DATA COLLECTION AND MONITORING ON INDONESIA WORKERS’ REMITTANCES BY BANK INDONESIA
1. Macro Economic Relevance

2. Workers’ Remittances (WR) Statistics
   a. Concept, BPM 5th ed
   b. Indonesian Migrant Workers’ (IMW) & WR Profile
   c. Data Collection & Estimation
   d. Monitoring

3. Indonesia – Malaysia Corridor
MACRO ECONOMIC RELEVANCE
1. Economic Growth and Labor Market

- GDP growth tend to increase after 1998 crisis with averaged 5.07%, while unemployment rate in Indonesia averaged 7.96% for the last 10 years.
- Indonesia’s population in 2007 is about 224 million people – around 100 million are labor force.

![Graph showing GDP growth and unemployment rate over time with a peak during the economic crisis.](image)
Most of Indonesian labor force work in informal sector (above 60%)
WR plays significant role in domestic economic, e.g. % WR to FDI is above 30% for the last three years.

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>% WR/GDP</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.7</td>
<td>1.8</td>
<td>1.5</td>
<td>1.4</td>
</tr>
<tr>
<td>% WR/Export n.o&amp;g</td>
<td>2.3</td>
<td>2.7</td>
<td>3.0</td>
<td>3.4</td>
<td>7.9</td>
<td>6.9</td>
<td>6.4</td>
</tr>
<tr>
<td>% WR/FDI in Indonesia</td>
<td>44.2</td>
<td>24.4</td>
<td>47.1</td>
<td>18.1</td>
<td>34.8</td>
<td>39.4</td>
<td>31.4</td>
</tr>
<tr>
<td>% WR/Current Account</td>
<td>14.7</td>
<td>16.1</td>
<td>18.4</td>
<td>2.1</td>
<td>4.9</td>
<td>4.5</td>
<td>4.3</td>
</tr>
<tr>
<td>% WR/Official Aid</td>
<td>40.8</td>
<td>54.8</td>
<td>81.1</td>
<td>74.1</td>
<td>203.8</td>
<td>155.0</td>
<td>150.0</td>
</tr>
</tbody>
</table>
Workers’ Remittances Statistics
**Definition**: WR covers current transfers by migrants who are employed in new economies and considered resident there. (A migrant is a person who comes to an economy and stays, or is expected to stay, **for a year or more**).

**Source and Method of Compilation**: WR data could be acquired from International Transaction Reporting System (ITRS), Surveys of Employers and Recruitment Organizations, or Household Surveys. Remittances are recorded in the country’s Balance of Payments (BOP) as transfer in the Current Account.

In practice, workers’ remittances data calculation vary from country to country depending on the situation that is most suited to particular country…, for example

<table>
<thead>
<tr>
<th>Country</th>
<th>Data Source</th>
<th>Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>Banking Report (Cash Remittances)</td>
<td>Total cash remittances is estimated from remittances through banks and informal channels. Supplemented by <em>Survey on Overseas Filipinos</em></td>
</tr>
<tr>
<td>Malaysia</td>
<td>Foreign Exchange Records and post office information</td>
<td>No adjustments are made to source data*</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Ministry of Man Power – BNP2TKI (monthly worker placement and salary)</td>
<td>Total remittances is estimated by calculation of IMW’ stock, salary, and % remittances</td>
</tr>
</tbody>
</table>

*Source: IMF Metadata & Bangko Sentral Ng Pilipinas (BSP) Presentation
• Indonesia WR has grown at 5% annually for the last three years. In 2007, WR amounted to USD 6,004 million.
• IMW stock is estimated to average **4.3 million** and most of them (± 61%) located in **Asia**

• The majority of Indonesian Migrant Workers (± 68%) work in **informal sector/domestic helpers**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal</td>
<td>32%</td>
</tr>
<tr>
<td>Informal</td>
<td>68%</td>
</tr>
<tr>
<td>Middle-East</td>
<td>38.3%</td>
</tr>
<tr>
<td>Asia</td>
<td>61.4%</td>
</tr>
<tr>
<td>Others</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

Formal: work as plantation workers, factory workers, etc
Informal: work as domestic workers/helpers
Professional: work as professional workers
81% of IMW work in Malaysia and most of IMW in Malaysia work in Formal Sector (57%)
Indonesia’s WR inflow in 2007 is estimated to reach **USD 6.004 billion**, mainly sent through non-bank channel.

