

Country Report

Indonesia

by

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RECENT TRENDS OF INTERNATIONAL MIGRATION IN INDONESIA

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1. Introduction

Indonesia's year 2005 economy started with the earthquake and tsunami disaster recovery. Even though it did not directly affect the Indonesian economy, because of the Indonesian government focused and concentrated to this event; economics activities were stagnant in the beginning of the year 2005. Indonesia has received many supports and donation from other countries due to the disaster, including the dispensation from the Paris Club to reschedule its debt payment. Then, Indonesia was knocked down again by an awful earthquake in west coats of Sumatra, mainly in Nias Island, in March 28. Hundreds of people was killed and thousands of victim lost their homes. In the end of year of 2005, terrorist again attacked two market centers in Bali. Even though this terrorist bomb attack only killed few people, it bothers the Indonesia's efforts to promote its tourism after first Bali bomb in 2002 which killed thousand foreigners.

In the economics sector, government has implemented tight fiscal policy again shown by the policy to decrease fuel price subsidy during the year of 2005, though it was opposed by most society. Government has given the direct compensation to 15 million poor societies, such as scholarship, health insurance, infrastructure development and also cash subsidy. That is why budget deficit decreased from 1.9 percent (from GDP) in 2003 and 1.3 percent in 2004 to 0.52 percent in 2005.

High inflation and exchange rate instability had triggered the demonstration to reshuffle the economics team. The Indonesian president then appointed former Finance Minister, Budiono, to lead the economics team as Coordinating Minister of Economics, replaced Aburizal Bakrie. Former Planning and Development Minister, Sri Mulyani, who was a market favourite, was also appointed as Finance Minister.

2. The Domestic Economy and the Labor Market

Declining of global economics condition especially with the oil prices hiking, hold down the Indonesian economics growth acceleration. Domestic economy activities which depend on imported resources is vulnerable to external changes. Oil prices booming not only increased production cost, but also decreased private consumption due to weakening of purchasing power and increasing of interest rate. However, Indonesia has experienced stable and moderate growth performance in the last four year. In 2005, economic growth predictions made by Central Body of Statistics was 5.5 percent, rose from 5.1 percent in 2004 and 4.1 percent in 2003. Government policy to reduce fuel prices subsidy have generated a huge inflation in November. The economic growth that has been increasing from the previous years is not separated from the effort of the tight fiscal policy, which is seen in the lowering of the debt ratio and budget deficit. The budget deficit is driven to a level of 0.52 percent in 2005, decrease from 1.3 percent in 2004 and 1.9 percent in 2003. Indonesia's capability to lower the budget deficit is gained from the government policy in decreasing price subsidy of fuel and gas during the year 2005.¹ Increasing in fuel prices for more than 100 percent affect the increases in production cost, and also increase the commodity prices. The inflation rate in November (YoY) which is reached 18 percent is also generated by the high demand on food commodity considering Moslem fasting month. This rate is far above the inflation rates of 2005 (6.5 percent) and 2004 (5.06 percent). Rupiah continued to depreciate during the first ten months in the year 2005, which reached a peak at level IDR 10,310/USD in September 2005, closed at level Rp 9,840/USD in the end of December 2005.² The interest rate of the Sertifikat Bank Indonesia (SBI) one month increase to the level 12.75 percent, following the tight money policy by Central Bank of Indonesia in order to hold down the booming of prices. The Jakarta Stock Exchange Composite Index continues to increase at the beginning of 2005, and claimed that their performance are number three in Asia, behind Korean and Japan Stock Market.

Despite the many problems of doing business in Indonesia, Foreign Direct Investment/FDI (both approved and realized) grew strongly in 2005. The Investment Coordinating Board (BKPM) claimed that FDI realization from January to December 2005 almost doubled to USD 8.91 billion from USD 4.6 billion in 2004. Almost 33 percent this investment were invested in transportation, warehousing and communication sectors. Next come the chemical and pharmaceutical sectors (12.9 percent) and construction sector (10.33 percent). Domestic investment realization in 2005 was in line with the upward FDI trend, which actual realization more than doubling to IDR 30.66 trillion, compared to IDR 15.26 trillion in 2004. Indonesia has been struggling to lure back foreign investment, which reached a

¹ Indonesia economic report 2005, Ministry of Economics, as cited from <http://www.depkeu.go.id>

² Bank Indonesia, December 6, 2005.

