The Impact of Globalization on Welfare and Gender Equality in Indonesia

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ABSTRACT

In recent years, there has been a growing debate about the future of globalization, with some calling for a reevaluation of its principles and practices. Issues such as income inequality, people’s welfare, and the impact on local communities have prompted discussions on how to make globalization more inclusive, sustainable, and equitable. In this study, there are three topics that will be discussed. First, this study will analyze the impact of economic globalization measured by foreign direct investment on people’s welfare and gender equality. Second, this study will analyze the impact of social globalization measured by the proportion of individuals with mobile phones and the number of foreign guests at star-rated hotels on people’s welfare and gender equality. Third, this study will analyze the impact of gender equality on people’s welfare. This research used data from 34 provinces in Indonesia for the period of 2015-2021, which was sourced from the Central Bureau of Statistics. The data analysis methods employed in this research are Panel Least Squares and Panel Cross-Section Random Effects. This research discovered both positive and negative impacts of globalization. On the positive side, social globalization manifested through increased mobile phone ownership, positively impacting the human development index, life expectancy, and gender equality. Gender equality also positively impacts human development index and life expectancy. On the negative side, foreign direct investment has failed to yield a positive impact on welfare. Furthermore, the presence of foreign tourists staying in star-rated hotels has a negative impact on life expectancy and gender equality.

Key Word: Globalization, Welfare, Gender Equality
JEL Classification: C33, E66, F63.

INTRODUCTION

People’s welfare is a long-term development goal that every country aspires to achieve. In order to achieve this goal, the government will make trade and agreements with other countries which have brought the world toward the globalization era. Globalization enables people to consume goods and services, make investments, work, and earn income from other countries, along with facilitating the exchange of ideas, culture, and technology (Held et al., 1999; Carbaugh, 2011; Mukherjee & Kriechaus, 2012). The advantages of globalization are a case that has caused debate among researchers—where the
impacts of globalization are different for each person within a country (Artner, 2004; Tomohara & Takii, 2011; Akhter & Ward, 2015).

On the negative side, globalization could increase income inequality (Oyvat, 2011; Han et al., 2012; Asteriou et al., 2014; Wong, 2016). According to Chomsky (2011), free trade benefits those who are close to resources, such as investors, professionals, and skilled workers but tends to put women, minorities, and unskilled workers at a disadvantage.

On the positive side, research shows that globalization might improve poor people's incomes through foreign investments and international trade (Maertens et al., 2011). Globalization also has a positive impact on women's rights (Neumayer & De Soysa, 2011). Globalization has fostered cultural exchange and understanding among different societies.

Globalization could be seen in three dimensions: economic, social, and political. Social globalization is easier to achieve with the internet and social media—which enable rapid and low-cost dissemination of information, ideas, and culture from other countries. Social globalization will increase people’s awareness about welfare conditions in other countries and enable society to learn the policies which other countries are taking in order to improve the welfare of their citizens (Mukherjee & Krieckhaus, 2012). Mukherjee and Krieckhaus also discovered that social globalization had a significant impact on reducing infant and child mortality and increasing life expectancy.

Globalization is not only related to welfare and inequality but also has an impact on women’s involvement in the economy. Globalization through long-term foreign investments is able to improve women's access to education (Akhter & Ward, 2015). According to Chen et al. (2013), foreign businesses and export-oriented businesses in China that expanded as a result of the country’s openness to foreign investment and trade tended to employ more women. Furthermore, social globalization could improve women’s
rights in society which in turn could change people’s perceptions, attitudes, and mindsets (Cho, 2013).

Women's participation is able to reduce poverty and increase productivity, which in turn boosts economic growth and people's welfare (Wei, et al., 2021). For this reason, it is necessary to carry out gender-based social inclusion because it provides benefits for the country, society, and economy. When domestic culture is more open to international cultural influences, it will have a positive impact on women—as measured by women's health, literacy, and participation in the economy and government, as well as improving gender equality (Gray et al., 2006). According to studies conducted in China, women's economic welfare improves when they move from the traditional agricultural sector or non-income-generating household jobs to a manufacturing sector that develops with foreign investments or export-oriented industries (Chen et al., 2013).

