

ESTIMATING THE VALUE OF THE BUSINESS OF SENDING LOW-SKILLED WORKERS ABROAD: AN INDONESIAN CASE¹

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FROM REMITTANCES TO BUSINESS

Studies have been abundant on remittances from overseas, particularly low skilled, workers. For example, Athukorala (1993) examined ways to increase the contribution of remittances to the economic development in Asia. Asian Development Bank (2006) studied remittances to Southeast Asia, describing the senders and estimating the value of the remittances, as well as the financial intermediation. Haas (2007) also investigated the contribution of remittances and migration to economic growth. Rahman and Yeoh (2006) analyzed how the remittances had been channelled through social organizations. Rahman and Fee (2009) went further details, finding the consequences of the remittances on migrant's family and household. Ratha and Xu (2008) documented world wide statistics on migration and remittances.

Many countries officially see the workers as national economic heroines, because of the remittances. Indonesia is not an exception. It is often argued the overseas workers make an important contribution to Indonesian economy through the remittances they send home and the multiplier effect of spending the remittances in their home areas. As shown in Ratha and Xu (2008), the amount of remittances sent to Indonesia per year had risen steadily from about US\$1.2 billion in 2000 to US\$1.9 billion in 2004. It jumped to about US\$5.4 billion in 2005. It kept rising to US\$ 6.0 billion in 2007. It may have reached US\$6.6 billion in 2008.³ Nevertheless, the amount of remittances may have been much below the targeted US\$20.8 billion in 2009. The President of the Republic of Indonesia announced the target in a meeting on 13 July 2006. The President also said that policies had to be made to improve the workers' contribution to the family and nation.⁴

It was still not clear, however, which one should be more important -- improvement of business and economic growth or enhancement of the welfare of the workers and their families. One month later, in August 2006, the Ministry of Manpower and Transmigration stressed that overseas workers were a promising non-oil export commodity, and that remittances were expected to reduce unemployment.⁵

Despite the much below achievement in terms of remittances, the migrants remain to be expected to contribute a continuously rising amount of remittances. The remittances from migration helped sustain households in Indonesia and provide them with limited investment capital. Remittances also appear to reduce income inequality within the communities. Therefore, sending workers abroad continues to be seen as an emerging non-oil export commodity.

However, the contribution of the remittances to the total Indonesian Gross Domestic Product (GDP) had not been significantly important. It only contributed 1.6 per cent of the GDP in 2006, much lower than, for example, 13.0 per cent in the same year in the Philippines.⁶ Yet, the contribution to exports sounds more promising. An example is the contribution of the remittances to the surplus of Balance of Payment in the first quarter of 2008. As reported by

Bank Indonesia, strong export performances and remittances had contributed significantly to the surplus.

Indonesia is currently one of the nine largest workers-sending countries in Asia (Bangladesh, China, India, Indonesia, Myanmar, Pakistan, the Philippines, Sri Lanka and Thailand).⁷ As shown in Table 1, the number of Indonesian overseas workers grew rapidly with more than 300 thousands workers per year departing and heading to the major country destinations such as the Saudi Arabia, Malaysia, Singapore, Taiwan and Hong Kong. Kuwait became a new important destination for Indonesian workers since 2002, and the second country of destination in the Middle East.

Not only has the number of Indonesian overseas workers increased rapidly, the number of country destination has also expanded, to more than 15 countries. As reported by the Minister of Manpower, in total (cumulative), there were 2.7 million Indonesians overseas workers with official permission. This represents 2.8 per cent of the total national workforce (Hugo, 2007). However, the actual number of Indonesian working overseas can be much bigger as there are many irregular overseas workers. The exhausting and expensive bureaucratic process the workers must follow is one of the reasons of this irregularity.

This paper is an exploratory study on an estimation of the value of the business of sending workers to work abroad, rather than on remittances sent by the workers. The industry is an equally important economic aspect of overseas workers, though not many studies have been done on this issue. This paper shows how the business has benefited a lot from providing services to the workers and employers.