peak of USD 39.66 billion in 1995, but then collapsed to USD 13.64 billion immediately following the 1997-1998 Asian financial crisis.³

In a while, everything seems to run as well as it is planned and nothing is wrong with the economy at all. But the social indicators and real sector conditions still admitted not experiencing a significant improvement, and even some have worsened. The increase in fuel prices affected all economic activities, increase production cost, and reduce society's purchasing power. Government not calculated yet how many people slipped down below the poverty line after the huge inflation in November 2005. It's because of 110 million people or about 53 percent of the population still lives around the poverty line based on measurements of international poverty standards (an income below US\$ 2 per day), mostly named vulnerable people.⁴ This group is vulnerable fall to a lower poverty level when the prices of basic needs, especially food, increase even in a small margin.

³ The Jakarta Post, January 26, 2006.

⁴ Basri, 2005.

Table 2.1
Indonesia Main Economic Indicators, 1995-2004

	1997	1998	1999	2000	2001	2002	2003	2004*
<i>Real GDP Growth (constant price=1993)</i>	4.70	(13.13)	0.79	4.92	3.45	3.69	4.10	5.13
<i>Real GNP Growth (constant price=1993)</i>	4.10	(16.61)	2.53	4.32	5.83	2.63	4.73	5.46
<i>Real per capita GDP (US\$ at market currency)</i>	475.83	236.27	263.41	201.48	188.60	213.45	244.04	853.95
<i>Real per capita GDP growth (%)</i>	3.29	(14.40)	0.24	3.38	1.94	2.17	2.58	3.82
<i>Domestic Demand growth (%) (constant prices=1993)</i>	2.60	(27.47)	4.26	2.03	3.88	4.71	4.64	4.60
<i># as proportion to GDP (%)</i>	68.52	57.26	78.84	76.67	76.99	77.74	78.15	74.69
<i>Export growth (%) (constant price=1993)</i>	7.28	(8.60)	(0.37)	27.66	(9.34)	1.49	6.82	8.47
<i># as proportion of GDP (%)</i>	27.86	52.97	35.51	29.19	29.05	27.85	27.84	30.91
<i>Current balance (million US\$)</i>	(5,001.00)	4,097.00	5,781.00	7,992.00	6,900.00	7,825.00	3,823.00	10,193.58
<i># as proportion of GDP (%)</i>	3.70	3.44	3.70	5.30	3.79	4.29	3.53	3.98
<i>Gross Domestic Fixed Capital Formation (million US\$)</i>	38,212.10	30,285.80	33,848.20	28,752.61	30,198.63	36,483.80	41,625.58	40,020.88
<i># as proportion of GDP (%)</i>	28.31	25.43	21.65	21.81	21.40	20.25	19.73	20.99
<i>Wholesale Price Index (PPI)</i>			314.00	353.00	403.00	414.00	423.00	459.00
<i>Consumer Price Index</i>	198.30	198.47	202.45	210.27	234.46	262.31	279.59	297.07
<i>Inflation Rate (%) (1996=100)</i>	11.05	77.55	2.01	9.35	12.55	10.03	5.10	6.40
<i>Exchange rate (year average of US\$/Rp)</i>	4,650.00	8,025.00	7,100.00	9,530.00	10,435.00	9,261.17	8,465.00	8,985.42
Approved Foreign Direct Investment by Sector (million US\$)								
<i>Agriculture</i>	463.70	998.20	491.20	444.10	389.70	458.90	178.90	329.70
<i>Mining and quarrying</i>	160	0.30	14.10	2.40	18.70	49.30	17.80	66.30
<i>Manufacturing</i>	23,017.30	8,388.20	6,929.20	10,707.40	5,131.40	3,252.60	6,457.40	6,336.40
<i>Electricity, gas and water supply</i>	1839.90	1,795.40	2,310.00	0.40	37.30	90.20	362.90	275.50
<i>Construction</i>	306.80	197.80	153.40	225.20	47.60	282.10	787.70	954.00
<i>Trade, restaurants and hotels</i>	472.00	672.90	507.70	1671.60	1231.20	1130.50	952.30	1179.00
<i>Transport, storage and communication</i>	5,900.00	79.00	102.70	1218.70	378.20	3,713.30	4,160.20	586.50
<i>Finance, insurance, estates and business service</i>	1,397.60	1,270.90	179.40	301.60	177.40	7.30	10.30	339.60
<i>Community social and personal services</i>	433.60	160.40	202.90	848.60	1516.00	804.90	279.70	212.80
<i>Total</i>	33,832.50	13,563.10	10,790.60	15,420.00	9,027.50	9,789.10	13,207.20	10,279.80
Approved Domestic Investment by Sector (billion rupiahs)								
<i>Agriculture</i>	14,807.70	5,315.10	2,408.30	4,115.00	179.80	1,453.80	1,929.10	1,847.90
<i>Mining and quarrying</i>	126.30	116.30	174.00	36.40	1,198.20	803.60	752.80	662.40
<i>Manufacturing</i>	79,334.30	44,908.00	46,745.50	83,142.10	43,966.40	15,851.40	40,442.70	20,644.50
<i>Electricity, gas and water supply</i>	11,151.20	138.40	117.90	100.00	-	5.40	466.30	8,797.50
<i>Construction</i>	877.00	1,992.00	395.10	834.40	2,006.90	1,623.90	1,773.70	1,473.00
<i>Trade, restaurants and hotels</i>	2,632.80	1,231.80	1,670.90	420.40	2,551.80	1,188.50	974.40	764.10
<i>Transport, storage and communication</i>	4,649.40	3,260.50	225.30	1,992.80	1,488.50	3,125.70	2,022.00	1,887.70
<i>Finance, insurance, estates and business service</i>	4,300.50	1,547.50	995.50	225.60	4,540.90	3.10	140	-
<i>Community social and personal services</i>	1,993.70	2,239.70	817.50	1,511.80	1,542.20	1,252.20	1,224.00	1,063.30
<i>Total</i>	119,872.90	60,749.30	53,550.00	92,365.00	57,474.70	25,307.60	48,484.80	37,140.40
<i>*The years 1997-2002 base on 1993=100, and years 2003-2004 based on 2000=100</i>								
Source: Central Bureau of Statistics, Statistical Year Book of Indonesia, various years								

