

# Monitoring the Socioeconomic Impact of the 2008/2009 Global Financial Crisis in Indonesia

Local  
Monitoring

Impact on Community Livelihoods in the Pottery Handicrafts Industry in West Nusa Tenggara (NTB)

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Fact sheet

*Having not yet recovered from the impact of the two Bali bombings, the export demand for pottery from one village in Kabupaten Lombok Barat that is a production center for pottery has experienced a sharp fall since the onset of the 2008/09 global financial crisis. In the absence of other skills, women making the pottery have been forced to cease working or return to making cheaper pottery for household needs. Male workers who usually assist in the production process have been forced to work as roving traders of pottery or other odds and ends, migrate to other areas or overseas, or become illegal gold miners. Young people have lost work opportunities in the village and children have lost the opportunity to obtain extra pocket money.*

## Why Look at the Livelihoods of the Pottery Artisans' Community of NTB?

Together with dried fruit handicrafts and other handicraft products made from wood, rattan, inlaid shell (*cukil*), and pearl, pottery is a mainstay commodity in terms of NTB's exports. Although pottery exports contribute less than 1 percent to the Gross Regional Domestic Product (GRDP) of NTB,<sup>1</sup> this handicraft industry is very important to the livelihoods of the local community. In several pottery production centers in Kabupaten Lombok Barat (Desa Banyumulek), Kabupaten Lombok Tengah (Desa Penunjak), and Kabupaten Lombok Timur (Desa Masbagik), these small- and medium-scale pottery handicraft businesses employ many people and provide the main income for most of the population.

As an export-oriented sector, the pottery handicrafts industry is very much affected by security conditions, in addition to global economic conditions. As an illustration, the poor security situation in the aftermath of the first (2002) and second (2005) Bali bombings caused a slump in the volume and value of pottery exports. This condition, in turn, severely impacted on the livelihoods of the industry's artisans. In relation to the 2008/09 global financial crisis, it is important to examine the impact of this crisis on pottery businesses and the livelihoods of the artisans and

workers in this sector. Desa Banyumulek was selected as a sample village to obtain an actual picture of the impact of this crisis on the livelihoods of the pottery artisans' community in NTB.

## What is the Condition of the Area and the Artisan Community of Desa Banyumulek?

Desa Banyumulek in Kabupaten Lombok Barat is the largest center of pottery production in NTB with the largest number of handicraft households amongst the three production centers previously mentioned. According to Statistics Indonesia (BPS) data, of the 3,203 households in this village, there are currently 2,413 households engaged in pottery production. The total population of Desa Banyumulek is 9,558 people, consisting of 4,695 men and 4,863 women, dispersed across 16 *dusun* (hamlets) that cover an area of 2.43 km<sup>2</sup>.<sup>2</sup>

Access to Desa Banyumulek is relatively easy. It takes approximately 20 minutes to reach the village from the capital of NTB, Mataram, by car. The condition of the road leading to the village is very good, as is the condition of the main streets in the village. The conditions of the streets between the *dusun* vary: some have been asphalted, but others are still stony roads and streets made of conblock (concrete block-bricks made from a mixture of cement and sand). The usual mode of transport in the village and between villages is by *cidomo* (horse-drawn cart) and private motorcycle.

Although some houses are still made of woven bamboo (*bilik*), most houses in the village have brick walls (plastered and painted). In general, these masonry houses are the product of the prosperous pottery era 10 years ago, or are "Malaysian" houses or "Saudi" houses; houses that were built from the income of the migrant workers working in those countries. Public facilities in Desa Banyumulek are good. Almost every house has an electricity connection (although some are still piggybacking on their neighbor's connection) and a clean water supply (well or PDAM). Education facilities in the village are also quite well developed: there are currently four early



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childhood education centers (PAUD—*pendidikan anak usia dini*), one kindergarten, two primary schools, and one junior high school. A senior high school is located outside the village, in Kecamatan Kediri. Health services and facilities are also adequate. In addition to a *polindes* (village maternity clinic), the village also has a reproductive health facility for women, an ambulance, and a blood donor group—all of which have been funded by an international donor.

