



Brindisi to the Brindisians, graffiti in Brindisi, Italy. Photo by A. M. Pusceddu.

In/formalization

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“Sharing economy” versus “informal sector”: Jakarta’s motorbike taxi industry in turmoil

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“Sharing economy” versus “informal sector”

Jakarta’s motorbike taxi industry in turmoil

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ABSTRACT: Comparing conventional motor bike taxi services in Jakarta (*ojek*) to their recent online-based competitors (GoJek), this paper contrasts a prime example of the classic “informal sector” with newly emerging forms of the “sharing economy”. It challenges the notion of “informal economy” as an umbrella concept for such two different business models.

In cities across the globe the rise of ridesharing apps has challenged, if not radically altered the taxi industry in recent years. The Indonesian capital is no exception to this development. However, the largest turmoil in Jakarta’s transportation system was not created by the advent of any global player, nor did it occur in the formal taxi industry. It was the advent of GoJek, a home-grown ridesharing app for two-wheelers, that shook the local motorbike taxi industry in early 2015. The company’s name plays upon the English verb “to go” and the local term for motor bike taxi (*ojek*), invoking just the right amount of innovative globality and local flavour. Soon after, the Malaysian-based company Grab followed suit and released its own motorbike taxi service GrabBike, despite its original focus on the regular ridesharing market in the region. Several minor companies followed, even Uber joined eventually. It was, however, the pioneer GoJek that first conquered the market over the mid-year 2015, exciting its consumers with irresistibly cheap promotion schemes. Conventional *ojek* drivers soon felt threatened by this rapidly expanding new business model. Banding together in protest, they put up banners across the city warning online-based *ojek* drivers to enter “their” territories; some even resorted to physical violence.

Unlike regular four-wheel taxis, motorbike taxis do not constitute a formal mode of public transportation, but have always belonged to the informal transportation sector. The expansion of ridesharing companies into this sec-

tor therefore fundamentally differs from the informalisation processes it is causing in the regular taxi industries. The two competing models of motor bike taxi services in Jakarta represent different forms of informal employment, the classical “informal sector” versus the recent “sharing economy”. A brief comparison of these two models will lead me to question the usefulness of “informal economy” as an overarching concept for such different economic operational modes.

Conventional versus application based ojek services

In Jakarta just as anywhere else in Indonesia motorbike taxis serve as a common means of transportation. Most effectively cutting through the capital’s infamous traffic jams, *ojek* have become an essential mode of public transportation for many of the 30 million residents of the Jakarta metropolitan area. Legally, though, *ojek* operate outside the law: Ever since their emergence in the 1970s, motorbike taxis have never gained legal status as a means of public transport. This distinguishes them from regular taxis, and various forms of motorized three-wheelers which are recognized under the Indonesian law on traffic and land transportation (No 22/2009) as «unscheduled public transportation». After early attempts of banishing had failed, *ojek* services have been tolerated by local administration and law enforcement since decades. Their waiting posts (*pangkalan*) are highly visible, located on strategically important entry and transit points throughout the city. But these waiting posts are more than mere physical shelters, they are informal institutions organising *ojek* services and regulating the market by distinct membership rules and a codex of territory-based coexistence.

This informal market regulation was disturbed by the advent of companies offering application-based *ojek* services. Anyone possessing a motorbike and proper documents could register as a driver with these companies, while the new ways of online customer communication undercut the territorial organization of *pangkalan*. The hardest blow, however, came from the price dumping initiated by GoJek’s first promotional during the Fasting Month of 2015: 10.000 IDR, roughly 70 European Cent, flat price for any destination within a 25 km radius. A conventional *ojek* driver would start at 5.000 IDR for a short distance trip and easily charge 40.000 IDR or more for a 25 km ride. For GoJek drivers these promotional offers were equally lucrative, since the company compensated the regular fare, then 4.000 IDR per kilometre. The Ramadhan offer was the onset of GoJek’s market conquest and the beginning of a long and fierce price war between the big emerging ridesharing players. Go-

Jek and GrabBike were soon joined by American ridesharing giant Uber releasing its own Uber Motor service, because the company did not want to miss out on this highly promising market in the largest economy in South-east Asia.