Looking at the components forming of the GDP, consumption remains the engine driving the economy. Table 2.1. shows that since 1999, even though the growth of consumption is small about 4.71 percent, 4.64 percent and 4.60 percent respectively for 2002, 2003 and 2004, the proportion of the consumption to GDP is still about 75 percent. Economics growth is forming by the increasing sales of goods in transportation and communication, such as motorbikes, automobiles and mobile phones, which contributes 13.3 percent to GDP. This followed by consumption in Trade and Restaurants sectors (9.2 percent), financial sectors (8.4 percent). Unfortunately, agriculture sector which absorb about 40 percent Indonesian workers only contributes 1.7 percent to GDP growth in 2005, decrease from 4.1 percent in 2004. Table 2.1 shows that private consumption contributes 74.69 percent of GDP growth in 2004, decrease from 78.15 percent in 2003 and 74 percent in 2002.⁵ The investments only contributes 21 percent to GDP in 2004, it is still below the 30 percent (the level before the crisis). In 2005, exports of goods and services are increase 5.44 percent compared to the previous year.

Total population of Indonesia in mid-year of 2005 was 220.97 million. It was 217.85 million in 2004, 215.28 in 2003 and 212.53 in 2002. Population and labor force grows unbalanced compared with working opportunities, that it caused the increase of unemployment as shown in table 2.2. Unemployment in Indonesia in the mid-year of 2005 was predicted about 10.8 million, increased from 9.5 million in 2003 and 10.25 million in 2004. The previous study on workers absorption and economic growth elasticity done by the ILO in Indonesia, which has claimed that an economic growth of 1 percent will accommodate 400,000 new workers do not seem to work any more. The latest prediction suggest that economic growth of 1 percent will only absorb 200,000 new workers; it means that Indonesia needs at least 20 percent of economic growth in order to accommodate all unemployment and new workers!

Tabel 2.2
Population and Labor, 1995-2005

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<i>Population (million)</i>	198.32	201.35	204.39	206.52	206.30	209.39	212.53	215.28	217.85	220.97
<i>Labor force (million)</i>	90.11	91.32	92.73	94.85	95.65	98.81	100.10	100.32	103.97	111.24
<i>Employment (million)</i>	85.70	87.05	87.67	88.82	89.84	90.81	91.65	90.78	93.72	100.44
<i>Unemployment (million)</i>	4.41	4.28	5.06	6.03	5.81	5.33	8.46	9.53	10.25	10.80
<i>Rate of Unemployment (%)</i>	4.89	4.68	5.46	3.36	6.08	5.39	8.45	9.50	9.86	10.30
<i>Number of lay-off (1000)*</i>	38.87	41.72	127.74	107.92	70.09	124.83	154.45	128.74	49.02	7.70
<i>Employment by industry</i>										
<i>Agriculture (% of total)</i>	44.02	41.18	44.96	43.21	45.28	43.88	44.34	46.26	44.43	44.02
<i>Industry (% of total)</i>	18.09	19.01	16.28	17.84	17.43	17.54	13.21	12.84	16.90	16.86
<i>Services (% of total)</i>	37.89	39.81	38.76	38.95	37.29	38.58	42.45	40.90	38.66	39.12

