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# **INDONESIAN MIGRANT WORKERS: ANALYSIS OF TRENDS, ISSUES, POLICIES, AND PROPOSED SOLUTIONS**

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INDONESIAN MIGRANT WORKERS:  
ANALYSIS OF TRENDS, ISSUES, POLICIES, AND PROPOSED SOLUTIONS<sup>1</sup>

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## 1. Introduction

The phenomenon of the growing flow of people (migration) and capital between countries in the last several years is a concrete form of the globalization impact. Nevertheless, international migration is often regarded by the receiving country as having an adverse impact on the local labor market. As for a sending country of migrant workers, the flow is believed to bring much benefit and will relieve the burden of domestic unemployment. Theoretically, the opinions of both parties are not completely accurate, in fact, international migration of people will provide various positive implications. In rational terms, human resources mobility will improve the welfare of both parties, for sending and receiving country.

The main reason for a worker to migrate for work purposes is that the destination provides a higher probability for getting higher income compared with his/her own place. Aside from that, the job choices at the destination might be more numerous than in the origin. Rational migrant workers naturally realize that the cost of mobility is indeed high, added to which are various social costs faced in the new circumstances. Therefore, a worker will decide to migrate to another country, knowing that the benefits obtained will be greater than the costs. Whether or not the decision made by the migrant worker was right will depend on the information received. Various problems faced by the Indonesian migrant workers overseas will often be caused by asymmetric information obtained by them.

The choice of Malaysia and Saudi Arabia by the Indonesian migrant workers as principal country of destination was also based on the presence of chain migration. Generally, Indonesian migrant workers are supplied to overseas destinations through labor service agents, whether legal or not. Not all Indonesian migrant workers agents work in professional manner, so

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that there are many cases in which workers are disadvantaged due to the agents' measures. Monitoring of the Indonesian migrant workers agents' behaviors is indicated to be as yet inadequate. In illegal Indonesian migrant workers cases that arise, in fact not only Indonesia as sending country is to blame; actually these happen because of the presence of illegal employers in receiving countries. Several analysts consider the Government of Indonesia lacks an adequate system of supervision of labor service agents supplying labor to various countries. Furthermore they also believe that the governments of receiving countries have failed to protect Indonesian workers.

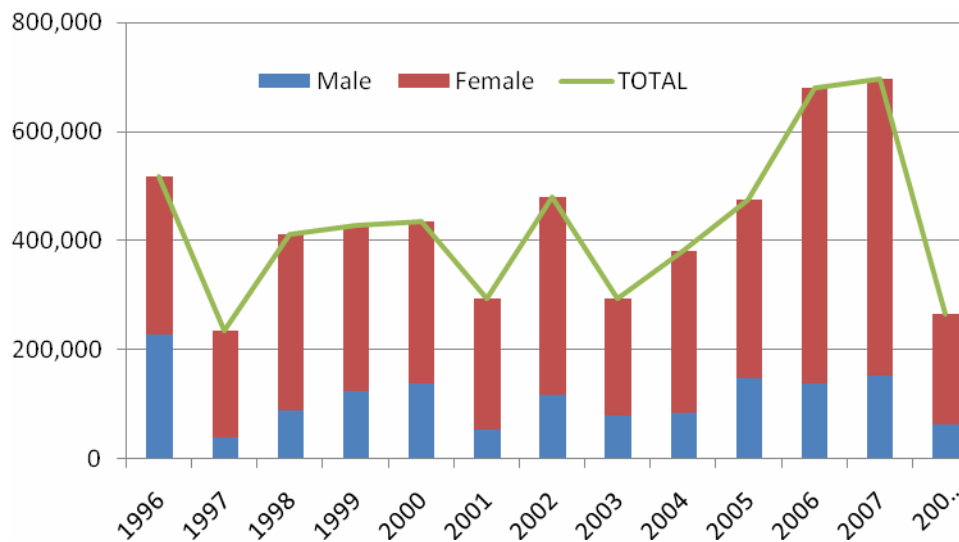
Various Indonesian migrant workers problems that arise in receiving countries are indeed complex. Employment opportunities in Indonesia are considered quite low, so that many unskilled labors fail to obtain job. This is exacerbated by the fact that more than 50% of labor force in Indonesia only attains primary education and less. On one hand, Indonesia possesses abundant unskilled workers, while on the other, several Indonesian migrant workers destination countries experience shortage of supply.

Indonesian regulations clearly state that Indonesian migrant workers must be legal, sent through legal labor service agencies that will assist in making passports and visas, and other documents needed such as health certificates. Indonesian migrant workers are also required to pay insurance, possess skills and language ability for use in the destination country. There are over 400 licensed labor service agents operating in Indonesia, and countless illegal labor service agents. Those licensed agents are estimated to acquire an annual income US\$ 2 billion in total (or US\$ 5 million per agent) by charging a fee of US\$ 1500 for each worker to work overseas, plus other costs. The large profits have promoted the emergence of many illegal labor service agents in Indonesia. With an illegal status, an agent can keep down various official fees required to be paid, so that the profits gained will be even greater. Aside from that, with an illegal status, the bargaining position of workers becomes weak, and control of Indonesian migrant workers administration will be fully in hands of the agent.

