

From Water Buffaloes to Motorcycles: The Development of Large-scale Industrial Estates and Their Socio-spatial Impact on the Surrounding Villages in Karawang Regency, West Java

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Abstract

This paper examines the impact of industrial estates on surrounding villages in Karawang Regency, West Java, Indonesia. A few large industrial estates have been in operation since the latter part of the 1990s, with hundreds of tenants, mainly auto manufacturers and related component suppliers. The rapid inflow of industry and decrease of agriculture-related jobs have prompted villagers to look for jobs in the industrial estates. However, there is a significant mismatch between the average educational and skill levels of the villagers and those required by companies in the estates. Competition with a growing number of immigrants with higher educational or skill levels has made it difficult for local villagers to obtain jobs in industry, while newcomers with a more secure job status are forming a new socioeconomic order outside the existing village settlements. The study also found that recruitment of regular staff had decreased rapidly since the introduction of a new labor law in 2003. Widespread use of fixed-term contracts and temporary agency workers has made jobs in industrial estates fragile and short-term. This gives companies flexibility of employment but at the same time is producing a growing pool of disenchanting and frustrated village youths in the surrounding environment. Further assistance to the villagers is desirable—not only for their sake but also for local government and industry if they hope for a long-term peaceful and conducive business environment.

Keywords: Indonesia, industrial estate, social impact, lifestyle change, employment, labor law, agency worker, fixed-term contract

Introduction

The purpose of this paper is to examine the impact of large industrial estates on the surrounding rural community of Karawang Regency, West Java. Although Indonesia is a large country extending over 5,000 kilometers east and west, its industry is highly concentrated in the metropolitan area. Yuri Sato

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has pointed out that although Jabotabek (Jakarta and the surrounding Bogor, Tangerang, and Bekasi Regencies) constitutes only 0.3 per cent of the country's land area, it houses 10 per cent of the national population and accounts for 21 per cent of the GDP and 36 per cent of all the industrial production of the nation [Sato 1999: 117]. A series of large industrial estates located along a highway from Jakarta to the east are the manifestation of this highly concentrated industry. This paper examines the social and spatial changes occurring in the communities around such large industrial estates. The data presented in this paper is based on the author's field research in March, August, and September 2007 in Telukjambe District, Karawang Regency, West Java Province.¹⁾

This paper is composed of four sections. The first section explains the theoretical background of the study, while the second provides the history of large-scale industrial estates in the metropolitan area. The third section presents details of the researched communities, i.e., two villages in Telukjambe District. The fourth section examines the conditions of employment of villagers in industrial estates. Special attention is paid to the increase in non-regular staff, such as contract and outsourced workers.

I Region-based Urbanization in Indonesia and Other Southeast Asian Countries

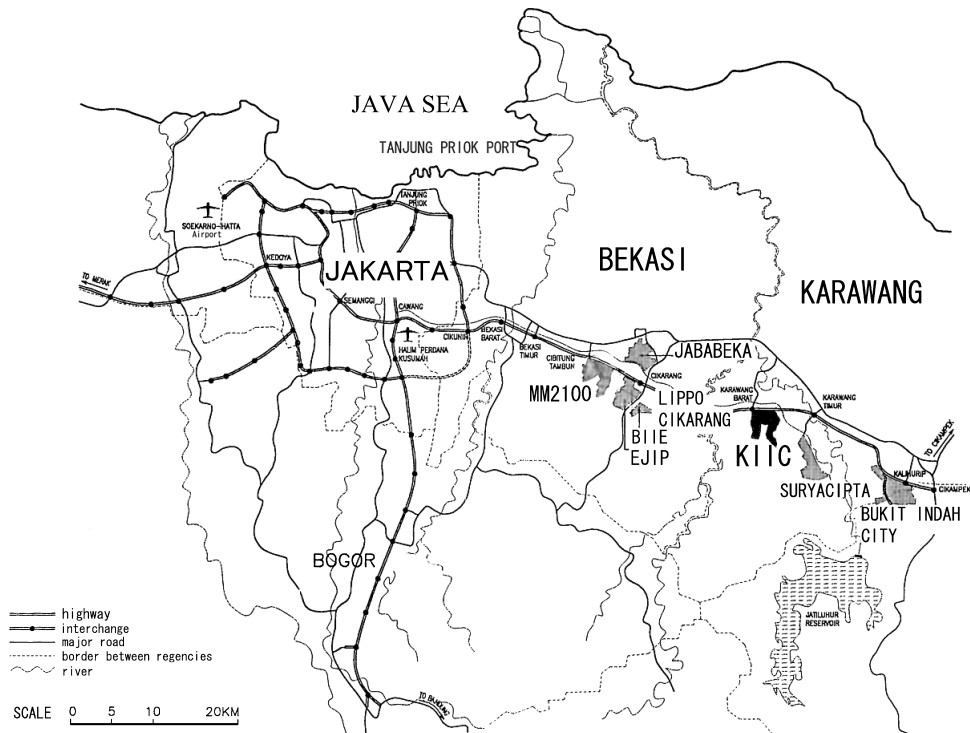
Since the 1970s, the Indonesian government has tried to develop Jakarta and the surrounding Bekasi, Tangerang, and Bogor Regencies as a single metropolitan area called Jabotabek.²⁾ Recently, longer abbreviations such as Jabodetabek have also been used as Depok city has become an independent administrative entity in the region. In spite of the conceptual unity, Jakarta and the three regency governments have found it extremely hard to carry out well-coordinated policies, as urbanized areas have expanded farther and farther beyond the environs of Jabotabek following the expansion of the highway network. Karawang Regency—east of Jakarta, beyond Bekasi Regency—is also part of this urbanized periphery of the metropolitan area (Map 1).

Although Karawang is distant from Jakarta,³⁾ the urbanization process there is no less important than that in the center of the metropolis. Despite differing theoretical orientations, various observers

1) This field research was carried out as a joint research project organized by Tokai University and sponsored by the Japanese Ministry of Education and Science: "Creating a Strategy to Achieve Symbiosis in Heterogeneous Society: Cross-national Studies in Southeast Asia" [*Tonan-Ajia ni okeru Konju-shakai kara Kyosei-shakai eno Iko Senryaku no Soshutsu*], headed by Associate Professor Naito Tagayasu (Tokai University).

2) For the origin of "Jabotabek," see Giebels [1986].

3) Because it is located outside Jabodetabek, Karawang Regency has rarely been paid enough attention in the discussion of urbanization of the Indonesian metropolis. Dharmapatni and Firman [1995] expanded the scope of analysis and pointed out that Jabotabek and Bandung Metropolitan Area were rapidly becoming a unified urban region via Bogor and Cianjur. However, even from that perspective, the position of Karawang was so peripheral that it did not attract much attention.



Map 1 Metropolitan Area and Major Industrial Estates

have pointed out that urbanization in Southeast Asia is not centripetal but rather proceeds as the formation of vast city-regions. Various terms such as “extended metropolitan region” [Douglass 2002], “desakota” [McGee 1991], “mega urban regions” [McGee and Robinson 1995], “global city-regions” [Scott 2001], and “mega cities” reflect part of the efforts by scholars to describe the phenomena related to this region-based urbanization.

A fairly balanced explanation for this region-based urbanization was presented two decades ago by Norton Ginsburg, Bruce Keppel, and T. G. McGee [1991]. In East Asia and Southeast Asia, large cities are often located in wet-rice production areas. Because of the labor-intensive nature of wet-rice agriculture, even before the period of industrialization it had been common for these areas to have a population density almost equal to that of cities in pre-industrialized Europe. In addition, the labor demand of wet-rice farming fluctuates from season to season, and this has prompted farmers to engage in various nonagricultural activities, such as petty trade and small-scale industry [McGee 1991].

This historical precondition has combined with recent improvements in transportation and the existence of globally mobile manufacturers. In contrast to major cities in the United States or Western

Europe, where globalization often means the exodus of manufacturing companies and the growth of the service sector, in many Southeast Asian mega-cities globalization has meant the massive inflow of foreign direct investment and the resulting transformation of these mega-cities into industrial cities. For manufacturers, especially export-oriented ones, what is important is an abundant and cheap workforce. Manufacturers do not have to remain in the city center, where traffic congestion is chronic and wage levels are relatively high. They can establish factories on the outskirts of cities, where locals take on the dual roles of rural farmer and urban factory worker.

