reform process, which in practice remains deeply contested and uneven (Lindsey, 2018). Given the ambiguity and limited institutional transformation in development practice, I opt to use Reformasi throughout this article to refer broadly to the period following the New Order. This choice is made not only for the sake of conceptual clarity but also to underscore the unfinished and ongoing nature of the reform trajectory.

While developmentalism may persist as a dominant narrative, the informal sector emerges as a compelling counterpoint. Not merely a site of survival, it offers a reflective pole that enables a spectrum-based reading of development.

Developmentalism: A Brief Overview and Critique

Indonesia's development trajectory, particularly since the New Order era, has been deeply shaped by a model of growth rooted in Rostow's stages of modernization. While often presented as a neutral roadmap toward prosperity, this framework masks a range of ethical and epistemological concerns. At its core, Rostowian developmentalism privileges a linear, growth-centric logic that too often results in paternalistic relationships between so-called "developed" and

“developing” nations (Hunter, 2012; Leftwich, 1993). As Lodewijks (1991) argues, this tendency legitimizes economic dependency, foreign intervention, and even militarism often justified through the rhetoric of safeguarding stability and ensuring a secure environment for economic activity.

This technocratic logic persists in Indonesia, where development is framed not only as a necessity but as a moral imperative, an obligation to “catch up” with a global order built on the very histories that marginalized postcolonial states. The irony, as Quijano (2007) explains, is that while colonialism as a political structure may have ended, coloniality, further expressed in the form of deeper logic of racial, epistemic, and economic domination remain entrenched. Coloniality continues to shape the organization of knowledge, institutions, and authority, including those embedded in postcolonial states. In Indonesia’s case, this logic materialized vividly during the post-Sukarno transition. Following the rise of the New Order, development became synonymous with centralized control, state-led industrialization, and a narrowly defined national unity.

To unpack this model further, Pike et al. (2007) provide a useful analytical matrix that categorizes developmentalism into, among other, three interlocking dimensions: political economy, social goals, and institutional mechanisms. In the Indonesian context, each of these dimensions can be readily identified:

- a. Political Economy: The state is positioned as the principal agent of economic progress, managing markets through protectionist policies, public investments, and industrial planning aligned with Keynesian ideals.
- b. Social Goal: Development is closely tied to nation-building. It assumes a universalized vision of citizenship, emphasizing uniformity, entitlement, and redistribution often at the cost of regional or ethnic particularities.
- c. Mechanisms: Policies like Import Substitution Industrialization (ISI), heavy industry promotion, and centralized planning dominate the developmental strategy, reinforced through tariff protections and state monopolies.

This technocratic configuration was not merely a matter of policy. It was a deeply ideological architecture. Under Suharto’s New Order, this architecture was enforced through institutions like Dwifungsi ABRI, where military officers were permitted to occupy civilian roles without relinquishing their military status. This dual function blurred the line between civilian governance and military oversight, allowing the armed forces to become key political actors while preserving their institutional privileges.

Various scholars have analyzed the New Order through different conceptual lenses that reflect the same underlying structure of elite domination. Emmerson (1983) referred to the regime as practicing bureaucratic pluralism, highlighting the segmentation and competition among state apparatuses. Jackson (1978) described it as a bureaucratic polity, emphasizing that political power was largely confined to a narrow elite composed of technocrats, military officers, and high-ranking civil servants. Honna (1999), meanwhile, offered a sharper ideological reading, characterizing the military’s role as one of ideological militarism, a structure that claimed the capacity to preserve

national unity while deliberately invoking a lingering sense of instability to justify its continued dominance.

This contradiction, desire for order alongside an exaggerated perception of perpetual threat gave rise to what might be called a political imaginary of danger. The persistent invocation of communism as an “internal threat,” even decades after its formal ban, and the elevated moral status of Pancasila as the ultimate ideological compass, functioned to consolidate political legitimacy while suppressing dissent. Indeed, Pancasila was transformed into a moral technology of governance. During the New Order, the P4 program institutionalized Pancasila as both a civic virtue and a national duty, thereby conflating obedience with patriotism (Morfit, 1981). Bouchier (2019) notes that by sanctifying Pancasila in both ideological and legal terms, the regime crafted a powerful tool to authenticate its rule and silence its critics.

