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Ups and downs in rural Javanese industry: the dynamics of work and life of small-scale garment manufacturers and their families
Purwanto, E.A.

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Chapter Two

Rural Small-Scale Industry
and the Development of the Rural Economy

1. Introduction

Non-farm activities and rural (small-scale) industries in particular are viewed in various ways by the many scholars who delve into rural development and rural industrialisation. Several of these scholars tend to look at rural industries rather pessimistically, but many others take a more optimistic view. Hymer and Resnick (1969) can be mentioned as representatives of the former group of the scholars. They are convinced that it cannot be hoped that non-farm activities and rural industry in particular will act as the locomotive for rural development because—as they argue—these activities will disappear when rural areas become more integrated into urban areas. In contradistinction to them, the latter group argue that rural non-farm activities and rural industries play an important role in rural development. These scholars are convinced that non-farm activities and rural industries help to create rural employment, reduce rural poverty, slow down rural-urban migration, and promote rural development in general (Anderson, 1982; Anderson and Leiserson, 1980; Ho, 1982; Rietveld, 1987; Sandee et al., 1994; Tambunan, 1994; 2000, Lanjouw, 2001, among others).

A brief glimpse at the topic shows that non-farm activities and rural industries in particular have been the subject of debate among the scholars for many decades. Their role is not the only moot point. Kragten (2000: 33), for example, notes that there are at least three key issues arising from non-farm activities and rural small-scale industry which almost invariably emerge as topics of debate when scholars discuss this matter. The first touches upon the role of the non-farm activities and rural industries in rural development. The second concerns the linkages between farm and non-farm activities. The third revolves around the long-term viability of those activities.

This debate provides a good opportunity to discover and pinpoint many aspects of non-farm activities and rural industry in particular. This leads to such questions as: What factors affect their emergence and development? How do they relate to the agricultural sector? What is their role in rural development? And what is the nature of rural industry?
Consequently, by reviewing this debate, it is hoped that this chapter can provide a theoretical framework for the whole discussion of the life and work of the home-based garment manufacturers in Kalitengah village, which is the purpose of this thesis. To achieve this objective, this chapter is structured as follows: After the introduction, the second section will go into the emergence and development of non-farm activities and rural industries in particular. The third section will be devoted to a discussion of the role of rural industry as a springboard for the socio-economic mobility of rural inhabitants. Subsequently, the nature of rural small-scale industry will be elucidated in Section Four. This is then followed by the discussion on the overlapping between home and work domains as the consequence of the characteristics of rural small-scale industry in Section Five. The last section is the conclusion, which will be devoted to bringing together the results of the discussion in this chapter with the data presented in the empirical chapters which will appear after this chapter.

2. The Emergence and Development of Rural Small-Scale Industry

2.1. The Growth Linkage Model

Most scholars who carry out research on the rural economy prefer to use the farm and non-farm linkages approach (growth linkage model) to explain the emergence of small-scale industries and non-farm activities in general in the rural areas. Their approach is based on the argument that the agricultural sector is the prime engine of rural economic development (see, e.g., Johnston and Mellor, 1961; Johnston and Kilby, 1975; Mellor, 1976; Oshima, 1986; Weijland, 1985, Haggblade et al., 1988; Effendi, 1991; Tambunan, 1994; 2000; Davis et al., 2002). Their argument is supported by the fact that in the various countries -- where these scholars have carried out their studies, like Taiwan, Korea, China, India, and Japan (Islam, 1987: 12-13; Saith, 1987: 241-303) -- the success of agricultural development subsequently leads into the growth of other economic activities: most importantly it stimulates the emergence of rural non-farm activities, including small-scale industries.¹ What causes this phenomenon? Scholars such as Mellor (1976:161-191) argue that the main stimuli behind the emergence of rural non-farm activities are the following: the increasing demand for new agricultural inputs; the rising consumption of non-agricultural goods; and the growing demand for services. The increase in these demands is the consequence of the success of agricultural development programmes, which is marked by

¹ Before the emergence of the growth model, in the past, little attention was paid to the activities as one of the important instruments of development as Espen (1999: 11) criticises as follows: "[...] development theory of the fifties, rooted firmly in the seminal work of Arthur Lewis (1954), did not envisage a dynamic role for the rural industrial sector in the process of growth. Its contribution was primarily seen in terms of providing another source of "unlimited supply" of rural labour for urban industry as a consequence of its ruin, resulting from growth in incomes and competition from modern industry".
the raising of agricultural production (as the impact of intensification programmes using new farming technologies) and consequently the rising income of farmers.

Harriss (1987: 276) classifies the linkages, mentioned by Mellor above, as consumption and production linkages. Production linkages --she says-- can then be differentiated into two different linkages, namely backward and forward linkages (or as some scholars prefer to call them up-stream and down-stream linkages see, e.g., Davis et al. [2002: 2]). Backward linkages are the aggregate demands for intermediate or capital goods from the agricultural sector, while forward linkages are the total supply of agricultural products to the agro-processing industry. Through these linkages, Weijland (1985: 13) explains how the mutual development between agriculture and small-scale industry takes place in following paragraph.

"[...] The two sectors share the same labour force, and their production activities have strong direct [through backward and forward] and indirect [through consumption] linkages. Agriculture provides raw materials for rural industry; and industry produces inputs and investment goods for agriculture, and consumer goods for the farm households. Furthermore, there are considerable transfers of income and savings between the two sectors. [...] Such supplementary earnings may enable small farmers to invest in agriculture in order to raise their farm incomes, which, in turn, may lead again to industrial investments".

It is thought that the ideal picture of rural development --as described by Weijland (1985)-- will then encourage the further development of small-scale industries. Subsequently this will create the right circumstances for the emergence of medium-and bigger-sized industries in rural areas. Gradually this development will trigger the economic transition process in rural areas, transposing them from an agriculture-based economy to a more industrially oriented scenario. How does this economic transition process take place? To answer this question we should look at the economic transition models proposed by such authors as Parker (1979), Anderson (1982), and Oshima (1986). Using their own models, these scholars explain that the economic transition (industrialisation) process in one country or region will usually take place in several stages before the transition process is finally completed.

Learning from the history of the industrialisation process in European countries, Parker (1979: 43-45) mentions that this process will take place in five stages, namely: peasant industry; village and locally specialised industries; urban artisan industry; materials-oriented industries in the countryside; and the merchant-organised system. Like Parker, Anderson (1982: 914-926) explains the industrialisation process in three stages as follows: the early stage or phase one is characterised by the domination of agrarian economy. In this stage household manufacturing or cottage industry, mainly in rural areas, is predominant in terms of its share in total manufacturing employment, taking clear precedence over the limited number of medium-and large-scale industries. In this stage, industrial activities are dominated by easy-entry type industries, which need low initial capital and skill such as clothing, food processing and handicrafts (cf. Tambunan, 1994;
2000a). In the second phase, in tandem with the increasing incomes of the rural population, more small-and medium-scale industries will emerge to replace the household or cottage industry. In the last stage, large-scale production becomes predominant, displacing the remaining household or cottage industry activities.

On the basis of his study on several East, South and Southeast Asia countries, Oshima (1986) provides a clearer model to explain the relationship between the emergence of rural non-farm activities and the industrialisation process in rural areas. He is convinced that rural areas will experience two economic transitions, namely from a predominantly agricultural economy to an industrial economy and then from an industrial economy to a service economy. Both of these transitions will pass through several stages which are characterised by changes in the share of farm and non-farm employment from one stage to another. Having constructed his hypothesis, he mentions that in the early stages of transformation from agriculture to industry, the majority of rural population (roughly three-quarters of the workforce) is still involved in agriculture. Almost invariably, non-agricultural activities undertaken by farm families are largely traditional. These activities are mainly carried out at home and consist of handwork, using a minimal amount of capital and a minimal amount of modern equipment. Pertinently such work is largely seasonal. In the middle stage, it is assumed that half the workforce will be involved in agriculture. In this stage, non-agricultural activities are characterised by the spreading of the use of semi-mechanised equipment to replace more traditional counterparts. The use of this more modern equipment will subsequently increase productivity, which is then followed by an increase in wages in this sector. The upshot of this process is that the share of non-agricultural incomes in the economy tends to rise. At the same time, the introduction of a mechanisation programme in the agricultural sector creates the opportunity for more labour to be involved in non-agricultural activities because labourers can finish their jobs in the agricultural sector faster than before. This will boost the pace of the growth of non-agricultural activities even more. In the later stage, only one-third of the labour force is involved in agriculture. The use of fully mechanised equipment in manufacturing, modernised transport and construction methods opens up avenues to non-agricultural employment farther away from the villages. Simultaneously, the increase in mechanisation in the agriculture sector provides a more reliable labour supply for non-agricultural activities. Year-round availability of labour subsequently opens up opportunities to the population to work in factories, using machines and being paid higher wages. In this stage, non-agricultural work in the manufacturing sector increases faster than in the construction and service industries. This is marked by the decline in cottage industries and the expansion of factory industries and of large workshops.
2.2. The Pressure on Land

Besides the growth linkage model above, several scholars like Rietveld (1987; 1986), Saith (1992), and White (1986; 1991a) use land ownership to explain the emergence and development of rural small-scale industry in particular and non-farm activities in general in rural areas.

