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8 INCOMaR**

The 8th International Conference on Marketing and Retailing  
"Business Resilience: A New Normal Landscape"



Fakulti  
Pengurusan  
dan Perniagaan



جامعة الإمام عبد الرحمن بن فيصل  
IMAM ABDULRAHMAN BIN FAISAL UNIVERSITY



Management Studies  
Sabaragamuwa University of Sri Lanka

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# **The 8<sup>th</sup> INCOMaR Conference Proceedings**

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## **Preface**

Organisations have always been resilience in overcoming business trials and tribulations throughout centuries. Whenever facing a crisis, no solution is a guaranteed success. The only thing that is guaranteed for business survival is responsiveness. This concept requires the organisations to be agile and flexible in their approach in dealing with various challenges including economic, education, social, political and other environment threats.

How would the organisations know the marvel strategies to adapt by maintaining the operations endurance in the face of an escalating global pandemic crisis and yet striking the balance with public health needs and priorities? This aspect requires the organisations to actively gather information, appropriately analyze it, thoroughly devise varying alternative solutions, and correctly choose the best solution that can provide the most benefits to the organisation.

This 8th INCOMaR conference intends to harness various discussions on effective business strategies embolden by the organisation's quandary in being resilient in fronting a pandemic with this magnitude that has not been seen for a few decades. Input and feedback from the participants are strongly believed to provide the sought after information in order to successfully overcome the problems brought by the pandemic that has besieged most business organisations around the world.

In order to extend the benefits of the conference to those who are unable to attend this conference, all accepted papers will be published in the refereed journals that are indexed by Malaysia Citation Centre (MCC), quality papers will be published in high-indexed journals i.e. Scopus and ERA. For those that do not meet the journals' requirements will also be published as chapters in a book. It is expected that many will gain benefits from the presentation and publication as a result of having the 8<sup>th</sup> INCOMaR 2021.

## **Chairman's Message**

Assalamualaikum w.b.t and warmest greeting to all participants.

On behalf of the Organizing Committee, it is a great pleasure to welcome all participants to the 8<sup>th</sup> International Conference of Marketing and Retailing (INCOMaR) 2021. While 2021 has crippled us from organizing a physical conference, it has provided us the convenience of having the virtual conference that could be possible via the use of technology. Since its establishment in 2007, this is the first virtual conference for INCOMaR, as we are still amid the COVID-19 pandemic. Fortunately, with the vaccination program, it offers brighter hope in fighting the disease.

Organizations have always been resilient in overcoming business trials and tribulations throughout centuries. The only thing that is guaranteed for business survival is responsiveness. The 8<sup>th</sup> INCOMaR 2021 conference intends to harness various discussions on effective business strategies embolden by the organization's quandary in being resilient in fronting a pandemic with this magnitude that has not been seen for a few decades. The input gathered from experts through this conference is expected to help businesses not only to survive the current business challenges but also to gain competitive advantage.

To all distinguished speakers, thank you for your kind contribution in terms of knowledge and expertise for this edition's conference. I believe that your input for the designated sessions provides better insights for all participants. I also would like to take this opportunity to express our gratitude to Faculty of Business and Management, UiTM, all the partner universities, sponsors, and corporate bodies that support this conference and hope that the conference benefits various categories of participants locally and internationally.

Lastly, I hope that all participants and partners will continue giving their unconditional support to INCOMaR in any future events. Insyallah, we will meet again in the 9<sup>th</sup> INCOMaR and hopefully in the form of physical conference.

Thank you.

## Women in Labour Force and Income Inequality: Case of Indonesia

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### Abstract

Working women clearly contribute to the increase of family income. However, working women's contribution to overall income inequality is still not clear. Since the income gap between rich and poor remains expanding, the analysis of the impacts of women's labour force participation on income inequality is important. Therefore, the purpose of this study is to examine the effect of the participation of women in the labour force on income inequality in Indonesia. This study utilizes panel data from 33 provinces in Indonesia during 2012 to 2018. The result suggests that higher women's participation in the labour force is resulting in lower income inequality in Indonesia. It shows that higher participation of women in the workforce outside the home means additional income for family for a better welfare. Therefore, the practical implication should be focus on creating more jobs opportunities for women and providing training that leads women to a better employment.