Yet as Kim (2024) argues, this moralization of Pancasila also involved an attempt to immunize the state from ideological disruption. By elevating it to the level of an untouchable, depoliticized truth, Pancasila became a placeholder for moral unanimity, serving more as a barrier to pluralism than a platform for ethical discourse.

In this light, developmentalism in Indonesia is not simply a policy preference but a deeply embedded ideological formation. It fuses economic planning with nationalist sentiment, moral doctrine, and coercive power. While it has undeniably produced measurable outcomes in terms of infrastructure and economic metrics, it has also legitimized a host of exclusions such as marginalization of local knowledge systems, reinforcement of extractive logics, and suppression of democratic contestation. Its ethical shortcomings lie not only in what it overlooks but also in what it actively silences.

As a prelude to exploring alternatives to mainstream development, it is also equally important to first expand on the idea that developmentalism in Indonesia is more than a unifying force deeply embedded in the country's national identity. It has evolved into a regime of quantification, an ideology that simplifies and governs the complexities of society through metrics and numerical representations. This quantitative logic not only shapes state policy but also marginalizes other epistemologies, particularly those rooted in Indigenous and local knowledge systems.

A survey conducted by MacDougall (1976) on technocratic-led modernization illustrates the widespread approval of this approach, largely because technocrats were perceived as experts tasked with spearheading Suharto's economic vision. Technocrats became the architects of Indonesia's economic planning, reinforcing the legitimacy of development discourse that leaned heavily on positivist frameworks. Development, as it came to be understood, was defined through measurable indicators such as Gross National Product (GNP) and Gross National Income (GNI) (Fouberg, Murphy, & De Blij, 2009). However, such measures only capture the formal economy, while ignoring the vast informal sectors that operate beyond the reach of the state activities such as unregulated trade, undocumented labor, and tax evasion, which remain integral to the livelihoods of many Indonesians (Rothenberg et al., 2016).

Today, Indonesia's democracy houses two seemingly parallel worlds: one where technocrats translate scientific rationality into policy, and another where ordinary citizens, often invisible to

the state, struggle to make ends meet. The spirit of developmental positivism endures even after the fall of the New Order. Its utilitarian logic where development is equated with the maximization of happiness and thus presumed to be inherently good continues to guide policy decisions. Yet this logic often disregards the costs, particularly for those on the margins. The rhetoric of growth and progress has repeatedly justified policies that displace and dispossess Indigenous and rural communities. As Berenschot and Dhialulhaq (2023) note, collusive business practices and a rightless justice system have enabled land grabbing, especially in resource-rich regions like Sumatra, Kalimantan, and Papua. But these processes are not geographically confined; they recur across the archipelago, making dispossession an almost emblematic feature of national development.

The assumption that growth and development are naturally correlated rests on a flawed logic. As Van der Eng et al (2010) have argued, productivity must be understood in relation to broader social dynamics that both influence and are influenced by it. Indonesia's current productivity surge may place the country at the cusp of Rostow's final stage of development, yet the deeper problem lies in how metrics are treated as absolute representations of success. Muller (2018) critiques such a regime of quantification, arguing that instead of delivering on its promise to optimize governance and improve livelihoods, it has deepened inequality in virtually every domain of life. Numbers, as instruments of universalism, obscure more than they reveal when applied to deeply heterogeneous societies like Indonesia's. They mask the nuanced, often unquantifiable realities of Indigenous life-worlds.

While metrics and data have their place in policy and governance, they are ill-equipped to capture complex social facts such as cultural diversity or Indigenous epistemologies, given how informality rules the lives of rural communities, sometimes combined with their strong indigenous attachment. The universalist impulse of the developmental state imposes a singular national identity, grounded in Pancasila and the officially recognized religions, as a prerequisite for citizenship. These formal requirements leave little room for the recognition of Indigenous systems of belief, knowledge, and governance. In practice, this ideological blind spot has enabled coercive development practices that undermine Indigenous claims to land and cultural autonomy. Schefold (1998) notes that Indonesia's immense cultural diversity predating colonialism has been systematically domesticated through a project of nation-building that selectively reconstructs the past to fortify a modern national identity.