This approach is used by the more “pessimistic” scholars who see non-farm activities only as an instrument of survival strategy open to the small farmers and the landless households. According to these “pessimistic” scholars, the emergence of non-farm activities in the rural areas is triggered by the increase in the number of the landless households which are pushed out from the agriculture sector, and subsequently use non-farm activities as a source of employment and income. The assumption is that small-scale industries --which are run by these poor households-- will produce only inferior products for other rural people. It is presumed that these activities will disappear as the development process picks up, because when the income of the rural people increases as the result of development, they will prefer to buy better quality products from the urban areas rather than locally produced articles. This pessimistic view in fact is very much influenced by the work of Hymer and Resnick (1969) who built up a model --well known as the Z-goods hypothesis-- to explain the decline in non-farm activities in the colonial era. However, in the final analysis, the Z-goods hypothesis proposed by Hymer and Resnick turns out not always to hold true given the weakness (more precisely the rigidity) of the assumptions used in their model (see the discussion on this issue in e.g. Rietveld, 1987; Ranis and Steward, 1993). As development progresses, some scholars find that the relationship between landownership and non-farm activities can be “pessimistic” but paradoxically also “optimistic”. These dual relationships are known as a “U”-shaped relationship.

Rietveld (1986; 1987) explains how a “U”-shaped relationship can come about. He argues that in landless households the percentage of income from non-farm activities is higher than that from the farm sector. This makes sense since the majority of landless households spend their time obtaining income from non-farm activities rather than from the farm sector. However, surprisingly, the percentage of the income from non-farm activities declines among the small farmers and then increases again among the bigger farmers. The negative relationship between landownership and income among the small farmers, Rietveld says, can be explained using the labour supply perspective. Since more time is spent in the agricultural sector, small farmers are less pushed to undertake non-farm activities. Bigger farmers are not faced with this problem for several reasons. First, bigger farmers usually have bigger households than average, which means that the potential number of workers seeking employment outside agriculture is larger. Secondly, bigger farmers have more opportunity to invest their agricultural profits in non-farm activities. Lastly, bigger farmers usually also have a higher standard of education which makes it easier for them to be able to find well-paid jobs. All these arguments imply that it may
become more profitable for big farmers to reduce their personal involvement in the agricultural sector as much as possible by using paid agriculture labourers and tenants, so that the time available for other work is actually increased.

Using a similar argument, Saith (1992) constructed his model, called a “multi-stage stylisation of the behaviour of the different components in rural non-farm economic activities of the rural households in South and Southeast Asia”, to explain the relationship between landownership and non-farm activities. He postulates the involvement of rural households, which are classified on the basis of the extent of their landownership, to wit poor households, middle farmers, and rich landowners, in rural non-farm activities will change in tandem with the stages of the development. In contrast to Rietveld, Saith differentiates non-farm activities into two different categories, namely wage labour and self-employment. His argument is that wage employment has an inverse relationship to landownership in which households with less farmland are more frequently involved in wage employment than those who possess more land. Moreover, the share of wage employment increases during the development process and eventually takes over as the dominant form of employment. Meanwhile, self-employment can be shown to have different types of relationship with landownership. In the early stage of development from of “U”-shaped relationship is found in which the poor households and the rich landowners are both more involved in non-farm activities than are middle-rank farmers. Along with the increasing development, the “U”-shaped tends to change into a positive relationship. This change happens because, when rural areas become more integrated into urban areas, the enterprises of the poor households will be the first to disappear, the victims of the competition from the modern urban sector. In the end, these rural households will be more involved in the urban sector. Labour migrations will occur from both ends of the scale: the poor will seek low-paid jobs; the rich desirous of superior employment commensurate with their higher levels of education.

In contrast to the two previous models described above, White (1986; 1991a) uses simpler arguments to explain the relationship between landownership and non-farm activities. White also classifies rural households into three different categories on the basis of the extent of their landownership, namely: landless or poor households; middle-size peasant households; and larger landowner households. He argues that each of these groups has a different reason why they become involved in rural non-farm activities. Basically their involvement can be classified into three different reasons: survival strategy; consolidation strategy; and accumulation strategy. Survival strategy is used by poor households to cope with their difficult situation arising from insufficient income or from difficulty in finding employment in the agriculture sector. With the help of this strategy, poor households try to combine their small income from the agricultural sector and non-farm work in order to achieve a subsistence income level. Consolidation strategy is used by middle-size peasant households. By resorting to this strategy, middle-sized peasant households --which have already achieved a subsistence income level-- expand their
resource base to bolster their security against risks. Accumulation strategy is used by larger landowner households. These households are already enjoying an agriculture surplus. Although favourably placed, to obtain an even higher income, these households then reinvest their capital in high return rural non-farm activities. The operation of the strategies mentioned by White can be seen in the studies of Hart (1986) R. Rutten (1990) and Kragten, (2000).

Survival and accumulation strategies, indeed, can also be used to explain the circumstances under which rural households are pushed or pulled from the agricultural sector. Survival strategy is usually grasped when rural households are pushed or forced out of the agricultural sector because of declining employment opportunities in this sector. In this case, rural households will enter ‘marginal’ activities in rural non-farm activities which usually offer a worse remuneration than agriculture. By contrast, accumulation strategy is used when rural households are ‘pulled’ or attracted out of agriculture into better non-agricultural opportunities, for example, in an expanding manufacturing or industrial sector (White, 1976: 97).

The upshot is that, in the rural areas we can basically find two different forms of industry. First, more “traditional” industries run by poor households and second, more “modern” industries operated by richer households (cf. Islam, 1987; Ho, 1982; and Lanjouw, 1999; 2001). The first category of industries, which are the spin-off of survival strategy of the poor households, are usually called “labour-supply determined” industries; while the second category of industries, which are driven by the accumulative strategies of the richer household, is called “market demand determined” (T. Tambunan, 1994: 61).

2.3. Population and Labour Pressure

Besides being exacerbated by the land pressure discussed above, Hart (1986) mentions that the survival strategy resorted to by poor households when they find employment in non-farm activities is also triggered by an over-supply of rural labour. Chayanov (1966: 92-101) underlines this issue by saying that the response of agrarian households to low agricultural income is to increase the duration of their work or to intensify their work (self-exploitation) and find more jobs in non-agricultural activities (working in crafts and becoming traders). In his expatiation, T. Tambunan (1994: 56-57) says that the impact of population density on the emergence of non-farm activities can be understood from two different perspectives, namely demand and supply factors. On the demand side, the increasing population density in one region can stimulate the growth of the demand for non-food goods (see also Wejiland, 1990a: 4; Medick, 1981: 74-82). The increase in the demand for non-food goods then stimulates the emergence and development of small-scale industries and other non-farm activities, namely to produce the goods and services needed by the population. Conversely, from the labour supply perspective, the increase in the population density also affects the pattern of employment in rural areas. When a rural area becomes overpopulated,
the over-supply of labour in the agricultural sector will affect the level of the earnings per worker in this sector. Subsequently, not only will the income of these agriculture workers decline, but jobs become scarce as well. Consequently, as Hart (1986) mentioned above, agricultural labour may be pushed out of the agricultural sector into other rural non-farm activities. The inflow of the abundant cheap labour supply from the agricultural sector may lead to the emergence of rural small-scale industries and various other non-farm activities (Weijland, 1990b: 3).

Although population density may produce a positive impact on the development of rural small-scale industries and non-farm activities in general, T. Tambunan (1994: 56-57) insists that the increase in population density will affect the demand for the products of rural industries only if this increase is followed by an increase in the real income per capita. Indeed, agricultural development through agricultural intensification and the income stimulation of farmers, in other words increasing the real income of rural population --as has been mentioned by the proponents of the growth linkage model at the beginning of this chapter--, still play an important role in the early stages of the economic transition of rural areas, from an agriculture-based economy to a more industrial one.

