

Report on
**National Survey on Foreign Workers
in Indonesia 2009**



BANK INDONESIA

Project Leader :

Hendy Sulistiowaty

Working Team:

Noor Yudanto

Andy Johan Prasetyo

Fadhil Nugroho

Putu Utami Ardarini Sadha

The report is presented based on survey result and
prepared by Balance of Payment Bureau
Directorate of Economic and Monetary Statistics



FOREWORD

First of all, we should praise to God the Almighty for completion of the Bank Indonesia's National Survey on Foreign Workers' 2009. This survey is a continuous effort to update the basic data for measuring remittances (outflows) from foreign workers working in Indonesia to their home countries, and also improving the quality of other data related to the foreign workers. The previous survey was done in 2004 and it is believed that during the last 5 (five) year period a lot of changes must have occurred, especially related to the characteristics/profiles and remittance patterns of the foreign workers. It is expected that the survey results will benefit not only Bank Indonesia, particularly regarding Indonesia's Balance of Payment Statistics, but also other interested institutions/parties which are share same concerns on quality statistics and policy formulation on Foreign Workers and related remittances, as well as labor issues.

Along with the development of globalization which prompts the flow of capital and investment to over the world, the international migration and movement of laborforce among countries also takes place. These occur because those investments done in other countries usually need direct supervision by the owners/investors. Accordingly, in order to maintain the continuity of their businesses and investments, the investors also need skilled workers who are dependable in managing their investments in the host countries. For that purpose, investors often bring along a few workers from their countries or other countries to be employed as Foreign Workers to the destination country. Hence there is a need to examine how strong relationship between pattern of Foreign Workers flows and pattern of capital and investment flows by which is affected by characteristics of individual countries such as policy implementation and data quality. Indonesia's case, the data show that the development of Foreign Direct Investments is not heading in the same direction with the increase of Foreign Workers in Indonesia.

The existence of foreign workers in a country, including Indonesia, generally is more related to (the issue) whether it brings advantages or disadvantages to the host country. A few job scopes that require the use of high technology or require specific skills still cannot be performed by the local workers so that foreign workers are needed. Additionally, the presence of foreign workers can also bring other positive impacts such as the occurrence of transfer of knowledge, the learning of modern (international) work culture and the chance of becoming world-class workers. However, there is always a negative side, such as lessening employment opportunities of domestic workers in their home countries, increasing capital outflows, cultural factors that are not compatible with the local traditions/norms, etc.

With the dynamics of direct and indirect factors affected the movement of labor force and remittances above, in mind, it is quite reasonable for Bank Indonesia to update data regularly by conducting Foreign Workers' survey in 2009. Meanwhile in order to improve the quality of workers' remittance data from the inflows side, Bank Indonesia also periodically conduct similar surveys on remittances patterns of the Indonesian Migrant Workers which has been done previously in the years 2006 and 2008.

Finally, we would like to take this opportunity to express our appreciation and gratitude for the attention, cooperation, constructive criticisms and suggestions from various parties which have made this endeavor realized and succeeded. Those parties are:

1. The foreign workers and the companies employing those foreign workers, who have been willing to serve as respondents to this survey, to fill in and completed the questionnaires and to provide very valuable data/information.
2. Ministry of Manpower and Transmigration (*Kementerian Tenaga Kerja dan Transmigrasi - Kemenakertrans*), more especially the Directorate of Control on Foreign Worker Utilization, for their support in providing the initial data to help design sampling frame data in line with Foreign Workers by region, as well as government policies and regulations, and programs related to the Foreign Workers.
3. Bank Indonesia head offices and regional offices (KBIs), i.e. Balikpapan, Denpasar and Batam, and any other parties who have helped us in completing this work program.

With the view to improve our work programs going forward, we sincerely welcome any suggestions, recommendations, as well as constructive criticism from all stakeholders.

Jakarta, July 2010



Hendy Sulistiowaty

Directorate of Economic and Monetary Statistics
Bank Indonesia



SUMMARY OF REPORT

Purpose of the Survey

Remittances from Foreign Workers working in Indonesia to their countries of origin (outflow) constitutes a very important item in the Indonesia's Balance Of Payment which is found in the sub-group of Current Transfer, in the Current Account. Bank Indonesia (BI) calculates the value of the remittance outflows by multiplying a certain percentage of the Foreign Workers' salary by the number of Foreign Workers.

To obtain the stock data of Foreign Workers, BI engages in a cooperation with the Ministry of Manpower and Transmigration, specifically the Directorate Of Foreign Workers Control and Utilization (Directorate General Manpower Placement Development), while the information about the percentage of salary remitted by Foreign Workers is obtained through a survey. Such a survey was last done by BI in the year 2004.

The 2009 survey of Foreign Workers was done in several provinces which were considered as the *pockets* of Foreign Workers, namely DKI Jakarta, Banten, West Java, East Java, Riau/Kepri, Bali and East Kalimantan. Further, through this survey we hope to:

1. Get a complete picture of the presence and profile of Foreign Workers in Indonesia, including, among others, the gender, age, education, location, years of service, position, country of origin and the motivation/reason for working in Indonesia.
2. Obtain the latest data/information regarding the average salary and the utilization (spending) of salary including the mechanism and pattern of remittances of the Foreign Workers, to improve the calculation of estimates of the values of Foreign Workers' remittances (WR outflow).
3. Gain input for the formulation of policies of BI, the government and other related institutions.

The number of Foreign Workers recorded as working in Indonesia at the end of September 2009 was 45,384 people, most of whom (63%) resided in Jakarta, the remainder being spread throughout Indonesia, most of whom were located in 7 (seven) provinces, namely West Java (9%), Riau/Kepri (6%), Banten (5.3%), Bali (3.6%), East Java (3.2%), North Sumatra (2.1%), and Central Java (1.4%).

Based on their positions, most of the Foreign Workers working in Indonesia were Professionals (35%), Technicians (24%) and Managers (18%). The high number of Foreign Workers in the Professional category in Indonesia had occurred since early 2007. During the period prior to 2007, the positions assumed by Foreign Workers were predominantly consultants. This indicates that there had been a shift in the recruitment pattern of Foreign Workers, from consultant types of positions to professional positions. Based on hypotheses, this shift had occurred because initially more companies utilized foreign workers as consultants, whether they were management-, financial-,

human resources-, or even technology consultants. Along with the development of knowledge and technology, the need for the disciplines that so far had been handled by consultants had also continued to grow and demanded the presence of people who were experts in the respective field on a more permanent basis. With that development, some companies then offered the consultants, whom they had so far utilized, to become professionals who were then treated like internal employees.

Based on their countries of origin, most foreign workers who worked in Indonesia come from Asia non-ASEAN (50.4%), especially Republic of China/ROC (41%), Japan (22%), South Korea (18%), and India (13%). The high number of foreign workers from those countries was driven by the magnitude of investments from those countries in Indonesia and also by the high economic growth of Indonesia during the last few years. The high economic growth included the financial/capital market sectors which required workforce of international qualification.

Policies Regarding Placement of Foreign Workers in Indonesia

Since the New Order era until now, the government policy regarding the inflow of foreign workers to Indonesia basically remains the same, namely selective to certain positions which still cannot be filled by Indonesian workers. In addition, for the placement of foreign workers the company concerned must first get the permit from the Minister. This is based on the spirit as mandated by Law number 3/1958, namely "...to guarantee a decent portion from the job opportunity in Indonesia for the Indonesian citizens...".

At present, the procedure to utilize foreign workers is regulated through the Decree of the Minister of Manpower and Transmigration number Per.02/Men/III/2008 regarding the Procedure for the Utilization of Foreign Workforce, which regulates, among other things, that the foreign worker candidate must have at least 5 years of experience in line with the position to be occupied, have the willingness to transfer his/her expertise to the Indonesian workers, and be able to communicate in the Indonesian language.

Profile of Respondents

The total number of respondents was 400 people, the majority of whom were in Java (82%), comprising Jakarta (48%), West Java (22%), Banten (9%) and East Java (3%). The respondents from outside Java (17%) included a few provinces, namely Kepri/Riau (11%), East Kalimantan (4%) and Bali (3%).

The majority of Foreign Workers who became the survey respondents were male (92%), predominantly foreign workers in the age bracket of 45 – 49 years and 40 – 44 years. They were generally married and living in Indonesia without their families (56%).

Most of the respondents came from Asia non-ASEAN (55%), Europe (19%) and ASEAN (13%). Respondents who came from Asia non-ASEAN mostly came from Japan (37%), India (27%) and South Korea (22%). The Foreign Workers from Europe mostly came from England (36%), France (20%), the Netherlands (16%) and Germany (10%). The foreign workers from ASEAN mostly came from Singapore (40%) and Malaysia (39%). Overall, without regards to regions, most of the foreign workers came from Japan (20%), India (15%) and South Korea (12%).

The majority of foreign workers possessed educational background equivalent to Bachelors/S1 (62.4%) and Masters/S2 (25%). This was consistent with the data that showed most of foreign workers in Indonesia occupied the positions of professionals and technicians. Based on industry sectors, the majority of respondents worked in the manufacturing sector (35.4%), followed by Finance, Leasing and Services sectors (13%) and Transportation and Communication sectors (12%).

The motivation that drove foreign workers to work in Indonesia was mostly assignment (56%) while those driven by their own initiatives constituted 44%. The high proportion of respondents who work in Indonesia out of their own initiatives indicated that Indonesia had now become one of the destinations of the international job seekers.

The majority of respondents had stayed in Indonesia for more than 1 year (84%) which indicated that they were under contracts for periods longer than 1 year. However, the majority of respondents had lived in Indonesia for the first time (60%).

Based on their positions, most respondents occupied the positions of Managers (30%) and Directors (23%) and most of them worked in the energy and technology divisions, production quality control division, operations and administration division, and accounting and finance division.

Salary and Compensation

The majority of foreign workers received regular salaries between Rp25 million and Rp50 million/month (38%). In addition to regular salaries, some respondents (16%) stated that they received compensation salary between Rp10 million and Rp25 million/month (27%).