## 2. Trend of Indonesian Migrant Workers

In 2007, 696.746 Indonesian workers travelled abroad to work as migrant workers. This number has fluctuated over the years as shown in figure 1, with female workers outnumbering their male counterparts. This fluctuation has occurred due to internal and external factors of Indonesia, such as economic crisis in Indonesia and specific regulations in host countries.

**Figure 1. Number of Indonesian Migrant Worker (Legally) by Gender**



*Source: Ministry of Manpower and Transmigration, 2007*

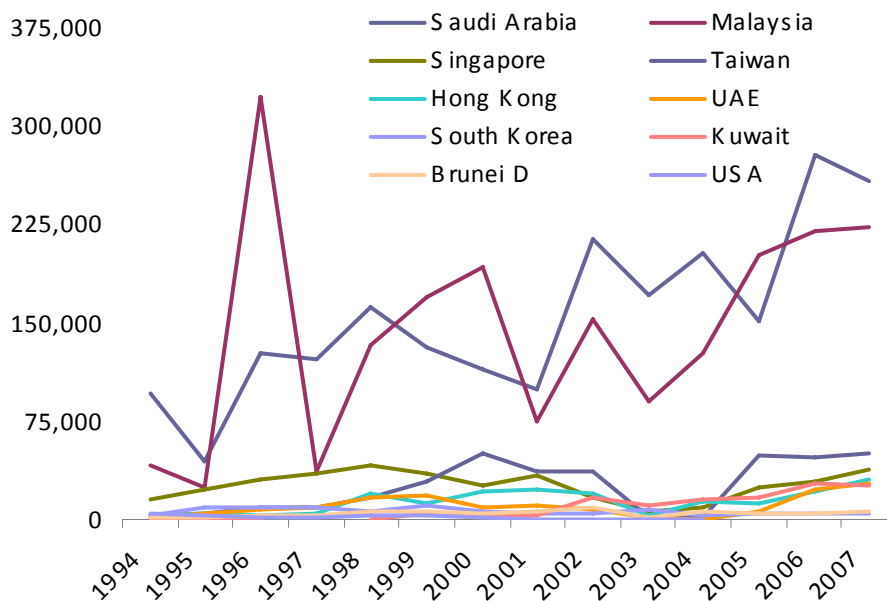
Strong economic performance prior to 1997 had contributed to the decreasing number of Indonesian migrant workers. Forced by high investment, Indonesia had succeeded in reaching an average annual growth rate of GDP 8% during 1989-1996. It can be analyzed that at that time, Indonesia was experiencing high creations of job markets which led to high employment absorption. This meant that jobs were provided for the labor force which then led to the reduction in the number of migrant workers abroad. Afterwards, the economic shock through the financial crisis decreased the average growth rate of GDP to the level of 2.3% during 1997-1999 and increased the number of poverty from 34.5 million in 1996 to 49.5 million in 1998. This had an effect on the increasing number of migrant workers. Theoretically, poverty is able to contribute to the rising level of the labor force participation rate because of the entrance of women into the labor force. The tendency shows that during the economic crisis, many female workers tried to stay in the labor market to support their families to make ends meet. As the economic conditions

improved in the following years these transient workers moved out back to non-participation (Harmadi, et.al., 2008). This also supports the indication that female workers in general are considered as secondary because they play only a supporting role in the labor market.

Statistics Bureau showed that the number of labor force was 90.1 million in 1996, which had risen to 92.7 million in 1998 (Statistics Bureau: 1998). Lack of new job markets on one side and the increase in labor force on the other was the rationality for the increase of the unemployment rate during the economic crisis, which was raised from 4.4 million in 1996 to 5.1 million in 1998. The fallacy of homelands in providing jobs for these labor forces had pushed the unemployed worker to look for jobs abroad. From 1997-2000, the total number of Indonesian migrant workers increased.

The main countries of destination for Indonesian migrant workers are Saudi Arabia and Malaysia, as shown in figure 2. Approximately 73.3% of Indonesian migrant workers went to these destinations, while only 26.7% worked in others (Ministry of Manpower and Transmigration: 2007). This large proportion for Saudi Arabia and Malaysia had caused the direct impact of the migrant workers regulation in both countries due to the number of Indonesian migrant workers.