The remittances may not be the most important determinant of the rapidly rising supply of the overseas workers. Poverty may neither be the most important reason to work overseas. The shortage of workers in receiving countries may not be the main reason for rising demand for overseas workers. The promise of handsome profit from this business, both in the sending and receiving countries, may have made people interested to enter the business and create “demand” for overseas workers in receiving countries create the “supply” by enticing people to work as overseas workers. The business has done a lot of “marketing” to recruit and train the overseas workers and to persuade people to hire overseas workers in the receiving countries. In other words, it is possible that the “suppliers” of the service of the overseas workers, rather than the workers themselves nor the employers of the workers, are the ones who have promoted the supply and use of the overseas workers.

This paper starts with a discussion on the business. It then discusses excesses of the business. It then shows the estimate on the trend of the value of the business during 2003-2007. It should be mentioned here that the estimation is still a preliminary work. Further studies should be followed.

THE PROMISING BUSINESS

Indonesian labor migration is not a new phenomenon in its history. It has been in evidence since the Dutch colonial time. Thousands of Javanese, the largest ethnic group in Indonesia, were sent to Surinam to fulfill the need of cheap labor, working as coolies at the plantations. These Javanese were one of the largest ethnic groups, approximately 20 per cent of the population of Surinam (Dutch Guiana) (van der Kroef, 1951). The labor migration continued as a spontaneous

movement after Indonesia gained its independence in 1945. Under the New Order era (1966-1998), the government of Indonesia announced regulations to administer overseas labor recruitment in 1970. However, it is only since 1979 that the government actively encouraged the sending of labor migrants overseas. The government active interventions have then contributed significantly to the rising trend of Indonesian working overseas.

The business in sending Indonesians to work overseas started later, in 1983, when the Indonesian government began to permit recruiting private-agents from Middle Eastern countries (Silvey, 2004). Then, the Ministry of Manpower actively promoted and facilitated the export of the workers, in particular female domestic workers. It was a successful program, and the business of sending workers to work overseas boomed. The numbers of workers exported and institutions involved increased rapidly. To respond to this new phenomenon, the government set up a unit, called *Pusat AKAN* (*Pusat Antar Kerja Antar Negara*, or Centre for Overseas Employment), within the Ministry of Manpower in 1984.

In 1994, the *Pusat AKAN* was renamed as the Directorate of Overseas Manpower Services (*Direktorat Jasa Tenaga Kerja Luar Negeri*). The directorate's mandate included increasing overseas job opportunities, generating higher incomes for Indonesian workers, and cultivating diplomatic ties between Indonesia and major migrant-receiving countries. Furthermore, in the 1990s, the Ministry of Manpower began to license firms dealing with Indonesian overseas workers.⁸ Within two decades, not only had the number of formal recruitment agencies increased, but informal brokerages –friends, family, returned migrants, individual private sponsors-- had also multiplied and participated in this major industry in rural areas (Silvey, 2007).

Recognizing the important contribution of remittances to non-oil export, the government of Indonesia expanded the “commodity”. The government wanted to “export”not only low-skilled workers, but also semi-skilled and skilled workers abroad. The Indonesian president emphasized the expected great contribution in the form remittances from exporting skilled and semi-skilled workers. The State Minister of Culture and Tourism, Jero Wacik, planned to boost the remittances from skilled workers working in tourism industries worldwide. The Minister stated that on average 1,000 Indonesians went abroad to work in tourism businesses.⁹ There would be more middle and high skilled Indonesian overseas workers, working as beauty therapist in Canada, sailors in Portugal, and energy experts in Qatar.¹⁰ Under a bilateral economic partnership agreement (EPA) signed by Japan and Indonesia in August 2007, Japan will accept 1,000 Indonesian care workers over a two-year period. They are mostly nurses or caregivers for older persons. There were 208 worker sent to Japan in 2008. The remaining 796 were supposed to be sent in 2009. However, because of the global crisis, only 368 will be sent in 2009.¹¹

To further raise the competitiveness of Indonesian industry on overseas workers and attract more people applying to work overseas, the Government, in the earlier mentioned meeting, also attempted to reform the procedure for exporting the workers. One effort was to cut the number of posts the prospective workers had to go. Another effort is to reduce the cost of obtaining passport. The prospective workers can then obtain their passports in cities near to their home villages, rather than going to Jakarta. Therefore, the private placement agencies in Indonesia¹² do not have to pay for the transportation cost to Jakarta and accommodation while in Jakarta. The government further argued that the cut in cost is expected to make the business more attractive, as more workers will go overseas and more remittances will be sent back home.