Many of the villagers work as farmers, traders, laborers—including migrant laborers—and workers in fruit and flower seedling businesses.<sup>3</sup> However, working as a pottery artisan is the main source of livelihood in the village. The pottery industry in Desa Banyumulek has created a long production chain, involving artisans, intermediary traders, business owners, and exporters, as well as support workers such as raw material providers (clay, sand, straw, and rattan) and freelance workers in the kiln drying process. Pottery artisans are mostly women: old and young. Their pottery-making skills are handed down from generation to generation. Their expertise in making various kinds of pottery (small, medium, and large in size) varies between various groups of artisans. Support workers in the production process, such as firing and decorating the pottery (painting and carving), supplying the raw material, and selling the output, are usually men.

Originally the people of Desa Banyumulek made pottery in the traditional way; they did not use the pottery wheel, so it was the artisans themselves who had to move around the pottery. They produced simple types of pottery; mostly being used for household utensils such as a stove and cooking pots. After the arrival of an NGO from New Zealand in the 1980s, the pottery-making skills of the people of Desa Banyumulek expanded because the NGO provided training in pottery production and introduced the use of pottery wheels. With this new technique, pottery could be made better and faster, and the artisans could also save their energy.

Recently, the local community obtained assistance from the regional government in the form of electric potting wheels that were provided through a group mechanism. Unfortunately, this equipment has not been used to its maximum capacity because it incurs the expensive cost of electricity. As a result, the equipment is currently abandoned and idle.

**Table 1. Change in Welfare Level of the Community of Desa Banyumulek, Kabupaten Lombok Barat**

Year	Welfare Level		
	Poor	Better-off	Wealthy
2009	49%	41%	10%
1998/1999	35%	53%	12%

Source: Focus group discussion with community representatives, 19 July 2009.

Discussions with community representatives in Desa Banyumulek show that pottery artisans make up the largest proportion in the livelihoods structure of the village community. In general, these artisans come from the poor segment of the community. Working as an intermediary trader and pottery business owner is the preserve of the better-off and the wealthy. The discussion, also revealed that the welfare conditions of the poor and the better-off have fallen during the last ten years (Table 1).

Some villagers in the better-off category who had previously been working as intermediary traders have currently returned to working as pottery artisans due to a lack of business capital. Wealthy villagers have also experienced a fall in their welfare level, but they still own various assets that they can use to fulfill their daily needs and maintain their businesses.

## What Has Been the Impact of the Global Financial Crisis on the Community's Economy?

The 1997/98 period was a golden era for the pottery industry in Desa Banyumulek. The depreciation of the rupiah against the US dollar during the monetary crisis benefitted pottery artisans and business owners because of the large profit margin on their export products. As a result, many people increased their welfare in Desa Banyumulek.

Unfortunately, this golden era did not last long. After the bombings in Bali in 2002 and 2005, the local pottery industry experienced a serious downturn because the number of orders was falling. The village's pottery industry had yet to fully recover from the fallout from the bombings when it had to face the global financial crisis of 2008/09 that has made conditions even worse.

The weakening economy and purchasing power for pottery in foreign export markets, such as the United States and Europe, resulted in a decline in demand for pottery products. In fact, based on the outcomes of the focus group discussions with groups of female artisans, the majority of artisans received no orders whatsoever from January to March 2009. This, in turn, caused a fall in their welfare level.

### (1) Change in Prices at the Local Level

Problems caused by the fall in pottery orders were compounded by the rise in the price of raw materials, which have risen almost twofold over the past year (Table 2), while the selling price tended to fall. As an example, a set of box-shaped plates (one set consisting of three plates) fell from Rp9,000/set to Rp4,500/set. As a result, the profit margin for potters dropped. The minimal profit is said to be increasingly unable to fulfill daily needs, while the price of basic food commodities has continued to rise over the same period. For example, the price of rice has risen from Rp2,500/kg to Rp5,000–Rp5,600/kg. These price rises have increased the burden on the lives of the community.

