



Size, Nature, Issues and Policies of International Migration from Indonesia to Asia

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Introduction

- **Increased labor migration :**
 - Demand and supply from both labor sending and receiving countries
 - Economic Crisis July 1997
- **Positive and negative impacts**
 - For labor receiving countries:
 - Positive sides : solution for domestic labor scarcity problem.
 - Negative sides : scarcity of for local unskilled workers, low wages, and low labor productivity.
 - Effects for the labor sending countries :
 - Positive sides : mitigating unemployment and increased foreign exchange earnings.
 - Negative sides: labor migration has created political tension between one country and another.



Objectives, Data sources and structure of the paper

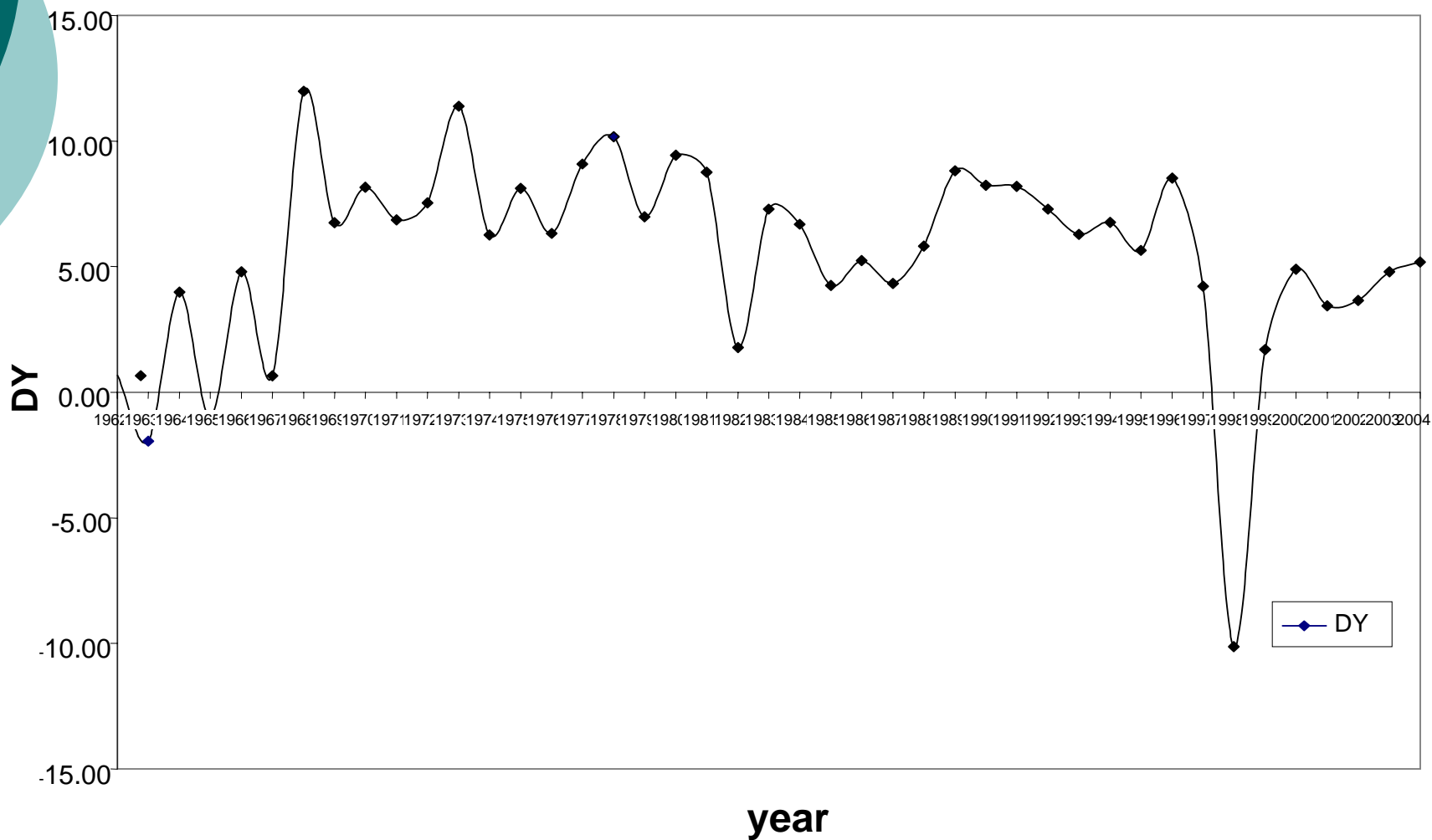
- **Objectives** : Discussing size, nature, issues and policies of international labor migration from Indonesia to Asia
- **Data sources** : Secondary data from departments and/or institutions such as Department of Manpower and Transmigration, Central Board of Statistics, and National Planning Board (BAPPENAS).
- Primary data from small survey of 100 labor migrants of West Java province
- **Structure of the paper**
 - economic development
 - employment situation
 - size and nature of labor migrants
 - recruitment process, determinants and fees
 - social and economic effects
 - government policies
 - concluding remarks