Figure 1 shows that Indonesia’s foreign direct investment in the period of 2014 to March 2023 continues to experience an increasing trend. Foreign investment and trade activities, both export and import, have increased as a result of economic globalization. Globalization can contribute to overall economic growth, which can potentially improve welfare by creating employment opportunities, increasing incomes, and reducing poverty rates. However, the benefits of globalization are not always distributed evenly, leading to disparities in welfare outcomes.

There are three objectives that want to be achieved from this research. First, this study aims to analyze the impact of economic globalization on welfare and gender equality. Second,
this study aims to analyze the impact of social globalization on welfare and gender equality. Third, this study aims to analyze the impact of gender equality on welfare.

**RESEARCH METHOD**

The data used in this research was sourced from the Central Bureau of Statistics. This research used data from 34 provinces in Indonesia for the period of 2015-2021. Economic globalization refers to increased flows of capital, goods, and services across international boundaries (Mukherjee & Krieckhaus, 2012). In this research, Economic Globalization is measured by Foreign Direct Investment (FDI).

Welfare refers to the well-being and quality of life of individuals and communities. The concept of welfare involves ensuring that individuals have access to basic necessities, such as food, shelter, healthcare, education, and social support systems, to lead a dignified and fulfilling life. In this study, People's Welfare is measured by Human Development Index (HDI) and Life Expectancy (LE).

Gender equality refers to the equal rights, opportunities, and treatment of all individuals, regardless of their gender. It is the principle that men and women should have the same social, political, economic, and cultural rights and responsibilities, as well as equal access to resources, opportunities, and decision-making processes. Gender Equality is measured by the Gender Empowerment Index (GEI) and the Proportion of Females in Managerial Positions (PFM).

Social globalization refers to the interconnectedness and interdependence of people, cultures, and societies across borders, facilitated by various social, cultural, and technological factors. In this study, social globalization is driven by communication technology and tourism. Social Globalization was measured by the Proportion of Individuals with Mobile Phones (MPP) and the number of foreign guests at star-rated hotels.
The model in this research is shown below:

\[
HDI_{it} = \alpha + \beta_1 FDI_{it} + \beta_2 MPP_{it} + \beta_3 NFT_{it} + e_{it} \tag{1}
\]

\[
LE_{it} = \alpha + \beta_1 FDI_{it} + \beta_2 MPP_{it} + \beta_3 NFT_{it} + e_{it} \tag{2}
\]

\[
GEI_{it} = \alpha + \delta_1 FDI_{it} + \delta_2 MPP_{it} + \delta_3 NFT_{it} + e_{it} \tag{3}
\]

\[
PFM_{it} = \alpha + \delta_1 FDI_{it} + \delta_2 MPP_{it} + \delta_3 NFT_{it} + e_{it} \tag{4}
\]

\[
HDI_{it} = \alpha + \gamma_1 GEI_{it} + \gamma_2 PFM_{it} + e_{it} \tag{5}
\]

\[
LE_{it} = \alpha + \gamma_1 GEI_{it} + \gamma_2 PFM_{it} + e_{it} \tag{6}
\]

Panel Least Squares and Panel Cross-Section Random Effects are the methods of data analysis used in this research. The best model for Panel Data Analysis is based on the Chow and Hausman Test, indicating that the Fixed-Effect model is the most appropriate for models (1), (2), and (4). On the other hand, the Random Effect model is deemed the most suitable for models (3), (5), and (6).

Data panels are commonly associated with issues arising from classic assumptions, such as Heteroscedasticity and Multicollinearity. In this research, a Heteroscedasticity test was conducted using White Test. The result of the White Heteroscedasticity test on the six models showed that the p-value is greater than 0.01, indicating the data in this research does not have a problem with heteroscedasticity. The multicollinearity test indicated that none of the independent variables in the models had values greater than 0.8, so it can be concluded that this research does not have issues with multicollinearity.

**RESULTS AND DISCUSSION**

This research has discovered five findings which will be discussed in the following sections. These findings are as follows. First, Foreign Direct Investment has a negative impact (-0.000154) on the Human Development Index, with a significance level of 0.1. Second, the proportion of individuals with mobile phones has a positive impact on the
Human Development Index (0.2545), Life Expectancy (0.0792), Gender Empowerment Index (0.7183), and Proportion of Females in Managerial Positions (0.7643). All these impacts are statistically significant, with a significance level of 0.01.

