

# CHAPTER I

## INTRODUCTION

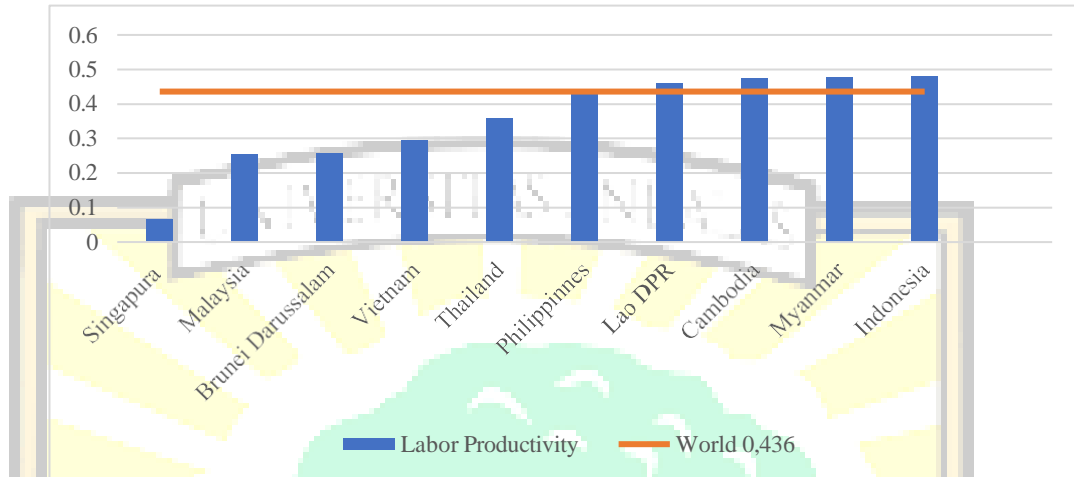
### 1.1 Problem identification

Gender inequality remains a global issue. That is why creating gender equality is one of the SDG's goals listed in goal number 5, namely gender equality, women's empowerment, and women's rights. Gender inequality can occur in various fields, including development. Gender inequality in development is a process of marginalization due to gender differences that result in poverty. This condition is related to gender disparities that hinder fair participation of both women and men in the development process (Nugroho, 2022). Women who are involved in the workforce encounter difficult situations, either while being employed or running businesses. They often face discrimination, such as inadequate working conditions, wage discrimination, limited decision-making freedom, restricted access to information and technology, insufficient accessibility to law enforcement agencies, as well as challenges related to their work departments. Attitudes that demean women endorse discriminatory practices that curtail the fundamental rights of women as citizens (Dini et al, 2020). Gender has created different functions, roles, and tasks for men and women. These differences are not a problem as long as no one is disadvantaged. However, when individuals do not have equal opportunities, chances, and benefits due to gender differences, that is when gender inequality occurs (Wijaya, 2014). This economic barrier puts women at a disadvantage emphasizing the need for policy development that will remove or reduce the inequalities (Chantel et. al, 2021).

According to the UNDP data released by BPS showed that Indonesia recorded the highest Gender Inequality Index (GII) score among 10 ASEAN countries in 2019, with 0.480 points. This indicates that Indonesia has made less progress in terms of gender development compared to other ASEAN countries. Meanwhile, Singapore had the lowest score with 0.065 points. This significant gap highlights

the disparity in gender equality development between Indonesia, a country with a much larger population, and Singapore.