The above explanation has one obvious implication: industrializing peripheries such as Karawang are at the forefront of this region-based urbanization, where global-scale manufacturers are forming various relationships with wet-rice farmers and village society—in terms of a pool of workers, suppliers of cheap land needed for the production site, guarantee of a stable operational environment and security, and so on. This means that the various issues related to region-based urbanization are closely related to the issue of labor-capital relations and their social/spatial articulation. Such a relation also presupposes the existence of some kind of institutional framework, other important agencies (government, NGO, etc.), and the process of negotiation and contestation for the remaking of constellation among these agencies. These issues lead us to the politico-economic aspect of region-based urbanization. However, studies on region-based urbanization propelled by McGee, Douglass, and others in the 1990s focused mainly on the macro tendency of spatial change and its implications on policy making. Therefore, as McGee himself admitted in 2002, relatively little was revealed of the concrete relationships between agencies [McGee 2002].

Since the 1997 Asian economic crisis, there has been an increase in studies on Indonesian and other Southeast Asian cities that pay attention in various degrees to the politico-economic aspect and the roles of agencies such as city government, developers, and city planners [Chaniago 2001; Miyamoto and Konagaya 1999; Bunnell *et al.* 2002; Nas 2002; 2005; Rimmer and Dick 2009]. Studies on Jabodetabek often stress that the dominant urban development regime has given a disproportionate disadvantage to lower-class city residents. On the issue of land use, for example, scholars point out that the booming of large-scale urban redevelopment projects since the end of the 1980s, combined with rampant land speculation, has enclosed vast amounts of land in and around large cities and has robbed the lower classes of any modest space to make their living [Chaniago 2001; Arai 2005]. As for transportation policy, significant financial and land resources have been allocated to the construction of highways, which disproportionately benefit the car-owning middle and upper classes, while what is most needed by the majority of urban residents is the improvement of public transport [Hutabarat 2002].

However, the fringe areas of the metropolitan region such as Karawang have not received enough

attention. A dearth of case studies hinders us from knowing much about the concrete relationships between the spatial transformation and the configuration of local farmers, industrial workers, global-scale manufacturers, and other related agencies. What kind of relationships are they engaging in? Are they relatively symbiotic or are they adversarial? What kinds of factors are at work in the making of symbiotic or antagonistic relationships? What kind of socio-spatial order is in the making? The first purpose of this paper is to address these questions in a concrete local setting.

The second purpose is to examine the continuity and change of region-based urbanization in Indonesia. The Asian economic crisis in 1997 and the collapse of the three-decade-long Suharto regime brought about huge socio-political turmoil, and since then Indonesia has experienced a decade of great transformation. Therefore, the issue of continuity and change deserves special attention. Various studies covering the Suharto period have pointed out that the growing inflow of foreign direct investment did not necessarily raise the living conditions of local people, nor did it decrease the social gap. The government tended to sacrifice wage levels or job security to attract investment. Miyamoto pointed out that “economic liberalization and strict labor control were opposite sides of the same coin, and (in spite of the ‘liberal’ economic policy) the maturity of democracy in the economy was very low” [Miyamoto 2001: 286].⁴⁾ His study also showed that even in top companies such as large Japanese manufacturers, workers’ status was as insecure as that in informal sectors [*ibid.*: 283]. However, the collapse of the Suharto regime brought about a combination of further economic liberalization and loose labor control. How did that affect the labor-capital relation and its spatial articulation?

Based on the findings of previous studies, this paper aims to provide a case study of the relationship between people and large manufacturers (mainly Japanese companies) in the specific local setting of Karawang Regency, paying special attention to the latest developments in post-Suharto Indonesia. Works by Tagayasu Naito [2007] and Makoto Koike [2010] are also products of the same joint research project and therefore should be referenced together.

II Privatization Policy and the Spread of Large-scale Industrial Estates

Since the 1990s, many large industrial estates have been developed on the outskirts of Jakarta, especially to the east. There are several major factors responsible for the boom in the development of these estates. First, the Indonesian government, aiming to divert industrial investment from Jakarta, restricted new industry inside the city while guiding it to its eastern and western neighbors. Second,

4) The English translation is by the author of this paper. The original is in Japanese.

the government had finished the construction of the Jakarta–Cikampek highway in the mid-1980s. The highway significantly shortened the travel time between Jakarta and neighboring Bekasi and Karawang. In the hilly areas along the new highway, investors could easily find abundant inexpensive land whose soil was not so fertile and thus had not been utilized intensively as farmland. Good access to the seaport was another advantage of this eastern suburb of Jakarta, because Tanjung Priok port is located to the northeast of Jakarta.

The third factor that led to the development boom was deregulation. Since the rapid appreciation of the Japanese yen and other currencies of East Asian NIEs in the mid-1980s, foreign direct investments from Japan, Korea, and Taiwan rapidly increased and Indonesia needed more industrial estates to attract potential investors. As a result, with Presidential Decree No. 53 in 1989, the government opened the door for private investors to operate industrial estates. Deregulation of the financial sector in 1988 and 1989 further stimulated the development boom, with many new banks eager to finance large-scale property development.

Fourth, Japanese trading companies were willing to bear huge initial investment costs to develop large-scale estates. As more and more Japanese manufacturers shifted their own production and sales base overseas, these trading companies needed to change their business model from the simple brokerage of import and export to the provision of reliable infrastructure to these Japanese manufacturers going overseas.

With all the developments outlined above, the eastern suburbs of Jakarta evolved into the industrial center of Indonesia.⁵⁾ As we can see in Map 1, along the highway in Bekasi and Karawang Regency a chain of large industrial estates were developed, such as MM2100, EJIP, BIIE, Jababeka, Lippo Cikarang, KIIC, Suryacipta, and Bukit Indah City. Most of these are joint ventures between Japanese general trading companies and Indonesian business groups.

Karawang Regency has been one of the most famous rice-production areas in Java, and vast paddy fields spread from the center to the north coast of the regency. Data from 2006 show that there are 920,000 hectares of paddy fields and the annual rice production reaches 1.2 million tons [Indonesia, Pemerintah Kabupaten Karawang Badan Perencanaan Daerah 2007: 30, 60]. But since the Jakarta–Cikampek highway was opened in 1988, a huge change has occurred around the area along the highway.

5) The development of Bogor, Jakarta's southern neighbor, has been restricted because it is a source of water supply to Jakarta. Tangerang, Jakarta's western neighbor, received significant foreign investment in the 1970s and 1980s, especially for the manufacture of textiles and garments, but infrastructure such as roads and electricity supply did not improve sufficiently. These factors disrupted the operations of existing companies around 1990, and in 1995 President Suharto issued an instruction to disallow new factories in the regency [*Kompas* 16 February 1995: 1]. Large-scale industrial estates were hence gradually concentrated to the east of Jakarta.

Table 1 Land Development Permits of Industrial Estates in West Karawang

No.	Name of Developer	District	Year	Month/ Day	Permission Number	Size (m ²)
1	PT Mitra Karawang Jaya	Telukjambe	1990	12/19	593/SK.411-BKPMD/1990	4,000,000
2	PT Karawang Jabar Industrial Estate	Telukjambe	1991	2/8	593/SK.51-BKPMD/1991	4,000,000
3	PT Maligi Permata Industrial Estate	Telukjambe	1991	1/21	593/SK.24-BKPMD/1991	4,000,000
4	PT Rasindo Perkasa	Telukjambe	1997	3/1	028/SK.IL/NF/1997	2,000,000
5	PT Surya Cipta Swadaya	Telukjambe	1991	2/7	593/SK.49-BKPMD/1991	5,000,000
6	PT Surya Cipta Swadaya	Telukjambe	1998	4/20	026/SK.IL-PMDN/1997	9,000,000

Source: Compiled by the author based on data provided by BPN Karawang (Land Administration Office in Karawang).

As Table 1 shows, the government issued three development permits almost simultaneously from 1990 to 1991 (Table 1). Each of these was a large-scale project planning to change the land use of more than 400 hectares of land. In the following decade, these projects materialized into three large industrial estates: KIIC, Suryacipta, and Mitra. On the other hand, the total area of paddy fields in the regency decreased by more than 2,500 hectares, from 95,288 in 1989 to 92,786 in 2006.

