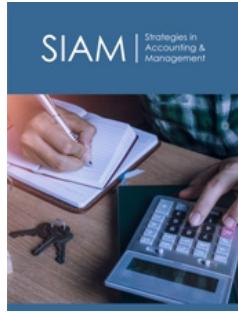


# Empowering Local Women: A Catalyst for Competitive Edge

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## Abstract

This case study examines a key sustainability challenge of small and medium enterprises in Indonesia: compliance with local labor quota regulations requiring over 50% local workforce participation in several Indonesian regions. Findings from interviews indicate two main obstacles—urban migration reducing the local labor pool and inadequate skills among remaining residents. The study identifies women's empowerment as a potential solution, addressing both labor shortages and sustainable development objectives. Three initiatives were implemented: (1) promoting work-life balance through structured day shifts, women's clubs, and menstrual/maternity policies; (2) establishing anti-harassment frameworks via prevention training and confidential reporting systems; and (3) advancing women's technical competencies and leadership through targeted training and mentorship. Applied within a Cikarang-based medium manufacturing enterprise since 2018, these interventions increased the number of local female employees from 21 in 2018 to 49 in 2020. The findings demonstrate that empowering local women enhances workforce sustainability, enterprise competitiveness, and alignment with Sustainable Development Goal 5 (Gender Equality), fostering long-term business viability and inclusive industrial growth.

**Keywords:** Sustainability; Women's empowerment; Medium manufacturing enterprises; Local labor quota; Indonesia; Sustainable development goals

## Case Report

Sustainability is the ability in meeting the needs of current stakeholders without compromising the needs of future stakeholders Hermundsdottir [1], which consists of three pillars, i.e. social, economic, and environmental [2]. With the world confronting pressing sustainability challenges, the United Nations calls for a global partnership between all nations and all stakeholders to achieve 17 Sustainable Development Goals by 2030, not exception for Indonesia [3]. This calling generates enormous changes in Indonesia's business environment. Indonesia has the largest small medium enterprises among ASEAN countries Ahdiat [4] and small medium enterprises contributes to 99% of Indonesia's economy (Coordinating Ministry for Economic Affairs Republic of Indonesia [5]). However, given the recent advancement in sustainability issues, small and medium enterprises in Indonesia are facing challenges to their survival. Small and medium enterprises with the potential to affect the environment and society adversely are required to report their sustainability activities before obtaining business and/or activity licenses (Ministry of Cooperatives and Small and Medium Enterprises [6]), borrow money, subject to regular monitoring (Bank Rakyat Indonesia, [7]; Bank Central Asia [8]), and export their products to other countries especially to Europe market [9].

Among all types of small medium enterprises, we concentrate on medium manufacturing enterprises. Medium enterprises are defined as enterprises with net assets ranging from 5 billion to 10 billion and are the most likely to seek bank loans (Minister of Law and Human Rights Republic of Indonesia [10]). Manufacturing enterprises have the potential to affect the environment and society adversely while contributing most to Indonesia's economy at the same time [11]. Interviews with medium-sized manufacturing enterprises revealed a significant sustainability challenge in Indonesia: meeting local labor quotas. Certain regions, including

Karawang, Murung Raya, Berau, Pekanbaru, Bontang, and Kampar, mandate over 50% local labor utilization for manufacturers [12-14]. Non-compliance leads to corrective action and subsequent reviews every six months, impacting competitiveness and viability. Enterprises must adhere to this regulation, submitting reports to the government and creditors (banks) (State Minister of Environment of the Republic of Indonesia [15]). Over the long term, companies that fail to comply with this regulation will experience an impact on their competitive advantage and overall viability. The struggle of medium-sized manufacturing enterprises to hire local people can be attributed to two main factors. Firstly, urbanization has led to an exodus of local residents to larger cities, leaving behind women and children in their hometowns. Secondly, the local workforce may lack the necessary knowledge and skills to produce high-quality products.

To address this issue, utilizing local women as employees presents a potential solution. However, gender-related differences should be considered. Firstly, women often find themselves caught in a multitasking whirlpool, attempting to balance professional, social, familial, and personal pursuits alongside creative goals [16]. Agarwal and Lenka (Agarwal [17]) identify this internal conflict as "role conflict," adversely impacting women's mental and physical health and leading to behavioral adaptations. Secondly, hormonal influences on women can affect work capacity and increase absenteeism [18]. Thirdly, women in the workforce frequently encounter precarious conditions in informal employment, marked by inadequate work standards, sub-minimum wages, and limited legal protections for social and normative rights. Contractual employment is also more prevalent among women. Fourthly, women are disproportionately vulnerable to sexual harassment, with research indicating that harassed women are 6.5 times more likely to leave an organization [19]. The normalization of workplace harassment among female manufacturing employees results in pressure, criticism, and limited voice, potentially leading to unforeseen, severe consequences. Respondents' feedback emphasizes that any form of workplace violence prompts workers, including women, to seek a more supportive environment. Consequently, women exhibit higher sensitivity compared to men, facing elevated job stress, absenteeism, and diminished emotional well-being [20]. Feedback from diverse manufacturing representatives highlights a perceived higher rate of defective products among women compared to men. To mitigate these challenges, targeted interventions addressing gender-specific stressors, bolstering workplace protections against harassment, and fostering a conducive environment for women can enhance productivity and well-being within the manufacturing sector.