**Table 1.1 ASEAN Gender Inequality Index (GGI) 2019**



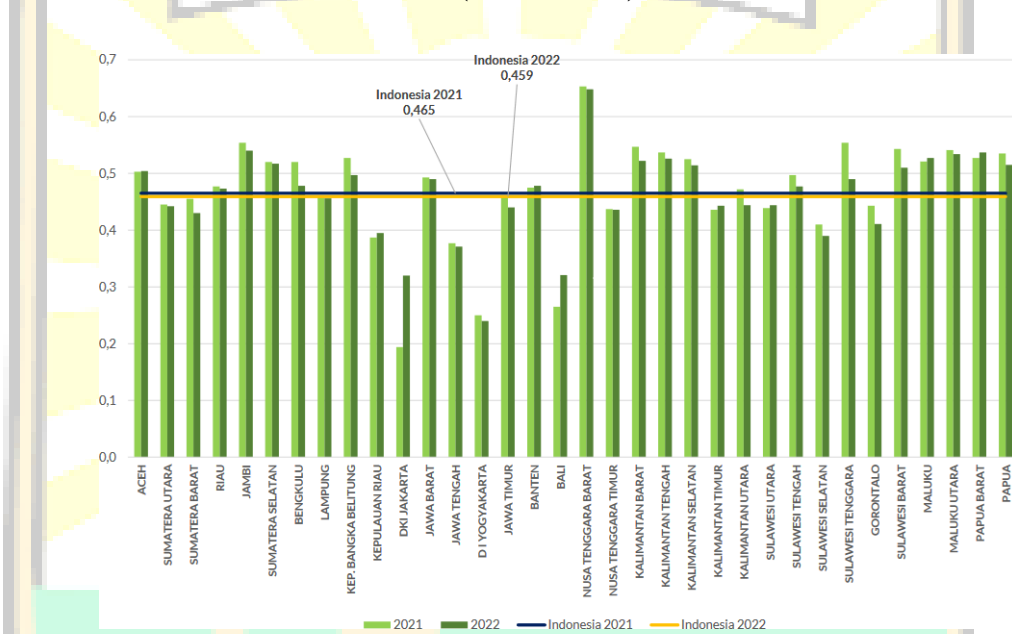
Source : kajian perhitungan ketimpangan gender 2021, BPS

Indonesia is a country located in Southeast Asia and is the fourth most populous country in the world. Indonesia is not only a country with a large population, but also a country with a diverse range of provinces. There are 34 provinces in Indonesia, spread across its thousands of islands. These provinces are divided into five main islands, which are Sumatra, Java, Kalimantan, Sulawesi, and Papua, as well as other smaller islands.

Despite being rich in natural resources and having a large population, Indonesia faces a number of development challenges, one of them is gender inequality. Gender inequality remains a significant challenge in Indonesia, with women facing disparities in areas such as education, employment, and political representation. Although women account for half of the population, they are often underrepresented in decision-making positions and face discriminatory practices in the workplace. Addressing gender inequality is crucial for the country's economic and social development, as it is essential to ensure that all individuals have equal access to opportunities and can fully contribute to the growth of the nation.

In a country, when the Gender Inequality Index reaches the value of 1, it indicates that the rights between women and men are already balanced (BPS, 2023). However, based on the latest data obtained, in reality, every province in Indonesia still has a Gender Inequality Index below the value of 1, signifying that Indonesia has gender inequality with a relatively high level. Therefore, serious steps are needed to address this issue effectively.