The change in land use has accompanied a bigger change in economic structure in the regency. Between 1979 and 1984, agriculture made up an average of 44 per cent of the gross regional product, followed by “commerce, hotels and restaurants” in second place and manufacture in third [*Kompas* 24 January 2003: 8]. Already in 1996, however, manufacture surpassed agriculture (33.01 per cent versus 17.13 per cent) [Indonesia, Badan Pusat Statistik 2001: 28]; and in 2005, manufacture was the biggest contributor to gross regional product, making up 33.1 per cent, while agriculture contributed 11.82 per cent [Indonesia, Pemerintah Kabupaten Karawang Badan Perencanaan Daerah 2007: 51].

According to data from the regional planning bureau, in 2006, 511 companies were operating in the regency’s industrial estates, industrial city, or industrial zone. Of these companies, 255 used the foreign investment scheme (PMA), while 183 used domestic investment (PMDN). The remaining 73 were operating under neither scheme of the investment law (Non Fasilitas), and 8,290 other small companies made up a kind of supporting industry.

Karawang city, which is several kilometers away from a highway exit, has significantly increased its population by attracting immigrants. In 2006, the population of West Karawang and East Karawang Districts reached 234,000—which was 51,000 larger than the 2001 population [Indonesia, Badan Pusat Statistik 2006: 49]. Roads connecting the center of the city with major industrial estates have become commuting routes for factory workers. Hundreds of factory buses and other forms of public transport go back and forth along these roads every morning and afternoon.

Although industrialization has brought about huge changes to the region, the decision-making process was really top-down. Let us look at the process of industrial estate development with the example of KIIC (Karawang International Industrial City). This industrial estate was developed by Itochu, a major Japanese trading company, and Indonesia's Sinar Mas group.⁶⁾ They founded a new company, PT Maligi Permata Industrial Estate, on 22 November 1989—immediately after Presidential Decree No. 53 1989⁷⁾—and applied for a land development permit (*izin lokasi*) on 31 June 1990.⁸⁾ The application was processed quickly, and only half a year later, on 21 January 1991, the governor of West Java province issued a land development permit for 400 hectares. Neither the regency government nor local people were involved in this process. It was in 1991 that the regency's first general land-use plan was completed.⁹⁾ According to Mr. Tonny, head of the land-use division in the regency's regional planning bureau (Bapeda), this first plan was unilaterally “given” from the central government.¹⁰⁾

After the process of land acquisition, the actual construction of the estate started in 1993, and the first part of the estates started operations in 1995. The second part was completed in 1997. Other facilities—such as a golf course, a hotel, an apartment complex, and some landed houses—were also developed adjoining the industrial park. Today, KIIC is developing into a center for automobile and motorcycle production. It has expanded to cover 808 hectares and has succeeded in attracting such large auto manufacturers as Toyota, Daihatsu, and Yamaha. Suppliers have followed them. In March 2007, 80 per cent of the plots were already sold and occupied by 82 companies, of which 72 were operating, while three were in the construction phase and seven had signed up to follow.¹¹⁾ Ninety per cent of the tenants are Japanese companies.

Although the initial development of large-scale industrial estates was a top-down process from the highly centralized Suharto regime, the collapse of the regime in 1998—with its accompanying social, economic, and political turmoil and restructuring—created a very different environment for both industrial estate operators and manufacturers: Various stakeholders at all levels now operate much more independently both from the weaker central government and from each other, and thus companies cannot

6) Each side held 50 per cent of the equity, and Sinar Mas sent their staff to the board of directors, but actual management was carried out almost entirely by Itochu (according to an interview with Takami Akira of KIIC on 13 March 2007).

7) According to the application documents for the land development permit (*izin lokasi*) saved in the regency's National Land Registration Body (Badan Pertanahan Nasional), the company was established with registration document Akta Pendirian Perusahaan tgl 22-11-1989 No. 512 and the registered address was Jl. Jenderal Sudirman 1, Senayan, Jakarta.

8) Permohonan Izin Lokasi No. 250/GM/90103/X/90.

9) Perda No. 17 1991 tentang Rencana Tata Ruang Wilayah Kabupaten Karawang.

10) Interview in Bapeda Karawang on 4 September 2007.

11) According to an interview with Takami Akira of KIIC on 13 March 2007.

expect top-down coordination or iron-armed repression from the central government to deal with the various and sometimes contesting demands from heterogeneous stakeholders. One of the changes is that the regency-level government has become more powerful. Regency-level political elites are ambivalent in their approach to the multinational companies in Karawang. On the one hand, the large industrial estates and hundreds of tenant multinational companies are a very important source of revenue for the regency government. Therefore, it is in their interest to attract, not discourage, more of those investors. On the other hand, the position of regent (*bupati*) and the seats of regional parliament are now contested in free elections. For the incumbents and contestants to be elected or to keep their post, what is important is not to win the trust and support of high-ranking officials in Jakarta (as was the case during the Suharto regime), but to claim to represent the interest of the local constituency. For example, Karawang's three regents in the post-Suharto era have repeatedly urged companies in the industrial estates to employ more local residents from Karawang. Also, contesting political elites need to exploit every source of income to sustain or expand their support base, and sometimes the immediate need to extract money weighs heavier for them than long-term considerations such as creating a conducive environment for attracting investors.¹²⁾

Second, village-level elites have their own interest. While the regency-level government greatly benefits from the property tax and other revenues from the industrial estates, there is no direct tax linkage between village administrations and the companies located in their territories. This means that villages that sacrifice large portions of farmland to industrial estates do not enjoy enough financial benefit to offset the loss of land. This discrepancy between burden and benefit is one of the structural sources of villagers' discontent toward KIIC. Besides, while both the regency-level elites (bureaucrats and politicians) and their constituency include significant numbers of immigrants from outside of Karawang, village-level elites face a predominantly native Sundanese constituency. Village heads are also elected publicly, and the election campaigns are no less heated than those at the national or regency level. The divides created among the contesting supporters in a village during the heated election process often linger long after the election. During the campaign, contestants make many promises to

12) Matsui [2004] summarizes the escalation of rent-seeking activities by newly empowered local governments after the post-Suharto regional autonomy reform, and its impact on the local economy.

Also, Leo Agustino points out that while Suharto tried to build and maintain his (and his family's) political base for the longest possible period and this long-term consideration worked to limit the degree of exploitation, many "local strongmen" who gained control of regional governments in the post-Suharto regime were more short-sighted—sometimes pressured by the need for huge political funds for elections, sometimes because they suddenly found themselves free from the restraints imposed by the central government. As a result, exploitation of local resources became exacerbated in many cases [Agustino 2011].

villagers. Because villagers around industrial estates greatly desire more jobs and other economic benefits from the companies in the estates, village heads, once elected, face immense pressure from villagers to negotiate harder with the companies in the industrial estates.

Third, after the repressive Suharto regime and now in a very democratic environment, organized labor unions and other grassroots groups, such as NGOs, village-level local youth groups, and thugs (*preman*) now operate more freely. They can carry out street demonstrations or other shows of force without worrying too much about harsh reprisals from the state apparatus.

Such is the post-Suharto environment in which industrial estates such as KIIC now operate.

