

Gender inequality in Indonesia's labour market

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Women's labour market participation is low in Indonesia by international standards. In addition, women are paid considerably less than men, even when differences in education levels are taken into consideration, new Monash Business School research shows.

Over the last few decades, the Indonesian economy and labour market has changed significantly. There is less reliance on agriculture, with the economy moving to other sectors, such as manufacturing and services.

While this has led to a change in the labour market over the past 25 years, there has been virtually no change in Indonesia's female labour force participation (LFP), with a participation rate of 51 per cent.

Professor Lisa Cameron and Dr Diana Contreras Suarez researched the different drivers of female LFP in Indonesia, including the factors that have contributed to this participation remaining stagnant for the past 25 years.

"We found that, on average, Indonesian [women](#) earn 42 per cent less than their male counterparts," Dr Contreras Suarez said.

"31 per cent of this difference can be explained by different characteristics between women and men, such as career interruptions, level of education, and industry of employment. The remaining unexplained gap, can be taken to reflect some degree of discrimination."

The research looked at both the informal (that part of the economy that is neither taxed nor monitored by the government) and the formal sector.

"Wage gaps are higher in the informal sector but there was evidence of sticky floors – a higher wage gap for lower income women compared to higher income ones – in the formal sector," Dr Contreras Suarez said.

According to Professor Cameron, there are several reasons why it's important to look at why labour force participation has remained stagnant in Indonesia.

"The first is that it provides an evidence base for future policy to improve LFP among women; for social and development reasons, but also economic growth," Professor Cameron said.

The Asian Development Bank has stated that narrowing gender gaps in employment could add 14 per cent to the per-capita income of emerging markets, like Indonesia, by 2020.

The Indonesian government has identified improvement of female LFP as a key development priority.

However, despite efforts to improve gender equality in the workforce through government policy, there has been no significant improvement. For example, legislation around minimum wages has had little

impact thus far on women's participation levels or the wage gap.

This means there are grounds for further study of this topic, focusing on the mechanisms that assist women in entering the labour market, remaining in the [labour market](#) and earning a fair wage while managing their household responsibilities with the aim of improving policy and its implementation, added Dr Contreras Suarez.

"Evidence from other countries show that transportation and access to roads and childcare, for example, are important constraints to women's participation in the workforce."

Provided by Monash University

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