In general, the salaries received by those foreign workers at the Director's level were relatively higher compared with those received by other position levels. Most of the foreign workers occupying the positions of Director received salaries above the average salary of foreign workers, namely around Rp50 million – Rp75 million/month (35%) and between Rp75 million and Rp100 million/month (25%). Accordingly, based on their position levels, the respondents receiving the highest compensation salary (above Rp50 million) were at the Director's level.

From the survey of salaries by economic sector, the fact revealed that the Construction Sector and the Mining and Extraction Sector paid the highest salaries to Foreign Workers, namely above Rp125 million/month. In the meantime, the sectors that pay low salaries (below Rp10 million) were the Agricultural sector and the Financial, Leasing and Services sectors.

Based on the regions of countries of origin, respondents from the USA and Europe received, on average, salaries of around Rp25 million – Rp50 million (50%), as most of the foreign workers from these regions worked as professionals in the financial sectors. In the meantime, respondents that received salaries in the higher range (more than Rp125 million/month) were foreign workers who came from Oceania (22%). On the contrary, quite many respondents coming from Africa and the Middle East received salaries below Rp10 million/month (17%).

Payment and Utilization of Salary

Most of the companies that paid salaries to Foreign Workers were those companies operating in Indonesia (57%) and the majority of them did so by transferring (the salaries) to accounts at banks in Indonesia (67%). In the meantime, the number of respondents whose salaries were paid by their headquarters overseas only constituted 20%.

According to the survey results, as much as 49% of salaries received by foreign workers was allocated for consumption, and 31% went to savings, and only about 20% was remitted to their countries of origin. The biggest portion of the consumption was spent on foods, entertainments, recreation and sports.

The access of foreign workers to bank was quite high; this was reflected in the fact that 90% of respondents used banks to save their funds, and only a small portion (10%) that did not store their money at banks. The reasons for those foreign residents not to use bank services were bureaucracy (37%), namely their reluctance to sort out/complete the required documents.

The Remittance of Money and The Mode of Remittance

Most of the foreign workers stated that they remitted money to their countries of origin (58%) and they generally did it on a routine basis (53%). Respondents who made remittances were mostly in the Manager's job level (36%) and Director's level (21%). According to the frequency of remittances, those at the director's level did more remittances on a routine basis (60%), while the job levels that did the least remittance on a routine basis was the Professional job group (47%).

The average value of remittance done by respondents was generally less than Rp10 million (41%). Compared with the average salaries of the foreign workers which were between Rp25 million and Rp50 million/month the portion of salaries remitted to their countries of origin range between 20% and 40%.

The trend of foreign workers' remittance reflected in the average percentage of remittance of all respondents was 34.2% of salary, which was a slight decline compared with the Foreign Workers' survey result of 2004 which was 38.7%. Based on country of origin, the highest percentage of remittance made by foreign workers from China (47.8%), while the lowest was that made by German foreign workers, i.e. 10%.

Based on the position level, the biggest number of respondents who made remittances of less than Rp10 million from the Supervisor's level (64%) with percentage of remittance against their average salaries of 23.1%. In the meantime, in the Professional job group, 5% of respondents made remittances with an average value of above Rp125 million with a percentage of remittance of 49.9%.

The majority of respondents (79%) utilized the banking channel in making their remittance, and the remainder (19%) utilized Money Remittance Operators (MRO), primarily through Western Union (55%) and Money Gram (14%).

The cost of remittance for each transfer of money overseas varied from the lowest at Rp25 thousand to the highest of above Rp1 million. This range of cost was driven more by the nominal amount of the money being remitted, namely the higher the amount of remittance the more expensive the cost. In general, the cost of majority of remittances ranged between Rp100 thousand and Rp250 thousand (28.1%).

The average cost of remittance through the banking channel was more expensive compared with that done through the MRO and other media. The cost of remittance through the banking channel ranged between Rp250 thousand to Rp500 thousand (29%), more expensive compared with the average cost of remittance through the MRO which mostly ranged from Rp100 thousand and Rp250 thousand (66%). In the meantime, the average cost of remittance through other media (hand carried by friends) were relatively unvaried between Rp50 thousand and Rp75 thousand (50%) and between Rp250 thousand and Rp500 thousand (50%).

Asides from the relatively lower cost, remittances through the formal, non-bank channels took 1 day on average, faster compared with the banking channel which was around 1 – 3 days.

The View of Foreign Workers Towards Labor Conditions in Indonesia

From a number of indicators of the working conditions in Indonesia, 23.1% of respondents viewed that the work permit processing in Indonesia was “poor”, while the majority of respondents thought that the work permit process was in the “average” category (40.8%).

With regards to the clarity of rights and obligations of workers, quite many respondents (43%) viewed that the clarity was in the categories of “good” and “very good”, although the majority viewed it as “average” (47%).

The majority of respondents (44.4%) gave the label of “average” for the legal protection in Indonesia, followed by the group of respondents who gave the label “good and “very good” at 35.3%. Nevertheless, there were quite many respondents (20.3%) who gave the label of “poor” or “very poor”, which of course needs to get the attention of the regulators in Indonesia.

For their opinions on labor relations, most respondents (59.9%) gave the score of “good” and “very good”, while those giving the score of “average” constituted 35.1%. Only 5% of respondents gave the score of “poor” and “very poor”. From the above, it can be concluded that, in general, foreign workers felt that the labor conditions in Indonesia was good.

This page is intentionally blank

LIST OF CONTENTS

FOREWORD	i
SUMMARY OF REPORT	iii
LIST OF CONTENTS	ix
LIST OF GRAPH	xi
LIST OF TABLE	xiv
ABBREVIATIONS AND ACRONYMS	xv
Chapter I INTRODUCTION	1
1.1 Background	1
1.2 Objectives	2
1.3 Survey Methodology	2
Chapter II ECONOMIC GROWTH AND DEVELOPMENT OF FOREIGN WORKERS IN INDONESIA	5
2.1 Indonesia's Economic Growth	5
2.2 Development of Foreign and Domestic Investment	7
2.3 Development of Manpower	10
2.4 Foreign Workers: Number, Characteristics and Policies	11
2.4.1 Number of Foreign Workers In Indonesia	12
2.4.2 Characteristic and Distribution of Foreign Workers in Indonesia	12
2.4.3 Policies Related to Foreign Workers Utilization in Indonesia	14
Chapter III PROFILE OF RESPONDENT FOREIGN WORKERS	17
3.1 Respondent's Profile	17
3.2 Workers Placement	20
Chapter IV FOREIGN WORKERS' SALARY AND REMITTANCE PATTERNS	23
4.1 Salary Treatment	23
4.2 The Utilization of Salary	26
4.3 Value And Frequency of Remittance	27
4.4 Percentage of Remittance against Salary	29
4.5 Mode of Remittance and the Role of Banking	30
4.6 Cost of Remittance	31
Chapter V FOREIGN WORKERS' VIEW OF INDONESIA	35
5.1 Highlights on the Working Conditions in Indonesia	35
5.2 Desire to Work in Indonesia after Conclusion of Contract	36
5.3 Expectation of the Foreign Workers for the Improvement of Working Conditions	37

Chapter VI CONCLUSIONS AND SUGGESTIONS	39
6.1 Conclusions	39
6.1.1 General/Macroeconomy	39
6.1.2 Specific	39
6.2 Suggestions	40

LIST OF GRAPH

Graph 2.1.	Indonesia Economic Growth	5
Graph 2.2	GDP Growth by Sector	5
Graph 2.3.	Economic Growth of Indonesia and Four ASEAN Countries	6
Graph 2.4.	Indonesia's Inflation	7
Graph 2.5.	Exchange Rate and Composite Stock Price Index	7
Graph 2.6.	Investment Growth in Indonesia, 2000- First Semester 2009 (% PDB)	8
Graph 2.7.	Composition of Foreign Investment Projects by Sector	9
Graph 2.8	Composition of Foreign Investment Projects in Tertiary Sectors	9
Graph 2.9	Composition of Foreign Investment Projects in Secondary Sectors	9
Graph 2.10.	Composition of Foreign Investment Projects in Primary Sectors	9
Graph 2.11.	GDP Growth and Unemployment	10
Graph 2.12.	Unemployment Rate of Indonesia and 4 ASEAN Countries	10
Graph 2.13	Unemployment by Education Background	10
Graph 2.14.	Work Force Absorption by Sector	11
Graph 2.15.	Work Force Absorption by Type of Investment	11
Graph 2.16.	Stock and Growth of Foreign Workers in Indonesia	12
Graph 2.17.	Distribution of Foreign Workers by Region (%)	14
Graph 2.18.	Distribution of Foreign Workers by non-ASEAN countries	14
Graph 2.19.	Distribution of Foreign Workers by ASEAN countries	14
Graph 3.1.	Distribution of Respondents by Province	17
Graph 3.2.	Distribution of Respondents by Economic Sector	17
Graph 3.3.	Distribution of Respondents' Nationality by Regions of Origin	18
Graph 3.4.	Distribution of Respondents from Asia regions outside ASEAN	18
Graph 3.5.	Distribution of Respondents from European Regions	18
Graph 3.6.	Distribution of Respondents' Nationality from ASEAN Regions	18
Graph 3.7.	Distribution of Respondents from Oceania and America Regions	18
Graph 3.8.	Distribution of Respondents' Nationality	18
Graph 3.9.	Distribution of Respondents by Country of Residence	19
Graph 3.10.	Reasons for Working in Indonesia	19
Graph 3.11.	Respondents by Gender	19
Graph 3.12.	Respondents by Age Groups	19
Graph 3.13.	Marital Status	20
Graph 3.14.	Number of Family Members Living in Indonesia with Respondents	20
Graph 3.15.	Educational Background	20
Graph 3.16.	Length of Stay in Indonesia	20
Graph 3.17.	Frequency of Being Foreign Workers	20
Graph 3.18.	Length of Foreign Workers' Contracts	21