From the perspective of the business of the industry, the larger number of workers means a larger amount of money paid by the prospective Indonesian overseas workers and foreign

employers to the industry. The business is interested in the remittances as long as they can sell remittance-related services to the workers. The business community has grasped the lucrative opportunity.

However, the business had not done well in protecting the workers, particularly in promoting and protecting the rights of the workers. Stories about extortion on the workers still abound. To overcome the excess of this business, the Government issued law¹³ on “Placement and Protection of Indonesian Overseas Workers” passed by the Indonesian Parliament. This law is to bring about (1) better management of migration flows (2) establishment of institutional mechanisms for the placement and protection of Indonesian migrant workers; and (3) advocacy.

The law is also the constitutional basis for the setting up of a national body working under the direct supervision of the President to oversee the placement and protection of Indonesian overseas workers (Chapter X, Article 94), called *Badan Nasional Penempatan dan Perlindungan Tenaga Kerja Indonesia* (National Agency for Placement and Protection of Indonesian Overseas Workers-BNP2TKI). As stated in Article 94, paragraph 2, this national agency is directly responsible under the President, to integrate services and to share responsibilities in the placement and protection of the overseas workers among various ministries and government agencies.

As a follow up, the President issued a Presidential Instruction,¹⁴ signed on 2 August 2006, to reform the system on placement and protection of Indonesian overseas workers. A strong economic spirit is shown in the assignment of the Coordinating Minister for Economy to form the coordinating team for the reform as well as its members, organization structure, functions, rules and the secretary of the team. Along with Coordinating Minister for Politics, Law, and Security, the Coordinating Minister for Economy monitored the implementation of this presidential instruction.

The business sense is particularly spelled out in one of the points under the issue on protection—that is to improve the use of market intelligence in Indonesian embassies, to better understand the demand for the Indonesian overseas workers from foreign agents and employers and to advertise the Indonesian overseas workers. The new agency (BP2TKI) was finally officially starting on 9 March 2007.

The new agency has also planned to expand the business to the banking and insurance sectors. On 11 January 2007, when appointed as its head, Jumhur said that he would invite bankers to invest in the business of overseas workers. He said that overseas workers are a very lucrative business, with a high rate of return. The overseas workers had the big ability to pay. Therefore, the bank must be able to sell the service to the workers¹⁵. Clearly, the overseas workers is a very promising captive market, where the customers—the prospective overseas workers--do not have other choices and, at the same time, they can afford to pay the services offered by the banks.

Insurance companies can also reap handsome profit from the captive, oligopolistic, market of the Indonesian overseas workers by selling financial protection in the case the workers suffer from illness and/ or accidents. Currently, there are two operating insurance companies, namely, *Konsorsium Jasindo dan Bangun Askrida*. Every prospective worker has to pay premium of IDR 400 thousand. Unfortunately, the workers still have difficulty in claiming the case when accidents happen in the countries of destination. Hilmi Rahman, an expert staff of the agency, argued that because the claim is usually low, the surplus can be used to improve the quality of service to the workers.¹⁶

Table 1.
Annual Indonesian Workers Sent Overseas by Destination Economy:
Indonesia, 2001-2007

