



Literature Review

Women in Leadership

Research on Barriers to Employment and
Decent Work for Women



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CHAPTER ONE: INTRODUCTION

The purpose of this literature review is to provide a summary of the scholarship on gender inequality, labor market participation and barriers that women face in accessing the formal economy and from within the formal economy. This literature review initially focuses on global trends of labor force participation, beginning with a discussion of general theories predicting labor force participation. It then delves into the methodologies that scholars use to assess the presence and the magnitude of labor market discrimination. Next, it discusses the barriers that women face in seeking employment, both from the perspective of the transition into formal employment and from the perspective of adverse conditions within the formal market that disadvantage female employees.

Chapter Two provides a statistical overview of the Indonesian economy and the role of women in the labor force. It also summarizes some survey measures on issues of gender equality in the workplace and compares Indonesian beliefs on these measures to those in Turkey, Malaysia and the United States.

Chapter Three focuses on general labor market theories. The paper focuses on three frameworks—neoclassical economics, feminist theories and social identity theory—in order to provide a comprehensive representation of the available labor market scholarship. No one, single framework is most predictive of female labor force participation. It is therefore necessary to synthesize the three varying perspectives in order to gain a complete understanding of the forces that influence both labor market conditions and labor market discrimination.

Chapter Four examines methodologies for testing discrimination both in market and in non-market settings. First, the literature review analyzes regression models, paying specific attention to the Oaxaca-Blinder decomposition and its potential and shortcomings for assessing market discrimination. Next, the paper discusses kindred field experiments and audit studies, lab experiments, quasi-experiments, learning models and social psychology research methods. By incorporating methodology from a variety of academic disciplines, the paper aims to present a comprehensive overview of different models for both quantitative and qualitative studies of such discrimination.

Chapter Five describes several barriers to female labor force participation. Specifically, it focuses on barriers that women face when initially seeking employment in the formal sector. It contains a discussion of the informal sector, both in theory and in practice in Indonesia, as the high proportion of women employed in the informal economy provides a useful lens through which to analyze the processes that are barring women from employment in the formal economy. Key barriers that are discussed in Chapter Four are patriarchy, stereotype threat and gender stereotypes, biological factors, education, Islam, political systems and marriage and divorce theories and politics.

Chapter Six discusses adverse conditions that women face once employed in the formal sector. Here patriarchy is again examined, but the discussion is limited to the patriarchal norms that dictate occupational and industrial employment and earnings in formal sectors. The paper then discusses wage discrimination and the various factors that contribute to female-male wage differentials. The paper also reviews literature describing both occupational and industrial segregation. Finally, the various conditions that impede women's productivity and success in

labor markets, including failure to promote, workplace interactions and verbal and physical abuse and sexual harassment are discussed.

CHAPTER TWO: A PROFILE OF THE INDONESIAN ECONOMY, THE LABOR FORCE AND GENDER INEQUALITY

The processes of modernization and globalization have led to an increasing focus on gender equality in the study of economic development. Only 52 percent of women participate in the labor force (The World Bank Group, 2011a), compared to 77 percent of men, suggesting that a vast reservoir of untapped economic and social potential exists on a global scale. In Indonesia, 9 percent of women were unemployed, as a percentage of the total female labor force, compared with 6 percent for men. 32 percent of employed women are wage and salaried workers, compared with 34 percent of men (The World Bank Group, 2011a).

Among the 52 percent of women who do participate in the labor force, wage inequalities between male and female employees are still a reality, as is the inability of women to achieve jobs of status that are equal in caliber to their male counterparts.

The barriers to women's labor force participation and the continued reality of sex-based wage discrimination are evident around the world. This paper examines the available gender- and labor market-related literature and relates it to the state of women's labor force participation in Indonesia in particular. The introduction provides a brief overview of Indonesian demographics and the current state of the Indonesian economy. Additional information on political and socioeconomic conditions in Indonesia will be found in subsequent chapters on specific barriers to women's employment in Indonesia.

2.1: Indonesian Demographics

Although Indonesia has improved significantly in recent years, demonstrating more egalitarian gender patterns among today's youth, the country still has many challenges toward achieving gender equality (Buchori and Cameron, 2007). Indonesia ranks 100th on the Gender Inequality Index, (United Nations Development Programme, 2011a, 2011b), placing it at the level of "Medium Human Development" in a global context (United Nations Development Programme, 2011b). Its relatively low ranking can be attributed to the current state of female literacy, education and earned income (The World Bank Group, 2011b). Indonesia's overall standards of living (Table 2.1) also contribute to its development status.

Table 2.1: Indonesia-- Select Standards of Living, 2008

| Indicator | |
|--------------------------|--|
| Life expectancy at birth | Men: 69.07 years Women: 74.29 years Total: 71.62 years |

| | |
|----------------------------|---|
| Maternal mortality rate | 240 deaths per 100,000 live births Rank: 55 out of 172 countries |
| Infant mortality rate | 26.99 deaths per 1,000 live births Rank: 73 out of 172 countries |
| Fertility rate | 2.23 children per woman |
| Literacy rate | Men: 94% Women: 86.8% Total: 90.4% |
| Allocation of GDP | Education: 2.8% Health care expenditures: 5.5% |
| Health care infrastructure | 0.288 physicians per 1,000 of population 0.6 hospital beds per 1,000 of population |

Source: Adapted from US Central Intelligence Agency, 2012a

From 1967 to 1998, Indonesia was ruled by General Suharto's authoritarian regime. Although corruption was prevalent and the regime's commitment to human rights tenuous, Suharto was committed to following constitutional forms of government and effectively pushed Islam out of the political sphere (Encyclopedia Britannica, 2012a; van Wichelen, 2007). Since Suharto left office, patriarchy continues to characterize Indonesian social and cultural norms, and Indonesian politics have begun to include greater politicization of Islam. Table 2.2 describes the religious breakdown of Indonesians.

Table 2.2: Indonesia-- Religious Breakdown, 2008

| Religion | Percent |
|-------------------|---------|
| Islam | 86.1% |
| Protestantism | 5.7% |
| Roman Catholicism | 3.0% |
| Hinduism | 1.8% |
| Other/unspecified | 3.4% |

Source: Adapted from US Central Intelligence Agency, 2012a

Indonesia has the largest population of Muslims in the world (Wanadi, 2002). Islam plays a large role both politically and socially in Indonesia, and the specifics of Islam and the interaction with cultural norms and patriarchy in Indonesian society will be discussed in detail later.

2.2: Indonesian Economic Conditions

Economically, Indonesia is showing signs of growth and development but is still classified as a lower-middle-income economy by the World Bank Group (2012). Indonesia's economy grew by 6.1 percent and 6.4 percent in 2010 and 2011, respectively. However, despite growth, its GDP per capita of \$4,700 remains relatively low (Central Intelligence Agency, 2012a). Comparing the Indonesian economy to some of its neighbors in the South Pacific, as well as to Australia, reveals some of the important economic trends in the country (Table 2.3).

Table 2.3: Economic and Gender Indicators, Comparison

| | GDP real growth rate | | | GDP per capita (USD) | | | Populati on below poverty line | Women's labor force participati on rate | Gender Inequality Index ranking |
|-------------------------|----------------------|------|------|----------------------|--------|--------|--|---|--|
| | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 | | 2009 | 2011 |
| Indonesia | 4.6% | 6.1% | 6.4% | 4,300 | 4,400 | 4,700 | 13.33% (2010) | 52% | 100 |
| Malaysia | -1.6% | 7.2% | 5.2% | 14,200 | 15,000 | 15,600 | 3.8% (2007) | 44% | 43 |
| Philippine s | 1.1% | 7.6% | 3.7% | 3,800 | 4,000 | 4,100 | 32.9% (2006) | 49% | 75 |
| Australia | 1.4% | 2.3% | 1.8% | 42,101 | 50,746 | 60,642 | N/A | 70.1% | 23 |

Source: Adapted from Central Intelligence Agency, 2012; The World Bank Group, 2011a

The combination of Indonesia's continued growth and the country's overall size has made it the 16th largest economy in terms of GDP (Central Intelligence Agency, 2012a). However, there is a disparity between the overall economic status of the country and the welfare of its individual citizens. Despite the growth and high output overall, GDP per capita in Indonesia remains very low, and Indonesia is far below Malaysia, the Philippines and Australia in terms of its gender inequality ranking. When considering the status of gender relations in Indonesia, this is a very important disparity to note. Later portions of this paper will explain a few theories that offer commentary on the lagging status of women in Indonesia.

A detailed look at the Indonesian economy illustrates these gender inequalities. The fifth largest labor force in the world, Indonesia's economic focus is within the agricultural and labor-intensive export sectors. Table 2.4 offers a breakdown of the labor force by type of employment.

Table 2.4: Labor Market Breakdown—Indonesia

| Employment Type (August 2010) | Total | Male | Female |
|--|-------|-------|--------|
| Own Account Worker | 19.4% | 20.2% | 17.6% |
| Employer Assisted by Temporary and Unpaid Workers | 20% | 24.5% | 12.6% |
| Employer Assisted by Permanent Workers | 3% | 4% | 1.4% |
| Employee (Formal) | 30.1% | 31.2% | 28.2% |
| Casual Employee (Agriculture + Not in Agriculture) | 10.1% | 12% | 6.9% |
| Unpaid Family Workers | 17.3% | 7.7% | 33.3% |

Source: Sakernas 2010

Women comprise 2/5th of the Indonesian labor market; Table 2.4 demonstrates how those women are distributed throughout the labor market in the three sectors displayed above. When they are formally employed, they generally work in low-paying, low-skilled jobs in the textile, garment and footwear industries. Women also dominate the teaching and health care sectors (i.e. nurses) (Asian Development Bank, 2006). Regarding many other occupations in the formal economy, such as those in the finance, real estate and business industries, only 29.4 percent of employees are women. Even fewer women work in jobs that are traditionally dominated by men, such as construction (2.4% women) and electricity, gas and water supply (9.4% women) (International Labour Organization, 2011a). Overall, just 51 percent of Indonesian women above the age of 15 participate in the labor force (Schaner, 2012).

2.3: Indonesian Perspectives on Gender Equality

The World Values Survey provides an analysis of gender attitudes and norms throughout the world, as well as a point of comparison between various countries. The survey gives the following five statements and asks participants whether they agree or disagree with the claims:

(1) Men should have more of a right to jobs than women; (2) Men make better political leaders than women do; (3) University is more important for a boy than for a girl; (4) Men make better political leaders than women do; (5) Men make better business executives than women do.

The following table represents 2006 survey responses from four countries—Indonesia, Malaysia, Turkey and the United States.

Table 2.5: Attitudes towards Gender Equality in the World Values Survey

| | Men should have more right to a job than women do | Men make better business executives than women do | Men make better political leaders than women do | University is more important for a boy than for a girl |
|------------------|--|--|--|---|
| | % Agree | % Agree | % Agree | % Agree |
| Indonesia | 55.40% | 42.1% | 60.9% | 19.8% |
| Malaysia | 49.00% | 54.5% | 68.3% | 59% |
| Turkey | 83.1% | 53.9% | 61.4% | 19.8% |

Source: World Values Survey, 2006

From the World Values Survey, it is clear that Indonesians express some egalitarian values with regards to gender. Just over 50 percent of Indonesians believed that men should have more right to a job than women. In terms of female leadership, over 50 percent of respondents disagreed or strongly disagreed with the statement that “men make better business executives than women do,” yet over 50 percent of respondents strongly agreed or agreed with the statement ‘men make better political leaders than women do.’ Finally, 80 percent of respondents disagreed or strongly disagreed with the statement that “university is more important for a boy than for a girl” (World Values Survey, 2006).

The comparison between Indonesia and Malaysia highlights the differences and similarities between two recently industrialized Asian countries, while the comparison between Turkey, Indonesia and Malaysia identifies similarities and differences among three majority Muslim states. Therefore, they provide a good point of comparison for assessing changing gender norms and attitudes in the wake of development.

In all cases, except for the university schooling indicator, Indonesians expressed a more supportive attitude toward gender equality than Turkey, despite Turkey’s more advanced levels of economic development. Indonesians also express more of a desire for gender egalitarianism than do Malaysians, except for in the job status question, in which a fewer percentage of Malaysians believe that men are more entitled to a job than are women are.

CHAPTER 3: THEORIES OF GENDER DISCRIMINATION

When considering barriers to women's labor force participation and the occurrence of sex-based discrimination in the labor market, the reviewed literature posed several hypotheses on the role of gender in the labor market. Neoclassical theory, feminist theory and social identity theory are three very distinct lenses through which one can assess discrimination in the labor market. When considered individually, not one of the theories is comprehensive; however, the combination of the three covers a large enough range of disciplines to provide some explanation of the origins of discrimination in the labor market. The following chapter includes a general discussion of these major theories explaining female labor force participation, and concludes with brief comments on female labor force participation trends in the context of economic development given Indonesia's status as a developing country

3.1: Neoclassical Theories

Neoclassical economic theories approach individual decision-making from a rational choice perspective and provide one paradigm through which one can analyze sex differentials in the workforce. Neoclassical theory assumes that "labor markets are governed by standard microeconomic principles of constrained optimization by individual workers and employers with autonomous tastes and preferences" (Jennings, 1999, p. 512). At the most basic level, neoclassical economics proposes that people act rationally and in their self-interest.

With regard to firms, optimization implies that employers will hire those who they believe will minimize the unit cost of production, thereby maximizing profits. Wage and employment preferences are thought to reflect tangible and objective calculations of comparative worker productivity and the ability of each worker to contribute to marginal revenue product (Jennings, 1999).

Employees are assumed to review the compensation package offered by a range of employers. Compensation includes the wage or salary rate, work hours, benefits such as healthcare, workplace amenities such as training opportunities and the general work environment. Employees receive a compensating wage differential for hazardous or unpleasant working conditions, for example.

Several factors determine the power of work incentives embedded in the terms of employment. Work effort that is easily observable can be perfectly contracted. An example of easily observable work is "number of apples picked." When effort is easily observable, an efficient contract will pay by the "number of apples picked."

Deviations from such a high-powered incentive contract will occur for two reasons. First, efficient contracts that tightly link compensation to work effort also transfer production risk from the firm to the employee. If workers are more risk-averse than their employees, the optimal contract may provide for a combination of salary or hourly pay and incentive pay (Lazear and Oyer, 2009).

Second, worker effort may not be perfectly observable. While it may be easy to count the "number of apples picked," the employer may have difficulty observing the care with which

the fruit is handled. For the production of more complex goods, output may depend on the effort of a team. The inability of a firm to attribute production value to any individual will lead the firm to choose a more complex compensation package involving salary, individual incentives, team incentives and quality linked incentives (Lazear and Oyer, 2009).

An additional layer of complexity is created when workers acquire generic and firm-specific capital through on-the-job training or formal training programs. Optimizing firms investing in workers will seek to retain their training investments through a retention strategy. Retention strategies can be as simple as providing an annual bonus or more subtle such as providing a positive work environment or workplace-based health care (Lazear and Oyer, 2009).

In the bargaining between workers and firms, a cost-minimizing firm will choose the array of wages, piece rates, bonuses, benefits and workplace amenities that will minimize the cost of inducing a worker to choose employment. In light of the fact that some workplace amenities have a public good quality, a firm will facilitate the collective expression of employee preferences. For example, a firm may be choosing between air conditioning and an eating space. Both workplace amenities are public goods in the sense that all workers in a place of employment will have access whether or not they value the amenity (Lazear and Oyer, 2009).

In such a case, the work force will have to collectively communicate to managers their relative valuation of the amenities competing for a position in the compensation package. The firm will then choose the amenity that provides the greatest value to employees per dollar of expenditure (Lazear and Oyer, 2009).

The presence of gender-based discrimination in employment, including sexual harassment, poses a significant challenge to neoclassical economic theory. Firms seeking to maximize profits hire and compensate based on an individual's attributes as a prospective employee. For jobs in which physical strength is required, male employees may typically be preferred and more highly remunerated based on a perception that men are stronger and more physically able than women. As a generalization, this can be true. However, gender-based discrimination in employment and compensation is pervasive and reaches far beyond the typical gender-specific characteristics that might translate into differences in productivity.

Similarly, the occurrence of sexual harassment in a workplace either by supervisors or between co-workers challenges neoclassical theory. The solicitation of sexual services in the workplace extracts value from the firm by creating a hostile working environment and/or by impacting on individuals' productivity by creating a hostile working environment and/or by impacting on individuals' productivity.

Neoclassical economic theory also has many insights on gender in the workplace that are rooted in the higher costs of hiring women that account for aspects like maternity leave and menstrual leave. Those differences are discussed further below.

3.1.1: Human Capital Theory

Differences in worker attributes that are gender specific, other than physical strength, may arise if men and women are systematically choosing different levels of human capital investments. Human capital theory, then, provides an explanation for gender differences in labor market

access and participation. Focusing on the comparative productivity of workers, human capital theory posits that labor productivity and labor supply and demand are affected by inherent sex differences that contribute to potentially lower levels of female productivity as compared to men (Anker and Hein, 1986). As a consequence, wage differentials and a reluctance to hire women are rational responses to a calculation of potential worker productivity. In short, Anker and Hein (1986) argue that women are less productive than men because they have lower average levels of human capital.

Gary Becker (1976) developed much of the framework for the human capital theory and its application to labor market segregation and discrimination. Becker (1976) hypothesized that females have a comparative advantage in domestic, non-market work and males have a comparative advantage in the more traditional labor market. This work pattern has roots in agrarian and patriarchal societies where males possessed a comparative, strength-based advantage in labor-intensive agriculture, while females specialized in family work (Iversen and Rosenbluth, 2010). Thus, when analyzing labor markets from the perspective of human capital rooted in patriarchal traditions, men possess capital more relevant to the labor market, while women possess capital more relevant to household production.

Scholars have put forth several explanations for wage differentials and the preference for hiring male workers that are based upon the traditional division of labor. Some possible explanations are (1) women potentially possess less average human capital than men, (2) women may be more likely to invest in behavior that has a higher non-market return, (3) women may prioritize non-market work or leisure, (4) women may be less likely to invest in gaining additional human capital and (5) women may be discouraged from gaining human capital in industries where the skill set changes rapidly (Jacobsen, 1999; Iversen and Rosenbluth, 2006).

Human capital theory, therefore, would attribute discrepancies in male and female employment patterns and gender-based wage differentials to productivity differences between employees of different sexes. However, when analyzing differences in the perception of male vs. female productivity, Anker and Hein (1986) calculate that adjusting for human capital differences can only account for about 50 percent of the formal employment and wage gaps. Essentially, although human capital theory identifies inherent differences between men and women, resulting from biological differences and comparative advantage between men and women, the remaining 50 percent of the disparity could be explained by discriminatory, rather than rational, processes within the labor market. To compensate for the inability of neoclassical theory to explain gender inequality in its entirety, we present an economic model of discrimination.

3.1.2: *Basic Statistical Understanding of Discrimination*

We begin by establishing a basic definition of discrimination. Discrimination occurs when members of a disadvantaged group are treated differently than members of a privileged group with identical productive characteristics (Oaxaca, 1973). The impact of discrimination is represented mathematically in terms of wage differentials by the following equation. The wage Y is determined by

$$Y = X\beta + \alpha Z + e$$

where X is a vector of exogenous productivity characteristics of an individual and Z is an indicator variable for membership in a disadvantaged group. Assuming that $X\beta$ fully captures the set of productivity-related characteristics of an individual and their returns and/or Z is uncorrelated with ϵ , then discrimination is indicated when $\alpha < 0$. That is, some portion of the wage is determined not by individual characteristics related to productivity but rather by characteristics that identify the individual as being a member of a disadvantaged group.

There are several implicit limitations that challenge the empirical implementation of the above equation:

- 1 Productivity may directly depend on Z —for example, this applies in the sex industry where customers will pay more for service from a woman. Thus, empirically, it may be difficult to disentangle sex as a productivity-related characteristic and gender as a basis for discrimination.
- 2 Productivity characteristics (β) may not be truly exogenous. For example, generally speaking, men might make better cutters in the textile industry because their comparatively larger hands may make it easier for them to operate cutting tools
- 3 The vector X could also be endogenous. Pre-market discrimination—or expectations of future discrimination—could reduce X for members of the disadvantaged group. For example, fears of sexual harassment at the workplace or lesser access to higher-level employment may discourage a woman from making human capital investments that are required for high wage positions.

3.1.3: *Taste-based Discrimination*

Deviations from profit maximizing employment practices may occur if agents of a firm, such as the manager, indulge a taste for discrimination. Becker's (1957) study on the economic model of discrimination has dictated much of the discussion on the magnitude and characteristics of discrimination in the marketplace and in hiring practices. Becker's work focused on what is known as taste-based discrimination, which occurs when an individual is willing to pay, either tangibly or in potential loss of income and profits, "to be associated with some persons instead of others" (Becker, 1957, p. 14). Thus, this form of gender discrimination occurs if an employer is willing to potentially sacrifice profits by hiring a male applicant instead of a female applicant, despite equal marginal productivity on the part of both workers. Under this framework, if the male applicant is more qualified and will yield higher productivity and thus higher profits for the firm, a manager is not engaging in discriminatory practices. Choosing the male employee would be a rational choice to maximize the profitability of his firm. However, if the manager will lose profits by hiring a worker of lower productivity simply based upon individual identification characteristics, then the manager is taking some profits in the form of indulging a taste for discrimination.