Graph 3.19.	Distribution of Foreign Workers Occupation	21
Graph 3.20.	Foreign Workers' Jobs by Division	21
Graph 4.1.	Distribution of Foreign Workers' Salary per month	23
Graph 4.2.	Distribution of Foreign Workers' Compensation Salary per month	23
Graph 4.3.	Distribution of Foreign Workers Salary by Occupation Level	23
Graph 4.4.	Distribution of Foreign Workers Compensation Salary by Occupation	24
Graph 4.5.	Distribution of Foreign Workers Salary by Economic Sector	24
Graph 4.6.	Distribution of Salary (Regular) Based on Types of Companies (FDI/non-FDI)	25
Graph 4.7	Distribution of Compensation Salary Based on Types of Companies (FDI/non-FDI)	25
Graph 4.8.	Average Salaries Based on Education Levels	25
Graph 4.9	Distribution of Salaries by Country of Origin	25
Graph 4.10.	Companies Paying Salaries	26
Graph 4.11.	Modes of Payment	26
Graph 4.12.	Utilization of Foreign Workers' Salary	26
Graph 4.13.	Place to Store Money	27
Graph 4.14	Reasons for not Storing Money at Banks	27
Graph 4.15.	Remittance Activities	27
Graph 4.16.	Frequency of Remittance	27
Graph 4.17.	Doing Remittance by Occupation Level	28
Graph 4.18.	Frequency of Remittance by Occupational Level	28
Graph 4.19.	Value of Remittance	28
Graph 4.20.	Distribution of Remittance Value by Occupational Level	28
Graph 4.21.	Value of Remittance by Country of Origin	29
Graph 4.22.	Remittance as Percentage of Salary by Foreign Workers Country of Origin	29
Graph 4.23.	Remittance as Percentage of Salary Based on Occupational Level	29
Graph 4.24.	Mode of Remittance	30
Graph 4.25.	Remittance via MRO	31
Graph 4.26.	Cost of Remittance	31
Graph 4.27.	Cost of Remittance Based on Remittance Channels	31
Graph 4.28.	Cost of Remittance Based on Country Destination	32
Graph 4.29.	The Cost of Remittance through Banking Channels by Country of Destination	32
Graph 4.30.	The Cost of Remittance through MRO by Country of Destination	32
Graph 4.31.	The Average Duration of Remittance	33
Graph 4.32.	The Average Duration of Remittance by Remittance Channel	33
Graph.5.1.	Respondent's View of Work Permit Process	35
Graph.5.2.	Respondent's View of the Clarity of Workers Rights and Obligations	35
Graph.5.3.	Respondents' View of the Legal Protection	36
Graph.5.4.	Respondent's View of Labor Relations	36
Graph.5.5.	Desire to Work in Indonesia after Conclusion of Contracts	36
Graph.5.6.	Reasons for the Desire to Return to Indonesia	36
Graph.5.7.	Reasons for Wishing to Work Again in Indonesia	37
Graph.5.8.	Expectations of Foreign Workers for the Improvement of Working Conditions	37
Graph.5.9.	Expectations of Foreign Workers to the Bureaucracy	37

Graph.5.10.	Foreign Workers' Expectations Regarding Tax Regulations	38
Graph.5.11.	Foreign Workers' Expectations Regarding Quality of Services	38
Graph.5.12.	Foreign Workers' Expectations Regarding Discrimination against Foreign Residents	38
Graph.5.13.	Foreign Workers' Expectations Regarding Security and Legislation	38
Graph.5.14.	Foreign Workers' Expectations Regarding Infrastructures	38



LIST OF TABLE

Table 2.1.	GDP Growth by Expenditures	5
Table 2.2.	The Development of Investment in Indonesia, 2000 – First Semester 2009	7
Table 2.3.	Realization of Foreign and Domestic Investment by Values and Project	8
Table 2.4.	Distribution of Foreign Workers by Province	13
Table 2.5.	Distribution of Foreign Workers by Type of Occupation	13
Table 4.1.	Types of Consumption Expenses	26
Table 4.2.	Comparison of Remittance as Percentage of Salary, by Nationality between 2004 Survey and 2009 Survey	30
Table 4.3.	Comparison of Remittance as Percentage of Salary by Occupation, between 2004 Survey and 2009 Survey	30

ABBREVIATIONS AND ACRONYMS

BKPM	: Badan Koordinasi Penanaman Modal (Indonesia Investment Coordinating Board)
BNP2TKI	: Badan Nasional Penempatan dan Perlindungan TKI (National Agency for the Placement and Protection of Indonesian Migrant Workers)
BP3TKI	: Balai Pelayanan Penempatan Dan Perlindungan TKI (Agency for the Service, Placement and Protection of Indonesia Migrant Workers)
BPM	: Balance of Payment Manual
BPS	: Badan Pusat Statistik (Statistics Indonesia)
Kemenertrans	: Kementerian Tenaga Kerja dan Transmigrasi (Ministry of Manpower and Transmigration)
Disnaker	: Dinas Tenaga Kerja (Manpower Official Offices – Regional Base)
DSM	: Direktorat Statistik Ekonomi dan Moneter (Directorate of Economic and Monetary Statistics) – Bank Indonesia
FDI	: Foreign Direct Investment
GDP	: Gross Domestic Bruto
IHSG	: Indeks Harga Saham Gabungan (Composite Stock Price Index)
IMW	: Indonesian Migrant Worker
KBI	: Kantor Bank Indonesia (Bank Indonesia Regional Office)
MRO	: Money Remittance Operator
NPI	: Neraca Pembayaran Indonesia (Indonesia Balance of Payment)
PMA	: Penanaman Modal Asing (Foreign Investment)
PMDN	: Penanaman Modal Dalam Negeri (Domestic Investment)
PPTKIS	: Pelaksana Penempatan TKI Swasta (Indonesian Migrant Workers Private Placement Company)
TKA	: Tenaga Kerja Asing (Foreign Worker)
TKI	: Tenaga Kerja Indonesia (Indonesian Migrant Worker)
TKL	: Tenaga Kerja Lokal (Local Workers)
WR	: Workers’ Remittances

This page is intentionally blank

1.1 BACKGROUND

Bank Indonesia (BI), is mandated by Act Number 23 of 1999 (State Gazette of Republic of Indonesia of 1999 Number 66, Addendum to State Gazete Number 3843), as having been amended, lastly with Act Number 6 of 2009 concerning Government Regulation in lieu of Law Number 2 of 2008 concerning the Second Revision to Act Number 23 of 1999 concerning Bank Indonesia (BI) into, Act (State Gazette of Republic of Indonesia of 2009 Number 7, Addendum to State Gazete of Republic of Indonesia Number 4962) to pursue its primary objective of achieving and maintaining the stability of Rupiah value (currency), which can be achieved, among others, by formulating and implementing monetary policies. To produce a credible policy, the support of comprehensive, reliable, accurate, timely and easily accessible statistics is required. In addition, the statistical data must also refer to the manual served as an international standard so that they can be compared with similar statistical data from other countries.

One of the important statistical indicators in the formulation of monetary policies which relates to the performance of international transactions between Indonesia and the rest of the world is the Indonesia's Balance of Payment (BOP) Statistics. In the current condition, especially in a view of the instability of the world's financial market, which affects the domestic economy, data/information related to external sectors which contains all economic/monetary transactions between residents and non-residents is very much needed. In the midst of the tight global liquidity, one of the transactions in the BOP which still demonstrates a stable development and even shows an increase is the workers' remittances (WR). These transactions comprise money transfers from Indonesian Migrant Workers (IMWs) who work overseas to Indonesia (WR inflows) and from Foreign Workers who work in Indonesia to their home countries (WR outflows).

In order to improve the methodology of WR inflows in BOP Statistics, BI conducted regular survey for every two years. The estimation of the WR inflows is calculated based on the stock of IMWs abroad, while the number of placements of IMWs overseas and the salary of migrant workers in each host country are obtained from National Agency for the Placement and Protection of Indonesian Migrant Workers (BNP2TKI). In addition, data on proportion of IMWs salary sent home are collected from the BI's National Survey on Remittance Patterns of IMWs in 2006 and 2008.

On the other hand, the calculation of the estimated remittance by Foreign Workers (WR outflow) in the Indonesia's BOP statistics is also based on results of the regular survey on foreign workers. The last survey was carried out in 2004. The same methodology applied to WR inflows, to estimate the value of WR outflows, BI also applied simple approach by multiplying three major variables, namely the prevailing stock of Foreign Workers, the salary and percentage of foreign workers wages sent home. The monthly Foreign Workers stock is obtained from the Ministry of Manpower and Transmigration. Meanwhile the data on the salary and percentage of foreign workers' wage remitted into their home country were obtained from the survey of Foreign Workers.

Considering the above condition and in order to enhance the quality of BOP statistics, the improvement of methodology of WR outflow through the updating of the foreign workers' remittance patterns becomes more relevant and important and needs to be done regularly. In relation to that, BI in 2009 conducted a National Survey on Foreign Workers, with the main objective of updating the data of foreign workers' remittance patterns and other related data/information.

1.2 OBJECTIVES

1. Gaining the updated data/information on foreign workers' remittance patterns in order to improve the estimation on remittance outflows in the BOP statistics.
2. Obtaining the profile and job conditions of foreign workers in Indonesia from the licensing process, rights and obligations of the workers, and their legal protection to the relationship among workers.
3. Providing relevant information for authorities, including the Government or and other related parties for formulating labour policies, specifically related to Foreign Workers.

