

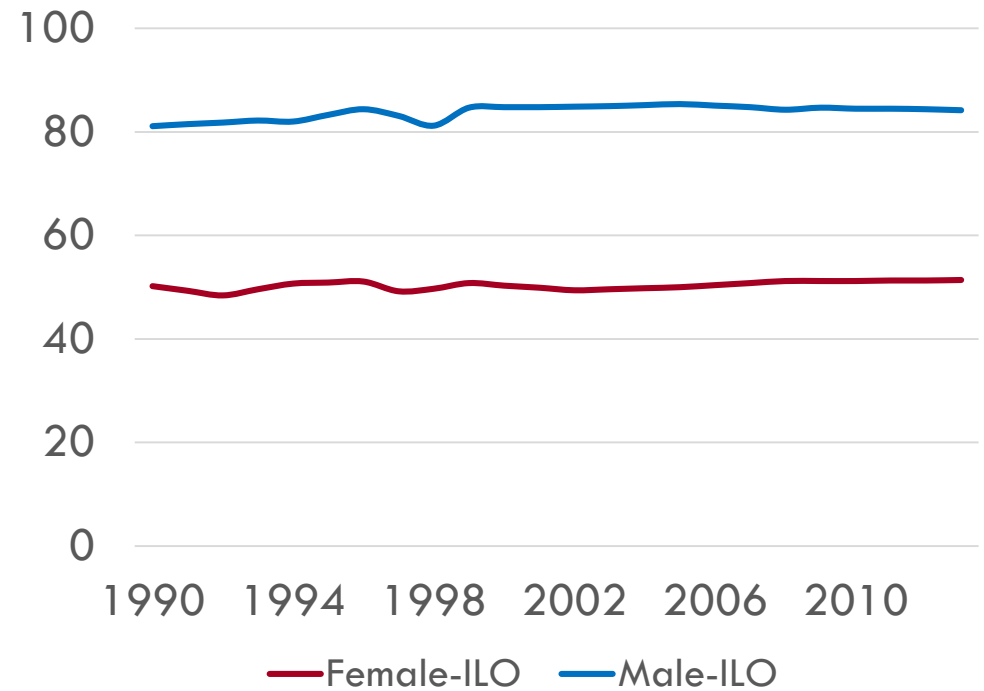
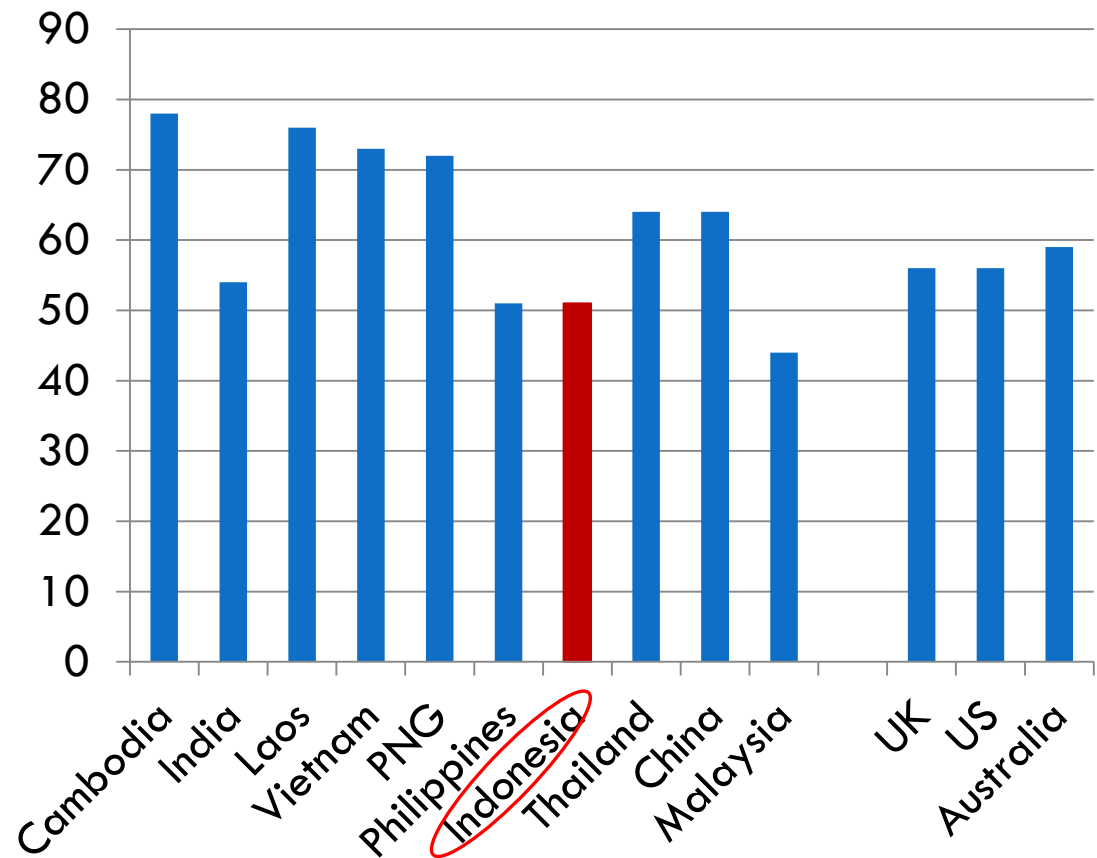
# WOMEN'S TRANSITIONS IN THE LABOUR MARKET: THE CHALLENGES OF FORMAL SECTOR EMPLOYMENT IN INDONESIA

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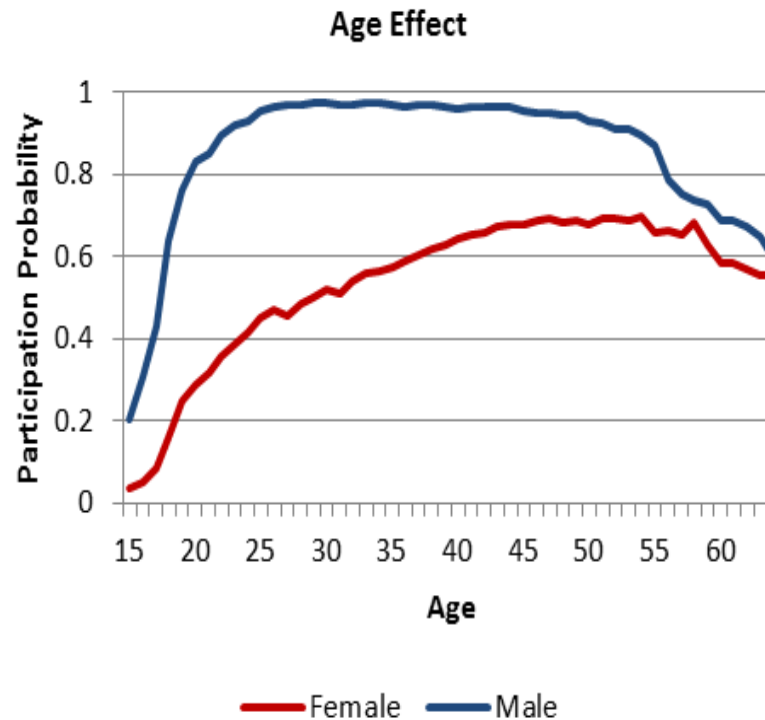
# FEMALE LABOUR FORCE PARTICIPATION IN INDONESIA IS LOW... .....AND UNCHANGING.



