

The Informality Trap: How Informal Employment Drives Housing Ownership Backlog in Indonesia A Mixed-Methods Panel Data Analysis, 2017-2025

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Abstract

Housing ownership backlog remains a critical development challenge in Indonesia, with approximately 11.6 million units in 2022. While prior studies have examined housing affordability and mortgage access, the structural role of informal employment as a determinant of aggregate housing backlog at the provincial level remains underexplored. **Objective:** This study examines whether informal employment status significantly affects housing ownership backlog across 34 Indonesian provinces from 2017 to 2025. **Methods:** Employing a convergent parallel mixed-methods design, we combine panel data econometrics (Two-Way Fixed Effects with Driscoll-Kraay standard errors) with in-depth interviews of key housing policy stakeholders. **Results:** The TWFE estimator yields a statistically significant coefficient of 0.00715 for informal employment, indicating that a one percentage-point increase in the informal labor share raises housing backlog by approximately 0.715 percent, *ceteris paribus*. The model explains 72.1 percent of variation in log-backlog ($R^2 = 0.721$). Qualitative triangulation confirms three transmission mechanisms: financial exclusion due to documentary requirements, policy-design mismatch with informal income patterns, and inadequate inter-agency coordination. **Conclusion:** Informal employment constitutes a structural barrier to homeownership that cannot be resolved through housing supply expansion alone. Cross-sectoral integration of labor formalization, social protection expansion, and inclusive housing finance reforms is essential for sustainable backlog reduction.

Keywords: Informal Employment; Housing Backlog; Homeownership; Panel Data; Two-Way Fixed Effects; Driscoll-Kraay; Indonesia; Mixed Methods