1.3 SURVEY METODOLOGY

1. Concepts/definitions

a. Respondent

Respondents is a Foreign Workers who works in Indonesia. The tenure of the selected respondents is as recorded at the Ministry of Manpower and Transmigration (*Kemenakertrans*), whether it is one year or longer or less than one year.

b. Foreign Workers

Foreign Workers is foreign citizen who possess limited stay visas or limited stay permits or permanent stay permits for the purpose of working within the territory of the Republic of Indonesia.

c. Work/working

Work/working means the activities in performing a job/jobs with the purpose of earning or helping to earn an income or benefits at least for one hour per week. Such income or benefit comprises wages/salary/income including all allowances and bonuses for the work performed by the employees/workers as well as the outcome of business activities in the form of rent, interest or margin/profit, be they in the form of currency or goods for business people.

d. Work agreement

Work agreement is the agreement between the worker and the business owner or job provider which contains work conditions, rights and obligations of the related parties.

e. Pay/Wages

Pay or wages is the rights of the employee/worker in the form of cash/currency or otherwise as compensation from the business owner or job provider to the worker which is determined and paid out in accordance with a work agreement, a consensus or rules of law, including facilities and allowances for the worker/employee and his/her family for the work and/or services that have been or will be rendered.

f. Business/Job Area

Business/Job Area means area of activities of the job/business/office/ company where the respondent works, in reference to the International Standards of Industrial Classification of All Economic Activities (ISIC).

g. Occupation

Occupation means work performed by an individual or assigned to an individual, in reference to the International Standard Classification of Occupation (ISCO).

h. Workers' Remittances (WR)

Remittance is part of wages/earnings which is transferred to the (worker's) family living overseas (in the home country). In general, WR could be in the form of cash (money/currency) or goods (in kinds).

i. Remittance Channel

Remittance channel is the medium or means used in the activity of sending money (remittance) done by the respondent to an overseas location, whether through a formal channel (Bank and Non Bank Financial Institution) or an informal channel (personal favour, hand carried/self delivered, etc).

j. Remittance Frequency

Remittance frequency is the number of activities of sending money (remittance) done by the respondent to a location overseas. Remittance frequency may be differentiated into:

- Routine: once a month, once in 2 (two) months, once in 3 (three) months, once in 6 (six) months, or once a year.
- Not routine: when the respondent has sent money in the past but the sending is not done on a routine basis.

2. Sampling Design

The survey subjects are individual foreign workers who work for companies in Indonesia. Sampling frame uses official data provided by the Ministry of Manpower and Transmigration.

3. Data Collection Method

For gathering data purposes, respondent fills in the questionnaire together with direct interviews by the enumerator. In general, an interview has been done in the office of respondent.

4. Data Processing Method

The completed questionnaires will be validated in order to ensure consistency and accuracy of the data given by respondent. Subsequently, validated data will be processed into data entry and data cross-tabulation by using SPSS program.

5. Survey Coverage

a. Survey area and the number of respondents

The survey was done in several regions which are identified as foreign workers source pockets. The selected regions were provinces of DKI Jakarta, Banten, West Java, East Java, North Sumatera, Riau, Riau Islands, East Kalimantan, and Bali. The number of respondents is determined proportionally for each survey area based on stock data of foreign workers recorded at the Ministry of Manpower and Transmigration in 2008, total respondents is targeted around 400 people.

b. Surveys schedule

Field survey was carried out during period of June to October 2009.

c. Types of data/information

The types of data/information gathered in the Foreign Workers survey are:

- **Company profile** includes name, address, main activities, and status of the companies (Foreign Direct Investment/FDI or Non FDI).
- **Respondent's profile** includes name, age, gender, marital status education, nationality, country of origin, types of jobs and occupation.
- **Foreign Worker's tenure**, can be one year or longer (for the calculation of WR outflows) or less than a year (for the calculation of compensation of employee outflows).
- **Remittance pattern** includes information regarding wages (in cash and in kind), utilization of wages, percentage of remittance, remittance channel, transfer cost, transfer frequency, and money transfers period.
- **Working conditions** from licensing process, worker's right and obligations and legal protection, to relationship among workers.
- **Respondents' feedback** to the Government or other related parties in the formulation of labour policies particularly for foreign workers.

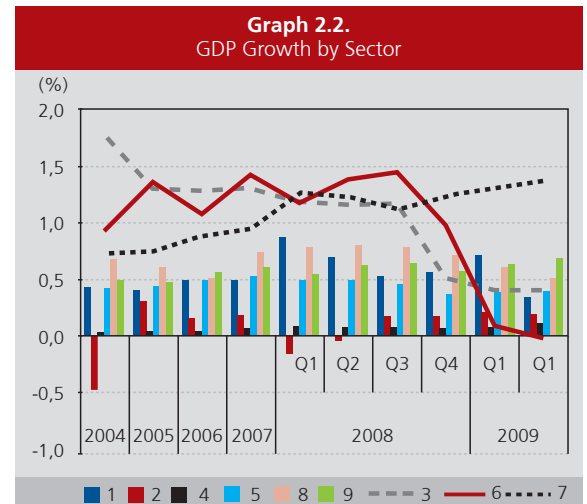
ECONOMIC GROWTH AND DEVELOPMENT OF FOREIGN WORKERS IN INDONESIA

2.1 INDONESIA'S ECONOMIC GROWTH

Indonesia's economy for the period of 2004-2008 demonstrated quite an impressive performance with an average growth of above 5.0% (Graph 2.1). Even a relatively high growth occurred during the last 2 years, namely 2007 (6.3%), and 2008 (6.1%), although with a downward trend in 2008, as an impact of the global monetary crisis. On the demand side, the impact of the weakening global demand will be offset by the improvement of the performance in exports and investments. The consistently high growth of exports and investments pushed the purchasing power so that the domestic consumption managed to grow relatively



Source: Statistics Indonesia



1=agriculture, 2=mining, 3=Industries, 4=electricity, gas & water supply, 5=building, 6=trade, hotel & rest, 7=trans & comm, 8=Fin, leasing & Serv, 9=Services

Source: Statistics Indonesia

Table 2.1.
GDP Growth by Expenditures

Based on constant rate, 2000

TYPE OF EXPENDITURES	2004	2005	2006	2007	2008					2009	
					I	II	III	IV	Total	I	II
I. Consumption (1 + 2)	3.32	2.9	2.6	3.2	3.5	3.6	4.0	4.4	3.9	4.7	4.0
1. Private Consumption	3.01	2.4	1.9	2.9	3.3	3.2	3.0	2.9	3.1	3.4	2.7
2. Government Consumption	0.31	0.5	0.7	0.3	0.2	0.4	1.0	1.5	0.8	1.2	1.3
II. Investment (3 + 4)	3.26	2.8	0.3	0.5	3.9	2.4	2.2	2.8	2.8	-0.2	0.6
3. Gross Domestic Capital Formation	2.88	2.3	0.6	2.1	3.0	2.7	2.7	2.2	2.6	0.8	0.6
4. Change in Inventories	-1.33	0.5	-0.3	-1.6	1.0	-0.2	-0.5	0.7	0.2	-1.0	0.0
Statistical Discrepancy 1)	2.26	-1.0	1.4	1.9	-1.0	0.6	-0.6	-4.4	-1.4	-1.2	-2.7
III. Domestic Demand (I + II)	6.58	5.7	3.0	3.7	7.5	6.0	6.3	7.2	6.7	4.4	4.7
IV. Net Export (5 - 6)	-2.11	1.0	1.1	0.6	-0.2	-0.2	0.7	2.3	0.7	1.2	2.0
5. Export of Goods and Services	5.14	6.8	4.3	4.0	6.4	6.0	5.0	0.9	4.6	-9.5	-8.0
6. Import of Good and Services (-)	7.25	5.8	3.1	3.4	6.6	6.1	4.3	-1.4	3.9	-10.6	-9.9
GROSS DOMESTIC BRUTO	5.03	5.7	5.5	6.3	6.2	6.4	6.4	5.2	6.1	4.4	4.0

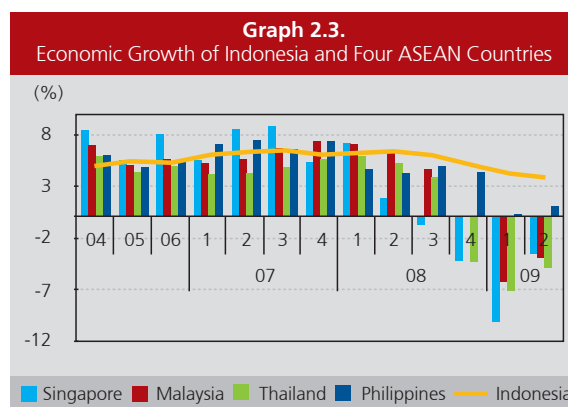
1) The difference between GDP by industrial origin and by expenditure

Source: Statistics Indonesia

high in the first semester of 2008. However, in the second semester of 2008, the decline of the global economy and the uncertainty in the financial market had an impact in the decline of the domestic demand, especially came from the household consumption and investment spending. Furthermore, the weakening domestic demand was also followed by the decline in the import of goods and services, so that imports experienced a negative growth in the fourth quarter of 2008 (Graph 2.2). Meanwhile, by sectoral, this relatively high growth was especially supported by the high growth in the transportation and communication sectors, and the electricity, gas and water supply sectors which grew, on average, above 10%. Two other sectors which also supported Indonesia's economic growth were the finance, rentals, and business services sectors, and the services sectors.

Along with the slowdown of the world's economic growth as well as developed countries such as the USA, Japan and England as an impact of the global monetary crisis in 2008, Indonesia's economy also experienced a slowdown during the first semester of 2009 and only grew at 4.4% (Q1) and 4.0% (Q2). From the demand side, this slowdown of growth was marked by the decrease in domestic demand especially from the investment, which eventually had an impact in the decline of performance both in the export-import of goods and services. Meanwhile, from economic sector's point of view, the weakening of growth in the first semester of 2009 was triggered, among others, by the decline in the contribution from the manufacturing industry sectors and the trades, hotel and restaurant sectors, where both sectors had the biggest shares on the structure of Indonesia's economy.