III From Buffaloes to Motorcycles: Change of Lifestyle

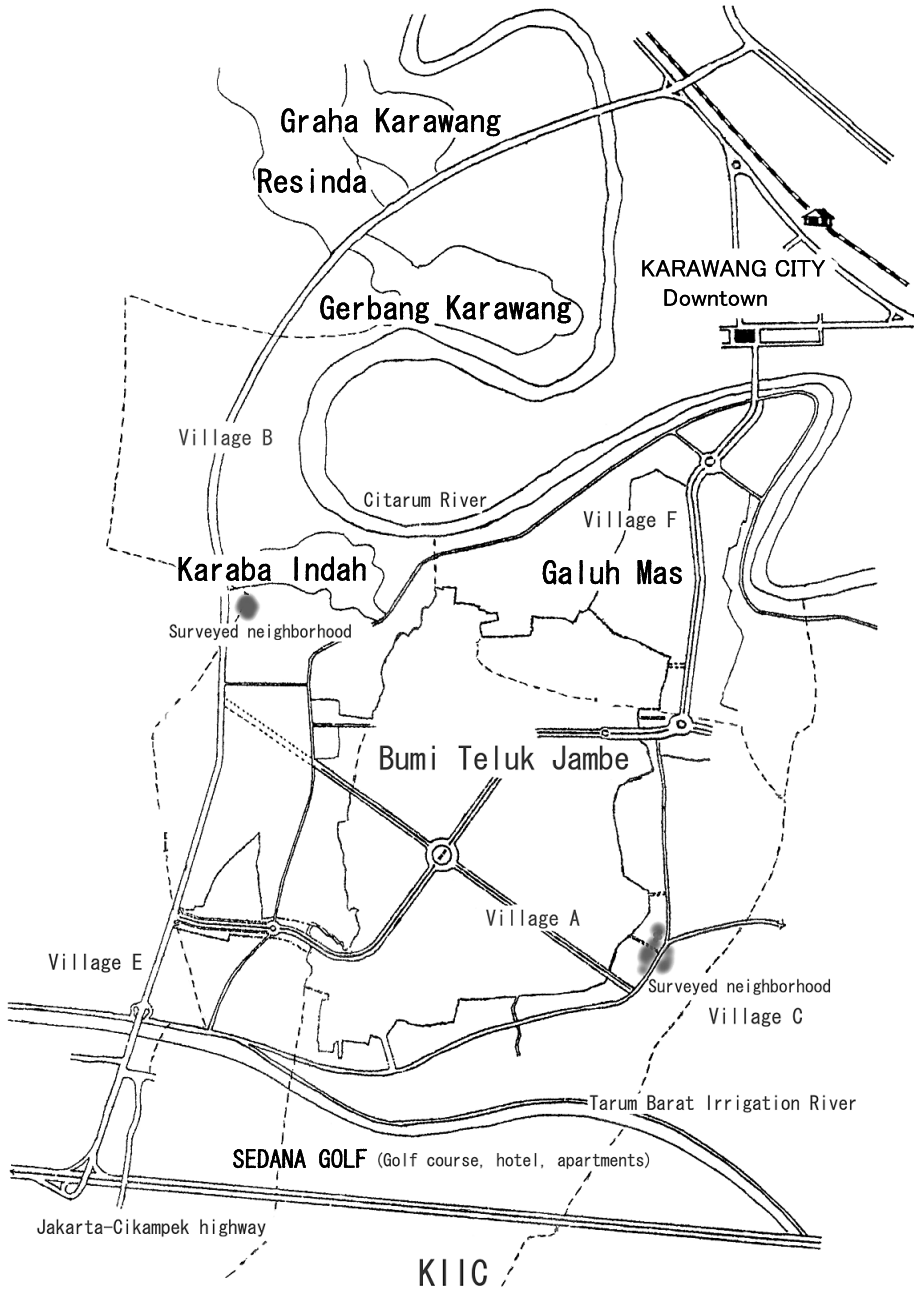
Administratively, KIIC is located in five villages in Telukjambe District. Let us call these villages A, B, C, D, and E. Together with Professor Makoto Koike of St Andrew's University, the author selected two villages—village A and village B (Map 2)—then picked one neighborhood (RT: *rukun tetangga*, the smallest administrative unit in the village) in each of the villages, and carried out structured interviews with all registered households in August and September 2007.¹³⁾

These two villages have different socioeconomic conditions. Village A was chosen as a community that was in the midst of a process of urbanization. As we can see from Table 2, only 25 hectares of paddy field remained there in 2006.¹⁴⁾ The sample RT is conveniently located along a commuting route to KIIC, and many villagers have converted their farmlands to nonagricultural purposes such as cheap accommodation for factory workers.

On the other hand, village B still had 210 hectares of paddy field in 2006. The sample RT we chose was a new settlement formed in the last 10 years or so by those who occupied, with no legal basis, a narrow strip of land alongside a government-owned irrigation ditch. Although the whole neighborhood was new, Table 3 shows that 60 per cent of the residents were natives of village B who had moved in from other parts of the village. The sample RT in village A had a slightly higher percentage of new residents than that in village B (we use the term “old resident” when at least one of the members of the couple heading a household was born in the village concerned, while “new resident” means that

13) The structured interviews were carried out with the help of Mr. Aji, Mr. Deden, Mr. Edi, and Mr. Wanta of STIE Karawang (Karawang School of Economics) under the coordination of Budi Rismayadi of Karawang Singaperbangsa University.

14) This figure is quoted from an administrative document edited by the village office in 2006 (*Daftar Isian Tingkat Perkembangan Desa*). In the interview with village officials in March 2007, they mentioned 16 hectares, a much smaller figure, and the figure is sure to be even lower by now.



Map 2 KIIC and Major Residential Estates

Source: Author

Table 2a Profiles of Two Villages

	Village A	Village B
Population		
Male	4,932	5,783
Female	4,918	6,308
Total	9,850	12,091
No. of household heads	3,021	4,157
Owners of farmland	140	175
Remaining paddy field	25 ha	210 ha

Source: Quoted from administrative documents of the two villages (“*Daftar Isian Potensi Desa*, 2006” [Indonesia, Pemerintah Kabupaten Karawang Badan Pemberdayaan Masyarakat dan Sosial 2006b]).

However, there are some inconsistencies in these documents, and we should regard these figures as gross estimate.

Table 2b Ethno-Religious Composition of Village A

Religion	Population
Islam	9,862
Protestantism	65
Catholicism	15
Buddhism	5
Ethnic Group	Population
Sunda	6,109
Jawa	1,701
Malay	301
Batak	35
Madura	15
Others	1,786

Source: “*Daftar Isian Potensi Desa*, 2006” of Village A. Data for Village B is not available.

Table 3 Agriculture-Related Households

	Village A (Sample Neighborhood)	Village B (Sample Neighborhood)
① Respondents	86 Households	38 Households
② % of old residents: % of new residents ¹⁾	55 : 45	60 : 40
③ Owners of farmland	11 (13%)	0
④ Owners of paddy field	8 (9%)	0
⑤ Agricultural workers with no landholding	7 (8%)	4 (11%)
⑥ Details of ⑤	Agricultural Laborers 5, Sharecroppers 2	Agricultural Laborers 2, Sharecroppers 2
⑦ Total no. of farmers (③+⑤)	18 (21%)	4 (11%)

Note: ¹⁾ An “old resident” is either a head of household who was born in the village concerned or one whose partner (wife/husband) was born in the village concerned.

neither member of the couple was a native of the village).¹⁵⁾

1. Agriculture and Livestock Farming

Our research found that jobs related to agriculture and livestock farming no longer play an important economic role for the majority of villagers. As Table 3 shows, neither in village A nor in village B did we find many owners of farmland. In the sample RT in village A, 11 among the total 86 households interviewed (less than 13 per cent) had some land, while none of the 38 households in village B had any

15) These figures cover only those households whose heads registered with the village office. It is very probable that there were immigrants who rented a room from villagers and lived in the village but did not bother to register with the local village office. If we had included such cases, the percentage of new residents would have been higher.

Table 4 Proportion of Livestock Holders (%)

	Village A (Sample Neighborhood)	Village B (Sample Neighborhood)
Water buffaloes and cows	0	0
Goats	6	3
Chickens	15	16
Ducks	4	16

Source: Compiled by the author based on 2007 survey data.

Table 5 Villagers Who Have Ever Sold Their Land

	Village A	Village B
To KIIC and adjoining golf course	4 (4.7%)	0%
To residential developers	3 (3.5%)	0%
To individuals such as other villagers	11 (12.8%)	3 (8.3%)
Total	18 (21%)	3 (8.3%)

Source: Compiled by the author based on 2007 survey data.

Note: Data in this table covers selected neighborhoods only, not all villages.

land. Most of the farmland in the two villages was owned by absentee landowners, including some who lived outside the regency. Sharecroppers and agricultural laborers also formed a small minority of the sample population interviewed: 8 per cent in the case of village A, and only about 11 per cent in village B although there remained much more paddy field in village B. Also, livestock farming did not play an important role in the lives of the majority of people interviewed. As Table 4 shows, we can only see chickens (about 15 per cent of both sample RTs) and ducks (about 15 per cent of the sample RT in village B) owned by a small number of respondents.

Why did agriculture play such a limited role in the livelihoods of the majority of villagers? Was it because they had lost their farmland due to the development of KIIC? To find out about the history of land transactions, we also asked respondents whether their households had ever sold their land (Table 5). Among the respondents in village A, 18 households (about 21 per cent) had sold pieces of land, but only four of them had sold to KIIC or KIIC-related agents.