The sudden expansion of an online-based *ojek* industry also raised concerns within the formal transportation industry. In late 2015 its representatives demanded the ban of any app-based *ojek* service, charging the platform providers with coordination of an illegal form of public transport. Meanwhile associations of *ojek* drivers called for the legalization and regulation of the motorbike taxi industry. The controversial debate culminated in an official statement by President Joko Widodo, in which he explicitly proclaimed a tolerating stance towards the *ojek* industry in general, and its application-based innovation in particular. For the context of Jakarta especially one argument prevailed: As long as the city's formal public transport system fails to provide effective service to its citizens, motorbike taxis and especially the "modern" app-based *ojek* services are temporally needed. While the possibility of full legal recognition resurfaces in ongoing debates, any kind of *ojek* services in the meantime remain somewhere in the spectrum of «extralegality» (Smart, Zerilli 2014): illegal in the strict sense, but officially tolerated - even explicitly today.

When the "sharing economy" enters the "informal sector"

In analytic terms, conventional and application-based *ojek* represent two different poles within the broad range of practices subsumed under the term "informal economy". From popular culture to politics: *ojek* drivers serve as emblematic representation of the "informal sector" in its original sense (cf. Hart 1973). In dealing with *ojek*, local administrations perpetuate the image of the "urban poor": The toleration of *ojek* services is justified on purely social grounds, while any policy to support *ojek* drivers is framed as "poverty reduction" measurement. When entering the market, GoJek founder Nadiem Makarim was certainly wise to strike the same paternalistic tone and frame his company's mission in social terms: to empower informal sector workers by offering *ojek* drivers a platform to effectively find clientele and reduce unproductive waiting time.

The business model of GoJek, Grab or Uber is covered under the common, though highly debated term "sharing economy". More accurately, they represent the for-profit branch of peer-to-peer online platforms (Schor 2016: 11), which have lead Arun Sundararajan (2016) to introduce the term «crowd-based capitalism». The conditions of this crowd-based capitalism are in

many ways informal, since they undermine employment standards of the formal economy. Yet in comparison to its original offline counterpart, online-based *ojek* services have led to some degree of formalization regarding employment and service, while simultaneously de-regulating the market.

Officially, the online platforms are registered as technology companies and ‘partner’ with self-employed *ojek* drivers. To register with any of the companies requires a range of documents, which are sometimes difficult to produce for those used to working in the informal sector. Registered drivers are charged a service fee, GoJek for example cuts 20 percent. Company management determines the rules and fixes the pricing schemes, drivers therefore find themselves in a position of dependent self-employment. Reduction of fares and performance bonuses have repeatedly led GoJek or GrabBike drivers to protest their management. From a customer’s point of view, online platforms have formalized *ojek* services: Instead of them having to haggle over fares with drivers, the application would calculate fares in advance. Additionally, all major players provide accident insurance for passengers and drivers. Drivers must comply with company rules and are held accountable for their service quality by customer feedback on their personal online profile. These shifts towards formalization were accompanied by the de-regulation of the *ojek* service market. Even though conventional *ojek* services have operated beyond governmental control, they were still regulated by the *pangkalan* system, based on communal neighbourhood structures and often connected to informal local authorities.

Concluding remarks

Can the working conditions of conventional *ojek* drivers and those of neoliberal crowd-based capitalism thus be grasped by the same analytical concept of “informal economy”? Based on the brief comparison above, I argue that the structural differences by far overshadow the commonalities, which are limited to their negative distinction from “formal employment”. The conceptual expansion of “informal economy” from those economic activities, that exist beyond the scope or will of state intervention, to neoliberal forms of de-regulation, where the right to free market interaction is guaranteed by the state, has left the seal of “formal economy” for a (historically) specific, welfare-oriented state-corporation-market relation. All changes brought by neoliberalization had to be absorbed conceptually by the informal. We do not need to regress to the stereotypical understanding of an informal sector, that stands for the resourceful ways to make a living practiced by the urban poor

in the Global South. But we need to leave some conceptual space for the “un-ruly” as opposed to the “de-regulated” and for non-state actors, such as local communities, as alternative regulative institutions. While at the same time, it is necessary to update and diversify our understanding of the formal to include governmental techniques and non-state actors, such as corporate institutions, as sources of formality.

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