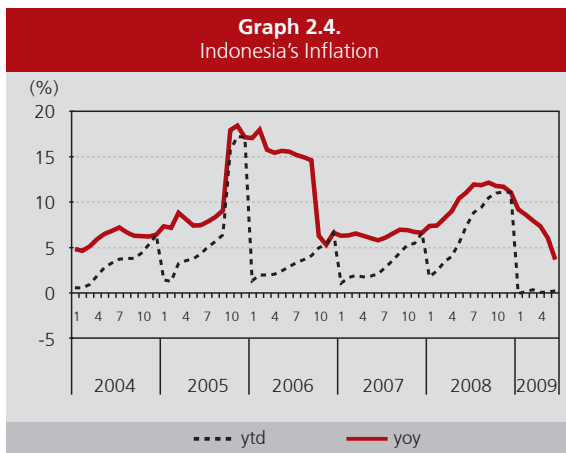
However, compared with four other ASEAN countries, namely Malaysia, Singapore, Thailand and the Philippines, Indonesia's economic growth during the first semester 2009 was still relatively higher, although the impact of global economic downturn on the domestic economy was still quite significant. Among those four countries, only the Philippines experienced a positive growth (1.2%), while the other three ASEAN countries experienced negative growth (Graph 2.3).



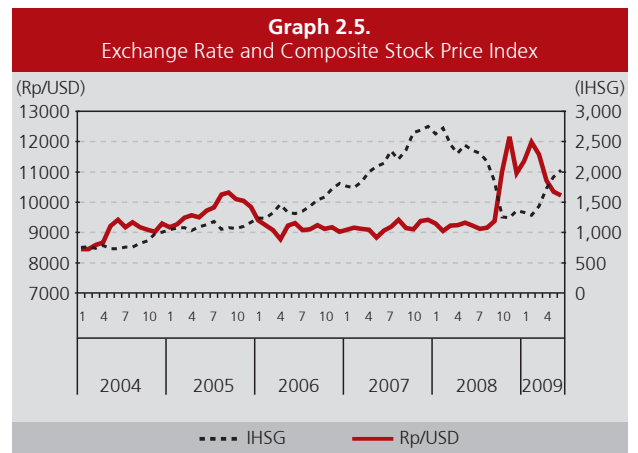
Along with the slowdown of the Indonesia's economic growth during the first half of 2009 and the possibility of a small improvement in the prospect of domestic economy in the third quarter through the end of 2009, the pressure on inflation tended to decline so that the cumulative inflation through September 2009 also experienced a decrease, namely only as much as 1.2%. During that period, there were even two occasions of deflation namely 0.07% in January 2009 and 0.31% in April 2009 (Graph 2.5).

In the meantime, the condition of the stock market and the financial market was not much different with other macroeconomic indicators, such as economic growth and inflation. After the composite stock price index (IHSG) was closed at the 2,746 level at the end of December 2007 - which was the highest index ever achieved through the history of the Indonesia's stock market - with the monetary crisis which reached its climax in the second half of 2008, the stock market experienced pressure so that the composite index went as low as 1,355 at the end of December 2008. This condition was also followed by the decline of the rupiah

value against the US dollar - which was Rp9,419/USD at the end of 2007 - to Rp12,151/USD by the end of November 2008, although it strengthened a little bit to Rp10,950/USD by the end of December 2008. Since the second quarter of 2009, the Indonesia's stock market has shown signs of recovery along with improving foreign investors' confidence in the Indonesian economic prospect. This was reflected with the onset of flows of foreign funds to Indonesia. At the same time, the foreign capital inflows bolstered the strengthening of the Rupiah value against the US dollar to the level of around Rp9,681/USD at the end of September 2009 (Graph 2.6).



Source: Statistics Indonesia



Source: Statistics Indonesia, CEIC

2.2 DEVELOPMENT OF FOREIGN AND DOMESTIC INVESTMENTS

As one of the major contributors to the national economic growth, the development of investment in Indonesia was quite encouraging. In 2008, the total value of investment (at current price) in Indonesia was recorded at Rp1,377.2 trillion (table 2.1). This figure was an increase of around 4.5 times compared to the investment in 2000 which was Rp296.0 trillion. Based on the recent development up to the first semester of 2009, the total investment had reached Rp827 trillion, or 60% of total investment for the whole 2008. The lower realization of investment achieved during the first half of 2009 maybe have a correlation with the global financial crisis.

Table 2.2.
The Development of Investment in Indonesia (2000 - First Semester 2009) (%)

Year	Investment (trillion Rp)			GDP at Current Price (trillion Rp)	% of GDP at current price		
	Government	Private	Total		Government	Private	Total
2000	39.2	170.8	210.0	1,389.8	2.8	12.3	15.1
2001	48.6	333.3	381.9	1,646.3	3.0	20.2	23.2
2002	52.3	329.9	382.2	1,821.8	2.9	18.1	21.0
2003	62.7	335.2	397.9	2,013.7	3.1	16.6	19.8
2004	68.3	438.9	507.2	2,295.8	3.0	19.1	22.1
2005	83.4	567.4	650.8	2,774.3	3.0	20.5	23.5
2006	102.1	697.2	799.3	3,339.2	3.1	20.9	23.9
2007	131.0	858.5	989.5	3,949.3	3.3	21.7	25.1
2008	153.9	1,223.4	1,377.3	4,954.0	3.1	24.7	27.8
Q2-2009	235.7	591.5	827.1	2,566.1	9.2	23.0	32.2

Source: Statistics Indonesia, Indonesia Investment Coordinating Board

Based on type investor, in general, the private investment has played a bigger role, compared to that of the government investment. On average, the contribution of private investment came up to 88% of the total investment, while the government sectors only contributed 12%. In addition, the growth of private investment for the period 2000-2008 experienced a very steep increase, namely seven folds, while government investment for the same period only increased 4 four folds.

From the table 2.2., it can be seen that the ratio of investments against GDP (at current price) for the period of 2000-2009 on average was 23.4%, with the percentage of private investment to the GDP at 19.7%, which was greater compared to the government investment merely at 3.6%. In relation to that, the development of investment above particularly private investment has given a greater contribution to the economy both in terms of national and local scale.

The performance of private investment, both foreign and domestic (investments), tended to improve after the crisis period. This maybe related to the government's efforts to continually improve a conducive investment climate.

The most prominent investment which gaining interests were those related to foreign investment (PMA). During the last eight years (2000-2008), realization of foreign investment demonstrated an upward trend, both in nominal terms (value) and in number of projects. In 2007, realization of foreign investments reached 982 projects (13%, yoy) at USD10.341 billion (73%, yoy) and increased in 2008 to 1.138 projects (16%, yoy) at USD14,870 billion (44%, yoy). Meanwhile, realization of domestic investments tended to fluctuate both in terms of projects and value. In 2008, the number of projects of realized domestic investment increased significantly, to 239 projects (50%, yoy), while the nominal terms merely reached Rp20.4 trillion which was a 42% decline compared with the previous year. Further, realization of the foreign investment in 2009 (January-February) accounted for 176 projects or a 19% increase (yoy) at USD1,971 million (106%, yoy). Meanwhile, realization of the domestic investment for the same period declined both in terms of value and projects, namely 29 projects, which was a 3% decline, at Rp2.628 billion (-2%, yoy).

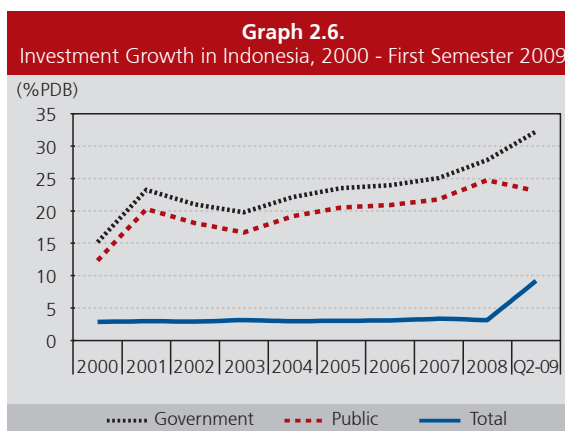


Table 2.3.
Realization of Foreign and Domestic Investment by Values and Projects, 2000 - February 2009

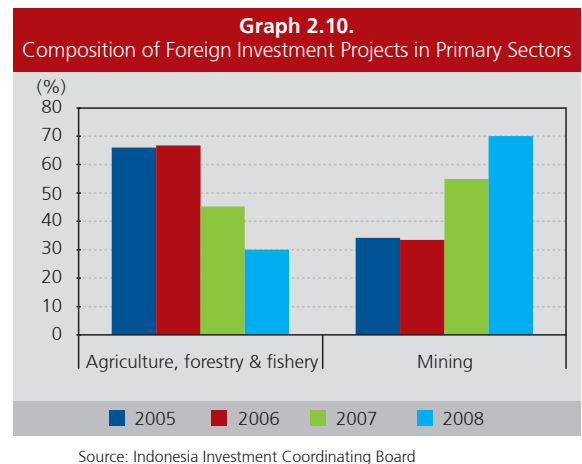
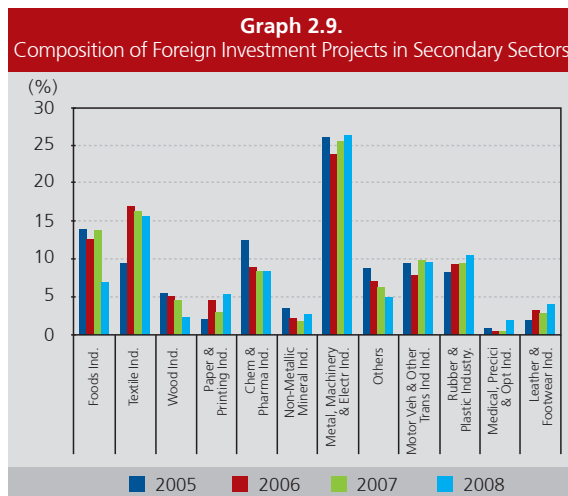
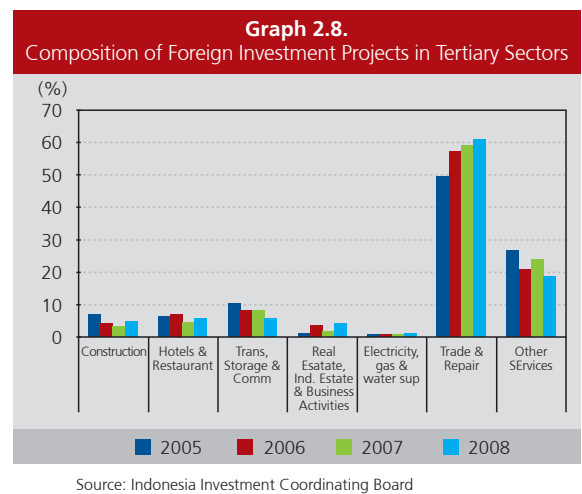
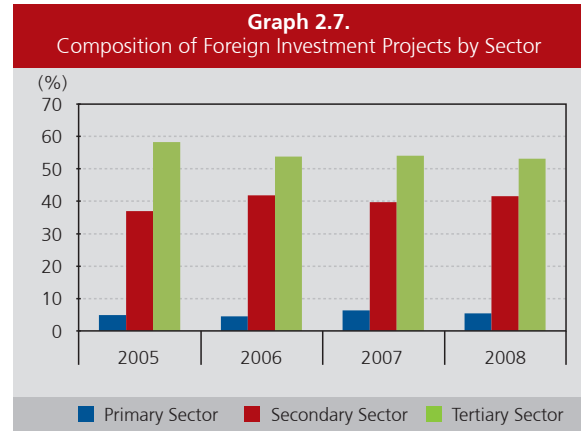
Year	Domestic Investment		Foreign Investment	
	Number of Project	Value (Million Rp)	Number of Project	Number of Foreign Worker
2000	300	22,038	638	9,877.4
2001	160	9,891	454	3,509.4
2002	108	12,500	442	3,082.6
2003	120	12,247	569	5,445.3
2004	130	15,409	547	4,571.9
2005	215	30,724	907	8,911.0
2006	162	20,649	869	5,991.7
2007	159	34,879	982	10,341.4
2008	239	20,363	1138	14,870.0

