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The Role of Skill as A Mediator Between Women's Participation in The Informal Sector and The Subjective Economic Well-Being

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Abstract

This study aims to identify the role of skill as a mediator between women's participation in the informal sector and subjective economic well-being. Past studies have shown that women's participation in the informal sector is highly heterogeneous. But the individual encouragement of women to work in the informal sector is made based on individual choice or caused by necessity factors. Informal employment affects women around the world regardless of educational level, income, socio-economic and national development. This employment sector essentially creates many job opportunities and promises to reduce poverty as well as potentially improve the economic well-being of households. However, in reality, the existence of this employment sector, in general, is still vulnerable due to lack of social protection, easy to exploit, outside legal coverage, no employment benefits, low wage scheme, inadequate job security, not covered by insurance, no pension scheme, medical and savings, without sick leave facilities, Employees Provident Fund (EPF) and SOCSO facilities. This study uses a quantitative cross-sectional survey method through a self-administered bilingual questionnaire. A total of 474 respondents among women working in the informal sector in the states of Selangor, Kuala Lumpur, and Putrajaya were involved via stratified random sampling. The data was then analyzed using Statistical Package for the Social Sciences (SPSS) version 24 and IBM AMOS version 23 software. The results showed that there was a significant influence by female participation factor based on necessity ($\beta = 0.251$, $p < .001$) and choice ($\beta = 0.439$, $p < .001$) on skills needs. The results also show that skills act as a mediator in the relationship between women's participation in the informal sector and subjective economic well-being. These findings indicate that skills are used as a good mediator to test the relationship between women's participation by necessity and choice for the economic well-being of Malaysian households in the informal sector. Skills can increase productivity and help employees diversify employment opportunities as well as increase their income for the subjective economic well-being of households.

Keywords: Economic Well-Being, Women's Participation, Skills, Informal Sector.

Introduction

The 11th Malaysia Plan (MP) under Strategy Paper 8, Labour Market for Developed Countries the government's strategic shift to improve labour market efficiency aimed at increasing productivity, improving wage structure, and creating quality job opportunities. Meanwhile, under Strategy Paper 2, The 11th Malaysia Plan is to improve the status of group B40 households by strengthening the social safety net of vulnerable groups, is Malaysia's main agenda towards achieving a developed nation and improving the well-being of Malaysians (EPU, 2016). Therefore, the informal sector is the focus of this research to understand the poverty and economic well-being of the people, especially among group B40 women workers and households from an employment perspective. This mission has been continued under the Twelfth Malaysia Plan (12th MP) and through the implementation of the Shared Prosperity Vision (SPV) 2030. The goal of this government planning and policy is to eliminate hardcore poverty in particular and reduce socio-economic inequality among the people and further improve standards. Income and economic well-being of the people (Charms et al., 2012; Chen, 2008; Chen et al., 2012; ILO, 2013). The government's policy plans are complementary to each other towards achieving a new development model based on shared prosperity, in line with the government's efforts to achieve sustainable development goals by 2030. Thus, efforts to improve the living standards of the people, especially for those in the B40 or population group low -income and poor groups among the main agenda of national development (12th MP & SPV 2030).

Women's participation in the economy is inseparable from factors that affect it such as the lack of income of husbands and family members (Bonnet et al., 2019). The rising cost of living, opportunity factors and job flexibility, and so on to earn a prosperous and better living (Neily et al., 2014). Among others, women's participation in economic activities is to meet the daily needs of the household (Maloney, 2004; Neily et al., 2014). The informal sector is one of the options used by women to earn income because the sector is easily accessible, low cost, has no legal and regulatory coverage, has small capital, and does not require highly educated (Charlot et al., 2015; Matytsin et al., 2017). Past studies have shown that women's participation in the informal sector is highly heterogeneous (Chen et al, 2012; World Bank, 2019). Therefore, this research looks at an important agenda namely in how the skills factor is a mediating factor of women's participation in the informal sector in influencing the subjective economic well-being of households.

Informal activity occurs outside state regulatory institutions and there are two different types of informal economic activity (Harriss-White, 2010). The first is that firms without registration avoid taxation or labour regulations doing small-scale economic activities. The second difference is that informal activities are performed by households using low levels of capital, technology, and skills (Charlot et al, 2015; Harriss-White, 2010). Economic activity is owned by individual household members or several members of the same or different family (Harriss-White, 2010). Typically, they operate at a low organizational level, on a small scale, and with little or no division between labour and capital (Bonnet, 2018). Thus, measuring the skills factor of women working in the informal sector is the significant *mediator* between the influence of choice participation factors and participation factors based on the necessity of the subjective well-being of the household economy.

