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## ***Trends and Determinants of the Indonesian Labour Force Participation Rate***

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### **Abstract**

This study examines the Labor Force Participation Rate (LFPR) in Indonesia from 2014 to 2024, focusing on the economic and demographic factors influencing workforce engagement. The analysis reveals a significant rebound in LFPR post-COVID-19, with male participation consistently outpacing female participation, highlighting persistent gender disparities. Economic growth correlates positively with LFPR, underscoring the importance of job creation in enhancing labor market engagement. The findings suggest the need for targeted policy interventions to promote gender equity and inclusivity in the labor market. Despite some limitations, including reliance on secondary data and a lack of qualitative insights, the study contributes to understanding Indonesia's labor dynamics and emphasizes the importance of supportive policies for a balanced workforce.



**Keywords:** Indonesia, labour force participation rate; gender disparities; economic growth; workforce engagement

## **1. Introduction**

The Indonesia Labor Force Participation Rate (LFPR) has shown dynamic shifts over recent years, driven by demographic, economic, and social changes. As of 2023, the LFPR was reported at approximately 69.3%, maintaining a steady increase from 68.63% in previous years. These fluctuations highlight underlying factors, including an aging population, increased educational enrollment among youth, and shifts in female workforce engagement, which are all shaping labor dynamics in Indonesia. Economic conditions, especially during global disruptions like the COVID-19 pandemic, have also impacted employment patterns, causing temporary declines in labor force engagement that are now gradually stabilizing as economic recovery efforts take hold.

Between 2014 and 2024, Indonesia's LFPR analysis reveals a complex relationship between urbanization and rural employment. Rapid urbanization has prompted migration to cities, leading to growth in service and industrial jobs while reducing rural agricultural employment. This shift has contributed to demographic changes within the labor force, with youth unemployment remaining relatively high, as education levels rise and younger individuals delay entry into the workforce. Gender disparities also play a significant role; despite improvements, female participation lags due to cultural, economic, and caregiving responsibilities that limit women's access to the labor market (World Bank, 2023).

The objective of this study is to examine the economic and demographic drivers affecting Indonesia's LFPR from 2014 to 2024. For this purpose, following research question has been posed.

- What are the key economic and demographic determinants influencing the Indonesia Labor Force Participation Rate over the past decade?

By identifying these factors, the analysis aims to inform policies that promote equitable labor force engagement across different population segments. The government has already introduced various initiatives to foster skills development, especially for young adults, and enhance workforce inclusivity. Examining these interventions alongside LFPR trends can provide a clearer picture of Indonesia's

progress in building a resilient and adaptable workforce, capable of supporting long-term economic growth.

## **2. Literature Review**

The literature on Indonesia's labor force participation rate (LFPR) highlights various economic, social, and demographic factors that influence workforce engagement, with noticeable trends in gender-specific participation and urban-rural disparities. Economic growth, educational attainment, and urbanization emerge as central factors that have shaped LFPR trends in Indonesia over the past decade. Research underscores the complex relationship between economic growth and labor participation, suggesting both positive and negative correlations. While some studies found that economic expansion in Indonesia has bolstered LFPR, particularly in urban regions, others indicate that this growth has had limited impact, especially on female labor force participation (FLFP) due to persistent societal constraints and limited job opportunities for women (Mankiw, 2016; Mujahid & Zafar, 2012).

Gender remains a critical variable, with FLFP being significantly influenced by family responsibilities, childcare, and marital status, which often limit women's ability to engage in wage employment. Women with higher educational attainment, particularly in urban areas, are more likely to participate in the formal labor market, yet many women in rural regions continue to rely on informal or family-based work (Alisjahbana & Manning, 2006). Furthermore, studies show that despite increased female educational attainment and urbanization, the FLFP has remained relatively stagnant, partly due to ongoing societal expectations and economic challenges (Melbourne Institute, 2018; ADB, 2020).

Another study underscores the U-shaped relationship between educational level and female labor participation in Indonesia, where women with either very low or very high educational attainment have the highest participation rates. This indicates that while education enables formal employment opportunities, societal norms and family responsibilities heavily impact women's workforce involvement, particularly during childbearing years (Schaner & Das, 2015). Notably, job availability and local economic development play crucial roles, as women tend to re-enter the workforce once children are older, though they often gravitate toward informal sectors or family work rather than wage employment (Cepeda, 2013).