The key testable implications of taste-based discrimination are wage differentials and preferential hiring practices. Discrimination is represented by wage differentials when female workers earn less than male workers despite identical levels of productivity, and by preferential

hiring when employers are less likely to hire female workers than male workers, again, despite identical levels of productivity. Under this model, firms employing disadvantaged workers should enjoy higher profits, *ceteris paribus* (Becker, 1957).

The presence of wage differentials and preferential hiring practices indicate that competition is not vigorous enough to eliminate all taste-based discrimination. It is argued that if the market were perfectly competitive, discrimination should be competed away, as firms that have discriminatory hiring practices will be punished in terms of productivity and profitability and would thus be incentivized to practice non-discriminatory hiring processes (Figart, 1999a).

However, there are two conditions in which discrimination may persist even if competition is vigorous. The first occurs if the owner of the enterprise is choosing to spend some of the potential profits of the firm indulging a taste for discrimination. Discrimination will also persist if the taste for discrimination is being indulged by an agent of the firm, such as a supervisor and if discriminatory behavior is difficult to detect or non-discriminatory policies are difficult to enforce.

3.1.4: *Statistical Discrimination*

Most economic analyses of discrimination since Phelps (1972) and Arrow (1973) have focused on the statistical theory of discrimination rather than taste-based discrimination. The premise of statistical discrimination is that firms have limited information about the skills of job applicants. Information that is costly to obtain provides an incentive to use easily observable characteristics such as race or sex to infer the expected productivity of applicants if these characteristics are assumed to be correlated with productivity (Spence, 1973).

Statistical discrimination is the consequence of a signal extraction problem, where employers are unable to properly observe signals of worker productivity and investment in human capital among potential employees (Anderson et al., 2006). Thus, an employer must rely on any available signal to indicate productivity. Generally, employers are more willing to pay higher wages to more productive workers. However, at the hiring stage, the employer does not know the specific ability level of the potential worker. As a consequence, there is an asymmetry of information between the employer and a prospective employee. Education and experience are more effective credentials that can be used as a signal to narrow the information gap. Thus, women anticipating discrimination who under-invest in education may also be under-investing in the characteristics that will signal their productive capacity.

Statistical discrimination arises when an employer observes a noisy signal of applicant productivity and also has prior information or perceptions about correlates of specific productivity (such as a group-specific mean) Phelps (1972) argues that members of disadvantaged groups emit “noisier” signals. Employers, then, rely on group-specific perceptions of productivity to judge the qualification of an under-represented employee candidate (Anderson et al., 2006; Arrow, 1973).

In the case of statistical discrimination, there is equal pay for equal *expected* productivity. That is, for some workers, statistical discrimination is “discrimination,” but that on average (within a group) expected productivity equals true productivity (Aigner and Cain, 1977). It is difficult to test for statistical discrimination because it may be impossible to measure how employers form expectations. Almost any observed gender difference in pay or hiring can be attributed to statistical discrimination. Therefore, almost all tests of statistical discrimination are indirect.

3.2: Feminist Theory

In direct contrast to neoclassical theories of labor force participation, feminist theories explaining the differences between male and female labor force participation focus on the institutions and greater societal processes that influence gender dynamics. This paradigm is not only rooted in economics, but it also incorporates the influence of cultural and traditional institutions, government policies, religion and other sources of gender attitudes that extend to the labor market. The feminist paradigm attempts to account for the failure of many neoclassical theories to take into consideration pre-market gender discrimination. In short, Figart (1997) defines the feminist perspective of labor market discrimination as “a multidimensional interaction of economic, social, political and cultural forces in both the workplace and the family, resulting in differential outcomes involving pay, employment and status” (Figart, 1997, p. 4).

These theories suggest that the overall social system that is in place ensures that women be subordinate to men. Feminist theories emphasize the societal and cultural factors which foster such subordination. Gender theorists direct attention to the allocation of domestic labor, particularly when considering child-care and how household production is disproportionately assigned to women. Even in societies where women hold work outside of the home, “home roles are thought to intrude more into women’s work lives than men’s” (Tharenou, 1996, p. 351). As a consequence, women generally provide more child-care, which can perpetuate many of the stereotypes regarding female productivity and female commitment to outside employment that result in statistical discrimination. Further, in feminist theories, the allocation of domestic labor is thought to be projected onto the structure of the greater labor market, with women being employed in industries where their responsibilities mirror those of their domestic responsibilities.

In feminist theory, the emphasis on the impact of traditional domestic roles is often discussed within the context of patriarchy. Much of the literature identifies patriarchy as a root cause of discriminatory factors working against women in the labor market. Defined as “the system of male domination and female subordination in economy, society and culture” (Lim, 1983, p. 76), patriarchy limits a woman’s acceptable productive realm to the home. Thus, while many models of gendered trends in the international division of labor are seen as being derived from differences in productivity, to many feminist scholars, the very nature of capitalist economic systems is seen as patriarchal. According to Matthaei (1999), patriarchy is maintained through “self-conscious choice and struggle by individuals and groups, patriarchal institutions and social practices and subconscious forces” (Matthaei, 1999, p. 593) and is highly reflected in the sexual division of labor. Matthaei argues that the necessity of household production, which

is often unpaid and falls on the shoulders of the female head of household, is a means through which men control access to the labor market (Matthaei, 1999).

A significant portion of feminist theories is derived from a critique of neoclassical economic theories. One key argument that feminist economists advance against neoclassical theories of labor force participation is that those theories limit themselves by only studying tangible, quantitative labor market discrimination and ignore factors of pre-labor force discrimination and socialization. Feminist economists recognize the importance of feedback loops in the society and job markets, where supply-side and demand-side models of labor force segregation are seen as dynamic and interrelated. The impact of socialization and greater societal gender inequalities are seen as endogenous to current labor market discrimination (Figart, 1999).

For example, with respect to the human capital theory, a feminist perspective emphasizes the numerous socioeconomic and cultural factors that limit women's possibilities in the labor market. If the human capital theory argues that women invest in human capital with a high non-market return or that women are simply less likely to invest in "productive" human capital, a feminist perspective would take into consideration the factors such as employer discrimination, the possibility of sexual harassment, the lower levels of specific job training given to women because of employer perceptions and stereotypes or lower levels of formal education available to women (Jacobsen, 1999). These factors are seen as rational disincentives for women to enter the workforce and imply that a discussion of investment in human capital must take into consideration barriers that disadvantaged groups face when making human capital investments decisions. Furthermore, Jacobsen (1999) argues that human capital theory ignores interactions that occur *outside* the labor market—such as marriage rates and fertility trends—that are dictated by social norms and customs. Thus, a discussion of potential female human capital ignores many endogenous societal factors that dictate the availability and productivity of female investment in human capital.

Gendered occupational segregation, defined as an "inequality in the distribution of men and women across different occupational categories" (Burnell, 1999, p. 578), is also studied from a different perspective in feminist economic scholarship. Using interdisciplinary analysis, feminist economic analysis is able to expand upon the economic framework beyond a model of individualistic rational choice. As discussed above, under neoclassical economics, occupational segregation can be explained by the human capital theory, taste-based discrimination and statistical discrimination. To an extent, an expansion of neoclassical theories to include more elements of behavioral economics allows scholars to understand how different societal incentives can be applied to men and women

Strober (1984) posited one such feminist theory of "relative attractiveness," wherein men have the privilege of first selection of occupations in terms of remuneration, working conditions, status and prestige, while women are left with the remaining options. Such a conclusion relies on theories of patriarchy in that men have the power to choose because the society is structured along the lines of masculine power (Burnell, 1999). Additionally, Reskin and Roos (1990) use a feminist framework to attribute occupational segregation to a "dual queuing process," in which labor market trends are dictated by a job queue (the ranking of different jobs by workers) and a labor queue (the ranking of workers by employers). This theory posits that women are placed at

the end of labor queues for reasons including stereotypes, tradition and discrimination, rendering the women's job queue irrelevant.

Methodologically, some feminist criticism of neoclassical bodies of thought is derived from the use of "methodological individualism and the standard rational choice framework" (Jennings, 1999, p. 515). As women are members of a community that is marginalized in many societies, researchers must take into consideration the impact of social norms that are bestowed upon women in a way that is not necessary when studying individuals in a dominant social group. Socialization dictates that women are discouraged from gaining and cultivating "masculine" skills, particularly those related to manual labor and many jobs associated with early levels of development (Goldin, 1994; Ferber and Green, 1991). Furthermore, the emphasis on individualism and rational choice may be less applicable in non-Western societies that are considered more collectivist in nature (Jennings, 1999).

A final important facet of feminist theory is its acknowledgement of the nuances of discrimination in the context of social identity. While neoclassical economics views discrimination and wage differentials as the result of either rational or irrational actors, feminist theories highlight the dynamic interaction between gender and the social construction of femininity and masculinity

However, it is also crucial to understand that race, ethnicity, class and sexuality are also factors dictating labor force participation. For each individual woman, the factors affecting and incentivizing her economic decisions are based in various aspects of her collective identity (Barker, 1999). Referring to these factors as "structures of constraint," Folbre (1994) argues that women can identify with many of these constraints that place them at various positions in a hierarchical society. Thus, any study that solely focuses on gender as a determining factor of women's labor force participation is ignoring crucial elements of the labor market.

3.3: Social Identity Theory

Thus far, barriers to female participation in the workforce and sex-based wage inequality have primarily been analyzed through economic and cultural lenses. From a psychological perspective, however, the understanding of group relations and individual behavior within a group can offer substantial insight into why gender-based barriers exist in the labor market. Social identity theory is one psychological viewpoint that examines the threat associated with being a woman in the labor market in a male-dominated society

Social identity theory is fundamental to understanding the dynamics between an *in-group* (in this case, Indonesian men, acting as employers, employees and members of a patriarchal society) and an *out-group*, which might include Indonesian women working in a patriarchal environment. As Turner (1987) describes, one's "social identity" is the identity that he or she assumes as a member of a larger group. The basic premise of the social identity theory is that people strive to understand themselves on a social level rather than a personal one and that this group membership affords them an identity that is positively distinguishable from the identity of an out-group.

The theory operates through a natural progression: “(1) individuals define themselves as members of a distinct social category, (2) they form or learn the stereotypical norms of that category... and (3) they assign these norms to themselves along with other stereotypical attributes to the category. Thus their behavior becomes more normative—as their category membership becomes salient” (Turner, 1987, p. 73). In other words, this means that people assimilate into a group after choosing which group they want to identify with and adopting the stereotypical behavior of that group.

The assimilation by the individual into a larger group is known as depersonalization, or “the process of ‘self-stereotyping’ whereby people come to perceive themselves more as the interchangeable exemplars of a social category than as unique personalities defined by their individual differences from others” (Turner, 1987, p. 50). Depersonalization does not mean that an individual has lost his or her identity. Rather, identity is defined on a social level rather than on an individual one

Depersonalization is not to be confused with the types of discrimination that we established in our earlier economic analysis of labor markets. Within the neoclassical framework, discrimination is the result of the assignment of certain characteristics to an individual based on membership in a group. That is, employers make an assessment about an individual of a given *out-group* under the assumption that individual members within that *out-group* are more or less homogeneous. By contrast, depersonalization is the process of the individual assigning himself or herself the stereotypical characteristics of her own *in-group*.

Depersonalization affords the individual the ability to both identify with all of the positive aspects of his or her *in-group* but also to shift blame for a failure onto the group as a whole rather than onto himself or herself as an individual. The social identity theory, therefore, assumes “that people are motivated to evaluate themselves positively and that insofar as they define themselves in terms of some group membership they will be motivated to evaluate that group positively. Further, since groups are evaluated in comparison with other groups, a positive social identity requires that one’s own group be favorably different or *positively distinctive* from relevant comparison groups” (Turner, 1987, p. 30).

Social identity theory is applicable in all social interactions, but it has particular relevance in the workplace, where group dynamics are salient. Haslam (2001) examines the importance of the social identity theory within organizations, particularly in terms of the reward structure that might arise as a result of the formation of *in-groups* and *out-groups*. He argues that “the mere act of individuals *categorizing themselves* as group members [is] sufficient to lead them to display in-group favoritism” (Haslam, 2001, p. 30). Group favoritism is defined as the tendency to be more generous with a reward to members of one’s own *in-group*.

In the case of sex discrimination in the workplace, favoritism could manifest as exacerbating the differences between men and women in the workplace, both in terms of each group’s perception of the other group as well as the assigning of wages to employees by superiors. The core tenet of social identity theory—that an individual identifies with a group that he or she then evaluates positively—as well as the resulting practice of *in-group* favoritism would suggest that men would view men more favorably and women less favorably in terms of productivity and success in the workplace, and vice versa would be true for women. As Schmitt et al. (2009) posits, our group identities are contingent on the definition of other groups’

identities. The identity of “woman” is therefore compared with that of “man,” and differences between the two groups are further exacerbated.

3.4: Economic Development and Labor Force Trends

The aforementioned discussion of female labor market participation and discrimination focuses on labor force participation at a unique, discrete time. However, much of the literature focuses on historical trends and changes that dictate female labor force participation. Scholars emphasize economic development and modernization as driving forces in increasing levels of female labor force participation in Western, industrialized economies. Yet the function depicting female participation in the workforce is not monotonic as countries develop. Rather, female labor force participation should be modeled with a U-shaped function as countries develop (Goldin, 1994; Iversen and Rosenbluth, 2010), with women first leaving the formal labor force and then returning.

Two seminal works lay out the framework for viewing women’s employment through the lens of historical trends in economic development that have impacted the possibilities for women’s employment. Ester Boserup’s 1970 book *Woman’s role in economic development* and Claudia Goldin’s 1994 article “The U-shaped female labor function in economic development and economic history” provide key insights into how development, technological change and increasing national income affect male and female employment differently at different points on the development timeline.

Goldin (1994) hypothesizes that as a country develops, female labor initially declines as the manufacturing industries emerge due to social stigma and comparative physical strength advantage of men. However, as women’s educational levels increase, female participation rises, as women are able to attain more white-collar, clerical or managerial positions.

One aspect of development and women’s participation in the formal employment market is the process of transitioning from home-based economies to industrial economies. As the home-based craft industry was replaced through modern industrialization, men were employed more in industries based on mechanized manual labor (Boserup, 1970; Beneria, 2001). Thus, as production transitioned away from micro, home-based labor to firm-based production, industries initially preferred men based on the assumption that men were more capable of operating heavy machinery.

In short, at stages of low national income levels and an extensive agricultural sector, women are highly involved in the labor force as unpaid or domestic workers operating under the model of subsistence farming, according to economists Iversen and Rosenbluth (2010). However, as income rises, women’s participation rates in the labor force falls alongside a reduction in relative prices of home-produced goods and a decreased agricultural demand.

The increased demand for industrial goods disadvantages women because new technology displaces female workers, female-specific tasks are reduced and there is an increase in male-operated machinery (Goldin, 1994). This is additionally significant because women working in heavy industry or manual labor are stigmatized (Goldin, 1994).

Further, as economies become more advanced and employment in more lucrative industries requires more specific human capital, women are deterred from entry based on life-cycle patterns. Iversen and Rosenbluth (2006) effectively argue this point when discussing the difference between industries demanding specific skills and those demanding general skills. Because women are either compelled or assumed to take time out of the labor force because of domestic responsibilities, they are disadvantaged in industries where knowledge and norms change quickly (Iversen and Rosenbluth, 2006). While this argument pertains to developed economies, it can be extended to female entry into the formal market, which demands more specific knowledge as industries become more advanced.

Adopting a similar argument, authors Inglehart and Norris (2003) hypothesize that female autonomy changes first as countries shift from agrarian economies to industrialized economies and then again as they shift from industrial to postindustrial economies. Using many development indicators, Inglehart and Norris trace the societal changes resulting from economic development and its implications for gender equality. They focus on cultural norms, stating that “cultural norms, values and beliefs also shape the transition to gender equality” (Inglehart and Norris, 2003, p. 149). Thus, in addition to technological changes and changes in women’s productivity relative to that of men’s, development changes societal attitudes. In the first phase of development, industrialization typically allows women to be employed in the formal workforce, which contributes to an increase in income and an increase of educational opportunities. Subsequently, in the shift from an industrialized society to a postindustrial society, women tend to gain employment in white-collar, managerial positions. The first phase is associated with “a transition from traditional to secular-rational values,” while the second phase is marked by a “transition from survival to self-expression values” (Inglehart and Norris, 2003, p. 11).

Thus, the development trajectory and the current level of development are crucial in providing the proper context through which to analyze labor market gender differences and possible discrimination from the neoclassical, feminist and social identity paradigms.

CHAPTER FOUR: EMPIRICAL METHODS, DATA COLLECTION AND DATA AVAILABILITY IN INDONESIA

4.1. Empirical Methods

There is a large volume of empirical literature on methods for testing for discrimination in employment and compensation in market and non-market settings. These studies can be broken down into the following categories.

1. Regression Analysis
2. Audit Studies
3. Lab Experiments
4. Quasi-Experiments
5. Learning models

4.1.1: *Regression Analysis*

Regression models attempt to use statistical analysis to interpret the significance of discrimination in a model deconstructing components of wages. These studies often use the Oaxaca-Blinder decomposition as an analytical framework.

In a frequently cited work in the canon, Neal and Johnson (1996) explore the impact of premarket factors on the wage disparity between black and white high school graduates. Neal and Johnson use data from the Armed Services Vocational Aptitude Battery (ASVAB) to measure the skill of American youths born between 1957 and 1964. The study employs a parsimoniously specified wage equation that controls for skill measured by the score on a test administered as teenagers prepared to leave high school. By using exit exams as a measure of skill, this study attempts to avoid the problem of endogenous independent variables. That is, worker characteristics are endogenous and can be affected by labor market discrimination (Neal and Johnson, 1996)

A second challenge often confronted in regression analysis of wage disparities is that years of schooling are often used as a proxy variable for skill. However, education as an indicator of skill is inherently noisy since it measures human capital inputs rather than outputs. Neal and Johnson (1996) report that the skills of women and minorities, in particular, are not well represented on these metrics.

Once regressions analysis is performed on wages controlling for premarket skills, the distinct result of Neal and Johnson (1996) is that wage disparities for American youths in the 1980s' are largely based on premarket skill sets, not discrimination once workers enter the labor market. However, whether these findings generalize to other national and economic contexts is unclear.

The Model: Oaxaca-Blinder Decomposition

The Oaxaca-Blinder Decomposition was developed in 1973 to study the presence of discrimination in the labor market. This technique compares wage regressions for two separate groups and measures the strengths of certain characteristics in determining wage. The modeling procedure allows the researcher to hypothesize what the wage would be without the presence of discrimination. The decomposition is built on the assumptions that, without discrimination, males and females would have the same wage, and that because of discrimination, males (females) receive more (less) than a perfectly competitive market would produce. We formalize this understanding of discrimination (D) by:

$$D = \frac{(W_m/W_f) - (W_m/W_f)^0}{(W_m/W_f)^0}$$

where

$\left(\frac{W_m}{W_f}\right)$ = the observed male-female wage ratio and

$(W_m/W_f)^0$ = the male-female wage ratio in the absence of discrimination.

The equivalent expression written in natural logarithms:

$$\ln(D + 1) = \ln(W_m/W_f) - \ln(W_m/W_f)^0$$

We assume that employers in a non-discriminating labor market adhere to the principle of cost minimization, where

$$\left(\frac{W_m}{W_f}\right)^0 = \frac{MP_m}{MP_f}$$

where MP_m and MP_f are the marginal products of males and females, respectively.

Since $\ln(W_m/W_f)^0$ is unknown, the estimation of D is dependent upon estimating $\ln(W_m/W_f)^0$

In order to estimate the value of D, researchers measure the average hourly wages for males and females and using ordinary least squares (OLS) estimate the contribution of various worker characteristics in determining mean wages. The wage equation is measured separately for each group and has the semi-log function of

$$\ln(W_i) = Z_i'\beta + u_i \quad i = 1, \dots, n$$

where

W_i = the hourly wage rate of the i-th worker

Z_i' = a vector of individual characteristics

β = a vector of coefficients and

u_i = a random error term.

When we express the male-female wage differential in natural logarithms, the formulation of the discrimination coefficient D and the assumptions about which wage structure would exist in the absence of discrimination together imply that the wage differential can be decomposed into the effects of discrimination and the effects of individual characteristics

Let

$$G = \frac{W_m - W_f}{W_f}$$

Then

$$\ln(G + 1) = \ln \bar{W}_m - \ln \bar{W}_f$$

where \bar{W}_m and \bar{W}_f are the average hourly wages for males and females, respectively. Combining this understanding with the properties of the OLS estimation, we have

$$\ln(\bar{W}_m) = Z_m' \beta_m$$

$$\ln(\bar{W}_f) = Z_f' \beta_f$$

where

Z_m' and Z_f' = the vectors of mean values of the regressors for males and females, respectively and

β_m and β_f = the corresponding vectors of estimated coefficients

Through substitution, we obtain

$$\ln(G + 1) = Z_m' \beta_m - Z_f' \beta_f$$

Then we let

$$\Delta Z' = Z_m' - Z_f'$$

$$\Delta \beta' = \beta_m' - \beta_f'$$

Substituting back into the original log expression we obtain

$$\ln(G + 1) = \Delta \bar{Z}' \beta_f - \bar{Z}_m' \Delta \beta$$

According to the assumption that the current female wage structure would apply to both males and females in a non-discriminating labor market, it can be shown that

$$\ln\left(\frac{W_m}{W_f}\right)^0 = \Delta \bar{Z}' \beta_f$$

$$\ln(D + 1) = -\bar{Z}_m' \Delta \beta$$

Combined, these two expressions represent the decomposition of the wage differential into the estimated effects of differences in individual characteristics and the estimated effects of discrimination, respectively.