The latest statistics show that there are a total of 2.54 million people engaged in informal employment in Malaysia in 2019 which includes 1.26 million in the informal sector and the rest in the agricultural and household sector organizations. This number accounted for 10.6 percent of total non-agricultural employment or 8.3% of total informal employment. Despite its small size, the informal sector appears to be growing rapidly, growing at a rate of 4.5 percent per annum between 2011 and 2017 (Sazali et. al., 2019). These data indicate that the informal employment sector makes a significant contribution to the country's economic growth. Statistics by the state show that the state of Selangor dominated informal employment in 2019 which was 208.9 thousand people or 16.6 percent. Followed by Sabah 12.3 percent and Kelantan 10.5 percent. Meanwhile, Kuala Lumpur and Putrajaya contributed 4.6 percent (DOSM, 2019). Nearly two-thirds of employment in the informal sector was concentrated in the services sector which accounted for 64.6 percent, followed by construction (18.9 percent) and manufacturing (16 percent) (Sazali et. al., 2020). In Malaysia, the categories of informal employment include employers, private employees, self-employed and unpaid family workers. The 2019 statistical report showed that as many as 71.1 percent or 900,800 people were self-employed and followed by private employees at 17.1 percent or 215,300 people were engaged in the informal sector (DOSM, 2020).

Literature Review

Causal Theory and Utility Theory

This theory describes how individuals view the cause and effect of different events based on external or internal factors. This theory outlines the reason for participation in the informal sector is due to two factors, namely the choice factor and the necessity factor (Williams et al., 2019). This theory has become the basis for research related to participation in the informal economy. While the theory of Utility is used to describe human beings is achieving satisfaction and well-being as a result of using a product or service and provide happiness and pleasure. This is because well-being has implications of satisfaction and pleasure (Mokhtar et al., 2016). Prosperity and well-being of life should be enjoyed by all levels of the people manifested through income levels and household spending patterns (Rothenberg et al., 2016).

Factors of women's participation in employment in the informal sector can be seen from two perspectives, which are participation by choice and participation by necessity (World Bank, 2007; Perry et. al., 2007). The main theory, used in this research is the Causal theory (Loayza, 2018; KRI, 2019) aimed at understanding women's participation in informal employment using *exit-exclusion taxonomy* (Perry et al. 2007; Oviedo et al. 2009; World Bank, 2007). Meanwhile, utility maximization theory is used to explain satisfaction resulting from the use of goods or services (Diener et al., 2009; Munzarina et al., 2013). Some employees choose or voluntarily work informally to avoid registration and taxation (Perry et al., 2007; Perry et al., 2019)). Meanwhile, some employee's others choose to work informally i.e. do so because of needs, social adjustment, or traditions in the family (Charms et al., 2012); Oviedo et al., 2009). Women's participation has some critical issues especially related to different income levels due to gender factors (Unni, 2003). The types of jobs that make up the informal sector vary, particularly in terms of capital invested, the technology used and income generated. The spectrum of informal work revolves around unpaid family work/business and self-account. It includes occupations such as street vendors, garbage collectors, shoe cleaners, car guards, gardeners, and so on (Gunther, 2012; Unni, 2003).

Subjective Economic Well-being

Subjective economic well-being is the state or economic status of individuals and households expressed by a person (Rojas, 2013) and how people evaluate their economic position (Diener, 1997; 2009). (Cummins 1996; Petrucci et al., 2002; Van Praag et al., 2003). In most developing countries, the informal sector includes enterprises, workers, outputs, and production activities performed by unregistered firms and does not pay taxes, accounting for the bulk of total economic activity (La Porta et al., 2008; Rothenberg et al., 2016; ILO, 2018). Informality is defined as a low productivity sector with higher turnover, lower costs, and ease of matching in the labour market and informality is increasing in most countries around the world (World Bank, 2019; Williams, et. al., 2019). In most developing countries, women are more likely to be found in the most vulnerable forms of informal employment, affecting their employment (United Nations, 2016). Women in the informal economy are more exposed to short-term and part-time paid employment, as well as women, face a more pronounced low wage gap than men according to The Organisation for Economic Co-operation and Development (OECD) and International Labour Organisation (ILO) (OECD & ILO, 2019).

Women Skills as a Mediator

The skills factor of women workers in the informal sector is a significant mediator between the influence of choice participation factors and participation factors based on needs on the subjective well-being of the household economy (OECD, 2013). The mediator variable used in this study was skills. Skills can affect employee well-being as they have parallel importance to employment, business, and the economy. Therefore, the effect of women's participation in employment in the informal sector on the subjective well-being of the household economy must be taken into account by policy makers (Serven et al., 2006; ILO, 2019). Component of skill factors such as technical skills, problem-solving skills, communication, leadership skills, time management, and other skills must be present to face every challenge faced in employment in the informal sector (World Bank, 2019). This demand is in line with the goal of national development to increase the level of the subjective economic well-being of the population, especially the vulnerable B40 group, and further to achieve the goals of this study.