Thus, if we are to move toward an inclusive model of development, we must interrogate the assumptions embedded in developmentalism and resist the universalizing tendencies that sideline Indigenous and customary communities. Development ideally should become a conversation, not a prescription, rather than top-down intervention driven by metrics and market logic. Only then can we begin to imagine futures that are genuinely equitable, plural, and grounded in the lived realities of all Indonesians.

Alternative Development: Empowerment through Informal Sector as An Antithetical Stance?

Friedmann is particularly noted for his emphasis on the concept of empowerment as a critical response to poverty and social injustice. For Friedmann, poverty is a relative condition; its severity and visibility often depend on the broader socio-political stability of a given context. This relativity renders poverty an elusive phenomenon; yet, despite its abstract nature, what remains imperative is the need to alleviate it. In the discourse of development, poverty is consistently positioned as a central challenge, frequently linked to communities that are socially and economically marginalized. This is particularly evident in Indonesia, where despite considerable progress in reducing poverty through development, poverty remains an enduring issue.

Aligned with the United Nations' first Sustainable Development Goal (SDG) (United Nations, n.d.) to eradicate poverty in all its forms everywhere, poverty is understood to have multiple dimensions. Its root causes include unemployment, social exclusion, and the heightened vulnerability of certain populations to disasters, disease, and other systemic impediments that constrain their productivity and agency. While development is ostensibly tasked with addressing these issues, in practice it often falls short. As a political commentator once observed in relation to the persistent popularity of Indonesia's New Order regime, development tends to be narrowly interpreted in terms of physical infrastructure, with far less attention paid to institutional reform (Mahamel, 2011). This observation may imply one of two assumptions: either that institutional reform is expected to follow once infrastructure is in place, or that the advancement of infrastructure assumes that institutions are already functioning effectively. Both interpretations are problematic.

Development, much like the concept of poverty itself, remains an abstract and often incommensurable ideal. Even if it can be rendered measurable, it encompasses a wide array of dimensions that demand thorough and critical examination. Friedmann (1996) expressed a cautious if not slightly pessimistic view regarding the complete eradication of poverty, rooted in his distinctive conception of power. Unlike the Foucauldian notion of power as embedded in political structures and disciplinary practices, Friedmann advocates a more benign, almost biblical interpretation: the power to define and act upon oneself. For him, empowerment is not about dominating others, but about cultivating self-respect and the capacity for self-determination, especially among the marginalized.

Empowerment, in this sense, is radical. It seeks to bridge the disjuncture between the normative ideals of development and the empirical frameworks of social science. As Koggel (2010) argues, the actualization of empowerment requires more than collective mobilization; it also demands a nuanced awareness of how individual lives are embedded in, and shaped by, relational dynamics within communities, as well as broader local, national, and global forces.

Friedmann's (1992) notion of empowerment resonates with James Scott's notion of *infrapolitics*, particularly in the sense that both are grounded in a moral obligation not only to oneself but also to the community. This symmetry lies in their shared resistance to the exclusionary tendencies of dominant development paradigms. As development often perpetuates social and

economic exclusion, empowerment becomes a necessary counterforce mechanism through which human dignity is preserved and survival is secured.

The struggle for survival manifests in various forms, which Friedmann (1992: 22) recognizes as integral to the dialectic of modernization. These include individual entrepreneurial efforts within the informal economy, collective acts of protest and resistance, and community-based initiatives.

Informal work can be broadly understood as labor that exists outside the direct purview or control of the statework that takes place without state recognition or regulation (Friedmann, 1992: 22). This condition, however, is far from homogenous. In a comprehensive survey of economic schools of thought, Chen (2012) characterizes informal work as occupying a segmented and precarious space in the economy. It lacks access to legal and social protections, and consists of marginal economic activities that, although distinct from the formal sector, are integral to the economy's heterogeneity. Chen offers multiple layers of interpretation: on one hand, the informal economy comprises subordinate units of micro-enterprises and precarious laborers that help reduce labor and input costs, thereby enhancing the competitiveness of formal capitalist firms. On the other hand, it includes "plucky" entrepreneurs who opt to remain informal to avoid bureaucratic burdens, as well as opportunistic actors who consciously evade regulation and taxation.

To this already complex schema, one must add the domain of unpaid care work. This includes the labor of caring for young children, the elderly, or disabled family members work typically performed out of familial obligation, often mentally and physically exhausting, and overwhelmingly excluded from the economic calculus. Its informality is not just economic, but deeply moral and emotional.