The majority of remaining sales (11 cases) were from one villager to another villager or other individuals. The other three sales were from one villager to a residential developer. Among the respondents in village B, only three (8 per cent) had sold their land, and all of them had sold to other individuals. These figures show that the decrease in farmland was not caused directly by the development of KIIC, but rather as a result of the gradual urbanization process going on around industrial estates.

However, the development of KIIC had a direct impact on livestock farming. According to the

secretary of the village A office, KIIC and its golf course were developed on hilly green fields and forest areas that were not suitable for paddy fields. Before, villagers had used the area as pasture for water buffaloes or for orchards. When land acquisition started in 1989, many landowners were happy to sell their unfertile land for Rp.300 per square meter. Unfertile though it may have been in terms of agriculture, this area had been a good place for water buffaloes to feed and breed, and that in turn made it possible for villagers to breed many water buffaloes without much painstaking work. Wealthy villagers used to own dozens of water buffaloes, and these livestock had no less economic value than paddy fields. However, the loss of pastureland made it impossible to support as many buffaloes as before. Instead, wealthy villagers came to display their social status by building new large houses or by acquiring products such as cars, motorcycles, and electrical appliances.

2. *Housing*

The presence of industrial estates attracted immigrants and stimulated further demand for land. According to Mr. Tonny, head of the land-use division of the regency's regional planning bureau (Bapeda), the regency's first general land-use plan, which was "given" from the central government, just demarcated the areas for industrial use and did not take into account that the economic multiplier effect of the industry would produce massive additional demand for land—for purposes such as housing and transportation—and this in turn would require significant additional public investment. As a result, the burden of the regency government increased while vast areas of paddy fields were converted into housing and other nonagricultural uses.¹⁶⁾

Table 6 shows the land development permits for several residential developments around KIIC. We can see from the table that after industrial park developers acquired land development permits in the early 1990s, residential developers immediately followed suit and started various residential projects. These projects are concentrated in the area along the main corridor between the West Karawang exit of the Jakarta–Cikampek highway and downtown Karawang (Map 2). This area had been used mainly as paddy fields, so these projects significantly contributed to the decrease in agricultural land of the villages in the area. According to a civil servant from village A, the village still had about 200 hectares of paddy field in the early 1990s (compared with only 16 hectares in 2007), and the very presence of paddy fields provided villagers with various job opportunities such as sharecropping and agricultural

16) Tungky Ariwibowo, the vice minister of industry in 1991, said that each hectare of new industrial estates would create 50 to 150 new jobs and the actual population increase would be five times more when including workers' family members or the stimulus of industrial estates to commercial or service-sector employment. He urged local governments such as the Bekasi Regency government to anticipate the additional demand for roads, schools, and housing, and to quickly allocate land for these purposes [*Kompas* 20 August 1991: 2].

Table 6 Land Development Permits of Major Residential Development Projects in Telukjambe District

No.	NAME OF PROJECT Name of Developer	Proposed Location	Year	Month/Day	Permission Number	Size (m ²)
BUMI TELUKJAMBE						
1	Perum Perumnas Cab. IV	Village A, B, F	1994	2/26	460/Kep.21/P/BPN/1994	2,000,000
2	Perum Perumnas Cab. IV	Village B	2002	6/27	460/Kep.10-A GR/2002	48,700
3	Perum Perumnas Reg. IV	Village A	2003	6/23	591.4/Kep.20 AGR/2003	37,765
4	Perum Perumnas Reg. IV	Village A, F	2003	6/30	591.4/Kep.21 AGR/2003	25,235
5	Perum Perumnas Reg. IV	Village A	2004	2/17	591.4/Kep.163-HUK/2004	99,380
KARABA INDAH						
6	PT. Bumi Bangun Delta Megah	Village B	1995	4/12	460/Kep.93/P/BPN/1995	200,000
7	PT. Bumi Bangun Delta Megah	Village B	1998	4/24	006/SK. IL. I/NF/1998	46,000
8	PT. Bumi Bangun Delta Megah	Village B	2000	6/30	460/02a/K. IL/NF/2000	43,100
9	PT. Bumi Bangun Delta Megah	Village B	2000	8/2	460/08/K. IL/NF/2000	14,100
10	PT. Bumi Bangun Delta Megah	Village B	2001	5/22	460/12/K. IL/NF/2001	33,700
11	PT. Bumi Bangun Delta Megah	Village B	2001	7/26	460/19/K. IL/NF/2001	3,800
12	PT. Bumi Bangun Delta Megah	Village B	2002	4/25	560/Kep-03/Din.AGR/PMA/2001	38,000
GALUH MAS						
13	PT. Galuh Citarum	Village C, F	1994	3/10	460/Kep.25/P/BPN/1994	1,000,000
14	PT. Galuh Citarum	Village F	2004	3/30	591.4/Kep.272-HUK/2004	50,000
15	PT. Bukit Muriajaya	Village G	1994	8/16	460/Kep.50/P/BPN/1994	1,750,000

Source: Compiled by the author based on data provided by BPN Karawang (Land Administration Office in Karawang).

Table 7 Residential Development Projects in Village A and Village B

Name	Bumi Teluk Jame / Permata Teluk Jame	Karaba Indah
Developer	Perum Perumnas (National Housing Company)	PT Bumi Bangun Delta Mega
Location	Village A, B, F	Village B
Proposed size	220 ha	38 ha
Land development permit	5 permits between 1994 and 2004	7 permits between 1995 and 2002

Source: Compiled by the author based on data provided by BPN Karawang (Land Administration Office in Karawang).

labor. The decrease in paddy fields deprived villagers of these agriculture-related jobs. In addition, the new residential projects often disturbed remaining paddy fields by cutting or destroying existing irrigation networks. On the other hand, the newly developed residential areas have opened new job opportunities for villagers, such as security guards, pedicab drivers, and laundry service, although all of these jobs are low-wage and unstable.

In the case of village A and village B, two residential developments are under way besides the existing settlements: Permata Teluk Jame, which is being developed by the National Housing Company (Perumnas), and Karaba Indah, which is being developed by a private developer (Table 7; Map 2).

These projects are both spatially and socially marginalizing existing village society. According to the marketing staff of both projects, most of the consumers are newcomers from Jakarta, Central Java, or East Java who work in industrial estates. The majority of the houses being marketed are relatively small, with built-up areas between 21 and 36 square meters and land sizes between 60 and 104 square meters. Most of the consumers (90 per cent in the case of Permata Teluk Jame) use housing loans. To apply for a loan, an applicant is required to provide proof that he/she has a stable source of income, usually with a job status of “regular staff.” This is a very tough condition for the majority of villagers. New residential projects also develop their own commercial districts. In such districts there are air-conditioned convenience stores, and the atmosphere is more vibrant than shops in existing settlement areas. Therefore, the new residential developments give birth to new communities that are disconnected from existing village communities in terms of both the socioeconomic background of the residents and the communities’ spatial structure.

Let us now take a look at the villagers’ housing situation (Table 8). Among the 86 households surveyed in village A, 64 per cent lived in their own homes (55 households, which is the sum of ①, ②, and ④). But the majority of them (58 cases, or 67 per cent) were using land that they had inherited or would probably inherit in the future. For example, 34 respondents (① A and B) said that they had built their houses on their own land or relatives’ land, while 14 others answered that they lived in an

Table 8 Housing

	Village A	Village B
① Built by themselves	38	23
A On their own land	30	0
B On relative's land	4	0
C On non-relative's land	3	0
D On government land	1	23
② Inherited	7	0
③ Parents' property	7	2
④ Purchased	10	0
⑤ Rented	16	4
⑥ Others	1	2
⑦ Data unavailable	7	6
⑧ Total	86	37

Source: Compiled by the author based on 2007 survey data.

inherited house or their parents' home. Only 10 respondents said they had bought their house from somebody else.

The figures above show the advantage the old residents have in housing. As peasants, many old residents have relatively large gardens, so they can accommodate the housing demands of the younger generation by dividing the plot or simply adding another house in the garden. In such cases, the homes of the younger generation tend to be more colorful and beautiful than those of the parents. The former houses are also much better in terms of the size of plot and building than many smaller homes in adjoining residential estates. Some villagers with enough garden plots have also established an additional source of income by building cheap apartments and renting them to immigrant workers.