**Figure 2. Indonesian Migrant by Major Destination Countries**



Source: Ministry of Manpower and Transmigration, Republic of Indonesia, 2007

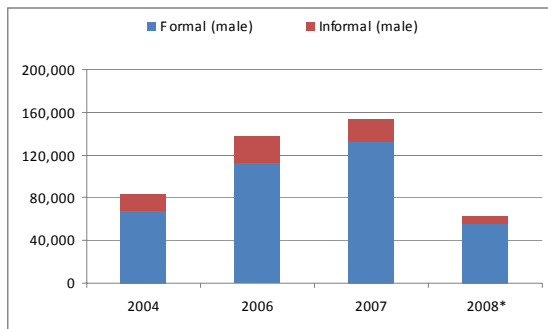
In 2002, for instance, when Malaysia executed the new regulation to restrict (freeze) the entrance of Indonesian migrant workers, a significant decrease in Indonesian migrant workers were directly experienced. Driving forces of this regulation were the rise in social and criminal problems in Malaysia, which were claimed to be committed by Indonesian migrant workers. The impact of this regulation can be seen from figure 1. From 2002-2003, there was a significant decrease in the number of Indonesian migrant workers. Fortunately, this reduction was not permanent for long. In 2003 thereafter, the number of Indonesian migrant workers rose again.

Malaysia needs foreign unskilled workers because there is a lack of labor supply for this category of labor. While most of the unskilled workers in Malaysia were from Indonesia, restricted regulations by the Malaysian Government had some impacts such as delay in many construction projects and the increasing of prices in the construction sector. This condition forced the Malaysian government to alleviate all restrictions which made it possible for Indonesian migrant workers to re-enter Malaysia's labor market. Observing this condition, it was identified that there were several interdependencies between Indonesia and Malaysia in migrant workers. Not only Indonesia needs Malaysia as a solution to unemployment problems, but Malaysia also needs Indonesia as an extremely important source for unskilled workers. Since 2003, the number of Indonesian migrant workers has increased yet again.

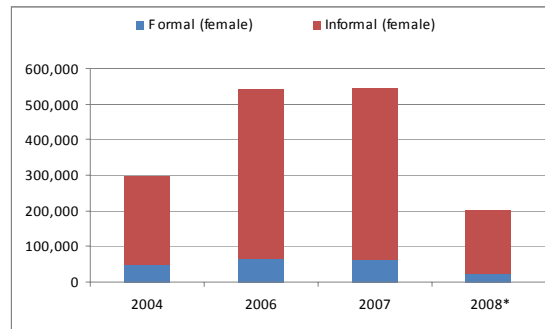
Looking at the economic sector where migrant workers work, there are different characteristics between male and female. For male, formal sectors were the major sectors for work, while for females, informal sectors were the most. This is not surprising since the majority of Indonesian women workers (about 90% of them) work as domestic workers, while the rest of female workers are in the agricultural and industrial sector as daily laborers, as caregivers, shop assistants, and as waitresses (World Bank 2006). This characteristic also reflects the country level data. As shown in figure 4a and 4b, most of the female workers work in informal sectors overseas while their male counterparts work in formal sectors.

**Figure 3. Number of Male and Female Migrant Workers by Formal and Informal Sectors**

**Figure 3.a Male Workers**



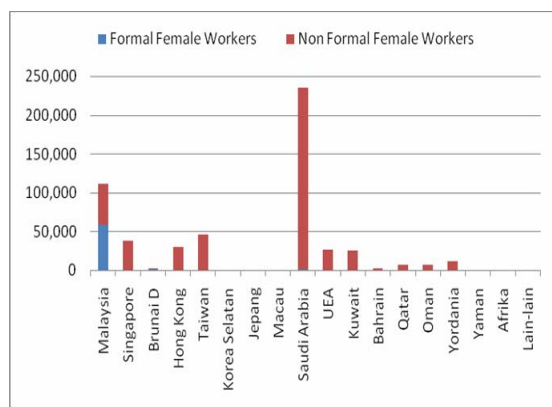
**Figure 3.b Female Workers**



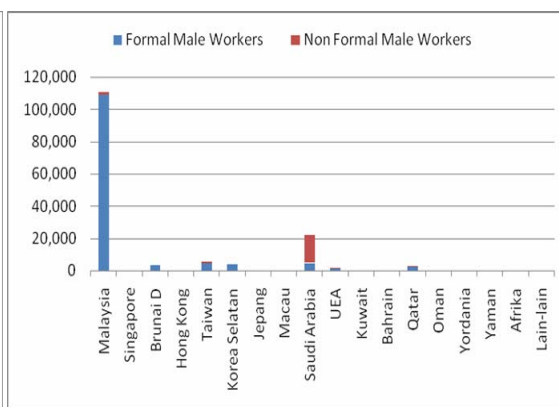
Source: Ministry of Manpower and Transmigration, 2007

**Figure 4. Sector Working Distribution of Man and Woman Migrant Workers 2007**

**Figure 4.a Female Workers**



**Figure 4.b Male Workers**



Source: Ministry of Manpower and Transmigration, 2007

### 3. Indonesian Migrant Workers Problem

#### 3.1. General Overview of Indonesian Migrant Workers Problem

Most of Indonesian migrant workers face the problem of mistreatment of their rights in the host countries. Moreover, they have been physically and sexually abused by their employers. Indonesian migrant workers who were employed in the plantation and construction sectors had to stay in very poor dwellings while many female workers were victimized into becoming forced prostitutes by their sponsors. The illegal migrant workers tend to be even more exposed to vulnerability since they can be easily threatened by both employers and authorities. On the

other side, Indonesian migrant workers are still struggling to have their labor rights protection because the domestic labor regulations do not seem to be in favour for them.