Overview of economic development and employment situation

- Indonesia before economic crisis (1968-1996) was group as the “miracle economies” in East Asia with average growth rate was about 8 per cent per annum.
- Due to economic crisis in the mid 1997, the economic situation in this country changed significantly
 - 1998 the growth rate contracted to 10.1 per cent.
 - 1999 the growth rate able to reach 1.69 per cent
 - 2000 it increased to 4.89 per cent
 - 2001 and 2002 the growth rates fell slightly to 3.42 percent and 3.66 respectively.
 - 2003 and 2004 the growth rate was about 4.8 per cent and it became 5.2 per cent in 2004

Figure I. The overall growth rate in Indonesia, 1962-2004





Consequences on unemployment and poverty

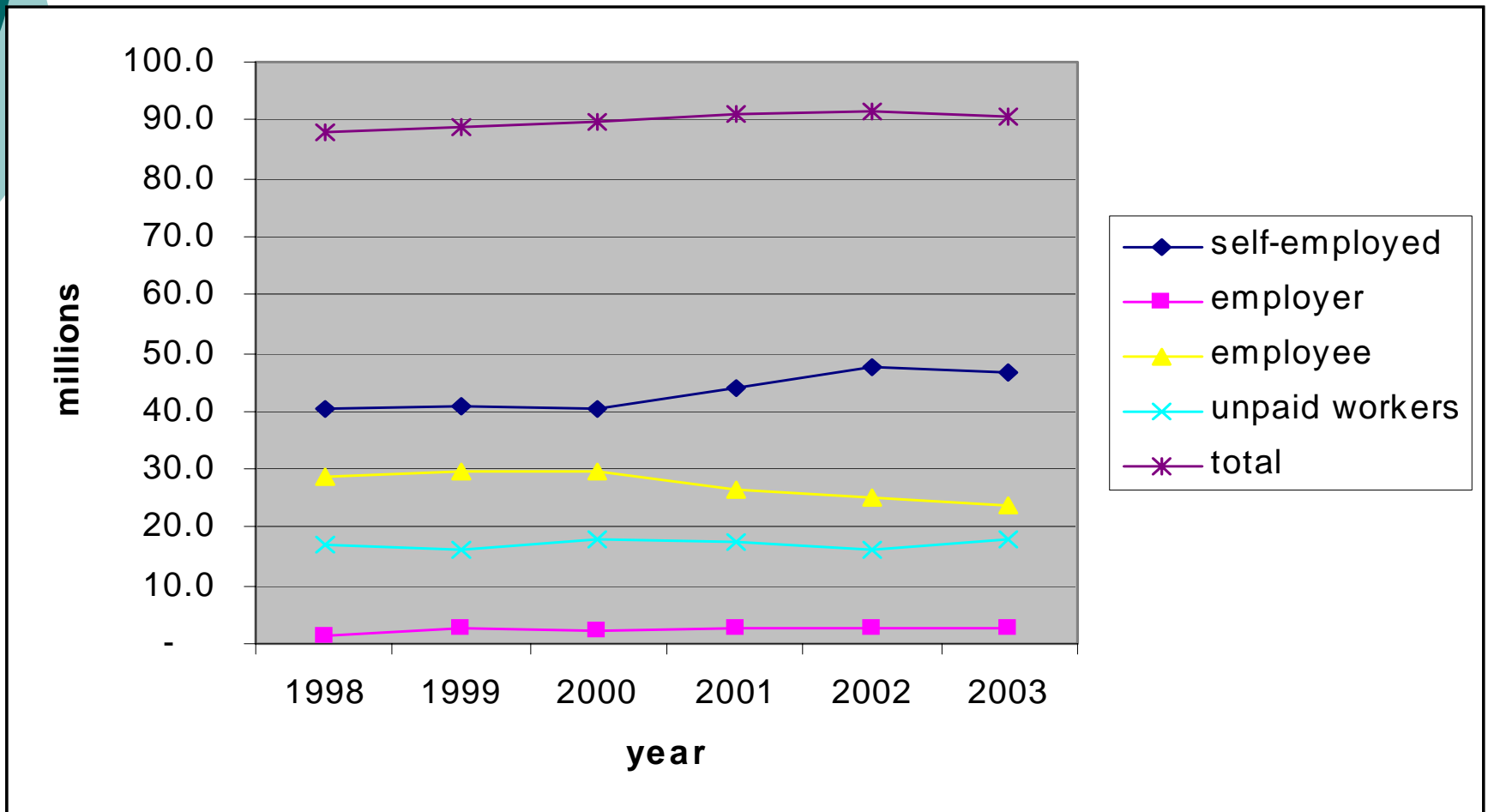
- Increase unemployment (9 %) and underemployment (40 %)
- Poverty (20%) using the Central Board of Statistics poverty line of per capita income per month at an average Rp. 110 000 (equivalent US\$ 12.50)
- Using the international poverty line of US\$ 1 PPP (purchasing power parity) per capita per day, the poor was about 110 million people or 53 per cent of total population in 2003.



