

## **Abstract**

### **THE ROLE OF OVERSEAS WORKERS TO THE SOCIO-ECONOMIC CONDITION OF LOCAL COMMUNITY IN INDONESIA**

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According to the Ministry of Manpower of Indonesia, the number of legal Indonesian overseas workers increased from only 5.6 thousand people in 1969-1974, the first development period under Soeharto regime, to 1.6 million people in 1999-2003 spreading from Malaysia, Singapore, Hong Kong, Saudi Arabia, and to developed countries such as Republic of Korea and Japan. And recently, there is approximately 600,000 Indonesian overseas workers are deployed in 2006.

Around 60 percent of the Indonesian overseas workers are unskilled and uneducated women. They mostly work in the 3Ds (Dirty, Dangerous, and Difficult) jobs in the field of agriculture, construction, housemaid, driver, and manufacturer. A study conducted by the Ministry of Manpower (1997) in four provinces in Indonesia (West Nusa Tenggara, East Java, Yogyakarta, and Central Java) showed that more than 50% of the Indonesian overseas workers had elementary school education or did not complete the elementary school. Raharto (2002) who interviewed 133 returned female overseas workers in Cianjur and Indramayu districts also found higher percentage of Indonesian workers that only had elementary education or no schooling at all. Moreover, the evidence shows that approximately 40 percent of the workers were younger than 25 years old (Raharto, 2002).

Regardless of their low education background, the overseas workers contribute considerably large amount of devisa to the country by sending part of their salaries to their families back home. Benefits of the remittances are found to be ambiguous to both the left-behind families and local economy. Remittances improve physical well-being of the left-behind families as well as created new jobs by providing them cash flow for self-employment investment. On the other hand, remittances can also be used for non-productive activities, such as smoking or gambling. Study on the benefit of the remittances to the local economy in Indonesia is still an open area to be investigated. Most studies on overseas workers in Indonesia were conducted at local level with small sample and limits to the investigation of determinants of sending the overseas workers at the household level.

There is no other national representative survey on overseas workers than the Socio-economic Survey (*Susenas*) conducted by Central Statistical Bureau of Indonesia (CBS, BPS in Indonesian language) in 2005. *Susenas* is a national representative survey with sample around 200.000 households. Using *Susenas* as our source of data provides us with great advantages of large samples and completeness of household socio-economic characteristics availability. In 2005 *Susenas* specifically collected data on overseas workers in each household. The survey asked whether household had member(s) working overseas. Further, the survey gathered information on length of working time and the type of overseas job.

In addition to *Susenas*, Central Statistics of Bureau conducts annual survey at the village level so called PODES (Potensi Desa). This village survey is a survey to monitor not only the socio-economic development of the all villages in Indonesia, but also villages' politics and cultural status. This survey obtains information on population, education, economics, and other socio-economic characteristics of the village. Merging information on migrant workers from *Susenas* with PODES makes possible to link information on migrant workers in the village with their villages' socio-economic condition.

The objective of the paper is to investigate how the migrant workers contribute to the local social-economic development, particularly to the poverty incident and crime rates. Migrant workers send their remittance to their family in their village that can be used not only for current consumption of the household but also for investment in the village. Thus, our hypothesis is that the migrant workers have positive effect on the economic growth of the village that eventually reduce number of the poor. Reduction of poverty rates at the local community is one of the channels to reduce the crime rates. However, there are still several factors relating to the immigrant workers that can influence the crime rates, such as incomplete parents at the household due to leaving for working abroad that may affect the children development. Thus, the effect of immigrant workers to the social condition at the local community is interesting fact for empirical investigation.

According to authors' knowledge, there is no study *that* has a comprehensive analysis on the economic impact of immigrant workers in Indonesia that involves national representative survey such as *Susenas* as well as using the Village Survey Data (PODES). The study is expected to contribute significantly to the literature of immigrant workers.