On the positive side, previous research also argue that work ethics of women is considered very high as women have great desire to contribute to the welfare of their families and communities [21]. Women also live longer, work more and retire later [18]. However, women can contribute if only they are empowered [18]. Previous researches find that women empowerment can increase economic development in various countries [22,23], especially local women

[24]. Women's empowerment involves women enhancing their capabilities through active engagement, fostering collaboration, and societal confidence [25]. It centers on liberating leadership to motivate women in communal development and encourages growth through shared consciousness, honing skills and impactful contributions [25]. To address challenges faced by medium-sized enterprises and promote women's empowerment, we recommend several steps. Firstly, for multitasking and hormonal problems, enterprises should ensure work-life balance. This begins with a regular day shift schedule, aligning with traditional hours and societal norms. Regular day shift schedule aids women managing various roles, like work and caregiving. Consistent hours ease stress and foster equal opportunities by reducing biases impacting promotions [26,27]. Our second proposed work-life balance involves establishing a nonphysical working environment to enhance employee relationships, known as a women's club. This club offers fitness, lottery participation, and recreational activities, proven to positively affect work satisfaction [28,29]. Led by local women workers, it addresses their specific needs, with enterprises offering the venue and schedule for activities.

Our third suggested work-life balance entails implementing menstrual and maternity policies. To aid women facing hormonal challenges, enterprises might provide female employees with one paid leave day per month during their menstrual cycles. In addition to maternity leave, companies could offer pregnancy-related benefits during this period and even extend support for child-related matters. Second, as manufacturing enterprises are more subject to sexual harassment, women should be protected by all means from sexual harassment [30]. Few ways to decrease the opportunity of sexual harassment are using day shift work with less male worker in the shift (iHHR Australia [31]), giving a comprehensive sexual harassment prevention training programs, creating efficient and confidential channels for reporting incidents, developing a sexual harassment policy [32]. Third, medium-size enterprises can train local women for advanced roles beyond packing and clerical tasks. These businesses often hire women from the area for supervision and machine-related jobs due to staffing needs. By offering training, enterprises enable hard-working local women to enhance their skills, empowering them to excel in more sophisticated responsibilities. Local women can mentor others after mastering skills, fostering a sense of usefulness. Research highlights women's effectiveness as mentors, particularly for their peers, enhancing job satisfaction through empowerment and guidance [25,33].

The outcomes are evident. We have tested these policies within a medium-sized manufacturing enterprise located in Cikarang since 2018. In comparison to the figures from 2017, there has been a consistent rise in the count of local female employees during the years 2018 to 2020 (from 21 in 2018 to 49 in 2020). The years 2021 and 2022 are not taken into consideration, as the surge in local female workers during these years stemmed from heightened product demand amid the COVID-19 pandemic. We are planning to implement these policies to other medium-sized manufacturing

enterprises which are our clients. Local women's empowerment profoundly benefits sustainable development. Firstly, it boosts economic participation, enhancing household income for better child nourishment and education, ensuring a promising human resource base. Secondly, it taps into the entire human potential, vital for sustainable development [16]. Thirdly, in addressing medium-sized enterprises' issues, it augments foreign economic integration and business continuity [22]. Enforcing these policies, such enterprises contribute valuably to the UN's fifth sustainable development goal, secure their own continuity and increase their competitive advantage.

## Conclusion

This case study underscores the critical intersection between sustainability, regulatory compliance, and women's empowerment within Indonesia's medium-sized manufacturing enterprises. The findings reveal that local labor quota regulations, while designed to promote regional employment, present substantial challenges for enterprises due to urban migration and limited local skill availability. Addressing this issue through the empowerment of local women provides a viable, sustainable, and socially inclusive solution. The implementation of gender-responsive workplace policies—such as structured day shifts, menstrual and maternity support, and women's clubs—demonstrated measurable success in improving work-life balance and job satisfaction. Complementary initiatives, including anti-harassment frameworks and targeted training programs, enhanced workplace safety, skill development, and leadership capacity among female employees. These interventions not only increased the participation of local women in the manufacturing workforce but also contributed to improved productivity, product quality, and organizational stability. Empirical evidence from the Cikarang enterprise confirms that empowering women can bridge the gap between sustainability objectives and operational needs. By integrating gender equity into business strategy, enterprises strengthen their compliance with national and international sustainability standards while contributing directly to the achievement of the United Nations Sustainable Development Goal 5 (Gender Equality). In conclusion, women's empowerment emerges as both an ethical imperative and a strategic instrument for sustainable industrial development. Scaling such initiatives across Indonesia's medium-sized enterprises can enhance competitiveness, foster inclusive growth, and ensure long-term business continuity within a rapidly evolving sustainability landscape.

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