Crisis changed the employment status

- Formal sector employment decreasing
In 2003 Employees in the formal sector was only 23.3 million, while in 2000 it was about 29.5 million.
In 2001 employers was about 2.8 millions and it decreased to 2.7 millions in 2003.
- In terms of economic sector
Agricultural and construction sectors decreasing in absorbing employment
From the year 2000 to 2003, agricultural sector formal employment decreased by 61 per cent, while the construction sector decreased by 38 per cent
Declines were also recorded in transportation and telecommunication sector (-12 per cent) and manufacturing sectors (-11 per cent)

Employment Situation by employment status, 1998-2003





Decreasing sectoral growth

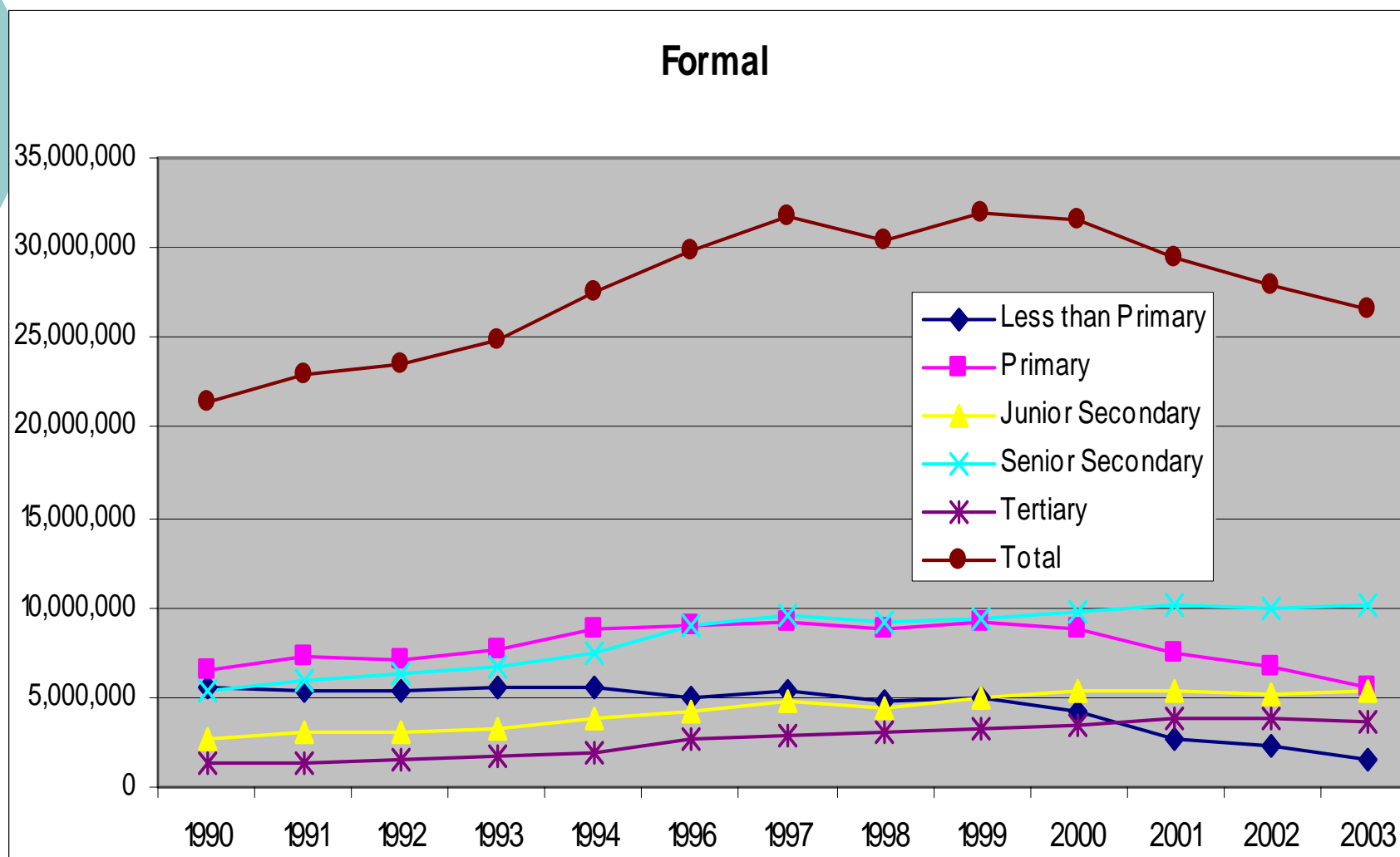
- Agricultural sector decreased by 1 percent in 2001, while in 2003 it decreased by 2.5 per cent suggesting that the economic crisis since 1997 has an adverse impact on the ability of both agricultural and non-agricultural sectors to absorb the growing labor force
- Consequently, an increased in the informal sector employment (self-employed persons, self employed assisted by family members, farm employees and unpaid family workers
- Employment in the informal sector has increased from 57.8 million in 2001 to 64.2 million in 2003