*Keywords:* Women, Labour Force, Income Inequality. Panel Data

### 1.0 Introduction

Indonesia has a success story, where the country enjoys continuous growth over the past 30 years, except during the 1997 Asian financial crisis (Schaner & Das, 2016). Indonesia successfully recovers from the devastated crisis in 2017 and has the high growth in Gross Domestic Product (GDP) per capita after 2000 (Wicaksono, Amir & Nugroho, 2017). Indonesia becomes the leading economy in the Association of Southeast Asian Nations (ASEAN) (ADB, 2015). However, not all Indonesian people enjoy the high economic growth. Higher growth appears to create negative effect on income distribution as shown in Gini index, a popular measure of the distribution of income across a population. The Gini Index for Indonesia seems to remain stagnant during the last decade. The income gap between those at the bottom and those at the top has not changed significantly from 0.41 in 2011 to decrease slightly to 0.385 in 2020. In order to tackle the stagnant inequality in Indonesia, it is important to identify the factors that may contribute to the reduction of income inequality.

One possible factor that influences the income inequality is the contribution of women's participation in labour force. Working women clearly contribute to the overall economy. In national level, women's labour force participation has the capacity to be a crucial contributor to enhance the country's productivity (Cameron, 2018). Lowering gender gaps by increasing women's labour force participation could significantly improve global Gross Domestic Product (ILO, 2018). In the households' level, the involvement of females in paid works has changed the socioeconomic status of many families. It seems that the low participation of female employment may affect household income, especially for poor families, where the income of the head of household may not enough to support the whole family. Additional income form female members in a family will boost the level of household income, and in the end, it



improves the prosperity of the household and narrowing the income inequality. However, the data show that recent global women's labour force participation rate is approximately only 49% and for men, it is about 75% (ILO, 2018).

Indonesia successfully reduced the total fertility rate from 4.4% in 1980 to 2.4% in 2012. Indonesia also supports women to have better educational attainment. In most all areas of the country, Indonesian women by tradition have a high degree of socio-economic freedom. Despite the significant improvements for the Indonesian women, the condition of women in the labour market has not changed too much (Schaner & Das, 2016; AIPEG, 2017, and Cameron, 2018). The data indicate that women's labour force participation rate in Indonesia is about 51% and men's labour force participation rate is about 83.7% in 2017. The gap is 32.7% while the global average of 26.7% (ILO, 2017). In addition, ILO (2017) also estimates that if Indonesia could rise female participation rates by 8.2%, there will be additional 8.6 million Indonesian women in the workforce. AIPEG (2017) indicate that the main factors of low female labour force participation in Indonesia are marriage, family has children under two years of age, low education level, mainly below high school, and university levels), and shifting economic structure in agricultural sector due to changes from rural to urban areas.

Unfortunately, the results of previous studies of the impact of working women on income inequality have been inconclusive, unclear, and mixed. Previous studies show that the higher women's labour force participation can have either an equalizing effect or a widening effect on household income inequality. Khun and Ravazzini (2017) point out that the effect of women's socioeconomic status may be one of the reasons of the inconclusive results. They suggest that if women from poor households join workforce, income inequality between households will decrease, or equalizing effect, but if women from high income households increase their working hours, income inequality between household will increase or widening effect. In addition, education should be taken into consideration. Sudo (2017) suggests that women's labour force participation will have an equalizing effect when there is a significant increase on the labour supply of women with low education.