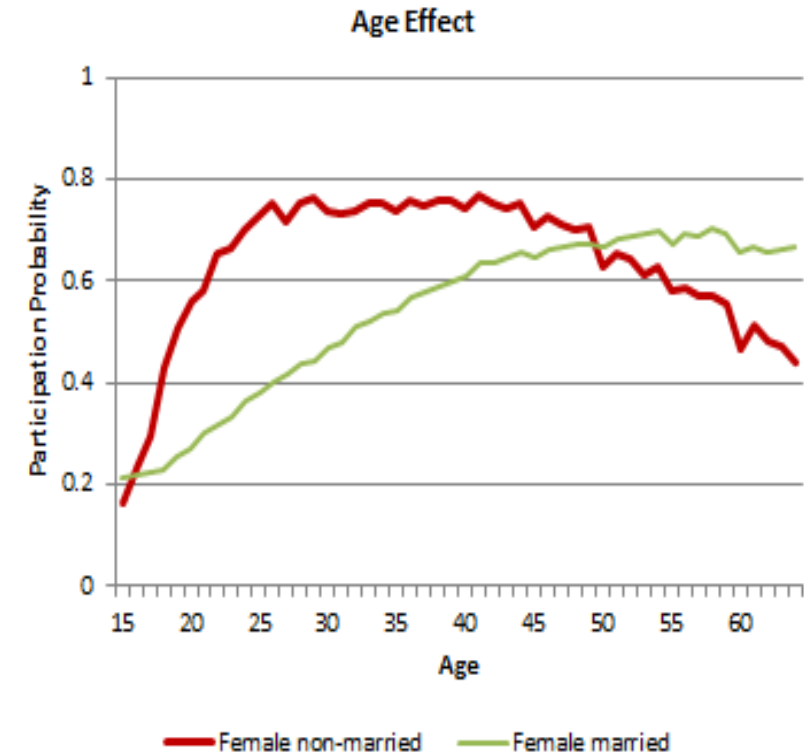
# PREVIOUS RESEARCH

- Household responsibilities decrease female LFP while education increases it; and
- FLFP reaches its maximum only after the completion of child-rearing (around age 40).
- For those women who are working, we find that the gender wage gap is large, particularly for those who have the lowest earnings.

**The gender gap in LFP widens during child-rearing years**



**Effect of marriage on FLFP**



Source: Cameron et al. 2018

# IMPLICATIONS OF GENDER GAPS FOR ECONOMIC GROWTH

- Barriers to women's employment reduce the pool of talent from which employers can draw, reducing the average ability of the workforce (Esteve-Volart, 2004)
- Employment and earnings increase women's bargaining power within the household.
  - greater investment in next generation's human capital (health and education)
  - increased saving rates (Seguino and Flores, 2003; Stotsky, 2006)

## Empirical evidence:

- total output estimated to be 6.4%-8.7% lower (across 37 European countries) as a result of barriers to women's entry, Cuberes and Teignier (2016), effect on entrepreneurial ability.
- Moving from the country with the lowest value of the UN gender inequality index to the highest value is associated with a decrease of about 4 percentage points in the growth rate, Amin et al. (2015) using cross-sectional data from 107 countries.

# IN THIS PAPER

We look at how women's labour market activity changes as they get married and have children.

## Main Questions

1. How does child-rearing affect women's participation in the labour market?
2. Do women move between the formal and the informal sectors? Across industries/occupations? If so, what do these transitions look like?

## Key Transitions

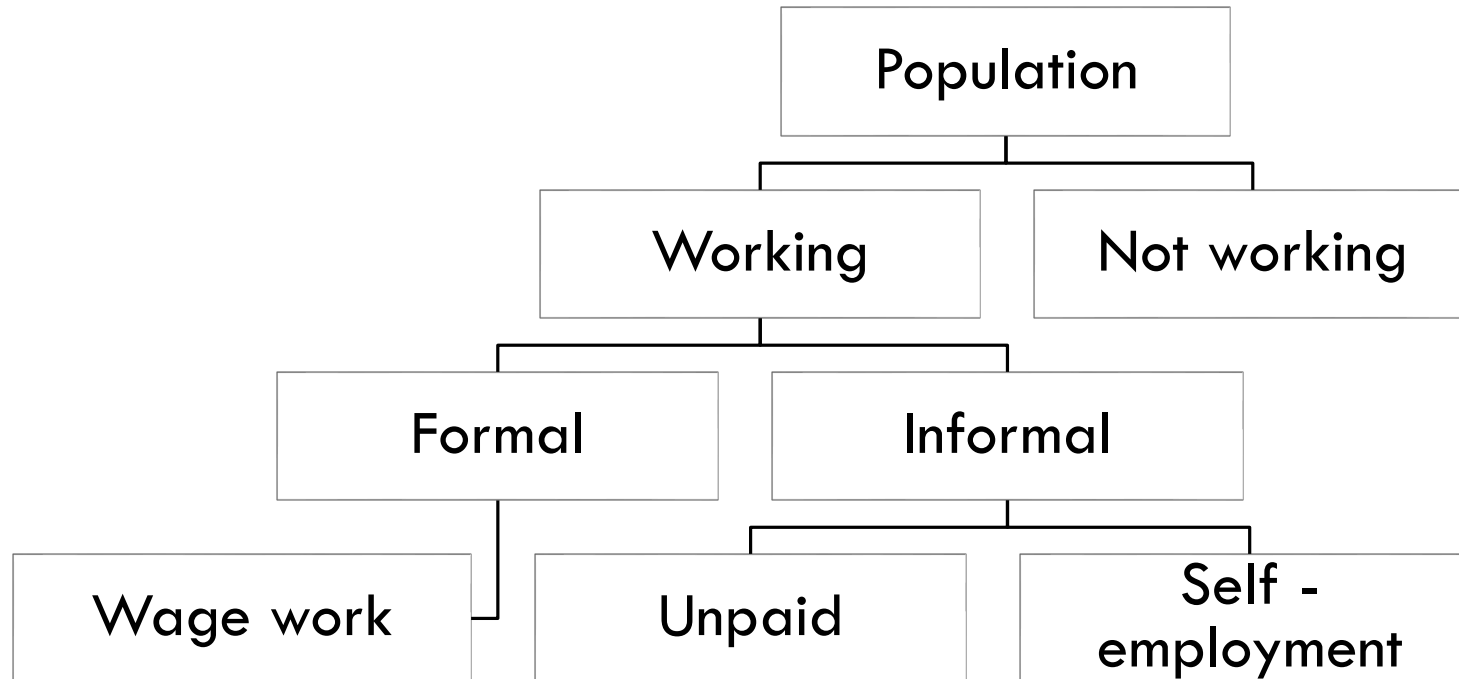
1. Marriage
2. First child, second child, ...

# DATA

Indonesian Family Life Survey (IFLS) 1993, 1997, 2000, 2007 and 2014

- The IFLS is a panel survey.
- Track individuals across time and observe how their labour force activity changes when they get married, have a child etc.
- We construct a data set from 1988 to 2014 containing the following variables:
  - Working status
  - Job status (Formal – Informal)

# STRUCTURE OF THE LABOUR MARKET



# TWO TYPES OF ANALYSIS

1. **Age profile:** Pooling all IFLS data and looking at how labour force activity changes with age.

$$Y_{ia} = \beta_0 + \beta_1 Age + \beta_2 Age \times Married_i + \beta_3 Age \times 1st\ Child + \beta_4 Age \times 2nd\ Child + \beta_5 Age \times 3rd\ Child + e_i$$

N = 9075 women aged between 10 and 49.

2. **Transitions:** Tracking individuals across time and observing how their labour force activity changes when they get married, have a child etc.