On the other hand, households that have not owned sufficient land since the previous generation tend to lose their place to live as gradual urbanization makes every plot of land more and more precious. For example, people in the sample neighborhood in village B today occupy a narrow strip of land alongside a government-owned irrigation ditch. As we confirmed when examining past land transactions, they are not victims who previously had a modest plot of land and then were forcefully displaced by an industrial or residential development project. They moved to the present location simply because they wanted to pay the cheapest possible rent; they did not have an adequate plot to live in from the very beginning. The middle to upper classes in the village who do not have any difficulty with housing today could also face a similar problem in the future, when they can no longer divide their plots into smaller pieces.

Table 9 Ownership of Consumer Durables (%)

	Village A	Village B
TV	91	61
VCD/DVD	47	26
Refrigerator	39	3
Washing machine	9	0
Air conditioner	0	0
Fixed phone	7	0
Cellular phone	33	16
Radio	41	29
Computer	4	0
Bicycle	66	58
Motorcycle	59	8
Car	14	0

Source: Compiled by the author based on 2007 survey data.

3. *Consumer Durables*

As mentioned earlier, villagers recollected that houses, motorbikes, and consumer durables had gradually replaced farmland and water buffaloes as means of displaying wealth. We thus surveyed what kind of consumer durables they had (Table 9). The first point of interest is that entertainment-related goods tend to be given high priority. More than 90 per cent of the sample households in village A had a television set.¹⁷⁾ In addition, almost half the households (47 per cent) had a VCD/DVD player; this was a higher percentage than ownership of radios or refrigerators.

Another point of interest is that more than 50 per cent of the respondents in village A had motorbikes. This is a recent phenomenon, partly triggered by the availability of auto loans, which make it possible to buy a motorcycle with a small down payment and an average of two years of monthly installments. As a result, the motorbike is rapidly becoming a popular item that every household aspires to have. Motorbikes are prompting villagers to expand their scope of daily activities such as commuting, schooling, and recreation. With motorbikes, villagers go to high school in Karawang city, go shopping downtown, or hang around on the golf course—not to play golf, but to enjoy the fresh green surroundings and cool air in the evening.

From the above description, we can see that the basic orientation of villagers is not much different from that of residents of large cities: a good life is characterized by a beautiful house, a motorbike, or such consumer durables as a TV and VCD player. As we have seen in the previous section, Karawang's industrialization started about two decades ago, during the Suharto regime, with the top-down decision-

17) Almost all of them were color TV sets.

making process of developing large-scale industrial estates. What we see in the post-Suharto era is grassroots-level embracement of an industrial lifestyle. Villagers today imagine a good lifestyle not in terms of the number of water buffaloes they own, but in terms of ownership of industrial products such as motorcycles. In other words, industrialization in Karawang today is fueled not only by multinational companies seeking a low-cost operational environment, but also by villagers and immigrants seeking a better life filled with industrial products. Such an “urban” or industrial orientation is also evident in the villagers’ job preferences: most youngsters no longer want to engage in agriculture-related jobs; instead, they prefer to get jobs in modern industrial estates. Irrespective of the amount of agricultural land still remaining in the villages, agriculture is losing its attraction among villagers. Such a change in orientation further raises their expectation of industrial estates as providers of good jobs. What is the actual chance of villagers getting a job in the industrial estates? This topic is discussed in the following section.

IV Employment: Regained Flexibility and People’s Discontent

1. Employment in Industrial Estates

During the field survey, the author found many villagers strongly dissatisfied over the dearth of job opportunities in the industrial estates. To better understand their distress, let us take a look at the major jobs available that are not related to industry or industrial estates (Table 10).

Among the 86 heads of household in village A, the largest number of people (26 respondents) were “laborers,” i.e., workers in construction sites or garages. The second-largest number were “self-employed,” doing a small business (15 people); and the third-largest number (10 people) were public-sector employees (civil servants/village officials, teachers, and staff of public companies). Many jobs related to village administration are low-wage honorary positions and are not full-time. In village B, among the 38 heads of household, the biggest group was laborers, and the next-biggest was self-employed and engaged in commerce (7 people). The third-largest group was pedicab (*becak*) drivers (6 people). All of these jobs tend to be low-wage and unstable. This means that villagers do not have good choices of nonagricultural jobs except for those related to industry or industrial estates.

Against this background, let us focus on jobs related to industry or industrial estates.¹⁸⁾ The first

18) The jobs related to industrial estates include not only factory workers but also security guards, cleaning staff, drivers, and workers in the adjoining golf course and hotels. Jobs in other industrial estates such as Suryacipta and Mitra and a large paper-product factory located outside those industrial estates were also included in the study.

Table 10 Major Occupation of Villagers (Household Heads Only)

	Village A	Village B
① Jobs related to industry or industrial estates ¹⁾	22	8
② Self-employed ²⁾	15	7
③ Laborers ³⁾	26	12
④ Public servants, staff of public companies	10	1
⑤ Pedicab drivers/drivers of <i>ojek</i> (motorbike taxis)	6 (pedicab 4, <i>ojek</i> 2)	6 (pedicab)

Source: Compiled by the author based on 2007 survey data.

Notes: ¹⁾ Includes various jobs in industrial estates, such as cleaners, security guards, drivers, jobs related to the adjoining golf course and hotels, as well as jobs in big factories outside the industrial estates.

²⁾ “Self-employed” (*wiraswasta*) refers to those who do a small business on their own.

³⁾ “Laborers” (*buruh*) include manual workers on construction sites and mechanics in small garages but not factory workers within industrial estates. Also included here are *serabutan*, or semi-unemployed workers who take on a variety of jobs on request.

point of interest is that many villagers actually do get jobs in the industrial estates. According to Table 10, among the 86 households in village A, 22 heads of household—or about a quarter (26 per cent)—were working in industrial estates in 2007. Among the 38 households interviewed in village B, roughly one-fifth (8 heads of household) were working in industrial estates. These figures cover only heads of household. The number would be larger if we included other family members, such as unmarried youths who had not yet established independent households.

Although there are three industrial estates in Karawang, villagers have a special sense of ownership toward KIIC. KIIC occupies a part of the village territory, and some villagers are ex-owners of the land. Therefore, they tend to think that the tenant companies operating in their village should contribute to their village and should give priority to villagers when recruiting personnel.¹⁹⁾

Let us now focus on employment relating only to KIIC and its golf course area (Table 11). In 2007, among the 86 households in village A, 12 heads of household and 16 other family members (28 in total) worked in KIIC or the adjoining golf course. However, about half of them were not old residents but new immigrants. In addition, more than half of the employees (15 people) were working under unstable arrangements such as temporary agency work, fixed-term contracts, and day employment. There were only 13 regular staff members. We also questioned villagers about their past job-search experiences. There were those who had once worked in industry or industrial estates but lost their jobs after the expiration of their contract, those who had applied for vacancies but were not accepted, and those who had wanted to apply for a job but gave up because the required educational level was too high. These

19) When requesting a donation or holding a demonstration, villagers were usually selective in approaching the tenant companies in KIIC. Generally, they approached only those companies administratively located inside their village territory.

Table 11 Workers in KIIC-related Jobs

Village A

	Household Heads ①	% in The Sample Neighborhood	Other Family Members ②	Total ③ (①+②)	Old Residents ④	% of Old Residents
Regular staff	5	5.8	8	13	8	62
Fixed-term contract and temporary agency workers	6	7	6	12	5	42
Others (day laborers/ payment at piece rates)	1	1.2	2	3	1	33
Total	12	14	16	28	14	50

Village B

	Household Heads ①	% in The Sample Neighborhood	Other Family Members ②	Total ③ (①+②)	Old Residents ④	% of Old Residents
Regular staff	0	0	0	0	0	0
Fixed-term contract and temporary agency workers	2	5.4	2	4	4	100
Others (day laborers, payment at piece rates)	0	0	1	1	1	100
Total	2	5.4	3	5	5	100

Source: Compiled by the author based on 2007 survey data.

Table 12 Past Work Experience Related to Industrial Estates or Factory Work

	Village A	Village B
A Those who have ever applied for an industry-related job ¹⁾ but failed	10	5
B Those who once had an industry-related job	9	4 ²⁾
C Those who wish to work in industry but have given up because educational requirement is too high	7	2

Source: Compiled by the author based on 2007 survey data.

Notes: A, B, and C are not mutually exclusive. Some respondents fit into more than one of these categories, and hence the figures in the table reflect some overlap.

¹⁾ "Industry-related jobs" include all kinds of jobs in the industrial estates (e.g., security guards and cleaners). Jobs in the factories outside industrial estates are also included.