**Table. 1.2 Gender Inequality Index for 34 Provinces in Indonesia (2018 – 2022)**



Source : BPS, 2023

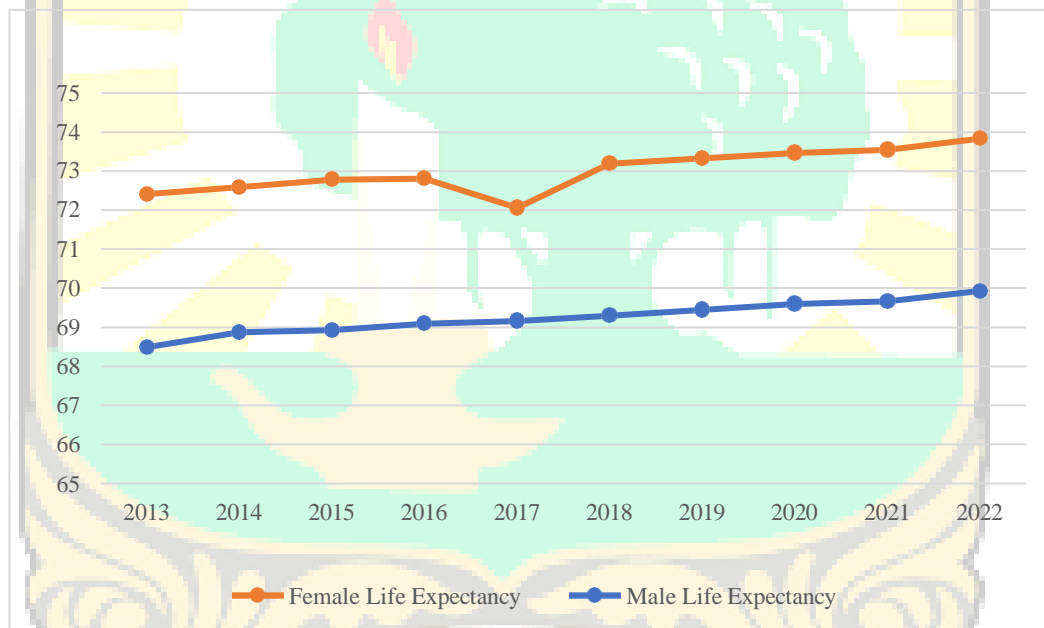
With a population of over 270 million, Indonesia has the potential to fully utilize its human resources by empowering women and promoting gender equality, ultimately leading to greater economic development and prosperity. This can be achieved through the implementation of various policies that provide greater access to education and healthcare for women, as well as initiatives that promote equal pay and job opportunities. By doing so, Indonesia can harness the full potential of its population and achieve greater economic growth and development.

Adam Smith (1776) stated that the size of the output of a population from year to year, one of them is determined by the population (Chalid, 2015). In contrast to this theory, based on the data released by ILO (2021), Singapore, has the highest labor productivity among ASEAN countries, followed by Brunei Darussalam and Malaysia, whose population is smaller than Indonesia, has proven that population size is not always the determining factor. This suggests that low productivity of Indonesia's workforce could be attributed to various factors, including the persistent issue of gender inequality.

The relationship between the number of women in the Indonesian workforce and labor productivity is intricately linked to a range of factors. The active participation of women in the labor market can positively impact overall productivity, provided they have access to equal opportunities. Education and skill levels are crucial determinants, with higher levels generally associated with increased productivity. The phenomenon of occupational segregation, where women are concentrated in specific job types, can influence overall productivity, emphasizing the importance of diversified opportunities (Oktavia, 2017). Addressing the gender wage gap is essential, as fair compensation contributes to motivation and job satisfaction. Supportive workplace policies, including maternity leave and childcare facilities, can enhance work-life balance and, subsequently, productivity. Encouraging women's entrepreneurship is another avenue for economic growth. Cultural and social factors, such as societal attitudes and gender norms, play a pivotal role. One hypothesis to explain these results is that gender inequality, in terms of parity of education, representation, and healthcare access, may be associated with the differences in how gender norms, stereotypes and inequalities have affected men and women historically (Veas & Crispi, 2021). Government policies promoting gender equality, education, and equal opportunities are instrumental in shaping the contribution of women to the labor market and overall productivity. Recognizing and addressing these interconnected factors is essential for fostering an environment where women can effectively contribute to labor productivity in Indonesia (Anisa, 2022).

Life expectancy refers to the average number of years a person is expected to live based on current mortality rates. It is often used as an indicator of the overall health and well-being of a population. A study conducted by the World Bank in 2017 found that an increase in life expectancy by 1 year can increase labor productivity by 4% (Anisa, 2022). This can be explained by the fact that individuals with high life expectancy tend to be healthier and have better work abilities, thus increasing overall labor productivity. Life expectancy in Indonesia is 71 years, and the country has made progress in reducing maternal and child mortality rates in recent years (Anisa, 2022). However, there is still a need for improvement in healthcare for Indonesian people. To see the amount of Life Expectancy (LE) of Indonesian can be seen as follows:

**Table 1.3 Life Expectancy of Indonesia 2013-2022**



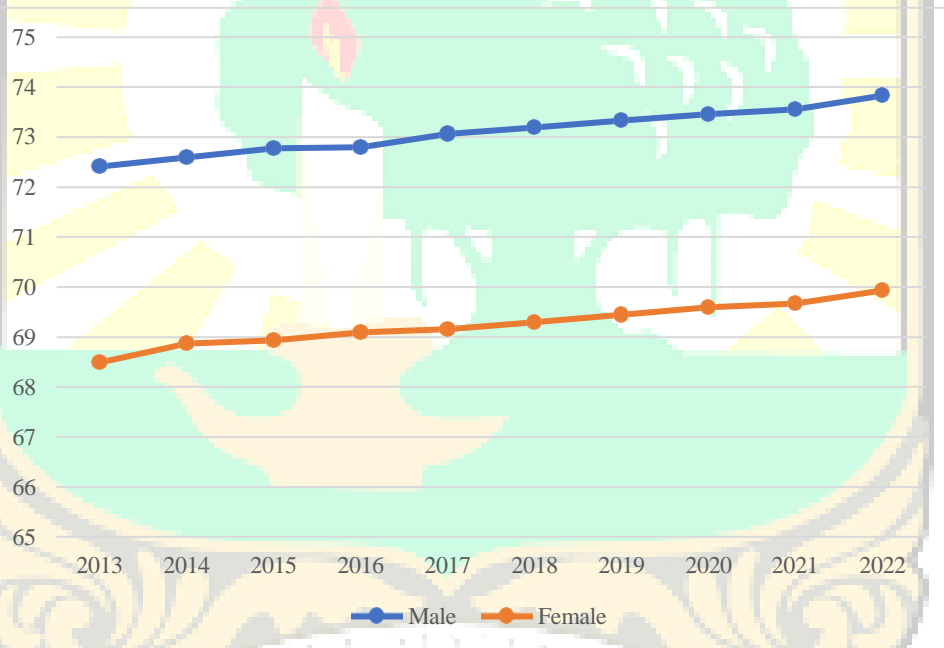
Source : BPS, 20213-2022.

When comparing gender as a whole in Indonesia, women have had an average life expectancy 4 years higher than men in the last decade. This could be because women have a greater ability to cope with disease and health disorder or illness compared to men (Anisa, 2022). Social factors such as lifestyle, occupation, and access to healthcare also play a role. Women generally have better access to

healthcare and are more likely to engage in healthy behaviors, like exercising and avoiding smoking, which can contribute to their longer lifespan.

According to Bado et al. (2017), there is a favorable connection between one's educational attainment and their productivity in the workforce. This implies that individuals possessing advanced levels of education are likely to exhibit higher levels of productivity in their professional activities. One way to measure the level of education is through the Mean Years of Schooling (MYS), which represents the average length of formal education attained by individuals in a population (Anisa, 2022). By looking at MYS, we can assess the efforts made in developing human resources to support labor productivity.

**Table 1.4 Mean Years of Schooling (MYS) Indonesia 2013-2022**



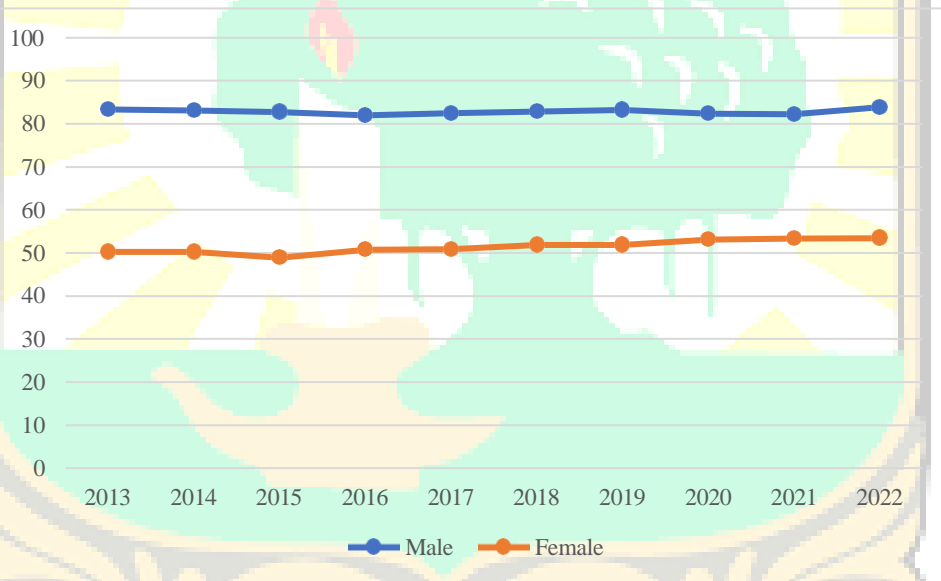
Source : BPS, 2013 – 2022.

