



UNIVERSITAS ANDALAS

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**ANALYSIS OF FACTORS AFFECTING LABOUR INCOME IN THE
FORMAL AND INFORMAL SECTOR IN INDONESIA**



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ANALYSIS OF FACTORS AFFECTING LABOUR INCOME IN THE FORMAL AND INFORMAL SECTOR IN INDONESIA

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ABSTRACT

Income is one of the important issues for assessing the welfare of labour. This study aims to analyze the probability of work participation and the factors affecting the income of formal and informal labour in Indonesia in 2020. The data is secondary data from the August 2020 National Labour Force Survey (SAKERNAS). The analysis technique used in this research is Heckman's two-step method. The total observation units used in this study are divided into two parts: the probability of work participation unit of 328.501 individuals and the wage estimation unit of 298.762 individuals. The results show that the probability of labour participation in Indonesia is dominated by formal labour, and formal labour receives higher income than informal labour. Based on the test results, the variables of gender, age, residential area, and marital status significantly affect the probability of work participation in formal and informal labour. Regarding education type, work experience, gender, residential area, and job training significantly affect the income received by formal and informal labour.

Keywords: Income, Labour, Formal, Informal, Heckman's two-step Thesis

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