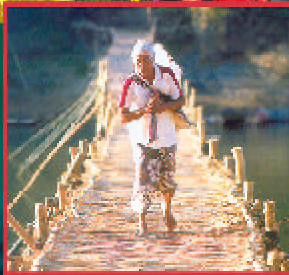




International  
Labour  
Organization  
Jakarta

## Indonesia: Working out of Poverty



## **Migration: opportunities and challenges for poverty reduction**

# 11

In Preparation for the ILO's submission to the Poverty Alleviation Committee in Indonesia, a series of 12 (twelve) Technical Briefing Notes (TBNs) have been prepared which serve two purposes; first, as background documents, on issues and policy choices critical to poverty reduction and secondly, as building blocks towards a comprehensive report: "*Working Out of Poverty: an ILO submission for the Indonesia PRSP*".

This briefing note address ***Migration: opportunities and challenges for poverty reduction***. Other themes in series include the following:

- Employment dimensions of macro and sectoral policies;
- Decentralization and decent work: making the connection to the MDGs;
- Job creation and enterprise development (SMEs and local economic development);
- Youth employment: pathways from school to work;
- Rural development: access, employment and income opportunities;
- Skills development for economic growth and sustainable livelihoods;
- Promoting the declaration on fundamental principles and rights at work;
- Eliminating the worst forms of child labour;
- Social protection for all;
- Promoting good governance in the labour market by strengthening tripartism and social dialogue;
- Gender and poverty.

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First published 2004

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ILO

*A Series of Policy Recommendations  
Decent Work and Poverty Reduction in Indonesia, 2004*

ISBN 92 2 015540 0

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Printed in Jakarta, Indonesia

# MIGRATION: OPPORTUNITIES AND CHALLENGES FOR POVERTY REDUCTION

## Introduction

There is a strong linkage between migration and poverty. Migration can be considered an alternative to escape poverty. It, through remittances, contributes to poverty reduction, at least at the places of origin. Conversely, poverty to a certain extent creates the premises for the decision to migrate.

There is a high degree of spatial mobility among Indonesian workers. While this mobility has undoubtedly increased in recent years, it is a longstanding feature of the labour scene. The recent period, however, has not only seen an increase in the scale of movement but also in its diversity with respect to the types of movement, the destinations and origins of labour migrants and among the movers themselves. Labour mobility in Indonesia has been driven by a number of forces which include:

- Marked spatial mismatches between the location of expanding job opportunity and the locations of potential workers;
- Rapid improvements in levels of education resulting in young people in rural areas being unwilling to work in agriculture and moving to seek work in other sectors;
- Rapid commercialisation of the agricultural sector replacing labour inputs with capital inputs;
- Strong cultural imperatives among some ethnic groups which encourage people to move out of the home area to seek work and experience;

- A strong tradition of responding to local and regional conflict by moving on a temporary or permanent basis to work in other, more secure, areas;
- An entrenched pattern over much of Indonesia where families seek to enhance their security by deploying some family members to work outside of the home area to thereby create multiple sources of income and reduce the effects on the family of the failure of one source of income;
- The proliferation of a 'migration industry' in Indonesia involving recruiters, travel providers, labour organisers and other intermediaries who facilitate the flow of labour to destinations within and outside the country;
- A tradition of responding to crisis situations by sending out family members to destinations perceived to offer employment possibilities and attract remittances to the home area.

The onset of the financial crisis in 1997-98 dramatically changed the economic context in Indonesia. This had the effect of both influencing existing patterns of labour mobility but also initiating new mobility in response to the crisis.