* laid-off processed by ministry of manpower and transmigration

Source: statistical yearbook of Indonesia, various year.

⁵ Kompas, December 26, 2005

** population in 2000 is the final result of Population Censuses 2000.*

The total unemployment including underemployment, i.e. people working less than 30 hours per week, according to the Ministry of Manpower, has reached 42 million in 2005, increase from 40 million in 2004, but are still below the figure in 2003 (45 million). There is no significant workers movement between agriculture, services and industrial sector. The role of agriculture in labor absorption is still dominant, even though most of them were unpaid workers (child and family worker). Total unpaid workers in 2003 reached 17.7 millions people or 19.55 percent of total working population (BPS, 2003). The slow down of the Indonesian economy has caused a complex problem in the industrial relations. During the period 1998-2005, many discharges of employees by the firms, not fully recovered from the 1997 crisis took place. During 2005, about 7,700 workers were fired by twenty one textile companies in Central Java.

3. Recent Trends in International Migration

Through the Ministry of Manpower, the government policies to overcome the problems of the over-supply of labor by relying on sending Indonesian Migrant Workers (TKI) abroad are being revised. Table 3.1 shows the number of the labor sent abroad tends to decrease from 480.4 thousand in 2002 to 293 thousand in 2003, 382 thousands in 2004, and only 152 thousands in June 2005. In part, it is caused by the decreasing of desirability of working abroad due to the bad working conditions and treatments in a number of countries abroad. The negative effects have been experienced by workers working abroad, from injustice in the payment system, violence experienced by workers working informally as housemaids, sexual harassment, and even mysterious deaths. There were many agencies are responsible to the problems of mismatch between the job with contract signed before, capability to do the job, etc. Six migrant workers agency (PJTKI) has been investigated after findings some migrant workers sent by them has invalid identity.

Female participation in international workers migration was sharply decrease, from 92 percent in 2002 to 72.8 percent in 2003, 77.96 percent in 2004, and 62.71 percent in 2005 (this percentage are the lowest since 1998). The decreasing in Indonesia female workers sent abroad match the Malaysian construction sector demand, which needed more male workers. Moreover, there were bad working conditions of the female workers experienced.

About 340 thousands illegal workers in Malaysia were sent back to Indonesia during the year 2005 with reason of invalid or expired visa. Amnesty was given by the Malaysia government to Indonesian illegal workers, if they exit the country before March 1, 2005. Often international migrant workers are also act as women trafficking. The data gathered predicts about 178 women workers were sold by the travel

agency to the prostitute house in Malaysia. Moreover, child trafficking are also riding the international workers migration in North Borneo.⁶

⁶ <http://www.buruhmigran.net/news/lkdetil.php?lkid=13>

Table 3.1
Number and Percentage of Female of Indonesian Workers Sent Abroad By Country of Destination, 1996-2005*