- 18% remitted through banks
- 82% remitted through non-banks
- 34% remitted by formal workers
- 53% remitted by informal workers
- 12% remitted by professional workers
Asia and Middle East are the top destination countries. Asia itself contribute 64% from total WR inflow. Malaysia is the biggest source of Indonesia’s WR inflow, followed by Saudi Arabia, and Hong Kong.
Based on Bank Reporting System in 2007, the biggest source of WR are Middle East (Saudi Arabia) and Asia (Malaysia and Taiwan)
## 2.c. Data Collection and Estimation

<table>
<thead>
<tr>
<th>No</th>
<th>Data</th>
<th>Availability</th>
<th>Source</th>
</tr>
</thead>
</table>
| 1. | Number of Indonesian Migrant Workers (IMW) Placement, net, (monthly data) | - by destination country  
- by occupation  
(formal/informal)  
- by gender | Ministry of Man Power (BNP2TKI)                                                                                      |
| 2. | IMW stock, cumulated (monthly data)                                   | - by destination country  
- by occupation | Ministry of Man Power (BNP2TKI)  
- Other overseas Institution (DOS of Malaysia, USA & Australia Immigration, UK Department of Work & Pensions, Netherlands Central Office of Statistic. etc) |
| 3. | IMW’s monthly salary, based on contracts                             | - by destination country  
- by occupation | Ministry of Man Power (BNP2TKI)                                                                                       |
| 4. | Percentage of salary to send home (remittances)                      | - by occupation | Ministry of Man Power (BNP2TKI) - BI  
By supported survey                                                                                               |
| 5. | Banking Monthly Report on Remittances”*                              | - by source country  
- by bank | Bank Indonesia - Commercial Banks  
Head Office Reporting System (LKPBU system)                                                                            |

*Monthly report from bank is estimated only 18-20% from total WR inflow*
Estimation of WR Inflows

Data of Worker Placement monthly

\[ Y_t = Y_{t-1} + y_t - y_{t-24} \]

- \( Y_t \) = TKI stock by the end of month \( t \)
- \( Y_{t-1} \) = Previous TKI stock by the end of month \( t-1 \)
- \( y_t \) = data of worker placement at month \( t \)
- \( y_{t-24} \) = data of worker placement at month \( t-24 \)

Example:
For Jan 2006’s stock, the calculation is: \( Y_{\text{jan 06}} = Y_{\text{dec 05}} + y_{\text{jan 06}} - y_{\text{jan 04}} \)

Worker stock as of end of month

Adjusted Worker Stock

Monthly Salary

based on work-contract for each country (BNP2TKI)

Remittance to salary ratio

Estimation of total WR-inflow (Official Number)

(based on survey BI-BNP2TKI)
2.d. Data Monitoring

- Regular Coordination: Bank Indonesia, BNP2TKI, and BPS.
- Internal Coordination within Bank Indonesia
  - Compiling data from banking sector, payment system, and BI branch offices (some have routine monitoring and reporting system)
  - Additional data and issues related to IMW and WR (incl. local policies) collected from BI representative offices (esp. in Singapore, Tokyo)
- FGD with Indonesia Labor Agencies (PPTKIS), and other related associations.
- Conduct Survey on Remittance Pattern, regularly every two years (2006, 2008)
- Improve the quality of Commercial Banks Head Office Reporting System (LKPBU)
- Occasional data comparison with institutions in destination country (e.g. Central Bank, Immigration Office, Ministry of Labor/Man Power, Statistical Office)
Expanding the coverage to include remittances through non-banking system.

Starting by first identifying variety of kinds of Remittance Service Provider (RSP)
Conducted by Directorate of Accounting and Payment System

Enhancing IMW’s banking literacy
Conducting Financial Literacy Campaign for Indonesian Migrant Workers by joining on the pre departure training held by BNP2TKI.
Lead by Directorate of Banking Research and Regulation

Enhancing knowledge on entrepreneurship skill of returning IMW’s
Conducted by Directorate of Rural Bank and Credit
• WR data of Banking Report:
  The banks’ report concerning the workers’ remittances is considered of low quality due to:
  - incoming transfer does not put clear distinction between remittance and other purpose of transfer (the underlying transaction to banks)
  - There’s no standard guidance for recording IMW remittances

• Estimation on number of undocumented IMW and their remittances need to be improved.
INDONESIA – MALAYSIA CORRIDOR
3. Indonesia – Malaysia Corridor

IMW stock in Malaysia averaged 2 million and contributed remittance at the amount of USD 2,586 million in 2007.

