

ABSTRACT

The informal sector is a large part of the economy and a provider of jobs in developing countries. However, in this sector, there is still a gap in wage income between female and male workers. Wage inequality in this sector can have an impact on worker welfare, social stability, and economic development. Using Ordinary Least Square (OLS) and Oaxaca-Blinder Decomposition, this study aims to determine how much wage inequality occurs in the informal sector in Indonesia, and to determine the effect of variables such as location of residence, length of service, age, marital status, and education of workers on wage inequality in the informal sector in Indonesia.

The results of the study showed that wage inequality between female and male workers in the informal sector was 52.5%. The factors determined in this study were able to explain 0.0112 and there were 0.5140 that could not be explained. There are variables that have a significant positive effect on wage inequality for workers, namely location of residence and length of service. The influence of the age variable of female and male workers has a significant negative effect, the marital status variable of female workers has a significant negative effect while male workers have a significant positive effect, and the education variable of female workers has a negative but insignificant effect while male workers have a positive but insignificant effect.

Keywords: Gender Wage Gap, Informal Sector, Oaxaca-Blinder Decomposition