3. Rural Small-Scale Industry, Socio-Economic Mobility and Differentiation

3.1. Socio-Economic Mobility

As has been discussed in the previous section, the emergence and the subsequent development of non-farm activities and rural small-scale industries in the countryside both play an important role as instruments in the socio-economic transformation of rural households, not only of the landowners but also the landless (poor) households as well. In one of his articles, Lanjouw (2001: 544) states: “The nonfarm sector could also present a potent force for upward mobility. The least poor in the rural areas are households that are heavily engaged in the nonfarm sector. An important challenge is to increase the access of the poor to nonfarm activities that yield these high and stable incomes”.

In other words, for landless households, rural non-farm activities --beside providing an opportunity to obtain income substitution (survival strategy)-- also open up an opportunity to accumulate capital and then to re-invest that capital in more productive economic activities based on economic means other than land. Pursuing this topic, Kragten (2000: 33) argues that rural non-farm activities can provide wider opportunities for marginal farming households in the rural areas to start more profitable non-agricultural businesses because, when these households have an additional income outside agriculture activities, this extra money makes them keener to take larger risks and to invest their money in the more profitable non-agricultural businesses. Similar studies done by Holzner (1995), R. Rutten, (1990), Mizuno (1996), M. Rutten, (2003), Effendi (1991) have also come to the same conclusion that rural small-scale industry and rural non-farm activities in
general can create wider opportunities for rural poor households to enjoy socio-economic mobility.

To give one illustration, Holzner (1995: 19) --on the basis of several studies of rural non-farm activities in East Java-- reveals that it is a common phenomenon in those research areas where wage workers can enjoy upward mobility for them to become entrepreneurs themselves. While R. Rutten (1990: 29-30) --extrapolating on her study in the Philippines-- finds that many large manufacturers/exporters of native handicrafts started their businesses as traders. Furthermore, she mentions that smaller entrepreneurs, who operate at the level of towns and villages, also have disparate backgrounds. Many of them also started their business career as a small trader or artisan. Another study conducted by M. Rutten, (2003) on rural small-scale industries in India, Malaysia, and Indonesia also corroborates the previous findings. He says that many rural capitalists in these three areas --who started their business as petty producers-- eventually could take advantage of upward mobility to become successful entrepreneurs (rural petty capitalists). Other similar cases can in fact also be found in Thailand (Argihiros, 1997), Korea (Han, 1997), and China (Ping, 1987).

Holzner (1995: 19) argues that knowledge of the production process, attachment to a 'patron', good communication skills, affiliation with the dominant religious group, and self-motivation are factors that open up possibilities for poor households --which are involved in rural non-farm activities and rural industries-- to enjoy socio-economic mobility. Unfortunately, not every rural non-farm activity and rural industry provides the same opportunities for rural (poor) people to find a way to better themselves. R. Rutten, (1990: 28-30) finds that socio-economic mobility is only apparent in the industries with are characterised by an easy-entry characteristic in which poor people have wider possibilities to become involved, for example, in the industries in which sub contractors are willing to provide raw materials, pay part of their worker's wages in advance, and in which capital investments are relatively low (see also Klapwijk, 1997: 35). Furthermore Mizuno (1996: 60-61) points out that the division of labour --which exists in various small-scale industries such as the garment and weaving industries-- also creates an opportunity for poor people to take part in the small-scale industry activities in keeping with the amount of initial capital that they have, ranging from becoming an independent self-employed petty producer to being a large producer who hires dozens to hundreds of paid labourers. These options make it easier for the members of the lower and middle strata of the village to set up small-scale industries and business with a very small amount of initial capital.

Indeed, even though poor households which are involved in non-farm activities and rural industries do have an opportunity to enjoy upward mobility, Weijland (1985: 12) argues that several pre-conditions are needed in order to create wider opportunities of the poor households are to enjoy socio-economic mobility through rural small-scale industry and non-farm activities in general. She is convinced that poor households (workers) will always continue to live in poor conditions where the land is concentrated, no matter whether the agricultural sector grows sluggishly or rapidly. This is because when
agriculture grows slowly poor people have the least opportunity to become engaged in some profitable activities, while when agriculture grows fast the large farmers have no difficulty out-competing these poor workers in setting up enterprises. Given this, she believes that only in egalitarian societies in which the landless and poor households are given opportunities to acquire some skills and receive financial assistance for non-farm activities will the socio-economic mobility among these poor households be likely to happen. Her argument is based on a scenario as follows: When the economy grows, these poor households can make use their knowledge so that they will be able to develop profitable enterprises or to find well-paid jobs.

3.2. Social Differentiation

Inevitably the socio-economic mobility which is enjoyed by rural entrepreneurs who are involved in rural small-scale industries and rural non-farm activities in general, in the long run, will create socio-economic differentiation among rural inhabitants. It is important to note here even though upward and downward mobility are both common phenomena among the rural entrepreneurs, many entrepreneurs also have capability to maintain their socio-economic position and successfully avoid falling into the cyclical mobility trap. In various cases, these entrepreneurs have even been able to sustain their socio-economic position from one generation to other. The possibility open to rural entrepreneurs to accumulate surplus from various rural non-farm activities and then to re-invest their surplus in more profitable activities subsequently will trigger the emergence of a new rich in the rural areas. The success of rural entrepreneurs will bring about changes in the various livelihood aspects of these entrepreneurs and their families. In their turn these changes in life-style and political and cultural orientation and so on will create even finer distinctions beyond the entrepreneurs and their families and the other rural inhabitants.

To understand how the differentiation process --which is launched by the emergence of rural petty capitalists-- occurs in the rural areas, we can take M. Rutten's (2003) study as an example. From his research on rural capitalists in three different regions, namely Central Gujarat in India, the Muda region in Malaysia, and the Klaten district, Central Java, we can discover how the socio-economic differentiation between rural entrepreneurs and the majority of rural inhabitants takes place in each of those regions. The differentiation process as it was described by M.Rutten (2003), in fact needs a long period of time to evolve, that is from one generation of entrepreneurs to another. Nevertheless, the process can be summarised in four stages as the follows:

In the first stage, the success of the rural entrepreneurs will usually be followed by a reduction in their involvement in performing manual labour and an increase in their preference to perform managerial tasks. The increase in the preference to perform managerial tasks can be seen here as an indicator of their transition to a new life-style. In this stage --alongside their vertical mobility-- the entrepreneurs begin to develop a
perception that to carry out physical labour and to supervise the work of their workers directly are jobs inappropriate to their status, while conversely performing managerial duties is seen as a prestigious task. All in all, disengagement from performing manual labour in the factory is seen by entrepreneurs as an indicator of their economic achievement and of the upgrading their family status.

After the first stage has been passed, the second stage is marked by the tendency of the entrepreneurs and their families to move away from their home village into more urban residential areas. In these new residential areas, they will build bungalows which are furnished with modern household fittings and luxurious consumer goods such as cars parked out the front, a large TV set, big leather couch, refrigerator, laser disk-player and so forth. The entrepreneurs who still live in their home village often construct new, gigantic houses, usually physically isolated from the village population.

After the entrepreneurs and their family members move away from their home village, in the third stage, the differentiation process will be marked by the withdrawal of these entrepreneurs from the social and political life in their village of origin. This withdrawal in fact can be seen as the consequence of their socio-economic mobility that means that the entrepreneurs and their family members will have more social contacts with many persons from outside the village than with people in their village of origin. Eventually, this process will lead to the neglect of the social and political life of their home village by the entrepreneurs.

The last stage of the socio-economic differentiation of the entrepreneurs from the other rural population is characterised by the change in the life-style of the entrepreneurs and their families. This transformation is revealed in the way these entrepreneurs educate their children, choose their residential area, fulfil their consumption needs, perform lifecycle ceremonies, use their leisure time, and manage their households. Almost invariably, these entrepreneurs will prefer to educate their children in reputable schools in the cities rather than in their home village, do their shopping in supermarkets rather than in traditional shops or at the market, and spend their leisure time abroad rather than in their own country. Lastly, their new life-style will not be complete before they hire several domestic servants to do house hold chores.