Informal sector research raises many problems and gender inequalities such as income disparities, discrimination and skills differences between men and women, employment risk, easy job loss, and lack of social security as well as health protection (Gunther, et al, 2012; ILO, 2018d). The findings of the study found that women had no job options and they were forced to accept and join low-paying jobs, firm-set employment conditions jeopardize their workers for survival (Oviedo et al., 2009; IMF, 2017). The involvement of women with lower levels of education and skills qualifications compared to men in the informal sector, resulting in lower wages and rewards in the informal employment sector being less than that of their male counterparts (Razafindrakoto et al., 2011; Williams et al., 2019)). The Organisation for Economic Co-operation and Development (OECD, 2013) places elements of income, employment, housing, environment, education and skills, health, personal safety, social relations, and work-life balance as factors influencing well-being. As suggested by Ahmad et al (2016), apart from social support, associations should enhance knowledge and skill among women by providing suitable courses to increase their financial security. Lack of knowledge and skills would inhibit the involvement in any activity especially the job activities (Fauzi et al., 2017).

Education and skills provide longer and better benefits beyond their impact on Gross Domestic Product (GDP) growth and encompass many other dimensions of well-being. For example, in OECD countries, highly educated people live on average about 6 years longer than low-educated workers. They enjoy higher job satisfaction, lower labour market insecurity, and less job stress. Studies by the OECD that measure the impact of education on well-being show that education provides double benefits compared to health and employment aspects. Reducing inequality of access and opportunity in schools is crucial to promote better educational effects, as lower levels of inequality in education and skills aspects result in higher levels of well-being and economic growth, education, and training. Education and skills are key drivers of human capital (OECD, 2016).

Considerations of subjective economic well-being and survival issues may explain why individuals prefer to work informally rather than work in the formal sector (Fuentes, 2001). There is evidence from previous research that tax evasion and rules and regulations are not a reason why people might choose informal work. Non-financial factors are also important aspects in determining subjective economic well-being (Lazoya, et. al., 2006; Schneider 2004). In addition, the emergence of the gig economy (platform economy), Internet of thing (IoT), and big data affecting women driven by flexibility of working hours, the concept of office on the go (mobile), freedom to choose the type of job and income are also considered more lucrative than formal jobs have shown an increase and be the choice of the younger generation (World Bank, 2019). The emergence of the digital economy is a new dimension to the informal sector that will impact the economy and social protections.

Why is it necessary to take into account the importance of the subjective economic well-being of women workers in the informal sector? Here is the rationale. Informal employment affects women around the world, regardless of a country's level of education and income or level of development (Williams et al., 2019).

- i. By employment: as much as 61.2 percent of global employment estimated by the ILO is informal economy (2018d). Recent indicators suggest that the global informal economy is large (Chen, 2008).
- ii. The World Bank estimates 64.7 percent of workers in developing countries are in informal economies (World Bank, 2019).
- iii. Based on a survey of companies by the World Bank, found that 54 percent of companies in all countries surveyed reported competing with unregistered or informal firms (World Bank, 2019).
- iv. The informal sector (including agriculture) is estimated to account for between 20 percent and 64 percent of the total GDP of developing countries in the 2000s (Charms, 2012).
- v. According to the Informal sector employment survey report in Malaysia, the percentage of employees in the informal sector has increased from 9.3 percent in 2012 to 11.4 percent in 2015, with a CAGR of 10.3 percent over the same period. This increase reflects the increasing share of the working population with little social and legal protection (Lim, 2016).

Research Question and Hypothesis

Is the skills factor of women workers in the informal sector a significant mediator between the influence of choice participation factors and participation factors based on the necessity for the subjective well-being of the household economy?

The hypotheses of this study are;

Ha1: The skills factor of women workers in the informal sector is a significant mediating variable between the influences of choice participation factor on the subjective economic well-being of the household.

Ha2: The skills factor of women workers in the informal sector is a significant mediating variable between the influences of participation factor by necessity on the subjective economic well-being of the household.

Conceptual Framework

The conceptual framework of this study was to test the influence of women's participation in informal employment as an independent variable and the subjective economic well-being of the household as a dependent variable. This framework measures the relationship, i.e. the influence of women's participation in informal sector employment on the subjective economic well-being of households.