An alternative decomposition of the wage differential is obtained by substituting $\beta_f = \Delta \beta + \beta_m$ into the original natural log expression:

$$\ln(G + 1) = \Delta \bar{Z}' \beta_m - \bar{Z}_f' \Delta \beta$$

Based on the assumption that the current male wage structure would apply to both males and females in the absence of discrimination, it can be shown that

$$\ln \left(\frac{W_m}{W_f} \right)^u = \Delta \bar{Z}' \beta_m$$

$$\ln(D \mp 1) = -\bar{Z}_f' \Delta \beta$$

This method of estimating the effects of discrimination involves the index number problem. Therefore, the separate estimates obtained from using both the male and females regression weights establish a range of possible values.

Using the Oaxaca-Blinder Decomposition

By comparing the separate regressions for males and females, the decomposition of the wage differential show the estimated effects due to individual differences and the estimated effects of discrimination. The magnitude of the estimated effects of discrimination crucially depends on the choice of control variables for the regression. As Oaxaca (1973) writes, “A researcher’s choice of control variables implicitly reveals his or her attitude toward what constitutes discrimination in the labor market. If it were possible to control for virtually all sources of variation in wages, one could pretty well eliminate labor market discrimination as a significant factor in determining wage differentials by sex (or race)” (Oaxaca, 1973, p. 699).

One of the challenges of working with the Oaxaca decomposition is the need to moderate between the two extremes of assuming near perfect substitution between male and female labor on and controlling for all potential differences in labor productivity. A related problem is that since the effects of discrimination are estimated as the residual after adjusting the sex differential for differences in individual characteristics, factors that influence men and women to make different choices for their working career, regardless of discrimination, blur the measured presence of true discrimination. For example, females might plan on a shorter working life due to childbearing and may, therefore, invest less gaining workplace experience. While this human capital difference appears to represent differing levels of labor productivity, females may plan on a shorter working life precisely because of the difficulties incurred by facing discrimination in the workplace (Cotton, 1988). Thus, while it is effective in identifying market discrimination, the Oaxaca decomposition may be limited in its ability to account for pre-market discrimination.

4.1.2: *Audit Studies and ‘Kindred’ Field Experiments*

Audit studies attempt to randomize minority identification to evaluate if minorities are treated differently in job applications, housing searches, vehicle purchases, etc. Traditional audit studies attempt to place comparable minority and majority group actors into actual social and economic settings and then measure how each group fares in these settings. Labor market audit studies may, for example, send Caucasian and African-American auditors in for interviews and then measure whether one is more likely to be selected by an employer than the other (Bertrand and Mullainathan, 2004).

While audit studies provide some of the most reliable non-laboratory evidence on differential treatment due to race, they also have many weaknesses as highlighted in Heckman and Siegelman (1992) and Heckman (1998). First, audit studies require that both members of the audit pair are identical in all dimensions that might affect productivity in employers' eyes, except for race. To accomplish this, researchers match auditors on all discernible characteristics (including height, weight, attractiveness, perceived social class, etc.) and train them for several days to coordinate interviewing styles. It is unclear, however, whether auditors can be trained to present themselves in a similar manner. The correlation between gender and other characteristics (such as dressing style, communication style, etc.) further complicates the ability of researchers to make male and female audit pairs equivalent in all characteristics excluding sex. Given the number of characteristics relevant in hiring decisions, it can be exceptionally difficult to maintain strict delineation between control and experimental variables in audit studies.

Another weakness of audit studies is that they are not double-blind. Given that auditors must be trained to present in an identical manner, they are aware of their role in the study and understand the purpose of the experiment. This awareness may generate conscious or subconscious motives among auditors to produce data that is either consistent or inconsistent with their beliefs about race issues. As Bertrand and Mullainathan (2003) note, "Psychologists know very well, these demands can be quite strong. It is very difficult to insure that auditors will not want to do 'a good job.' Since they know the goal of the experiment, they can alter their behavior in front of employers to express (indirectly) their own views. Even a small belief by auditors that employers treat minorities differently can result in measured differences in treatment" (Bertrand and Mullainathan, 2003). The effect is magnified even further by the fact that auditors are not seeking jobs and thus can afford to let their beliefs more greatly influence the interviewing process.

The final problem with audit studies is that they are extremely expensive, requiring huge investments of time on the part of the researchers and auditors, making it difficult to generate large enough samples to understand nuances and possible mitigating factors. These budgetary constraints worsen the problem of mismatched auditor pairs as cost considerations might force the use of a limited number of auditors. This problem is corroborated by the significant differences in outcomes across auditor pairs (Bertrand and Mullainathan, 2003).

Bertrand and Mullainathan (2003) inspired a resurgence of the auditor approach with their work that uses resumes to randomize applicant characteristics. Given that an employee may look very different to a researcher than a potential employer, it is difficult to obtain comprehensive data sets that correctly identify characteristics important to hiring. The field experiment devised by Bertrand and Mullainathan (2003) controls for these less readily quantifiable factors by building on the correspondence testing methodology that has been primarily used in the past to study minority outcomes in the United Kingdom. Bertrand and Mullainathan (2003) measured the effect of perceived race by sending out resumes and measuring callbacks for each sent resume. The variable in the experiment was the manipulation of the name on the resume. Names that are associated with Caucasian men and women and African American men and women were randomly assigned to identical resumes and the number of interview callbacks was used to measure the effect of perceived race on hiring practices.

Bertrand and Mullainathan found that, on average, resumes with Caucasian names had a 9.65 percent chance of receiving a callback while resumes with African American names had only a 6.45 percent chance. To compare this finding to other factors of callbacks, the study found that an additional year of experience increased the likelihood of a callback by 0.4 percent. “Based on this point estimate, the return to a White name is equivalent to about eight additional years of experience” (Bertrand and Mullainathan, 2004, p998).

The study methodology devised by Bertrand and Mullainathan (2003) avoids many of the pitfalls of traditional audit studies because, by relying on paper resumes and not people, researchers can guarantee comparability between the control variables allowing effective testing of the experimental variable. The use of paper resumes also avoids the problem of subject awareness because the names on the resumes are fictional characters. Therefore, no subject bias is introduced into the study. This methodology also ensures that true randomization occurs, allowing researchers to more accurately measure the effect of the experimental variable on hiring outcomes. From a practical standpoint, this methodology is also more cost-effective as many resumes can be prepared and sent out easily, increasing the sample pool and increasing the statistical reliability of the results.

The potential problems and biases with this research design are two-fold. First, the resume procedure only measures callbacks for interviews, when the more important concerns are job offers and the subsequent wage differentials. While this experiment assumes that callbacks are more likely to result in more job offers, the results generated here cannot necessarily be translated into higher employment rates or higher wages. Second, this method measures the effect of *perceived* race. Since the employers in the study only see a paper resume, their perceptiveness becomes an external variable in the study as some employers may not even notice the specific name and the intended implied race. Additionally, by using stereotypically African American and White names, the study does not account for members of the minority community who have a name typical of the majority group and vice versa (Bertrand and Mullainathan, 2003).

A related problem associated with using resume studies is that employers might not notice the specific name on the resume, an oversight that could disrupt the measurement of the effect of race. This problem can be easily addressed by asking the potential employer to identify the particular name and predict the race of the potential employee. If that employer does not remember the name or fails to identify the intended race, data from the employer can be removed from the study. While this does change the results of the experiment (by exacerbating the effect of race through the removal of race-indifferent employers), it is one method for narrowing the focus to active effects of race.

Unfortunately, the methodology created by Bertrand and Mullainathan (2003) is much more effective in measuring discrimination as a factor of hiring practices in a professional, formalized context. For studies conducted in the developing world, this methodology has limited effectiveness since informal labor sectors do not rely on written resumes when hiring employees. Alternative designs that maintain a similar degree of detachment may be more effective in the developing world context and could provide further insights on hiring practices in these labor markets. An example of an alternative design could include using hypothetical situations to ask employers to imagine an employee who is asking for vacation time.

Manipulating the sex of the hypothetical employee provides a method to measure the effect of sex in the employer's willingness to grant or deny employee requests. However, in certain cultures (such as in East Asia) where counterfactuals are interpreted differently, creative research design is necessary to obtain reliable data

4.1.3: *Lab Experiments*

Lab experiments are developed by researchers to examine certain facets of discrimination without the complications of real-world circumstances. In a non-market setting, experimenters look for evidence of disparate treatment of members of race or gender groups. A notable study in this genre, Fershtman and Gneezy (2001), examined elements of discrimination between Ashkenazic and Eastern Jews by designing various games to measure systematic mistrust. In this study, three games were designed to measure the following four questions: 1) whether discrimination (differential treatment) is based on ethnic affiliation, 2) whether the discrimination reflects a group bias in that each player favors players of his own group or a systematic discrimination against one or several ethnic groups, 3) whether this discrimination is based on a taste for discrimination or the outcome of ethnic stereotyping that affects the players' assessment regarding their game partners' strategic responses or relevant characteristics and 4) how accurate the ethnic stereotypes are.

Fershtman and Gneezy recruited undergraduate students from several prominent Israeli universities to play games designed to examine trust between different ethnic groups. The study found that mistrust based on ethnic differences is a largely male phenomenon. The average transfer to female players was 10.63 percent, which is similar to the average transfer to male players of 11.42 percent. Additionally, the average transfer from male players to Eastern women was 10.41 percent while the average transfer to Eastern men was 8.06 percent (Fershtman and Gneezy, 2001, p372). This observation is consistent with early studies of discrimination against African American women in the United States, such as Epstein (1993), that found that while one may expect African American women to face double discrimination (both racial and gender discrimination), this may actually result in a relative advantage. This result is further substantiated by Blau, Ferber and Winkler (1997) who found that in the United States the differences in earnings between African Americans and white are smaller for females than for males.

The experimental approach used by Fershtman and Gneezy (2001) serves to examine the different aspects of discrimination, rather than solely identify its existence in a market setting. By removing the complications of other factors in the market, the experimental games help to pinpoint how discrimination arises and the rationalization of the discriminatory actors. The games model the interactions that arise between the two different groups in market situations but provide a controlled environment to note and measure responses. The strength of lab experiments is that they are easy to control and therefore results are more straightforward and simple. The game approach developed by Fershtman and Gneezy (2001) provides unique insight into the interpersonal aspects of discrimination that are often impossible to register within a larger context. Unfortunately, this model is often heavily criticized as being too artificial since it creates contexts that force participants to make choices that may then be perceived as

discrimination, whereas a market situation does not involve the same decision-making processes. For this reason, Fershtman and Gneezy (2001) are criticized for extrapolating about statistical discrimination when the statistics generated by the model are overly simplified. This critique is not limited to this particular study, but can be applied to lab experiments in general; because of the contrived nature of data collection, the subsequent relevance of that data applied to real issues of discrimination is subject to strong disagreement.

4.1.4: *Quasi-Experiments*

Quasi-experiments are experiments that are not fully scientific in nature because they do not involve randomly assigning participants to a control or experimental group. Instead, quasi-experiments rely on revealing or concealing minority status to measure the effects of discrimination in hiring situations. The most highly cited work in this field is Goldin and Rouse (2001) which measures the effect of blind auditioning in orchestras. A screen concealing the candidate's identity from the jury provides a test for gender-based discrimination. Using data from actual auditions, Goldin and Rouse find that the presence of the screen increases the probability that a woman will be advanced and hired.

The feasibility of this study relies on the fact that orchestras recently switched recruiting and auditioning practices. Whereas before, auditions were conducted in an open manner that allowed juries to view the candidate, the switch to blind auditions provided a unique opportunity to measure the effects of gender discrimination on hiring practices. While some symphonies readily switched to blind auditions, other symphonies (most notably Cleveland) did not adopt the newer method. As audition methods varied across time, across orchestras and across audition rounds, these differences provided an opportunity for researchers to collect panel and time series data to measure the effects of gender on hiring (Goldin and Rouse, 2001).

The results of the study are somewhat surprising as Goldin and Rouse found that “in the absence of a variable for orchestral “ability,” women fare *less* well in blind auditions than otherwise” (726). The findings indicate that the relative success for female candidates appears worse for blind auditions than for not-blind auditions. Goldin and Rouse speculate that the adoption of blind auditions may have lowered the overall quality of female candidates, therein lowering the overall success rate. If quality is controlled, by comparing results for auditions from different orchestras, then the evidence tells a different story. Overall, when the sample is limited to female candidates who auditioned both with and without the screen, the success rate for women competing in blind auditions is almost always higher.

Quasi-experimental research relies on a fortuitous alignment of changing methods that allows researchers to measure an experimental variable that has already been selectively changed in certain situations. When such opportunities can be found, the resulting study can be very informative, but finding such experiments can be challenging (Bertrand and Mullainathan, 2003). For research intended to lead to or inform policy recommendations, quasi-experimental methodology will have limited effectiveness as it relies on change that is already occurring to measure the differences between old and new systems. This methodology may also have limited effectiveness in a developing world concept where historical records and cataloged data sets may be difficult or impossible to find.

4.1.5: *Learning Models*

Learning models apply structural models to make inferences about what employers believe initially and how their beliefs change as worker productivity is revealed over time. The key tool here is to use information known to the econometrician at market entry (such as test scores) but not known by employers except through its revealed effect on productivity or its correlation with other observables. A notable study in this field, Altonji and Pierret (2001), provides a test for whether firms statistically discriminate on the basis of readily available information such as education and race. The research builds on previous work done by Farber and Gibbons (1996) that investigates how employers learn about worker productivity and relies on signaling work done by Spence (1993).

Altonji and Pierret (2001) measure statistical discrimination on the basis of education by using the AFQT test (one part of the battery of tests used by the military to measure skills in potential recruits), father's education and the wage rates of older siblings to signal the factors that affect productivity but that firms find impossible to measure directly. The basic econometric specification is an OLS regression of log wage on directly measured variables and signaled variables (such as the AFQT). The coefficients on the explanatory variables are allowed to vary with experience and missing data points are controlled for with dummy variables

The study finds that while wage coefficients of the signal variables rise with experience, the coefficient on education falls. These results support the hypothesis that firms statistically discriminate on the basis of education. As pertains to statistical discrimination by race, the study finds that race plays a relatively minor role in race gaps in wages (Altonji and Pierret, 2001, p315).

4.2: Data Collection and Availability in Indonesia

Population censuses are conducted every ten years, with the latest completed in 2010. Intercensal Population Surveys, National Labor Force Surveys and National Socio-Economic Surveys are also conducted regularly and contain valuable labor statistics. The Badan Pusat Statistik maintains and publishes databases on the official website (www.dds.bps.go.id/eng).

4.2.1: *The Population Census*

Two censuses were conducted during the Dutch administration in 1920 and 1930 and six censuses have been conducted since Indonesia gained its independence in 1945. The most recent 2010 census was designed to update population databases down to the smallest village level and also to measure progress toward the U.N. Millennium Development Goals. The data is also useful in preparing small-area statistics, developing population projections and providing baseline data for future studies. The 2010 survey was monitored for quality by over 2000 independent monitors, many of whom are associated with the Indonesian Statistical Institute. Due to this most recent survey, extensive data is available for basic demographic characteristics,

fertility, mortality, migration, socio-economic, education, disability, economic activity and housing statistics. Comprehensive results of the 2010 Population Census are available on the official Statistics Indonesia website (Hartanto, 2009).

4.2.2: *Intercensal Population Survey*

The Intercensal Population Survey is conducted every five years between the regular censuses. The first IPS was held in 1976 and included 60,733 households located in 26 provinces. Recently, the IPS has included more households from more diverse geographical areas. The last IPS was conducted in 2005 and the results are available online on the official Statistics Indonesia website.¹

4.2.3: *National Labor Force Survey*

The National Labor Force Survey (NLFS) was first conducted by Statistics Indonesia in 1976. The most recent NLFS was conducted in 2011 and is published on the Statistics Indonesia website in .html format. The data is divided into major categories such as gender, employment and labor wages. Notably, the NLFS is the only official survey in Indonesia to collect data on average wages and salaries (Statistics Indonesia, 2009a).

Methodology

49,000 households are surveyed annually, varying between urban and rural population areas. Surveys are completed via personal interviews which occur every August and are administered by the permanent staff of Statistics Indonesia. The total non-response rate is less than 1 percent which is adjusted for in the total results. Since 1994, the survey has been conducted twice a year, working with a larger sample in the August version of the survey. The February sample includes 69,824 households chosen in both urban and rural locations throughout the Indonesian provinces, while the August sample contains data from 301,488 households. First, Census Blocks were selected, using systematic sampling methods based on probable proportions. Then, sixteen households per pre-selected Census Block tracts were selected using systematic random sampling methods (Nashrul Waidi, 2012).

The main tabulations are published on the Statistics Indonesia website with unpublished data available on request.²

Concepts

Population refers to anyone who is living in a certain area for six months or more, or anyone who intend to stay that that particular area, but have not yet been there for six months. The *labor force* refers to people over fifteen years old who are working in the labor market at a given time, including temporary work, government employment and those actively looking for work. Those who are currently unemployed, yet are not looking for work, are not included. *Educational attainment* indicates the highest educational level completed by a person, verified with

¹ http://dds.bps.go.id/eng/aboutus.php?id_subyek=06&tabel=1&fl=3

² <http://laborsta.ilo.org/applv8/data/SSM3/E/ID.html>

the receipt of a diploma or a letter of completion/certificate. *Industry* is the “field” of work of a person’s economic activity, in accordance with the Indonesian Standard Industrial Classification. *Occupation* refers to the type of work done by the respondent, based upon the Indonesian Classification of Occupation, 2002 (Sakernas, 2010).

4.2.4: National Socio-Economic Survey

The National Socio-Economic Survey is conducted quarterly and collects data on the socio-economic situations of people in Indonesia. The information collected is much more focused on demographic information and household income than the other surveys, which contain summary questions. This survey is also unique in that the sample size is much larger than the other official surveys and censuses. Starting in 1992, the number of households selected was enlarged to 206,076. The larger survey allows for more accurate statistical representation for smaller areas, such as the regency level instead of simply the province (Statistics Indonesia, 2009a).

4.3. Other Methodological Considerations

One important difference between political and socio-economic disciplines and psychological disciplines in approaching differences in female labor force participation is the methodology used to identify underlying causes of gendered differences in participation and discrimination. In addition to surveys, common methodology in psychology includes social experiments. A useful example of methods in psychological research is found in Laura Babbitt’s dissertation (2012), *The Role of Gender in Black/White Interracial Contexts*. Babbitt uses mixed methods to study the intersection of gender and racial perceptions and how they dictate interracial and gendered interactions.

In her study, Babbitt relies on five different studies to analyze the intersection of gender and racial perceptions. In the first portion of the study, she had white participants report their perceptions of blacks’ stereotypes about them, while at the same time, having black participants report their perception of whites. Participants responded to a survey that asked “how well do the following traits describe, for example, what a Black person might expect White [women, men, people] to be like?” (Babbitt, 2012, p. 20).

In the second portion of the study, white participants completed a version of the Black/White Implicit Association Test either with female stimuli or with male stimuli. One questionnaire primed their racial or gender identity by asking either “How many generations of your family have lived in America?” or “Do your parents or grandparents speak any languages other than English?” (Babbitt, 2012, p. 33) or “Is your dorm floor (or apartment) single-sex or co-ed?” or “Do you prefer single-sex or co-ed living arrangements?” (Babbitt, 2012, p. 33). The participants then completed the Implicit Association Test, in which participants were given a set of faces and a set of words and asked to assign words to faces. The faces were either Black or White, and the words were positive or negative, such as joy, peace, pain or abuse. In this situation, there was no significant difference in results when the participants were primed with their racial or gender identity

The next portion of the research added contextual factors and studied behavioral implications of gender differences in interracial contexts. It featured a meta-analysis of the interracial interaction research, focusing particularly on the interaction of gender, race and context in interaction outcomes. In order to test the research from the meta-analysis, the fourth portion of the study was intended to examine the effect of gender identity on a white woman's expectations about a social interaction with a black female interaction partner. 52 White female undergraduate participants were given a prescreening questionnaire, which included six items from a "feminine" scale and a five-item gender identification measure. The women were then told that they would be exchanging a photo with a partner down the hall in order to make a first impression before meeting. Next, the women were primed with either their racial or gender identity by filling out an additional questionnaire. They then completed several responses about their expectations for the upcoming interaction and their strategies for making a good impression on their partner. In this case, the women who had their femininity emphasized were more likely to have positive expectations with respect to the interracial interaction than those who identified less with feminine traits or had their racial identity emphasized.

The significant part of the survey design in the first portion of the test is the consideration of not just the identity in which the researcher is superficially interested, but also the subject's other identities, such as race and class. This allows the researcher to study a variety of ways in which the identities interact with each other and the impact of an individual's intersectionality in terms of their behavior.

An important factor in Babbitt's methodology and for many psychology research methods is the extent to which an individual is reminded of his or her identity in question. For example, do the results differ when women are reminded of their gender and stereotypes associated with their gender and then asked to complete surveys aimed at assessing the prevalence of these stereotypes?