As the result of the differentiation process, the social distance between these entrepreneurial families and the majority of the rural inhabitants will widen enormously with the passage of time. This description allows us to conclude that non-farm activities and rural industrialisation in particular can create a group of rich people (the rural elites) who have different socio-economic characteristics and life-styles which stand in stark contrast to the other rural inhabitants in general.²

² Such social stratification, which exists because of the emergence of rural activities, does indeed contradict the concept of "shared poverty" introduced by C. Geertz (1963:97) says: "Under the pressure of increasing numbers and limited resources Javanese village society did not bifurcate, [...] Rather it maintained a comparatively high degree of social and economic homogeneity by dividing the economic pie into a steadily increasing number of minute pieces, a process to which I have
4. The Nature of the Rural Small-Scale Industry

The nature of rural small-scale industry can be understood from reviewing various aspects of it. Among of them, the most important are: the organisation of production, technology, market, legality and so on. Some of those aspects, which are regarded as the most prominent characteristics of rural small-scale industries, will be discussed in this section.

4.1. Home-Based Industry, Subcontracting, and the Putting-Out System

One of the most predominant characteristics of rural small-scale industry is home-based production, that is the production process takes place in the home of the producers as well as of the workers. Since the production process is conducted in the home, many researchers call this kind of industry home-based industry or home-located industry (see, e.g., Boris and Prugl, 1996; Christensen, 1988; Beneria and Roldan, 1987; Susilastuti, 1991, among others). T. Tambunan (1994: 9) says that home-based industry is one of the characteristics of traditional industries: "[...] in very traditional industries, such as artisan activities, the production unit is the family and the place of production is the house. This really means that people engaged are working in the living room, and products are stored inside the house, such as in bed rooms or kitchens". Looking back at the industrialisation process in European countries (see, e.g., Parker, 1979: 43-46), home-based industry, or as several scholars have preferred to call it proto-industry (Mendels, 1972; Medick, 1981), is in fact a stage in the industrialisation process. In his analysis of the evolution of industrial society, Bucher (quoted in Dangler 1985: 3) mentions that in this process, the form of the production process will change from one stage to another taking five different forms as follows: domestic work or home-based work; wage work; handicrafts; commission work; and finally the factory system. As the industrial development really takes off, the four domestic production forms will disappear. And then only the factory production form will survive. Cogently, as a matter of fact the industrial evolution process --of which the outline was noted by Bucher above-- can only be found in a few countries (see also Misra, 1985: 2-12). Boris (1996: 20) mentions that domestic industry (proto-industry) has had a relatively short life in the United States, but it still persists in many other countries, including in Western European countries. In some places, nowadays, she (1996: 20) notes home-based industry remains a rural phenomenon. Another aspect as several scholars have pointed out is that home-based activities are found mostly among the industries that are subject to variations in demand created in response to fashion and seasonality (Portes and Benton, 1984; Fortuna and Prates, 1989; Robert, 1989).

referred elsewhere as "shared poverty". Rather than haves and have-nots, there were, in the delicately muted vernacular of peasant life, only *tjukupans* and *kekurangans*—"just enoughs" and "not-quite enoughs".".

3 Home-located production is by definition "economic activity by members of households who produce within their place of residence commodities for exchange in the market" (Felstead and Jewson, 2000:15).
This leads to the question of as the earliest form of industrialisation, what are the salient characteristics of rural home-based industry? Weijland (1985: 8) says that one of the characteristics of rural household enterprises or home-based industries is to be seen in their industrial size. Home-based industries usually only hire no more than two to four family workers, in several cases including an apprentice and pseudo-apprentice.

The apprenticeship system as a means to acquire a skill or learn a craft which is widely used in the rural small-scale industries such as one that can be found in Kalitengah is far from being a new phenomenon. In many countries—in which industrialisation is still at a low level and in which the agricultural economy is still dominant—there is no frame for industrial training because industrial activities are mostly carried out within the domestic sphere. Given this dearth of formal facilities, industrial training mostly takes place in the form of an apprenticeship. This system once also prevailed in European countries both before and after they launched their industrialisation several centuries ago. In England, apprenticeship was well established in the medieval period (Lane, 1996: 9; Dunlop et al, 1912:29). Turning specifically to garment manufacture, until the second half of the nineteenth century in the United States almost all clothes were produced by individual tailors, either alone or assisted by one or two apprentices or journeymen. The objective of every apprentice tailor was to learn how to make an entire garment for specific consumers, for women, men, or children as quickly as possible. Interestingly, the same apprentice-journeymen who could be found in garment industry was also to be found in the footwear industry in which all cobblers were male4 (http://www.harvard.edu/~ec970/spring2003/smith/Britanica_encyclopedia_clothing_and_footwear.doc).

Consequently Weijland (1985: 8) makes the claim that in rural home-based industries wage labour is not much used. Because there is a lack of capital, poor families prefer to use family workers. Pertinently, as has been mentioned in another part of this thesis, rural industries are also as highly differentiated as their urban counterparts. Therefore, apart from the fact that rural industries mostly hire unpaid family workers, this does not preclude the fact that there are many other rural industries which do hire paid workers. These rural paid workers customarily work in their respective homes as home workers or home-based workers5 under a putting-out system or subcontracting arrangements.

The putting-out system in fact is a very common strategy used by entrepreneurs to reduce production costs by externalising these to the smaller producers and (or) home workers (Green, 1997; Boris and Prugi, 1996; Prugi, 1996; Beneria, 1987; Baud, 1987; Susilastuti, 1991; Mehrotra and Biggeri, 2002).

4 The same phenomenon can also be found in small-scale shoe production in Indonesia. See, for example, Thamrin et al. (1991).

5 The ILO convention on Homework 1996 (in the Homenet Guide, January 1999: S1) defines homework and home-workers as follows: “The term “home work” means work carried out by a person, to be referred to as a home-worker, (i) in his or her home or in other than workplace of the employer, (ii) for remuneration, (iii) which results in a product or service as specified by employer, irrespective of who provides the equipment, materials or other inputs used”.
The adoption of a putting-out system in small-scale rural industries is almost invariably a subcontracting arrangement. Subcontracting arrangements themselves exist as natural linkages between small-scale industry and medium and large industries. Watanabe (1971: 52) defines a subcontract as an arrangement in which: “the party offering the subcontract (parent firm, enterprise or company), requests another independent enterprise (subcontractor, or “ancillary industry” in India) to undertake the whole or part of an order it has received instead of doing the work itself, while assuming full responsibility for the work vis-à-vis the customer” (see also similar definition given by, e.g., Kimura, 2002: 163; Taymaz and Kilicaslan, 2000:2). As Lucassen and Saptari (1999: 3) explain, subcontracting arrangements can be entered into both within and between sectors. In terms of size of the enterprises included, the subcontract linkages consist of various elements originating from big enterprises cascading down to smaller firms.

Subcontracting is believed to benefit both small-scale industries and medium and large industries. Baud (1987:1) —referring to the World Bank opinion— points out that subcontracting can contribute to the industrialisation in developing countries for instance by spreading industrial production and employment over a wider area than that which can be reached by a large firm with a concentrated form of production, and they can create more employment because more labour-intensive techniques are more usually found in smaller firm than in their bigger counterparts (cf. Watanabe, 1971: 53). For the bigger industries (the parent firms), the motivation for entering into a subcontracting arrangement is prompted by at least four reasons: (1) economising on capital and labour; (2) taking advantage of lower wages in smaller firms; (3) taking advantage of the subcontractor’s specialised technology; (4) serving as a buffer against business fluctuations (Watanabe, 1971: 56-57). Looking at it the other way around, Yuwono, Supramono, and Rietveld (1994: 358) mention that for small-scale industries the benefits derived from subcontracting are in the form of increasing business volume, reducing the cost of selling, and technical help received. Medium and large industries benefit in term of reducing production costs and increasing flexibility to be able to respond to the changes in the customer demand (see also Berry, 1997).6

If the producers (both small and bigger producers) can benefit from undertaking subcontracting and putting-out arrangements, home workers —who occupy the lowest echelon in the subcontracting chains— have to shoulder the burden of the impact of the externalisation cost strategy adopted by their employers. Green (1997:150-151) describes

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6 However, Harigopal and Kishore (1992) cited in Yuwono, Supramono, and Rietveld (1994: 358), insist that subcontracting arrangements also harbour the potential to create disadvantages, particularly for SSIs, such as small profit margin, excessive dependence on prime contractor, and source of conflict. A more critical point of view towards the linkages between SSIs and MLIs comes from neo-Marxist economic proponents. Neo-Marxist economists believe that small enterprises stand in a subordinate relationship to big, formal, capital intensive ones. In their eyes, subcontracting arrangements are interpreted as exploitative relationships where SSIs supply cheap goods and services for the benefits of MLIs.
the impact of subcontracting arrangement in the garment industries on home workers as follows:

“As the contractor is to the manufacturer or jobber, so the home worker is to the contractor: an elastic labour force, expandable and contractible according to the weather or the latest fad. The home worker pays the overhead and usually for the sewing machine, and is the least-paid operator in the industry. Eating, sleeping, and working in the same place, the home worker bears the brunt of the most flexible portion of production. Manufacturers, jobbers, and contractor can avoid social legislation, unionization, and benefits payments in the process”.