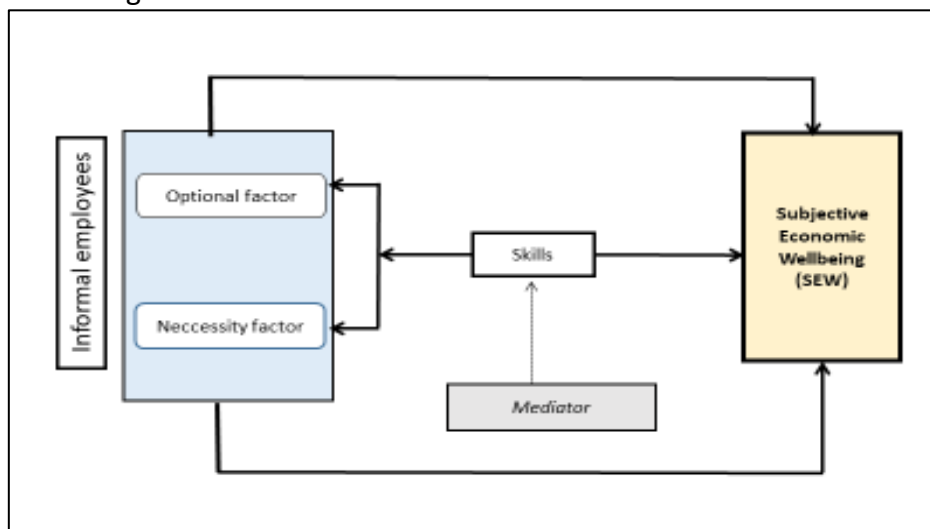


Figure 1: Conceptual framework

Figure 1 shows the use of skills as a mediator variable because skills are tools that can be used to increase levels of efficiency and productivity. Informal workers gain skills outside of formal education and training.

Research Methodology

The design of the study uses the method of cross-sectional survey using quantitative involving the collection of data through the distribution of questionnaires. Based on Malhotra, Sham, and Crsip (1996), cross-sectional design involves a method of collecting data on one type of sample from a population studied on a one-time basis based on existing respondent attributes. The study design is an action that shows in detail how a study is conducted (Fornell, 1981; Sabitha, 2006).

The location of the study involves areas with the highest number of informal workers, in Selangor, Kuala Lumpur, and Putrajaya. The choice of this location was made because, apart from the highest number of informal workers in Malaysia, the Klang Valley is the fastest-growing urban area and is a metropolitan capital that colours various types of informal jobs.

Population refers to all cases or subjects that are of interest to the researcher to conduct a study (Wallace & Van Fleet, 2012). The profile of female employee respondents in the informal sector was taken by the Department of Statistics Malaysia 2018. This employee profile contains a database of employees aged 15 to 64 years, which is the age of the population that is considered to be still active in the economy. The population for this study is urban women working in the informal sector in the states of Selangor, Kuala Lumpur, and Putrajaya is a total of 45,500 people (Department of Statistics Malaysia, 2017). While the sample of this study is based on the sampling table by (Dilman, 2011). Based on the literature, a total of 383 respondents are required for population estimates between 40,000 to 100,000 with a 5% sample error selected. For comparison, the number of samples required for a population of 50,000 as follows; Cohen N = 381, Krejcie and Morgan 1970 N = 381. So, a total of 474 respondents are collected for this study.

The sampling method used is stratified random sampling by state/region and urban area. The instrument research used a questionnaire (*adapt & adopt*). The questions related to the Skills and Competencies required by each employee involved in the informal sector. Respondents were asked about skills that could meet the needs of their job or business. Question items related to skills and competencies were adapted from the 2014 skills and competencies NKEA sectors study by PE Research Malaysia, World Bank, 2013 developing skills for innovation and high-income economy in Malaysia. These skills and competencies items are appropriate for the coverage of current human resource needs based on data and information related to skills, training, and talent. The question items used are the core skills among the main occupations for each employment sector. 13 key skill items used Likert scale statements (1-5) from strongly disagree to strongly agree. The data has been analysed using Statistical Package for the Social Sciences (SPSS) version 24 & IBM-AMOS software version 23.

Findings and Discussion

Respondent's Background

There is a total of 474 female respondents working in the informal sector in the states of Selangor, Kuala Lumpur, and Putrajaya involved in this study. In terms of age, the group between 21 and 30 years old has the highest percentage of responders (28.9%), followed by 31 to 40 years old (28.3%), 41 to 50 years old (20%), and 51 years and older (22.8%). Meanwhile, (55.7%) of respondents were married, followed by (29.3%) who had never married, 7% widowed (7%), divorced (4.9%) percent and separated (3.2%). While the respondents' monthly income showed that the income level between RM 1001 and RM 1500 (22.8%) had the highest percentage, it was followed by income levels between RM 3001 to RM 5000 (17.1%), RM 1501 to RM 2000 (15.8%), RM 501 to RM 1000 (11.8%), RM 2001 to RM 2500 (9.3%), RM 2501 to RM 3000 (9.1%), and income RM 5000 and above (8.7%). Each household has its number which refers to family members living together in the household. According to the study's findings, more than half of the respondents which is (60.8%) live in a household with 4 to 6 people, followed by 1 to 3 people (27.4%), 7 to 9 people (10.3%), and more than 10 people living in house (1.5%). The highest number academic level of respondents has found in the Malaysia Certificate of Education (SPM), (41.1%), Diploma (16.5%), Bachelor/Degree (10.3%), Lower Secondary Assessment (PMR) (9.7%), Malaysia Higher School Certificate (STPM) (7.2%), primary school (4.6%), skills certificate (4.4%), master's (1.5%), PhD (1.1%) and professional certificate (0.8%). The majority of respondents

have an income range of RM 1001 to RM 1500 per month, and the majority of them have a Malaysia Certificate of Education (SPM) academic qualification. As a result, this background shows their ability, skills and competency levels of individuals.