Finally, a unique aspect of Babbitt's methodology, and one that will be employed in fieldwork in Indonesia, is her contextual and situational construction of the studies. In order to study how individuals in a given interaction perceive each other, Babbitt used participant-reported ratings of the interactions and coded for verbal and nonverbal behavioral patterns toward the partners. This has the benefit of identifying both explicit and implicit sources of discrimination. Specifically, Babbitt studied participant gender, dyadic gender composition and interaction structure in order to identify contextual signals of discrimination that might be missed in economic research methods that are more reliant on subject-generated study designs.

CHAPTER FIVE: BARRIERS TO THE FORMAL WORKFORCE

The three theories discussed in Chapter 2—neoclassical theory, feminist theory and social identity theory—serve as lenses through which various barriers to women’s labor force participation in Indonesia can be considered. These barriers, which will be discussed in detail in the section that follows, all contribute to the segregation of the labor market into jobs that are considered appropriate for women and jobs that are considered appropriate for men. The following section will contain an analysis of the informal labor market and the differences between the informal and formal market that cause the segregation of the labor force along gender lines. Specific factors contributing to the gendered state of the labor market will be reviewed and analyzed in the Indonesian context.

5.1: The Formal and Informal Labor Markets – General and Indonesia-Specific

5.1.1: *General Overview*

The informal sector is differentiated from the formal sector in that it exists and operates outside the scope of government regulation and formalized protocols. Briefly defined, the informal sector “refers to all economic activities by workers and economic units that are – in law or practice – not covered or insufficiently covered by formal arrangements” (ILO, 2012b). Internationally, globalization and the resulting increase in market competition may have driven jobs from the formal sector to the informal sector, in which employers have diminished legal responsibility to promote an employee’s welfare.

When discussing the informal economy, scholars tend to adopt either the “dualist” perspective or the “structuralist” perspective. The dualist perspective views the informal economy as, albeit flawed, an overall positive opportunity to earn an income for those who have limited access to the formal market. This perspective considers the division between the informal and formal sector to be a partial solution to an excess labor supply. Some international economic institutions, such as the International Monetary Fund (IMF) and the World Bank, adopt this dualist perspective (Bernasek, 1999). The structuralist perspective views the informal sector as manipulating and marginalizing the most vulnerable members of society. Structuralists advocate for the transition of workers from the informal economy to the formal economy (Gallaway and Bernasek, 2002)

Pioneered by Portes et al. (1989), the structuralist perspective emphasizes the relationship between the informal and the formal economy. The informal economy facilitates production in the formal economy in such a way that the formal economic profits are increased at the expense of the informal workers (Moser, 1984). Some development theories portray the informal sector differently, and theories of different facets of the formal and informal sectors have been integrated into more extensive development theories. Modernization theory views the informal sector as a vestige of a traditional economic structure that will be eliminated as work becomes formalized (Beneria, 2001). Dependency theory views informality as exploitative,

undermining the work and depressing compensation of those employed in the formal sector (Della Buono, 1996).

However, regardless of any normative assessment of labor participation in the informal or formal sector, women, particularly in developing countries, are employed disproportionately in the informal labor market in comparison to men (Chen, 2000)

The prevalence of informal work for women has significant ramifications for the economic status and social influence of women. Informal sector jobs are typically “characterized by small or undefined work places, unsafe and unhealthy working conditions, low level of skills and productivity, low or irregular incomes, long working hours and lack of access to information, markets, finance, training and technology” (International Labour Organization, 2007, p. 3). Additionally, an SSP/UCECA study determined that workers in the informal sector are exploited via low wages, unreliable or absent contracted work, poor working conditions, limited access to social services and employee benefits, low rates of occupational organization and illegal work (Beneria, 2001).

Feminist economists emphasize the study of the informal sector, highlighting the importance of the contributions that women make to the household economy through their participation in the informal sector. In the sense that it takes a similarly dichotomous approach to the informal labor market, much of the feminist conversation occurs through the dualist perspective. The feminized sense of labor market dualism emphasizes the need for female-led micro-enterprises that give women autonomy and bargaining power within the home (Bernasek, 1999). From this perspective, participation in the informal sector is a solution to many of the barriers women face in the formal market, including “socially defined limits to their mobility, discrimination by formal lenders, reliance upon moneylenders and exploitative relationships with merchants and middlemen” (Bernasek, 1999, p. 475).

From the structuralist perspective, however, many feminist economists have emphasized that the informal sector disproportionately employs those from vulnerable communities and is itself a vulnerable and unstable source of employment. Structuralist feminists argue that women should be transitioned from the informal sector to the formal sector because placing women in informal enterprises limits women’s opportunities for human capital formation and access to technological development. Informality also enhances the dependence of women on large, capitalist firms (Bernasek, 1999).

It is important to note that often, the activities of the informal sector mirror those of the formal sector. The informal sector serves to buttress production in the formal sector in that many of the informal workers, particularly those working in manufacturing or textiles, perform many of the same tasks as those who are formally employed. As the informal sector has fewer demands in terms of worker compensation and protection, goods might be produced at a lower cost, allowing firms to obtain input materials more cheaply

As many sources of informal employment are linked to comparable jobs in the formal sector, an informal job may facilitate transition to the formal labor sector. However, women may find themselves limited to inferior work in the informal sector as a consequence of discriminatory practices and poor working conditions. Ester Boserup (1970) has documented such a practice, demonstrating that in the 1960s, developing countries had a lower proportion of

formally hired female workers in industrialized sectors of the economy than of female home or informal workers. She attributes this trend to hiring practices in formal industries that disproportionately favor men. Boserup (1970) argues that “...when larger industries gradually drive the home industries out of business, women lose their jobs, because the type of products they were making . . . are replaced by products factory made by a labor force composed of many more men than women” (p. 99)

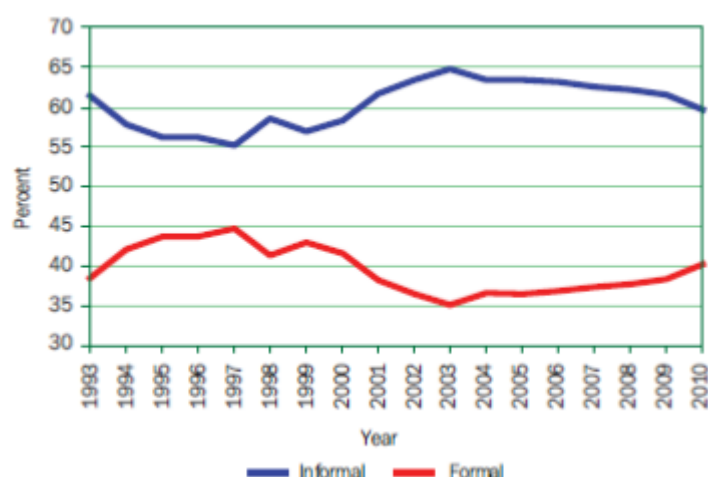
The division between the formal and informal sectors can, therefore, serve as a type of employment discrimination against women. Informality can be a source of wage discrimination as well. Labor market based wage discrimination is rooted in the argument that, while women often perform tasks in informal employment that are either similar to or necessary for production in the formal sector, they do not receive competitive remuneration because they lack access to regulatory protections, benefits and continuity of formal sector employment. This chapter will therefore consider the nature of informal employment and its implications in Indonesia, factors driving women to participate informally in industry and the specific barriers that bar women from formal employment, as employment in an unregulated industry lacks institutions like minimum wages and mandatory benefits (International Labour Organization, 2002)

5.1.2: *Indonesia-Specific Overview*

Indonesia has experienced comparatively rapid growth in GDP over the last 30 years, experiencing a growth rate greater than 6 percent annual growth in the past two years alone (Central Intelligence Agency, 2012c). However, changes in the nation’s employment patterns have been less impressive. The informal sector in Indonesia employs a substantial percentage of the nation’s workers, resulting in limited employment opportunities in the formal sector. Between 1993 and 2010, informal employment has accounted for between 55 and 65 percent of total employment (International Labour Organization, 2011a). Following the 1997 Asian financial crisis and continuing until the year 2003, Indonesia experienced a 10 percent increase in the informal share of employment. It is likely that the flexibility of the informal sector allowed many individuals to remain employed during and after the crisis (Dhanani et al., 2009). The trend towards increased dependency on the informal market has since reversed in the past decade. However, this change is small, and Indonesia continues to have a very active informal labor market. As of 2011, informal employment accounted for nearly 60 percent of total employment (International Labour Organization, 2011a).

In 2007, 69 percent of total employment was classified as casual labor, self-employed individuals and family workers (Dhanani et al., 2009). See Figure 5.1 below for a summary of informal and formal work in Indonesia for the past 20 years.

Figure 5.1: Informal and Formal Employment Rates (%), Indonesia 1993-2010

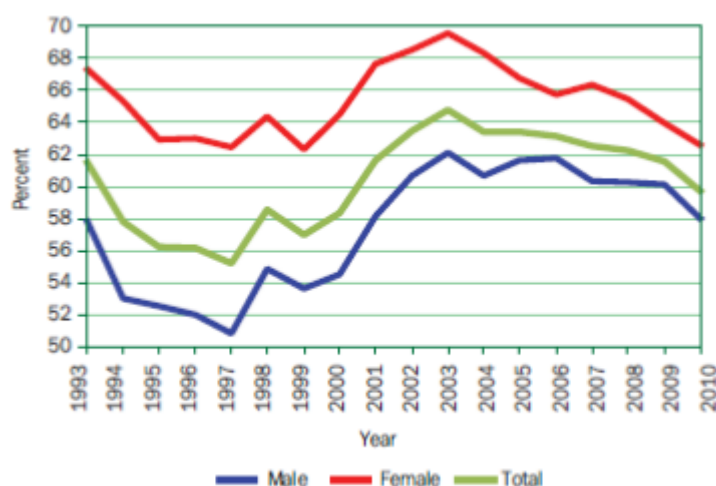


Source: Asian Development Bank, 2011

Further, the informal sector contains many more women than men, as Figure 5.2 depicts. The disproportionate representation of women in the informal labor markets is in part attributable to the fact that many women in the agricultural sector, a sector responsible for employing 38.3 percent of Indonesian workers (Central Intelligence Agency, 2012a), are unpaid family workers. In rural areas and areas heavily reliant on agriculture, unpaid family work is much more common for women than for men, with 34 percent of women working as unpaid workers compared with eight percent of men (Dhanani et al., 2009).

In light of the fact that agriculture represents 14.9 percent of Indonesia's GDP and 38.2 percent of the labor force (Central Intelligence Agency, 2012a) and many informal jobs are home-based, there are few barriers to entry for female employment in agriculture (Asian Development Bank, 2011), as women have more flexibility when working from home, and are not subjected to many of the physical and time constraints that limit their opportunities in the formal labor force. Other Indonesian industries display a similar trend, in that the informal sector continues to be dominated by women. 65.8 percent of Indonesian women are employed informally, while 59.8 percent of men are employed in the informal sector (International Labour Organization, 2011a); a summary of these male and female informal sector employment rates can be seen in Figure 4.2 below. It is worth noting, though, that the post-crisis decline in female informal employment is larger than for men. The informal employment rate for women has returned to the pre-crisis level. By contrast, the informal rate for men is seven percentage points higher than its historic low of 51 percent.

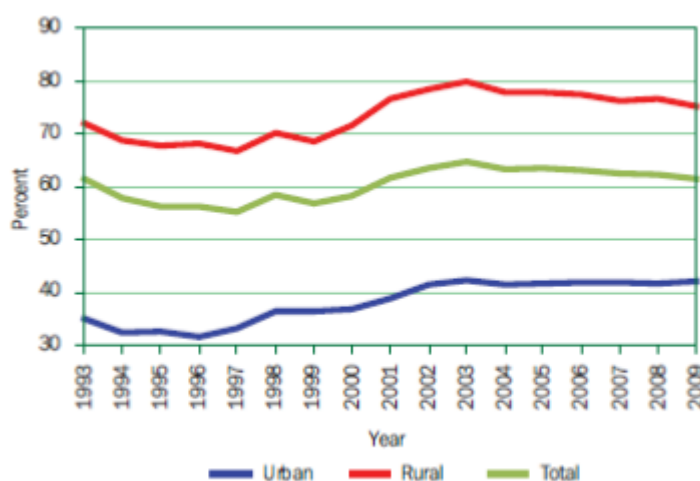
Figure 5.2: Informal Employment Rates by Gender (%) Indonesia, 1993-2010



Source: Asian Development Bank, 2011

Throughout the Indonesian economy, informal employment is dominant in rural areas, while formal-sector employment is mostly found in urban areas. However, Indonesia has been experiencing high rates of migration from rural to urban areas. As a consequence, the proportion of informal employment has been decreasing at a faster rate in rural areas than in urban areas. Figure 5.3 depicts the distribution of urban and rural informal employment rates in Indonesia. The most recent data on the Indonesian population indicate that only 53.7 percent of Indonesians live in urban areas, which may contribute to the continued prevalence of informal sector jobs (Asian Development Bank, 2011).

Figure 5.3: Informal Employment Rates by Residence (%) Indonesia, 1993 2009



Source: Asian Development Bank, 2011

As in many developing countries, the activities of the informal labor market and its products are very important aspects of Indonesia's economy. Particularly with regard to the welfare of women, the majority of whom are employed in the less regulated informal market, the barriers to more formal sources of labor are tangible realities with which they contend every day.

5.2: Barriers to the Transition of Women to the Formal Labor Market

Barriers to women working in the formal market are significant because of the many benefits are derived from work in the formal market. Because many jobs in the informal sector mirror those in the formal sector, yet are unregulated and unreliable, the transition into the formal market provides women with a degree of stability impossible in the informal sector.

5.2.1: *Patriarchy*

The importance of patriarchy to the gender-related conditions of a given society was previously discussed in Chapter 3 with respect to feminist theories. However, patriarchal norms become even more salient as a barrier to formal employment in that they dictate female labor force participation, establish physical constraints based on the time demands of domestic production, limit the ability of women to serve as the family's breadwinner, contribute to professional segregation of jobs along the lines of "female appropriate labor" and serve as an underlying cause of wage discrimination.

Evidence on the sociocultural status of women in Indonesia suggests that the society is still highly gendered and that the concept of patriarchy has a significant role in dictating the role of the woman in society. As stated by Dzuhayatin (2003, p. 1), patriarchy has been "infused into the modern Indonesia," and gender divisions in Indonesian society are clear; typically women are assigned a domestic role in which they raise the children and support the husband at home, while it is the husband's job to be visible in the public sphere (Dzuhayatin, 2003).

The International Labour Organization (2012) argues that "the perceived domestic roles and responsibilities of women, women's subordinate status in gender relations, and patriarchal attitudes towards women's participation in economic, public and political life" (International Labour Organization, 2012, p. 46), all serve as substantial barriers to a woman's ability to transition from the informal to the formal labor market, particularly into "non-traditional" sectors.

Having a primary commitment to household duties implies that work outside of the home for women is merely supplemental; therefore, a woman who would like to obtain work in the formal sector must accept the fact that she will have a dual burden of responsibility if this is the path that she chooses. This implicit commitment to domestic responsibilities means that women do not have as much time to dedicate to a job in the formal sector as do men, which (by the human capital theory) likely makes them less productive and therefore less appealing to employers. Thus, patriarchal institutions that emphasize female domesticity force women either into unemployment or into the informal sector because women cannot always commit to the type of contracted schedule expected in formal employment. In Indraswari's (2006) study of female owners of *warung*, which are small convenience stores informally operated out of home fronts, many women cited their domestic responsibilities as a primary reason for choosing *warung* as a method of gaining income rather than seeking employment in the formal sector. Indraswari featured a discussion with one of the few female *warung* owners who had a university education. Although this woman often complained about the *warung* business, she listed "constraints in

relation to her position as a mother of two children” to employment in the formal market (Indraswari, 2006, p. 171).

In Indonesia, patriarchy is visible in many aspects of society. The concept of female domesticity is encapsulated in the idea of “ibuism,” which refers to the Indonesian state’s mentality regarding gender norms (Indraswari, 2006). More specifically, ibuism emphasizes the domesticity of Indonesian women and dependency on their husbands. The mission statements of many of Indonesian government-sponsored women’s groups propagate patriarchal norms. For example, the Dharma Wanita and PKK programs promoted proper womanhood as being based on five tenets: wifehood, motherhood, procreator, financial manager of the household and a member of society in good-standing, which entailed acting as a devoted wife and mother (Graham Davies, 2005). “Dharma Wanita” roughly translates to “woman’s duty,” and under the Suharto regime, the wives of civil servants were expected to join (Indraswari, 2006). While the patriarchal nature of these organizations has lessened in recent years, as patriarchal “follow the husband” culture has not disappeared (Indraswari, 2006). Thus, both the physical constraints of a patriarchal societal construction and the constraints based on the popular image of a “good woman” may impede Indonesian women’s entry into the formal labor market.

Dzuhayatin (2003) and Parawansa (2002) argue that the Indonesian government supports the prevalence of patriarchy in the public sphere through other means, as well. Part of the aforementioned cultural acceptance of the Indonesian woman’s role in the household is due to the fact that the government promotes patriarchy as an acceptable societal view. The Indonesian “...state encourages women to meet the ideal type that is portrayed as a married woman, preferably a housewife or possibly a medium career and under no circumstances can be higher than her husband” (Dzuhayatin, 2003, p. 3), and the government promotes the view that a woman has a dual role—to work and earn money for the economy, but also to serve her husband and family in the household (La Botz, 2001). The 1989 State Guidelines, which are still in use today, explain the state’s perception of the ideal Indonesian woman: “loyal supporter of the husband; producer and educator of future generations; caretaker of the household; additional economic provider for the family; [and] members of Society” (Dzuhayatin, 2003, p. 3).

Besides using patriarchy to perpetuate the image of the ideal household-centered woman, a series of laws also remains in place to ensure women’s submissive role in Indonesian society. The Marriage Law, passed in 1974, “specifies that both spouses are equal and both are responsible for maintaining the home and caring for children” (Emory Law), but it seemingly contradicts itself by reinforcing the view that a husband’s role is at the head of the family and, consequently, the wife maintains dependency on her husband as she serves in the domestic sphere (Emory Law; La Botz, 2001). Polygamy is still legal in Indonesia, although the husband must get the permission of his first wife before taking on additional wives (Parawansa, 2002).

Such evidence supports the contention that patriarchy plays a significant role in Indonesian society, dictating decisions made in both the private and public spheres. A woman’s dual role may make her less attractive to employers due to her additional commitment to the home. This perceived lower level of productivity may act as a barrier to the formal labor market.

From a social identity standpoint, it can be very difficult for women to justify any attempt to work in the formal labor market because of the government-supported belief that a woman’s place is in the home. A decision to be employed formally would be visible by the entire

community. As a consequence, women may choose to avoid the public domain entirely for fear of being treated as a member of the *out-group*.

5.2.2: *Stereotype Threat and Gender Stereotypes*

Specific gender-related stereotypes exist that align men more closely with standard employee expectations, particularly in the Indonesian context in which men have traditionally held a larger role in the workforce. The aspects of patriarchy that adversely impact female employment are grounded in the belief that “men ought to have more power than do women” (Cikara and Fiske, 2009, p. 81). To the extent that having a formal job confers power, one could argue that stereotypes surrounding employment and men tend to align. Even in a workplace context, then, gender stereotypes continue to be extremely relevant and can dictate many of the decisions that are made within the workplace (Eagly and Sczesny, 2009).

Furthermore, female employment in the formal market may diminish the importance of the husband as breadwinner. According to this line of reasoning, women are looked down upon when they join the formal labor market because it is seen as a failure on the part of the husband to care for the family (Goldin, 1994). Indraswari (2006) explains this perspective when discussing female owners of *warung* in Indonesia, citing conversations with many women in which they said that despite the need on their part to earn significant income for the family, they are not able to gain employment in the formal sector because it will reflect poorly on their husband and family.

The combination of social identity theory and gender stereotypes yields a third psychological concept, known as stereotype threat, which becomes relevant when a negative stereotype exists about a particular group. Stereotype threat is the “sense that one can...be judged or treated in terms of the stereotype or that one might do something that would inadvertently confirm it. Most often stereotypes are seen to affect their targets through the discriminatory behavior and judgment of people who hold the stereotype” (Steele et al., 2002). Steele et al (2002) goes on to say that the extent to which one feels a stereotype threat depends on how strongly one is associated with a group and the situation in which the stereotype is being evaluated. These two points are particularly relevant to women in the workforce. Especially in Indonesia, where women may be repressed and grouped together due to years of patriarchy, cohesion within a gender-based group is bound to be very strong. In the workforce, which is a “man’s domain” and women are merely seen as earners of “secondary income,” Indonesian women could likely perceive the situation as conducive to eliciting the use of negative stereotypes against their gender.

Stereotype threat typically provokes certain responses that, in the context of women’s labor force participation, can explain various barriers that exist in the workforce. Under the threat of being judged negatively about a stereotype associated with a particular group to which an individual is associated, that person “could experience increased anxiety and evaluation apprehension which, in turn, might undermine their performance on difficult tasks” (Steele et al., 2002). Decreased performance can then contribute to a stereotype suggesting that, in the case of female laborers in Indonesia, women are less productive as workers in certain sectors or industries, thus perpetuating the stereotype.