Third, the number of foreign tourists in star-rated hotels has a negative impact on both Life Expectancy (-0.0000717) at a significance level of 0.01 and Gender Empowerment Index (-0.000709) at a significance level of 0.05.

Fourth, the Gender Empowerment Index has a positive impact on both the Human Development Index (0.0693) at a significance level of 0.01 and Life Expectancy (0.0232) at a significance level of 0.01.

Fifth, the Proportion of Females in Managerial Positions has a positive impact on both the Human Development Index (0.1074) at a significance level of 0.01 and Life Expectancy (0.0315) at a significance level of 0.01.

The Negative Impact of FDI on HDI

Figure 2 shows that Foreign Direct Investment (FDI) has a significant negative impact on the Human Development Index (HDI). The result also found that FDI does not have a significant impact on LE, GEI, and PFM. The results of this research indicate that FDI has yet to contribute positively to the improvement of people's welfare in 34 provinces in Indonesia, as measured by the HDI from 2015 to 2021.

Soleha and Fathurrahman (2017) and Kaukab and Surwando (2021) also discovered a negative relationship between FDI and HDI. Kaukab & Surwando (2021) discovered that the role of FDI in improving HDI comes from the commitment of foreign investors to transfer technology and employ local workers. Of course, the country must also be able to facilitate this by providing various economic benefits if foreign investors hire local workers and provide training to enhance the capacity of local workers regarding the technology brought by foreign investors.
Furthermore, corruption is one of the aspects that determine the final outcome of FDI and HDI. Pearson correlation test was used to test the correlation between HDI and FDI. The findings of a Pearson correlation test between HDI and FDI are shown in Table 1. The HDI and FDI data used for Pearson's correlation test are from 34 provinces in Indonesia, from 2015 to 2021. Pearson's correlation coefficient between FDI and HDI is 0.261 and significant at the 0.01 level of significance. The score of 0.261 indicates that the correlation between FDI and HDI in 34 provinces in Indonesia, has a weak correlation.

The relationship between FDI and improvement in human development is more strongly positive when corruption is low (Raiter & Steensma, 2010). Based on data from Transparency International, Indonesia's Corruption

Table 1. Pearson Correlation Test

<table>
<thead>
<tr>
<th>Pearson Correlation</th>
<th>HDI</th>
</tr>
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<tbody>
<tr>
<td>FDI</td>
<td>0.261</td>
</tr>
<tr>
<td></td>
<td>(0.000)***</td>
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</tbody>
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note: *** $p \leq 0.01$, ** $p \leq 0.05$, * $p \leq 0.1$

Figure 2. The Impact of Economic Globalization on Welfare and Gender Equality

note: *** $p \leq 0.01$, ** $p \leq 0.05$, * $p \leq 0.1$
Perspective Index (CPI) score in 2022 has fallen to 34, from the previous score of 38 in 2021.

With the decline in the Corruption Perception Index, the government, political parties, and law enforcers must further guarantee anti-corruption principles in political life. As well as being able to build an anti-corruption system that is more consistent in economic policy. Corruption affects HDI via government expenditure or spending. When irresponsible individuals corrupt different programs established and planned by the central or local government, the benefits acquired by the public via government expenditure are diminished or even unequal. In particular, when corruption is committed to the health and education budget, it will further diminish the quality of human beings and decrease the workforce’s competitiveness. Unskilled workers are not attractive to international investors, thus foreign investors prefer to bring workers from

Figure 3. The Impact of Social Globalization Measured by NFT on Welfare and Gender Equality

note: *** $p \leq 0.01$, ** $p \leq 0.05$, * $p \leq 0.1$
their home countries to assure their firms are operating smoothly.

**Negative Impact of NFT on LE and GEI**

Many countries depend on tourism for economic, social, and cultural growth. According to Figure 3, NFT has a significant negative impact on life expectancy. This indicates that if the number of foreign tourists staying in star-rated hotels rises, LE may decrease.

Tourism arrivals negatively influence residents’ health in the short term (Godovykh & Ridderstaat, 2020). These short-term consequences could be attributed to the negative impacts of tourist arrivals such as overcrowding, higher crime rates, traffic congestion, and other outcomes that have a negative influence on stress levels and population health.