There is then a long tradition of Indonesians responding to poverty through particular mobility strategies. There has been a long established pattern whereby families have sought to enhance their security by deploying family members to work outside of the home area in order to create multiple sources of income to insure against the failure of other sources of income. Indonesians are moving over an increasingly wide area both within the country and to other countries to improve their life chances and those of their families. This mobility has ranged over increasingly large distances and in the last decade has extended to other countries so that now Indonesia is one of the world's major origins of international migrant workers. A distinctive feature of the mobility is that the bulk of it is **non-permanent and circular** in nature with workers leaving their families in their home communities and working in destinations for periods of a week to two years. In Indonesia, workers are willing to move over considerable distances in their efforts to

improve their life chances and this can be of significance in reducing poverty since workers can be deployed to areas where job opportunities are more plentiful.

This Technical Briefing Note seeks to explore the potential for mobility to alleviate poverty in Indonesia and argues for poverty reduction strategies to include consideration of population mobility. The main aims of the study are:

- To outline existing patterns of population mobility in Indonesia;
- To identify its current and potential role in alleviating poverty;
- To examine policy interventions to enhance the role of population mobility in alleviating poverty.

At the outset it is necessary to summarize the main contemporary patterns of population mobility in Indonesia.

As has been stated earlier, migration can be considered as an alternative to escaping poverty. In the case of Indonesia it is one of the most popular forms of 'coping mechanisms' for poor families to spread their income earning channels in order to have sufficient funds for supporting their households.

## **Migration, development and poverty reduction**

Migration can help to achieve this by associating people more closely with available economic opportunities and employment. Internal migration to urban areas can be associated to both macro-economic growth and represents a significant livelihood strategy for poor people (highlighted later in the paper). There has been a sharp increase in the number of overseas contract workers from Indonesia since the crisis.

Most remittances, in cash or kind are sent back to the migrants' family members and relatives, the most obvious impact of remittances is to support the subsistence and incomes for resident households of the migrants. Remittances do not only increase the individual household income, a part of it can also be channeled into investments and contribute to the growth of local economies. The use

of remittances for private consumption may even stimulate demand, which may create local markets and jobs for non-migrants.

If economic development is defined as the realization of higher levels of employment and income, higher savings and investment and so a steady reduction of poverty, then migrant remittances may be seen as a very effective mechanism of putting cash directly into the hands of the poor, to help them out of poverty.

**Mobility, what kind?**

Individual mobility in Indonesia has greatly increased over the last two decades as both a cause and a consequence of the substantial social and economic change that has occurred and with transportation improvements. Census data relating to migration over the last three decades reveals that **interprovincial** migration has increased drastically over the last thirty years, data shows that over the last three years there was a 67.8 percent increase in the proportion of Indonesian males who had ever lived in a province other than their own. The equivalent figure for women was 98.2 percent. Individual mobility has been transformed with greater ownership of motor cycles and motor cars, and by the rapid development of public transport.

**Inter-regional migration:**

For most of the twentieth century Indonesia had a **transmigration** program to transfer people from Inner to Outer regions, but it was closed in 2000 since after the financial crisis this expensive program was no longer feasible for the government.

In 1982 with the fall in oil prices there was a shift in the Indonesian economy towards encouragement of investment in manufacturing, during this period the country witnessed most of the investment and job creation concentrated in Java. Hence in the second half of the 1980s undoubtedly the flow of migrants to java increased substantially.

In the early 1990s there may have been a net flow of migrants from outer to inner Indonesia<sup>1</sup>. However after the financial crisis, the 2000 census saw an increase in net migration to outer Indonesia due to small increase in migration out of Java and a decline in inflow within the region. This is likely because of the decline in urban job opportunities in Java following the crisis, with outer Islands becoming more attractive (Hugo 2002).

Central Java is dominant as the major origin of inter-provincial migrants. An important element influencing labour migration in the outer Islands of Indonesia has been the development of very large projects associated with the extraction and processing of natural resources such as minerals, oil, timber processing etc.

Censuses have indicated that up to a fifth of all inter-provincial migrants were return migrants (Hugo 2002). Migrants comprise of more than 200 distinctive ethno linguistic groups, with different ethnic groups traditionally having different propensities to move. However such differences have been reduced in recent times primarily as a result of developments in universal education and transport and communication.

