
**UNITED NATIONS EXPERT GROUP MEETING ON INTERNATIONAL
MIGRATION AND DEVELOPMENT**

Population Division
Department of Economic and Social Affairs
United Nations Secretariat
New York, 6-8 July 2005

**TRENDS, ISSUES AND POLICIES TOWARDS
INTERNATIONAL LABOR MIGRATION :
AN INDONESIAN CASE STUDY***

Carunia Mulya Firdausy**

*The views expressed in the paper do not imply the expression of any opinion on the part of the United Nations Secretariat.

** Deputy Minister for Societal Dynamics – The State Ministry of Research and Technology, Indonesia

ABSTRACT

International labor migration has become an increasingly important feature in Indonesian economic development today. The reason for this is simply because of the increasing number of the unemployment and the poor caused by the Asian financial crisis. This paper aims at discussing trends, issues and policies

A. INTRODUCTION

Indonesian economic crisis has increased the number of labor migration from this country abroad. However, the implications of these labor migrants were not only positive for both labor sending and receiving countries, but it also leads to negative implications. For the labor receiving countries, labor migration has positive effects as it can reduce domestic labor scarcity. But on the negative side labor migration has created social and economic problems, including job competition for locals, especially the unskilled workers, dampening effect on wages received by the semi-skilled and unskilled workers and low labor productivity. Similarly, for the labor sending countries, the out-migration, while it mitigates the mounting problems of unemployment, the incidence of

Figure 1. The overall growth rate in Indonesia, 1962-2004

Source: UNIDO, 2005 and Central Board of Statistics, various years
NOTE: DY = GDP growth

Of many consequences of low economic growth, unemployment and poverty problems have been the dominant ones. The number of open unemployment, for instance, was recorded to be about 11 million (5 per cent) in 2004, while the underemployment was about 40 million (21 per cent) in the same year (National Planning Board, 2005). In terms of the incidence of poverty, the Central Board of Statistics (2005) using the official poverty line of per capita income per month at an average Rp. 110 000

Within the formal sector employment, agricultural and construction sectors have been the dominant economic sectors that showed decreasing ability to absorb the labor force. 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 (-10.8 per cent).

elementary school. Consequently, workers with educational attainment less than elementary school have to become unemployed and/or seeking jobs abroad.

C. SIZE AND NATURE OF LABOR MIGRATION

The size and nature of labor migration has changed from time to time. Before 1999, Hugo (2000) estimated that there were about 2.5 million Indonesians labor migrants working abroad (table 1) excluding illegal migrants. However, due to the growing unemployment problem caused by the 1997 crisis, the number of Indonesian labor migrants abroad has increased since 1999. In 2001 and 2002, for instance, the government sent about 217 555 and 238 324 workers abroad (Department of Manpower and

Table 2. The number of Indonesian workers who were approved by the government in the year 2001, 2002 and 2003 by destination countries

| Destination | 2001 | 2002 | 2003*) |
|-----------------------|---------|---------|---------|
| ASIA PACIFIC | 217 555 | 238 324 | 62 655 |
| Malaysia | 110 490 | 152 680 | 48 928 |
| Singapore | 34 295 | 16 071 | 2 094 |
| Taiwan | 38 119 | 35 922 | 1 626 |
| Rep. of Korea | 3 391 | 4 273 | 6 119 |
| Hong Kong | 23 929 | 20 431 | 2 743 |
| Brunei | 5 773 | 8 502 | 1 084 |
| Japan | 1 543 | 444 | 61 |
| Other Asian countries | 15 | 1 | 0 |
| AMERICA | 228 | 40 | 168 |
| EUROPA | Na | 68 | 31 |
| MIDDLE EAST | 121 180 | 241 961 | 116 018 |
| Saudi Arabia | 103 235 | 213 603 | 104 698 |

Table 3. The Number of Indonesian workers needed by some countries in Asia by economic sector, January - June 2003

| States | Sector | Months | | | | | | Total |
|----------|------------------|--------|-------|-------|------|-------|------|--------|
| | | Jan | Feb | Mar | Apr | May | June | |
| Malaysia | Estate | 1 286 | 6 164 | 6 967 | 1558 | 4 258 | 767 | 21 000 |
| | Construction | | | | | | | 28 825 |
| | manufacturing | | | | | | | 28 073 |
| | Service | | | | | | | 740 |
| | Domestic helpers | | | | | | | 2 180 |

Tables 4 and 5 exhibit the number of Indonesian migrants who was sent to work in the formal and informal sectors by sex in 2003.

Table 4. Destination Countries for Indonesian formal worker Migrants by Sex, 2003

| No | Region/State | Male | Female | Total |
|--------------|-------------------------------|--------|--------|--------|
| I. | ASIA PACIFIC | | | |
| 1 | Malaysia | 27 148 | 13 543 | 40 691 |
| 2 | Singapore | 1 | 1 | 2 |
| 3 | Brunei Darussalam | 344 | 293 | 637 |
| 4 | Hong Kong | 0 | 3 | 3 |
| 5 | Taiwan | 1054 | 246 | 1300 |
| 6 | South Korea | 5075 | 929 | 6004 |
| 7 | Thailand | 0 | 0 | 0 |
| 8 | Japan | 61 | 0 | 61 |
| <i>Total</i> | | 33 682 | 15 016 | 48 698 |
| II. | MIDDLE EAST AND AFRICA | | | |
| 1 | Saudi Arabia | 534 | 224 | 758 |
| 2 | United of Emirate Arab | 73 | 18 | 91 |
| 3 | Kuwait | 52 | 34 | 86 |
| 4 | Bahrain | 0 | 0 | 0 |
| 5 | Qatar | 0 | 0 | 0 |
| 6 | Oman | 0 | 0 | 0 |
| 7 | Jordan | 0 | 0 | 0 |
| 8 | Yemen | 0 | 0 | 0 |
| 9 | Cyprus | 0 | 0 | 0 |
| <i>Total</i> | | 659 | 276 | 935 |