Additionally, for the same group of marginalized women, the apprehension resulting from stereotype threat might translate into forgoing an attempt to enter the workforce, instead remaining in the relative safety of the household for the sake of societal acceptance. The concept of social role theory “argues that the beliefs that people hold about the sexes are derived from observations of the role performances of men and women and thus reflect the sexual division of labor and gender hierarchy of the society” (Eagly et al., 2000, p. 124). This manifests itself in that women will actually do the work that they perceive as appropriate as prescribed by gender norms. If a woman believes that her behavior will not be rewarded due to the prevailing beliefs about women’s roles, then she will generally avoid that behavior. As a result, real differences in behavior develop between men and women (Eagly et al., 2000).

As a consequence, for many countries whose societal structure is based on strong patriarchal institutions, not only are women banned from working outside the home and are thus confined to home work in the informal economy, but they also *prefer* to work within the confines of their own home so as to avoid being under the supervision of or being forced to interact with men who are not members of their family (Boserup, 1970). Such a reaction is commonly referred to as “domain avoidance.” Although dominance avoidance is a common response to stereotype threat, Steele et al. (2002) acknowledge that it can create barriers regarding the prospects of intergroup relations.

5.2.3: *Biological Factors*

From a neoclassical perspective, the issues of pregnancy and menstruation, absenteeism, and turnover arise as factors that can diminish a woman’s level of productivity as compared to that of a man. Rationally, employers may choose not to hire women or to pay them less for fear that they may become pregnant, for pregnant women are more weakly tied to the labor market and may be less productive than a non-pregnant employee. Pregnancy creates costs in terms of payment while on maternity leave, replacement of the worker while she is on leave and compromised productivity before and after pregnancy (Anker and Hein, 1986). Additionally, paying for menstrual leave and accounting for the fact that women may miss work while they are menstruating can disrupt production.

Empirically, evidence suggests that women tend to be absent from work with greater frequency and longer duration than do men (Anker and Hein, 1986; Ichino and Moretti, 2009). Much of the difference in absentee rates between sexes can be attributed to women’s family responsibilities and biology. Maternity leave and menstrual leave are just two reasons why women may be absent from work. A woman’s obligation to provide for children at home can also limit the hours that she is able to work.

Employers’ perceptions of a woman’s level of absenteeism may in fact overstate the rate in reality (Anker and Hein, 1986), but there is still an inherent belief that her reproductive biology renders a female employee less productive than her male counterparts. In Indonesia, evidence shows that there is, in fact, a disparity between hours of employment contributed by men as compared to women. In 2010, the average male employee worked 43.2 hours per week, while the average female employee worked 37.9 hours per week (International Labour Organization, 2011b). The discrepancy between hours worked by men and women, therefore, in

part supports the wage differentials and barriers to employment if considered from a neoclassical perspective.

Also detrimental to female employees from a neoclassical perspective is the perception that turnover affects women more than it does men. “Higher turnover of women workers is a basic assumption of human capital theory for explaining why women build up less human capital (especially less training and experience) and consequently why women receive lower pay than men” (Anker and Hein, 1986, p. 23). Turnover is not the largest issue facing men and women, but it can be one of the reasons that employers will opt to relegate women to “secondary” jobs.

In the case of Indonesia, the National Commission on Violence Against Women has found that 154 by-laws in Indonesia promote some sort of discrimination towards women (International Labour Organization, 2012). These discriminatory laws fall into many different categories of society, but the issue of women’s reproductive rights is of particular importance. Law number 12 provides an example. This law states that “women workers will be entitled to paid leave of 1.5 months before giving birth or if they have a miscarriage; women workers shall not be obliged to work on first and second day of menstrual period; and women workers have the chance to breastfeed their babies” (Pangestu and Hendytio, 1997, p. 18).

In theory, these laws may be important for protecting women’s rights as employees, but in practice compliance may be low. According to Pangestu and Hendytio’s (1997) survey of female factory workers, maternity leave experiences the highest rate of compliance, at 96 percent. However, breast feeding facilities and provision of menstrual leave/compensation only received six percent and 37 and 38 percent compliance, respectively.

When followed, these laws provide a less hostile work environment for women, but they also increase the costs associated with hiring women. Further, if a woman is out for a period of time, the absence may decrease her human capital. “As a result, legislation aimed at protecting women could result in depressing their wages or discouraging their employment” (Pangestu and Hendytio, 1997, p. 18), making gender-specific laws controversial. In addition to the fact that they might serve as a barrier to women’s employment and contribute to wage inequality, the laws are also not followed in many cases. Complying with breast feeding regulations requires firms either to have a location on the premises for children to stay while their mothers work or to allow mothers to take time off during the day to go home to breastfeed (Pangestu and Hendytio, 1997). The first option increases the costs associated with hiring women because the firm needs to create a daycare for children, which can impede employers from hiring females. The second option seems appropriate in theory, but due to travel constraints, it can be very difficult for a woman to make it home and back to work within the two hour timeframe that is generally allotted for breastfeeding.

With regards to menstrual benefits, although the law requires that employers allow two days of menstrual leave, in many cases they incentivize women to not take advantage of this protection. Companies will practice what is called “buying the leave,” in which they offer female employees two days’ extra pay each month to encourage the women to not take their menstrual leave. If a woman chooses to take the two days afforded to her by the law, however, employers will often not pay her for the two days that she was not present at work, will only pay her for one of the two days or will pay just a fraction of the actual wages. Additionally, some firms require proof that a woman is menstruating. The proof can take the form of a note from a medical

professional or, in some cases, women are required to show their underwear to guards (male or female) to prove their menstrual status (Pangestu and Hendytio, 1997).

Therefore, biological factors impede Indonesian women's participation in the labor force on both the supply and demand side; the burden of managing menstruation and pregnancy in the workplace deters women from entering the formal labor market and the cost of maternity and menstrual leave raises the relative cost of hiring women compared to men.

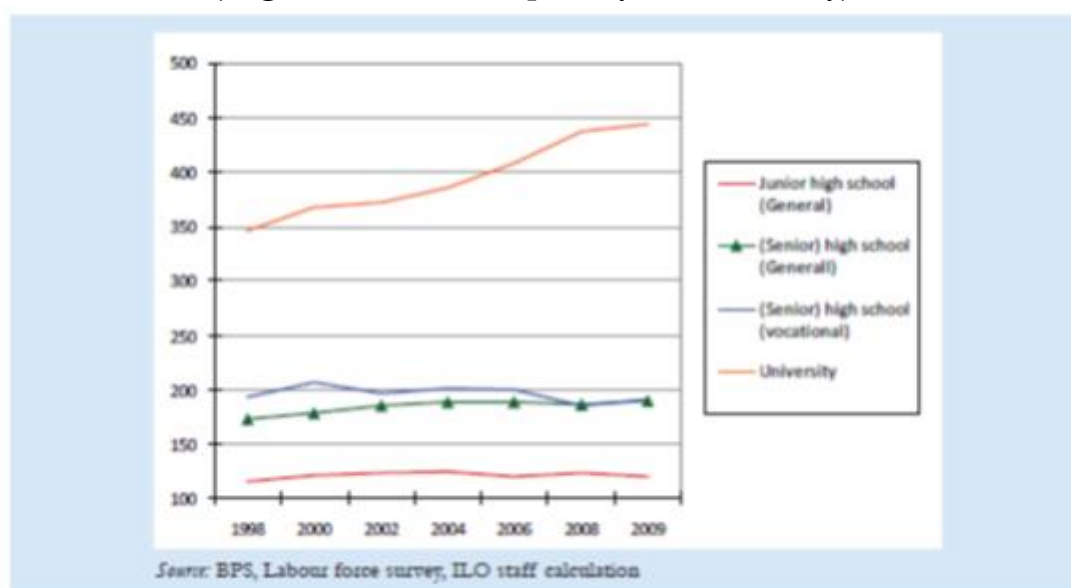
5.2.4: Education

Throughout the developing world, women tend to achieve lower levels of education, which influences both access to employment and wages earned. A lack of a formal education can be a significant barrier to employment because certain jobs require a given level of training and knowledge. Recent improvements in women's education have led to a significant reduction in the educational gender gap. Furthermore, the literature suggests that the returns to education in terms of labor force participation is higher for women than for men, and the correlation between education and labor force participation is also higher for women (Beneria, 2001). However, "obstacles to women's advancement such as those resulting from occupational segregation and discriminatory practices reduce those possible gains" (Beneria, 2001, p. 40). At early stages of development, women are unable to compete for white collar or clerical positions because they lack the educational background of men (Boserup, 1970).

In Indonesia in particular, there used to be a significant gap between men and women's levels of educational attainment, but the disparity has diminished in recent years. This trend can be seen in that while older women average fewer total years of education than do men, the same is not true for younger women (Buchori and Cameron, 2007). The International Cooperation Agency (2011) presents a current overview of the data that exist about educational achievement for women. The net enrollment rate in *primary* education in 2009 was almost identical for men and women, both slightly exceeding 94 percent. Enrollment rates for males and females in *secondary* education in 2009 was 66.79 percent and 68.12 percent, respectively and in 2008 *tertiary* education enrollment rates were 22 percent and 20 percent for males and females, respectively (Japan International Cooperation Agency, 2011).

Educational attainment is an important determinant of an individual's level of human capital and it is also correlated independently with gender wage differentials (Anker and Hein, 1986). In Indonesia in particular, wages are very dependent on levels of education. For example, university graduates earn about 4.5 times the wage that workers with only a primary education earn (International Labour Organization, 2011a). However, the proportion of unemployment for individuals with higher education, including diploma/academy/university graduates, is higher for women than for men. In 2010, 15.4 percent of unemployed women had completed higher education. However, this statistic was only 12.5 percent for unemployed men (International Labour Organization, 2011b). Figure 5.4 summarizes the wage gap by educational attainment:

Figure 5.4: Wage Gap by Educational Attainment
(wage for workers with primary education only)



Source: International Labour Organization, 2011a

Although the education gap as a barrier to employment and a source of wage discrimination in Indonesia is closing, there are still significant disparities in wages between the sexes as well as barriers to women's employment in general. When given the choice to structure their own education via vocational training or when asked why they dropped out of school, the choices made by school-age boys and girls can partly account for the continued employment disparities in the country.

Sardjunani (2008) argues that "gender parity in education is not yet followed by gender equality in public life," and part of her justification for the continued inequality is that girls prefer to study the "soft sciences," like tourism and arts and crafts, while boys prefer to study the "hard sciences," like technology and industry. Tourism courses in 2002-2003 consisted of 94 percent girls and only 6 percent boys, while technology and industry courses were made up of 99 percent boys (Sardjunani, 2008). The tendency of Indonesian women to opt into more "feminized" professions even at a young age serves as an institutional barrier to women's formal employment, as many of those professions are located in the informal market. Additionally, when a 2006 survey asked why children dropped out of school, 27.78 percent of girls cited the reason as "marriage/have to do housework", while only 3.55 percent of boys replied with this rationale (Sardjunani, 2008), further evidence that gender norms dictate many decisions in Indonesia, even at a young age.

5.2.5: Religion and Culture

Indonesia has the largest Muslim population in the world, and Islam is accordingly an important aspect of the nation's identity (Wanadi, 2010). Indonesian Islam is characterized by a diverse set of beliefs and represents a heterogeneous blend of customs and practices (Robinson, 2009; Bahramitash, 2002). However, Indonesian Muslims are generally classified as moderate or liberal

and women in Indonesia are granted a higher social position than are Muslim women in other regions of the world (Houben, 2003; Wanadi, 2010). Regardless of the “better” treatment of women in Indonesia as compared to other Islamic societies, the intricacies of Islam and their interpretations in the Indonesian context still serve as a barrier to women’s participation in the formal labor market.

In Islam, the Qur’an is God’s word as it was revealed to the Prophet Muhammad, and it essentially serves as a guide on how the ideal Muslim should live based on how Muhammad conducted his life in the 6th and 7th centuries (Stowasser, 1994). However, as the world changes and globalizes, the modern-day applicability and flexibility of interpretation of many Qur’anic statements are called into question. It is for this reason that the rights of Muslim women are under such debate; based on the interpretation of the exact same Qur’anic voices, women in one society can be afforded a level of freedom that varies substantially from the rights given to women in a society that interprets the Qur’an differently.

Keeping the spectrum of potential interpretations in mind, when it is evaluated as a complete piece of literature, it is difficult to claim that the Qur’an presents a universal statement about the differences in roles attributed to men and women. However, there are some sections of the Qur’an that can be interpreted in a manner that places women in a position subordinate to men (Yahyaoui Krivenko, 2009). Tucker (2008) has identified six of the 6,660 verses in the Qur’an as being the only ones to foster some kind of male authority over women, and it is male-biased interpretations of these particular verses that have perpetuated patriarchal institutions in Islamic societies (Syed, 2007). Additionally, the Hadith, or Prophetic traditions, can be interpreted conservatively to appear to justify male superiority and the differences in societal roles that are attributed to each sex (Yahyaoui Krivenko, 2009).

Islamic law, in many cases, assigns men and women different social roles, providing men with the means to afford select privileges in particular aspects of economic and social life. Islamic jurists take material from the Qur’an and the Hadith to assert that men are supposed to be the providers in a family, and it is because of these interpretations that men are granted legal authority in both the household and market contexts (Tucker, 2008). One of the most important Qur’anic passages that has been used to assert male authority over women is chapter 4, verse 34 (Tucker, 2008):

*Men are the managers of the affairs of women
For that God has preferred in bounty
One of them over another, and for that
They have expended of their property.
Righteous women are therefore obedient,
Guarding the secret for God’s guarding.
And those you fear may be rebellious
Admonish; banish them to their couches,
And beat them; If they then obey you,
Look not for any way against them; God is
All-high, All-great*

This verse has been used to justify the legal establishment of men as breadwinners and the role of women as obedient and subordinate. One could argue, then, that Islam is intricately tied to the patriarchal norms which were presented earlier in this chapter and also contributes to the social identity threat and domesticity experienced by women in the public domain. In Islam, women have often been assigned arguably unprofessional characteristics, including “shyness, love for adornment and beautification, weakness in disputation, emotionality, sensitivity, cunningness, etc.” (Yahyaoui Krivenko, 2009, p. 58). The combination of publicly accepted, Islam-promoted patriarchy and gender stereotypes can make it very difficult for an Indonesian woman to feel comfortable venturing into the formal labor market.

Women’s participation in formal employment is further inhibited by gender segregation in the workplace, which is the norm in many Islamic societies (Syed, 2007). Much of the literature surrounding cultural and religious exclusion of women from the formal labor market focuses on the social interactions between women and potential male colleagues. Islam dictates that sexuality is a private concept and its presence in the public realm is believed to devalue the quality of work of employees. As a result, it is considered societally just to confine women to domestic work, as a means to eliminating male-female interaction in the workplace. “Female home industries are often located in regions where women keep completely away from other remunerative activities. The social ban on other activities compels secluded women to take to the only activity by which they can earn money without loss of social esteem within their community” (Boserup, 1970, p. 96). Women may also *prefer* to work within the confines of their own home so as to avoid being under the supervision of interaction or being forced to interact with men who are not members of their family (Boserup, 1970).

Many Quar’anic verses and interpretations have become incorporated into *Shari’a* law, which is considered “the exclusive basis for a legal rule acceptable to all Muslims” (Tibi, 1994, p. 278). Bahramitash (2002) describes various aspects of *Shari’a* law which serve as barriers to women’s ability to obtain formal employment in Islamic society, including marital relations, inheritance laws and the structure of the Islamic judicial system. *Shari’a* dictates that a wife must ask her husband for his permission before leaving the house, which hinders a woman’s ability to become involved in the public sphere and also propagates the patriarchal norm that the woman’s role is in the household. Men are also legally allowed to have up to four wives, an arrangement that requires a man to divide his income between all four women (Bahramitash, 2002). Islamic inheritance law and gender roles in the judicial system also adversely affect women’s position in the labor market by inherently affording them less capital than their male counterparts. Islamic inheritance law states that a son should inherit twice as much as does a daughter (sura 4:7-12). In a court case regarding a dispute between males and females over commercial arrangements, male testimonies are considered twice as valuable as female testimonies (Bahramitash, 2002).

Although a brief background on *Shari’a* law is important in understanding the intricacies of gender relations in an Islamic society, the Indonesian government is not based on Islamic law. When the country gained its independence in 1945, the nation refrained from establishing Islam as the state ideology and religion (Effendy, 2003). Since Suharto stepped down from power in 1998, however, the Indonesian government began to transition from one that was in the midst of an aggressive westernization process to one that is increasingly influenced by traditional Islam. Political Islam is still constitutionally abolished, but it has been receiving recent support by

Indonesian society as a whole (Bahramitash, 2002). Additionally, the state has historically shown its willingness to help Muslims practice their religion.

Family law in Indonesia is based on *adat*, which is a mixture of traditional Islamic law and local customs. When interpreting laws that govern family issues, there are three different kinds of courts to handle these matters: Islamic courts, customary courts, and civil courts. Individuals are permitted to choose in which courts they want to address their concerns, but it is customary for Islamic marriages that suffer from divorce and marital disputes to bring up their complaints in Islamic courts (Bahramitash, 2002).

The post-Suharto democratization and recent Islamic revival have created an interesting political dynamic in Indonesia, particularly as the role of gender in modern society is becoming more prominent. While the views of Indonesian women on gender-related issues are far from homogenous, almost every argument is somehow tied intricately to Islam and is being voiced in the now-democratic political forum (Brenner, 2011). Muslim women's organizations have fostered women's political activism and women have become increasingly involved in debates over gender-normative topics such as *Shari'a* law, abortion and pornography (Rinaldo, 2008). Islam is also being increasingly employed as a means to promote equality in a multitude of areas by female activists who tend to be of a younger, more liberal generation. Young women assert that the Qur'an promotes the equality of all of its believers, regardless of gender (Brenner, 2011).

At the same time as the liberal voice is getting louder, conservatives are also increasingly contributing to the discourse, and the nation has seen a growth in fundamentalism as a backlash against recent liberalization. Issues involving gender have become pivotal points of contention between conservatives and liberals. For example, in 2004, the Gender Mainstreaming Team of the Department of Religion released the Counter-Legal Draft to the Indonesian Compilation of Islamic Law. The draft intended to promote a more gender-equal approach to Islamic law by recommending a ban on polygamy, mandating equal inheritance, ensuring rights for women marriage and divorce and a series of other controversial measures. However, the draft incited so much controversy among Muslim conservatives that the Department of Religion removed the draft from consideration soon after it was introduced (Brenner, 2011). More recently, the Bill on Gender and Equality, or "Rencana Undang-Undang Kesenjangan dan Keadilan Gender, which was set to move through Parliament in April of 2012, was opposed by many Islamist groups active in Indonesia. Among the primary complaints of the groups were any provisions that could be seen to encourage female labor force participation, as it would lead to a higher occurrence of conflict within marriage (Jakarta Globe, 2012).

Islam is clearly at the forefront of the political discourse in Indonesia, but it also plays a huge role in bolstering society's patriarchal norms. Traditionally, it has served as a major barrier to women's formal labor force participation. However, as women are becoming more vocal in all realms of national discourse, it will be crucial to continue to monitor their economic positions in Indonesia. Whether those positions reform or revert back to abiding by the more traditional Islamic gender norms generally employed in *Shari'a* law is yet to be determined.

5.2.6: Politics

Indonesia's political system is affected by both Islamic law as well as *adat*. Although the Indonesian constitution decrees that men and women be treated equally, it is in part due to this wide array of influences that women are still not properly protected in practice. The treatment of women has also been affected by the still developing political situation in Indonesia. Evaluating gender roles in this changing political context is important to understand the barriers to women's formal labor force participation that continue to exist in Indonesia today.

Suharto, an authoritarian leader who presided over the Indonesian government from 1967 to 1998, created a "New Order" regime that had a tremendous impact on Indonesia's political environment and economic growth (Encyclopedia Britannica, 2012a). During this authoritarian regime, women were afforded less of a political voice than were men. As a result, the women's movement focused on social reform, and issues concerning marriage, education and inheritance were at the forefront of the gender-related attempts at change. Since Suharto stepped down from power in 1998, however, women have been afforded a greater political voice and the government's handling of gender relations has changed accordingly (Hoodfar and Tajali, 2011). This post-Suharto period, known as *Reformasi*, has seen dramatic changes in the relationship between democratization, social justice, liberalization, decentralization and political Islam (Otto, 2010) and cultural norms with respect to gender, all of which directly impact women's ability to participate in the formal labor market.

Since Suharto stepped down from power, decentralization has emerged as an important aspect of Indonesia's changing political system. The autonomy afforded to specific regions by the decentralization process was intended to increase accountability of the government to the people (Komnas Perempuan, 2010) and it has enabled political decision-making to occur on a local scale (Otto, 2010).

Decentralization has facilitated the spread of participatory democracy throughout Indonesia and has also allowed for the creation of district- and provincial-level policies that address discriminatory practices. For example, thirty-nine regional policies exist to help victims of violence recover by providing these individuals with important services (Komnas Perempuan, 2010). However, many regions have used the autonomy afforded to them by the decentralization process to implement policies that further discrimination, often towards women. A study conducted by Komnas Perempuan (2010) found that there are at least 154 discriminatory local bylaws in Indonesia, 63 of which directly discriminate against women. The study further identified 40 national-level protections that have been in place since the Indonesian Constitution was written in 1945 that are violated by recently implemented regional legislature. In particular, these discriminatory by-laws at the regional or local levels serve to limit women's rights to freedom of expression through dress codes, restrain legal protections on prostitution in a manner that criminalizes women who are seen to be outside alone at night and renders the national legislation that protects women's rights ineffective (Komnas Perempuan, 2010). These laws could potentially limit women's involvement in the labor market, particularly those who work at night. Decentralization has also allowed various local governments to implement Shari'a and *adat* laws (Asian Development Bank, 2006).