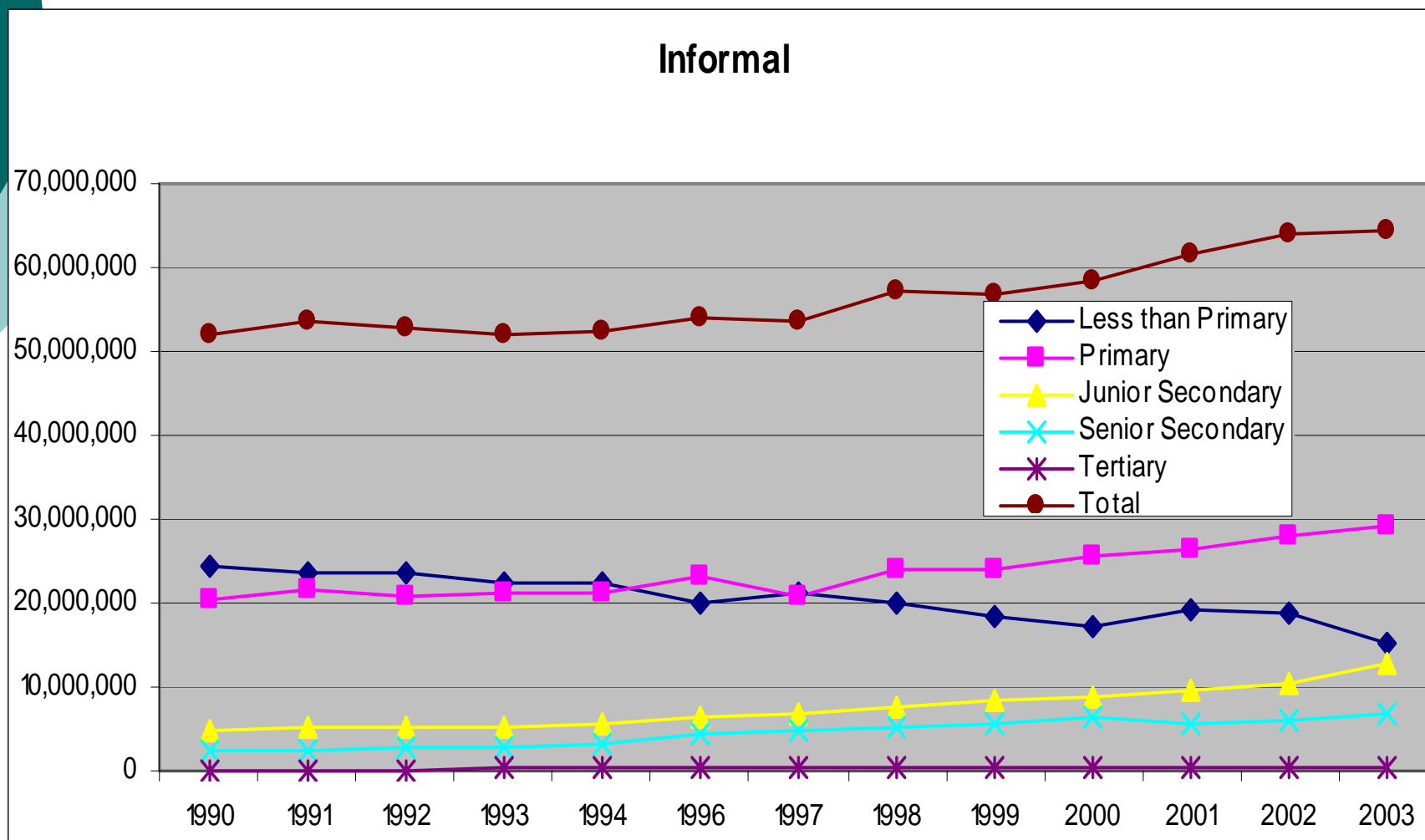
Changes in the quality of the workers

- In terms of the educational attainment :
Workers with less than elementary school in both formal and informal sectors have been replaced by workers with higher educational level
- Workers with educational level less than elementary school decreased from 19 millions in 2002 to 15 millions in 2003.
- This indicates that the bulk of unemployment in the country now is dominated by workers with educational level less than elementary school

Formal sector employment situation by educational attainment , 1990-2003 (in thousands)



Informal sector employment situation by educational attainment , 1990-2003 (in thousands)





Size and Nature of Indonesian Labor Migrants

- Before 1999, about 2.5 million Indonesia migrant workers abroad (excluding illegal migrants). But increased by 300 000 workers in 2002
- Destinations countries are Saudi Arabia, Malaysia, Taiwan, Hong Kong, Singapore and Brunei



Type of workers sent by the government

- Semi-skilled and unskilled workers as required by the receiving countries
- Type of Jobs are different between one country and another
- Malaysia needs workers for the agricultural sector (especially plantation sector) and construction sector, manufacturing and certain service sector
- Taiwan, Hong Kong and Singapore need domestic maids, construction workers, manufacturing, marine and service industries
- The Middle East countries need workers for the domestics helpers