The marginalisation process of home workers through subcontracting and putting-out arrangements (the informalisation of the production process) eventually creates the stereotyping of home work as a low paid work: labour intensive; low skilled; and unstable. Pertinently, since it is women who are mostly willing to carry out this type of work, home work is also characterized as women’s work (the feminisation process), that is a leisure time activity pursued for “pin money” (Allen and Wolkowitz, 1987: 60). Women workers are therefore also one of the most important characteristics of rural small-scale industries. Various studies, for example, these done by Susilastuti (1991), Grijns et al. (1994), R. Rutten (1990), Van Velzen (1994), find that women home workers can be predominantly found in the garment, textile, weaving, and food processing industries. The informalisation and feminisation processes through subcontracting and the putting-out system has subsequently, placed home workers in a vulnerable position, namely of being marginalised and exploited by their employers.7

The deskillling process is described by Braverman (1974: 112-136) as the process by which division of labour and technological development has led to the reduction of the scope of an individual’s work to one, or a few, specialized tasks (fragmentation of work) by which eventually the individual loses the integrated skill and comprehensive knowledge of the craftsperson. It is one among other explanations of why home workers have to suffer low paid work. Although the deskillling process is found mostly in big factories as the impact of the division of labour and specialisation (usually with the adoption of more modern machinery) to increase the effectiveness and efficiency of the production process, the deskillling process can happen through subcontracting and the putting-out system. This is because under these arrangements, entrepreneurs have an opportunity to break down the production process into many stages, creating less valuable jobs which can be carried out

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7 Although the predominant presence of women home workers in rural small-scale industry can be used as an indicator of marginalisation of women home workers, feminist researchers still do not have convincing evidence about this issue (see, e.g. Grijns et al., 1994). Saptari (1995: 95-96) also mentions that gender division of labour is not always clear. Therefore the marginalisation process can happen to both women and men home workers. As she further explains, the gender division of labour is the result of a historical process which the division itself can cause to change/shift from time to time.
by less skilled workers. In the garment industry, the division of labour, which leads the deskillling process, is described by Green (1997: 31-32) as the following:

"Garment making, for one body or for many, basically involves three processes: cutting, sewing, and pressing. Cutting and pressing, at the beginning and end of the process, require particular skill: proper cutting ensures that the parts will fit together and that cloth wastage is minimized; the final pressing, if poorly done, can ruin a finished garment. Cutting and pressing can basically be done by only one person. Sewing, however, can be and was increasingly broken down into various tasks, based on the separation of the garment parts. [...] By the end of the century [18th century], sleeves, cuffs, and pockets were being prepared independently, before final assembly".

These less valuable jobs then are distributed among home workers through subcontracting and putting-out arrangements. Since less skilled workers can perform those fragmented jobs, the entrepreneurs need to hire only a cheap labourer who is usually paid on a piece-rate basis. As just intimated, in many cases this deskillling process not only happens at the local level, but goes beyond regional and even national levels to global commodity and value chains (ILO, 2002; Mehrotra and Biggeri, 2002; Gereffi, 1994; Appelbaum and Christerson, 1997; Carr and Chen, 2001; Kaplinsky, 2002, and among others).

Indeed, Mehrotra and Biggeri (2002: 4) conclude that subcontracted home-based work consists of two contradictory characters. On the basis of their research on home-based women workers in five Asian countries: India; Pakistan; Indonesia; the Philippines; and Thailand, they mention that undoubtedly home-based work is an important source of income for the rural poor households, but that these workers are also very vulnerable to falling victim to exploitation (for the case of Latin American countries see, e.g., Tomei, 2000; Heikel, 2000; and Verdera, 2000).

4.2. Informality

Taking cognisance of the literature on the informal sector, it seems that rural small-scale industry can be classified as part of informal sector activities because of its salient characteristics. Breman (1999: 410) argues that besides the micro-entrepreneur and tertiary sector of economic activities, "the industrial work also forms an essential part of the informal sector economy. This refers to a type of manufacturing that is mostly, if not

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8 The term of informal sector was 'invented' by Hart (1973) to explain the emergence of a sort of employment outside the formal sector in the cities as the impact of the inability of the formal sector to absorb the rapidly increasing urban population. In his article, Hart says that the distinction between formal and informal income opportunities is based on that between wage earning and self-employment. It mostly takes in form of micro-entrepreneur and tertiary sector of economic activities.

9 ILO (1972) cited in Lubbe (1991: 19) defined economic informality as "way of doing things characterized by: (a) easy to entry; (b) reliance on indigenous resources; (c) family ownership; (d) small scale operation; (e) labour intensive and adaptive technology; (f) skills required outside the formal school system; (g) unregulated and competitive markets".
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always, carried out in closed spaces: in small workshops or, in the case of homeworkers, in premises that are also used for domestic proposes”.

The most obvious characteristics of these small-scale industries as an informal sector economy are: (1) A lack of complexity in the production process, limited capital and little use of advanced technology, less division of labour, and the size of enterprises is mostly small; (2) Modality of payment is different from that in the formal sector. Wages are low, reckoned on a piece-rate basis rather than time rate; (3) Workers perform their work in a small shop, shed, or even in their respective homes under subcontract; (4) Employment is based on verbal contract, therefore, the workers are vulnerable to abuses by their employers such as the termination or interruption of the arrangement, no work regulations, no set work hours, holidays, and social welfare provisions (Breman, 1999: 410-411).

Yanz et al. (1999: 110-111) support Breman’s opinion. They describe the position of the workers in rural small-scale industry who work under informal arrangement as "precarious, virtually unregulated employment; intensive labour and excessive hours of work; inadequate wages and few legally required benefits; discrimination on the basis of gender, race, and place of origin; and limited opportunities to organize and improve their situation". Several other researchers such as Susilastuti (1991), Tomei (2000), Heikel (2000), Verdera (2000) also mention that informal home workers are in a weak position in their relationship to their employers. Susilastuti’s (1991: 3-4) description below, perhaps, best represents the picture of employer-employee relationship in the informal rural small-scale industries.

"[...] the workers in home-based activities have to deal with an asymmetrical relationship with their employers. According to Bhatt (1987) the employer’s advantage becomes the worker’s disadvantage. The employer enjoys tremendous advantage from a home-based system: there are no trade union with which to contend, and little legislation exist defining worker’s right, requiring welfare measures, minimum wages, or social security benefits. Unlike other people who work in the informal sector, home-based workers often have to shoulder “nonlabor-cost”: the cost of lighting, the cost of services normally provided at the site of production, and, for workers who own their own tools, the cost of productive resources. [...] Wages are often so low that every family member is called upon to assist in some aspects of production. Child labour is not uncommon in many home-based industries”.

Leaving these more “pessimistic” opinions aside, another group of scholars believes that the relationship between employer and worker in small-scale industries can take a different form, in short not necessarily always be exploitative. The main argument of these scholars is inspired by the concept of social capital, which has been popularised by various scholars such as Bourdieu (1985), Loury (1977), Coleman (1988), Baker (1990), Portes (1998), Putnam (1993; 2000), and Fukuyama (1995; 1999). Social capital itself has various definitions. Portes (1998: 7) says that these various definitions can in fact be classified into two major categories. The first is composed of the definition devised by scholars who see social capital as based on instrumental motivations, and second they who see social capital as based on consummatory
motivations. The first group is represented by Bourdieu (1985) who defines social capital as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition" (p.248). The point of view of the second group can be seen in Putnam’s (1993:167) definition. He mentions that social capital is composed of “features of social organisation, such as trust, norm, and networks, that can improve the efficiency of society by facilitating coordinated actions”. Although these two groups take a different foundation for defining social capital, namely the former group assume that social capital is private goods (cf. Bourdieu, 1985: 243), while the later group assume that social capital is public goods (cf. Putnam, 1993: 170), in practice social capital always takes two different forms: both instrumental and consummatory. Explaining this issue, Portes (1998:8) gives the following illustration:

"[...] As in the case of reciprocity exchanges, the motivation of donors of socially mediated gifts is instrumental, but in this case the expectation of repayment is not based on knowledge of recipient, but on the insertion of actors in a common social structure. The embedding of transaction into such structure has two consequences. First, the donor’s returns may come not directly from the recipient but from the collectivity as a whole in the form of status, honor, or approval. Second, the collectivity itself acts as guarantor that whatever debts are incurred will be repaid".