Thus, informal labor exists in a legal grey zone; it may be legal or illegal in nature. In Indonesia, for instance, informal workers are often exempt from taxation if their income falls below a certain threshold, effectively placing them in a space where state acknowledgment is minimal, yet beneficial. However, their presence is more than a signal of economic productivity. As Friedmann (1992: 23) notes, it is also a quiet act of resistance response to structural exclusion.

Although informality has traditionally been associated with developing economies as reflected in the seminal works of Hart (1973) and Sethuraman (1976), its dynamics are not confined to the Global South (Chen, 2012). Indeed, the persistence of informal sectors in tandem with formal economies reveals a structural parallelism, especially visible in urban migration patterns. For many rural migrants in Indonesia, informal work serves as an immediate, if tenuous, entry point into urban labor markets (Pitoyo, 2007).

The Indonesian context offers vivid illustrations: parking attendants, market vendors, porters, petty traders, and increasingly, drivers of ride-hailing apps known as *ojol* (*ojek* online) have become ubiquitous figures. While not all of these workers lack formal education, most belong to the lower socioeconomic strata. Their marginality is not just economic but spatial and symbolic, as they straddle the boundaries of urban life, legality, and visibility.

Framed through Amartya Sen's capability approach, Monteith and Giesbert (2017) propose that informal work should not be viewed merely as a survival mechanism but as a morally significant pursuit. Informal work, like any work, can be an avenue for agency, autonomy, and self-realization,

an insight echoed in Friedmann's interpretation of informal labor as a reflective exercise of power. Frediani (2010), drawing on similar lines, argues that informal work particularly within alternative development discourse reveals both entrenched structural inequalities and the enduring strength of individual agency.

At its core, the informal sector represents a grassroots struggle for recognition and livelihood. It embodies a living social critique of an exclusionary system. The very diversity of informal work ranging from legal to illegal, from physically demanding labor to low-effort gig work signals not just economic necessity but human aspirations for flexibility, dignity, and moral agency. People engage in informal work not only to survive, but to assert control over their time and labor. In this light, empowerment is a fundamentally moral framework rooted in the cultivation of dignity, social responsibility, and a commitment to communal well-being.

And yet, this moral framework is not without contradictions. The pursuit of dignity through informal work can obscure deeper ethical tensions especially when individuals endure exploitative conditions, either imposed by others or internalized through self-sacrifice. The paradox lies in choosing an exploitative path not out of ignorance but out of an overwhelming desire to be useful, to support one's family, or to meet social obligations. Here, the boundaries between freedom and subjugation blur.

The discourse around informal labor cannot be disentangled from the experiences of marginalized communities particularly Indigenous groups. Their entanglement with informal labor is deeply rooted in the developmentalist paradigm, which has historically dispossessed Indigenous men, forcing them to seek work outside their ancestral lands in order to support their families. Women, on the other hand, remain engaged in unpaid care work or agricultural labor such as forest gardening tasks that fall within the informal sphere yet sustain entire households (Haug, 2017). This gendered division of labor exposes the silent burdens carried by Indigenous women and the evolving roles imposed by developmental change.

This struggle to maintain rural quality of life amid aggressive developmental expansion has been described as the agrarian transition (Sim, 2011). Often, it is a deeply painful process involving family separation and inadequate compensation by concessionaires. In many cases, the very national development agenda that promises integration into the global market displaces rural communities, forcing them to carve out informal livelihoods as acts of sheer resilience (Großmann, 2018; Sim, 2011).

In such marginalizing contexts, informal work emerges not merely as a fallback option, but as a strategic and at times defiant response to systemic exclusion. It is here that the informal economy reveals its double character: both a product of structural violence and a site of everyday resistance.

At a fundamental level, even the most seemingly antithetical or alternative models of development such as empowerment through informal means may not, in themselves, offer clear-cut solutions. What initially presents itself as a break from dominant paradigms often carries within it its own set of contradictions and limitations. On the surface, this may appear as a form of liberation from rigid structure and an opening toward autonomy and self-determination. Yet, a closer look reveals that informality is far from free of further complications.