No.	Economy of Destination	2001a	2002a	2003a	2004a	2005a	2006b	2007c
I.	Asia							
1	Brunei Darussalam	5,773	8,502	1,146	6,503	4,978	7,431	4,321
2	Singapore	34,295	16,071	6,103	9,131	25,087	28,545	23,613
3	Hong Kong	23,929	20,431	3,509	14,183	12,143	19,211	21,282
4	Taiwan	38,119	35,922	1,930	969	48,576	40,923	35,222
5	Malaysia	110,490	152,680	89,439	127,175	201,887	207,426	151,998
6	South Korea	3,391	4,273	7,495	2,924	4,506	5,959	2,175
7	Thailand	6	1	0	0	0	0	0
8	Srilanka	9	0	0	0	0	0	0
9	Macau	na	na	Na	na	na	na	102
	Total	216,012	237,880	109,622	160,885	297,177	309,495	238,713
II.	Middle East and Africa							
1	Saudi Arabia	103,235	213,603	169,038	196,342	150,235	268,202	186,715
2	Uni Emirate Arab	11,027	7,779	1,475	7,237	5,622	22,190	19,578
3	Kuwait	3,343	16,418	12,268	15,989	16,842	22,630	18,610
4	Bahrain	1,558	666	88	0	21	639	1,465
5	Qatar	1,029	916	180	62	1,002	7,546	7,302
6	Jordan	379	1,233	226	68	2,081	10,352	10,256
7	Others*	609	1346	495	1	1216	4,962	5,121
	Total	121,180	241,961	183,770	219,699	177,019	336,521	249,047
III.	Japan/Europe/USA							
	Others	na	na	Na	na	na	na	137
	Total	338,992	480,393	293,694	380,690	474,310	646,548	488,807

Notes: a = Ananta and Arifin, 2007

b = downloaded on 12 Nov 2007;

c = downloaded on 16 December 2008

* Others consists of those sent to Oman, Tunisia, Turkey etc.

Source : Compiled and calculated from Depnakertrans, Ditjen PPTKLN,

http://www.nakertrans.go.id/pusdatinnaker/tki/index_tki.php

As in many Asian countries, international labor migration in Indonesia occurs through various, regulated and unregulated agencies. These agencies play an important role in recruiting the potential Indonesian workers, transporting and placing the workers overseas, as well as arranging the return of the workers. However, not all agencies provide perfect services, some create problems. On the other side, some of the workers also produce problems, particularly because of their ignorance. Therefore, it is not surprising to hear many stories of abuse and extortion of the workers during all stages of working abroad.

THE EXCESS OF MAKING MONEY FROM WORKERS

The business of sending Indonesian workers was conducted through a multi-stage process involving agents, brokers, middlemen and government officials. Roughly, the process consists of pre-employment (mostly before departure), employment, and post employment (mostly returning to their homes in Indonesia). This process was too complex and costly. The system had caused the heroines (the workers) very vulnerable in all migration stages. Sometimes, the prospective overseas workers had to travel considerable distances to go through all these processes. They suffer from asymmetric information—they do not know the correct and appropriate information. They are lack of legal protection. Their social and cultural background may further worsen their vulnerability. In other words, this business may need to improve its accountability and transparency.

This vulnerability may result in another form of vulnerability. For instance, the vulnerability in Indonesia could make them being “undocumented” migrants in the countries of destination. In the countries of destination, they become more vulnerable because of their legal status. The case of the repeated deportation of Indonesian workers in Malaysia is an example.¹⁷ Their inability to pay most or all of the costs before their departure can bring the overseas workers into debts, they have to pay during their employment overseas. The debts made them more vulnerable—some were abused from unpaid salary or underpaid (Asian Migrant Centre, 2005).

The vulnerability and the exploitation of the workers have been well known not only by scholars and labour activists, but also by high government officials in Indonesia. The Government of Indonesia have been aware of all of these complex issues of sending and protecting the overseas workers as well as recognizing the workers’ rights. On 12 January 2007 Minister of Manpower and Transmigration admitted the very poor protection of the overseas workers.¹⁸

Even, the President of the Republic of Indonesia said on 13 July 2006 that there had been many brokers operating in both departing and returning overseas workers, that those brokers and sponsors had created vulnerability and discomfort on the overseas workers. For instance, there had been many cases of falsification of documents, too high fees, illegal fees, and illegal placement of overseas workers. To solve this problem, the President requested the law enforcement officials to stop all these practices from the day he said, 13 July 2006¹⁹. The Government understood that more efforts were needed to address the issues.

Embarkations and disembarkations are the points where these workers have less protection. As of 2005, there were 14 cities of embarkation throughout the country for those leaving to work in the Asian countries (Table 2). More than one third of those departing to Asia embarked from Nunukan, a city in East Kalimantan. They mostly headed to work in the neighbouring Malaysia. The second largest, more than one sixth, embarked from Surabaya, the second largest city in Indonesia. The third was Jakarta (the largest city and the capital of Indonesia), with more than one seventh of the overseas workers going to Asia. Mataram (the capital city in West Nusa Tenggara) was the fourth, with more than one tenth of the overseas workers went for jobs in Asian countries. Interestingly, not all of the above cities were used for the embarkation to work to countries in Middle East and Africa.