Fattore et al. (2010) surveyed Indonesians in order to better understand the nation's support for women being elected to offices. The study found that a majority of Indonesians, particularly active Muslims, support having increased gender equality in government: 61 percent of respondents felt that there were not enough women in government, 33 percent felt that the amount of women currently in government was the right level and 7 percent believed that there were already too many women in politics. Further analysis of the survey results found that Muslim women were more likely to be in favor of female participation in the government than were non-Muslim women, and Muslim males were just as likely to support an increase in female political participation as were non-Muslim males. This finding suggests that Islam may not be linked with an increased level of antagonism towards women's participation in politics (Fattore et al., 2010).

5.2.7: Marriage and Divorce in Indonesia - Theories and Politics

The structure of the family and women's changing domestic responsibilities significantly impact on female participation in the workforce. Marriage and childbirth contribute to the creation of barriers that inhibit women from achieving an easy transition into the formal labor market. Using political economy as a paradigm for modeling women's decisions to seek employment, Iversen and Rosenbluth (2010) developed a model based on home bargaining power, marriage patterns and divorce possibilities to dictate the extent to which women are involved in the workforce. They present the economic efficiency model of the family, used elsewhere in neoclassical explanations for female participation in the workforce. The model draws upon gender-based comparative advantage, presenting a system in which one family member specializes in marketable skills for wages outside the home while the other specializes in household skills and unpaid domestic work. The model is based upon the assumption that both members of the family enjoy comparatively great increasing returns to human capital in their respective domains.

When depicting female autonomy and freedom to work outside the home, Iversen and Rosenbluth (2010) identify marriage and divorce patterns as key incentives that dictate a woman's economic decisions. They argue that the two markets that women might be exposed to are the marriage market and/or the employment market. They conclude that if women are disadvantaged in the employment market, their skills are comparatively more useful in the marriage market. As a consequence, parents tend to prepare their daughters for the marriage market rather than the employment market, especially in a patriarchal society like Indonesia in which formal employment is difficult to attain for women. However, when the termination of a marriage contract is a likely possibility, women are more inclined to pursue education and careers in order to protect themselves in the event of marriage dissolution. In short:

"The possibility of divorce also shapes the bargaining environment in the family. Women are more likely to work—and likely to do less housework—in countries with higher divorce rates. The opposite is true in countries where legal or social barriers to divorce make it difficult to take outside options, even if they exist. Where partners are forced to treat the union as a going concern, bargaining—and the division of family labor—may reflect old social norms more than would be warranted by relative levels of male and female labor productivity alone" (Iversen and Rosenbluth, 2010, pp. 6-7).

Thus, the prevalence and strength of marital institutions dictates female participation in the labor force from a neoclassical, rational actor perspective. Women who face a discriminatory labor market but an active marriage market will concentrate their energies in the marriage market in order to gain the greatest return to their skills. In this situation, men will specialize in outside work, while women will specialize in domestic work. When women face a more uncertain marriage market and divorce is a strong possibility, they are motivated to gain skills that are valued in the labor market. Marketable skills protect a woman in the event of divorce.

Their argument is, in many ways, derived from a discussion of patriarchy. Iversen and Rosenbluth (2010) emphasize the impact of traditional and cultural norms on marriage rates, divorce rates and female labor force participation. If a particular society is highly patriarchal and the marriage market is more lucrative for women than the labor market, women will invest in home skills. Essentially, “the low-participation equilibrium will be bolstered by legal and normative protections of the traditional family, which make investments in household-specific assets less risky for females” (Iversen and Rosenbluth, 2010, p. 26).

Based on Iversen and Rosenbluth’s (2010) theory, investment in Indonesian women is likely predominantly in the marriage market, implicitly encouraging both the public and private patriarchy. As Table 5.1 (next page) illustrates, among married couples, the head of the household is almost always the man, despite the fact that the woman still has to carry out most of the domestic duties. Only when a woman is divorced does she actually earn the title of household head. This is a result of the Marriage Law which defines the husband as the head of the household irrespective of whether or not the wife earns a higher income.

The marital status and the age of first marriage for women have even deeper implications on their ability to participate in the formal economy: 93 percent of Indonesian women between the ages of 30 and 34 either are married or have been married (Statistics Indonesia, 2008). Although the practice as a whole remains traditionally widespread, the age of first marriage for women is rising. While 17 percent of women between the ages of 45 and 49 married before the age of 15, only 5 percent of 20 to 24-year-old women were married before 15 (Statistics Indonesia, 2008). Changes in many socioeconomic factors, such as higher educational attainment, higher levels of income and living in an urban area, can contribute to the trend toward a delay in the age of first marriage (Statistics Indonesia, 2008; Asian Development Bank, 2006). Table 5.2 (next page) reports a breakdown of age of first marriage between rural and urban Indonesia.

Table 5.1: Percentage of Indonesian Household Heads by Sex and Status of Marriage, 2000-2002

| | | 2000 | 2001 | 2002 |
|--------|-------------|------|------|------|
| Female | Not Married | 7.5 | 12.4 | 8.5 |
| | Married | 9.0 | 11.8 | 8.3 |

| | | | | |
|------|-------------|------|------|------|
| | Divorced | 83.5 | 75.8 | 83.2 |
| Male | Not Married | 2.1 | 1.8 | 2.0 |
| | Married | 95.1 | 96.3 | 95.3 |
| | Divorced | 2.8 | 1.9 | 2.7 |

Source: Asian Development Bank, 2006

Table 5.2: Percentage Distribution of Females at Age of First Marriage

| | | <15 | 15-16 | 17 | 18 | 19+ |
|-------|------|------|-------|------|------|------|
| Urban | 2000 | 10.9 | 8.2 | 11.0 | 11.8 | 58.1 |
| | 2002 | 9.5 | 8.1 | 11.0 | 11.6 | 59.8 |
| Rural | 2000 | 17.1 | 13.2 | 14.2 | 14.5 | 41.1 |
| | 2002 | 14.6 | 12.9 | 14.6 | 14.6 | 43.3 |
| Total | 2000 | 14.6 | 11.2 | 12.9 | 13.4 | 47.9 |
| | 2002 | 12.4 | 10.9 | 13.0 | 13.4 | 50.3 |

Source: Asian Development Bank, 2006

The fact that young Indonesian women are delaying marriage has many social, cultural, and economic implications. When girls get married at a young age, they often leave school to dedicate more time to their duties as a wife, a rational decision in line with Iversen and Rosenbluth's (2010) theory. This decision to leave school can be exacerbated by the fact that the educational establishment often prohibits women who are married or pregnant from continuing their education. With lower educational levels, women have fewer present and future economic opportunities. Further, there exist multiple health risks associated with early marriages, primarily because of the perceived reproductive responsibility of new wives. Younger marriages generally lead to younger pregnancies, a trend which leads to a higher incidence of maternal mortality, increased susceptibility to HIV/AIDS and other sexually transmitted diseases and an increased risk of unwanted pregnancies, unsafe abortions, violence and divorce (Asian Development Bank, 2006).

In light of Iversen and Rosenbluth's (2010) model of comparative advantage, along with the statistics presented in this section, it is crucial to take into consideration the state of the marriage market in Indonesia. The current legislation represents a consolidation of state power over marital concerns (O'Shaughnessy, 2009), and Islamic courts, rather than general courts, maintain jurisdiction over Muslim marital and divorce issues (Bedner and van Huis, 2010). The minimum age for marriage is 19 years old for men and 16 years old for women, but marriage for individuals below the minimum age can be obtained with parental consent and the permission of the courts (Asian Development Bank, 2006). Additionally, the Marriage Law 1/1974 reflects many of the patriarchal norms that dominate gender-related discourse in Indonesia, in that it defines husbands as the "heads of the family" and wives as "mothers of the household." Husbands are expected to protect and provide for their wives, while wives are expected to handle household resources and manage the household (O'Shaughnessy, 2009). Polygamy is also still permitted under strict conditions and the approval of the Islamic court, but this ruling only applies to Muslims (Bedner and van Huis, 2010).

The Marriage Law also provides important provisions on divorce and gives the courts the discretion to make decisions about aspects of divorce disputes that are not explicitly addressed. Under the law, judges are supposed to try to reconcile marital disputes. If reconciliation is successful, the couple cannot legally ask for a divorce again for the same reason at a later point. Additionally, child custody, which is an integral facet of all divorce debates, is to be decided on by the courts. Judges are allowed to legally order husbands to financially provide for their ex-wives if they believe that the situation warrants financial support (O'Shaughnessy, 2009).

Islamic courts use the Marriage Law and another set of laws, called the Compilation of Islamic Law, as the main instruments with which to decide verdicts. The Compilation is a national and unified codification of Islamic law. Although its language can be paternalistic at times, it contains some fairly liberal rulings and grants women and men virtually identical legal positions with regards to divorce (Bedner and van Huis, 2010). The Compilation is broken down into three sections: marriage law, inheritance law and religious endowments. Although the Compilation is not a national law, it represents a standard for Islamic courts to follow (Otto, 2010).

Although there is no national legislation on inheritance law for Muslims in Indonesia, Islamic courts use regulations from the Marriage law and the Compilation to hold authority over matters involving inheritance. That being said, the Compilation contains many controversial components that some progressive Muslims believe are too rooted in *Shari'a* law to be justified on more rational-secular grounds. As a result, the 1989 Law on Religious Courts was passed to grant individuals the ability to choose which courts, general or Islamic, to bring cases of inheritance before, as well as whether or not their case will be decided on based on national law, *adat* law, or Islamic law (Otto, 2010).

Today, the Islamic courts still have authority over all issues involving family law for Indonesian Muslims, including inheritance, divorce and child guardianship. 60 percent of applicants to Islamic courts are women and studies have shown that women who do not utilize Islamic courts to dissolve their marriages are, generally speaking, at a disadvantage. However, although they govern many issues that are of direct importance for women, Islamic courts tend

to be underutilized in Indonesia because, among other criticisms, they are costly and inefficient, people are often unaware of Indonesian law in general and many do not understand the benefits of using Islamic courts (Sumner, 2008). As a result, many marriages and divorces are legally unofficial and many others go unreported (Bedner and van Huis, 2007).

CHAPTER 6: OBSTACLES TO EMPLOYMENT AND ADVERSE CONDITIONS OF WORK RELATED TO GENDER

Chapter 5 offers an overview of the literature that exists on specific barriers to entry into the formal labor market from the informal one. Particularly for Indonesian women, these barriers are substantial, and many are prevalent in the labor market because they are infused into Indonesia's societal structure and history. Nevertheless, a significant degree of work in the formal labor market is accessible for women. About 40 percent of female employees in Indonesia are formally employed (Asian Development Bank, 2011). Once in the formal labor market, however, the opportunities for women are not equal to those of their male counterparts.

This chapter will provide evidence as to how and why sex-based discrimination occurs within the formal labor market. Patriarchy continues to perpetuate the existing inequalities within the labor market, and wage discrimination and other forms of employment discrimination exacerbate the difficult working conditions faced by women. This chapter will first consider the effects of patriarchy within the labor market, and it will then describe the theory behind wage discrimination and how it manifests in an Indonesian context. Five specific examples of sex-based employment discrimination are then provided. These are: (1) industrial segregation, (2) occupational segregation, (3) unequal opportunities for promotion, (4) abusive workplace interactions between a supervisor and employee (generally a female employee) and (5) sexual harassment. Evidence on each issue will be provided and their impacts will be considered through both a theoretical lens and in the Indonesian context.

6.1: Patriarchy

Patriarchy and its consequences manifest themselves as a barrier to formal labor market participation, as discussed in Chapter 3. In this section, we will consider its effects on a woman's experience once she is employed in Indonesia's formal labor market.

Patriarchy dictates that a woman's role is in the household, which can make it very difficult for women to be accepted outside of their domestic domain. However, in cases where patriarchal norms do not completely limit a woman's ability to participate in the formal labor market, they *do* restrict women from accessing particular fields of employment in the formal sector and from earning the same levels of pay as men. If a woman chooses to obtain work in the labor market outside of the home, it may still be the case that her occupation tends to be an extension of the work that is generally required of the individual who runs a household (predominantly the woman). As a result, Anker and Hein (1986) argue, these jobs tend to be devalued in society as "women's" work, which contributes to the labor segregation (to be further discussed later in this chapter). Jobs such as teaching, nursing and cleaning are very similar to those that women perform in their own households, making such employment appropriate for women outside the home. The view that domestic work is the only appropriate work for women can be exacerbated by certain religious views. For example, various religions, including Islam, dictate that women need their husband's permission to leave the house (Bahramitash, 2002), which can reinforce societal beliefs that a woman's first priority is her home.

The consequences of patriarchy for “female appropriate” occupations may have intergenerational effects limiting human capital formation. Lim (1983) analyzes the ramifications of viewing females as homemakers, arguing that women are socialized to accept these roles and may not be motivated to gain marketable skills. Patriarchal market structures, then, raise the cost and lower the rate of return on human capital investments for women. In the case that a woman does manage to gain those skills, patriarchy can further act to prevent her from achieving the employment and compensation that would be given to a man with the same skill set. Therefore, patriarchy serves as a barrier to obtaining jobs in the first place and, as women are unable to develop the skills that male laborers have developed, they are perceived as less effective members of society, further propagating the patriarchal views.

Patriarchy plays a role in various discriminatory practices, contributing to both wage discrimination and employment discrimination. Although patriarchy will only be explicitly mentioned briefly throughout the rest of the chapter, it is important to remember that all of the following theories and societal conditions are implicitly tied (and intricately so) to the patriarchal norms which dictate much of the interaction behind Indonesia’s gender relations.

6.2: Wage Discrimination

Wage discrimination is one of the most important indicators of discriminatory labor market practices and processes. However, despite its importance, it is difficult to measure because of the numerous market and pre-market factors that impact both remuneration and labor market participation. Further, the literature on wage discrimination focuses predominantly on wage inequality within developed countries. Nonetheless, the determinants of wage discrimination are based on discriminatory practices that are found in both developed and developing countries.

The following section contains a brief discussion of the literature on wage discrimination, identifies several forces driving wage differentials between men and women and reports findings from empirical studies, both for Indonesia and other countries that attempt to identify the primary causes of wage discrimination.

Goldin and Polachek (1987) define wage discrimination as “the portion of the earnings gap unexplained by individual characteristics” (p. 144). Thus, wage discrimination along gender lines is the female-male wage differential after all other factors, such as education and skill endowments, have been controlled for. This is the definition used in the many of the statistical analyses of discrimination, such as the Oaxaca decomposition (Oaxaca, 1973) Under the framework of neoclassical economics, workers can demand a wage that is equivalent to their marginal rate of productivity.

Some scholars, however, argue that this method is inadequate because it does not consider the wage gap for women at different points of their life cycle, which is significant if women have a higher likelihood of being trapped in a dead-end job (Figart, 1999b). Thus, it is important to take into consideration not only methodologies that measure gender-based wage differentials for identical work, all else equal, but also methods that account for occupational segregation and differences in returns to skills.

Furthermore, discrimination may affect the return to investments in human capital. For example, Garcia-Crespo (2006) studied the returns to promotion in the Spanish labor market, concluding that a significant portion of the male-female wage gap is due to differences in promotion rates between men and women rather than differences in the returns to promotion. While men and women may financially benefit equally from a particular grade, women may not be promoted at the same rate as their male counterparts. Garcia-Crespo (2006) attributed the higher promotion rates in Spain to levels of human capital and job-specific skills.

6.2.1: *Occupational Segregation*

Discrimination may take the more formal form of limiting access to higher paying occupations or occupations in which a promotional ladder is common (Bettio, 2008; Goldin, 1987). According to Blau (1996), gender-focused explanations for the wage gap are built upon the interaction between human capital theory and labor market discrimination. With respect to wage discrimination, the human capital theory posits that gendered divisions in the labor market are based on the traditional domestic division of labor (see Chapter 2 for a more extensive discussion of the human capital theory). As it is the responsibility of women to care of the children, they have less incentive to gain marketable skills and on-the-job training, as they anticipate interruptions and exit from the labor market during child-bearing years. As a consequence, women may be concentrated in industries that require fewer specific skills and have lower penalties for entry and exit from the field (Blau, 1996; Iversen and Rosenbluth, 2006).

Goldin (1987) finds that the distribution of occupations between men and women is a major cause of a gender gap in earnings. Women tend to be employed disproportionately in low-skill or general-skill industries or sectors of particular industries. As a consequence, they have less potential for average earnings and return to human capital investment in employment. With respect to the wage impacts of industrial segmentation, Goldin (1987) finds that within-sector discrimination, or occupational segregation, there is a more significant portion of the gender gap, and altering within-sector earnings had more of an impact on changing the overall gender gap than could be achieved by redistributing the industrial placement of men and women.

Blau (1996) further articulates a concern about the impact of unmeasured skills on wage disparities. According to Blau, “all else equal, the larger the returns to skills and the larger the rents received by individuals in favored sectors, the larger will be the gender gap. Similarly, labor market discrimination and/or actual female deficits in unmeasured skills result in employers treating women as if they have lower unmeasured as well as measured skills. Thus, the higher the rewards to unmeasured skills, the larger will be the gender gap, other things being equal” (Blau, 1996, p. 7). In short, if specific skills are highly valued in terms of industry profitability and remuneration—or if females are perceived as having or actually do have fewer unmeasured skills and employers incorporate this perception into their hiring practices—the gender wage gap will be greater. Unmeasured skills are those that are less tangibly signaled to potential employers during the hiring process. An example of this might be work ethic, which cannot be fully signaled until the employee is actually hired. Women might receive lower returns to unmeasured skills because the theory of statistical discrimination posits that employers would assume that all women have fewer unmeasured skills than do their male counterparts.

Empirically, Blau (1996) supports the hypothesis that occupational segregation and wage structure are key determinants of the gender wage gap through a comparative study of the wage gap in the United States and Sweden. The study ranks men and women in percentiles in terms of earnings and then compares that to a percentile ranking of wages across industries and occupations. Using this methodology, Blau finds that the difference in the gender gap between the United States and Sweden is due to differences in the wage structure. The United States places a higher premium on returns to specific skills in industries in which women are not actively employed (Blau, 1996).

Subsequent empirical analysis found that occupational segregation and the wage gap are positively correlated. Using an individual, household survey methodology, the correlation between occupations and the wage gap was not found to be statistically significant. However, when researchers used matched employee-employer data, the relationship between the level of occupational segregation and the gender wage gap was found to be statistically significant, with many of the studies attributing a large portion of the overall gender wage gap to segregation across occupations, firms and industries (Bettio, 2008).

From a sociological perspective, in which patriarchy is the norm and the labor market is generally considered to be a male-dominated domain, the assimilation into groups based on sex can be quite intense. In Indonesia, only 17 percent of women hold managerial positions (Asian Development Bank, 2006). As most supervisor positions are reserved for males, men may be privileged relative to women when considering wages and who has a “right” to participate in the labor market.

Similarly, social identity theory would posit that male employers would view potential male employees more positively than female ones. Quite simply, because men view other men as part of their in-group, male employees of the same caliber as female employees would get paid more by their predominantly male managers and are more likely to get hired.

6.2.2: *Patriarchy*

According to many feminist theorists and sociologists, patriarchy not only serves as a barrier to entry into the formal sector, but also is a significant factor in wage discrimination. As a woman’s employment is viewed through the lens of domestic responsibilities attributed to her gender, it is commonly assumed that she is only working for “pocket money” because she does not have the societal role of “breadwinner.” Therefore, women receive lower wages because of a perceived “secondary contribution” to the family, and this translates into a societal belief that women lack a desire for upward professional mobility (Lim, 1983).

Indraswari (2006), analyzing ownership of *warung* (small shops) by Indonesian women, found that many of her subjects believed that women were merely working to provide supplementary income. However, female work in fact contributed significantly to the greater household income and economy. Thus, although women are often the primary income earners in the family, employer prejudice and patriarchal institutions and norms bar women from receiving the same pay as their male counterparts for equal work because of the belief that their female employees are secondary income earners.

Moreover, in formal employment, Indonesian workers are entitled to additional allowances that are supposed to help support a family. Men are automatically granted this allowance on the grounds that they serve as the head of the household. Women, however, even when serving as the primary “breadwinner” or as a single head-of-household, are not granted this allowance because patriarchal norms stipulate that females are a man’s responsibility. This norm extends to the provision of health benefits, which are granted directly to the employed woman and cannot be transferred or used for her family, unless she can prove that she has a higher earning rate or is widowed (Indraswari, 2006).

6.2.3: *Differences in Endowments*

Because many of the empirical models of discrimination control for differences in endowments, it is important to explicitly acknowledge that women have differential access to educational and job-training opportunities. While determinants of human capital formation are accounted for in much of the discussion on occupational segregation, pre-market factors are often ignored in the empirical study of the gender wage gaps. Indeed, Goldin (1987) reports the greatest reduction in the gender wage gap occurs when the women gain access to occupations with significant returns to education. Goldin (1987) and Garcia-Crespo (2006), then, demonstrate that the wage gap can be decreased if females have equal access to education, job experience and promotion as men. Blau (1996) shows that if females had access to occupations that had higher returns to skills, the wage gap would be decreased significantly.