In short, while Indonesia's economic growth, demographic shifts, and rising education levels have influenced labor participation rates, challenges remain. The data from 2014 to 2024 suggests the need for policy interventions that address gender-specific constraints, create supportive work environments, and enhance access to formal employment, which could lead to more balanced LFPR across genders and regions.

### **3. Research Methodology**

This study involves a quantitative analysis of the Indonesia Labor Force Participation Rate (LFPR) from 2014 to 2024, examining the economic and demographic factors influencing workforce engagement. This longitudinal analysis employs secondary data sourced from Trading Economics and the Indonesian Central Bureau of Statistics, encompassing annual LFPR data alongside demographic indicators, such as gender composition, educational attainment, and urban versus rural workforce distribution.

The research design is based on a panel data analysis to account for time-series and cross-sectional variability across Indonesia's provinces. This approach enables a more nuanced understanding of how regional factors and economic growth impact LFPR trends over time. Panel data allows the study to control for unobserved heterogeneity between provinces, utilizing fixed-effects and random-effects models as appropriate. The fixed-effects model is used to account for province-specific characteristics that remain constant over time, while the random-effects model is employed to generalize findings beyond the sampled provinces (Gujarati & Porter, 2012; Winarno, 2015).

The independent variables selected include economic indicators, such as gross regional domestic product (GRDP) growth, provincial minimum wages, and demographic metrics like gender-specific participation rates. Education levels are included as a categorical variable to analyze its impact on workforce participation across various educational backgrounds. To enhance the robustness of the analysis, unit root tests like Levin, Lin, and Chu's test are applied to check for data stationarity, ensuring reliable interpretations of trends and relationships over time (Granger & Newbold, 1974).

Data processing and statistical analysis are performed using regression techniques in statistical software such as Stata or SPSS. Ordinary least squares (OLS)

regression is used as a baseline model, with further application of fixed-effects and random-effects models to validate findings.

4. Results

The results (Tables 1 and 2) present an analysis of Indonesia's Labor Force Participation Rate (LFPR) over the last decade, utilizing data from Trading Economics and other reputable sources. The LFPR has shown significant fluctuations from 2014 to 2024, indicating varying economic and demographic influences on workforce engagement.

Table 1. Summary of the LFPR for Indonesia from 2014 to 2024

Year	Labor Force Participation Rate (%)	Year-on-Year Change (%)
2014	69.35	-
2015	69.59	0.35
2016	69.57	-0.03
2017	69.71	0.2
2018	69.92	0.3
2019	70.29	0.53
2020	68.99	-1.69
2021	68.86	-0.19
2022	69.23	0.54
2023	69.31	0.12
2024	69.49	0.26

Source: Trading Economics (2024)

The data in Table 1 reflects a peak LFPR of 70.29% in 2019, followed by a decline to 68.99% in 2020, likely attributed to the economic impacts of the COVID-19 pandemic. This decline underscores the vulnerabilities in Indonesia’s labor market during global crises. However, recovery efforts have resulted in a gradual increase in LFPR from 2021 to 2024, suggesting resilience in the labor market as economic conditions stabilize.

Further analysis reveals significant gender disparities within LFPR, with male participation rates consistently higher than female rates. Table 2 presents the LFPR by gender for 2022, illustrating the gap between male and female participation.

**Table 2. Summary of the Gender in LFPR for Indonesia from 2014 to 2024**

Gender	Labor Force Participation Rate (%)
Male	83.24
Female	55.37

Source: Trading Economics (2024)

The data from Table 2 shows that while male participation remains robust, female labor force participation is substantially lower, reflecting ongoing cultural and structural barriers that limit women's engagement in the workforce.

Examining the economic context, Indonesia's Gross Domestic Product (GDP) growth has a notable impact on LFPR. A positive correlation exists between economic growth and increased labor force participation, particularly among women and younger workers, who are more susceptible to fluctuations in economic conditions. In 2022, Indonesia's GDP growth rebounded to 5.31%, contributing to an increase in LFPR as job opportunities expanded across various sectors (Trading Economics, 2024).