Portes' explanation implicitly mentions that the norm (collective action), which is based on reciprocity, is an important source of social capital. In this case the norm can guarantee trust among the community members since the obligations of the members of the community can be enforced, not through recourse to either the law or to violence, but through the power of the community (cf. Coleman, 1988: S101-105). A more explicit explanation was postulated by Putnam (1993) in which he mentioned that the norm which allows social trust to evolve is based on two kinds reciprocity, namely: "balanced" (or specific) and "generalised" (or diffuse) reciprocity. Balanced reciprocity is an exchange between two people, while its generalised counterpart is an exchange among community members. Although the concept of social capital is quite a useful tool to explain how norms govern the relationship among community members, this concept should be treated carefully as, for example, Fine (2001) and Harris (2001) show several weaknesses in this concept, particularly in the social capital concept which is used by Putnam (1993; 2000). Recently Harris (2001) has raised several fundamental questions asking how interpersonal trust can become generalised trust; how trust can go beyond the boundaries of the local context; under what circumstances is one network called social capital and in another a mafia; and which one comes first, the ‘norm of generalised reciprocity’ or the ‘network of civic engagement’ and so on.

Influenced by the concept of social capital mentioned above, several scholars who carry out studies of the so-called informal sector believe that norms --which exist in the community where the relationship between the employer and employee are effectuated-- play an important role in governing the relationship between these two parties, when ‘formal’ law has not been
instituted. This group of scholars argues that although an informal working relationship is not protected by a certain kind of law or regulation, that relationship is not necessarily always exploitative because in many cases that relationship usually exists in a particular context where norms, local values, cultures etcetera can become an important source of protection for the workers (Cunnison, 1966; Bell, 1982; Weix, 1990; and World Bank, 1995). A World Bank Development report (1995: 87) describes the relationship between employer and worker under an informal arrangement in the following terms:

“Employer-worker relations in the informal sector are governed by social custom and traditions. For wage earners the informal employment arrangement often includes an element of insurance and risk sharing, with employers agreeing to pay workers a fixed wage while they remain employed, regardless of seasonal or other fluctuation in demand. It is also common for employers to provide loans to workers who face unexpected expenses, or to support older workers or those unable to work for health reasons. This type of support is never formally agreed upon in advance. But in many countries informal commitments by employers are an important part of socially acceptable codes of conduct, especially in rural areas”.

The importance of studying the social context as a source of “law and order” in fact was suggested by Moore (1978), a legal anthropologist, several decades ago. She mentions that in the absence or ineffectiveness of a formal legal system, a semi-autonomous community can generate rules, customs, and symbols internally as its own “informal law”. Furthermore, it also can create the means to induce or coerce compliance among its community members. After conducting a study of the garment industry community in New York, she concluded that the informal laws and systems of order are built through interaction among the people who are involved in that industry as follows:

“This complex [the relationship amongst various parties inside garment industry], the operation of social field, is to a significant extent self-regulating, self-enforcing, and self-propelling within a certain legal, political, economic, and social environment. Some of the rules about rights and obligations that govern it emanate from that environment, the government, the marketplace, the relations among the various ethnic groups that work in the industry, and so on. But many other rules are produced within the field of action itself. Some of these rules are produced through the explicit quasi-legislative action of the organized corporate bodies (the union, the association) that regulate some aspects of the industry. But others, as has been indicated, are arrived at through the interplay of the jobbers, contractors, retailers, and skilled workers in the course of doing business with one another. They are the regular reciprocities and exchanges of mutually dependent parties. They are the ‘customs of the trade’. [...] The penalty for not playing the game according to the rules --legal, non-legal, and illegal-- in the dress industry is: economic loss, loss of reputation, loss of goodwill, ultimate exclusion from the avenues that lead to money-making. Compliance is induced by desire to stay in the game and prosper. It is not unreasonable to infer that at least some of those legal rules that are obeyed, are obeyed as much (if not more) because of the very same kinds of pressures and inducements that produce compliance to the non-legal mores of the social field rather than because of any direct potentially enforcement by the state In fact, many pressure to conform to ‘the law’ probably emanate from social milieux in which individual participates” (p. 63-65).
In a similar vein to Moore, Fukuyama (1995) has again recently reaffirmed the important of trust—which consists a cocktail of cultures, norms, and values—as a source of informal law and order (alongside formal law) to protect community members in the pursuit of their economic activities. He argues that economic activities are an inextricable part of human sociability. So, although people are selfish, they (as human beings) crave being a part a larger community, to satisfy their need of recognition. Human beings feel an acute sense of unease—*anomie*—in the absence of norm and rules which bind them to others. This being so, he sees economic activity as representing a crucial part of social life which is knit together by a wide variety of norms, rules, moral obligations and other habits that together shape the society (p.6-7).

In fact, the relationship between the employer and the worker in rural small-scale industry is very complex. The complexity of that relationship is affected by various factors such as locality, religion, ethnicity, social identity, including norms, values, and cultures as have been mentioned above. A further discussion on this issue then can be found in section five of this chapter.

### 4.3. Seasonality

Since non-farm activities and rural small-scale industries in particular have close linkages with agricultural activities, these industries are also affected by the demand and supply of labour in the agricultural sector. Choe (1986) argues that in the Asian monsoon economy, the fluctuation in the demand and supply of agricultural labour refers to the “M” cycle. The “M” cycle here is a label which alludes to the general phenomenon of cyclically repeating peak and slack seasons in the utilisation of farm labour in the monsoon agriculture countries (p.5). Building on his definition, Choe explains that at this stage of the rural agricultural economy when urbanisation and industrialisation have not yet begun to appear in the monsoon economy, non-farm activities—in term of labour supply availability—are largely adjusted to the M cycle. Consequently, from the standpoint of non-farm activities, in the next stage the labour supply curve becomes what may be called the “W cycle” as opposed to the M cycle in the pre-industrial stage (p.7). Under W cycle labour supply conditions, non-farm activities in the rural monsoon economy may take place in various forms including a sideline business of farmers (cf. Nibbering and Schrevel, 1982), labour-intensive cottage industries, and small- and medium-scale industries which are flexible enough in their operation to utilize seasonally underemployed farm labour (p.7). Subsequently, the activities of rural small-scale industries will only become more stable after this stage of economic transformation has been passed (c.f. Oshima, 1986). Choe (1986: 9-10) believes economic transformation in rural areas can be boosted through the structural adjustment of the M cycle. The structural adjustment of the M-cycle here can be achieved through farm mechanisation. If this stage is reached, the higher demand for agriculture labour during the monsoon can be reduced. Eventually, this will provide rural small-
scale industries with a more stable labour supply. When a permanent workers are available, it will help rural small-scale industries to increase their productivity, for instance through the use of semi-mechanised and fully mechanised equipment. In the end, it leads to the increasingly better payment of the workers and the general development of those industries.

Besides being influenced by the labour supply, the seasonal character of rural small-scale industries is also affected by the demand for its products. It is widely known that rural small-scale industry products are sold at the domestic markets, most often at rural markets, because of their inferior quality compared to the same products produced by urban-based factories (cf. Weijland, 1985: 3).\(^\text{10}\) This means that the demand for the rural industrial products depends on the dynamics of the rural economy. Therefore, as long as the rural economy or the income of the rural population is still inextricably linked to the agricultural sector, the demand for the products of rural industries will be affected by the harvest and slack seasons, that is the demand will increase at the harvest and decrease during the slack season (see, e.g., Islam, 1987: 12). Besides the harvest, special occasions, such as festivities and traditional and life-cycle ceremonies will also be very influential in the demand for products of rural industry. Chandler (1981: 9) --based on her research in Sleman, Yogyakarta-- reveals that there are usually only three special occasions for which garments made by rural producers are in high demand. First is the two months prior to the end of Ramadan celebration (*Lebaran*). At this time the demand for clothing will increase because virtually everybody buys new clothing to celebrate *Lebaran*. Second is prior to the August 17 Independence Day celebrations. Third is several months prior to the commencement of the school year in July when the pupils need new school uniforms.