Source: Indonesia Investment Coordinating Board

Based on the composition of projects by sector (graph 2.7), most foreign investments were projects in tertiary sectors which amounted between 53% and 58%, followed by the secondary sectors (36% - 42%), and the primary sectors (4% - 5%).

From project composition in tertiary sectors, it appears that the trade subsector is very dominant with a share around 49% - 61%, and followed by other services-subsectors at 18% - 26% (graph 2.8).

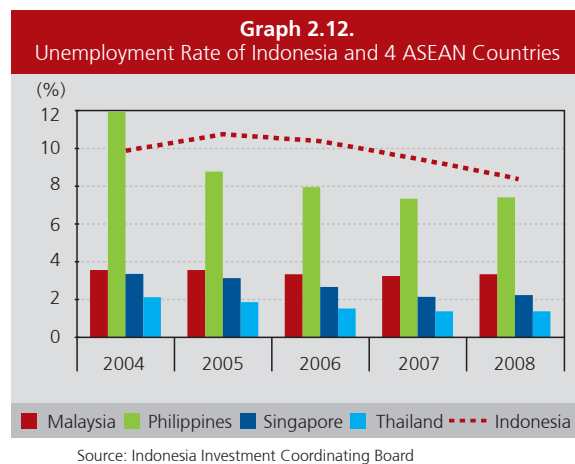
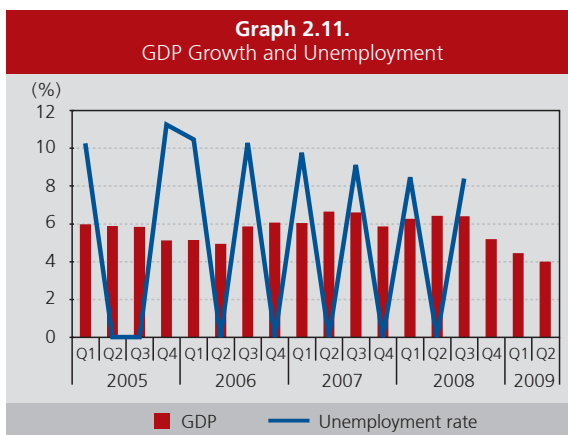
In the meantime, the composition of projects in secondary sectors (graph 2.9) mostly consisted of projects in machinery, steel, and electronics industries (24% - 26%), followed by textile industry (9% - 16%) and food industry (7% - 14%). In the primary sectors, the agricultural, forestry, and fishery subsectors, which previously dominated at 65%, gradually declined, and since 2007, had been replaced by mining subsector with ever increasing share reaching 70% in 2008 (graph 2.10).



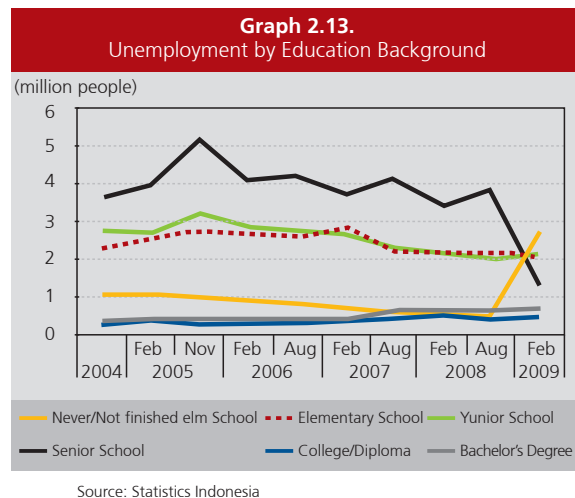
2.3 DEVELOPMENT OF MANPOWER

The number of Indonesia's population in 2008 was estimated to reach around 228 million people and 73% of them were the working age. Until February 2009, the number of Indonesia's labor force was recorded at 113.7 million people, which was an increase of 1.8 million compared to August 2008, or an increase of 2.3 million compared to February 2008. The increase of labor force was in line with the increase of working-age which comprised 104.5 million, an increase of 1.9 million people compared with August 2008 or an increase of 2.4 people compared with February of the previous year.

In the meantime, unemployment rate until February 2009 was recorded at 8.14%, a decrease compared with the same period of the previous year which reached 8.46% (graph 2.11). However, Indonesia's unemployment rate during the last four years was still higher compared with that of four ASEAN countries such as Singapore, the Philippines, Malaysia and Thailand (graph 2.12).



In terms of educational background, until February 2009, the biggest number of unemployment was at the education level below elementary school and even increased quite significantly reaching 2.1 million people compared to August 2008. However, this condition was offset by the decrease of unemployment among those with senior high school, thus resulting in a decrease in the total unemployment from 9.39 million people in August 2008 to 9.26 million people in February 2009 (graph 2.13).



The improvement of labor condition could not be separated from the performance of the agricultural sector being one of the sectors absorbing the biggest work force. The increase of absorption of work force almost occurred in all sectors except the construction, transportation and communication sectors. The sectors that experienced the biggest improvement in February 2009 compared to August 2008 were the agricultural sector (1.7 million people), the trade sector (615 thousand people), and the social services sector (512 thousand people).

The increase of work force absorption in the agricultural sector came along with the high growth in the sector in 2008 (graph 2.14).

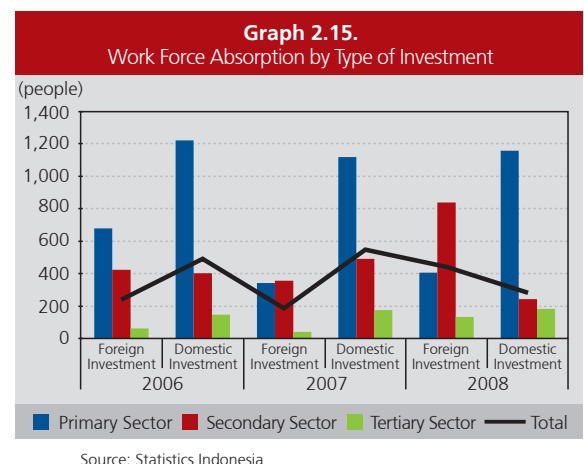
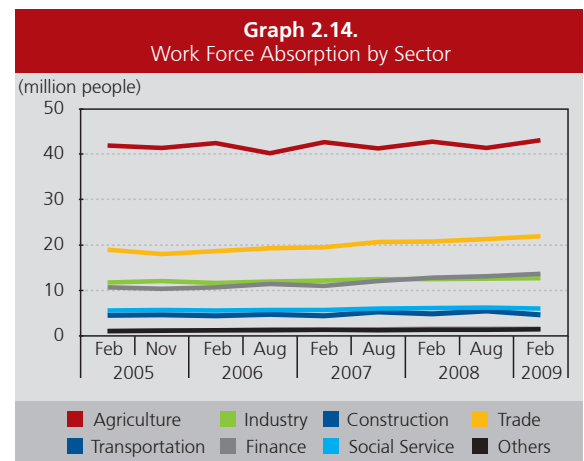
From the point of view of work force absorption by sector, generally the primary sector (agriculture) absorbed the most work forces, followed by the secondary sector (industry) and the tertiary sector (services). Meanwhile, based on the type of investment (foreign/domestic), the absorption of work force in the domestic investment projects tended to be higher compared with foreign investment projects. The domestic investment projects which absorbed a lot of work force were those in the primary sectors especially in plantations which absorbed more than 1,000 work forces per project. Meanwhile, in the same sector for the foreign investment projects, each project could only absorb around 350 - 650 work force. Nevertheless, in total, domestic investment projects does not always absorb more work compared with foreign investment projects, as found in 2008. On average, foreign investment projects absorbed around 439 work forces per project, while the domestic investment projects only absorbed 281 work forces.

This related to the magnitude of realization of foreign investment projects in 2008 which reached 233 projects, especially human-resource based industry such as the shoe industry, the textile industry, and the steel, machinery, and electronic industries.