Indeed, those involved in the informal sector are often navigating a complex moral and practical terrain. Their motivations are rarely reducible to altruism or the pursuit of collective well-being alone. Rather, what we often see is a more layered negotiation, an effort to reconcile economic commitments with personal or communal loyalties. In many cases, individuals find themselves mediating between the demands of survival and a sense of duty or care directed toward specific people or groups. In this light, informality is not merely a site of marginal labor but also a space of ethical tension and negotiated belonging.

Moreover, while the informal sector may offer greater flexibility in terms of time, pace, and working conditions allowing for intermittent leisure or extended hours based on personal choice, this apparent freedom is not unbounded. It remains shaped by broader cultural and moral frameworks, particularly the enduring modern belief that productivity is virtuous and idleness morally suspect. Even within spaces that appear to operate outside formal structures, one can discern the subtle workings of a normative ideal: that work confers dignity, while rest or withdrawal invites judgment.

Empowerment, then, becomes a deeply ambivalent notion. It can point toward liberation, but it can just as easily entail new forms of constraint albeit under the banner of autonomy. What emerges is a spectrum of freedoms, each accompanied by its own ethical compromises. Some are limited and conditional, others more expansive, yet none entirely free from the influence of dominant values.

Yet despite these tensions, the informal sector remains a vital site of meaning-making. It is here that we often witness new articulations of resilience and resistance not through overt political acts, but through the quiet forging of links between self-cultivation and productivity. For many, especially those increasingly excluded from the benefits of formal economic participation, the informal sphere becomes a place of creative adaptation. It offers a way to navigate, and occasionally subvert, a system that grows ever more inhospitable.

Further Reflection of Informality as An Expression of Empowerment

When situated within the broader context of Indonesian development, which remains a contested and dynamic site of meaning-making, informality can be understood not merely as a structural consequence but as a form of empowerment. This empowerment exists in tension with dominant development narratives. In this reflection, informality is approached in light of several influential policy reports that reveal a stark contrast between formal, state-sanctioned visions of development and the lived realities of informal practices.

A particularly useful lens for understanding this tension lies in examining the relationship between national and regional authorities. Despite reforms, this relationship continues to exhibit asymmetry. The legal framework of decentralization, introduced in the wake of the New Order's collapse, promised to break away from the deeply centralized and authoritarian past. Initially celebrated as a moment of political renewal, decentralization has proven to be politically optimistic and structurally fragile. As Lewis (2023) argues, central authority continues to exert control, albeit now masked by reformist rhetoric and technical language.

Nevertheless, decentralization has not remained static. As Talitha et al. (2020) suggest, the process has evolved and, in some respects, shown institutional improvement, even while remaining vulnerable to structural challenges. To make sense of its practical implications, it is important to distinguish between two aspects of decentralization: fiscal and administrative. However, both domains remain shaped by long-standing patterns of clientelism and patronage. These patterns complicate implementation and often neutralize even the most well-conceived policy designs. Lewis (2023) observes that without robust mechanisms to ensure accountability and responsiveness to local needs, policy frameworks, no matter how sophisticated, are likely to fall short, especially in the face of entrenched corruption.

This ongoing tension reflects the deeper problem of decentralization's dual character. While authority is nominally devolved, the structural imbalance between central and regional power persists. Reports from the Fiscal Policy Agency under the coordination and auspice of the Ministry of Finance, such as the one published in 2021, offer detailed accounts of the decentralization process over the past two decades. However, these reports tend to emphasize administrative structures and legal design, often at the expense of examining practical outcomes. Lewis (2023) critiques this overreliance on technical solutions, noting that such approaches neglect the political dimension of reform, including the persistence of elite capture, patronage, and eroding public trust.

The risks of collusive and/or corruption practice in the context of decentralization were not entirely unforeseen. Studies by Siburian (2024) and Yunan et al. (2023; 2020) have highlighted that decentralization can inadvertently foster new forms of corruption, particularly when local actors, newly empowered by legal reforms, operate within a system that lacks strong oversight. Although regional governments are formally recognized as agents of development, the current framework tends to position them as subordinate administrative partners. This arrangement does little to support meaningful capacity-building at the local level. Instead, decentralization often enables the central government to maintain influence over regional governance, albeit in more subtle and flexible ways.