Table 2.
Indonesian Workers Sent to Asian Countries
by City of Embarkation, Sex, and Job Status: 2005

NO	City of Embarkation	Formal		Informal		Total
		Male	Female	Male	Female	
1	MEDAN	3,317	11,119	-	5,848	20,284
2	NUNUKAN	53,744	29,649	-	-	83,393
3	BANJARBARU	-	-	-	19	19
4	SEMARANG	1,459	1,982	-	3,973	7,414
5	PALEMBANG	238	1,068	-	381	1,687
6	MATARAM	32,184	414	-	51	32,649
7	SURABAYA	22,256	9,312	2,533	21,932	56,033
8	PONTIANAK	1,810	1,001	0	12	2,823
9	YOGYAKARTA	819	1,868	0	-	2,687
10	JAKARTA	6,670	1,291	222	35,867	44,050
11	MAKASAR	1,123	201	0	-	1,324
12	BANDUNG	52	202	34	276	564
13	KUPANG	1,169	249	0	6,238	7,656
14	RIAU	9,662	-	0	27,046	36,708
Total		134,503	58,356	2,789	101,643	297,291

Source : Depnakertrans - Ditjen PPTKLN s/d December 2005

http://www.nakertrans.go.id/pusdatinnaker/tki/tki_aspas05_dasal.php, downloaded on 26 March 2007

The port of embarkation in Jakarta is the Soekarno-Hatta international airport. It used to have only two terminals, the Terminal 1 (exclusively for domestic flights) and Terminal 2 (mostly for international flights). To process returning overseas workers and provide them with safe and comfortable trip back home, the government opened “Terminal 3” at the Soekarno-Hatta International Airport on 31 August 1999 with the Ministerial Decree of Manpower No.204/1999 (Palupi and Buntoro, 2005; Silvey, 2007). The terminal is located some distance away from the regular terminals. Most of the returning workers arrived in Soekarno-Hatta international airport, including those whose final destinations were not Jakarta.

Long before Terminal 3 operated, especially before 1986, returning overseas workers received the same treatment as other passengers did. They could freely choose the mode of transportation to bring them back to their villages. However, they have lost this freedom. Since 1986 they had to take whatever the mode of transportation the government assigned to them—a monopolistic business on land transportation started on this captive market. PT Panutan, a private company, took the first opportunity in this business until 1987. At the end of 1987 the government took the direct control of the business by assigning the Regional Office of Ministry of Manpower in Jakarta (*Kanwil Depnaker DKI Jakarta*). This management only lasted for one year before it was managed by the Indonesian Manpower Supply Association²⁰ under the supervision of the Ministry of Manpower. They ran the business until 1994. As the opportunity to work abroad increased, the government took back the full control by assigning DAMRI, a state company, to manage the business during 1994-1998. At the peak of Indonesian crisis (in 1998), the management changed hand to a private sector for a short time before it was finally returned to the Ministry of Manpower in the same year. Since 1999, when all of the returning migrants had to go through the Terminal 3 of the Jakarta airport, changes of management of this

business resumed to happen frequently. Nevertheless, whoever run this business, the problems remained the same—extortion on the returning workers. (Palupi and Buntoro, 2005).

Heading to Terminal 3 from Terminal 2, the story started. As written by Silvey (2007), returning workers faced a long and tiring process. Along with ordinary passengers, returning migrants went first to the immigration counter, where all passengers had their passport checked. Ordinary passengers in Terminal 2 could watch how the officials treated the returning workers (also departing workers). They went and collected their baggage from the same area as the ordinary ones. From here, they were not free to leave, though ordinary passenger were free to leave through the main exit at Terminal 2 and no other fees incurred to these ordinary passengers. The returnees were required to follow a “Special Lane for Indonesian Overseas Workers”.²¹ This Lane took them to the outdoor waiting area where they waited for the bus to Terminal 3, approximately 500 metres away from Terminal 2.