²⁾ None of the 4 respondents in village B have ever worked in KIIC.

cases amounted to 26, roughly 30 per cent of the 86 households (Table 12).

To find out more about the working environment of industrial estates, we carried out another piece of research whereby questions were asked of 46 employees working in KIIC who lived inside or just around village A, regarding the details of their working conditions (Table 13). Only 10 of them (22 per cent) were old residents of village A, and the others were immigrants. Except for two people, all of the immigrants were from outside Karawang Regency. This also revealed the dominance of outsiders among

Table 13 Terms of Employment

Terms of Employment	No. of Workers
Regular staff	18
Fixed-term contract or through job agent	23
Daily employment	2
Part-time	2
Paid on a piecework basis	1
Total	46

Source: Compiled by the author based on 2007 survey data.

Table 14 Year of Starting Present Job

	No. of Respondents (Total: 46)	%
2007	8	17
2006	10	22
2005	5	11
2004	6	13
2003	2	4
2002	4	9
2001	3	7
2000	0	0
1999 or Before	8	17

Source: Compiled by the author based on 2007 survey data.

Table 15 Average Length of Work

Regular staff	6.2 years
Contract workers/agency workers	1.6 years

Source: Compiled by the author based on 2007 survey data.

the KIIC employees.

As for terms of employment, only 39 per cent of the workers were regular staff, while 50 per cent were fixed-term contract workers or temporary agency workers, and 11 per cent were working under other arrangements such as day employment and part-time. This means that more than 60 per cent were working under insecure terms of employment. The fragility of their situation becomes all the more clear when we look at the average duration of jobs. Sixty-three per cent started working their present jobs within the three years before the survey (between 2004 and 2007) (Table 14). Thus, the average duration of job by employment form was also examined. While the average duration of regular staff employment was 6.2 years, that of contract workers was only 1.6 years (Table 15). Most recent recruitments were through job agencies or under fixed-term contracts. In terms of age, all but one of

Table 16 Age of Workers According to Terms of Employment

	Regular Staff	Fixed-term Contract Workers and Temporary Agency Workers	Others	Total
Age (Years)				
18–24	1	11	3	15
25–30	11	9	1	21
More than 31	6	3	1	10
Total	18	23	5	46

Source: Compiled by the author based on 2007 survey data.

those between 18 and 24 were working under unstable terms such as contract work or day employment (Table 16).

Resentment and discontent toward industrial estates are widespread among villagers, and the survey results above generally validate the villagers' claims. First, most jobs in KIIC are taken by outsiders or new immigrants, and the original villagers rarely get jobs in the industrial estates. So far, there are few indications that the original villagers' resentment has created an explicit hostility toward new residents.²⁰⁾ The discontent is largely aimed at the companies in KIIC.

Second, direct employment has decreased drastically, and almost all recent recruitment is through employment agencies. Many of these agent companies, until very recently, did not have even a branch office in Karawang, and it was burdensome and costly for villagers to go to Jakarta or Bekasi just to register with the agents. In addition, it has become a common practice for these agents to levy extra fees on applicants in the name of "application fee," "medical check fee," and so on. Villagers tend to regard these companies as parasitic middlemen who exploit them. Of course, temporary agency workers do not have a direct contract with the companies where they work daily, and they could lose their jobs at any time.

Third, job requirements for applicants are too demanding while the criteria of selection are not transparent. For example, an applicant must have a high school diploma or higher educational background, be taller than 155 cm (in one case, applicants had to be between 155 and 160 cm), not wear glasses, be under the age of 24, and so on. It was not common until recently for villagers to send their children to high school. Many of those over 30 are graduates of junior high school at best. As for height,

20) For villagers who build cheap flats in their garden, immigrant workers are a source of income. Besides, these workers living in the existing village settlements usually keep a low profile. On the other hand, the residents of newly developed residential projects create their own neighborhood relations that are largely detached from those of existing village settlements.

if an applicant is even a centimeter short of 150, the application is rejected. Some applicants who meet all these requirements do not understand why they are rejected even before a test and interview while others are not. For example, in 2007 a company in KIIC made a job offer through village offices, and 38 villagers applied through the village C office. All the applicants met the requirements, such as high school graduation with an average score of 7.5 or higher and an age of 18 to 24. But only four were called to the test and interview, and the villagers just could not understand why. Eventually, only one was selected, and even this person was employed under a one-year contract.

Fourth, even if the villagers succeed in getting jobs, companies do not want to employ them for long. For example, companies usually do not want to extend fixed-term contracts more than once or twice, and employees over 24 years old rarely see their contracts extended because they are regarded as “too old.” Companies replace them with fresh graduates of vocational high schools, and hence many villagers in their late twenties become unemployed.

Although villagers may be distressed over the employment situation, KIIC and tenant companies have their own side of the story. First, the educational level of villagers is too low, and village applicants are less competent than recruits from outside. Even if compared with immigrants of the same educational level, village youths who graduate local vocational high schools are generally lower in skill and ability. In spite of this shortcoming, KIIC repeatedly asked tenant companies to employ as many villagers as possible, and some companies responded to the request. Second, if a “local employee” is defined as somebody who was born or graduated high school in Karawang Regency, a significant portion of workers in KIIC are already “locals.” This is a testament to the effort on industry’s part to contribute to the host society in terms of employment. Third, the increase in fixed-term contract workers and temporary agency workers is closely related to policies of the Indonesian government, especially the change of labor law in 2003, and it is neither within the ability nor the responsibility of individual companies to reverse the tide. Fourth, KIIC was the first industrial estate in the environs of Jakarta to set up a community development division, which has tried to improve the quality of local human resources and the development of alternative sources of income for local people. Despite all its shortcomings, the company claims, it deserves credit for the seriousness of its efforts to improve life in surrounding communities.

Let us take a look at KIIC’s community development program. It includes scholarships to village children (who study in primary, junior high, or high school), donations of drinks and snacks to the government’s primary health-care program (periodic medical checks and other related services for prospective mothers and babies), dengue fever prevention, teaching villagers how to produce organic fertilizer (as a means to provide them with an additional source of income), providing job-vacancy

information through five village offices, tree planting, and so on. These are joint activities by KIIC's community development division and the tenants' association. The activities are divided into five fields: community social/cultural development, community economic development, community health development, community human capital development, and community environmental development.²¹⁾ Villagers are aware of these activities and appreciate the goodwill of industry to a certain degree. However, the villagers' grievances center almost entirely on employment issues. As long as job opportunities are scarce and the position of workers is increasingly fragile under the widespread use of fixed-term contracts and agent companies, we cannot expect KIIC's community development program to have any significant effect on improving the perception of villagers toward the industrial estates.

2. Change in Labor Law and Its Effect

When the author carried out the field survey and heard grievances from villagers in 2007, many villagers testified that it was only in the last several years that the recruitment of regular staff had stopped and had been replaced by the widespread use of job agencies. The above research results also underscore villagers' comments. What prompted this change? Through interviews with KIIC and tenant companies, the author came to realize the big impact that had been brought about by the introduction of a new labor law (UU No. 13/2003) and the resulting legal environment.

This new law was the product of a compromise between labor and industry. On the one hand, the law significantly strengthened the rights of workers, reflecting the surge of the labor movement and the more democratic environment since the collapse of the Suharto regime. Especially important is that the law details the procedure a company must follow to lay off employees, and obliges employers to keep paying wages until the reasonableness of the lay-off is sanctioned in court.

On the other hand, this law was introduced when Indonesia was experiencing a period of economic and political turmoil, and the government worried that stricter regulation would further scare away potential investors. Accommodating industry's demand for greater flexibility of employment, the new law also included temporary agency workers and fixed-term contracts as alternative styles of employment.

Our survey result is testimony to what this legal change has brought about: Fearing drastic increases in lay-off costs, companies quickly stopped recruiting regular staff and instead replaced them with outsourced workers or employees under fixed-term contracts. Formally, the new law allows a

21) Based on the interview with KIIC in March and September 2007, and the presentation documents on KIIC's community development program.

company to use temporary agency workers in its non-core business activities only (for example, cleaning services or security services for a manufacturing company) and forbids using them in its core activities. However, in practice, the government is unwilling to strictly enforce the restriction, and there are signs that many manufacturing companies use agency workers in their core production lines [*Kompas* 30 November 2004: 15; 24 December 2005: 18; 3 May 2007: 1].