Khun and Ravazzini (2017) show that female's labour force participation has a little decreasing effect on household income inequality over time. A study by Gonzales et al. (2015) suggests that higher female's labour force participation decreases income inequality. Their study shows that if a country moved from full gender inequality to complete gender equality, the Gini Index declines by approximately 10 points. Sudo (2017) finds that the higher involvement of women's labour force participation creates a short run widening effect on household income inequality, but in the long run, it has an equalizing effect. On the other hand, some studies (for example: Esping-Andersen, 2009; and Greenwood et al., 2014) show that the higher women's labour force participation broadens household income inequality

Only few studies discuss the impact of female's labour force participation on inequality in case of a distribution of income/wealth across a population. Since the income gap between rich and poor remains expanding, the analysis of the impacts of women's labour force participation on income inequality is important. Therefore, the purpose of this study is to examine the effect of the participation of women in the labour force on income inequality in Indonesia. This paper makes an important contribution to existing literature, especially in family economics, by explaining the relationship between women's labour force participation and income inequality in Indonesia. The family economics mainly discusses about decision making about the allocation of labour within households. In this case, it is about the involvement of women in workforce to reduce income inequality. To the best of our knowledge, there is no previous studies that discuss the relationship in case of Indonesia, so this study provides original empirical evidence to fill the gap in the literature. This study also important to help the Indonesian economy move from economic growth led by excessive use of natural resources and cheap labour to growth based on high productivity support by women's labour.

This paper is arranged as follows: After the introduction, section 2 briefly explores the research technique. Section 3 presents the results and the discussion of the findings, and the last Section is the conclusion.

## 2.0 Method

This study collects secondary data and uses panel data regression with Least Square Dummy Variables (LSDV) technique. This study utilizes panel data from 33 provinces in Indonesia during 2012 to 2018. This study sets an equation model with four independent variables. Our main independent variable is women's labour force participation rate, and we add three additional independent variables as control variables to avoid specification error in a model due to exclusion of important independent variables from a multiple regression equation, i.e., female-headed households, educational attainment level, and Income per capita, that may have impact on the income inequality in Indonesia. We construct a model as follows:

$$\begin{aligned} Ln(INEQ)_{it} &= \beta_0 + \beta_1(WOMEN)_{it} + \beta_2(FEMHOLD)_{it} + \beta_3Ln(EDUC)_{it} \\ &+ \beta_4Ln(YCAP)_{it} + u_{it} \end{aligned} \quad (1)$$

Where,  $Ln$  symbolises the natural logarithm,  $u$  is the representation of the residuals that are assumed to be normally distributed,  $\beta_0$  is a constant,  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$ , and  $\beta_4$  indicate the coefficients of the model. Income Inequality (INEQ) is measured by Gini Index. women's labour force participation (WOMEN) is measured by women's labour force participation rate, female-headed households (FEMHOLD) is measured by the percentage of female-headed households, educational attainment level (EDUC) is measured by mean years of schooling, and income per capita (YCAP) is measured by Gross Regional Domestic Product (GRDP) per capita.  $i$  refers to cross section data, i.e., provinces in Indonesia,  $t$  refers to time series data of 2012 to 2018., All data are obtained from Indonesia Statistical Agency.

## 3.0 Results and Discussion

The panel data regression model in this study follows the Least Square Dummy Variables (LSDV) technique. In addition, the model is added with White Cross-section Weight procedure to avoid the possibility of heteroscedasticity problems in the regression. Table 1 indicates the result of the LSDV. Three out of four control variables are statistically significant. The finding of the main variable in this study indicates that the coefficient related to the women's labour force participation variable is negative, which means that an increase in women's labour force participation is significantly reducing the income inequality. Therefore, this study provides evidence that there is a negative relationship between women's labour force participation and the income inequality and strengthens previous studies by Khun and Ravazzini (2017); Gonzales et al. (201) and Sudo (2017).