DESTINATION	1996		1997		1998		1999		2000		2001		2002		2003		2004		2005*	
	Total	F (%)	Total	F (%)	Total	F (%)	Total	F (%)	Total	F (%)	Total	F (%)	Total	F (%)	Total	F (%)	Total	F (%)	Total	F (%)
I ASIA PACIFIC	95,070	68.98	375,317	42.31	196,344	70.63	267,768	61.06	304,186	58.95	217,555	74.25	238,324	58.90	109,722	40.55	155,805	81.59	102,384	47.87
<i>Australia</i>	97	-	39	-	55	-	72	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Brunei Darussalam</i>	2,130	81.22	2,426	78.03	5,349	73.32	6,477	74.90	4,370	74.65	5,773	72.60	8,502	63.68	1,146	66.14	6,503	61.33	743	51.41
<i>Hongkong</i>	2,870	98.68	2,019	98.07	15,969	92.13	12,762	99.67	21,709	99.97	23,929	99.99	20,431	99.99	3,509	99.97	14,183	99.99	1,450	100.00
<i>Japan</i>	2,538	3.43	3,245	0.83	3,256	1.14	3,388	1.02	3,411	1.52	1,543	0.45	444	0.68	100	-	85	0.00	45	4.44
<i>The Rep. of Korea</i>	10,718	13.58	8,390	18.64	7,230	19.26	11,078	16.30	6,689	82.63	3,391	17.02	4,273	16.24	7,495	14.74	2,924	5.44	1,902	13.46
<i>Malaysia</i>	38,652	86.83	317,685	38.87	108,775	58.10	169,177	52.64	191,700	44.36	110,490	59.94	152,680	42.65	89,439	36.23	127,175	50.73	77,161	35.30
<i>New Zealand</i>	44	-	60	-	165	-	187	-	11	-	-	-	-	-	-	-	-	-	-	-
<i>Philippines</i>	-	-	-	-	14	-	49	-	1	-	-	-	-	-	-	-	-	-	-	-
<i>China</i>	-	-	-	-	267	-	315	0.32	36	-	-	-	-	-	-	-	-	-	-	-
<i>Singapore</i>	29,065	82.36	31,928	85.17	39,656	95.32	34,829	90.80	25,707	89.41	34,295	90.09	16,071	99.50	6,103	99.92	3,966	100.00	11,589	100.00
<i>Taiwan</i>	8,888	22.27	9,445	27.99	15,509	56.54	29,372	80.18	50,508	89.33	38,119	93.66	35,922	91.15	1,930	32.28	969	16.41	9,494	85.25
<i>Thailand</i>	23	-	44	2.27	51	0.49	41	-	12	8.33	6	-	1	-	-	-	-	-	-	-
<i>Vietnam</i>	-	-	-	-	7	-	-	-	6	-	-	-	-	-	-	-	-	-	-	-
<i>Others</i>	45	2.22	36	-	41	-	21	-	26	2.78	9	-	-	-	-	-	-	-	-	-
II AMERICA	1,761	-	736	-	2,191	0.08	3,519	0.43	1,509	0.07	228	1.32	40	17.50	171	15.79	17	0.00	-	-
<i>USA</i>	1,656	-	576	-	2,149	0.09	3,300	0.45	1,302	0.08	138	2.17	40	17.50	171	15.79	17	0.00	-	-
<i>others</i>	106	-	160	-	42	-	219	-	207	-	90	-	-	-	-	-	-	-	-	-
III EUROPE	768	3.65	596	0.17	1,114	1.07	1,696	3.43	359	21.71	29	52.94	68	48.53	31	51.61	4	0.00	20	55.00
<i>Belgium</i>	10	-	4	-	18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>England</i>	1	100.00	102	-	39	-	86	-	21	-	1	100.00	2	50.00	-	-	-	-	-	-
<i>France</i>	24	8.33	49	-	67	-	152	-	16	-	-	-	-	-	-	-	1	0.00	-	-
<i>Germany</i>	32	-	18	-	153	-	138	-	3	100.00	-	-	-	-	-	-	-	-	-	-
<i>Greece</i>	-	-	63	-	185	-	89	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Italy</i>	81	-	250	-	170	-	382	0.26	1	-	-	-	-	-	1	100.00	-	-	-	-
<i>Monaco</i>	73	-	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Netherlands</i>	445	5.39	12	-	107	11.21	290	18.97	77	44.16	10	10.00	55	58.18	30	50.00	3	0.00	20	55.00
<i>Others</i>	101	1.00	75	1.35	375	0.21	559	0.19	241	21.58	18	77.78	11	-	-	-	-	-	-	-
IV MID. EAST & AFR.	122,563	93.92	126,328	93.07	167,574	92.24	154,636	89.94	129,165	91.28	121,180	91.51	241,961	92.24	183,770	92.10	226,688	91.64	50,535	92.78
<i>Arab Emirats</i>	7,054	95.25	9,062	99.12	15,061	97.95	17,584	97.80	9,558	98.09	11,027	95.57	7,779	95.73	1,475	93.36	7,122	100.00	15	73.33
<i>Saudi Arabia</i>	115,209	93.90	116,844	92.67	151,288	91.99	131,157	88.97	114,067	90.58	103,235	90.49	213,603	91.45	169,038	91.54	203,446	93.04	47,407	92.35
<i>Others</i>	300	71.00	422	74.41	1,225	53.62	5,895	88.18	5,540	94.08	6,918	97.02	20,579	99.11	13,257	99.16	16,120	92.00	3,113	99.42
TOTAL	220,162	82.09	502,977	54.94	367,526	78.87	427,619	70.81	435,219	68.30	338,992	80.36	480,393	92.06	293,694	72.80	382,514	77.96	152,939	62.71

F (%): female percentage of total workers.