2.4 FOREIGN WORKERS: NUMBER, CHARACTERISTICS AND POLICIES

In accordance with Law Number 13, 2003 regarding Labor, the definition of foreign workers (TKA) are *foreigners holding visas with the intention of working in Indonesia*. In general, foreign workers come into Indonesia through 2 (two) channels, namely Assignment and Recruitment. Assignment is placement of workers/employees by multinational companies to occupy certain positions at one of the branch offices or affiliates in Indonesia. Based on the tenure, an assignment can be short-term or long-term. An example of the short-term assignment (less than 1 year) is for the installation of machinery/technology purchased by a company in Indonesia and at the same time providing training to the workers who are going to use the machinery/technology. Examples of a long-term assignment (more than 1 year) are managerial jobs and management of companies.

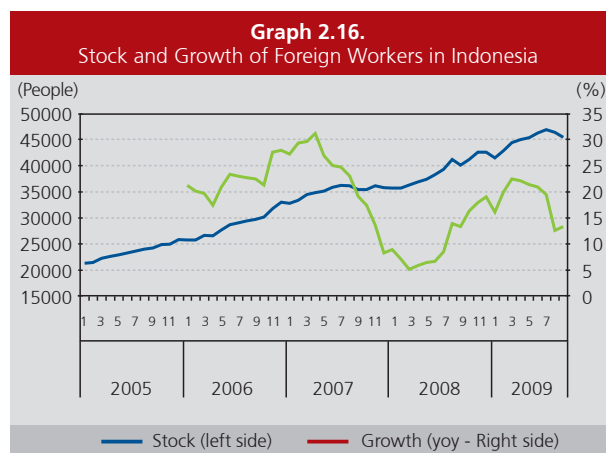
The recruitment is the entrance of foreign workers through the hiring of employees whether on contract status or permanent status. Those recruitments are normally done by local companies which have global scale business which require foreign workers as part of their effort of facing the world competition.



2.4.1. NUMBER OF FOREIGN WORKERS IN INDONESIA

The number of foreign workers in Indonesia at the end of July 2009 was 46,476 people. Although the growth of the foreign workers fluctuated, and even slowed down during the period of 2007 to the first quarter of 2008, the number continued to grow in absolute terms. The slow down of foreign workers' placement during that period was related to the decentralization of the recording of work permit extension, which previously could only be done in Jakarta but then it could be done in the regions.

As an illustration, in January 2005 the number of foreign workers in Indonesia was recorded at 21,255 people, however at the end of July of 2009 the number of foreign workers dramatically increased to 46,876 people, an increase of 121% in a 5 five year period or an average of 25% annually. This figure seems to be is consistent with the increase of realization of foreign investments both in terms of value and projects, thus driving the absorption of work force including foreign workers.



Source: Statistics Indonesia

2.4.2. CHARACTERISTICS AND DISTRIBUTION OF FOREIGN WORKERS IN INDONESIA

Distributed by province, foreign workers are more concentrated on Java Island especially in DKI Jakarta, Banten, West Java, Central Java and East Java. The total number of foreign workers working in these five provinces in 2005 was 92.3% of the total number of foreign workers, and five years later (2009) it became to 82%. Meanwhile, among the five regions on the Java Island, most of the foreign workers were located in the DKI Jakarta province, constituting 77% of the total. This is understandable since DKI Jakarta, as the center of government and center of economy of Indonesia, is where most head offices are located, either those of national companies or foreign investment companies. For most foreign workers working in the industrial estates around Jakarta such as in Tangerang and Bekasi, it is almost certain that they will prefer to live in Jakarta which provides complete facilities and infrastructures. In addition, as the center of economy, Jakarta also serves as the base for daily operations.

A very stark contrast compared with the number of foreign workers located outside Java, namely in the regions of Sumatera, Kalimantan, Sulawesi, Bali, Maluku and Papua. This is apparent from the number of foreign workers in the five regions/islands which was recorded at 7.7% in 2005 which increased to 18% in the next five years (2009).

Based on type of occupation, during the last five years (2005-2009), there was a shifting in the type of occupation (Table 2.5). The type of occupation that underwent a shift were consultants, professionals and technicians/operators. In 2005 and 2006, most of foreign workers in Indonesia served as consultant by amount to 15,000 – 21,000 people, but during period 2007 to 2009, the number of consultants decreased to about 3,000 people. On the contrary, foreign workers who served as the

professionals and technicians/operators jumped drastically, where in 2005 they were recorded as 8 people and 329 people respectively, but in 2009 increased to 16,000 and 11,000 respectively. This shifting maybe related to have been caused by the various consultants who were then recruited by those companies who hired them as professional workers. The job levels which also decreased in number were as the Directors which were occupied by foreign workers at the manager's levels. In addition, during the last two years, there was an increase in the number of foreign workers at the Technician level, which indicates the increasing demand for skilled workers to handle operational activities such as operating the machines and other specific skills.

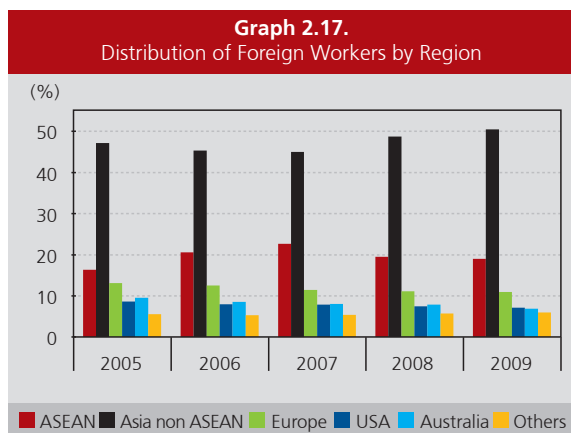
Distributed by region, majority of foreign workers in Indonesia came from the Asia regions, which constitute 70%, comprising 50% non-ASEAN and 20% ASEAN. Foreign workers originating from non-ASEAN countries mostly came from China with amount 9,384 people, followed by Japan (4,927) and South Korea (4,039 people), while foreign workers originating from ASEAN countries mostly came from Malaysia (3,355 people) and the Philippines (2,093 people). Outside the Asia regions, the foreign workers constituting a sizable segment mostly came from Europe, amounting to 10%, especially from France (991 people), followed by Germany (731 people) and the Netherlands (647 people).

No	Province	2005	2006	2007	2008	2009 (Jun)
1.	DKI Jakarta	18,935	22,098	21,803	27,160	29,190
2.	Riau Kepulauan	19	2,191	4,272	3,462	3,282
3.	Jabar	2,464	2,952	2,975	3,502	4,026
4.	Banten	1,223	1,500	1,610	2,152	2,395
5.	Bali	558	782	1,226	1,401	1,588
6.	Jatim	744	815	886	1,155	1,385
7.	Sumut	187	250	508	762	995
8.	Jateng	387	452	515	565	624
9.	Kaltim	270	273	332	420	409
10.	NTB	118	193	228	255	218
11.	Riau	397	873	182	193	253
12.	Kalbar	89	124	111	147	138
13.	Maluku Utara	103	73	104	158	139
14.	Sulsel	23	47	65	124	178
15.	Sumsel	20	44	67	77	82
16.	Sulut	18	24	55	116	158
17.	Sumbar	10	26	65	87	146
18.	Kalteng	16	55	64	64	61
19.	DI Yogyakarta	65	61	67	70	100
20.	Kalsel	21	31	44	58	52
21.	Jambi	31	27	22	37	23
22.	Lampung	23	36	26	48	53
23.	Maluku	5	6	17	44	231
24.	Nanggroe Aceh	0	1	17	102	108
25.	Sultra	13	18	17	93	42
26.	Papua Barat	1	6	26	9	9
27.	Bengkulu	5	3	12	24	23
28.	Irian Jaya Barat	0	0	10	2	3
29.	Bangka-Belitung	0	1	4	24	239
30.	Papua	6	8	8	126	21
31.	NTT	11	3	8	12	22
32.	Aceh	10	6	5	3	3
33.	Sulteng	5	13	36	8	10
34.	Gorontalo	0	0	6	3	4
35.	Others	0	0	47	2	0
36.	Sulbar	0	0	3	3	3
37.	Papua Tengah	19	10	4	5	6
38.	Papua Timur	2	2	2	6	7
	Other			47	2	
TOTAL		25,798	33,004	35,449	42,479	46,226

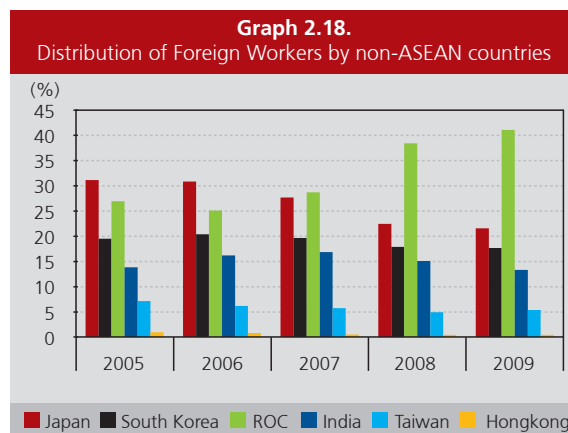
Source: Ministry of Manpower and Transmigration

Period	2005	2006	2007	2008	2009 (Jun)
Consultant	15,537	21,466	3,449	3,109	3,303
Directors	7,341	6,975	3,392	3,822	4,025
Commissioner	0	9	283	325	373
Manager	2,581	2,572	6,479	8,162	8,438
Professional	8	515	15,080	14,437	15,894
Supervisor	2	569	3,194	2,984	2,825
Technicians	329	898	3,572	9,640	11,368
Total	25,798	33,004	35,449	42,479	46,226

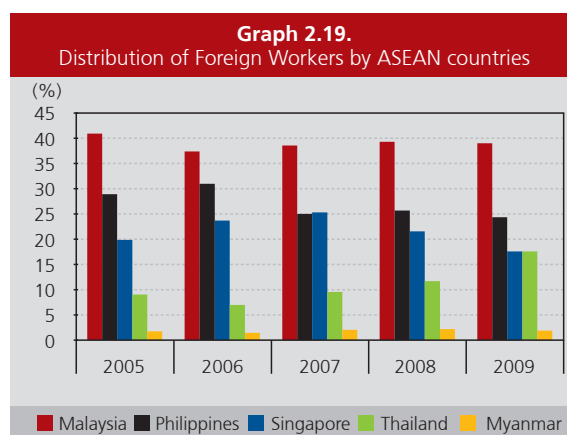
Source: Ministry of Manpower and Transmigration



Source: Ministry of Manpower and Transmigration



Source: Ministry of Manpower and Transmigration



Source: Ministry of Manpower and Transmigration

2.4.3. POLICIES RELATED TO FOREIGN WORKERS UTILIZATION IN INDONESIA

The legislation related to the issues of foreign workers was first published in 1958 with the enactment of Law Number 3, 1958 regarding the Placement of Foreign Workers. The issuance of this law was prompted by the thought that it was important to protect the market of Local Worker from a raid of foreign workers as was stated in the preamble of the Law, namely *...that to guarantee an appropriate portion of the job opportunities in Indonesia for the Indonesian citizens, it is necessary to create a regulation to oversee the utilization of foreign workers in Indonesia*. Further, in Law number 3/1958, it was decided that every employer who intends to employ foreign workers is obligated to request for a permit to the Minister first.