Sex Distribution of migrants

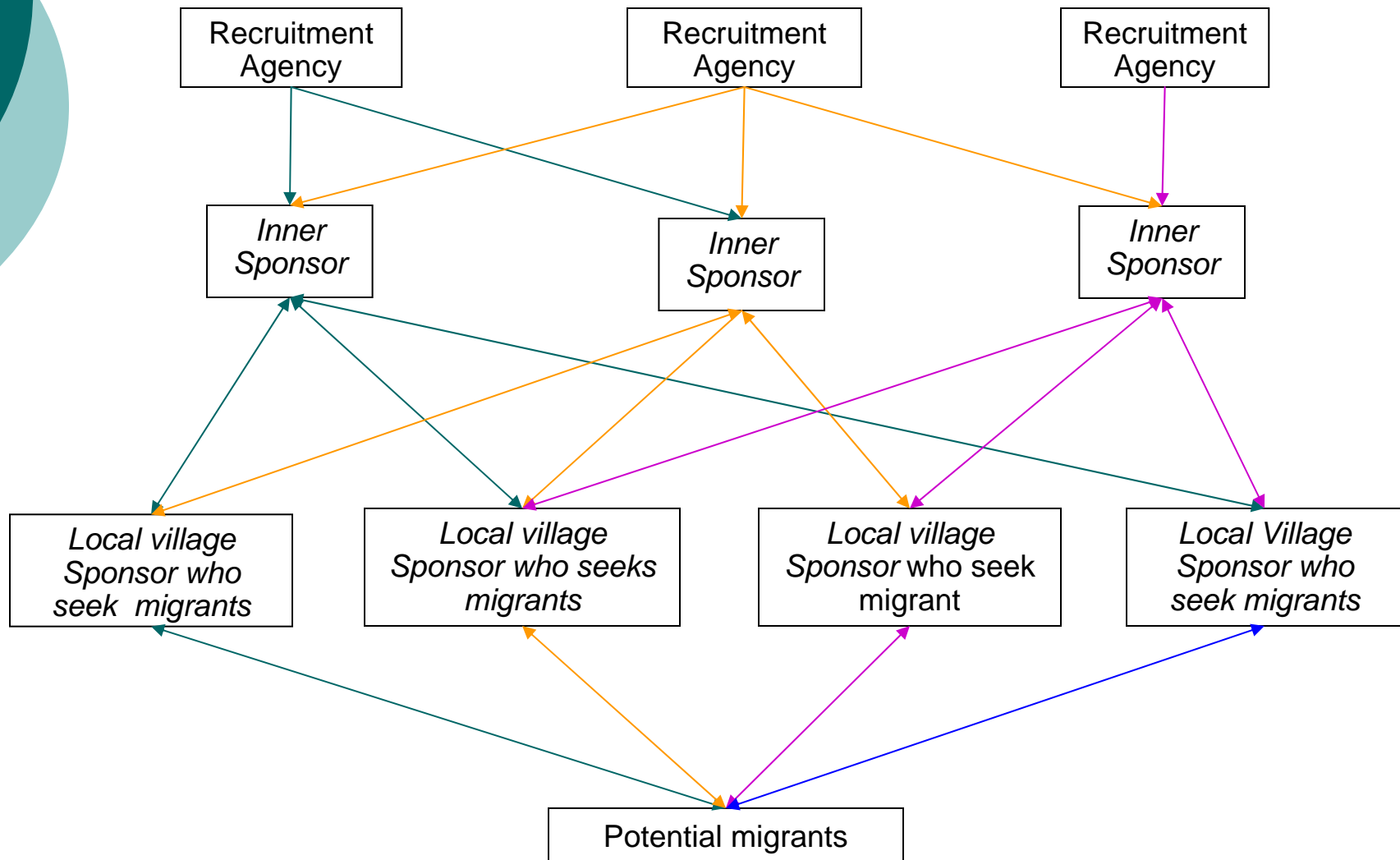
- For formal employment, males (nurses) are dominant;
- For Informal sector, females are dominant (domestic helpers)
- Hong Kong and Singapore needs these workers due to a significant structural shift in the services sector from traditional activities to modern more skilled intensive operations
- Thailand and Malaysia needs these workers due to labor shortages mainly in self-employed and contract jobs in agriculture and fishing.



Recruitment Process, Determinants to migrate and fees

- Recruitment Process
 - Most are through local village sponsor who visited any particular villages
 - After they find local potential migrants, the local village sponsor then brings the potential migrants to the inner sponsor who work for the recruitment agency.
 - These inner sponsor then brings the potential migrants to their recruitment agency.

The Recruitment Process of Indonesian labor migrants





Why through local village sponsor (brokers) ?

- Because many recruitment employment agency locate in the city and hence there should be transportation costs to that recruitment agency.
- Because the local village sponsors (brokers) are usually recognized by the migrants (27 %) and they can give financial assistance to the migrants (45 %)
- Because they can assist migrants to be registered in the recruitment agency (18 %)
- Because there is no other alternatives (10 per cent).

Type of information received from the local sponsor

Type of Information	Sources of Information are obtained from (in percent)		
	Local village	Family/ friend abroad	Employment agency
	<i>Sponsor</i>		
- Information on the employment opportunity abroad	64	34	2
- Information on places to register to work abroad	67	30	3
- Information on transportation costs	61	9	30
- Information on administrative Matters	54	8	38
- Information on traveling process	34	4	62
Source : Data collected from small survey, 2004.			