A series of “unnecessary fees” had to be paid for various compulsory services. Each worker had to pay 10,000 Indonesian rupiah (IDR) for transportation to Terminal 3, another IDR 10,000 for a porter to help them carrying their baggage upon reaching Terminal 3. Each had to pay IDR 25,000 for documentation. If their family members picked them up, they could only wait for the returnees to meet outside the gates of the terminal. To be able to enter the gate, each family member had to pay IDR 10,000. When they met each other and left the gate, again, another payment had to be paid between IDR 30,000 and 40,000. The family members had also to pay between IDR 5,000 and 7,500 to read aloud the names of the returning workers over the microphone. Thus, to leave Terminal 3 each at least had to pay these additional payments--altogether around IDR 90,000. This story clearly shows how others get “easy cash” from these returning workers. As mentioned in Silvey (2007), since Terminal 3 opened, approximately 600 returning workers per day had passed through the gates. In other words, at least IDR 54 million was collected every day just to pick the returning workers.

Once returnees exit terminal, they were required to ride home in a vehicle registered by the government, if there was no family members picking them up with their own transportations. Take an example, the fare to go to Sukabumi was at least IDR 160,000 per person, to Garut IDR 170,000 and to Cilacap IDR 200,000²². While travelling home, it might not yet be a safe journey. In the middle of the journey, one returnee (she) lost about USD 900 due to the forced exchange of money with much lower exchange rate. Worse, the driver asked her for another extra IDR 500,000 if she wanted to reach home safely²³.

In short, the workers had to pay the supposedly free services. They were forced to return to their homes in Indonesia, using the already assigned means of transportation with higher than market price. They might also face extortion when waiting for the transportation. The exchange rate was also higher than the market rate. There were at least 10 posts the workers had to do from the time they landed in the international airport (Terminal 2) to Terminal 3 and in each post they were likely to be victim of extortion. The suffering could continue until they arrive home²⁴. Wahyu Susilo, from an advocacy group on Indonesian overseas workers, portrayed the Terminal 3 as an “arena of extortion” to the returning overseas workers.

The notoriety of the Terminal 3 made Juhur Hidayat, the head of the National Agency for the Placement and Protection of Indonesian overseas workers (BNP2TKI) uncomfortable. He closed the Terminal 3 from being used to receive returning Indonesian overseas workers. In February 2008, he opened a new terminal, called Terminal 4, dedicated to the returning workers. He said that the new terminal was very good and very humane. According to him, it was not only a physical move—it was a change of image and culture.²⁵

As reported by the United States Department of State (2009), the Terminal 4 has been used by the officials of the BNP2TKI and Minister of Manpower to identify the distressed returned workers, with the hope of helping them. Inappropriate treatments were still heard in the Terminal 4. At this junction, more observations need to be carried out to find the progress of the move to Terminal 4, particularly on the welfare of the returning workers.

At the same time, the old Terminal 3 has been drastically changed into a new modern, beautiful, Terminal 3, part of the modernization and expansion of the existing airport. It has received passengers for domestic flights since April 2009,

VALUES OF THE BUSINESS: 2003 - 2007

The whole process of recruiting potential Indonesian overseas workers, training them, placing them abroad, and bringing them back home has been a booming and lucrative industry. The newly recruited potential workers are the “raw” input for this industry and the trained workers placed overseas as well as the returning workers are the final products of the industry. In other words, the industry “manufactures” the newly recruited workers to become ready overseas trained workers. The post-sale services (after employment) are also part of the industry. The industry’s revenue comes from the money paid by both potential workers and employers, as well as returnees. Therefore, in this profit-maximizing context, the industry is more interested in “manufacturing” the potential workers rather than on the remittances. They reap the revenues from the fees paid by these workers and employers. They do not receive any thing from the remittances unless they work to provide services in sending the money home.

Domestically, it sells its services to the captive market of Indonesian overseas workers in all of their migration stages. It is a market where the workers do not have other choices, but to follow, and pay, the services provided by the industry. It is very difficult to go to work overseas on their own. Rather than teaching the workers how to do it by themselves, the industry has created “dependency” on the industry—that is workers must go through them if they want to work overseas. From this dependency, the industry earns the money through “helping” the workers. Clearly, overseas workers are the most important customers of the business of sending workers abroad.