**Table 1. Number of Migrant Worker's Problems (January-April 2008)**

<i>Problem</i>	<i>Middle East, Africa, and Europe</i>	<i>Asia and America</i>	<i>Total</i>
Unpaid Wages	93	9	102
Torture	15	2	17
Sexual Harassment	6	1	7
Death of Employer	3	0	3
Inappropriate Job	5	0	5
Trouble Agent	1	0	1
Lost contact	94	14	108
Incomplete Documents	0	0	0
Unilateral Retirement	15	52	67
working accident	0	3	3
Sickness by accident	4	0	4
Ordinary Sickness	5	6	11
Death	22	24	46
Criminal	2	8	10
Failed departure	6	6	12

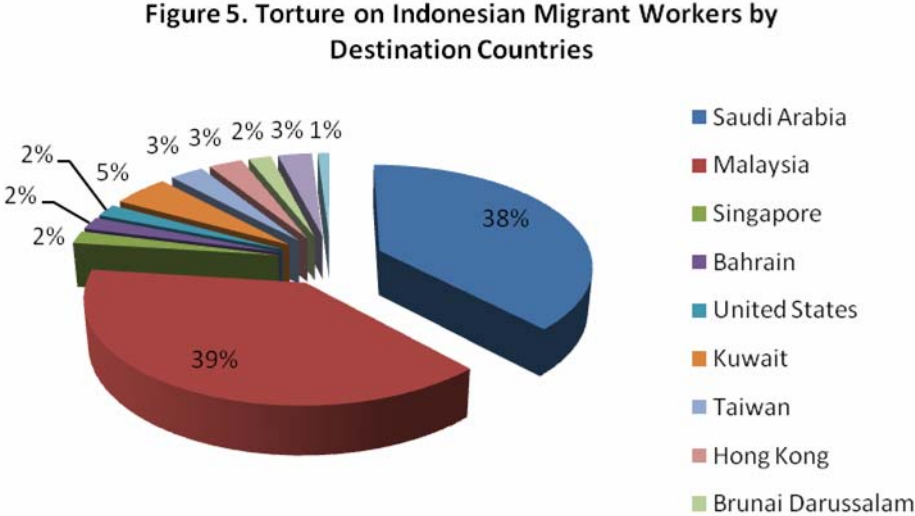
*Source: BNP2TKI*

Without a doubt, the most dominant problems in Middle East, Africa and Europe are losing contact and unpaid wages. Unilateral retirement and death are the most dominant migrant worker problems in Asia and America. For only a 4 month period, there are at least 46 cases of death, 102 cases of unpaid workers, and 108 cases of losing contact. These numbers are more than the data issued by KOPBUMI & SBMI in 2005 which indicated that there were at least 19 cases of death, 101 cases of torture with rape, and 117 cases of losing contact. This shows that the problem of migrant workers is getting worse nowadays. Meanwhile, there are 4,100 cases of deportation, trafficking, unpaid wages, and long working hours. In many cases, a solitary existence of migrant workers is the handicap to establishing regular contact between the workers and their family or relatives.

In the Middle East, Malaysia, East Asia, cases of Indonesian migrant workers are generally torture, death, losing contact, confinement, unpaid wages, long working hours, the prohibition of



communicating with their families, forced prostitution, imprisonment without following the law, and unwanted pregnancy because they are raped by their employer or other family members of their employer. The figure below shows that torture cases in Malaysia and Saudi Arabia were dominant. 38 percent and 39 percent of torture cases occurred in both of these countries. This is an indication that legal tools which particularly guarantee the protection of Indonesian migrant workers are still very weak in Malaysia and Saudi Arabia.



Source: Ministry of Manpower and Transmigration, 2007

**3.2 Pre-Departure Problems**

The sources of Indonesian migrant worker’s problem are not only from employer and policy maker, but from the recruitment procedure as well. It’s consists of poor treatment before departure in origin country and after departure in destination country. These problems begin with recruitment process. Brokers cheating their victims by persuade them to get a lot of money, good job, and offering assistance for recruitment process. It is often that employment agency does not inform well the clauses and working conditions. Worker agencies completely control all processes such visa and passport application, training, transit, and worker placement with inadequate monitoring by both governments (in the origin and host countries). This situation makes available an illegal procedure process for each step of recruitment.