The post-financial crisis period in Indonesia bore witness to forced displacement of over two million people. Separatist, inter-ethnic and religious based conflicts are other factors which have influenced a growing number of IDPs . The vast majority of these IDPs are women and children representing the most vulnerable groups of society.

### **Internally Displaced People (IDPs):**

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One of the most significant trends in population movement, and resulting changes in population distribution, in Indonesia is urbanisation. The growth of urban population has been at about 5 percent per annum over the last three decades, in absolute numbers Urban population in 1990 accounted for 55,433,790 inhabitants, in 2000 the population was

### **Urbanisation (rural-urban migration):**

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1 Indeed Hugo (2002) has shown that the 1995 intercensal survey (SUPAS) indicated that immigrants to Java between 1990 and 1995 (757,035) outnumbered outmigrants (615,033).



85,380,627. Thus in addressing the challenges of overcoming poverty and creating jobs it is important to stress that majority of Indonesians will be living and working in Urban areas.

Two main elements can be highlighted to signify this transformation:

1. Reclassification of areas from rural to urban, whereby some people have gone from being rural to urban dwellers;
2. Movement from rural to urban areas.

Both process can be of labour market significance since while the latter involves movement from one labour market to another, the former may reflect a change in the local labour market with the increasing availability of non-agricultural jobs seeing non-mover residents leaving the agricultural sector.

The extension of Indonesia's urban areas has tended to occur in corridors, along major transport routes out from (and linking) major urban areas<sup>2</sup>. In addition there are a large number of rural residents, especially in Java, who work in non agricultural occupations often based in urban or peri-urban areas by virtue of **circular migration** or commuting. It is worth noting that the Indonesian urban system is being increasingly dominated by the greater Metropolitan Area of Jakarta.

A distinctive feature of rural-urban mobility in Indonesia is the increasing role of **women** in that movement. There are several instances in inter-provincial movements where females outnumber males. These female migrants to cities tend to be:

- Women with low levels of education, obtaining work as domestic workers or in the informal sector;
- Women with secondary education working in the formal sector, especially in the expanding factories in the Botabek (Bogor, Tangerang and Bekasi) area.

## **Non-permanent migration**

From the outlook of poverty alleviation it is important to recognize that most population mobility occurring in Indonesia is non-permanent in nature and is not detected in standard data collection. Although there is no substantiating data collected in censuses or national surveys it is clear that the tempo of non-permanent movement has greatly increased over the last three decades. The World Bank has estimated that at least 25 percent of rural households in Java have at least one family member working for part of the year in urban areas. This increasing tempo of non-permanent migration has become of even greater significance over the last decade with improvements in transport, advances in education, changes in the roles of women and increased urban and industrial development.

Some reasons for opting for non-permanent migration include the following elements:

- This type of mobility strategy is highly compatible with work participation in the urban informal sector since the flexible time commitments allow time to circulate to the home village. Similarly, the ease of entry to the urban informal sector is a factor;
- Participation in work in both the urban and rural sectors spreads the risk by diversifying families' portfolio of income earning opportunities;
- The cost of living in urban areas is considerably higher than in rural areas so keeping the family in the village and 'earning in the city while spending in the village' allows for greater purchasing power;
- Transport system is cheap, for example in Java, diverse and allows workers to get to their home village quickly;
- Job options in the village, especially during seasonal increases in demand for labour (such as harvesting time) are able to be kept open. Hence risk can be spread over several sources of income;
- In many cases there is a social preference for living and bringing up children in the village where there are perceived to be less negative, non-traditional influences;
- Social networks are crucial in the development of this form of migration. Most temporary

migrants make their initial movement with other experienced migrants or join family or friends established at the destination.

The most common areas that migrants choose in seeking temporary work includes:

- areas of resource exploitation – mines, forestry, plantation;
- large construction projects;
- border area development zones (e.g. Batam).