**Table 2. Change in the Price of Raw Materials and the Costs of Pottery Production**

Type of Inputs	Until December 2008 (Rp)	July 2009 (Rp)
Clay (per <i>kijang</i> car)	60,000–70,000	120,000
Sand (per bag)	1,500	3,000
Firewood (per bundle)	2,500	6,000
Straw (per <i>cidomo</i> )	15,000	35,000
Diesel oil (per liter)	2,500	5,000–6,000
Coloring/ochre (per packet)	500	2,000
Kerosene (per liter)	2,500	4,000–4,500
Tamarind (per bag)	35,000	70,000
Coconut husk (per piece)	50	150
Cost of transporting pottery (per pickup)	25,000	40,000–45,000

## (2) Change in the Labor Market

The declining demand for pottery triggered a change in the labor market in Desa Banyumulek. In general, women have stopped making pottery or have returned to their traditional practice of making pottery for household needs, because they did not have alternative skills and livelihoods. This pottery was then sold by men who went around the nearest cities such as Mataram on bicycle or motorcycle.

Most of the men turned to other endeavors. Because of a lack of capital, some men who had previously been pottery entrepreneurs began buying large quantities of pottery that did not fulfill the quality standards at a cheap price, polishing it, and reselling it. Others moved to work that had no relationship to pottery, such as supplying goods to *warungs* (small stalls), selling toys or flowers, moving into the rattan handicrafts business, or seeking work outside the area.<sup>4</sup> According to one village official, village members have been moving away to work as migrant workers for a long time. The number has risen as the working opportunities have declined, especially since the demand for pottery has fallen. In addition, since the opening of an illegal gold mine in the Sekotong area, many people who formerly had pottery businesses have shifted to become gold miners or opened businesses in the vicinity of the mine. According to one gold miner, although accidents often occur in the mine, many people are still working there due to the lucrative benefits.

## (3) Change in the Art Shop Businesses

At the village level, the fall in demand for pottery could also be observed from the quiet trade in street-side art shops. Before the two Bali bombings, these art shops were frequently visited by local and foreign buyers. At the time of writing, the number of visitors has fallen drastically. In fact, some art shops have closed or turned to selling basic everyday commodities or construction materials as a survival strategy. In addition, the interviews and discussions indicate that the closure of some art shops was also the result of tighter and unfair business competition over the last few years. As a result of the fall in sales, several art shops provided

very large commissions to tourist guides or tourist bus drivers, far larger than the commission that had been jointly agreed.<sup>5</sup> For that reason, visitors to Desa Banyumulek were only taken to these art shops. Other art shops that were not able to match these commissions eventually became stagnant. To overcome this problem, village officials are designing a local regulation (*perdes—peraturan desa*) to regulate the commission rate.

Some businesses are surviving because they have agents (exporters) who are fairly robust, as well as good customer networks and market links; although they are receiving fewer orders than in previous years. At the present time, the number of orders has started to rise although the situation has not returned to the pre-crisis level.

## What Problems Have the Community Experienced?

At the community level, especially amongst the artisans, the fall in demand for pottery has had a direct impact on their income. In general, this fall in income has changed the pattern of household consumption. For example, their diet has changed because there is less money for shopping, debt has increased, snack money for children has declined, and the frequency of clothing purchases has fallen. In the education sector, there are several cases of students not able to continue their education to senior high school, while in the area of health, the change in diet has had an impact on nutritional intake. Figure 2 presents a series of problems that have been felt by the community (men's group). Amongst business people, the decline in assets has also been felt. In general, the fall in assets occurred because they sold them to cover their debts to various parties, including to the artisans, incurred to cover production cost.