*Until June 2005

Source: Unpublished data from Ministry of Manpower.

Table 3.2
Number of Working permit Issued for Foreign Workers in Indonesia
by Type of Occupation, 1995-2004

No.	Type of Occupation	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004*
1	Manager	13,624	12,663	8,762	7,080	9,338	5,520	8,875	7,889	4,463	6,551
2	Professional	11,874	11,163	12,969	12,929	8,275	7,455	12,105	15,925	13,042	11,658
3	Supervisor	8,254	8,281	5,409	3,502	2,102	1,007	699	680	179	1,207
4	Technicians/Operator	23,407	16,551	10,052	8,984	9,293	731	23	20	253	495
5	Others	-	-	-	1,455	-	150	2,617	1,199	201	97
	Total	57,159	48,658	37,192	33,950	29,008	14,863	24,319	25,713	18,138	20,008

*Until March 2004

Source: Unpublished data from Ministry of Manpower

In the year 2005, the number of TKI sent abroad were still large enough with destination countries to the Asian Pacific countries and Middle East, respectively 66.94 percent and 33 percent of the total number of TKI sent abroad. Table 3.1. shows that the favorite destination countries still remains Saudi Arabia and Malaysia, respectively 31 percent and 50 percent of the total number of workers sent abroad in 2005. The decreasing of female participation is in accordance with the Indonesian government's commitment to cut the sending of the workers abroad for working in the informal sectors, and to add the number of workers sent abroad for working in the formal sectors, such as nurses and sailors.

On the other hand, clearances and working permits given to foreign workers that wish to work in Indonesia must also be tightened. Foreign workers who are given the working permits should only be workers who possess skills or abilities that Indonesian/domestic workers do not have. Up to the year 2003, the numbers of foreign workers working in Indonesia are as much as 19,000 people. Illegal foreign workers, who have been detected misusing their tourist and temporary-resident visas, are totaling 50,000 people according to the Minister of Manpower's statement. Foreign workers entering Indonesia are still dominated by workers from Asian Pacific countries such as Australia, South Korea, Japan, China, and also the United States.⁷

Comparing Indonesian migrant workers and foreign workers, we may conclude that most foreign workers have a higher educational attainment. Table 3.2 shows that most foreign workers are in professional occupation, whereas most of Indonesian migrant workers are unskilled occupation such as housemaids. These foreign workers mostly originated from Asian countries, mainly from Japan (see table 3.3). This was caused by the foreign direct investments that are followed by its workers. This also can be seen in table 3.4, where foreign workers mostly are in manufacture sector, because most investment flows to this sector.

Table 3.3
Number of Foreign Workers in Indonesia by Country of Origin, 1995-2004

⁷ Koran Tempo, January 20, 2004.

Country of Origin	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004*
<i>Australia and NZ</i>	3,564	4,120	3,584	2,509	2,376	1,463	1,840	2,922	1,769	1,868
<i>China</i>	<i>n.a</i>	<i>n.a</i>	645	666	549	595	905	1,303	1,167	1,340
<i>England</i>	2,264	2,738	1,817	1,573	1,884	1,321	1,456	2,392	1,367	1,354
<i>Japan</i>	9,443	6,480	5,558	5,661	2,761	2,071	3,026	3,640	2,644	3,451
<i>Philippines</i>	2,721	1,897	1,877	1,189	919	629	781	1,011	817	860
<i>South Korea</i>	11,668	6,985	6,226	6,078	1,728	1,449	2,161	2,461	1,729	1,903
<i>Taiwan</i>	5,694	3,428	2,701	2,536	1,102	793	909	1,056	677	750
<i>USA and Canada</i>	4,491	6,043	3,203	2,948	3,712	2,120	2,673	3,353	2,138	2,009
<i>Others</i>	17,314	16,867	12,226	10,790	13,977	4,422	10,568	7,575	5,830	6,473
Total	57,159	48,558	37,837	33,950	29,008	14,863	24,319	27,715	18,138	20,008

source: Ministry of Manpower

Table 3.4
Number of Working Permit Issued for Foreign Workers in Indonesia
by Sector, 2003-2004

