ABSTRACT

Half of human capital, especially women has not been optimally utilized. Improving women's welfare can increase household resilience to economic vulnerability. The most common working class of women for years has been unpaid workers. Level of female labor force participation in Indonesia actually causes decline to hourly wage rate, this thought to be because of major female workers work in low – productivity sector. This study aim to analyze the effect of wive's working hour in informal sector on wage and reservation wage levels in Indonesia.

This study was conducted using the Ordinary Least Squares (OLS) method with secondary data obtained from the Indonesia Family Life Survey – 5 (IFLS – 5). The dependent variable used is the working hours of wives in the informal sector, analyzed in relation to the independent variable of wage levels and its quadratic form. The study also employs control variables to reduce bias, including non-working income, wives' educational attainment, wives' age, the number of toddlers in the household, residential characteristics, wives' work experience, and the quadratic form of wives' work experience.

The results of this study confirm that wage levels exhibit substitution and income effects on how wives allocate their time, showing an inverted U-shaped relationship. Other variables, such as educational attainment, fertility, and prior work experience, also have significant impacts on wives' working hours. Meanwhile, non-working income, wives' age, and work experience do not significantly influence the working hours of wives in the informal sector.

Keyword : Labor supply informal sector, wive's working hour in informal sector, wage level, Indonesia, Ordinary Least Square (OLS)