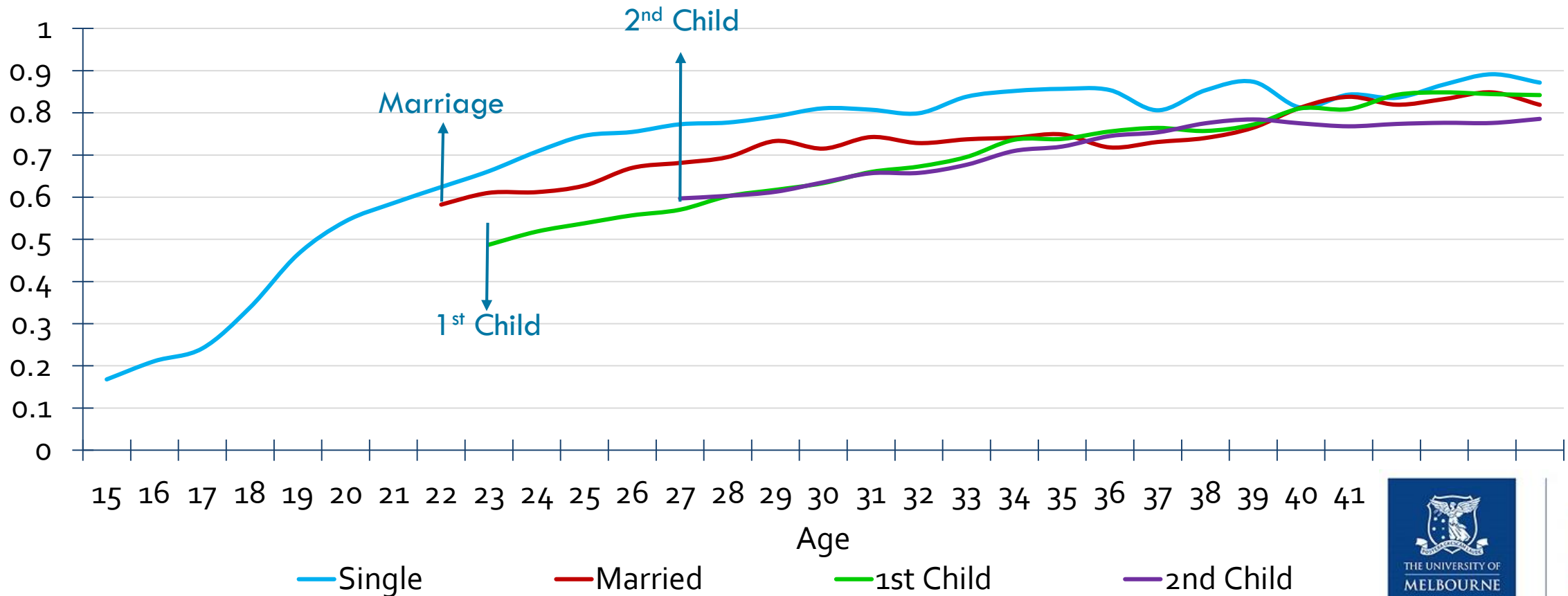
- Logistic and duration analysis (work in progress)

N=3781 women who we observe 1 year before and after marriage; 1 year before and after birth of first child, 3 years after the birth of first child.



# AGE PROFILE: FEMALE LABOUR FORCE PARTICIPATION DROPS WITH MARRIAGE AND FIRST CHILD

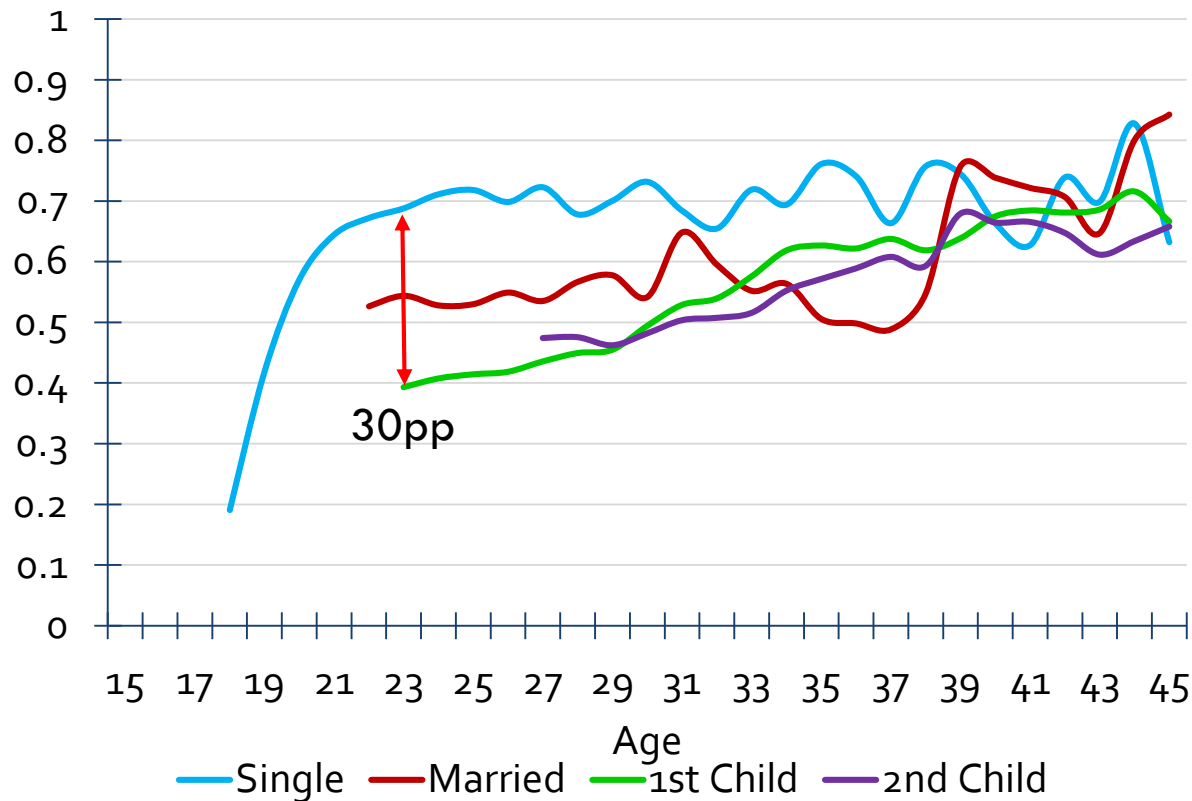
## Female labour force participation by age



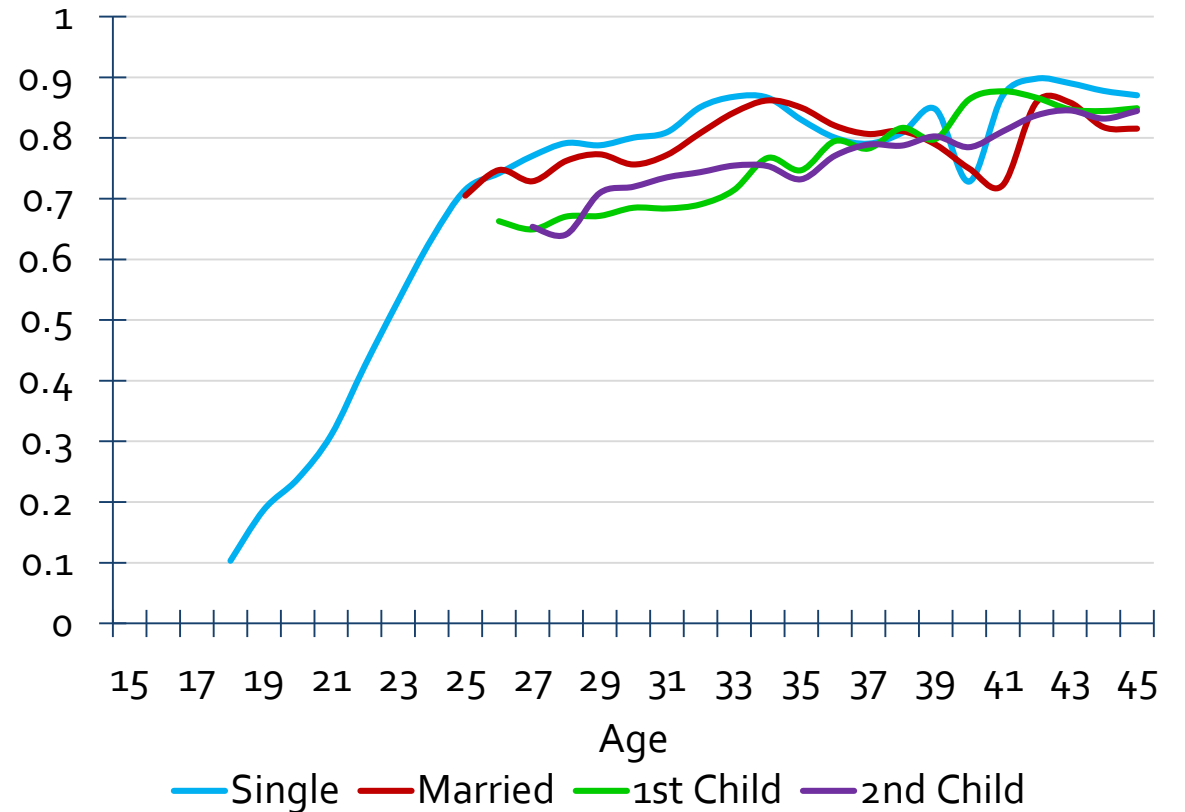
# AGE PROFILE: LARGE REDUCTIONS IN LABOUR SUPPLY FOR MODERATELY EDUCATED WOMEN, WHILE TERTIARY EDUCATED WOMEN LARGELY CONTINUE TO WORK.