Also formally, the new labor law assumes the use of fixed-term workers only in fixed-term project-type activities. Therefore, companies are allowed to extend the yearly contract only twice (three years in total), and if they still want to keep the same worker, they are obliged to employ him/her as a regular member of staff, or wait at least one month before signing a new annual contract. However, from the viewpoint of manufacturing companies, it is generally a new employee who is willing to work most enthusiastically, so it is not reasonable to employ those who have already worked three years. As a result, most fixed-term contract workers find it extremely difficult to keep their jobs after the expiration of the third contract.

As we have seen in the previous section, the change of labor law had a big impact on the area surrounding industrial estates in Karawang. The growing widespread use of job agencies and fixed-term contract workers was not only one of the main sources of grievance among villagers interviewed, but it was also opposed by labor unions. For example, during a field survey in 2007, a local labor union named ABM (Aliansi Buruh Menggugat) launched a joint street demonstration with a local peasant union (Serikat Petani Karawang) in front of the regency office and the local parliament, demanding a total ban on fixed-term contracts and outsourcing [*Radar Karawang* 30 August 2007].

From the viewpoint of a manufacturing company, it is quite rational to keep replacing labor, because hundreds of fresh graduates are readily available every year. As a result of all these rational behaviors, however, hundreds of youths aged from their middle to late twenties are being spun off every year into unemployment or very fragile short-term employment. This makes it almost impossible for them to do any forward-looking career planning or marriage planning. The status of fixed-term contract worker or temporary agency worker also makes it impossible for them to apply for housing loans. In other words, industrial estates are systematically “producing” frustrated, embittered unemployed or semi-unemployed youths as a by-product of their operations, and leading to their accumulation around the industrial estates.

This situation not only embitters local youths themselves, but in the long run will have a negative effect on the business climate of the industrial estates. First, it makes communication between village administrations and KIIC more difficult and mutually distrustful. As mentioned before, the village head is a publicly elected position and anyone elected is under pressure from villagers to negotiate harder

so that industry gives them a greater share of jobs. Because the village heads actually have no legal basis or power to enforce such a requirement, and also because KIIC management does not have any authority to intervene in the recruitment of tenant companies, repeated negotiations have borne little fruit but added frustration and a sense of distrust on both sides. When villagers see the negotiations through the village office being ineffective, some of them resort to public demonstrations. Already, KIIC and its tenant companies have suffered frequent demonstrations by villagers. Some under-employed youth are mobilized by third parties with better financial or organizational resources to pursue their own agenda. For example, certain business interests approach local youth groups to pressure companies in KIIC so as to win lucrative industrial waste disposal contracts over rivals. KIIC believes the demands from demonstrators are often parasitic or irrational, and these have annoyed KIIC very much.

Similar disruptions by thugs (*preman*) to the operation of industry (what is often called *premanism* in Indonesia) are increasingly common among the large industrial estates in the Metropolitan area, and this is the second negative effect on the business climate in industrial estates. Industries were so annoyed that in 2007 they held a seminar in the neighboring Bekasi Regency to study how to eradicate *premanism*. The seminar regarded *premanism* as a cause of the “high-cost economy” and aimed to facilitate the exchange of information and coordination among stakeholders in the industry and the government [*Radar Karawang* 4 September 2007]. A similar seminar was also being planned in Karawang when the author was carrying out the field survey in 2007. However, as long as industry fails to provide local youths with stable jobs, thug groups can easily recruit them as a rent-seeking tool. Ironically, the more companies try to minimize employee-related cost and prioritize flexibility of employment, the more potential thugs they “produce” outside industrial estates, and hence nurture a structural cause of the high-cost economy. Whether these seminars succeeded or not, it is unlikely that local governments, headed by those who always face the pressure of elections and power struggles, will unambiguously take the side of industry and confront the *preman* groups, which have strong mobilization power. In Bekasi Regency and other parts of Jabodetabek, what can be observed is the rapid expansion of various *preman* or paramilitary groups that claim to uphold the rights of “indigenous” peoples such as Forum Betawi Rempug, or those claiming to uphold the Islamic law, such as Front Pembela Islam (Islamic Defender Front). They are expanding their scope of influence without a fear of government crackdown. If we can generalize the observations further, the making of a post-Suharto order in the metropolitan region can be characterized by a mutually contingent process between the (re)construction of highly flexible labor-capital relations in the formal economic sector and the expansion of rent-seeking

activities and growth of informal economy by newly emerging *preman* groups.²²⁾

The deteriorating employment situation also lowers the morale of students. In recent years, there have been massive street fights between students from different vocational high schools.²³⁾ This is alarming because these vocational high schools have served as one of the few realistic entry paths to jobs in industrial estates. If the students start feeling that they have no hope of getting a secure job even after graduating from school, it will rob them of the will to study and will deteriorate the schools.

Conclusion

This paper has examined the socio-spatial effects of industrial estates with the example of Telukjambe District, in Karawang Regency. The paper shows how specific labor-capital relations are being constructed in the formerly rice-farming area after the collapse of the centralist Suharto regime. With a closer focus on the rural community and its relationship with industrial estates, we get a clearer picture of how region-based urbanization is proceeding with the making of a specific labor-capital regime, with its own mode of inclusion and exclusion, and accompanying tension and contestation among various agencies.

In our case study, low-productive land was converted into a large industrial estate that provided new job opportunities for local society. A decade later, however, residents in the surrounding community were experiencing plenty of discontent with the industrial estate. Their resentment was related to the social changes they were experiencing, in which the industrial estate played a big part. First, the economic base of local society rapidly shifted from agriculture to industry as the opening of KIIC and rapid urbanization converted paddy fields and pasture into industrial, commercial, and residential areas. Agriculture and livestock farming ceased to be the major source of income or jobs for the majority of villagers. The surrounding village society was de-agriculturalized not only economically, but also in its values and orientation. Villagers today desire better housing, consumer durables, and, though gradually, higher education for their children.

22) Both flexible labor-capital relations and strong thug groups such as Pemuda Pancasila were characteristics of the Suharto regime. However, the collapse of the Suharto regime has loosened the suppression of labor movement on the one hand and disturbed the patronage structure for the established thug groups on the other. Therefore, what we are witnessing now is not a simple extension of the Suharto regime but the construction of a new regime under a different institutional setting through complex negotiations among related agencies [see Okamoto forthcoming].

23) According to interviews with a local police officer, villagers, and former students of a vocational high school in the city, street fights (*tauran*) break out two or three times annually. The causes are often trivial.

However, in terms of labor-capital relations, newly operating manufacturers and local farmers' societies face a serious mismatch. Manufacturers find the quality of local human resources inadequate, and hence they are loath to recruit local villagers. Instead, a large portion of the labor demand has been met by recruiting workers from outside the area. As a consequence, large manufacturing corporations in the vast modern industrial estate and the immigrant population settling in the newly developed housing estate are rapidly forming the dominant socio-spatial structure of the region, while peripheralizing the original local village population both socially and spatially. Many of the old residents now have few reliable sources of income both in agriculture and in industry, and they work in unstable and poorly paid jobs such as construction workers, pedicab drivers, garage mechanics, and so on. Many villagers have a sense of crisis and irritation over this situation, and they worry about their future.

These transformations coincided with the collapse of the repressive and highly centralist Suharto regime, the development of a freer political setting, active labor movements, and the making of a new political framework such as regional autonomy. Adjusting to this new environment, companies try to minimize various risks and regain flexibility by making the most of outsourced workers and fixed-term contract workers. As a result, workers' job security in Japanese manufacturing companies is as fragile as (or probably even more so than) during the Suharto period. On the other hand, however, the new socio-political setting makes it possible for a wider range of people to resort to demonstrations and to ask for help from various pressure groups to express their discontent and to better negotiate with industry. There are indications that various outside groups, including thug groups and industrial-waste businessmen, profit from the situation and expand their scope of influence by recruiting and mobilizing these underemployed youth. The more mobilizing power they get, the less local political elites dare to confront these thug groups. Ironically, the more companies try to minimize employee-related cost and prioritize flexibility of employment, the more potential thugs they "produce" outside industrial estates.

Without some effective measure to stop the ongoing marginalization of local people, the situation will worsen. To create a stable business environment for companies in the industrial estate, stakeholders should fully take into account that outsourcing of labor and the increase of fixed-term contract workers are not necessarily economical, because they will deteriorate the social environment and in the long run will increase the cost of dealing with it.

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