More than 400 migrant workers only have domestic license and most of them are illegal workers. Whereas, based on labor regulation, migrant workers must be legal. They are sent by legal agency which assists them to arrange passport and other travel documents, get official statement for their health condition (medical insurance and health check up), insurance payment, etc. For the medical check up, Malaysia applies this regulation for every migrant worker. They have to pass the pregnancy test, HIV/AIDS test, and other test for infected diseases such as tuberculosis and malaria.

Migrant workers have two alternatives way for paying the medical test. Firstly, in most cases the migrant workers have to pay the registration cost by themselves although in some cases the employers may help their employees pay the initial cost of registration. Secondly, the registration fee initially paid by the employers then could be deducted in a monthly basis through employee's wages. However, employers and labor agencies repeat medical test after arrival of the workers in destination country because they are not confidence with the previous medical test in Indonesia.

Lack of information during the recruitment process has its own impact to the workers in limited information on regulations and assistances. Workers are not informed how to find assistance if they are in trouble. Migrant workers just informed how to obey their employers, hard work, and other obligations. They have no sufficient information on duration of working hours, wages, and work load. Counterfeiting documents often occurred for child workers. For example, in Malaysia, the age of worker should be 25 to 45 years. Counterfeiting document has significant impact in the difficulty to identify the workers personal data properly.

Discrimination in choosing worker is a part of problems. Agencies choose their worker not only based on their skill but also other factors which are not related to their job. They treat them like a trade commodity. Migrant workers often get mistreatment, sexual harassment, exploitation, and isolation. Many of them did not get their wage during probation period in Indonesia. High cost, inefficiency, and complex legal process were caused corruption and other illegal practices. Those agencies, were predict, get \$ 2 billion in every year by charge \$ 1500 for each worker. In the other side, it caused ineffective regulation and law enforcement.

### **3.3 The Problems in Host Countries**

Besides problem in origin country, migrant workers face many problems in host country as well. Usually, their working hours are more than 16 hours per day and not allowed to have pray time and holiday. They are so far standing apart from news and world events. Moreover, many of them never get their wage until going back home to Indonesia. In addition, physical violence including sexual harassment and raping often occurred.

Indonesian migrant workers are not fully integrated with the local people. Full integration thus may be a problem. However this does not in any way deter them from participating in local community work, join prayers with locals in local temples and mosques and churches. Migrant workers are known to have been excluded from the scope of regulations covering working conditions, and to have been denied the right to take part in trade-union activities, inequalities in pay and grading for identical jobs. Unsatisfactory living conditions such as low incomes, high rents, housing shortages, the size of migrants' families, and local prejudice.

The undocumented foreign workers in large numbers have a profound effect on local wage rates and terms of employment for documented migrants. The undocumented migrant workers are often forced to work more for less and often without basic facilities such as housing, medical care, overtime payment and so forth. Most of them serve the construction and estate sector.

On the contrary, going back to the action of 'remittance hero' in Indonesia causes new problems for the government. The various practices of extortion, deceit, negligence, physical violence are being experienced by migrant workers when transiting in Jakarta Airport. Besides that, the non-availability of jobs places them in the unemployed category. They also burden the local government.

### **4. Government Regulation for Indonesian Migrant Workers**

What has the Indonesian government been doing? In 1984 there was a bilateral agreement between Indonesia and Malaysia (Medan Agreement). It decides that the increasing number of Indonesian migrant workers must be accepted. This process went through the Ministry of Home Affairs, Ministry of Manpower and Malaysian Bureau of Immigration. However, this legal

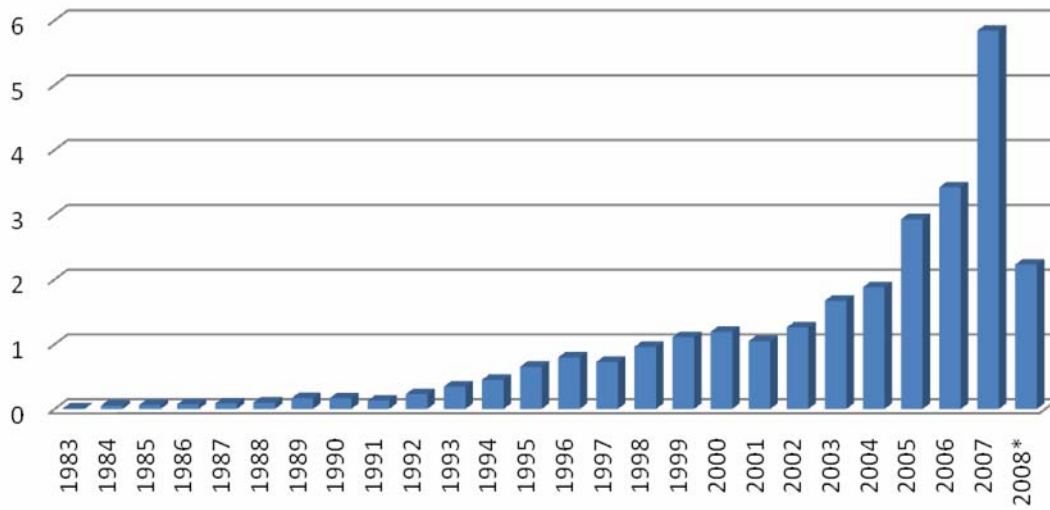
mechanism didn't receive positive responses from both the employers and workers. The complexity of the bureaucracy causes inefficient and ineffective processes.