Female labour force participation by age

Senior High-School



Tertiary Education



# WHAT DRIVES THIS BEHAVIOURAL RESPONSE?

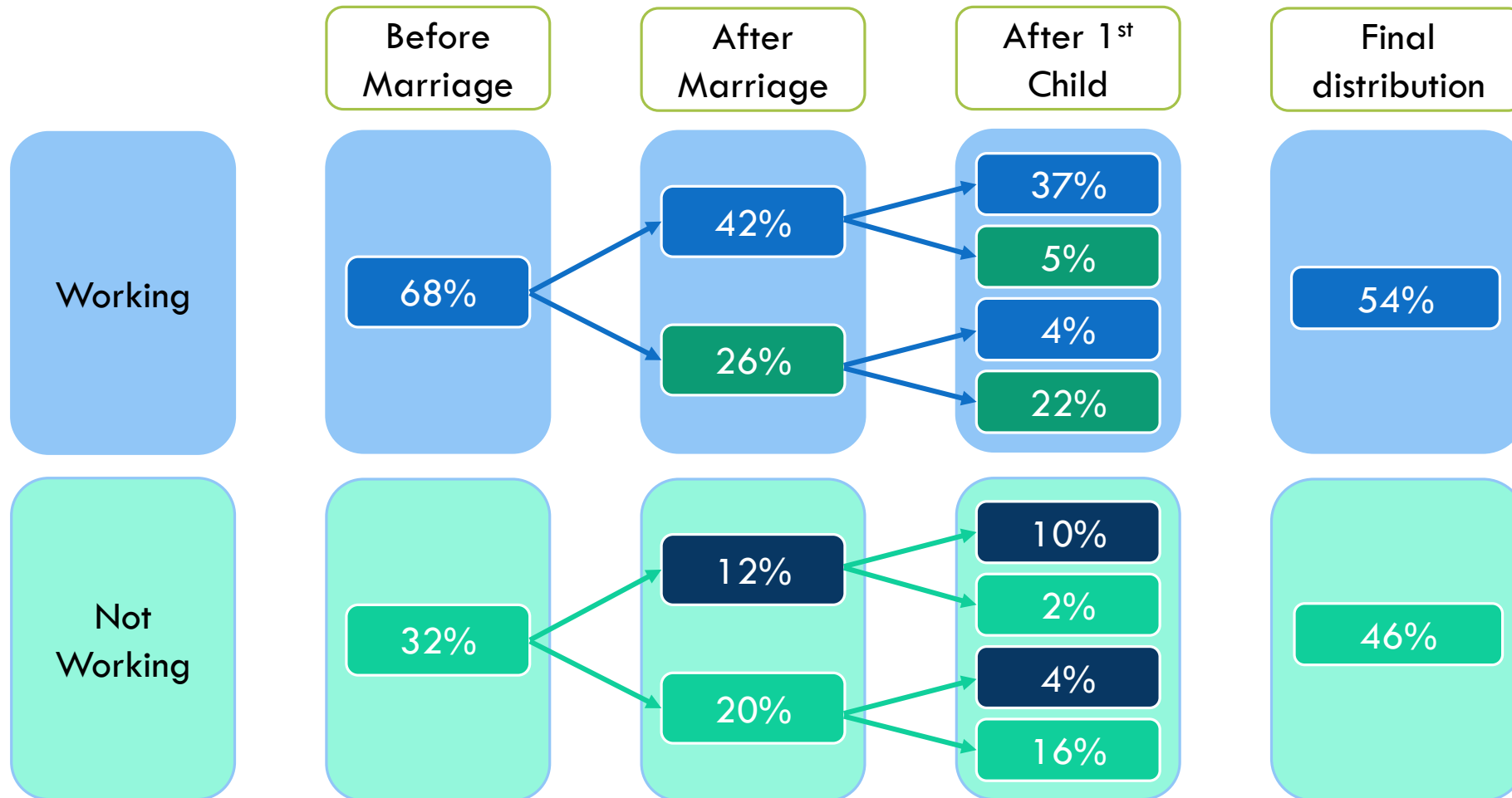
## On the supply side:

- Social norms or stigma associated to women to be devoted to the family (Utomo, 2012).
- Social norms associated to husband as main breadwinner.

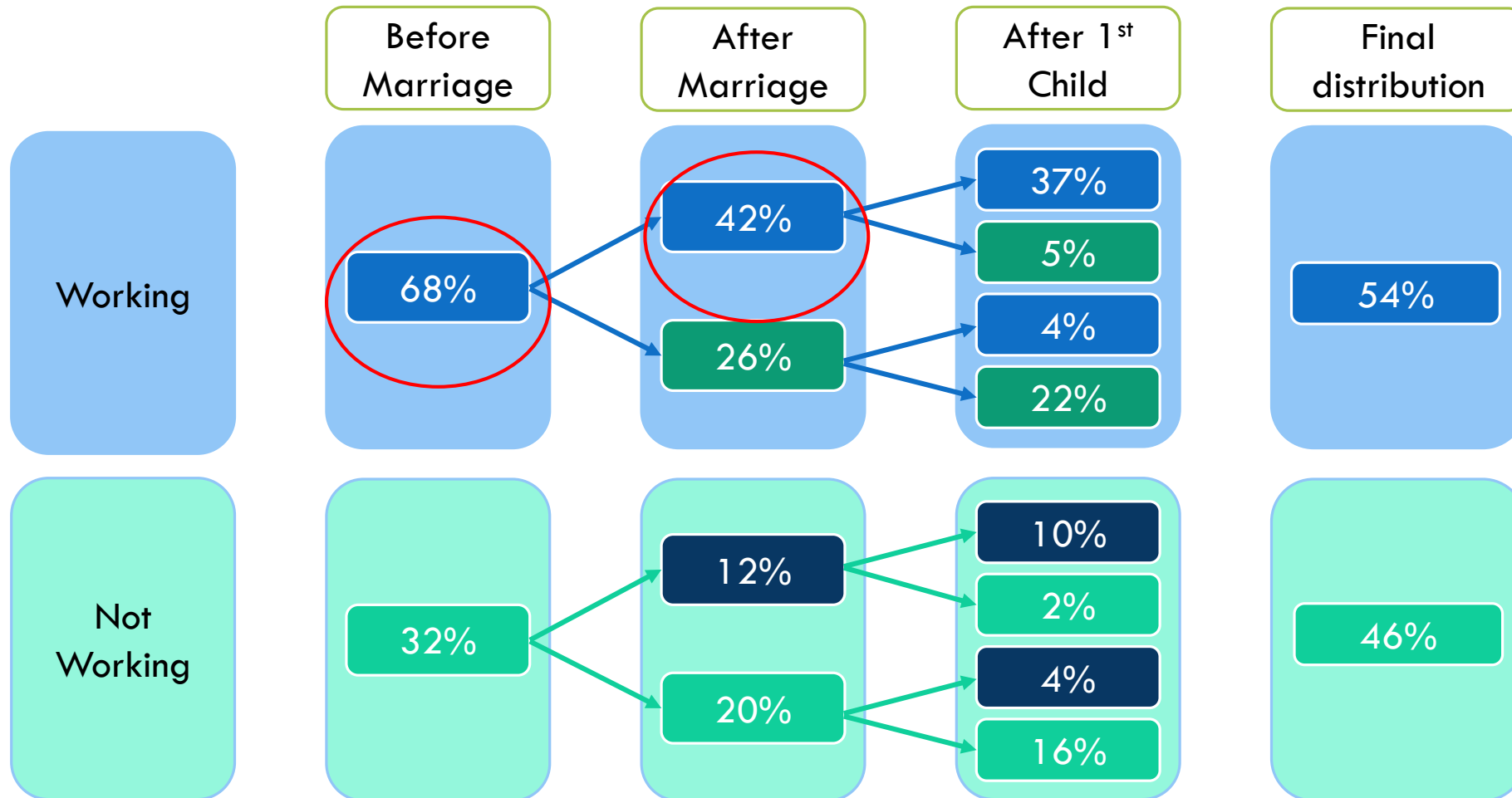
## On the demand side:

- Anticipation effect of difficulty finding jobs when married.
- Lack of satisfactory job prospects, career progression or quality conditions.

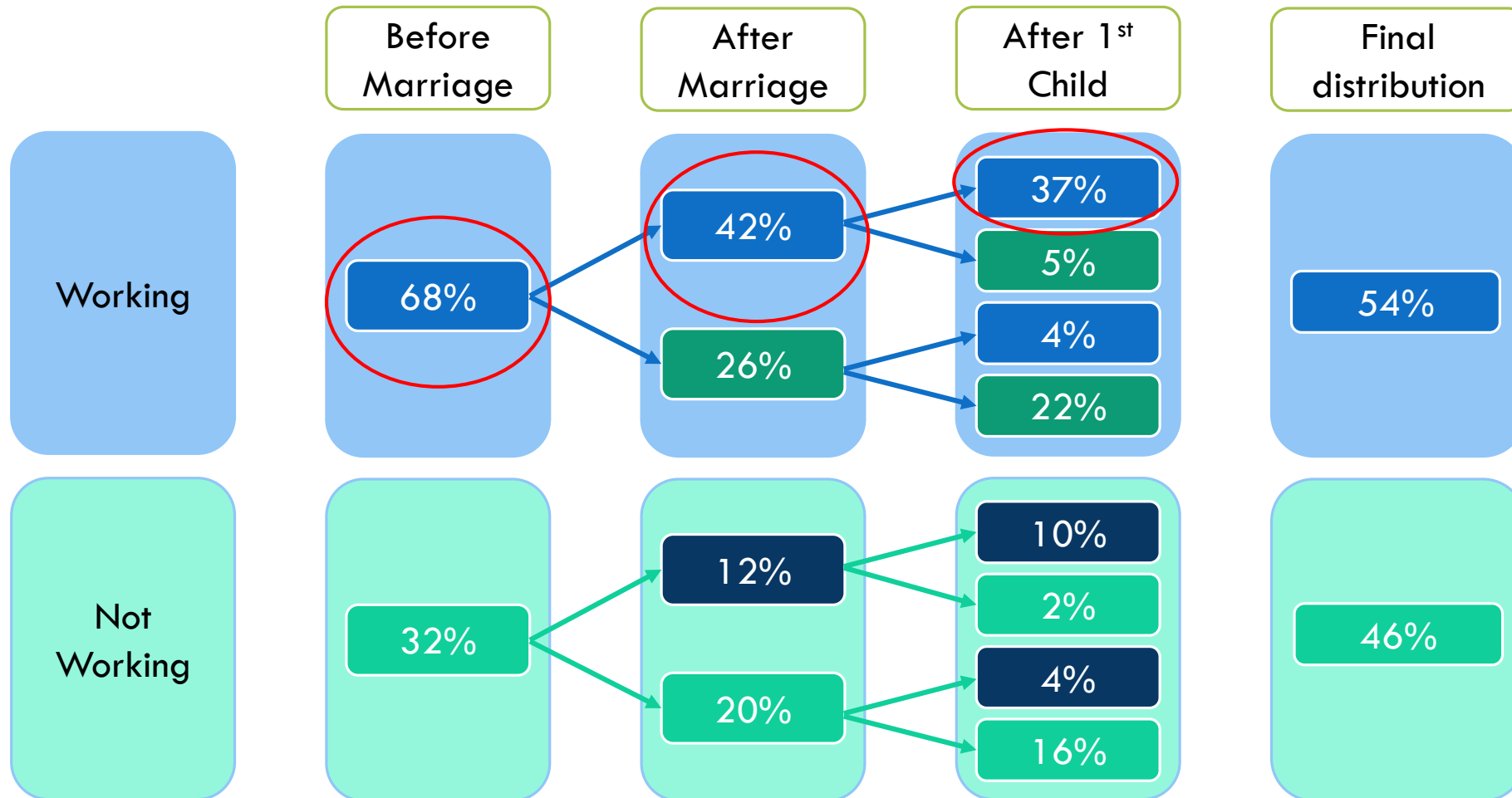
# TRANSITIONS: FOLLOWING THE SAME WOMEN WE ESTIMATE THAT THE NET LOSS IN LABOUR MARKET PARTICIPATION IS 13% AFTER MARRIAGE/AFTER THE 1<sup>ST</sup> CHILD



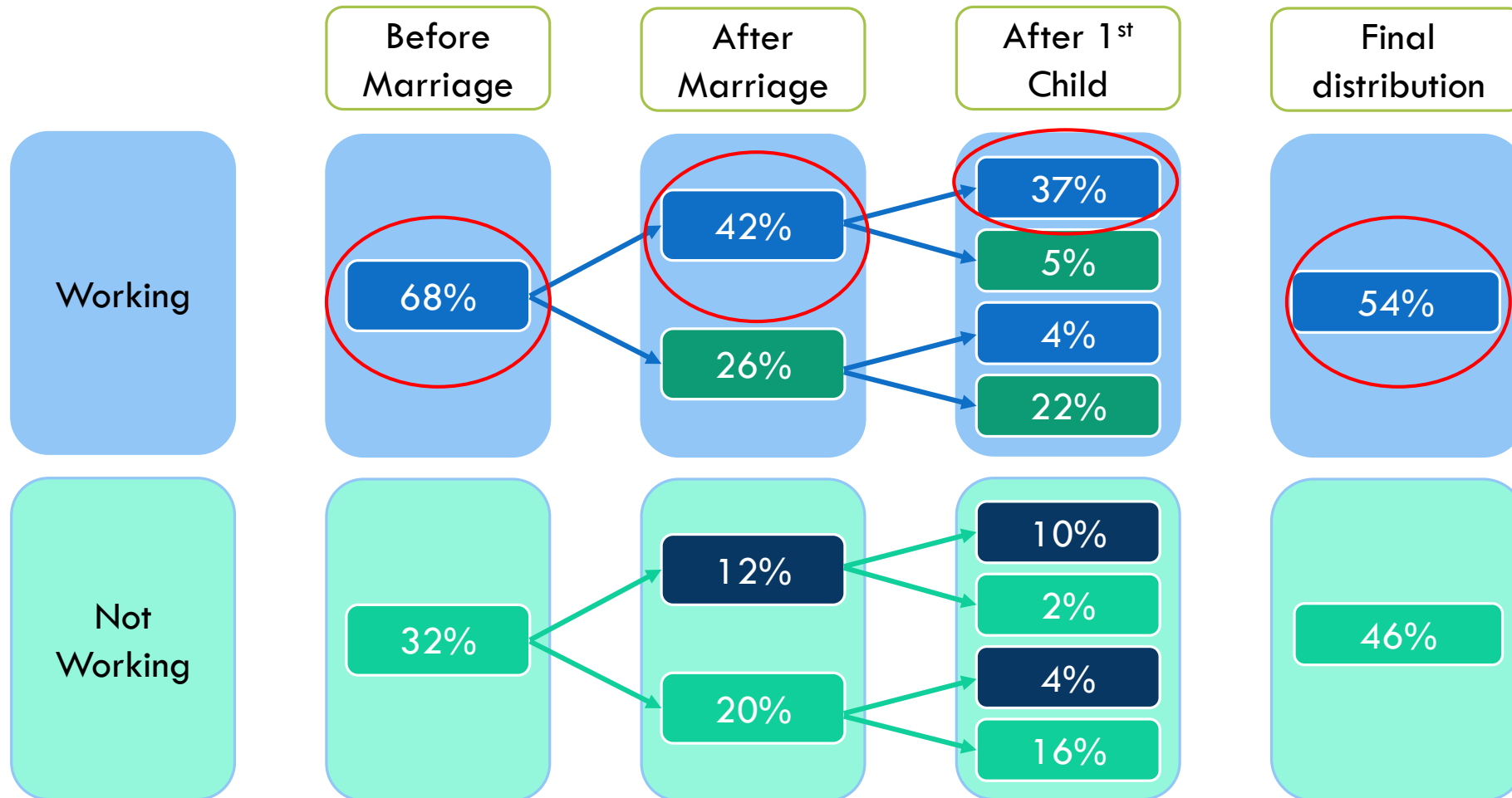
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## VARIABLES