There are two ways the workers can pay the industry’s services. First is through giving their six to eight month salaries to the foreign placement agencies which had earlier paid the business in Indonesia. Second is through the extra legal and illegal payments made during all migration stages.

Internationally, it sells the services of the Indonesian overseas workers to international market. Unlike in the domestic market, it faces a strong international competition with overseas workers from other countries, particularly the Philippines. The market does not have to buy the services of the Indonesian overseas workers; they can choose other overseas workers. One of the implications, for example, is that the services of the Indonesian workers were sold at lower prices than the Philippines workers. The Indonesian overseas workers received smaller income, but both the Indonesian and foreign business’ revenues do not depend on the amount of salary the workers receive. Rather, the total revenue to the industry relies more on the number of workers placed overseas and the value of services the industry can sell to each worker.

Technically, the industry faces an elastic demand for workers. 1.0 % decrease in price of workers will result in more than 1.0 % increase in the demand for workers. Therefore, the total revenue from the workers will increase, resulting from the decrease in the price of the workers.

Firdausy (2005) estimated from his field survey that the cost usually covers five components: transportation and accommodation from her village to the Indonesian placement agency; accommodation and consumption during the waiting time, before going abroad; education/training to enhance her quality; placement agency and/ or brokers; documentations such as passport and working permit. Each worker had to pay between US\$290 and US\$550. This estimate did not include the cost of airplane ticket, which varies depend on their destination.

Therefore, the above amount is very likely lower than the actual amount of money the workers paid. For an example, we can examine what an Indonesian overseas worker in Singapore has contributed to this business. Her salary is S\$250 a month. She had to forgo her 8-month salary to repay the costs spent by the business to help her placement in Singapore—everything she needed to do before her employment. In other words, the business had sold their services to her in the amount of $8 \times S\$250 = S\$2,000$, or about US\$1,350. The Singaporean placement agencies obtain their income from the employers of the overseas workers and some from the money paid by the workers.

On top of that, a worker had to pay extra money for both legal and illegal “services” since she left her home until the time she arrived in Singapore. This amount, the sum of the legal payment from the worker’s salary and the extra money paid by the worker, has not included some other extra, legal and illegal, money the worker had to pay when she returned to her home in Indonesia.

It is not easy to trace all the extra money the workers pay. However, we can make a rough estimate of the “formal/ legal” value of the business in Indonesia. The calculation is based on the following facts. First, the workers (who have been “manufactured”) must pay most of the cost during the process of the “manufacturing”. Therefore, the money spent by the workers to pay for all of the cost can be used as an indicator of the total value of the business. Second, the workers pay the cost by not accepting any salary during their first six to eight months of employment. Therefore, with the information on both the composition of countries of destination in a particular year, we produce a conservative estimate of the value of the business in that year.

It is calculated using the information on the composition of the workers departing from Indonesia in during 2003-2007 as listed in Table 1 and an average monthly salary in each country for 2003 as reported by the World Bank’s study (2006). It was reported that an average monthly salary for each country was as follows: Saudi Arabia IDR 1,342,200; Jordan IDR 1,269,900; Kuwait IDR 1,132,178; Abu Dhabi IDR 2,074,717; Qatar IDR 1,279,203; Malaysia IDR 761,600; Singapore IDR 1,239,750; Hong Kong IDR 3,930,570; and Taiwan IDR 3.735.000. The number of months without salary (to pay back the debts of the workers) ranged from 6 to 8 months among these countries. Further studies should allow for changes in salary in each country.

This is a conservative estimate because it has not included extra legal and illegal fees the workers must pay during all migration stages, including in the stage of returning home until their homes. It has neither included the commission paid by the employers to the placement agents in the destinations country. The estimate is also underestimated because it has not included the money from the Government of Indonesia allocated for this business, including the provision of the building, infrastructure and salaries of government officers working in this industry. Finally, this figure has neither included the possible large multiplier effects in Indonesia.

The actual figure can be larger and further studies should attempt to make a more accurate estimate on the value of this industry and the extent of the contribution from the workers.