In May 2005, the Ministry of Labor and Transmigration of Indonesia issued a policy that prohibited the family of Indonesian migrant workers from fetching migrant workers to avoid and control forms of violence occurring in Terminal 3. To response problems on monitoring and supervision of migrant workers, Indonesian government established the National Agency for the Placement and Protection of Overseas Labor (BNP2TKI) which tasks are to deal with migrant worker issues. BNP2TKI places migrant workers based on the agreement between the government of sending and receiving countries. This agency gives assistance, coordination, and supervision for documents, providing solution to problems, funding, sending and taking home, improving migrant workers quality, information, quality of their placement, improving welfare of migrant workers and their family.

## **5. The Development of Remittance from Indonesian Migrant Workers**

One reason that motivates migrant workers to work abroad was the inadequacy of Indonesian labor market to provide suitable jobs with certain and enough income (World Bank, 2006). Overseas, of course, offers what they need, with much higher, more varied, and more promising income. Such amounts of earnings made it possible for them not only to meet their own needs, but their families in Indonesia as well. Therefore, transferring part of their income to their family in Indonesia was possible. Although remitting not in regular frequency, World Bank notes that the amount of money transfers—also called remittance—was not trivial and tends to increase from year to year. BNP2TKI also shows the same trend.

**Figure 6. Workers' remittances of Indonesia(US\$ million)**

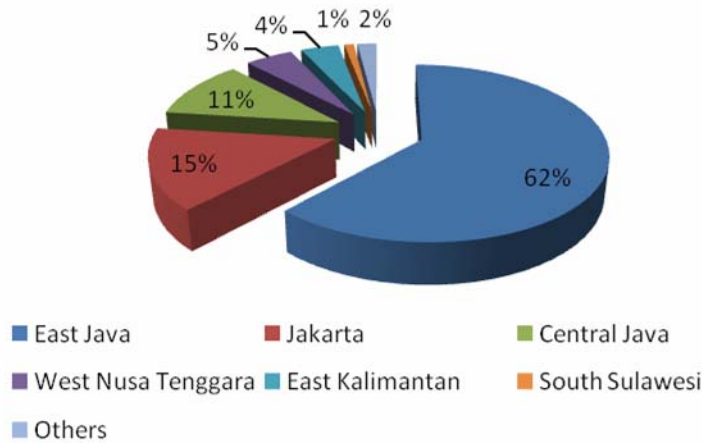


Source: World Bank (1983-2002) and BNP2TKI (2003-2008\*)

\*April 2008

Up to 2004, the amount of remittance was still less than US\$2 billion. But in 2005, this amount rose to the level of US\$2.93 billion, and it became US\$3.42 billion in 2006, and it reached the level of US\$ 6.84 billion in 2007. Most of this total income remittance was tracked to East Java. Approximately 62%, as seen in figure 7, followed by 15% in Jakarta and 11% in Central Java.