Determinant factors of migration

- Due to high wages and the unavailability of works in the villages (Harris-Todaro Model).
- Other factors have been associated with efforts to look for more experiences, or because of the present family or relatives working abroad.
- However, these later factors have been less significant to determine migration flows.




Determinants factors that encourage migrants to work abroad

Reasons why migrate abroad	The number of respondents (N=100)	Percentage
High wages	58	58
No present jobs	28	28
Looking for more experiences	7	7
Family or relatives abroad	2	2
Following Friends	5	5
Not known	-	-



Who make decision to migrate?

- Migrants' own decision (70%).
- The role of family and relatives was found to be insignificant (30 %).
- This indicates that the decision making process for the migrants to work abroad is very much self decision rather than family decision.



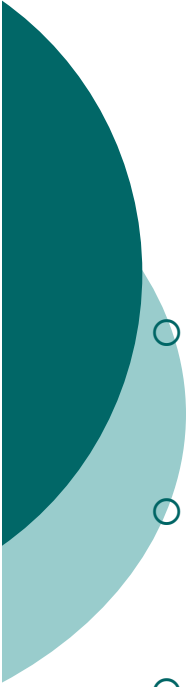
Decision making process by the migrants to work abroad

Who make decision to migrate abroad	Number of respondents (N = 100)	Percentage
Self	70	70
Self and husband/wife	12	12
Self and parents	15	15
Parents	2	2
Self and friends	1	1



Overseas fees charge

- Varies between one migrant and another.
- It ranges from Rp. 2.5 million (US\$ 320) and Rp. 5 million (US\$550) before they get a job abroad.
- These fees usually cover five cost components : (1) transportation and accommodation costs from the village to the domestic recruitment agency; (2) accommodation and food consumption costs during their waiting for placement abroad; (3) administrative cost for training and others; (4) fees for employment agency or brokers; (5) other costs such as levy, working permit fees, passport fees, etc.
- Higher overseas fees charge also relate with the type of jobs in which the migrants select.
- Type of jobs also affect higher overseas fee charge. Construction, fishing and other services sector in Malaysia, they have to pay at least RM 1800, while for estate sector migrants usually have to pay RM 500.
- High overseas fees have to be paid if the use brokers to get the job.



Economic and social effects of migrants on the economy

- Unemployment reduction no detail quantitative aggregate data available. But it can be measured through the number of labor migrants who went abroad.
- Foreign exchange earnings contributed at about US\$ 3.145 billion by 1.4 million migrant workers between the period 1999 and 2001.
- The contribution of 3.5 million of illegal migrants was unknown.
- In terms of poverty alleviation was also difficult to be estimated quantitatively as no data available.
- Using the sample survey, labor migrants do not only able to have works abroad, but more importantly they can send their salary to their family at home
- They can fulfill daily needs of migrants' family needs.
- Renovating their house, educational fees for children, working capital for small business, and other needs.

Table 10. Distribution Respondents According to the utilization of their salary received Abroad

Description	Number of respondents (N=100)	Percentage
Do you send your income to your family ?		
1. Yes	89	89
2. No	11	11
How does your family spend the money received from you ?		
1. daily needs	68	51
2. renovating house	46	35
3. buying land	8	6
4. education for children	5	4
5. Business creation	2	1
6. others	1	1

Source : Data collected from small survey, 2004.




Demographic effects

- Increasing marriage dissolution rate for males and females,
- High rates of male out-migration increase women's burden in the family.
- Female out-migration create numerous problems for the migrants themselves and the family left behind, particularly the young children.
- Low educational attainment of the majority of labor migrants and no prior work experience have specific effect on the workers performance abroad.
- However, when they return to Indonesia, working experiences that are obtained from overseas are believed to stimulate economic growth and eliminating spatial inequality and the wage differential.



Remittances and their channels

- The money remitted to home country by the migrants varies between one labor migrant and another. About 60 per cent of the respondents stated that they can remit their income per year to their family at home at the range between Rp. 5 million (US\$ 550) and Rp. 15 million (US\$ 1650).
- Channels of remittances are through bank (82 %), post office (10 %), friends (6 %), and other methods (2 %).
- Through Bank because the government suggested them to do so.
- Banks that takes part in this program include Bank Rakyat Indonesia (BRI), Bank Umum Koperasi (BUKOPIN), Bank Pembangunan Daerah (BPD) and Bank Negara Indonesia (BNI).