Exploration Factor Analysis (EFA) for Construct Skills

Table 1 shows the results of the study for the mean, standard deviation, factor loadings, KMO, and Cronbach Alpha for each item. The results of the pilot study showed that the value for Bartlett's Test (p -value < 0.05) and the value of KMO sampling adequacy measure were significant and exceeded the value of 0.60. This indicates that a correlation matrix is acceptable for conducting factor analysis. Next, it was found that all items g1_h to g14_s had factor loading values exceeding the minimum limit of 0.40. Then all these items are retained. Cronbach Alpha is used to measure the coefficient scale for reliability and generally values of 0.60 to 0.70 indicate an acceptable level of reliability, while 0.8 and above indicate an excellent level of reliability (Ursachi et al., 2015). Table 1 shows that both of these factors have Cronbach's Alpha values above 0.80. This indicates that the level of reliability of the items used in this study is very good.

Table 1: Summary results of mean and factor analysis for each item

Factors	Item	Mean	Standard Deviation	Factor Loading	KMO	Cronbach Alpha
<i>Hard skill</i>	Test g1_h	3.48	1.19	.799	0.800	0.858
	g2_h	3.33	1.31	.830		
	g4_h	3.68	1.19	.802		
	g6_h	3.43	1.21	.771		
	g7_h	3.74	1.08	.791		
<i>Soft skill</i>	g3_s	3.66	1.17	.769	0.913	0.942
	g5_s	3.66	1:18	.735		
	g8_s	3.90	1:03	.814		
	g9_s	3.91	1:04	.853		
	g10_s	3.94	1:02	.841		
	g11_s	3.97	.99	.894		
	g12_s	4:00	1:03	.865		
	g13_s	3.92	1:04	.883		
	g14_s	3.92	1:02	.817		

Skills and Competencies (Hard Skills)

Table 2, shows that for the required skills and competencies (hard skills), it is found that the overall mean score is at medium level ($M = 3.50$, $SD = 0.73$). The highest mean score was recorded by the item 'my job makes me need to be creative for survival' ($M = 3.69$, $SD = 0.91$). These findings show that respondents agree that hard skills are needed because their jobs require skills to survive.

Table 2: Analysis of mean and standard deviation of skills and competencies required (hard skills).

Dimensions and sub-dimensions of skills and competencies required	Mean (1-5)	Standard deviation	Interpretation
Hard skill			
a. My job requires technical skills (related to their respective field of work).	3.46	.96	Moderate
b. I need analytical skills to facilitate my job (automation, digitization, data science).	3.32	1.04	Moderate
c. I have the skills to manage my business.	3.62	.92	Moderate
d. I was able to communicate in English or Mandarin, Tamil, etc.	3.39	1.03	Moderate
e. My job makes me need to be creative for survival.	3.69	.91	High
Overall mean	3.50	.73	Moderate

Skills and Competencies (*Soft Skills*)

Meanwhile, Table 3 shows the analysis of the mean and standard deviation of required skills and competencies (*soft skills*). It is found that the overall mean score is at a high level (M = 3.82, SD = 0.69). The highest mean score was recorded by the item 'my job requires skills to communicate with customers' (M = 3.89, SD = 0.87). These findings show that respondents strongly agree that *soft skills* are needed because their jobs require skills to communicate with customers.

Table 3: Analysis of mean and standard deviation of required skills and competencies (*soft skills*)

Dimensions and sub-dimensions of required skills and competencies	Mean (1-5)	Standard deviation (SD)	Interpretation
Soft skills			
a. I can solve problems related to my job or business.	3.62	.90	Moderate
b. I can plan my job or business.	3.59	.94	Moderate
c. I need to be positive and always optimistic about work, business.	3.84	.85	High
d. I need to have confidence in my job & business.	3.83	.86	High
e. I can manage time well.	3.86	.84	High
f. My job requires good decision skills.	3.85	.84	High
g. My job requires skills to communicate with suppliers/customers.	3.89	.87	Highest
h. I must be able and skilled in negotiation & speaking well.	3.85	.87	High
i. I need to be skilled to lead my business & job.	3.83	.88	High
Overall mean	3.82	.69	high

To test the mediator effect of female workers' skills in the informal sector on the relationship between choice participation factors and necessity on the subjective well-being of the household economy, the *joint significance test of mediation method* was introduced by MacKinnon et al., (2002) were used.