This demand for the products of rural industry is not confined to ordinary buyers, it also comes from bigger urban industries in the form of contracts through subcontracting and putting-out arrangements. In this case, rural small-scale industries are only an extension of bigger industries, there to receive contracts when there is spill-over of jobs in the bigger industries. This practice is usually found in those industries in which the demand for the products fluctuates from time to time, as is the case in the garment industry. On the basis of her historical study on the emergence and development of the garment industry in Paris and New York 1800s-1990s, in the following paragraph Green (1997:139-140) concludes that the fluctuations are a constant factor in the garment industry:

"The first and foremost characteristic of the women's apparel industry is its high seasonal character [...]. Seasonal fluctuation in garment production comes from both functional and the fashionable. Changes in climate (literal seasons) cause us to don swimsuits in summer and turtlenecks in winter. Beyond that, however, fashion intervenes, adding a powerful figurative dimension to the notion of seasons. Turtlenecks are not always "in". [...] Depending on the specialty, the slow season can last up to four or five months a year. Some

\(^{10}\) Rietveld (1987: 8-9) argues that although it is a general phenomenon with rural small-scale industry products, the assumption above is not necessarily always true for two reasons. Firstly, for a long time the urban poor may remain the users of cheap, low quality goods. Secondly, the subcontract arrangement gives rural small-scale industries the opportunity to make higher quality products.
garments are more (literally) seasonal than others: rainwear, swimwear, furs. But even in ordinary outwear, dressier items worn in public tend to be more (figuratively) seasonal than garments worn around the house. Women’s wear is more seasonal than men’s. General economic conditions—appropriately economic “climate”—can also exacerbate seasonality, especially when retailers wait until last minute to order."

Because of this reason, the garment industry is known as the most prolific industry for utilising subcontracting and the putting-out system. Green (1997: 138) calls this strategy (subcontracting and the putting-out arrangements in the garment industry) the implementation of “economics and politics of flexibility”, that is to avoid fixed costs, fixed labour, and fixed rules in order to reduce the risk of a fluctuating demand in that industry.

Seasonal fluctuations in the garment industry will subsequently affect the livelihood of the entrepreneurs as well as the workers. Indubitably, although both the entrepreneurs and the workers suffer from business fluctuations, it is the workers who are usually most vulnerable to this situation as Green (1997: 140) illustrates in the following description.

“Dips in employment follow accordingly. Seasonal unemployment, a corollary to this form of flexibility, has been endemic to garment trade and images of it since before the advent of readymade goods. The “slack”, “slow”, or “dull” season, as it is called in English, sounds yet more ominous in French. *La morte-saison* or simply *la morte* (death)” even moved into Parisian Yiddish to describe the downturn”.

Slack seasons and peak seasons in the garment industry as a global phenomenon, mentioned by Green, are also common in the garment industry in Indonesia, particularly in the rural home-based garment industry which produces inferior products. During the slack season the jobs, which are supplied by the employers will decrease very sharply. Consequently the income of the workers will decline as well, sometimes even dropping to zero when there are no jobs at all. For garment workers who depend on their income mainly from the garment industry, the slack season is not much different from the *paceklik* in the agricultural sector. As a consequence, these workers have to use various survival strategies to cope with the slack season until the peak season comes again.

Breman and Wiradi (2002: 23, 145) have observed that practising under-consumption is a common strategy used by poor households in the rural areas in order to survive the *paceklik*. Surjo (1983: 14) describes the under-consumption strategy of rural poor people in coping with *paceklik* as follows: “Most of people in the village of this area (his research site) ate rice twice a day with vegetables and sometimes with fish in normal conditions, but in the long period prior the harvest (paceklik) they usually ate rice once a day, supplemented with maize or cassava”.

Such a coping strategy is also resorted to by the majority of garment workers and their families in Kalitengah in their efforts to cope with the slack season. As a second string to their bow, garment workers also try to explore various other sources of income outside the garment

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11 A period prior to the harvest which marked by food shortages.
industry in the other sectors of non-farm activities or in the farm sector. Boss, kin, relatives, and close neighbours are also important sources of a social safety net on which garment workers can rely to borrow money when they have to face an emergency. Talking about the survival strategy of the home-based garment workers, Susilastuti (1991: 20-24) mentions that borrowing thread or daily necessities, such as cooking oil or spices, from each other during slack season is a common practice among home-based garment workers. Borrowing money from employers and relatives seems to be the most widely practised strategy to circumvent the lack of cash since they do not have to pay interest. These are the reasons, she explains, why the *arisan* (rotating saving and credit association) does not seem play too significant a role for the garment workers as an instrument in their survival strategy during the slack season (compared to different opinions on the role of *arisan* in the other parts of Indonesia in the study of Wolf, 1992 and more recently Lont, 2002).

As home-based garment workers are not a solid, undifferentiated core but vary because of the products they make, their skills, the employers for whom they work and so on, the survival strategies which they adopt to cope with the slack season will also differ one from to the other. Nooteboom (2003) argues that the differentiation in the survival strategies used by the villagers to cope with the hardships is very much affected by the style (the socio-economic orientation) of each of the households. On the basis of his analysis, it is possible to draw a general conclusion that the better off people are less dependent on the community coping mechanisms than are the poorer people. The first category of village people will usually resort to coping mechanism strategies which depend more on cash and self-insurance, while the second category will depend more on subsistence income and mutual help.

5. Rural Small-Scale Industry: The Overlapping Between Production, and the Social and Domestic Domains

As has been discussed in this chapter, one of the characteristics of rural small-scale industry is that the production activities of that industry are carried out in the home (home-located production); both in the homes of the producers and of the workers. This characteristic will subsequently create two consequences: the overlapping between production and the social domain and the overlapping between production and the domestic domain.

5.1. The Overlapping between Production and the Social Domain

The production process of rural small-scale industry takes place mostly in a cluster in which the employers and the workers live side by side, in the same village, hamlet, or even neighbourhood (see, e.g., M. Rutten, 2003; Weijland, 1985; Sandee, 1995; Kragten, 2000; Klapwijk, 1997). Consequently, the small-scale industry production process and the social process happen in the same location or in the other words: there is an overlapping between the production domain and the social domain. Therefore it stands to reason that this overlapping
will affect various aspects of the operation of the rural small-scale industry. For example, the relationship between the employers and the employees will ineluctably be affected by the social ties between the two parties.

Unfortunately, although the relationship between the industry and its social context is very close in the case of small-scale industries little is known about the consequences of this relationship, that is the impact of that relationship on the operation of the industry and the other way around. Cunnison's (1966) work is perhaps one of the limited exceptions to this statement. On the basis of her research in a small-scale waterproof-garment industry in four areas in England, Cunnison (1966) mentions that the social context, where the industry is located will be very influential on the operation of the industry. Because the people and the industry are localised in the same area, this means that the overlapping between the production system and social system can happen as she describes in the following observation: "The social organisation of waterproof-garment production has demonstrated that workers, managers, and employers were connected by common membership in a number of different system of social relations which where localized in the same area: the industry was localized; kinship and affinity networks were localized" (p.33). She goes on to explain that social relations between the people involved in the industry will influence their economic relations. The upshot is that the relationship between the employers and the employees in small-scale industries is not always based on purely economic motives -- by definition concern with money matters: wage-earning; production costs; profit-making; and job security which shape the kinds of values, rights, and expectations that are inherent in an economic relationship-- but are incontrovertibly affected by social motives (p. 5). Describing the impact of the relationship or overlapping between production and the social system, therefore, Cunnison (1966: 34) draws following conclusion:

"The economic relation between worker and employer in the working situation is ambivalent, compounded both of conflicting and common interests. In a free market economy where business is run for profit, conflict is stressed. For workers, wages are livelihood; for employers, they are cost of production. In the waterproof-garment industry, wages make up a big part of total cost. Because the industry was competitive there was a constant pressure to keep cost down, and bitter conflict occurred between workers and employers over wages. But the economic relation between worker and boss was only one of a number of relationships linking the two. Thus when a dispute over some aspect of work occurred between an individual worker and his manager, interest and values from these other relationships might be drawn in, some of them stressing the common positions and interest of the two".

In the case of rural small-scale industry in Java, the social setting becomes even more influential since culture, values, and norms are considered important aspects by which to govern and to preserve the social order. For the Javanese, norms can be applied to any circumstance, in either social or economic relations as long as people need guidance in these relationships to judge whether or not a specific type of behaviour, decision, and practice is proper. Therefore, if a person behaves improperly measured by the standard of the norm, that person will be "punished" by community members by various means ranging
from light to more severe punishments, from merely gossiping to stigmatisation as a non-human, exclusion from social activities, and in the end expulsion from the community. Norms are applied by the community on the basis of a person's economic and social attributes. Consequently, proper or improper conduct is judged according to a person's ability to perform the social obligations attached to his/her social and economic position, for example, an employer has more social obligations than does to the employee, dutifully.