6.2.4: *Sexual Harassment*

Sexual harassment may also contribute to a gender wage differential if harassed women avoid their harasser, have poorer mental health or quit employment more often and, therefore, have less employer-specific human capital. However, Hersch (2011) hypothesizes that sexual harassment would be manifested in wage in one of two ways. On the one hand, harassed workers would receive a lower wage following a case of sexual harassment if it negatively impacted on worker productivity. On the other hand, in a competitive labor market, workers would receive additional compensation for working in unfavorable or illegal conditions. Hersch concludes that workers receive a risk premium for sexual harassment that is similar to the risk premium they may receive for risk of fatality or injury on the job. Thus, despite the hypothesis that cases of sexual harassment might decrease wages as a reflection of lowered productivity, Hersch (2010) reports that female workers receive a compensating differential for working in conditions that might result in sexual harassment.

6.2.5: *Wage Discrimination in Indonesia*

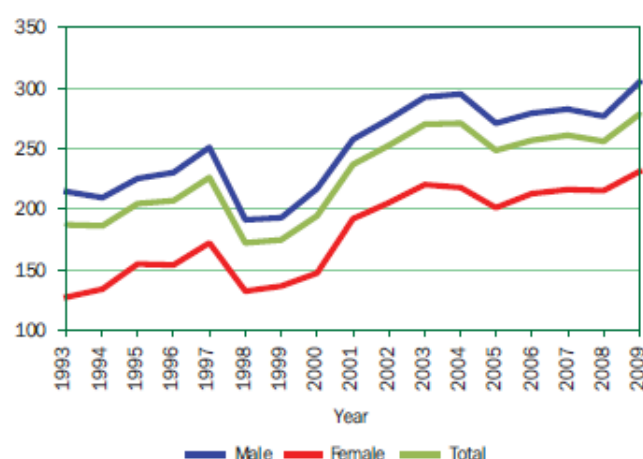
In the case of Indonesia, although gender-based wage gaps are decreasing, there is a considerable gap between male and female average real wages. Due to a tightening of labor markets in the early 1990s and the introduction of a mandatory minimum wage, real wages in Indonesia have been increasing over the past twenty years (Feridhanusetyawan et al., 2001). The increase in real

wages, however, has not emerged uniformly, as the gender-based wage gap still plays a significant role in Indonesian gender inequality.

In 1996, male average real wages exceeded those of females by 33.3 percent; by 2010, statistics show that men still earned 22.1 percent more than women (International Labour Organization, 2011b). The wage gap is even higher for casual employees (those employed in the informal labor market) than for regular employees. Casual male employees earned 52.1 percent more than casual women employees in 2001, 57.0 percent more in 2005, 44.2 percent more in 2009, and 50.6 percent more in 2010 (International Labour Organization, 2011b). Overall, Indonesian women in the labor market earn about 76 percent of their male counterparts' wages (International Labour Organization, 2009), as depicted in the following Figure 6.1 (next page).

Table 6.1 (next page) depicts average monthly wages among Indonesian industrial workers in 2003. This table shows the wage gap in terms of occupational segregation and subsequent levels of promotion. According to this sample, the ratio of female earnings to male earnings does not follow a uniform pattern, with women in the highest position earning the most relative to men.

Figure 6.1: Average Real Monthly Wage of Employees by Gender Indonesia, 1993-2009



Source: Asian Development Bank, 2006

Table 6.1: Average Monthly Wages of Industrial Workers in Indonesia, 2003

| Level | Male | Female | Percent of Female wages as a Percent of Male Wages |
|----------------------------------|---------|---------|--|
| Lower than supervisor | 992.3 | 764.1 | 77 |
| Supervisor | 1,353.6 | 1,058.1 | 78 |
| One level higher than supervisor | 1,850.6 | 1,024.0 | 55 |

| | | | |
|--|---------|---------|----|
| Two levels high than supervisor | 2,520.8 | 1,104.6 | 44 |
| Three levels higher than supervisor | 3,430.0 | 2,557.0 | 75 |
| Expert | 1,759.3 | 1,612.9 | 92 |

Source: Indraswari, 2006

Although Indonesia has ratified the Convention on the Elimination of All Forms of Discrimination against Women (Indraswari, 2006), the compliance with the convention has been limited. Compliance is particularly low in the private sector, where the use of loopholes such as mandated allowances is relatively common and results in paying men more than women. The International Labour Organization (ILO) reports that the continued reality of wage discrimination in Indonesia is linked to the overall status of Indonesian women. According to the ILO (2012a), much of the marginalization of women in the labor market and in terms of wages can be attributed to the perception that a woman's domain is in the household and the prevalence of patriarchal attitudes in the both public and private industry (International Labour Organization, 2012).

Feridhanusetyawan et al. (2001) analyzes the male-female wage differentials in Indonesia using common empirical methods such as the Blinder-Oaxaca decomposition. The authors sought to measure the effect of discrimination based on observed or realized wages by examining the difference between the expected wage of men and women, all else equal. Using data from 1986 and 1997, before the financial crisis, the authors discovered that work experience was a significant indicator of predicted earnings, as was education. Additionally, according to the study, if the individual was the head of household, his or her predicted earnings were higher. The head-of-household effect was higher for men than for women, which is potentially related to some of the allowances awarded to men rather than women. The emphasis on experience confirms the findings that it is the lack of female access to institutions related to the labor market, such as job training and job experience, rather than more unexplained discriminatory practices, that dictate wage discrimination.

6.2.6: *Impact of Wage Discrimination*

If wage discrimination is common and women perceive that they will enjoy a lower return to marketable skills than their male counterparts, it serves as a deterrent for women to enter the labor market. Thus, wage discrimination and lower returns to investment in marketable human capital exist in a feedback loop; women who believe they will be subjected to discrimination in the workforce may not invest in the cultivation of their own human capital. However, low human capital investments contribute to further increasing the wage gap between men and women. Further, low human capital investments contribute to statistical discrimination as employers continue to view women as possessing fewer skills (Bettio, 2008).

Under a neoclassical analysis of individual behavior, lower wage rates are a rational deterrent of labor force participation. Thus, wage discrimination is a significant barrier to formal employment, and is a specific condition of formal labor markets that make it potentially irrational for women to invest in marketable skills.

6.3: Employment Discrimination

6.3.1: Industrial Segregation

Industrial segregation is “the extent to which females in the paid workforce concentrate in particular industries” (Moir and Smith, 1979, p. 281), and it is distinguished from other job-related segmentation because it is along *industry* lines as opposed to occupational lines.

Four theoretical arguments exist which seek to explain the presence of industrial segregation along sex lines in the labor force:

Dual labor markets

Within this theory, the market is classified as containing either primary sector jobs or secondary sector jobs, which are differentiated essentially on the basis of levels of stability. Primary jobs in the formal market generally offer a stable working environment, relatively high wages, the ability to acquire skills on the job, and the opportunity for promotion. Primary jobs also tend to require stability and commitment from their employees. Secondary jobs, by comparison, offer lower levels of stability, lower wages, and little opportunity for growth or long-term commitment (Reich et al., 1973).

Reich et al. (1973) assert that the segmentation of industries did not always exist, arising as a consequence of union activity and internal restructuring within firms, and Anker (1997) argues that segmentation into primary and secondary jobs was followed by gender segmentation. Men, with closer ties to the work force, offer more stability than do women (Anker, 1997). Maternity and menstruation result in more absenteeism on the part of women. These factors in part imply that employers perceive women as less likely to work consistently, serving as a barrier to their employment in the primary sector (Anker, 1997).

However, even in the absence of gender differences in workforce attachment between two workers, Anker (1997) posits that an employer in a primary sector job is more likely to hire the man because of a societal perception that he will be more stable than the woman. Over time, men are more likely to be promoted and to receive higher wages than women, even if they are not inherently more qualified.

The consequence of a dual labor market extends beyond discrimination in employment. The overcrowding model (Anker and Hein, 1986) suggests that women tend to compete for similar jobs, resulting in an overcrowded, feminized segment of the labor market. This increased competition for “women-appropriate” jobs lowers wages. Further, these jobs get relegated into the secondary market (Anker and Hein, 1986). Employers in these secondary industries benefit

from the labor surplus and lower wages in the female sector and can therefore afford to hire women despite their decreased stability (Weeden and Sorensen, 2001).

Imprinting Theory

Imprinting theories posit that the current state of industrial segregation is a result of the history of the development of industries as well as the hiring practices that were performed throughout the course of industrial advancement (Weeden and Sorensen, 2001). As Milkman (1982) explains, an industry's penchant to practice sex-based discrimination is dependent on the social, economic, and political context in which that industry had its beginnings. For example, following the period of war in the mid-twentieth century, the automobile industry in the United States had a historically large proportion of female employees because of the limited supply of male labor during the war years (Milkman, 1982). Once the gender-related position of a given industry is initially established, those gender roles are then institutionalized and perpetuated as the industry continues to develop.

Translation of household gender roles to the labor market

This argument is very closely related to much of the discussion offered in the literature on patriarchy and gender stereotypes. Weeden and Sorensen (2001) suggest that the domestic division of labor may arise within the labor market at large as stereotypes about “women's work” and “men's work” are established. As a consequence, women tend to self-segregate into industries that are culturally and societally similar to either the roles that they assume within the household or the products that they traditionally purchase (Weeden and Sorensen, 2001).

Balkanization

Overall, female representation in a given industry will be low if women are excluded from “port-of-entry occupations” (Weeden and Sorensen, 2001, p. 257). This occupational segregation occurring at the most basic level will escalate into industrial segregation as long as the industry maintains a labor market that is primarily self-contained. Workers who began in those port-of-entry occupations will disperse throughout the industry and will contribute to the further sex-based segregation of the industry (Weeden and Sorensen, 2001).

Industrial segregation on the whole can therefore be attributed to the existence of two distinct industrial sectors, the development of the industry with gender as an endogenous variable, the appearance of household-generated gender norms in the labor market and the transformation of an entire industry into a sex-segregated entity due to gender discrimination in the port-of-entry jobs in the industry.

6.3.2: Occupational Segregation

Slightly different from the relatively horizontal segregation of women that occurs across *industries*, occupational segregation works on a more vertical plane by assigning women to specific *occupations* within an industry. Many of the theories that apply to industrial segregation can also be used to explain occupational segregation (Moir and Smith, 1979). A few arguments do exist, however, that are more specific to occupational segregation:

Human capital theory and the presence of discrimination

In some cases, certain occupations require a specific level of educational attainment, skill development, and other factors that contribute to an individual's level of human capital. Bergmann (1974) notes that the labor market diversifies as it develops due to differences in education and training among potential employees as well as employer production preferences. As a result, specific occupations become more appropriate for individuals with differing levels of human capital. If human capital differences occur along gender lines, occupational segregation based on skill will emerge in parallel with segregation based on gender (Bergmann, 1974).

However, discrimination can force workers out of the jobs that are appropriate given their level of education “into a market which includes workers of a lower educational level” (Bergmann, 1974, p. 106). Bergmann's (1974) argument continues with the claim that most labor-related prejudices towards women are developed rather than inherent, and they tend to reflect the stereotypes that exist about women in society as a whole. Even if a worker has skills that place her in a particular occupation by human capital theory, employer discrimination may result in the exclusion of hiring that worker simply because she is a woman and is therefore assumed to have lower productivity. Statistical discrimination can therefore contribute to modern hiring practices that relegate women to lower-skilled positions despite their attainment of a certain level of human capital.

Gender stereotypes

Stereotypes about women, men, employers, and leaders can all impact sex discrimination in the workplace, regardless to which group an individual subscribes. “Social science research confirms that attitudes toward social groups and the stereotypes that underlie them are a fundamental cause of discrimination in general and sex discrimination in particular” (Eagly and Sczesny, 2009, p. 22). Stereotypes that a particular culture assigns to each gender can translate into expectations about those groups in the workplace and the occupations that are “appropriate” for them. In light of the fact that an individual's sex is one of the first characteristics that someone notices about him or her, gender-based stereotypes are extremely powerful (Eagly and Sczesny, 2009).

The sex-based occupational gap that has developed as a result of gender stereotypes has many implications for the ability of women to effectively assimilate into the labor market, particularly the formal one. Esther Boserup (1970) discusses the impact of current gendered job segregation on future demographics of the labor market. She notes that as countries and industries develop and begin to use new technologies, if men are more active in the labor market, they will learn and pass on the knowledge of new technologies. “Men become familiar with

modern equipment and learn to adapt themselves to modern ways of life, while women continue in the old days” (Boserup, 1970, p. 127). Not only does this structural reality limit women’s exposure to spillover knowledge of new technologies and industrial methods, but it also increases the wage gap, as women are forced to take employment in less lucrative industries. “Thus, hand in hand with the cleavage in productivity and in attitudes, an income gap is likely to emerge between men with rising wages in the modern sector and women with unchanged or declining incomes in the shrinking traditional sector” (Boserup, 1970, p. 127). This argument can be found elsewhere in the literature on gendered disadvantages in the workforce, and it applies not only to women entering the formal workforce for the first time, but also to women’s potential to reenter the workforce at different stages of the life cycle. Both industrial and occupational segregation can therefore be attributed to gender stereotypes.

Stereotype threat can also contribute to the continued prevalence of industrial and occupational segregation in the labor market. If a woman believes that she is more likely to experience stereotype threat in certain industries or occupations, she might avoid those domains entirely (Steele et al., 2002). These industries or occupations would therefore be poorly represented by women. The dearth of women has negative implications for their future participation because fewer women will pursue the skills necessary for success in those domains.

Occupational and industrial segregation are prominent experiences in the labor market. Studies have concluded that if men and women were hired simply based on aptitude, “men and women would be found in approximately equal numbers” (Lewis, 1982, p. 416). However, even in developed countries like Australia, it is still “well established that women are concentrated in a narrow range of occupations and industries” (Lewis, 1982, p. 406).

In the United States, labor market segregation was explicitly measured using a model developed by Duncan and Duncan (1955). Blau and Hendricks (1979) projected the 1985 segregation index in the United States to be 60.10; on a scale of 0 (identical distributions of men and women throughout occupations) to 100 (complete segregation), a score of 60.10 implies that segregation is still prevalent. Table 6.3 (next page) reports similar findings for the United States. Most industries in the 1960s and 70s were almost entirely male-dominated or almost entirely female-dominated. Very few were integrated (5.7 percent integrated in 1970).

Table 6.3: Gender-Based Industry Segregation in the United States, 1960-1974

| STABILITY IN THE SEX LABELS OF DETAILED OCCUPATIONS, 1960-1974 | | | | | |
|---|-------------------------------------|-------------|---|-------------|-------------|
| Sex Label | Fixed Sex Labels All Occupations | | Variable Sex Labels* Large Occupations | | |
| | 1960 (1) | 1970 (2) | 1960 (3) | 1970 (4) | 1974 (5) |
| Male | 289 | 305 | 162 | 168 | 163 |
| Integrated | 27 | 25 | 17 | 19 | 19 |
| Female | 124 | 110 | 88 | 80 | 85 |
| Total | 440 | 440 | 267 | 267 | 267 |
| <i>Percent</i> | | | | | |
| Male | 65.7 | 69.3 | 60.1 | 62.9 | 61.0 |
| Integrated | 6.1 | 5.7 | 6.4 | 7.1 | 7.1 |
| Female | 28.2 | 25.0 | 33.0 | 30.0 | 31.8 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: U.S. Bureau of the Census, *U.S. Census of Population: 1960*, Final Report PC(2)-7A, Subject Reports, Occupational Characteristics (Washington: U.S. Government Printing Office, 1963), Table 1; U.S. Bureau of the Census, *U.S. Census of Population: 1970*, Final Report PC(2)-7A, Subject Reports, Occupational Characteristics (Washington: U.S. Government Printing Office, 1973), Table 1; 1975 Current Population Survey, Annual Demographic File, computer tapes.

Source: Beller, 1982

Table 6.4 (next page), also from the same United States-based study, considers the trend over time of occupational segregation. The data presented in this table reveal that segregation is still widely prevalent but is diminishing, albeit slowly. The Indonesian economy is even less developed than that of the United States, and it is likely that desegregation is not as evident in that labor market.

Table 6.4: Employment Rates in Male Occupations in the United States, 1967-1974

| PROPORTION OF WORKING MEN AND WOMEN EMPLOYED IN MALE OCCUPATIONS FOR 1967, 1971, AND 1974 | | | |
|--|------|------|------|
| | 1967 | 1971 | 1974 |
| Men | .604 | .807 | .805 |
| Women | .087 | .137 | .153 |

Source: U.S. Bureau of the Census, *U.S. Census of Population: 1960*, Final Report PC(2)-7A, Subject Reports, Occupational Characteristics (Washington: U.S. Government Printing Office, 1963), Table 1; Current Population Survey, Annual Demographic File, 1968, 1972, and 1975.

Source: Beller (1982)

Sex-based industry segregation has adverse consequences for economic growth and productivity. Industrial and occupational segregation often place workers in jobs based on gender stereotypes rather than inherent skill differences. Employment in jobs in which individuals have a comparative advantage will not only increase productivity, but will also reduce wage inequality between men and women (Lewis, 1982; Blau and Hendricks, 1979).

6.3.3: Failure to Promote

There is an array of psychological theories that attempt to explain the current practices of promotion in the workforce. One of these main arguments rests on the concept of self-promotion, which “includes pointing with pride to one's accomplishments, speaking directly about one's strengths and talents, and making internal rather than external attributions for achievements” (Rudman, 1998, p. 629). Self-promotion tends to express itself during the negotiation of one's initial salary, asking for a raise and talking about one's accomplishments. Such behaviors are less common in women than men.

Babcock and Laschever (2003) find that women negotiate two to three times less often in the workplace than do men, and they believe that this finding might understate the actual difference. In certain settings, the gender disparity is even larger. For example, one study of graduates from Carnegie Mellon University found that men were eight times more likely than women to negotiate their starting salary, resulting in starting salaries that were an average of \$4,000 higher than women's starting salaries (Babcock and Laschever, 2003).

Estimates of the effect of a lack of salary negotiation by women suggest that female employees who do not negotiate their starting salary can lose at least half a million dollars over the course of their employment (Babcock and Laschever, 2003). In addition to affecting wages, negotiation serves as a fundamental form of self-promotion in that it “enhances the attribution of competence [and] it may provide women a means of counteracting gender stereotypes in the workplace” (Rudman, 1998, p. 629).

Gender stereotypes, however, *discourage* women from negotiating and self-promoting because of the tendency for women to experience more resistance than men. Babcock and Laschever (2003) find that people's perceptions of self-promoting behavior are strongly swayed by a person's sex. “[M]en are thought to be assertive, dominant, decisive, ambitious, and self-oriented, whereas women are thought to be warm, expressive, nurturing, emotional, and friendly” (Babcock and Laschever, 2003, p. 62). As a result, women are believed to be less focused on themselves and more focused on the general community. In the workplace, gender stereotypes thus manifest themselves as a lower tolerance for “self-centered” behavior such as self-promotion on the part of women, generating a shared social belief that it is okay for women to not always get what they want (Babcock and Laschever, 2003).

Women are, therefore, “particularly likely to be modest in public versus private situations, ostensibly in reaction to normative pressures” (Rudman, 1998, p. 630). Men are conditioned to self-promote in order to maintain a competitive edge among other men.

Gender norms associated with self-promotion can inhibit the ability of women to not only promote themselves but also to be promoted by higher-level supervisors. As female employees tend to avoid self-promotion, it is unclear to their employers whether they are even interested in receiving a promotion. Rudman (1998) found that men consider self-promoting women to be more hireable than self-effacing women. However, since women view self-promoting behavior as less socially attractive, they are less likely to engage in it. Therefore, a

disparity exists between the message that women are trying to send (their desire to be promoted) and the manner in which they are signaling that message (manners other than self-promotion).

Employment segregation notoriously manifests in the layman's literature as the "glass ceiling" paradigm, or the belief that some theoretical structure exists which inhibits the ability of women to achieve leadership roles equivalent to those held by their male counterparts. Much of the existence of the glass ceiling can be attributed to gender stereotypes and other conditions that relegate women to jobs below those of men in the occupational hierarchy. For example, Eagly and Sczesny (2009) provide evidence that "traditional stereotypes about leaders are predominantly masculine" (Eagly and Sczesny, 2009, p. 25). Additionally, because leaders tend to be associated with more masculine traits, women who are physically attractive are perceived as less capable leaders, while more attractive men are believed to be better leaders (Oakley, 2000).

The presence of a gender bias in the labor market is visible in virtually every economy. In the United States, about 40 percent of managers are women, and only 0.5 percent of the highest paying management jobs are held by women (Oakley, 2000). The glass ceiling paradigm is particularly relevant in Indonesia, where just 17 percent of women hold managerial positions (Asian Development Bank, 2006).

There are several behavioral and cultural phenomena that comprise these gender stereotypes, all of which help explain the occupational segregation disadvantaging women from success in high managerial positions. The first of these is the behavioral "double-bind," a situation in which, regardless of what a person chooses to do, he or she cannot succeed or "win" (Bateson et al., 1956). Double-binds manifest for women in leadership roles in that they have to be authoritative enough to perform as well as a man would but they cannot be too aggressive lest they be perceived as a "bitch" (Oakley, 2000, p. 324). Women are required to walk the fine line between maintaining some semblance of femininity without compromising their ability to appear competent. In the same vein, the societal perception of women's style of communication, which is generally less assertive and aggressive, can make women less attractive as potential leaders in a corporation or industry (Oakley, 2000).