In many provinces and islands of Indonesia, the male population tends to have higher Mean Years of School (MYS) scores compared to the female population. This could be attributed to cultural beliefs that prioritize male's education over female's, as well as socioeconomic factors that lead to girls dropping out of school at a young age or being forced into marriage (Anisa, 2022). Despite

the existing gender disparities, the Mean Years of School (MYS) for females in Indonesia has been steadily increasing each year. Moreover, in 2020, the increase in MYS for females was found to be higher than that of males.

Labor is not only an important factor of production, but also the most valuable asset for a company. Good performance of labor can make a significant positive contribution to the productivity of the company. Therefore, good development and management of human resources are key factors in improving workforce productivity. To see the Labor Force Participation Rate (LFPR) in Indonesia, it can be seen in the following graph :

**Table 1.5 Labor Force Participation Rate (LFPR) Indonesia 2013-2022  
(Persen)**



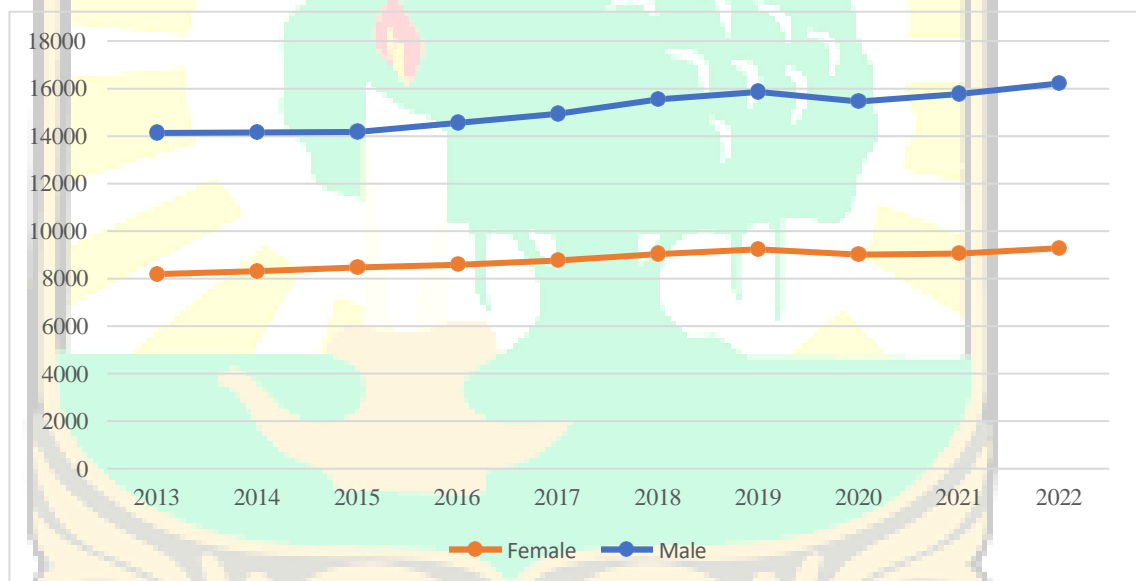
Source : Kemnaker, 2013 – 2022.

Based on the graph above, we can see the LFPR of females is always lower compared to males. This situation is caused by the fact that female labor force participation is still confronted with confusing situations and cultural demands that require women to be able to share their time between being productive outside and fulfilling their roles at home. This dilemma not only affects limitation of the

potential contributions of female workers to the economy, but also perpetuates gender inequality in the workforce and in society as a whole (Anisa, 2022).