The fall in income has increased the burden on women (artisans) as both the breadwinner and household finance manager. In discussions with the women's group, they indicated that their life at the present time is difficult because there are fewer orders and the price of consumer goods, especially basic commodities (*sembako*), is more expensive; while their lack of skills makes it impossible for them to take

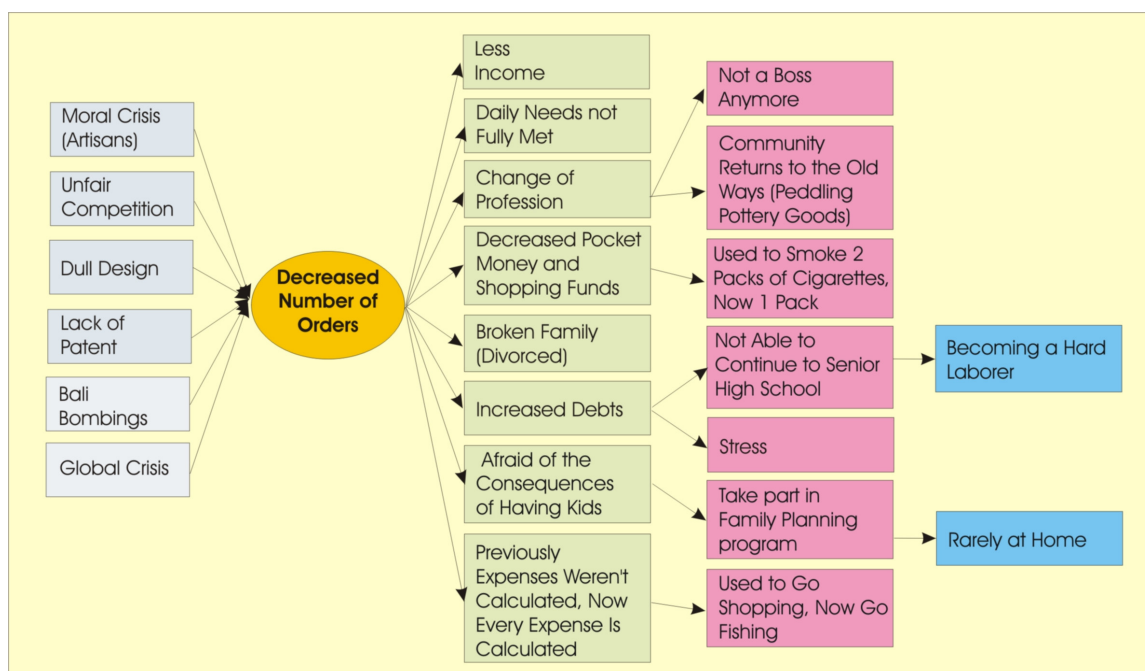


Figure 1. Cause and effect of the problem (FGD with male artisans, 19 July 2009)

up another job. Amongst the youth, the main problem is the increasing difficulty of obtaining work in the village. Previously, young men painted pottery and young women made pottery, but now they are no longer able to do these things. For some, especially young men, working outside the village has become one alternative means of overcoming this problem. The lack of employment opportunities has given rise to other social impacts, such as juvenile delinquency in addition to an explosion in drinking alcohol and small-scale theft.



Figure 2. A young man painting pottery

Children have also felt the impact of the change in economic conditions in the village. The discussions with the children's group revealed that they used to assist their parents by shining the pottery to obtain a small wage of Rp25 per small pottery piece or by bringing sand from the river that was used to fire the pottery. The money they received was used to buy snacks or saved. At the present time, with the fall in pottery orders, they have more time to play or rest (napping). However, it appears that this does not always make them happy, as was stated by Putri (not her real name), one of the children who participated in the discussion: "It was better before when there were a lot of orders because we could make more money" (girl, 11 years old, 20 July 2009).