Tourism can contribute to the spread of infectious diseases as people from different regions and countries come into contact with each other. This can lead to the transmission of communicable diseases such as influenza, dengue fever, or even more severe outbreaks like the COVID-19

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**Figure 4. The Impact of Social Globalization Measured by MPP on Welfare and Gender Equality**

*note: *** p ≤ 0.01, ** p ≤ 0.05, * p ≤ 0.1*
pandemic.

The research also discovered that NFT had a negative and significant impact on GEI (Figure 3). This study’s results are corroborated by Jackman (2022), who demonstrates that the link between the tourist sector and gender equality differs across industrialized and developing countries. Increased tourist intensity is positively correlated with increased labor force participation and income equality in developed countries. In Sub-Saharan Africa which tends to be developing countries, the growth in tourist intensity has a negative influence on gender equality in the labor market.

Tourism may have a negative influence on gender equality in a variety of ways. First, women are frequently employed in low-wage and low-status professions in the tourist business, such as cleaning and serving, whereas males are employed in higher-paying and higher-status employment, such as management and technical tasks (Gentry, 2007; Wotha, et al., 2017). Second, the tourist sector, particularly in places where sex tourism is prevalent, could contribute to the exploitation of women and girls (Jeffreys, 1999; Taylor, 2006).

In tourism advertising and marketing, women are frequently represented as sexual objects, promoting gender stereotypes and objectification.
As a result, it is critical that the tourist sector address these gender-related issues and promote gender equality in the workplace as well as in the formulation of tourism policies and programs. Culture also has a role in determining the success of the tourism industry in terms of gender equality. According to Zhang & Zhang (2020), Southeast Asia’s dominating and conservative Confucian and Islamic cultures might restrict the fulfillment of gender equality.

**Positive Impact of MPP on HDI, LE, GEI, and PFM.**

This study discovered that the number of people who own mobile phones (MPP) has a beneficial influence on boosting HDI, LE, GEI, and PFM (Figure 4). This indicates that if more Indonesians use mobile phones, people’s welfare in 34 Indonesian provinces would improve, while gender equality and possibilities for women to work in executive roles will increase.

Previous research also discovered substantial evidence that mobile phone penetration significantly reduces household poverty (Abor et al., 2018) and improved human development (Asongu & Nwachukwu, 2016; Khan et al., 2019). Mobile phones are able to increase access to information and communication, allowing users to readily obtain critical information and communicate with others (Smith et al., 2011).

If people have access to information, they will be able to achieve better educational results and improve chances for everyone to learn throughout their lives (Balasubramanian et al., 2010). Furthermore, access to health and healthcare information could assist people in making educated health decisions, leading to improved health outcomes.

In South Korea, in an effort to increase the life expectancy of elderly citizens, mobile phones are connected to a health management system to monitor key health indicators of elderly citizens, so that medical teams may give quick aid in the case of an emergency (Kim et al., 2014). Mobile phones could
indirectly increase life expectancy by easing access to healthcare information and resources, as well as allowing people to contact emergency services quickly and easily in the case of an accident or health crisis.

Mobile phone penetration may bring a positive impact on gender equality in certain ways. Mobile phones can provide women with greater access to information and communication, allowing them to participate more actively in economic and social activities (Nath, 2001; Chip, 2010). In addition to providing women with more control over their own resources, such as using mobile banking services to manage their finances without needing to physically travel to a bank. Digital financial services through mobile phones can lead to women’s economic empowerment and have a broader positive impact (Hendriks, 2019). The use of mobile phones by women to access information in order to increase knowledge and improve skills, will increase opportunities of being hired as employment in managing roles.

Positive Impact of GEI and PFM on HDI and LE

The results of the data analysis, as depicted in Figure 5, revealed that prioritizing gender equality and giving it more attention can lead to better opportunities for women to work on an equal footing with men. This, in turn, can have a significant and positive impact on the increase of HDI and LE. Gender equality plays a crucial role in promoting human development. It refers to equal rights, opportunities, and responsibilities for all individuals regardless of their gender. When gender equality is upheld, it leads to a more inclusive and just society in which everyone may attain their full potential and contribute to the community's progress.