Figure IV. The Recruitment Process of Indonesian labor migrants

Table 8. 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 | - | - |

Source: Data collected from small survey, 2004.

A high wage payment in the labour receiving countries is of course not a surprising reason why the Indonesians seeking to work abroad. Manning (1998) reported that for the same type of jobs, the wage rate in Singapore, for instance, is 20 times higher than in Indonesia, while in Malaysia and Republic of Korea, the wage rate is 10 times higher than in Indonesia. However, interviews by the author found that the wage rate received as a domestic helper in Malaysia is about RM. 350 (Rp. 875 000), only 4 times higher than the wage rate received by domestic helpers in Jakarta, the capital city of Indonesia.

On the decision to migrate abroad, the author's small survey found that it was decided mostly by the labor migrants themselves. The role of family and relatives was found to be only 30 per eoes was 0 Tw (r u5a 303)80

wage rate. For the labor receiving countries, the governments should regulate and select the types of workers needed by the economy. These are intended to avoid the negative impacts of the present labor migrants vis a vis the local workers in the labor receiving countries.

3. Fees charge to the migrants

The overseas fees charge to the migrants vary between one migrant and another. From the autor's field survey it was found that most of the migrants have to pay between Rp. 2.5 million (US\$ 290) and Rp. 5 million (US\$ 550). These fees usually will be used to 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 education and training; (4) fees for employment agency or brokers; (5) other costs such as levy, working permit fees, passport fees, etc. A higher overseas fees than the above can also be found for migrants who registered with unregistered workers agent. The overseas fees also depend on the type of jobs to be done abroad. Jobs that command relative higher overseas fees are construction, fishing and other services sector. In Malaysia, they have to pay at least RM 1800 for these type of jobs, while for estate sector, migrants usually have to pay RM 500. Similarly, for those migrants who want to work in the Middle East countries, it was reported that they have to pay at least US\$ 70 for domestic type of work.

High overseas fees that have to be paid by the labor migrants (especially if they use brokers to get the job) cause migrants to tighten their spending, so as to repay their debt to the employment agency. They usually can repay their debt in a year. Therefore, seeking work abroad for labor migrants is not an easy matter. Apart from the fees, they also have to wait for a long time to get the jobs approved by the employment recruitment agencies abroad. In the process of waiting, labour migrants have to work many domestic jobs in the local employment recruitment agency where they stay. Some migrants (especially domestic helpers) are even sent to work at the local households in Jakarta before they have to go abroad. Perhaps, because of these time consuming process and uncertainty, many migrants decided to work abroad illegally.

E. SOCIAL AND ECONOMIC EFFECTS OF LABOR MIGRATION AND REMITTANCES

1. Economic and Social Effects of Migration

Indonesian labor migration has given many positive contribution to the economy. Apart from reducing the unemployment problem, it also contributes to foreign exchange earnings that are badly needed by the country and reduce the number of the poor. International labor migration has provided employment opportunities for about 1.4 million Indonesians over the 1999-2001 period. The Department of Manpower and Transmigration (2004) estimated that labor migrants over the same period has contributed to foreign exchange earnings of US\$ 3.145 billion. This contribution excluded the earnings given by 3.5 million illegal migrants (Agus Sudono, 2004).

However, in terms of the contribution to poverty reduction, there is no data available. Apart from difficulties in estimation, it is also because not all of the labor who migrated abroad are poor. Poverty reduction takes place when labor migrants send remittances home to their families. From the small survey, about 89 per cent of returning labor migrants stated that they are able to remit their salary to their family at home (table 10). These remittances were not only used for their daily family needs, but also for other purposes, such as, renovating their housing, paying educational fees for children, and working capital for establishing small business.

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.

(table 11), the amount ranging between Rp. 5 millions (US\$ 550) and Rp. 15 millions (US\$ 1 550) per year. Only 32 percent of the respondents was able to remit under Rp. 5 million (or equivalent US\$ 550) a year. This indicates that labor migrants were able to save their incomes during their working period abroad. Also, it indicates their attention to their families' welfare at home, as most of the migrants worker belong to the low income groups.

Table 11. 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.

Generally, the labor migrants remit their income through banks. In addition, remittances are also sent through post office (10 per cent), friends (6 per cent), and other methods (2 per cent). The Indonesian government encourages labor migrants to remit through banks. 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). Note that the

with problems faced by them in the destination countries. Finally, regulation or rules to organize labor migration should also be issued under a law. This is needed not only to protect labor migrants from bad treatment given by the employers abroad, but more importantly because there is a tendency in which labor importing countries are reluctant to formally accept the dependence on th ara4clo /913.1t only913.1tchrad