**Figure 7. Total Remittance Inflow to Indonesia by Region, January-April 2007**



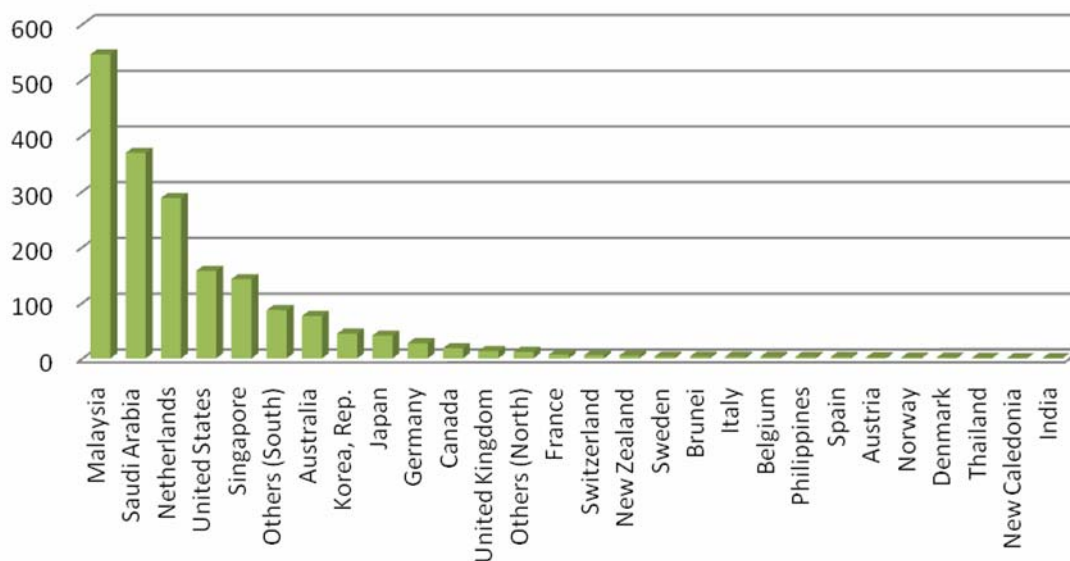
Source: World Bank, 2008

At national level, the average remittance contribution is 11% of Indonesian GDP (Sihombing and Safaruddin: 2006). This amount is quite small compared to regional context. West Nusa Tenggara, one of the Indonesian provinces that export migrant workers, received the inflow of remittance greater than its total local income. While provincial government budget realization during 2003 was only US\$ 139.75 billion in West Nusa Tenggara, remittance inflow from January-June 2003 was almost two folds, reaching the value of US\$218.75 billion.

Looking at the remittance, Malaysia was the most outstanding country, followed by Saudi Arabia. Malaysia contributed US\$546 million while Saudi Arabia US\$369 million. This figure is the World Bank estimation calculated from migrant stock, host countries income, and origin country incomes. This is not such a surprise because most of Indonesian migrant workers are there, as shown previously in figure 2.

Actually, these amounts of remittance are underestimated since only the transactions through banks and postal offices can be recorded, while others can't, such as remitting money through a middle person who specializes in the services of remitting money and through friends who are returning to Indonesia (World Bank: 2006). The choice of using informal channels to remit their money is because of the cost of opening and maintaining a bank account and the limited coverage of Indonesian postal service-Pos Indonesia, which only has 50 branch offices that are able to disburse remittances quickly (World Bank: 2008).

**Figure 8. Bilateral Remittance Estimates using Migrant Stocks, Host Country Incomes, and Origin Country Incomes (millions of US\$)**



Source: World Bank

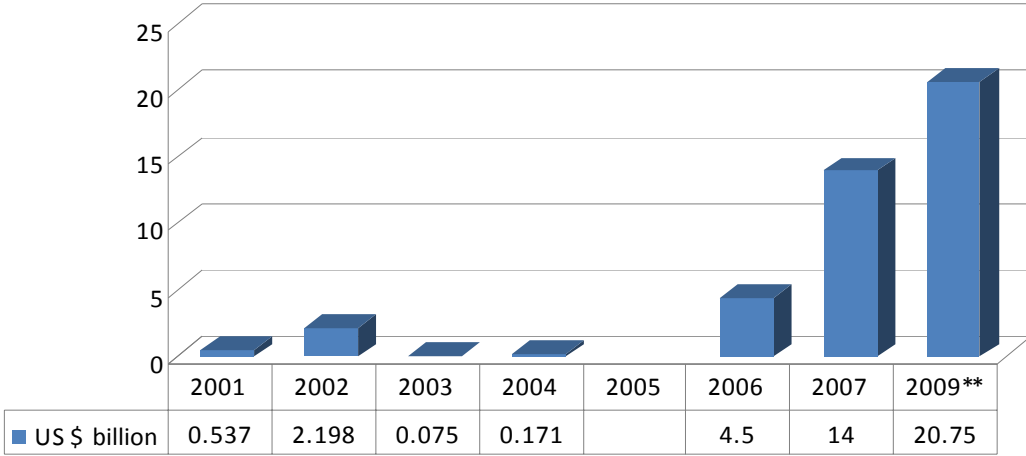
### 5.1. Contribution of Remittance for the Economy of Indonesia

It is generally spoken that Indonesian migrant workers have been awarded a title as ‘Hero of Reserve’. As shown in the next figure, migrant workers contribute to Indonesian reserves which were up to US\$537 million in 2001 and US\$ 2.198 billion in 2002. This amount reduced in 2003 when Malaysia executed new regulations to restrict (freeze) the entrance of Indonesian migrant workers. Since then, the contribution has had the likelihood to increase again. Therefore, reserves received from migrant worker rose from US\$75 in 2003 to US\$14 billion in 2007. It is optimistically predicted that in 2009, the reserve from migrant workers will be US\$20.75 billion (Surya Online: 2007).

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**Figure 9. Reserves from Migrant Workers**



Source: various sources

In addition, the reserve from Indonesian migrant workers along with exports had important roles in making the Indonesian Balance of Payment in the 1<sup>st</sup> quarter of 2008 to be in a surplus state. This is an indication that these external sectors (migrant workers, together with export) are important sources for strengthening the performance of the Indonesian economy.

**5.2. Cost of Migration**

As migrant workers, there are significant costs such as administration fees, placement fees, pre-departure accommodation and living cost, and transportation (World Bank, 2008). This cost varies across countries. Placement fees, for instance, are Rp.18.000.000 for Hong Kong, Rp.24.000.000 for Taiwan, and Rp.500.000 for Malaysia, Saudi Arabia and other Middle East Countries. Such big costs often force migrant workers to take loans. Informal loan providers are often chosen because of their limited access to formal financial sectors.



