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

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

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## 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 of the international labor migration (especially the unskilled and semi skilled workers) taking Indonesia as a case study.

Using the secondary and the small survey data, it is argued that the increasing number of labor migrants from Indonesia abroad in recent years has been associated with the increasing number of unemployment and the incidence of poverty caused by the economic crisis. However, determinants factors leading to migration have not only associated with wage differences (Harris-Todaro model), but also related with other non-economic factors (including looking for more experiences, the present family

## 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 poverty and the increased of foreign exchange earnings, has created political tension between the sending and receiving countries. The recent cases of Nirmala Bonat in October 2004 (An Indonesian female migrant who was tortured badly by the employer in Malaysia) and the large number of Indonesian migrants who have been deported from Malaysia were the examples of growing political tension. Therefore, serious attention on this issue need to be given by the government of Indonesia and the governments of the labor receiving countries before these problems and political tensions escalate.

This paper aims at discussing trends, issues and policies of international labor migration taking Indonesia as a case study. Data and information used to examine these issues were from secondary and the small survey data. The secondary data sources were collected from departments and/or institutions such as Department of Manpower and Transmigration, Central Board of Statistics, and National Planning Board (BAPPENAS). The purposes of collecting secondary data were to examine the size, nature, trends and policies towards labor migration. Whilst the small survey data were intended to discuss detail information on recruitment process, fees imposed to the labor migrants, determinant factors of labor migration, socio-economic effects of migration, and remittances. These primary data were taken from author's previous research on 100 labor migrants in West Java province in 2004. However, before dealing with these issues, it seems worth to overview the latest economic development and employment situation in Indonesia as the background information.

## B. A BRIEF OVERVIEW OF ECONOMIC DEVELOPMENT AND EMPLOYMENT SITUATION

It has been well known that Indonesia is one of the developing countries in Asia which has experienced high overall growth and manufacturing growth. This rapid growth has brought this country into the group of the "miracle economies" in East Asia (World Bank0 Tc 0 7.8(i)-3.7(es )10.9rit Ale2e(m)18, Tw

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
<b>I.</b>	<b>ASIA PACIFIC</b>			
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
<b>II.</b>	<b>MIDDLE EAST AND AFRICA</b>			
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