### **Impacts of the financial crisis:**

Population mobility played an important part in the adjustment role to the onset of the crisis. The main effects appear to be the following:

- An upswing in mobility as people ranged wider to seek alternative and extra forms of income. Population movement was used as a strategy to cope with the effects of the crisis;
- Some return movement from city to the village but much of it was on a temporary basis and some involved sending families back to the village while the breadwinner remained in the city;
- A small increase in migration from Java to the outer Islands.

The crisis also had an impact upon rural areas for a number of reasons.

- A high proportion of rural households have relied heavily on remittances from urban based relatives or off-farm work. Hence the effects of job losses in urban areas will have an impact on the rural sector, through a diminution of money to households and so less money circulating in rural areas;
- Secondly, it is true that to some extent land rich households have been protected from the effects of the crisis through the increase in food prices and buoyant markets for cash crops such as cocoa, cloves etc. However, it must be recalled that land rich families make up a minority of the population working in rural areas.

Furthermore the economic crisis initiated a significant urban to rural return migration. It seems however that many urban dwellers responded to the crisis not by permanently returning to their villages of origin but many urban dwellers who are first generation migrants instead **circulated** between their urban homes and their rural birthplaces and obtained what work they could in both places.

It is thus apparent that **population mobility** has become an important coping mechanism for many Indonesians in confronting the effects of the crisis

Over the last decade Indonesia has become one of the world's major supplier of unskilled international contract labour. With Asian countries being a popular destination as well as the Middle East which continues to account for over a third of total migrants. There was an upturn in movement with the onset of the financial crisis and overseas work was one of the strategies adopted to cope with the crisis (Hugo 2000), further evidence of this can be seen by the fact that in 1997-98 overseas workers totalled 235,275, and in 2000 the number was 435,219<sup>3</sup>.

## International migration

Aspects of international labour migration which should be considered when addressing to poverty alleviation strategies include the following:

- The Overseas Contract Workers (OCWs) are drawn disproportionately from rural areas and from some of the poorest parts of the country;
- The OCWs are overwhelmingly unskilled and semiskilled;
- Women dominate among official OCWs but are becoming increasingly significant among undocumented OCWs;
- Indonesians are often paying excessive transactions costs to participate in this form of movement due to middlemen in the private and public sectors charging excessive amounts;

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3 Source: Suyono, 1981; Singhanetra-Renard, 1986, 52; Pusat Penelitian Kependudukan, Universitas Gadjah Mada, 1986, 2; AKAN Offices, Bandung and Jakarta; AKAN (Antar Kerja Antar Negara); Departemen Tenaga Kerja, Republic of Indonesia, 1998, 14; Soeprobo, 2003

- Training and preparation for overseas work still leaves much to be desired;
- Protection of workers overseas is still limited;
- Remittances from OCWs are an undervalued but significant influence on development at family, community and regional levels;
- There is an expanding trafficking industry involving mainly women.

International labour migration opportunities are likely to increase and there is an opportunity to use this to help combat poverty in Indonesia. However the international labour migration system in Indonesia needs to be substantially reformed if full benefits are going to flow to the migrant workers, their families and communities.

The international migration worker system in Indonesia suffers from a number of problems which constrain many from becoming part of it and exploit many of those who do. The process of gaining appropriate documentation and permission to leave is time consuming and involves many potential migrants in moving away from home to a major urban centre where they may wait several months before leaving Indonesia. The costs they are charged are often excessive. Many are abused at the destination and also by recruiters at home.