The theory presented by Nurkse suggests that efforts to achieve further labor productivity can be realized if accompanied by high purchasing power of the population (Anisa, 2022). When the population has high purchasing power, they are able to spend more on goods and services, which in turn creates demand for those goods and services. This demand can lead to increased production and employment opportunities, which ultimately leads to increased labor productivity (Oktavia, 2017). In Indonesia, purchasing power is measured using adjusted per capita expenditure.

**Table 1.6 Per Capita Expenditure (PE) Indonesia 2013-2023**



Source : BPS, 2013 – 2022.

Based on the graph, it can be seen that the female population consistently has lower per capita expenditures compared to the male population. However, in 2014, there was a condition where the female population had a higher increase in per capita expenditure compared to the male population. This is because the main factor that affects per capita expenditure is people's income, and these two factors have a positive correlation. When people's income increases, their level of consumption also tends to increase (Hanum & Sarlia, 2019). However, there are



still discriminatory policies towards women, as seen in laws regarding the wage system for female workers, health benefits, and family allowances. Female workers are considered unmarried, so their husbands and children do not receive benefits like those obtained by male workers (KPPA & BPS, 2014).

Several previous studies conducted by Novita Anisa (2022), Oktavia et al. (2017), Rahman & Erni (2020), Koyuncu et al. (2015), and Arham & Stella (2020) have shown that LE, MYS, LFPR, and PE have an effect on labor productivity. Despite the valuable insights provided by the literature on this topic, this study utilizes a wider sample size and extends the time frame over a 10 year period using the most recent data available to generate more up-to-date and comprehensive data. In other words, this study is expected to provide a broader and deeper understanding of the factors that influence labor productivity.

## **1.2 Problem Statement**

Based on the available data, Indonesia is ranked low in terms of gender equality compared to other ASEAN countries, despite having a much larger population. As a result, Indonesia still lags behind in maximizing its labor productivity output compared to other ASEAN countries. Government is continuously improving and enhancing the quality of employment regulations. This effort is expected to increase the competitiveness of Indonesian workforce at the global level, including improving gender equality between male and female workers (Kemnaker, 2021).

So, this research aims to examine the variables that influence labor productivity. Specifically the gender ratio in LE, the gender ratio in MYS, the gender ratio in LFPR, and the gender ratio in PE. Therefore, the researcher did this study with the title "*The Effect of Gender Inequality on Labor Productivity in 34 Provinces in Indonesia*". Then, with this background the researcher formulates the problem as follows :

1. How is the effect of gender ratio in life expectancy (LE) on labor productivity in 34 Provinces in Indonesia
2. How is the effect of gender ratio in mean years of school (MYS) on labor productivity in 34 Provinces in Indonesia
3. How is the effect of gender ratio in labor force participation rate (LFPR) on labor productivity in 34 Provinces in Indonesia
4. How is the effect of gender ratio in per capita expenditure (PE) on labor productivity in 34 Provinces in Indonesia

### **1.3 Research Objectives**

Based on the problem formulation, the research objectives are as follows

1. Know and analyze the effect of gender ratio in life expectancy on labor productivity in 34 Provinces in Indonesia
2. Know and analyze the effect of gender ratio in mean years of school on labor productivity in 34 Provinces in Indonesia
3. Know and analyze the effect of gender ratio in labor force participation Rate on labor productivity in 34 Provinces in Indonesia
4. Know and analyze the effect of gender ratio in per capita expenditure on labor productivity in 34 Provinces in Indonesia

### **1.4 Research Benefits**

This research is expected to provide positive benefits both practically and theoretically as follows :

#### **a) Theoretical Aspect**

It expects that this study will contribute to improving the intensity of scientific knowledge concerning how gender gaps affect factors such as per capita expenditure, gender inequality in the labor force participation rate, mean years of school, and life expectancy.

b) Practical Aspect

1) For Society

Information and insights about the factors that affect labor productivity in Indonesia, namely gender inequality in per capita expenditure, gender inequality in the labor force participation rate, mean years of school, and life expectancy. By doing so, this research is expected to be a reflection for the community regarding the importance of gender equality.

2) For Government

As an important factor to be considered by practitioners when determining appropriate policies, particularly related to gender inequality in Indonesia.