This method tests that if route *a* is statistically significant, and route *b* is also statistically significant, then the hypothesis that there is a mediator relationship is supported. In this case, *a* is the effect of the choice participation factor on skills (subjective economic well-being as a constant), *b* means the effect of skills on subjective economic well-being (choice participation as a constant). Whereas *c* is the direct effect of the optional participation factor on skills.

The figure 2 below shows a significant influence between women's choice participation factors on skills ($\beta = 0.439$, $p < .001$), while similarly there is a significant influence by skills on the subjective economic well-being of the household ($\beta = 0.178$, $p < .001$). These findings suggest that skills act as a mediator for the relationship between women's choice participation and household subjective economic well-being.

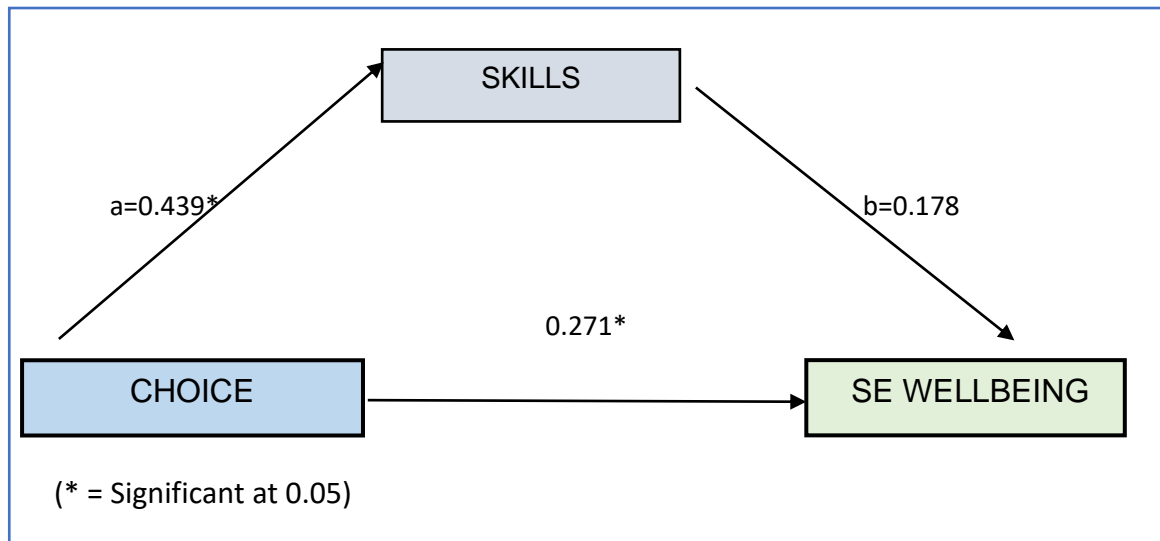


Figure 2: Skills as a mediator of the relationship between women's participation in the selection of the subjective economic of households.

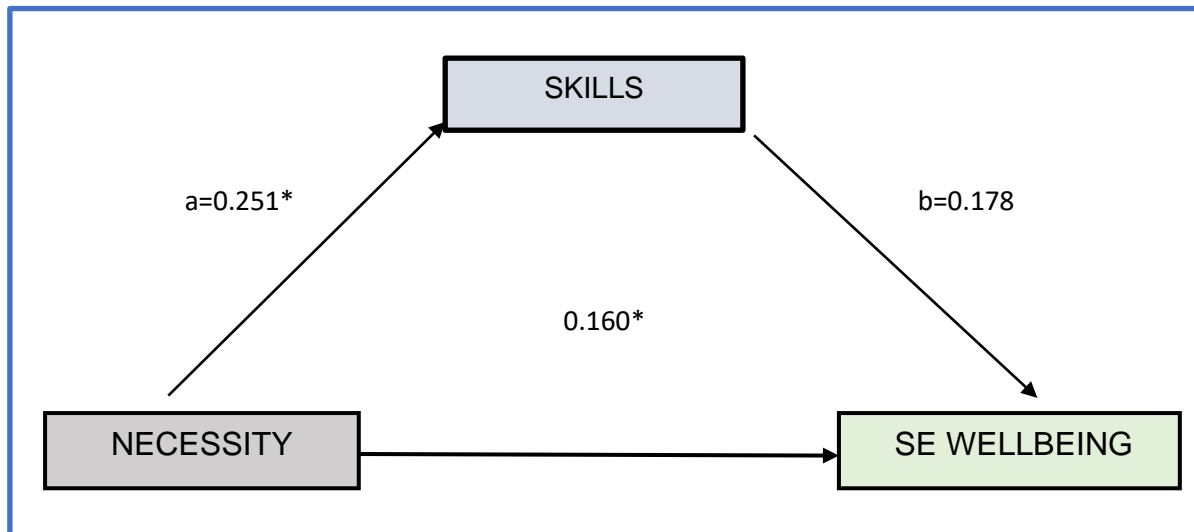
Table 4: Results of the mediator effect in the relationship between women's participation by choice and subjective economic well-being.