The estimate is preliminary and further studies should be carried out to make a more accurate estimate on the total value of the business, to really understand the contribution of this industry in economic growth. The studies should not be limited to the sending countries but also include the economic impact on the receiving countries. In addition, to allow employers participating fully in the receiving countries' labour market, overseas workers have also created markets for cheap goods and services which can be provided by small and medium scale enterprises in the receiving countries.

With this caveat, Table 3 shows that the value of the business rose from 1,741.5 billion rupiah in 2003 to 6,304.5 billion rupiah in 2007, a significant increase by 262 per cent. It first increased steadily during 2003-2005, before it jumped in 2006. Using USD (to allow the impact of US dollar, with a different exchange rate every year), we find that the increase was also significant but lower, 232 per cent, from US\$ 211.1 million in 2003 to US\$700.5 million in 2007.

This estimated "formal/ legal" value of the business is smaller than the remittances sent in the same year. For example, in 2007, the value of the business was US\$0.7 billion, much smaller than US\$6.0 billion in remittances, though the estimated value is still underestimated. However, the rising tendency has signalled that this is a promising business. People will keep entering to and expand the business.

Table 3
Values by Rupiah and USD

Year	In billion rupiah	Current rate
2003	1,741.5	211.1
2004	2,376.9	252.9
2005	3,578.7	367.0
2006	5,606.3	609.4
2007	6,304.5	700.5
Increase (in percent)	262.02	231.84

Note: Current rate was referred to 1-3 July of the year and fluctuated from 8,250 in 2003, 9,400 in 2004, 9,750 in 2005, 9,200 in 2006 and 9,000 in 2007.

CONCLUDING REMARKS

This is an exploratory study on a relatively unexplored economic aspect of low skilled overseas workers. Rather than focusing on remittances, which have receiving a mushrooming attention in literature, this paper examines the business of sending the workers. The business has invented a new commodity, named “overseas workers” and created the market in richer economies experiencing shortage of low skilled workers. The business receives payment from the “buyers” of the overseas workers.

In the sending countries, the business produce “services” to place people to work abroad with handsome benefit. The prospective workers are the customers of the business. The workers pay the business for the service to “manufacture” the workers so that they can be “sold” in international market. It is an interesting business, which sells the workers but the workers themselves must pay the cost of making them saleable.

The business is and will be influenced by the business climate in Indonesia as a whole. One of them is the feature of high cost economy observed in Indonesia in general. Corruption, extortion, illegal fees, and frequent changes in regulations are some of the most important determinants of high cost economy. Reduction, or elimination, of the causes of high cost economy will therefore make the business striving better. It will also make the workers more convenient and happier. In turn, there will be more Indonesians willing to work overseas and the business will reap much bigger profit.

More importantly, the business should pay more attention to the welfare and protection of the workers. This effort should be made part of their cost and, therefore, price of the workers. Without this effort, the workers have been under-priced and therefore there is an excess demand for overseas workers. From the supply side, because the “price” for “manufacturing” the workers is too low, there have been an excess supply of workers. Those who are not qualified also go to the market.

With this excess demand and excess supply, the workers can be in unfavourable position. We recommend the cost of raising the quality and protection of the workers be included in the calculation of the price of the workers. It will give an incentive for the business to protect the workers. With higher quality of workers, the business will face a relatively more inelastic demand for workers—that is a one percent increase in price will result in less than one percent decline in demand, and therefore total revenue will increase. This will be the opposite of what is happening now. Currently, the business of sending Indonesian workers abroad seems to face an elastic demand curve, where the business gets larger revenue from a lower price of the workers.

Furthermore, to make the workers feel benefiting more from the business, they should be exempted from paying all the cost needed in all the migration stages. This will also reduce “too much” supply of overseas workers and therefore it can enhance the bargaining power of the workers and improve the protection of the workers. With the “right” price, only those who are qualified will go. This will much reduce abuse and exploitation on the workers and disappointment of the employers from finding unqualified workers. The business needs to apply good governance, implementing, for example, more transparency and accountability to the public.

Finally, as observed by ILO (2006), the government of Indonesia needs to give more attention to the protection, though ILO had also acknowledged that the efforts to protect and empower Indonesian overseas workers had been gaining momentum in Indonesia.

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End-notes

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