The amount of Money remitted to home country

Description	Total	Percentage
Less than Rp 1.000.000,-	2	2
Rp. 1.000.000,- - Rp. 5.000.000,-	30	30
Rp. 5.100.000,- - Rp. 9.900.000,-	30	30
Rp. 10.000.000,- - Rp.14.900.000,-	20	20
Rp. 15.100.000,- more	18	18
Total	100	100

Source : Collected from small survey, 2004.




The amount of Money brought when the migrant returned home

The amount of money brought when the migrants returned to home countries	Total (N=100)	Percent age
Less than Rp. 1.000.000	3	3
Rp. 1.000.000,- - Rp. 5.000.000,-	45	45
Rp. 5.100.000,- - Rp. 9.900.000,-	26	26
Rp. 10.000.000,- - Rp. 14.900.000,-	15	15
More than Rp. 15.100.000,-	11	11
Source : Data collected from small survey, 2004.		



Difficulties face by migrant workers

- About 30 per cent of the migrants interviewed face difficulties in adjusting their job abroad
- Language difficulties (23 %).
- Only 6 per cent does not face difficulties when they work abroad.



Difficulties faced by the migrants when they work abroad

Type of difficulties	Total respondents (N=100)	Percentage
Languages	23	23
Weather adaptation	10	10
Adaptation with their living environment	17	17
Jobs undertaken	30	30
Access to government apparatus	4	4
Access to protection	5	5
Access to information	5	5
No difficulties	6	6

Source : Data collected from small survey, 2004.



Negative treatments

- Bad treatment by the employers, unpaid salary, over worked, bad living facility, and other abuse.
- About 35 per cent of respondents has difficulties to communicate with the outside world
- About 7 per cent was not paid by the employers for domestic helpers.
- For migrants in the construction, estates and other services sector tend to have bad treatment in relation with their living facility.



Negative treatment received by the migrants abroad

Negative treatment received	Number of respondents (N=100)	Percentage
Unfriendly employers	10	10
Unpaid salary	7	7
Prohibition to communicate with the outside	35	35
Bad living facility	6	6
No problems	42	42



Government Policies

- The Ministerial Rule No. 4/1970 to manage domestic migration and international migration.
- Ministerial Rules No. KM 136/S/PHB and No. Kep-59/men/1977 regarding the direction of the government
- Legislation No. 39/2004 regarding the protection of Indonesian Migrant workers
- Presidential Decree no. 88/2002 on the National Action Plan to eradicate trafficking of girls and women.
- At the regional level, Bali Ministerial Conference on People Smuggling, Trafficking in persons and related transnational crime hosted by Indonesia and Australia in 2002.
- Labor Migration Ministerial Consultations for countries of origin in Asia hosted by Indonesia in 2003.



Future Policy recommendations

- Forming a Foreign Employment Board in the labor receiving countries to formulate policies in relation with recruitment, training, placement, and labor monitoring.
- Memorandum of Understanding (MOU) to protect Indonesian labor migrants from any bad treatment by the employers and/or by employment agencies in their destination countries.
- Labor contract agreement between labor migrant himself/herself and the employment agency, as well as among employment agencies in Indonesia and receiving countries.
- Formed Indonesian labor attaché in the labor destination countries to monitoring and providing assistance to migrant workers to cope with problems faced by them in the destination countries.
- Migrant workers insurance associated with accident, death, and sickness, etc.
- Training to improve the quality of migrant workers need to be organized before they work abroad.



Future Policy recommendations

- Regulation or rules to organize labor placement abroad should be legalized under a law.
- A need to have National and Regional Manpower Planning Policy especially for Indonesia as this country has so many provinces so that there is a need to have a coordination institution.
- ILO should have roles in solving any problems associated with migrant workers abroad. ILO Convention on migrant workers should be ratified.
- A need to form a Law Assistant Team at the national level to assist migrant workers who face problems in Indonesia and receiving countries.
- Law empowerment for any illegal practices like bribery, corruption, collusion and nepotism that happen in the process to have jobs as well as when migrants work in the receiving countries and/or when they return back to their home country.