In (rural) Java, norms are manifested in the ideology of rukun (harmony). Koentjaraningrat (1985: 121) says that this norm governs horizontal relationships between community members in which that relationship is based on a dyadic arrangement in the form of a reciprocal social obligation structure, which ties individuals to one and another. In order to create harmony, everybody should practise tolerance and follow the adat istiadat (norms). How the ideology of rukun is implemented in various arenas in the livelihood of a Javanese community is well described by Guinness (1986:157-162) in his book as follows:

"[...] Those entrepreneurs who conduct business within the kampung, such as large warung operators or employers of kampung labourers, are accused of being hard-hearted and stingy. Cangkok are accused of treating their tenants too harshly. [...] In any neighbourhood residents can name people of high rank who are held in low esteem by neighbours because they have dissociated themselves from the community. Wealthy residents are expected to contribute part of their wealth to the community, ndara are expected to cultivate a personality equal to their noble birth, and cangkok are expected to be sympathetic to their tenants’ circumstances. This sort of participation in the community which brings esteem is generally called sosial ‘being friendly, generous, community-minded’ or having a jiwa tulung ‘helping nature’. [...] Differences of rank are, then, integrated within the ideology and practice of rukun. High- and low-ranked residents have mutual obligations and should show mutual respect. [...] When higher-ranked residents appear to neglect their social obligations towards their neighbours, the most common sanction used by the latter towards them is gossip. [...] Gossip within the RT community includes strong criticism of high-ranked residents who threaten social harmony by selfish conduct, including those who are kikir ‘stingy’, sambong, egois ‘conceited’, kejam ‘hardhearted’, kazar ‘crude’, nesu ‘angry’.

Praiseworthy though it may be, practising rukun is not an easy task, particularly for employers who are considered to have more social obligations than their employees. The result is, as has been discussed in another part of this chapter, employers who enjoy vertical mobility tend to move out, away from their home village to the more urban residential areas in order to avoid the social obligations that they would be expected to shoulder in their home village.

5.2. The Overlapping between Production and the Domestic Domain

Home-located production subsequently also creates an overlapping between production and the domestic domain (the home as private domestic sphere of life). This overlapping is a potential source of problems requiring those involved to negotiate some kind of reconciliation between the public and private spheres within the home itself (Masuo et al., 2001; Fitzgerald and Winter, 2001; Fitzgerald et al., 2001; Silver, 1993; Frone, Yardley,
Feminist scholars are convinced that the impact of this overlapping should be understood by taking the masculinity and femininity approach. This approach is based on dual perspectives. The first is concerned with the perceived inequalities between male and female participants in the labour market. The second is to make a link between these inequalities and the fact that domestic work is unpaid work (Maurisson, 2000). How the inequality between men and women—which is influenced by the domestic job distribution—can occur is explained by Felstead and Jewson (2000: 20-21) as follows. Home is traditionally a place where domestic activities, roles, and responsibilities are shared among the household members. To a significant degree, the sharing of domestic activities among the household members is usually based on masculine and feminine considerations. Logically, home-located production activities will have different consequences for male and female home workers, as well as for the other household members. The studies done by Allen and Wolkowitz (1987), Christensen (1988), Beneria and Roldan (1987), Boris and Prugl (1996) show that women home workers suffer more than do their male counterparts from the impact of the overlapping between the home domain and the work domain. They argue that home work has contributed to the marginalisation of women because: Women home workers continually suffer from low wages since home work is not recognized as real work but only as a leisure time activity done for “pin money” (Allen and Wolkowitz, 1987) or even classified as a clandestine or semi-legal activity (Ruiz, 1992; Yanz et al, 1999). Over and above this, women home workers are still burdened by their domestic duties because the impact of the general notion—which is still believed— that home work gives women the opportunity to combine work and domestic tasks.

This sort of duality approach is not without its critics since it fails to take into consideration the fact that more home-located producers or workers are male than female and unfortunately the analysis has not yet been extended systematically to the men’s situation, namely how men home workers reconcile the demands of employment and of the household (Felstead and Jewson, 2000; Maurisson, 2000). Another approach used to understand the impact of the overlapping between the home and work domains on the family life has been introduced by Felstead and Jewson (2000: 21-22). These two scholars—referring to the work of Benjamin and Sullivan (1996)—argue that, despite the fact that gender divisions are very important, it is also essential to capture the diversity of the types of the households within which gender relations are embedded. The household context of home-located production cannot be fully encompassed within the dualistic analysis of the masculinity and femininity approach. Therefore it is essential to go a step further and identify different forms or types of household relations. On the basis of two indicators, namely: the domestic division of labour and the management and control of household finances, Felstead and Jewson (2000)
differentiate households into several categories, that form a continuum between relatively egalitarian and relatively hierarchical. The impact of overlapping between home and work domains, subsequently, should be placed in that continuum since every household may have a different pattern in the distribution of its domestic work and the way it manages its financial resources among its members, particularly between the husbands and the wives. It is quite possible for one household to be more equal and the other is less equal. This degree of equality in distributing domestic work and managing financial resources will eventually differentiate the impacts of the overlapping between home domain and work domain on the livelihood of the households (families), on to the husbands, the wives, and the other household or family members.

Besides spatial overlapping in the case of the entrepreneurs, home-located production also causes financial overlapping between business and family finances. Fitzgerald et al. (2001) postulate that the majority of the family businesses never make a distinction between the business and family finances, therefore, this overlapping also will have the potential to create a problem for the entrepreneurs, both for the sustainability of their business and for the well-being of their families. The problem usually arises because the entrepreneurs fail to strike a balance between spending their money for business purposes and for the well-being of their families. In many cases, bankruptcy or the business failure as most literature on small business prefer to call it (see, e.g., Everett and Watson, 1998; Gaskill et al., 1993; Cohran, 1981; Peterson et al., 1983; Fredland and Morris, 1976; Dipietro and Sawhney, 1977) is usually caused by the prodigal behaviour of the entrepreneur which causes the insolvency of their enterprises. It is not unknown for them to squander their money on consumer goods at a time when their enterprises still need more capital poured into them. Unfortunately, the bulk of the literature on small business tends to pay far more attention to causes other than the business failure. Therefore, although it has been widely known that there is an overlapping between business finance and family finances in small-scale industries (enterprises), --so far-- there is no information available on what the impact of this business failure is on the livelihood of the entrepreneurs and their families. Therefore, it is hoped that the discussion of the impact of bankruptcy on the livelihood of the garment producers and their families in this thesis can help to narrow the gap between the information on the causes and the consequences of the bankruptcy in the small-scale enterprises.

6. Conclusion

From the fore-going discussion, we can draw at least four conclusions concerning the existence and the operation of non-farm activities and rural small-scale industries in particular. These conclusions will be used subsequently as a conceptual foundation to write the empirical chapters in this thesis in which the research findings will be discussed in order to answer the research questions formulated in the introductory chapter. These four conclusions are noted below:
First, the emergence and development of non-farm activities and rural small-scale industry in particular is inextricably linked to conditions in the agricultural sector in the areas where such activities and rural industry are both situated. This idea will be elaborated in greater detail in Chapter Three to explain the emergence of non-farm activities in Kalitengah as the result of land pressure, which has been encroaching on this village for a very long time.

Second, the characteristics of rural small-scale industry are very influential in determining how this industry is operated. The concepts taken from this discussion become the central arguments in Chapter Four and Chapter Six. In Chapter Four I will describe how the characteristics of rural small-scale industry affect the operation of the garment industry in Kalitengah, while in Chapter Six I will analyse the overlapping between the work and home domains as the impact of the characteristics of small-scale industry.

Third, the local setting, where the rural small-scale industry is situated such as norms, values, and culture, significantly affects the relationships among people who are involved in this industry. In Chapter Five, the ideas drawn from this conclusion will be used to explain the relationships between the people who are involved in the garment manufacturing in Kalitengah, particularly the relationships between the juragan and the buruh.

Lastly, non-farm activities and small-scale industry can replace land (agricultural sector) as an instrument for socio-economic upward mobility for rural (poor) households, which in the long run will create a new elite in the village. In the empirical chapters, this idea will become the central issue when we discuss the socio-economic stratification in Kalitengah in Chapter Three, the emergence of juragan in Chapter Four, the life-style of juragan in Chapter Five, and upward and downward mobility in Chapter Six.