Economic Empowerment of Migrant Workers

For the World Bank Regional Workshop “Enhancing the Effectiveness and Integrity of Bilateral Remittance Transfers between Malaysia and Indonesia”, 9-11 June, Nusa Dua

09 June 2008
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Key Labour Migration Data – Indonesia

• Documented migrant workers approx. 700,000 yearly, primarily to Saudi Arabia and Malaysia,
• Primary host country for undocumented Indonesian migrant workers Malaysia
• 82% of documented workers = female migrant workers
• 92% of documented female migrant workers = domestic workers
• Employed in domestic work, manufacturing, services, agriculture
• Indispensable for Indonesian economic development, remittances an estimated USD 6 billion annually, second-largest after oil & gas, and for some provinces/districts remittances highest source of income
Key Labour Migration Data – Malaysia

• Migrant workers 17% of the Malaysian labour force, of these Indonesians constitute 60%
• Indonesian migrant workers total in Malaysia 2 mill, of these 700,000 undocumented,
• 60% of documented Indonesian migrant workers are women
• Indonesian migrant workers are employed in manufacturing, services, domestic work, agriculture
• Indispensable for the Malaysian economy and development
• Remittances from Malaysia to Indonesia USD 2.7 billion
• Only 10% remitted through Malaysian formal channels
• Indonesians are increasingly remitting through informal channels from Malaysia to Indonesia.
Labour migration governance challenges in Indonesia

• Placement system high-cost, bureaucratic, rent-seeking towards recruitment agencies and migrant workers -> large supply of undocumented migrant workers (cheaper, faster, flexible) and/or with fraudulent ID and incorrect bio-data

• Poor enforcement of quality requirements for recruitment agencies, training and test centres -> poor quality training, poor preparation, skills and protection, inaccurate certification

• For domestic workers placement costs = 25%-50% of total earnings from a two-year contract, (required by Indonesian regulations to return, rather than renewing contract). Placement cost & rate much higher than other sending countries, with poorer quality of services and preparation.
Labour migration governance challenges in Indonesia

•-> Debt-bondage and dependence on recruitment agency, as no access to formal finance sector credit.

•-> Indonesian domestic workers higher rates of exploitation and abuse than other migrant workers, due to lack of preparedness, knowledge, debt bondage, dependence on employer (sponsorship system) and limitation of contract.

•-> Indonesian migrant workers dependence on recruitment agencies for remittances transfers to family – higher costs

•-> poor financial services access in Indonesia -> informal or other remittances channels preferred - insecurity

•Lack of protection + lack of financial empowerment ->

•Exploitation, abuse, poor earnings, poor credit worthiness and limited societal socio-economic development impact.
Labour migration governance challenges in Malaysia

• Placement system high-cost, inflexible and bureaucratic to employers and migrant workers -> high demand for and large supply of undocumented migrant workers (cheaper, faster, flexible)

• Dependence of migrant workers on employer (keeping passport, sponsorship work permit system) -> exploitation, arbitrary cancellation of work permit -> high rate of undocumented migrant workers -> high rate of exploitation

• Poor access to justice (slow & lengthy court process for migrant workers, undocumented workers’ claim not accepted, temporary visa during court case costly and discretionary, skewed penalty implementation), -> incentive to exploit migrant workers because few repercussions for employer
Labour migration governance challenges in Malaysia

• No labour protections cover migrant domestic workers in Malaysia
• Large no. of undocumented Indonesian migrant workers in Malaysia
• No claims are accepted for irregular migrant workers
• -> salaries for Indonesian workers lower in Malaysia than any other destination countries -> low level of remittances
• -> poor access to formal sector financial services for migrant workers, (employer holding ID, domestic workers are not allowed to go out of house, undocumented workers have no valid ID and permit
Migrant Workers’ Empowerment Needs: Systemic

Building Effective Labour Migration Management Systems in both Indonesia and Malaysia that ensure the following:

Effective regulation and enforcement of labour rights and other rights (ILO Core conventions and national law) for migrant workers in both Malaysia and Indonesia

Transparent, flexible, effective and cost-efficient matching of labour demand and supply, with incentives for documented labour migration

Effective and independent controls of the performance and track record of recruitment and placement agencies, as well as those of mandated government departments

Empowering migrant workers and making markets work through independent sources of information and liberalized service provision to generate transparent competition.
Empowerment Needs of Migrant Workers: Systemic

Developing Financial Services in both Indonesia and Malaysia that reach migrant workers through innovative and cooperative approaches and which facilitate market competition and efficiencies:

Liberalizing and providing incentives for private sector outreach and accessibility, and innovative financial services to migrant workers and their families.

Licensing and regulation of informal providers (companies & agents)

Partnerships between remittances companies/agents and the financial sector

Regulation and control of recruitment agencies and agents’ credit activities and conditions when provided with placement services
Empowerment Needs of Migrant Workers & Their Families: Pre-Employment in Indonesia

Pre-employment information for Indonesian migrant workers on labour migration (rights, labour standards, work conditions, hazards, cultural and legal requirements, costs, earnings, savings, etc. on regular district government budget)

Independent information access for migrant workers and their families at community level (on internet, mobile, etc. about e.g. performance and fee levels of recruitment agencies, procedure of migration, job offers, financial services and rates, etc.)

Financial education and entrepreneurship training at community level for migrant workers & their families (on regular district government budget)
Empowerment Needs of Migrant Workers & Their Families: Pre-Departure in Indonesia (1)

Pre-Departure Trainings by private recruitment agencies, government programmes and migrant workers organizations entail financial education, including information on financial services.

Provision of financial services, such as credit and insurance, without collateral for documented migrant workers and their families (migrant workers’ contribution to state or privately managed welfare fund) for such costs as placement, house development, children’s education, health insurance, workers’ compulsory health and accident insurance, etc.
Empowerment Needs of Migrant Workers & Their Families: Pre-Departure in Indonesia (2)

Liberalizing and facilitating private sector outreach and financial services to migrant workers and their families.

Partnerships between remittances companies/agents and the financial sector

Regulation and control of recruitment agencies and agents’ credit activities and terms
Empowerment Needs of Migrant Workers & Their Families: While Employed in Malaysia

• Ensure minimum labour standards for migrant workers which enable migrant workers to hold their own passports and for domestic workers to have freedom of movement to set up bank accounts in their own names
• Ease conditions for access to financial services for migrant workers
• Provide incentives for formal sector remittances
• Liberalizing and facilitating private sector outreach and financial services to migrant workers
• Partnerships between remittances companies/agents and the financial sector
• Regulation and control of recruitment agencies and remittances conditions
Empowerment Needs of Migrant Workers & Their Families: After Return to Indonesia

• Provide access to assistance, reintegration & income-generation for migrant workers and their families, (micro-credit, vocational and entrepreneurship training, scholarships etc.)

• Provide incentives for remittances transfers and productive investments through state-funds matching of migrant workers’ investments in their communities and through tax incentives.

• Promote incentives for transfer of capital skills and technology
ILO Work on Labour Migration

5 strategic programme components;

1. Policy Development;
2. Awareness-Raising and Advocacy at National and Community-Level;
3. Outreach, Livelihood Activities, Assistance and Reintegration Services for Migrant Domestic Workers and Their Families;
4. Capacity-Building for Stakeholders;
5. Research, Data Collection and Dissemination Systems.

ILO provides technical assistance and support to stakeholders and implementing counterparts.
Thank you for your attention
Your questions and comments are most welcome

For more information on ILO labour migration policy recommendations and programmes, pls. check:

www.ilo.org (global policy documents and reports)
www.ilo.org/jakarta (resource documents and policy reviews for selected countries in SEA)