## Continue working after 1<sup>st</sup> child

Age Interval (15 to 19 as base category)	
20 - 24	0.0062
25 - 29	0.0348
30 - 34	0.0935***
35- 39	0.0881
40 -44	0.269***
Education level (no education base category)	
Primary	-0.118**
Junior High School	-0.0867*
Senior High School	-0.0500
Tertiary	0.115**
Urban	0.0634***
Ethnicity (other as base category)	
Javanese	0.0120
Sudanese	-0.0435**
Living with parents	-0.0134
Husband works	-0.0175
Ever work	0.0360
Working prior child	0.525***
Formal job prior child	-0.261***
Observations	4,054

Marginal effects. Standard errors in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

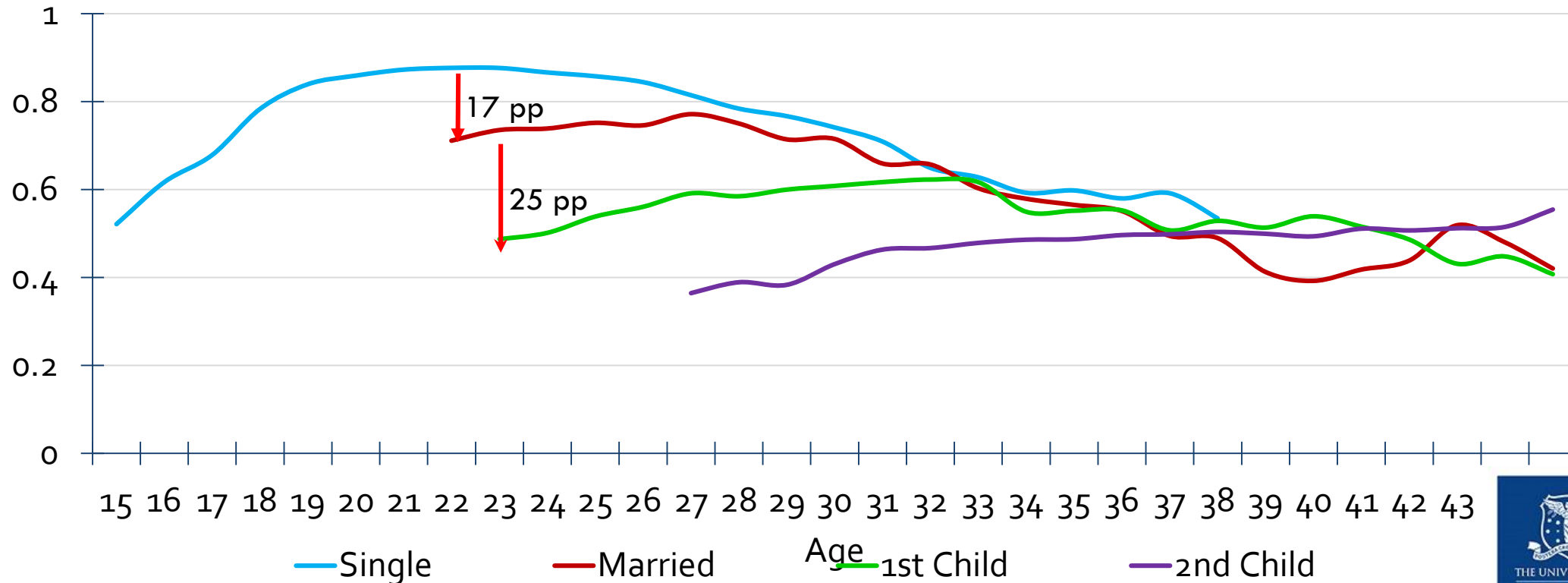




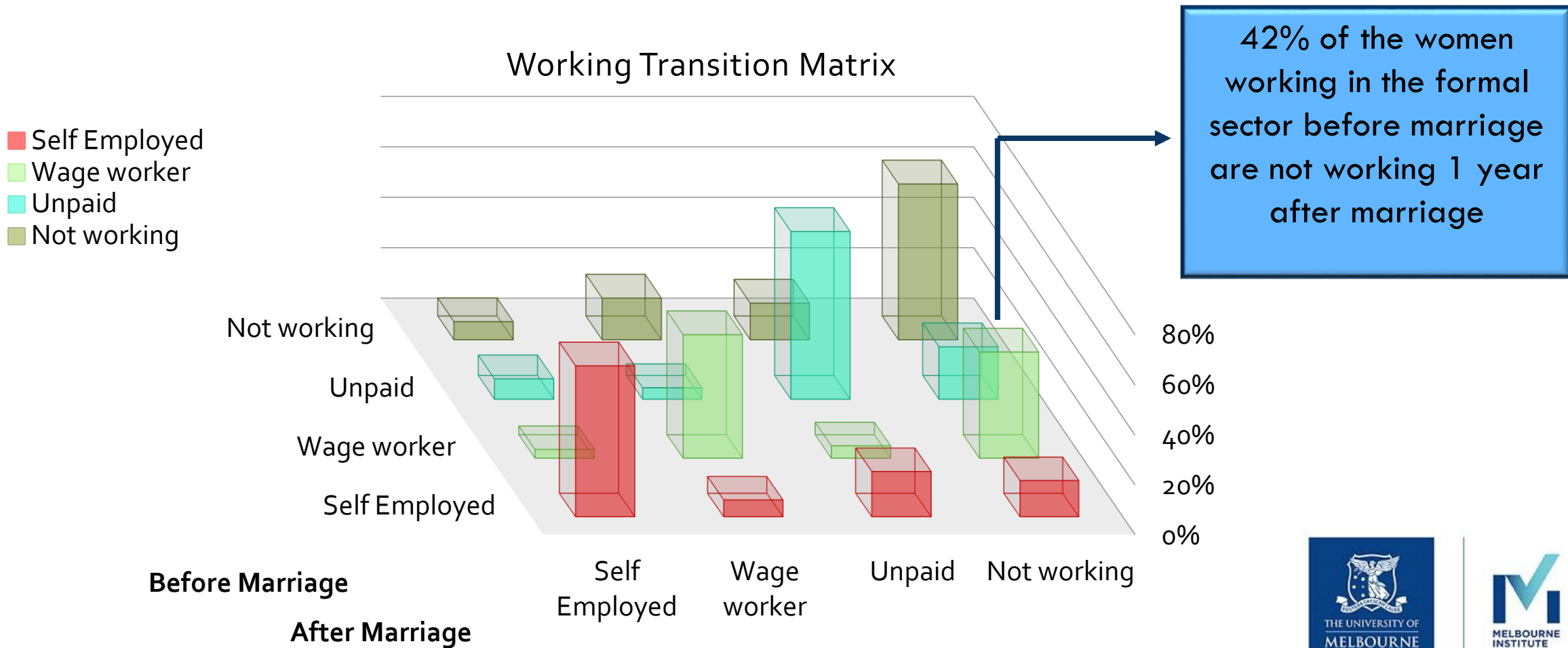
# AGE PROFILE: THE SHARE OF WORKING WOMEN IN FORMAL EMPLOYMENT DECREASES WITH MARRIAGE AND EACH CHILD.