Furthermore, research has discovered that gender equality improves health (Tyer-Viola & Cesario, 2010; Shannon et al., 2019), education (Luo et al., 2021), and economic results for individuals, families, and society as a whole (Mitra et al., 2014). Life expectancy is the average amount of
time a person is predicted to live based on statistical data. Which can be affected by various factors such as genetics, lifestyle, access to healthcare, and socioeconomic status. Gender equality improvement may increase life expectancy for both men and women. Gender equality can ensure that both men and women have equal access to quality healthcare, including preventive care and illness and disease treatments. Education plays a critical role in improving health and reducing mortality rates (Hamad et al., 2018). Gender equality in education can assist both men and women to gain knowledge and skills in order to make informed health decisions.

Gender equality in the workplace is able to increase women's economic empowerment, allowing them to improve their living conditions and better access to healthcare. This might contribute to closing the gender gap in life expectancy. Overall, gender equality is able to create a more equitable and supportive environment for both men and women, resulting in improved health outcomes and greater life expectancy (Kolip & Lange, 2018).

CONCLUSION
This research discovered that social globalization through mobile phone ownership positively impacted people's welfare improvement and gender equality. Increasing mobile phone ownership benefits HDI by improving access to information, education, and health care. Mobile phones are able to facilitate communication and provide financial services for those who previously lacked access, improving their living standard.

Furthermore, increased mobile phone ownership contributes to gender equality and the improvement of women's reputation in society. Mobile phones are able to reduce the gender gap in communication by providing women with better access to information and communication tools. This may improve their ability to participate in social and economic activities and increase their independence and empowerment. Mobile phones are able to improve
women’s access to education, particularly in rural or isolated places where traditional educational resources may be unavailable. This may help to close the gender gap in education and provide women with better opportunities to improve their skills and knowledge.

Gender equality and more women in management roles will have a positive impact on increasing the human development index and life expectancy. If women are given better access to education, health care, and the ability to work in any field without discrimination, this may improve people's living standards. People's life expectancy will increase as their standard of living improves. This happens as a result of people's ability to live a healthy lifestyle and consume nutritious meals.

On the negative side, this research also discovered the negative impacts of economic and social globalization. Foreign direct investment has not been able to give a positive impact on people's welfare and gender equality. Several factors can contribute to this situation, one of which is the commitment of foreign investors to prioritize the hiring of local workers over foreign workers. Furthermore, previous research also discovered that corruption is a factor that may prevent the distribution of welfare provided by the government to the community.

According to the result of this research, foreign tourists who stay in star-rated hotels in Indonesia have a negative impact on life expectancy and gender equality. One of the negative impacts of the tourism industry is the Covid-19 pandemic. Furthermore, overcrowding in tourist locations is able to lead to increased stress levels and a reduction in the quality of life, which can have negative impacts on life expectancy.

The tourism industry has potential to create opportunities for women's exploitation, such as sexual exploitation, trafficking, and forced labor. Women in tourist areas may be particularly vulnerable to these forms of exploitation due to poverty, lack of educational opportunities, and limited access to legal protections. Women working in
tourism may face unequal employment opportunities and discrimination, including lower wages and limited access to benefits and job security.

There are few policy implications that can be made based on the findings of this study. First, the government can implement tougher policies in eradication of corruption. Rampant corruption had been disruptive in the distribution of inflow foreign direct investment. Tougher policies will ensure fairer distributions of the wealth acquired from the investments. Policies that can be implemented such as heavier punishments for corruptors, more transparent periodical financial reports, and surprise audits from the Finance Ministries and Corruption Eradication Commission collaborated with the Indonesia Corruption Watch.

Second, the government can increase spending on infrastructure building, especially in the telecommunication sector. The increase in mobile phone ownership can boost the spread of knowledge and communication speed. This policy is a continuation of the policies in the first point, by decreasing corruption, the government can distribute investments more evenly and increase the welfare of people, especially through HDI. Better communication can also help increase LE because health information can be easily accessed in emergency situations.

Third, the government can also make policies that create more opportunities for all genders to participate in economic and social events. Equality, especially in education will have a long-term effect on the HDI. Of course, not all fields of work can be divided equally, but by having opportunities for all genders to access education, the increase in HDI in turn will also increase LE.

Future research can conduct comparative studies across countries to understand the variations in corruption levels and its relationship with globalization. Furthermore, future research can analyze the institutional, cultural, economic, and political factors that contribute to corruption, and assess how globalization interacts with these factors in different national contexts.
REFERENCES