Because men and women are arguably inherently different in their behavior, it has been a difficult societal shift towards viewing female leadership styles to be as effective as male styles. Oakley (2000) finds that women in leadership roles are more likely to share power and information, which can certainly be a positive trait in many situations but is also strikingly different from the more traditional style of prominent CEOs. The "old boy" network is the male social system that exists at the upper levels of organizations, essentially acting as an exclusionary club where male leaders form exclusive friendships with one another (Oakley, 2000). Simon and Warner (1992) found that companies prefer to promote people who are associated with such or were recommended by other members of such networks, particularly other men. A woman is therefore perceived as a threat to the male domain at the top of the corporate structure.

The old boy network represents a structural manifestation of gender stereotypes that serves to strengthen the barriers to women attempting to work in high managerial positions. There exist other more structural factors extending beyond behavioral or cultural norms in the same manner.

Institutionalized corporate policies are one of the major factors that extend beyond sexual stereotypes in supporting barriers to promotion for women. One of the ways in which this occurs is through differential training and development paths. Holding a top leadership position generally requires having previously worked a job in the “pipeline,” or the more traditional route to the top ranks. The “pipeline” generally runs through occupational areas such as marketing and operations. The majority of women who are already in senior roles, however, only have experience in areas such as human resources or public relations. Such a work history may make them less attractive for promotion to even higher levels. Because of the occupational segregation that was discussed earlier, many women are not offered jobs early enough in their careers in the sectors that give them the skills necessary for the highest levels of management, hindering their ability to build up an attractive reservoir of experience (Oakley, 2000). Further, the acceptability of the promotion of women to higher roles in the labor market is still relatively young. Oakley (2000) explains that many corporations are still working to educate employees of all ranks on the importance of diversity and leadership training for everyone, regardless of gender. While structural factors such as these may encourage occupational segregation, even women who do make it into managerial positions suffer from gender inequality. As discussed in the wage discrimination section of this chapter, women earn significantly less than their male counterparts, an inequality continues to persist even at the CEO level. An overview of US and Canadian Fortune 500 companies all reveal that women leaders earn between 64 and 68 cents for every dollar that male leaders earn (Oakley, 2000).

Better Work Indonesia (2012) found that 91.5 percent of employees in the female-dominated garment industry have never been promoted. Based on a survey of 918 workers, 38 percent of the survey respondents believe that there are no real barriers to their promotion, and another 19.7 percent believe that they do not have the appropriate skill level necessary for promotion. The workers attribute much of this lack of skill to their belief that they have received insufficient training and do not have enough experience in multiple occupations within the industry (Better Work Indonesia, 2012). On a scale of 1 to 7, where a score of 1 indicates little investment in training and development of staff and a score of 7 indicates heavy investment in attracting and training employees, Indonesia received a score of 4.6 in 2008 (World Economic Forum, 2008), ranking it below its neighbors Malaysia and the Philippines.

6.3.4: Interactions between Supervisors and Employees (Verbal and Physical Abuse)

In order to achieve a comprehensive understanding of working conditions for women in Indonesia, it is necessary to consider the existence of violence and aggression in the workplace. Workplace violence can be classified on a continuum of behaviors, ranging from less severe (such as yelling) to the most severe (such as physical harm or murder) (Greenberg and Barling, 1999). Greenberg and Barling (1999) consider specifically the causes of violence and aggression in the workplace. They find that aggression targeted at subordinates tends to be predicted by combinations of procedural injustice, alcohol consumption, job security and a history of aggression. As far as the employees towards whom aggression and/or violence is most likely to be directed, “individuals are either more likely to interpret subordinates’ behavior in a way that elicits frustration and anger or that anger is more readily expressed to subordinates” (Inness et al., 2008, p. 1407), putting subordinates in a particularly vulnerable position. Using the definition

that includes both objective acts of abuse and more subjective forms of sexual harassment, sexual harassment can be defined as

“Any insult or inappropriate remark, joke, insinuation and comment on a person’s dress, physique, age, family situation, etc; a condescending or paternalistic attitude with sexual implications undermining dignity; any unwelcome invitation or request, implicit or explicit, whether or not accompanied by threats; any lascivious look or other gesture associated with sexuality; and any unnecessary physical contact such as touching, caresses, pinching or assault” (ILO, 2005, p. 13).

Tepper (2007) uses the term “abusive supervision” to refer to nonphysical abuse by supervisors of their subordinates. Abusive supervision can manifest as “angry outbursts, public ridiculing, taking credit for subordinates’ successes, and scapegoating subordinates” (Tepper, 2007, p. 262). Although abuse that is purely emotional in nature is more common than is physical abuse (Einarsen, 1999), physical abuse is also a concern, as is anything else that is considered harassment.

Although many explanations for workplace harassment and bullying exist, including envy and competition about status and job position, “it may also be the case that the victim is attacked because he or she belongs to a certain out-group...In such cases the victim is attacked as a representative of an out-group which the employees of the said organization justify as legitimate to subject to aggressive behavior. The victim may even be bullied by being an easy target of frustration and stress caused by other factors... the group may turn its hostility towards a person who is less powerful than themselves, using this person as a scapegoat” (Einarsen, 1999, p. 23). This explanation is particularly salient as far as women in Indonesia are concerned. The fact is it can be commonly perceived that their societal place is in the home means that they could be considered less powerful and, to a certain extent, less valid members of the formal labor market and may be bullied as a result.

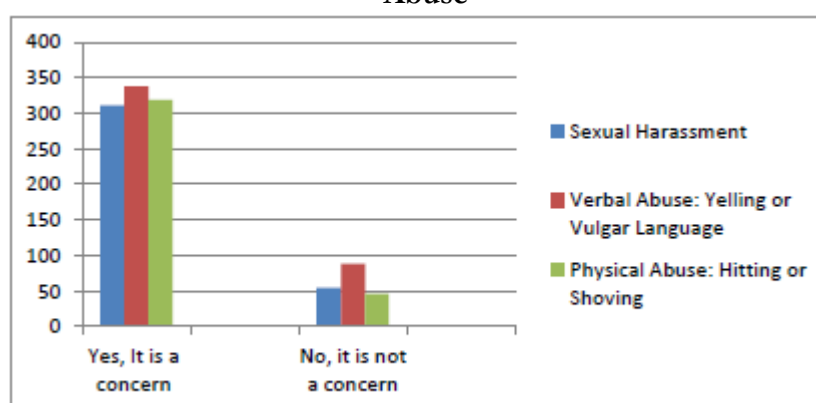
Abusive supervision and other types of harassment and abuse have been found, through a conglomeration of workplace relations-related studies, to have many different consequences on the welfare of the worker. “Abusive supervision is negatively related to job satisfaction... and organizational commitment... and positively related to intentions to quit” (Tepper, 2007, p. 274). Unfavorable attitudes on the part of the worker are exacerbated when the worker feels as though he or she has minimal job mobility (Tepper, 2007), a condition that is often characteristic of the low or unskilled female Indonesian worker. Economically, abusive supervision can reduce productivity because many subordinates will respond to mistreatment by resisting against their supervisors’ requests, abusing alcohol to symbolically reflect their discontent and reacting negatively to coworkers (Tepper, 2007). The consequences of workplace harassment (including physical abuse) can be so severe that, according to Einarsen (1999), many victims even express symptoms that can be classified as post-traumatic stress syndrome, including “insomnia, various nervous symptoms, melancholy, apathy, lack of concentration and socio-phobia” (Einarsen, 1999, p. 17).

Abusive supervision and emotional abuse are very prevalent in the workplace in both the developed and the developing world, although abuse overall appears to be more prevalent in developing economies. In the United States, for example, about 13.6 percent of workers are

affected by abusive supervision (Tepper, 2007). One study conducted in Indonesia found that 79.3 percent of workers in the predominantly female garment industry in Greater Jakarta were concerned with verbal abuse in the form of yelling or vulgar language. 19.3 percent of workers report being yelled at, 11.2 percent have been insulted and 5.2 percent were addressed with vulgar language (Better Work Indonesia, 2012).

Physical abuse is also a major concern on the part of employees. In Indonesia it concerns workers even more than purely emotional or verbal abuse. Merely 12.6 percent of garment industry employees in Jakarta and surrounds reported that they were *not* concerned with physical abuse in the form of hitting or shoving (Better Work Indonesia, 2012). Despite the concern with both verbal and physical abuse, 98.8 percent of survey respondents believe that their supervisors' ability to follow the rules of the factory is at least fair, with 69.7 percent considering the rule-following tendencies of supervisors to be good or better (Better Work Indonesia, 2012). Figure 6.2 shows the extent to which workers are concerned with their welfare in the workplace.

Figure 6.2: Indonesian Apparel Sector Worker Concerns with Sexual, Verbal and Physical Abuse



Source: Better Work Indonesia, 2012

These data show an alarming disparity between the prevalence of negative workplace interactions between Indonesian employees and their supervisors and the extent to which said negative treatment is considered acceptable. The fact that many employees in the garment sector in greater Jakarta believe that their superiors are behaving within the realm of respect combined with the threat of abuse implies that abuse and other poor workplace conditions are less likely to be addressed without intervention. The tenuous relationship between subordinates and supervisors is evident, for example, via the fact that while 83.2 percent of a sample of Indonesian garment workers express concern with low wages, only 17.6 percent of all workers discussed this concern with a superior. Additionally, although 79.3 percent and 87.4 percent of workers were concerned with verbal and physical abuse, respectively, fewer than one-third chose to bring up their concerns with supervisors (Better Work Indonesia, 2012).

6.3.5: *Sexual Harassment*

Another important component of gender theory that must be considered when evaluating discrimination in the labor force is the societal perception of sexual harassment in the workforce. Sexual harassment is not prohibited under Indonesian law; however, physical or sexual assault, indecent exposure, stalking, obscene communications and distribution of pornographic images are all covered by the Penal Code in Indonesia (International Labour Organization, 2010). Trade union representatives are often the ones responsible for responding to complaints and cases of sexual harassment (International Labour Organization, 2010). Additionally, immoral acts can be used as a cause for termination of employment if it is proven through a criminal court investigation; therefore, while not explicitly stated, sexual harassment can be grounds for termination of employment if it falls under the categorizations listed above.

Sexual harassment itself can be both a barrier to women entering the workforce and a source of discrimination in the workplace, particularly prevalent if prospective workers or current workers are particularly fearful of being subjected to that behavior. It is also a significant manifestation of discrimination in employment against women. For women who still choose to enter the workforce, sexual harassment can contribute to higher rates of turnover among women and job segregation (Anker and Hein, 1986). Within the developing world, sexual harassment can be of particular concern because certain societal structures may make sexual harassment more likely and the consequences more severe. Poverty may be a contributing factor since concerns with income may make quitting a job or not taking a job for fear of unsafe conditions less likely. For societies in which men are less used to being in the same workplace as women, they may have a greater tendency to exhibit certain behaviors that could be considered consistent with sexual harassment (Anker and Hein, 1986).

In a sexual harassment study by Fitzgerald et al. (1997), the prevalence of sexual harassment is seen as a function of both “organizational climate” and “job gender context.” The impact of sexual harassment at work can be seen through three different lenses: (1) job outcomes (job satisfaction), (2) individual psychological outcomes (anxiety and depression) and (3) health outcomes. The antecedents of sexual harassment are, most importantly, organizational context and job gender context. Organizational climate represents a firm’s code of tolerance toward sexual harassment, and job gender context represents the gender relations within a firm, such as the gender ratio. These antecedents, in turn, can lead to sexual harassment, which can result in withdrawal from the work environment, health conditions such as sleep disturbance and nausea that impact one’s ability to work and psychological conditions, the nature of which is rooted in levels of vulnerability and response styles (Fitzgerald et al., 1997).

Job stress was also found to impact on the ways in which the subjects dealt with instances of sexual harassment (Fitzgerald et al., 1997). Both a hostile organizational climate and semblance of tolerance for such behavior and a male-dominated workplace were found to be statistically significant predictors of higher levels of sexual harassment. Subjects in the study who had experienced sexual harassment reported themselves to be more likely to skip work or look for new work (Fitzgerald et al., 1997). Thus, the presence of high levels of sexual harassment in the workforce contributed to absenteeism, high turnover rates and considerations of leaving work.

Not only does the fear of sexual harassment deter women from entering the labor force, but particular cultural factors can significantly increase the extent to which women either confront or avoid dealing with sexual harassment as well. Psychologists Wasti and Cortina (2002) studied the difference in coping methods between collectivist and individualistic cultures. In social psychological literature, the methods of coping with sexual harassment are characterized as advocacy seeking, social coping, avoidance/denial and confrontation/negotiation (Knapp et al., 1997). Wasti and Cortina (2002) found that subjects from more traditionally collectivist cultures (in their study, this group was represented by Turkish and Hispanic American women) were more likely to avoid reporting instances of sexual harassment, while Anglo-American women were more likely to confront the problem. Because collectivist cultures place a high emphasis on “concerns for harmony” and often operate under traditionally patriarchal social institutions that place a high premium on female purity, women in those cultures are deterred from reporting cases of sexual harassment (Wasti and Cortina, 2002). Thus, if a woman from a collectivist culture believes that there is a high rate of sexual harassment in the workplace, she might be more inclined to avoid the workplace altogether, rather than participating in advocacy-seeking methods of coping with sexual harassment.

Sexual harassment that goes unreported or untreated negatively impacts on job performance, job satisfaction and remaining in the work position. However, an empirical study by Antecol and Cobb Clark (2006) found that it was not solely the experience of sexual harassment but also the way in which women handled the sexual harassment that dictated the impact of sexual harassment on job performance and satisfaction.

6.4: Barriers and Conditions in Context

It is clear, as this chapter explains, that discrimination is very prevalent in the Indonesian labor market, even in the more regulated formal market. In an effort to better understand the wage and employment discrimination experienced by Indonesian women, the following section offers an overview of the traditionally female-dominated textile, garment, and footwear industries. As Pangestu and Hendytio (1997) found in their survey of 300 Indonesian workers in the textile, garment, and footwear industries, 75 to 85 percent of the female employees are single and are between the ages of 15 and 43. Better Work Indonesia’s (2012) survey of 918 workers in the garment industry offers an even more specific age breakdown of the workers. Of those 918 individuals, 92.2 percent are female and the majority are young; 80.3 percent are between the ages of 21 and 35. 38.3 percent and 38.6 percent have sons and daughters, respectively. The incidence of child bearing suggests that many women leave the workforce once they have children, leaving only a minority of mothers employed (Better Work Indonesia, 2012). Females who are young and single are more likely to be employed in part because they are at a lower risk of pregnancy and are more likely to be healthy, thus making them more attractive to employers.

Levels of educational attainment of female workers in these industries also make them attractive to employers. Reported educational attainment in these surveys exceeds the level of education of the average Indonesian. Better Work Indonesia (2012) found that 37.3 percent of the workers in their sample completed high school, while only 24.2 percent of women in the overall Indonesian population hold a secondary school-level education. Pangestu and Hendytio

(1997) also found that the majority of women in the textile and footwear industries are high school graduates.

The Better Work Indonesia (2012) survey reveals that most women in the garment industry (45.8 percent) have already held another apparel job in the formal labor market in Indonesia. 28.8 percent of the survey respondents did not hold any other job before their current one, which leaves only a minority of the workers surveyed who transitioned into the garment industry from the informal sectors. Additionally, in line with the fact that female employment tends to be less stable than employment opportunities for men, the majority (50.6 percent) of the workers surveyed held their current job for fewer than two years, and 40.4 percent have been in their current position for less than a year (Better Work Indonesia 2012). Pangestu and Hendytio (1997) found a similar trend in transient employment for females in the textile, garment, and footwear industries: 68.6 percent had held their current job for three years or less.

Life as an employee in the Indonesian workforce is, in many ways, less than ideal, as “occupational health and safety issues are of significant concern for Indonesia” (Better Work Indonesia, 2012, p. 10), particularly in the textile and manufacturing industries. In 2011, 3,848 companies violated Indonesia’s Safety and Work Health Norms, and in 2010, 98,711 work accidents were reported (Better Work Indonesia, 2012). Pangestu and Hendytio (1997) found that, of the 80 percent of workers that said that they were experiencing deleterious health conditions, 60 percent of those conditions were attributable to work. Better Work Indonesia’s (2012) survey found that within the garment industry, issues of thirst, heat, chemicals, and workplace hazards are particularly relevant; 72.7 percent of respondents are concerned about injuries. Worker insecurities about safety could be a result of the fact that only 63.8 percent of those in the garment, textile, and footwear industries report being provided with safety equipment (Pangestu and Hendytio, 1997). Additionally, not everyone wears his or her protective equipment; 36 percent of workers report that the equipment is not comfortable, and another 17 percent do not like the equipment (Pangestu and Hendytio, 1997). As an indicator of the sense of empowerment that these female garment workers feel, despite the majority having a concern with workplace conditions, only 42.4 percent have discussed the issue with a manager, and fewer than one-fifth have mentioned their concerns to a trade union representative (Better Work Indonesia, 2012).

Besides physical health concerns, sexual harassment and other abuse appears to be a large problem in women-dominated, labor-intensive industries. 85.2 percent of workers surveyed in the Better Work Indonesia (2012) survey reported that they had concerns about sexual harassment, while concerns with verbal abuse (i.e. vulgar language) and other types of physical abuse (i.e. hitting) affected 79.3 percent and 87.4 percent of workers, respectively. What is perhaps even more alarming than these high rates of concern is the fact that 98.7 percent of workers feel that their supervisors follow the rules of the workplace (Better Work Indonesia, 2012), which serves as an empirical indicator of the above psychology on female employees believing that physical and verbal abuse is acceptable at work. While the pervasiveness of sexual harassment is discussed extensively above, these statistics illustrate the severity of the situation specifically in Indonesia.

Although female employees in the formal labor market do not represent the majority of Indonesian employees, it is still important to understand the conditions that these women face. The women who are employed in the textile, garment, and footwear formal industries tend to be, from a profitability perspective, the most ideal employees because they are generally young, single, and relatively well-educated. Despite these assets, the conditions are less than ideal for these women. Work hazards and sexual harassment are of particular concern, even though labor regulations are present regarding both issues. Additionally, industrial and occupational segregation continue to dominate labor market structure, suggesting that the concept of the “glass ceiling” is even more opaque than its name suggests.

CHAPTER 7: KEY FINDINGS, CONCLUSIONS AND DIRECTIONS FOR RESEARCH

This literature contained a synthesis of scholarship on labor trends, gender attitudes and discrimination, both in a worldwide context and in an Indonesian-specific context. The key findings are summarized below:

1. Indonesia has moderate views towards gender equality. While just over half of polled Indonesians believed that men should have more right to a job than women, or that men make better political leaders than women do, less than half believe that men make better executives, and only 20 percent believe that education is more important for a boy.
2. Neoclassical economic theory posits that employers seek to maximize profit by hiring employees who will minimize unit cost of production. This requires a calculation of comparative worker productivity. Comparative worker productivity can differ along gendered lines through differences in human capital attained by men and women. Neoclassical models of discrimination attempt to model why and how workers deviate from profit maximizing employment practices. This can occur if the employer has a taste for discrimination, and believes that a loss of profitability is a good exchange for not associating with members of a particular group. Statistical discrimination occurs as a result of asymmetric information and signals of individual potential productivity that are based on assumptions of group-specific perceptions of productivity.
3. Feminist explanations of labor market trends take into consideration not only economic theory but also cultural factors, institutions rooted in patriarchy or religious practices and socioeconomic indicators. Many gender-based analyses of employment and hiring practices are rooted in the traditional division of labor in which the women's sphere is predominantly domestic. Additionally, feminist theories discuss pre-market forces that lead to labor market discrimination, including differences in human capital accumulation. Finally, feminist theories emphasize the importance of other characteristics of collective identity, such as race, ethnicity, class and sexuality.
4. Through the process of depersonalization, individuals adopt the characteristics of a group into which they would like to assimilate. This leads to individuals viewing their group with favoritism; in the case of the male-dominated labor market, where men are the in-group, this leads to in-group favoritism that disadvantages female workers.
5. At initial phases of development, women leave the workforce and specialize in the home. When countries are primarily agrarian, women are employed under subsistence farming. Then, new technology displaces female workers. As education levels increase and cultural attitudes become more egalitarian, women return to the workforce.
6. Members of disadvantaged and marginalized groups, such as women, are employed in disproportionately high numbers in informal sector jobs, which offer less accountability, stability and benefits than jobs in the formal sector. In the case of Indonesia, patriarchal norms are one of the most significant barriers women face when transitioning from the informal market to the formal market, as female workers face sizable physical constraints due to their domestic responsibilities, and are limited to "female appropriate labor" in the eyes of a patriarchal society. Numerous political and cultural institutions contribute to a

patriarchal mentality that is still active in Indonesian society. While numerous other factors, including biological factors, religion, politics, marriage trends and education, can bar women from the formal labor force, in Indonesia, patriarchal attitudes appear to dictate many of the underlying barriers to labor force participation.

7. Once women are employees in the formal workforce, they face many constraints, including wage discrimination, industrial segregation, occupational segregation, verbal abuse and sexual harassment. These conditions are not only adverse conditions that affect female productivity, but are also deterrents to participation in the labor force, if their presence and prevalence is well-known.

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