While the Ministry of Finance's (2021) long-term evaluations on decentralization fiscal policy are valuable in terms of scope and detail, their technocratic style reflects a broader tendency within state discourse. Rather than engaging in critical self-assessment, these documents tend to reaffirm the legitimacy of state-led development, often adopting a celebratory tone. This mode of communication, which evokes the paternalistic ethos of the New Order, frames the state as a benevolent authority; a familial figure with the president as a wise and guiding patriarch (Bourchier, 2019). Such imagery continues to shape public narratives and masks the structural contradictions that persist in Indonesia's reformation development regime.

In Indonesia, decentralization has, to a significant extent, materialized as a discursive rather than institutional transformation. This is particularly evident in the recent jurisdictional tensions between the provinces of Aceh and North Sumatra over the governance of small islands (Pradnyana, 2025). This episode illustrates the fragility of decentralization as a state-sanctioned initiative, revealing its susceptibility to instrumentalization for political ends and its potential to exacerbate subnational instability. On the economic front, the malleability of decentralization is

similarly demonstrated by the Raja Ampat mining permit controversy and various instances of informal extraction (Nugroho, 2025; Tenggara Strategics, 2025). These developments underscore the superficiality of the reformist language employed in official reports, particularly those of the Ministry of Finance, and point to the enduring influence of elite interests.

More broadly, the persistent obsession with economic growth, evident in the tone of nearly every policy report, suggests an underlying reluctance to depart from extractive paradigms and paternalistic rhetorical frameworks. This tendency can be read as a subtext of technocratic governance, one that privileges economic indicators over structural transformation. In this context, the study by Rothenberg et al (2016) remains especially salient. The authors offer an assessment of Indonesia's informal sector that, while arguably deterministic, avoids attributing its persistence solely to bureaucratic obstacles. Instead, they argue that informality is not only rational but perhaps even preferable in a context where localized, proximate markets offer more viable opportunities than large-scale expansion. Informal economic actors are not necessarily incapable of competing with formal enterprises; rather, their strategic orientation reflects a pragmatic and context-sensitive engagement with economic realities.

Such a reading illustrates the continuity of developmentalist logic, which remains latent within policy discourse even as its earlier, more centralized forms have receded. For instance, the Rencana Pembangunan Jangka Menengah Nasional (RPJMN) 2025–2029 (2025) reveals a familiar technocratic aspiration. It remains policy-driven, managerial, and overly optimistic—hallmarks of a vision shaped by developmentalist ideology. Its articulation continues to be entangled with the foundational ideology of Pancasila and the 1945 Constitution, which function as sources of symbolic legitimacy and normative orientation. While there is nothing intrinsically problematic in aligning development with national ideology, such alignment tends to delimit policy space, especially when informal economies are viewed narrowly through the lens of UMKM (*Usaha Mikro, Kecil, dan Menengah*, MSME). In such a framework, the structural nature of poverty and marginality is downplayed, if not altogether ignored.

In contrast, the approach adopted by Rothenberg et al. offers a more sober and cautious perspective. Their treatment of the informal sector is attentive to the layered and complex realities that shape economic decision-making on the ground. This approach stands in productive tension with the state's more celebratory tone and may offer a more grounded lens for evaluating policy effectiveness. While regulatory obstacles may no longer represent the principal barrier to formalization, the persistence of informality suggests deeper structural dynamics.

From my reading, and extending the implications of Rothenberg et al.'s work, the continued existence of informal economic activity outside the MSME framework should not be understood merely as a reflection of administrative inefficiency. Rather, it is symptomatic of a broader legal and political condition, what Berenschot and Dhiaulhaq (2023) describe as structural negation. Their analysis of legal loopholes and collusive arrangements highlights how exclusion is not incidental but structurally embedded. While their empirical work focuses on the dispossession of Indigenous and customary communities in the context of natural resource governance, the concept of *rightlessness* they develop is equally useful for interpreting the informal nature of the economic

situation in Indonesia. It captures a condition in which rights are either absent or unenforceable, and where state recognition is selective and contingent to private stakeholders and local elites.

Understanding how injustice is perceived and acted upon requires a more nuanced framework. Informal economic practices in Indonesia, ranging from precarious day labor, substitutional work arrangements, on-call services, to activities deemed illegal, must be examined with analytical sobriety to fulfil a substantiated and objective reading of its potential to empower marginalized communities. Beyond the bureaucratic streamlining and the normative calls for legal empowerment, there is a need to reconceptualize informality itself. A spectrum-based understanding of informality would avoid simplistic binaries and instead foreground the contingent and constructed nature of legal and illegal categories and how varieties of informal work may fall under each of those categories.