For example, 88% of the never married working women aged 24 are in formal employment while only 50% of women with 1 child are

### Share of formal employment by age

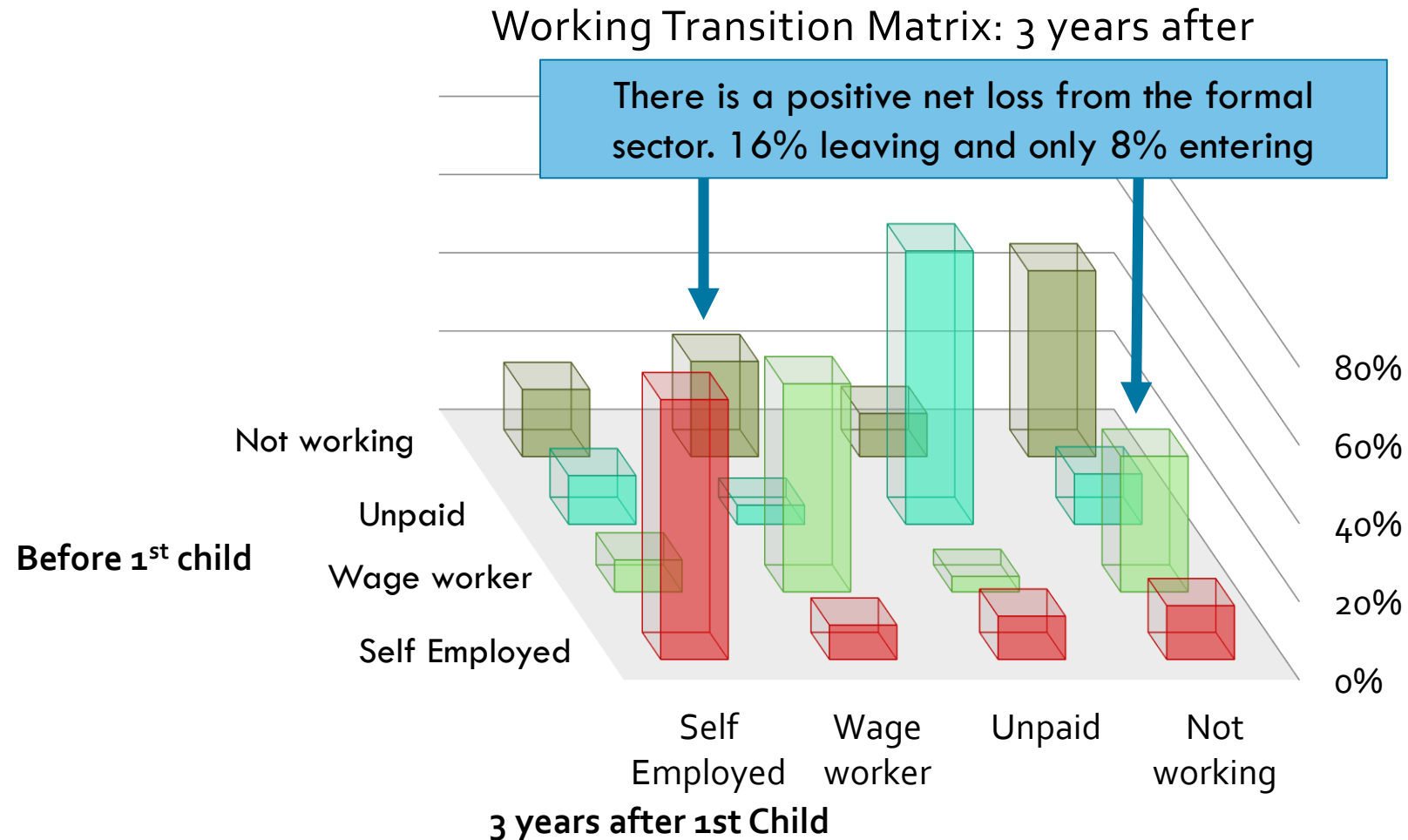


# NOT MUCH MOVEMENT BETWEEN THE FORMAL AND INFORMAL SECTORS – WITH MARRIAGE



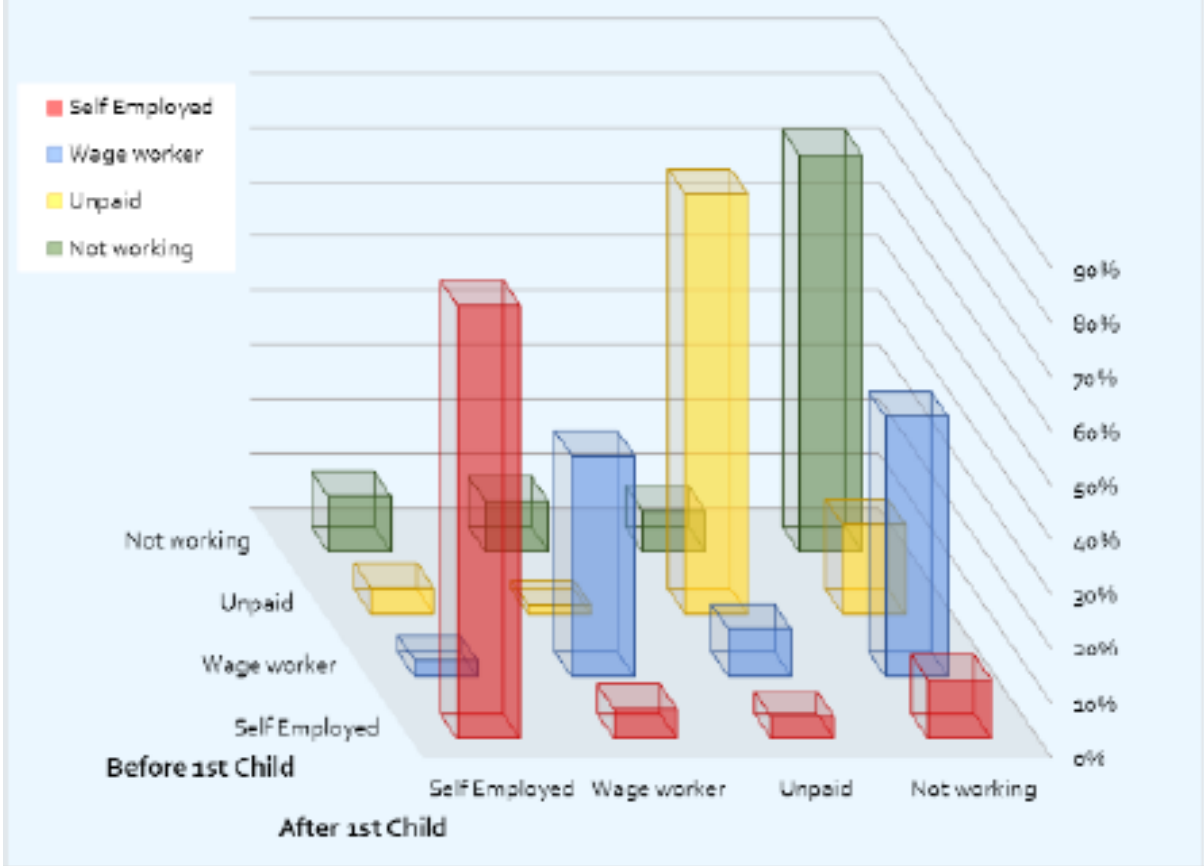
# NOR BEFORE AND AFTER HAVING CHILDREN.