There is a pressing need to reform the system, some of the key areas requiring improvement include:

- The provision of accurate, timely and appropriate information to potential and intending migrants about the costs they should pay, their likely wages and the conditions at the destination;
- The effective control of recruiters and middlemen so that commissions, travel and recruiting costs are charged at a realistic level;
- The stamping out of the myriad of stages in the recruitment process so it is streamlined, quicker and involves less opportunities for corruption;
- The decentralisation of the approval process for migrants so that they do not have to travel

long distances simply to apply for permission to leave;

- Stepping up of efforts to protect migrants overseas. This especially applies to women who dominate the legal movement and most work in domestic service outside of the reach of normal labour legislation;
- The encouragement of the safe sending of remittances by migrants.

An important aspect of overseas migrant workers in Indonesia is that although their numbers are increasing, most of them remain undocumented. Migrants tend to move unofficially primarily because:

- The official system is too expensive, involving many unofficial elements;
- The official system takes a longer time than undocumented migration;
- The undocumented system is often trusted more because a *calo* or recruiter often resides in the origin village.

Hence efforts need to be made to improve the official system so that the unofficial system is seen to be more expensive and less attractive by potential migrants.

It is evident that population mobility plays an important role in the Indonesian economy and society. Population movement is an important strategy used by Indonesians to enhance their economic well being. Many Indonesians are able to move over wide areas within and outside the nation to seek appropriate work. Key policy implications of these patterns are discussed below:

## **Policy recommendations**

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- Among poorer groups it is common to allocate family labour across a variety of jobs in a variety of locations to spread the risk of earnings sufficient for the family's needs. As transport has improved and social networks widened this allocation has been over wider and wider areas. Policy implications that the government should seek are to remove the constraints on internal travel in Indonesia and encourage labour

### *Internal migration*

mobility insofar as this is possible. Government investment in transport infrastructure and avoiding excessive rent taking in the transport industry is important;

- Avoidance of policies and initiatives which discourage circular migration. Non-permanent form of mobility can allow families to remain based in areas where they have strong support systems but allow individual family members to move outside to earn money to remit to the family at home;
- Women have become increasingly involved in internal labour mobility in Indonesia so it is vital that all programs designed to facilitate internal mobility have a gender component and are gender sensitive;
- Encouragement of “migrant friendly” policies at destinations where there are expanding employment opportunities is also important. This could involve the development of dormitories to house temporary migrants, and provide flexible labour policies which allow one migrant worker to be replaced by someone from their village while the first migrant goes home;
- Safe and reliable means for internal migrants to remit their earnings without excessive costs;
- Need for improvement in labour market information, i.e. ready flow of information about job opportunities, location, skills required and remuneration.

### *International migration*

It is apparent that a great proportion of Indonesians consider the possibility to work overseas. Moreover Indonesian Overseas Contract Workers (OCWs) are drawn disproportionately from the poorest parts of the country. There is considerable potential thus for international labour migration to be part of a poverty alleviation initiative. Some recommendations are as follows:

- Reduction in the excessive rent taking of the system, which occurs before migration, at the destination and on return. Middlemen are often the culprits for rent taking. To avoid this there is a need for better information provision to

potential migrant workers and for effective protection of their rights;

- Labour migration must therefore be streamlined, simplified, decentralised and all unnecessary rent taking and bureaucracy removed. Potential migrants need to be empowered to challenge corruption and excessive charges;
- Potential migrants must be provided with accurate and comprehensive information about what overseas labour migration will involve so they can make an informed decision about whether or not to move;
- OCWs must be protected while they are overseas so that they are not exploited; this implies especially to women domestic overseas workers, women are at greater risk than men of exploitation because of the highly segregated nature of the labour markets they enter. Hence policies and programs need to be gender sensitive;
- OCWs must have safe, reliable means of remitting money to families based in Indonesia, too often there are excessive transaction costs. Furthermore remittances need to be seen as potential funds for development activities in regions sending workers overseas. They need to be thus incorporated into regional development initiatives;
- Efforts towards cracking down on trafficking is vital, which involves the need for promoting the official system of international migration making it cheaper, faster and more attractive than the unofficial/undocumented route that many migrants choose to work overseas.