Table 1: Result of the Panel Data Model of Least Square Dummy Variables (LSDV)

Explanatory Variables	Coefficients	t-statistics	p-values
WOMEN	-0.021358	-6.84	0.000
FEMHOLD	-0.012635	-2.74	0.006
$Ln$ (EDUC)	-0.053820	-3.21	0.002
$Ln$ (YCAP)	-0.052454	-1.15	0.253
Constant	0.517558	1.19	0.235
Adjusted R <sup>2</sup>	0.826		

Note: Explained Variable:  $Ln$  (INEQ)

Even though Indonesian women have a high degree of socio-economic freedom, there are still unequal opportunities for women in Indonesia, mainly due to patriarchal culture and

religious conservatism. However, as the time goes by, the number of women's participation in the labour force in Indonesia are dominated by the younger generation, particularly those who have high education residing in urban areas and who have open-minded thought. These younger generations are not easily complied with patriarchal culture and religious conservatism. In fact, Indonesia has successfully reduced gender inequality over the past decade, with women get more access on education. This gender-equitable society leads young women to get higher education and eventually they go to labour force to get nice jobs, and in the end, they can support family financially and the income inequality is narrowing.

Indonesia has a commitment to increase female's labour force participation to the G20 target (G20 commitment) of 58.5% in 2025 (Cameron, 2018). If the G20 target of Indonesia women's labour force participation rate in Indonesia is 58.5% in 2025, it is calculated that from the women's labour force participation rate position at 51% in 2017, then the country needs to add 7.5% in women's labour force participation rate. By using the result, on the average, if the women's labour force participation rate increases by 7.5%, then income inequality will drop by 0.16%, or less than 1%. With a substantial effort to increase 7.5% in women's labour force participation rate, a 1% drop in income inequality seems to be only a small change and unfeasible. However, the result still indicates the importance to gradually increase in women's labour force participation to reduce income inequality from current level a=since income inequality may have severe consequences in the future. The gap in income inequality in Indonesia is not inevitable and any action to reduce income inequality must be fully supported. One of the actions is to increase numbers of working women in paid job in Indonesia.

Now we shift to the other results. The corresponding coefficient associated with the female-headed households variable is negative but unexpected result, and it is significant at the 99% confident level. The negative coefficient on female-headed households variable denotes that higher percentage of female-headed households is correlated with lower income inequality. The result is unexpected because single mothers have higher probability to be poor than married parents. The possible explanation that single mothers must work harder to earn money for the family by taking more jobs or add more working hours. In this case, single mothers will receive more money and it narrows the income gaps.

In addition, the coefficient related to education attainment level is also negative and significant at the 99% confident level. The result indicates that an increase in average years of education is significantly reducing the Gini Index. So, it can be assumed that higher education attainment successfully reduces the income inequality in Indonesia. It is clear to understand that higher education level means more chance to get good jobs with better salaries or wages, and in the end, improve welfare and narrowing down the income inequality. Last, the coefficient associated with income per capita is negative but insignificant. It implies that income per capita do not improve income inequality. The rationale of insignificant result is due to the GRDP per capita data varies from one province to other provinces.

#### **4.0 Conclusion and Policy Implications**

Previous studies on women employment and income inequality are few, and their results have been mixed and inconclusive, and create a massive debate on the subject. Since the income gap between rich and poor remains expanding, the analysis of the impacts of higher women's labour force participation on income inequality in Indonesia is significantly important. Once the factors of income inequality are known, the best policies can be decided to narrow the gap in income distribution in Indonesia.

The present study uses panel data approach from 33 provinces in Indonesia during 2012 to 2018 with Least Square Dummy Variables (LSDV) technique. It is concluded that an increase in women's labour force participation resulted in a reduction in income inequality. In general, this study contributes to the existing family economics literature by getting a better understanding of the relationship between women's labour force participation and income inequality, especially in the Indonesia context.

This study leads to valuable theoretical and practical implications in the attempts to deal with income inequality in Indonesia. As previous studies have been mixed and inconclusive, the theoretical implication is that this study adds new evidence that support the negative

relationship between women's labour force participation and income inequality and the findings can be used as the basis to create policies that improve women's participation in labour force. For practical implication of this study, we suggest the Government should be focus on creating more jobs opportunities for women. In case that the Government does not have any budget to create new jobs, the Government can support private sector, especially the small and medium enterprises, which have abilities in creating better employment opportunities for women. Also, it is important to provide trainings and development specifically for women and is designed for women to a better employment.

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