## 6. Proposed Solutions

Bilateral agreements that effectively protect the rights of migrant workers are difficult to obtain because of the unequal power relations between the sending and receiving countries. Facilitation of collective bargaining processes between sending and receiving countries could contribute to the development of a bilateral agreement model that would be readily adopted by responsible sending and receiving countries. Because of that, coherent, comprehensive, consistent and transparent policies are required to effectively manage migrant workers. To be effective, credible and enforceable, the national policy and practice regarding labor migration and the protection of migrant workers require a sound legal foundation based on the rule of national and international laws.

For Indonesia as sending country of migrant workers:

- National Policies must be adaptable, dynamic, flexible, credible, and enforceable based on national and international law.
- Labor service agencies should train their nominee migrant workers with adequate skill, comprehension to labor act, and worker regulation so that they may not only be able to have a better working environment and benefits but also be better trained and skilled when they eventually return home.
- Government should prepare enough job through activate real sector
- Promotion of policies that maximize the contribution of Indonesian migrant workers to development.
- Ratify the International Convention on the Protection of the Rights of All Migrant Workers and the Members of their Families.
- Establish a system and mechanism for the process of the placement of work that will guarantee the protection of migrant workers and the members of their families.

In host (receiving) countries:

- Empowerment of migrant workers through the formation of community-based organization such as labor unions so that their voices are able to be clearly heard and taken account in policy setting.

- The host country' government should give punishment not only to illegal migrant workers but also to employers. Demand creates its own supply, doesn't it?
- One solution to deal with the problem of undocumented migrant workers is legalisation. This solution was chosen by the Korean government. By legalising its problematic migrant workers without sending them home, Korea saved itself from a scarcity of labor upon which its industrial policy depends, and at the same time systematically eliminated the illegal recruitment of migrant workers.
- Formulate a MoU in the placement of Indonesian migrant workers between Indonesia as the sending country and the receiving countries that hire Indonesian migrant workers to guarantee the protection of migrant workers and the members of their families.
- Criminal migrant workers should be given personal treatment without connecting them with other Indonesian migrant workers.

### **International Cooperation**

Despite the efforts made by the Indonesian government to protect migrant workers, numerous problems in destination countries still continue. Because of this, there should be a comprehensive set of instruments for legal recognition and protection of migrant workers that includes employment contracts, bilateral agreements, national laws and regulations in both the origin and host countries and international human rights conventions and treaties. There are international instruments that oblige and state to protect migrant workers from abuse during recruitment and those that provide guidance with respect to legal standards.

- Participate actively in relevant international forums and to enhance cooperation with other relevant international organizations for the furtherance of this plan of action.
- Assist Indonesian Migrant Workers and facilitate them to participate in relevant international forums and integration activities.
- Creating Global Agendas to support long-term solutions for Migrants Workers.

### **7. Concluding Remarks**

Although the number of Indonesian migrant workers working overseas is less than 1% of Indonesian labor force, their contribution to the economy is rather considerable, and at least reduces the unemployment burden that currently reach 10% of the labor force. Indonesian government attention to migrant workers problems has currently improved, with establishment

of the BNP2TKI. Nevertheless, the presence of the BNP2TKI alone is not sufficient, since monitoring and law enforcement need to be performed consistently and firmly toward labor service agents.

Considering a significant role of migrant workers for Indonesian economy, their rights however are insufficiently protected, seriousness of the Indonesian government is required to overcome various problems completely. Besides that, the phenomenon of increasing flow of workers abroad could not be prevented as an impact of globalization. Indonesia itself still experiences abundant supply of unskilled labor, and these have not been able to be absorbed in the local labor market. Several recommended solutions of general nature are proposed in this paper.

The Indonesian migrant workers encounter problems starting from the recruitment process by labor service agents, during training, preparation for placement, document arrangement, departure, workplace abuse, to their return (back home). These problems are not likely to occur if the prospective Indonesian migrant workers obtain adequate knowledge and information regarding their rights before recruitment. Additionally, future Indonesian migrant workers also need to know the method of document arrangement and characteristics of legal labor service agents. Thus, there should be continuous dissemination for future Indonesian migrant workers in Indonesia of various information required. In addition, advocacy needs to be performed on the risks to be faced if the future Indonesian migrant workers fail to follow the procedures in effect.

Several Indonesian migrant workers interviewed by the authors revealed that their choice of taking the illegal channel was due to the length of time it took to arrange their documents officially. Apart from that, many illegal charges by government civil servants discouraged future Indonesian migrant workers from taking legal channel. For this reason, the government of Indonesia needs to reorganize the bureaucracy of administration of permits and any documents for migrant workers. Firm actions are required against officers obstructing migrant workers permit and document administration process.

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