<table>
<thead>
<tr>
<th>Item</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock (people)</td>
<td>2,652,809</td>
<td>2,762,813</td>
<td>2,071,597</td>
</tr>
<tr>
<td>Remittances (mill USD)</td>
<td>2,659</td>
<td>2,732</td>
<td>2,586</td>
</tr>
</tbody>
</table>

Most of IMW in Malaysia work in formal sector (56%). Based on 2004-2005 data (DOS Malaysia), most of them work as plantation & construction workers.
Concerned Issues

- Indonesian undocumented migrant workers are (mostly) located in Malaysia due to geographical proximity, as a consequence:
  - Not recorded properly
  - Inaccurate data of IMW stocks and WR from Malaysia
- The access of IMW to formal/banking system for remittance still limited:
  - Location of plantation site mostly in remote area
  - Difficult to get a permission from employer
  - Lack of knowledge (banking illiterate)
  - Lack of document (passports, or acceptable documents)
  - High cost of remittances transfer
Topics to be discussed

- Enhancing G to G cooperation between Indonesia-Malaysia government to promote the easy shifting from undocumented to documented workers.
- Enhancing the monitoring of workers flows, i.e. by data exchange between Indonesia-Malaysia.
- Enhancing Indonesia-Malaysian mutually beneficial policy on Remittance Service Provider (RSP) operation, migrant workers’ accessibility to formal remittance channel, etc.
- Harmonizing the statistical method related to migrant workers and remittances between Indonesia and Malaysia to facilitate data exchange.
- Increasing World Bank role on supporting research on global remittances in other corridor (e.g. Indonesia-Saudi Arabia, Indonesia-Hong Kong, etc).
Since 2005, Indonesian WR inflow made a big jump following the new WR-Inflow estimation method.
Remittances transmitted through banks is estimated cover only 18% of the overall WR inflow. In addition, cash remittances via banks has not significantly improved for the last three years as shown picture below.

<table>
<thead>
<tr>
<th>(Millions of USD)</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>WR</td>
<td>5,296</td>
<td>5,560</td>
<td>6,004</td>
</tr>
<tr>
<td>Via Banks</td>
<td>1,118</td>
<td>1,146</td>
<td>1,102</td>
</tr>
<tr>
<td>Via Non Banks</td>
<td>4,178</td>
<td>4,414</td>
<td>4,902</td>
</tr>
<tr>
<td>IMW formal</td>
<td>1,801</td>
<td>1,779</td>
<td>2,065</td>
</tr>
<tr>
<td>IMW informal</td>
<td>2,807</td>
<td>3,058</td>
<td>3,198</td>
</tr>
<tr>
<td>IMW profesional</td>
<td>688</td>
<td>723</td>
<td>742</td>
</tr>
</tbody>
</table>

Since 2008, remittances through the bank are reported through Banking Reporting System (LKPBU)
• The typical job contracts are for 2 years. Therefore it is assumed that IMW will be back home after 2 years abroad.
• The number of IMW as of end of month is the sum of the stock of Indonesian workers at the end of previous year plus the placement at that month minus the IMW placement 2 years before.
• The ratio of remittances to salary follows the 2006 Survey conducted by Ministry of Man Power. The newest survey to capture remittance pattern will be carried out by BI in 2008
• Additional adjustment needed to capture IMW which are not recorded in the Ministry of Manpower’s administration (i.e.: undocumented workers, skilled/professional workers, etc).
ESTIMATION METHOD (WR OUTFLOW)
<table>
<thead>
<tr>
<th>No</th>
<th>Data</th>
<th>Availability</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Number of foreign workers in Indonesia (monthly data)</td>
<td>- by nationality</td>
<td>Ministry of Man Power</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- by occupation</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- by sector</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- By province</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Proportion of foreign workers in Indonesia</td>
<td>- by sector</td>
<td>Foreign Workers Survey (Statistics Indonesia &amp; Central Bank of</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- by country</td>
<td>Indonesia)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- by occupation</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Salary of foreign workers</td>
<td>- by sector</td>
<td>Foreign Workers Survey (Statistics Indonesia &amp; Central Bank of</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Indonesia)</td>
</tr>
</tbody>
</table>
CALCULATION OF WR - OUTFLOWS

From the Ministry of Man Power, classified by
- Citizenship
- Industrial sector
- Level of occupation
- Province

Number of foreign workers in Indonesia

Salaries of foreign workers

Based on reported salary by the companies & 2004 survey

Adjusted stock

Calculation: assumption of % remittances

Estimation of total WR-outflow
The number of foreign workers in each sector based on their nationality is based on the proportion obtained from 2004 survey.

Based on that survey, 85% are permanent workers and 15% are non permanent workers. Those 85% will be calculated as WR outflow while the rest 15% as Compensation of Employee (CoE).

Remittances is calculated for every foreign workers in each sector based on the proportion of remittances (proportion in each sector, proportion in level of occupation).