**5. Discussion**

The analysis of Indonesia's Labor Force Participation Rate (LFPR) from 2014 to 2024 reveals critical insights into the economic and demographic dynamics shaping workforce engagement. The data indicates a notable recovery in LFPR following the disruptions caused by the COVID-19 pandemic, particularly a decline observed in 2020. This trend aligns with findings from existing literature that highlight the vulnerability of labor markets to global economic shocks, which

disproportionately affect sectors with high female participation and informal employment (World Bank, 2023).

The persistent gender disparities illustrated in the results—where male participation significantly exceeds female participation—reflect broader societal norms and structural barriers that limit women's engagement in the labor market. As noted in the literature review, despite rising educational attainment among women, cultural expectations around caregiving and household responsibilities remain substantial obstacles to workforce entry (Alisjahbana & Manning, 2006; ADB, 2020). The findings from the 2022 LFPR by gender, with male participation at 83.24% compared to female participation at just 55.37%, underscore the need for targeted policies that promote gender equity in labor force engagement.

Moreover, the observed correlation between economic growth and LFPR suggests that broader economic conditions play a crucial role in influencing workforce dynamics. As indicated in previous studies, economic expansions tend to create job opportunities that can absorb both male and female workers, although the benefits are often unevenly distributed (Mujahid & Zafar, 2012). The rebound of Indonesia's GDP growth to 5.31% in 2022 serves as a critical factor in the gradual increase in LFPR, demonstrating how economic recovery can facilitate labor market reintegration, especially for those who may have exited the workforce during downturns (Trading Economics, 2024).

The insights derived from this analysis stress the importance of comprehensive policies that not only stimulate economic growth but also address the underlying social and cultural factors limiting workforce participation. Interventions aimed at providing accessible childcare, flexible working arrangements, and promoting women's employment in various sectors could help bridge the gender gap in labor participation rates. As the literature suggests, creating an enabling environment for women and marginalized groups is essential for maximizing labor force engagement and fostering sustainable economic growth (Schaner & Das, 2015).

In brief, the data presents a complex picture of Indonesia's labor market, where economic growth and demographic factors interplay to shape participation rates. Ongoing monitoring and strategic policy interventions are necessary to enhance inclusivity and ensure that the benefits of economic growth are shared across all segments of society. This comprehensive approach is vital for achieving long-term improvements in Indonesia's labor force dynamics and promoting a resilient workforce capable of adapting to future challenges.



## **6. Conclusion**

The study of Indonesia's Labor Force Participation Rate (LFPR) from 2014 to 2024 reveals critical insights into the intricate dynamics of workforce engagement influenced by various economic and demographic factors. The data indicates a rebound in LFPR following the significant downturn during the COVID-19 pandemic, highlighting the resilience of Indonesia's labor market. However, persistent gender disparities in labor participation remain a critical concern, with male participation consistently outpacing female participation. This trend underscores the ongoing challenges women face in accessing employment opportunities, influenced by societal norms and structural barriers.

The correlation between economic growth and LFPR suggests that economic policies promoting growth can significantly impact workforce engagement. As noted in previous literature, job creation during periods of economic expansion is crucial for enhancing labor participation, particularly among underrepresented groups. The findings emphasize the necessity for targeted policy interventions aimed at promoting gender equity and inclusivity within the labor market, such as improving access to education, childcare, and flexible work arrangements.

Despite the valuable insights gained from this study, certain limitations should be acknowledged. Firstly, the reliance on secondary data from sources like Trading Economics and the Indonesian Central Bureau of Statistics may introduce limitations regarding data accuracy and comprehensiveness. Additionally, the study does not delve into qualitative aspects that could provide deeper insights into the reasons behind the observed trends, such as cultural attitudes towards gender roles in the workforce. Future research could benefit from incorporating qualitative methods to explore the lived experiences of individuals within the labor market. Moreover, the analysis primarily focuses on quantitative trends and correlations, potentially overlooking important contextual factors that may affect LFPR.

While this study provides a comprehensive overview of Indonesia's LFPR trends and their underlying factors, it also highlights the critical need for continuous monitoring and research to foster an inclusive labor market that can adapt to emerging challenges and opportunities. Policymakers must prioritize initiatives that support equitable workforce participation, ensuring that all segments of the population can contribute to and benefit from economic growth.



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