Constructs	Constructs	parameter (not standardised)	parameters (standardised)	p-Value	Results	Results mediator
skills	Choice	0.500	0.439	<0.001*	Significant	Supported
SWE	skills	0.500	0.178	<0.001*	significant	

* Significant at p-value <0.01

Are the skills of women workers in the informal sector a significant mediator between the influence of participation factors by necessity and participation factors based on a choice on the subjective economic well-being of the household?

Figure 3 below shows, there is a significant influence between women's participation factors by necessity on skills ($\beta = 0.251$, $p = .001$), while likewise there is a significant influence by skills on case level subjective economic well-being of the household ($\beta = 0.178$, $p < .001$). These findings suggest that skills act as mediators for the relationship between women's participation by necessity and household subjective economic well-being. This proves that the hypothesis is supported.



(* = significant at 0.05)

Figure 3: Skills as a mediator for the relationship between women's participation by necessity and the subjective economic well-being of the household.

Table 5: Results of the mediator effect in the relationship between women's participation by necessity and subjective economic well-being.

Construct		Construct	Parameter (non-standardised)	Parameter (standardised)	p-value	Result	Result mediator
Skills	<---	Necessity	0.316	0.251	<.001*	Significant	Supported
SWE	<---	Skills	0.500	0.178	<.001*	Significant	

* Significant at p-value <0.01

The digital revolution that has changed the world over the last two decades has reinforced the importance of skills as determinants of economic well-being and growth. As explained in (OECD, 2019), digital technologies improve the lives of those who have the skills to use them. For example, they facilitate access to education, health information, the consumption of goods through online shopping, reduce transportation time through telecommunication work and improve the efficiency of manpower.

Discriminant Validity

Subsequent assessment is conducted on the validity of the discriminant. Discriminant validity refers to the extent to which a measured construct is valid differs from other constructs, as well as the extent to which an item represents only one latent construct (Hair et al. 2014). In this study, the Fornell-Lacker method was used. The discriminant validity of showing a measurement model of a construct independent of overlapping items (Pallant, 2020) was checked by comparing the correlation between the construct and the square root of the extracted variance (AVE) for the construct (Fornell & Lacker, 1981; Zainudin, 2016). Discriminant validity is said to be achieved when the square root value of the variance extracted AVE is greater than the value of the correlation between the constructs.

The results in Table 6 show that each square root value of variance extracted (AVE) is greater than the value of the correlation between constructs. This indicates that discriminant validity has been achieved.

Table 6: Discriminant validity

Construct	(1)	(2)	(3)
SE Wellbeing (1)	0.667		
Participation (2)	0.287**	0.853	
Skills (3)	0.335 **	0.682 **	0.815

Findings of the analysis that have been carried out presented in Table 6, found that all correlation coefficients between latent constructs were below 0.85 (Zainudin, 2012). Based on CFA analysis test, all these variables are eligible for use in SEM analysis and further to form a model of urban women’s participation in the informal sector on the subjective economic well-being of the household.

Table 7: Correlation coefficients for relationships between latent constructs

Correlation between latent constructs			Correlation coefficients
Participation	<-->	Skills	.682
Well-being	<-->	Skills	.335
Participation	<-->	SE Well-Being	.287