	Sector	2003	2004*
1	Manufacturing	8,374	8,811
2	Agriculture	249	198
3	Forestry	59	66
4	Marine and Fishery	188	182
5	Mining & quarrying	2,838	3,185
6	Health	111	45
7	Transportation and Telecommunication	1,034	1,240
8	Housing and Regional Infrastructure	1,596	1,753
9	Culture and Tourism	674	804
10	Religious	330	528
11	Finance	573	1,521
12	Social Society	150	91
13	Education	1,747	1,231
14	Electrical	65	100
15	Government Institution	150	253
	Total	18,138	20,008

Source: Directorate General of PPTKDN, Ministry of Mnapower

Table 3.5 shows that number of foreign visitors or tourists (short visitors) who came to Indonesia in 2004 are 5.32 million people, increased from the period of 2003 that reached to 4.46 million people.⁸ Most of them came from Asia Pacific (78.28 percent), followed by Europe (11.55 percent), USA (4.85 percent), and other countries. The number of the foreign people, holding a temporary and permanent-resident leaving Indonesia up to September 2003, was recorded as much as 40,760 people. The decreasing number is due to the low domestic guaranteed security after the terrorists attacks, where many countries are still implicating travel warnings or travel ban to their citizens planning to visit Indonesia. For the year of 2005, Ministry of Culture and Tourism predict that numbers of foreign visitors are 5.1 million.⁹

The benefit of the sending workers abroad can be seen in table 3.6 where up to 2005 remittance sent by TKI contributes USD 2,71 million in 2005. The effects of the remittance sent by TKI on the Indonesian economy can not be accounted in the terms of material. But for the household level, this remittance brings a large effect that can be seen when a TKI spends money in building a more adequate home, increase in consumption of electronic goods, and others. Furthermore, most of the returned Indonesian

⁸ Metronews, December 5, 2005.

⁹ Ministry of Culture and Tourism, as cited from Metronews, December 2005.

workers gained more skills from their relevant field of works. Those skills could be used to increase those workers' marginal productivity after returning home.¹⁰

¹⁰ Ministry of Manpower, *Study Kebijakan Perluasan Kesempatan Kerja bagi Tenaga Kerja Indonesia Purna Tugas*. (Policy Study of Employment Creation for Returned Indonesian Workers), Jakarta: March 1998.

Table 3.5
Number Of Foreign Visitor Arrivals to Indonesia By Country Of Residence,
2000-2004

Country Of Residence	2000	2001	2002	2003	2004
USA	176,379	177,869	160,982	130,276	153,268
Canada	29,952	34,941	32,690	25,104	30,997
Others America	25,786	30,287	28,380	20,166	25,514
Total America	232,117	243,097	222,052	175,546	209,779
Austria	18,791	21,784	18,874	14,220	24,235
Belgium	23,495	26,832	24,079	22,730	26,254
Denmark	16,375	19,663	19,773	16,172	18,289
France	93,477	98,807	96,844	75,945	91,710
Germany	151,897	159,881	142,649	113,895	134,625
Italy	63,208	59,519	56,857	33,467	42,504
Netherlands	105,109	114,656	110,631	91,446	92,152
Spain & Portugal	34,572	33,725	55,368	27,969	38,215
Sweden, Norway & Finland	53,650	61,228	58,636	43,803	47,447
Switzerland	33,740	32,852	28,848	20,929	32,238
United Kingdom	161,662	189,027	160,077	98,916	113,578
Rusia	10,954	10,873	14,155	14,413	18,770
Other Europe	32,839	33,123	46,213	31,999	40,689
Total Europe	799,769	861,970	833,004	605,904	720,706
Africa	37,573	40,282	36,503	30,244	35,507
Middle East	35,404	36,865	37,987	31,371	35,783
Brunei	12,787	14,526	15,310	11,408	14,146
Malaysia	475,845	484,692	475,163	466,811	622,541
Philippines	79,682	82,828	84,060	76,665	76,742
Singapore	1,427,886	1,477,132	1,447,315	1,469,282	1,644,717
Thailand	48,477	50,489	50,589	42,585	55,024
Other Asean	5,324	4,890	13,299	16,569	17,984
Total Asean	2,050,001	2,114,557	2,085,736	2,083,320	2,431,154
Australia	459,994	397,982	346,245	268,538	406,389
Hongkong	72,461	70,112	78,018	72,128	79,777
India	34,221	34,962	35,063	29,895	36,169
Japan	643,794	611,314	620,722	463,088	615,720
Korea Rep.	213,762	212,233	210,581	201,741	228,408
New Zealand	32,659	32,898	29,673	21,070	26,103
Pakistan, B'ladesh & Srilanka	16,039	16,261	18,203	18,219	17,670
Taiwan	356,436	391,696	400,334	381,877	384,226
Other Asia Pasific	79,987	89,391	79,279	84,080	93,774
Total Asia Pasific	1,909,353	1,856,849	1,818,118	1,540,636	1,888,236
Grand Total	5,064,217	5,153,620	5,033,400	4,467,021	5,321,165