40% OF WOMEN WHO ARE INITIALLY IN WAGE EMPLOYMENT TRANSITION TO NOT WORKING AFTER MARRIAGE AND CHILDBIRTH.

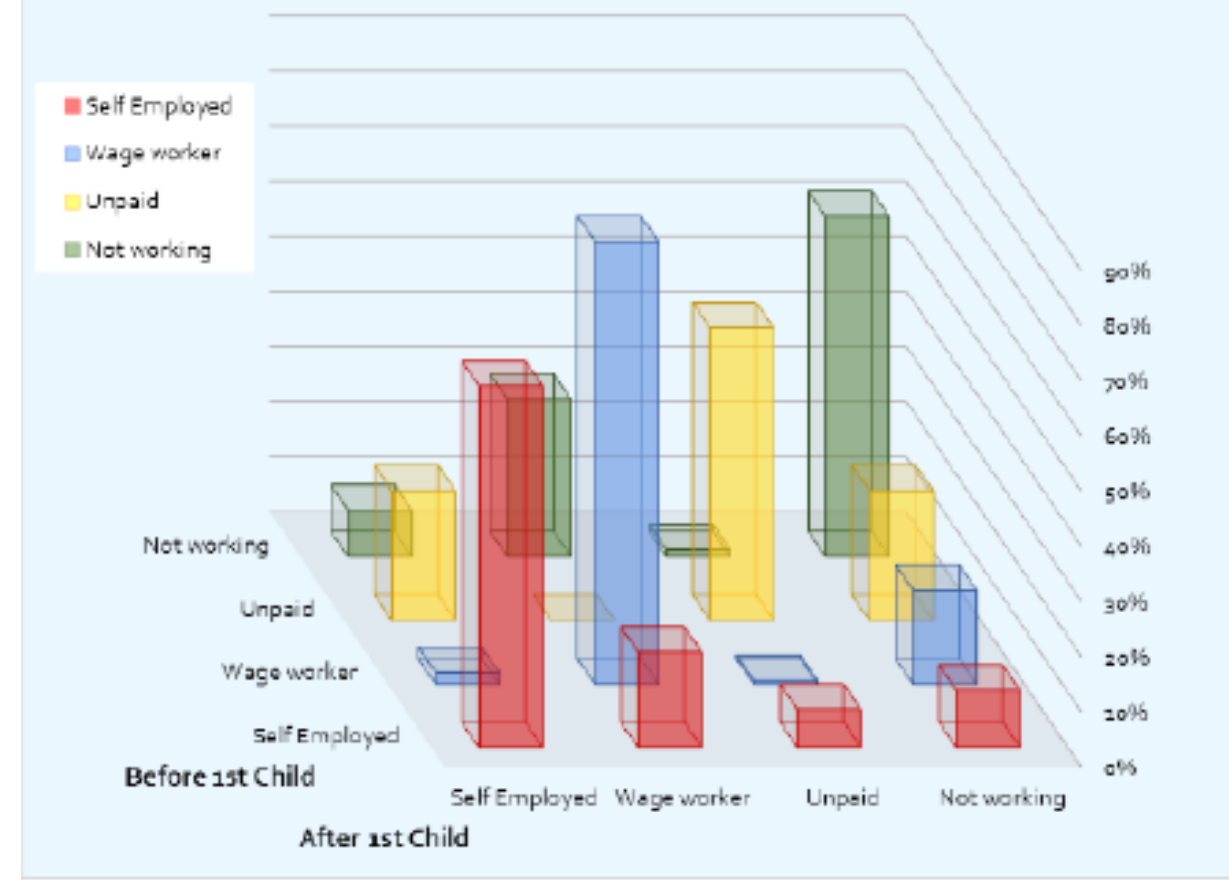


# TERTIARY EDUCATED WOMEN MORE LIKELY TO STAY IN WAGE WORK

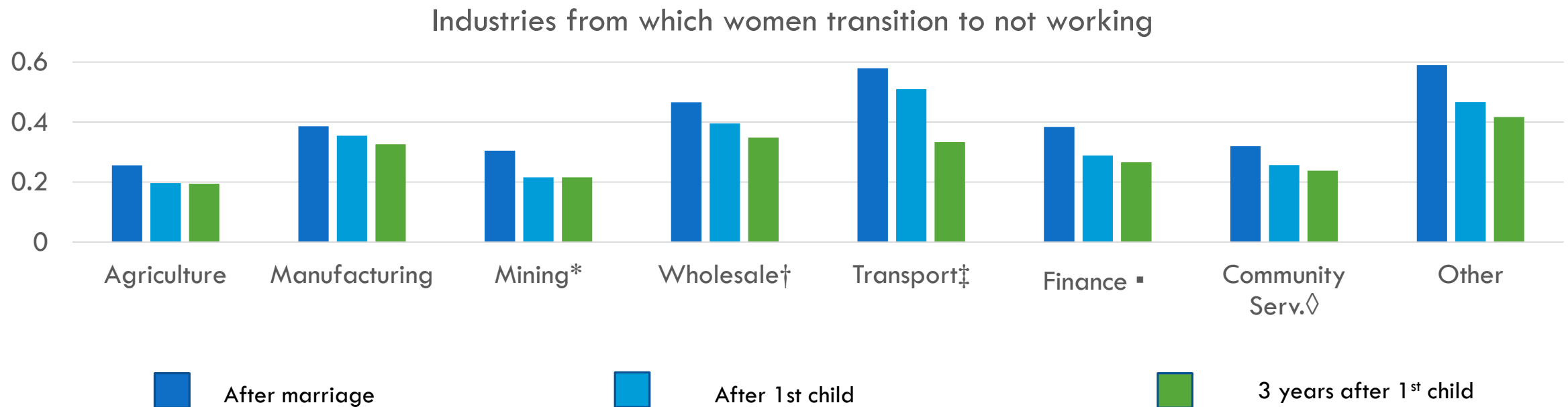
Working Transition Matrix - Low Education



Working Transition Matrix - Tertiary Education



# OUTFLOW TO NON WORKING BY INDUSTRY



# KEY FINDINGS

More than 40% of women are not working one year after the birth of their first child.

8.6 million women aged between 20 and 24 are not working. This is a major loss of Indonesia's productive capital.

Marriage and childbearing reduce both women's participation and formality of employment for all women except tertiary educated women.

**Women leave the formal sector in large numbers and very few of these women then take up self-employment. Instead they leave the labour market.**

Institutional change is needed to increase the retention of women in the formal sector.



# POLICY IMPLICATIONS

The growth of FLFP will continue to be slow or non-existent unless policies are developed to allow support married women to juggle family and work responsibilities.

The main issue appears to be that the formal sector is not equipped to retain women once they have a family (and is possibly not even trying to retain them).

Promote cultural change that encourages companies to develop policies to retain women.

## Family-friendly work:

- Flexible hours, compressed work week;
- Part- time work with the same benefits as full-time work;
- Telecommuting/working from home
- Job sharing

Work-based child care provision, in particular for women with levels of education lower than tertiary.

These measures are likely to increase firm profitability and generate economic growth as the economy better utilises and benefits from the skills of half its population.



Thank you

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