Illegality, in this context, should not be viewed as the direct antithesis of legality. Following McElwee (2004), illegality must be recognized as a socially and politically constructed category, shaped by the interplay between formal regulation and local practice. This perspective is especially relevant in the Indonesian context, where informal actors involved in activities such as unauthorized mining are often criminalized, despite operating out of necessity and with moral intent. Many are driven by conditions of poverty, familial responsibility, and the imperative to survive, factors that endow their actions with a form of normative legitimacy, even in the absence of legal sanction that should alleviate their marginalized status.

It is clear that decentralization, in its current form, has not substantively addressed the structural injustices it was initially designed to redress. Moreover, its limited impact reverberates through other highly politicized domains, such as employment, development, and economic growth, shaping not only the terms of public discourse but also the institutional modalities through which policy responses are conceptualized and enacted. Its legal architecture, comprising Law No. 22/1999, Law No. 32/2004, Law No. 23/2014 and its amendment (Law No. 9/2015), and most recently Law No. 1/2022 on Fiscal Relations between Central and Regional Governments (HKPD), remains constrained by technocratic rhetoric and the political economy of policy reform. Even in the post-authoritarian era, the decentralization agenda continues to operate within a discursive field shaped by the residual logics of centralized developmentalism.

Final Reflection

Ultimately, the broader reflection that emerges is this: while working as a day laborer or a ride-hailing driver is not illegal in itself, though undeniably precarious, such forms of livelihood invite us to think beyond the binary discourse of formal versus informal employment. The prevailing strategy of merely expanding formal job opportunities or promoting MSMEs as a panacea is insufficient if the underlying structural conditions that give rise to informality remain unaddressed. It is not enough to attempt to render the informal sector obsolete through formalization alone.

What is required instead is a deeper, more normative examination of how politicized rhetoric and developmental agendas in Indonesia are constructed, disseminated, and internalized. When it comes to the informal sector, it is crucial to recognize that informality, in itself, is not inherently a

problem (Ablaza, Alladi, & Pape, 2023; Oktiyanto, 2024; Rothenberg et al., 2016) (except where it intersects with activities that are deemed illegal). Even then, the category of illegality warrants a more careful normative interpretation, one that is accompanied by appropriate legal and policy considerations aimed at reducing harm rather than merely penalizing transgression (Rohman, Hartiwiningsih, & Rustamaji, 2024).

Rather than treating informality as an aberration to be corrected, it must be understood as a complex socio-economic formation, one that reflects both agency and constraint, necessity and exclusion. This calls for a shift away from reactive policy fixes and toward a more reflective, ethically grounded engagement with the diverse realities of informal work in Indonesia today against the backdrop of long-standing developmentalism.

However, I deliberately refrain at this stage from aligning too closely with either a radical or utopian orientation in approaching solutions. A more cautious stance is warranted, particularly as further research is needed on how the informal sector in Indonesia is normatively understood and positioned within broader development discourse. That said, what remains increasingly evident is that the conceptual scaffolding of developmentalism, which was once central to national economic imaginaries, has become obsolete. It no longer offers an adequate framework, let alone a credible agenda, for addressing the intertwined crises of economic decline and institutional dysfunction.

Invoking developmentalism today is not only analytically insufficient but also politically fraught. The terrain has become highly polemical, especially against the backdrop of a world grappling with profound instability. Headlines across the globe now echo with disquieting themes such as the rise of illiberalism, the erosion of democratic norms, the concentration of wealth among an emerging global elite, the proliferation of failed states, and unsanctioned military interventions. I do not invoke these phenomena as simplistic analogies, nor do I suggest a direct causal line between the pursuit of growth and the resurgence of these crises. Rather, I aim to highlight how the uncritical coupling of growth with development, which is a hallmark of developmentalist logic, often rests on unexamined historical claims and pretexts of self-preservation. These, in turn, have justified actions and policies with deeply troubling consequences.