Source: General Directorate of Immigration.

Table 3.6
Remittance Sent by Indonesian Workers, by Region (US \$)
1996 - 2005

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*
ASIA PACIFIC	591,656.0	821,462.4	743,791.9	737,056.8	883,847.7	1,782,354.0	1,794,412.3	1,175,236.5	165,219.11	979,056.2
AMERICA	18,335.8	19,341.6	13,524.1	21,776.4	22,722.0	1,532.2	221.8	18,480.0	364.45	598.5
EUROPE	6,186.0	8,013.7	6,866.6	10,431.4	9,791.1	461.8	721.9	19,600.0	392.62	121.5
MID. EAST & AFR.	228,062.0	411,681.1	486,971.1	524,471.9	395,179.4	189,471.2	384,428.7	1,545,371.6	259,231.97	1,729,757.9
Total	844,239.8	1,260,498.9	1,251,153.7	1,293,736.5	1,311,540.3	1,973,819.2	2,179,784.6	2,758,688.1	425,208.15	2,709,534.2

* until June 2005

Source: Unpublished data from Ministry of Mhapower

Indonesia through Ministry of Manpower has made the Memorandum of Understanding (MoU) with Rep. Korea, in order to handle the illegal Indonesian migrant workers. It's predicted that more than 40 thousands Indonesian illegal workers are still working in Rep. Korea. This MoU also regulate the returning and judgement for violence victims. Korean government will also punish the employer, who hired illegal workers; that is why violence victims of Indonesian illegal workers in Korea are lower than that in Malaysia and Saudi Arabia (which only punished the illegal workers).

Ministry of Manpower also established MoU with Malaysia on formal migrant workers. It agreed to make one roof system with Internal Affairs Ministry of Malaysia, in order to handle the illegal Indonesian workers who want to submit their permit. Indonesia and Malaysia made co-office in 14 tunnel of Indonesia-Malaysia migration. Each office will be filled by at least one Malaysian representative, to give a direct access for migrant workers candidate to submit their permit. This system predicted will decrease Indonesia illegal workers entering Malaysia.¹¹ Other MoU regarding migrant workers have already signed by the government of Indonesia with countries such as Taiwan, Kuwait and Jordan.

4. Economic Outlook and Policies Regarding International Migration

Central bank of Indonesia (BI) predicted that in the year of 2006, economic growth engine will be taken by investment, in line that the decreasing in society's purchasing power. Private consumption is predicted will decrease, and the inflation rate will far little than 2005. Global economic predicted will stagnant, with oil and fuel prices will still high that Indonesia have to manage its subsidies allocation during 2006. The higher economic growth normally will absorb more workers. However, in the year of 2005 in Indonesia, 5 percent of economic growth is not high enough to accommodate unemployment. The number of unemployment continues to increase since crisis took place.

According to the statement released by Ministry of Manpower, Indonesia will transform its labor force, improve its competitiveness and productivity. The government, in the next five years, will improve the quality of the work force, particularly their productivity, to achieve economic growth of 7 percent or more. The first step would be to limit population growth by intensifying the Family Planning program. Government will raise the national standard of graduation at all education levels in order to improve their quality of human resources. It also can be reached by establishing many training and apprenticeship centres, to train graduate in such a way that they can compete in the domestic and international labor market. The improvement of educational quality is a key requirement so that it will be easier for private companies and government agencies to provide on-the-job training for fresh

graduates. This will help create conditions that are conducive to investment and support the government's program to encourage the real sector to grow faster. Another option is intensifying micro and small enterprises financing (UMKM), which will help to absorb over-supply of workers. Ministry of Manpower also continue to upgrade the standard of migrant workers candidate, which will be sent to Asia-Pacific countries or Middle East Asia countries.

¹¹ Media Indonesia on Line, January 14, 2005

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