SEM Model

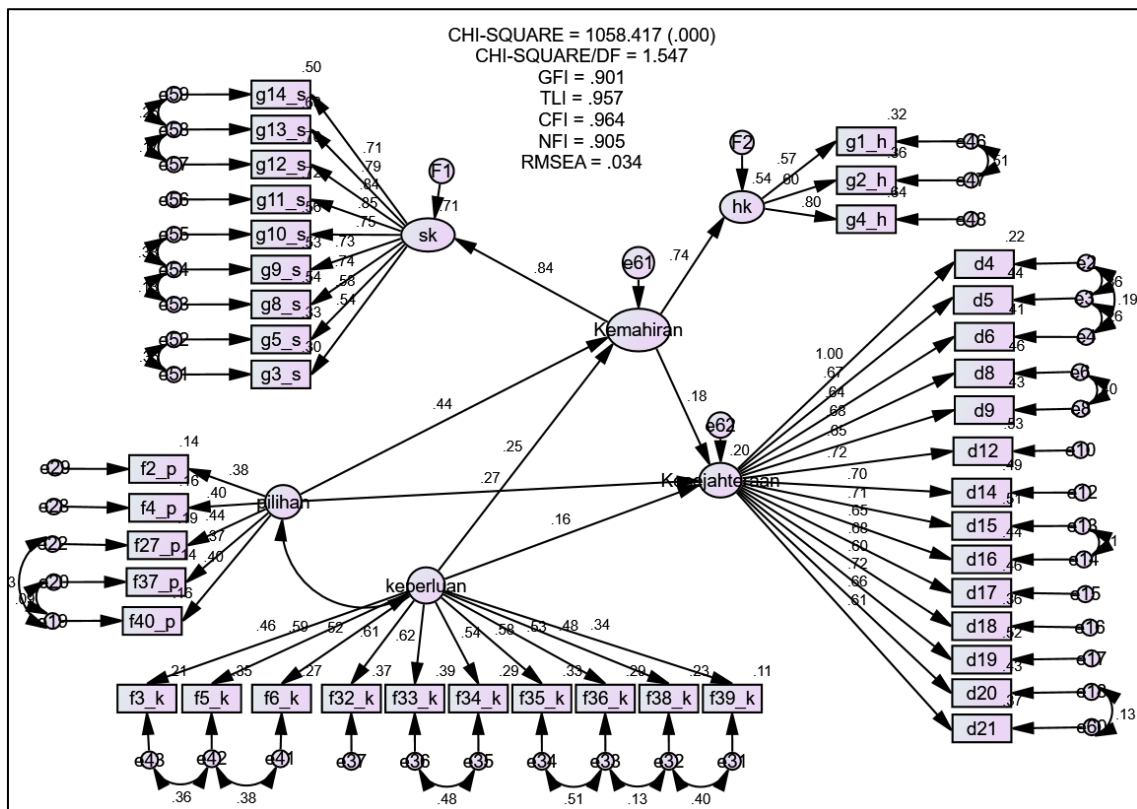


Figure 4: Urban Women's participation model in the informal sector on the subjective economic well -being of the household.

Table 8: Summary of structural model matching statistics

Category name	Match statistics	Minimum	index Match index (revised)
Absolute Fit	GFI	> 0.90	0.901
	RMSEA	<0.08	0.034
Incremental Fit	CFI	> 0.90	0.964
	TLI	> 0.90	0.957
Parsimonious Fit	Chi-square/df	<5.0	1.576

In this section, evaluations of structural models are discussed to examine the effects of exogenous variables on endogenous variables. Figure 4 above displays the tested structural model i.e. a hypothetical model for the influence of urban women’s participation in the informal sector showing the causal relationship between each study construct.

Figure 4 shows that the measurement model has a satisfactory model fit. The matching statistics for the measurement model yielded a chi-square value of $\chi^2 = 1058.417$ and a p-value of <0.001 . Next, the value of CFI = 0.964, the value of TLI = 0.957 while the value of GFI = 0.901 exceeds the set threshold value of 0.90. Meanwhile, the value of RMSEA = 0.034 is also the value that meets the respective match at the proposed minimum index.

Furthermore, based on the findings of the structured modeling equation, as much as 53% of the variance in the subjective economic well-being of the household can be explained by the

participation of urban women and the skills of women workers in the informal sector. This also indirectly indicates that there is as much as 47% variance in the subjective economic well-being construct of the household economy that cannot be explained by the exogenous constructs that represent it.

According to study, the role of skills as a mediator between women's participation in the informal sector and the subjective economic well-being is a significant mediator between the participation by necessity and participation by choice on the subjective economic well-being of households.

Conclusions and Recommendations

In understanding factors such as skills gaps, differences in required education levels may not be appropriate leading to job inequality in particular skills. In the formal employment sector, the Technical & Vocational Education and Training (TVET) program has been introduced to meet industry demand as well as contribute to economic growth, in line with globalization, knowledge-based economy, technological advancement, and global workforce mobility. TVET skills enable an industry-led approach is essential to provide the skilled human capital needed by the industry, especially to support the transition of the economic sector towards knowledge-based activities, in line with the aspiration to become a developed nation.

While in the informal sector no formal skills training is provided. Workers or employers in the informal sector gain training and skills from experience and learning by practising those skills. In contrast to the formal sector, hard skills in the informal sector that get the highest mean score is related to creativity and survival. This suggests that survival in life causes humans to learn and use it to survive. Meanwhile, in the category of soft skills (*soft skills*) in the informal employment sector that has the highest score is leadership skills, followed by communication skills, consultation with customers. Communication skills with customers are very important in the informal sector because employee customers deal directly (face to face) to obtain the needs of goods and services. Any communication disruptions and misunderstandings will affect their business and income. Therefore, good relationships and communication cause customers to use goods and services from informal employees repeatedly.

This research contributes to the relevant literature by understanding informality from a subjective economic well-being perspective. This is because at present there is no research in Malaysia specifically, discussing informal employment using subjective indicators of economic well-being. The informal job might not work because it is considered low in the context of subjective well-being but with the economic development of the platform and the gig is a new paradigm shift towards informal labour market in the digital era and modernization. This is a strong message for policymakers as outlined in the 11MP for the well-being of the people, especially the B40 group. There may be strong reasons why the level of informality should be reduced and it is time that the level of welfare and protection of informal workers be given serious attention by governments as well as law enforcement in Germany and the United Kingdom.

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