Such reflections compel us to interrogate not only the economic doctrines we inherit but also the broader political orientations through which we navigate and respond to crises. It is increasingly necessary to recalibrate our modes of political engagement, especially by recognizing the heterogeneous and context-specific ways in which communities conceptualize and approach development. Only by opening space for plural frameworks; ethical, historical, and relational, can we begin to articulate a more just and responsive agenda for the future.

Conclusion

The persistence of informality in Indonesia cannot be adequately explained by technical or administrative shortcomings alone. Nor can it be reduced to a romanticized notion of quiet resistance or empowerment. Informality, in its full complexity, represents a mode of survival, self-organization, and at times, deviation, manifesting either in forms of illegality or in deliberate attempts to exist beyond the purview of the state. In this sense, informal labor is not simply

residual; it is constitutive of a broader socio-economic reality, shaped by systemic marginalization and historical neglect. It reflects an ongoing negotiation of agency under conditions where legal recognition and economic opportunity remain unequally distributed.

This paper has argued that the ideology of developmentalism, long embedded in Indonesia's legal and institutional architecture, has contributed significantly to the narrowing of socio-economic discourse. Development, particularly as articulated through national planning documents and fiscal coordination frameworks, often privileges technocratic rationality over structural reflection. While post-authoritarian reforms have introduced legal innovations and decentralization measures, these changes frequently remain superficial. State narratives continue to celebrate progress in optimistic and self-affirming terms, instrumentalizing empirical studies while offering limited self-critique. The vision of development as enshrined in the Preamble to the 1945 Constitution, a vision that is both deontological (we must develop) and teleological (development leads to a better life), sustains an enduring logic that conflates national advancement with bureaucratic order, growth, and formalization.

The formalization of informality through constructs such as *Usaha Mikro, Kecil, dan Menengah* (MSMEs), although often presented as evidence of progress, risks eclipsing the more precarious and irregular forms of informal labor. These include micro-scale, casual, or unregistered forms of work that are neither empowered by policy nor protected by law. Reports that frame national development through the language of fiscal and administrative coordination tend to marginalize these realities, reproducing a narrow and sanitized conception of informality. As such, the informal sector remains a mirror of structural exclusion, symptomatic of a state that continues to prioritize technocratic governance over relational, historically conscious policy.

Against this backdrop, ethical frameworks become essential for reimagining what empowerment and productivity could mean outside the dominant paradigm. Drawing on Wuthnow (1996), this paper calls for a reintegration of ethical reasoning into our understanding of work and development. Productivity should not be confined to the economic calculus of outputs and returns; rather, it must encompass all forms of labor that contribute to communal, familial, and existential well-being. Within this reorientation, informal work, despite its often precarious or "illegal" status, can be viewed as an ethically grounded form of agency. It embodies a refusal to be fully subsumed into extractive economic logics, even as it sometimes becomes entangled with them.

This ethical tension becomes even more pronounced when situated within broader critiques of utilitarianism and materialism. The assumption that material accumulation inherently constitutes a better life is not universally valid, and often clashes with ethical traditions that emphasize moderation, dignity, and moral restraint. In Indonesia, the extractive impulses of developmentalism are especially visible in rural resource conflicts, where displacement and dispossession are justified in the name of national interest (Lund, 2021; Rohman et al., 2024; Susmiyati, Harjanti, & Al Hidayah, 2023; Tapiheru, Capri, Lestariningsih, & Nudya, 2022). Yet, even within these violent and extractive structures, individuals continue to locate meaning in their labor, negotiating survival while navigating moral commitments to family, community, and identity.

Relevant studies as mentioned throughout the article illuminate how informality in Indonesia is not only about bypassing bureaucracy or resisting regulation. It is about operating within a legal and political system that often withholds recognition and rights. The notion of rightlessness, especially in relation to Indigenous communities and informal workers, highlights how exclusion is not accidental but systematically reproduced through legal loopholes and collusive governance. These insights compel us to rethink informality as a site not merely of policy failure but of ontological depth, where ethical life is pursued under conditions of constraint.

In sum, informality in Indonesia must be recognized as both a structural outcome and a moral project. It demands an analysis that is at once empirical, historical, and ethical. Rather than being folded neatly into MSME classifications or dismissed as deviance, informal work must be understood as a vital, complex terrain of human activity. Reimagining empowerment in this context means resisting the reduction of value to economic output and instead cultivating a development ethic that centers dignity, restraint, autonomy, and plural pathways to well-being.

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