The crisis has increased the phenomenon of early marriage (according to the youth group this was better than not doing anything); increased rates of divorce (especially because of a lack of income); and led to a decrease in the number and the frequency of *arisan* (a small savings and loan group) that the community, especially artisans, participated in. They have decided to participate in *arisan* that only require affordable contributions. Some people have decided to give up their membership in their *arisan* because they are no longer able to pay.

The fall in community income has had an impact on the construction of two large mosques in Desa Banyumulek. The construction of these two mosques was initially scheduled for completion in 2006 with funding sourced from community donations. However, it appears that the completion has been delayed due to the inability of the community to contribute the necessary funds.

## How Has the Community Been Able to Survive?

Although the impact of the 2008/09 global financial crisis has been felt by the community of Desa Banyumulek, until now no development program or assistance has been directly provided to overcome the impact of the crisis. The existing development and assistance programs are still connected to the previous social safety net programs,

especially those originating from the central government, such as Raskin (Rice for the Poor), BOS (School Operational Assistance), Jamkesmas (Community Health Insurance), and PNPM (National Program for Community Empowerment) that consists of infrastructure construction, revolving credit, and training. The community's evaluation of the effectiveness and benefits of these assistance programs varies. In general, they consider the Raskin and BLT (Direct Cash Transfer) programs as quite beneficial for the community, although in their implementation there is a tendency to share the benefit equally, based on an agreement between the villagers. For this reason, the allocation for those groups that really need it is lessening.

Desa Banyumulek also receives assistance from nongovernment institutions such as NGOs and international donors to overcome various problems in the village. This assistance is provided in the areas of education, health, and finance, as well as training for skills improvement.

At the household level, the difficulty in fulfilling the daily needs resulted in people relying on assistance from friends, neighbors, or family. However, in such a difficult time these sources cannot be entirely relied upon. Some institutions that have provided alternative sources of assistance for the local community mentioned during the discussions include *warung*, cooperatives, *arisan* groups, and moneylenders. At the present time, two cooperatives are operating in Desa Banyumulek and since their operation the number of people borrowing from moneylenders has declined. An interview with one household that received a loan from a cooperative showed that the cooperatives are considered to be helpful in fulfilling unforeseen and occasionally quite large household needs. In addition, some people also use loans from the cooperatives as trading capital or as the seed funding to become a migrant worker overseas. ■

This fact sheet was prepared by Rizki Fillaili and Rachma Indah Nurbani and is based on the field research conducted by Rizki Fillaili, Rachma Indah Nurbani, Syahbudin Hadid, and Andi Chairil Ichsan at the end of July 2009. This field research was the first of three visits planned to be conducted every four months under the umbrella of the "Monitoring the Socioeconomic Impact of the 2008/2009 Global Financial Crisis" research being undertaken by The SMERU Research Institute. Editors: Budhi Adrianto and Kate Stevens. Translator: Christopher Stewart.

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<sup>1</sup>Bappeda NTB (2007) *Profil Daerah Nusa Tenggara Barat Tahun 2007* [2007 Regional Profile of West Nusa Tenggara]. NTB: Bappeda NTB.

<sup>2</sup>BPS Kabupaten Lombok Barat (2007) *Kecamatan Kediri dalam Angka, 2007* [Kecamatan Kediri in Figures, 2007]. Lombok Barat: BPS Kabupaten Lombok Barat.

<sup>3</sup>The proportion of livelihoods of the local community based on the FGD: artisans (28%), traders (21%), farmers (14%), pottery intermediary traders (9%), migrant laborers (7%), other laborers (6%), and pottery business owners (5%).

<sup>4</sup>Amongst the destinations for migrants are Malaysia (plantations), Saudi Arabia (domestic workers), Korea/Japan (industry), Riau (plantations), Kalimantan (mining), and Bali/NTB (construction workers).

<sup>5</sup>The previous agreement on the provision of commissions was approximately 15%–20%, but there are now art shops that are providing commissions of as much as 50%–60%.