The spirit and endeavor to provide the widest opportunity to the local workers and to restrict the utilization of foreign workers is also reflected in Law Number 1 of 1967 regarding Foreign Investment (PMA). In this law, it was mentioned that **“Foreign investment companies are obligated to fill the need for work force by utilizing Indonesian citizens except for those positions that cannot be filled by Indonesian citizens”** (articles 10 and 11). In the Law Number 1/1967, in addition to the obligation to prioritize the utilization of local worker, companies are also obligated to *“provide training and education facilities in and/or outside the country on a regular basis and*

in a well-coordinated way for the Indonesian citizens with the objective of gradually replacing the foreign workers with the Indonesian citizens” (article 12). Further, in line with Foreign Investment Law, the stipulation to utilize local work force was also applied when the Law Number 6 of 1968 regarding Domestic Investment (PMDN) was issued, where one of the articles stipulates: **“Companies, be they national or foreign, are obligated to utilize experts of Indonesian nationality, except for those positions that still cannot be assumed by Indonesian citizens...etc** (article 19).

The stipulation and regulation related to the utilization of foreign workers were subsequently renewed in 1995 with the issuance of Presidential Decree number 75, 1995 regarding *The Utilization of Work force of Incoming Foreign Citizens*. The spirit behind the issuance of this Presidential Decree remains the same as the previous legislation, namely to protect and to improve the job opportunities of the local worker. However, the different with the earlier legislations is that this Presidential decree regulates, among other things, details of the job positions/occupations which are open/closed for foreign workers based on the ownership of the company investment (Indonesian/foreign), the obligation to implement programs to replace foreign workers with local workers, the obligation to nominate Indonesian Workers to be the Understudies for those positions assumed by foreign workers.

In 2000, the Minister of Manpower issued the Ministerial Decree Number 173 regarding the Duration of Permits for the Employment of Incoming Foreign Workers. The main point regulated in this Ministerial Decree is that foreign workers can work in Indonesia as long as they are requested by the user and/or sponsor who has obtained the permit by the relevant institution in line with its line of business.

Similarly, the issuance of Law Number 13, 2003 regarding Work force provides further clarity of the government’s position in responding to the inflow of foreign workers. This law, which has driven much controversy as it is suspected to have sided too much with the business owners, strictly and clearly regulates the utilization of foreign workers in a separate chapter (Chapter VIII). The regulation ranges from the obligation of the employer utilizing the foreign workers to obtain a written permission; to have a plan of utilization of foreign workers which specifies the rationales, types of occupation, and the durations for the utilization of foreign workers; the obligation to nominate Indonesian workers to be the understudies of the foreign workers; to the obligation to repatriate the foreign workers to their countries of origin after the completion of employment.

In addition, the spirit to protect the Indonesia’s labor market from the influx of Foreign Workers is even more felt with the issuance of the Regulation of the Minister of Manpower and Transmigration Number Per.02/Men/III/2008 regarding the Procedure of the Utilization of Foreign Workers. This Minister’s Regulation specifies, among other things, the requirements for the foreign workers to be employed, namely:

- a. They must possess the education level and/or work experience of at least 5 (five) years in the field relevant to positions to be occupied.

- b. They must be willing to make a statement that they will transfer their expertise/know-how to the Indonesian workers, especially the understudies, and
- c. They must be able to communicate in the Indonesian Language

From the above elaboration, it is obvious that basically, since the establishment of this Republic, the government has been aware of the unavoidable global competition in the labor market so that it feels the need to prepare and issue regulations with the intention of regulating and overseeing the utilization of foreign workers. In addition, this policy is also intended to provide the opportunity for the Indonesian workers to get decent jobs within the legal territories of Indonesia and at the same time to reduce the dependency in the utilization of foreign workers.

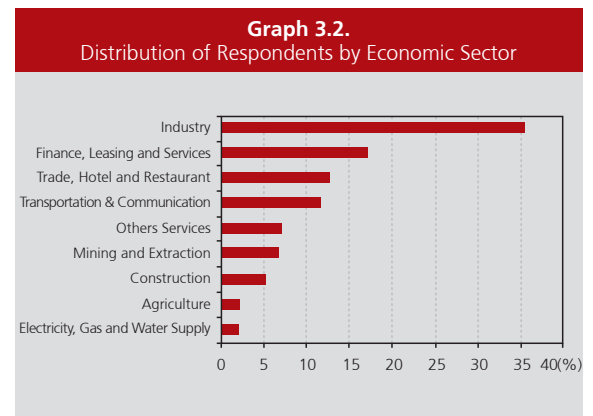
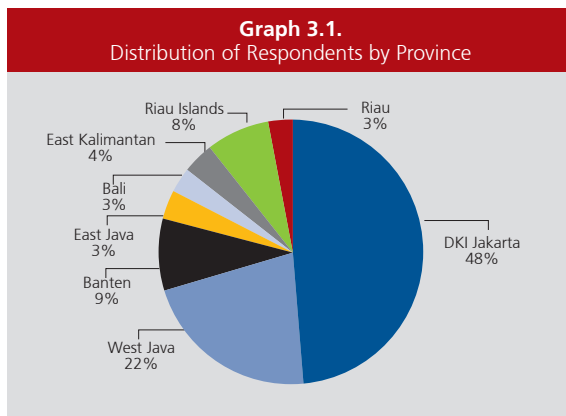
PROFILE OF RESPONDENT FOREIGN WORKERS

In this chapter we present the field survey result to know the profile of the Foreign Workers who became our respondents. This survey was done in 8 regions which were recorded as having the biggest population of foreign workers in Indonesia (source: Ministry of Manpower and Transmigration). From the implementation and development in the field, the number of foreign workers who we managed to interview was 428 people from the targeted 400 people. However, after we did data cleansing, the number of respondents which were considered reliable to become survey sample was 365 people.

3.1 RESPONDENT'S PROFILE

Distribution of Respondents by Province: the main foreign worker respondents were located in DKI Jakarta Province.

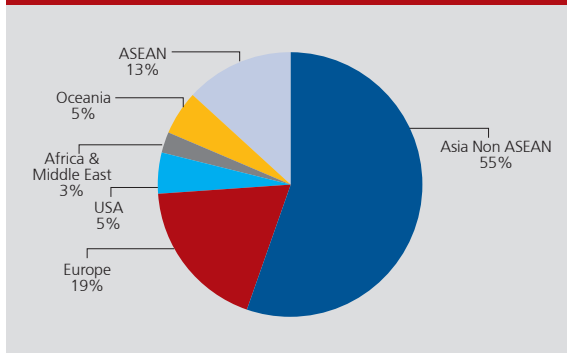
Based on their work locations, the majority of respondents were located on the Java Island (83%), primarily in DKI Jakarta Province (48%), followed by the West Java (Graph 3.1). The determination to use the distribution based on location makes reference to the official data issued by the Ministry of Manpower and Transmigration (Kemenakertrans).



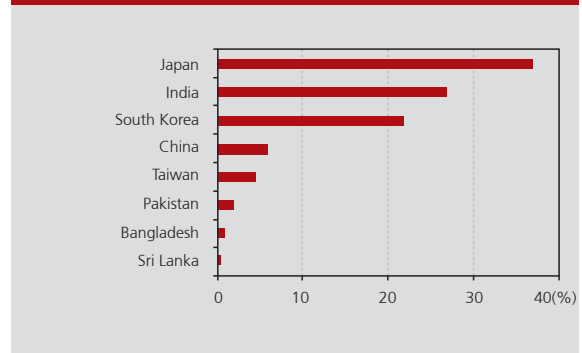
Distribution of Respondents by Economic Sectors: the majority of respondents worked in the manufacturing industry sector.

Although the agricultural and trade sectors are the sectors that absorb the most workers, the majority of foreign workers are much needed in the manufacturing industry (35.4%), followed by the finance, leasing and services (17.1%) and the trade-, hotel and restaurant sectors (12.7%). This was probably related to the high demand in Indonesia for experts in these sectors, especially in the industrial estates that employ high technology. On the other hand, that condition also reflects the lack of supply of domestic workers who meet the qualification to work in these sectors (Graph 3.2).

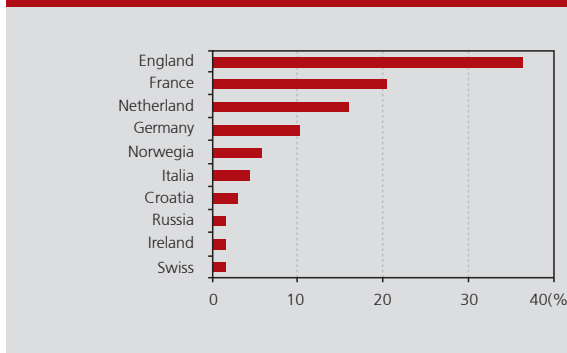
Graph 3.3.
Distribution of Respondents' Nationality by Regions of Origin



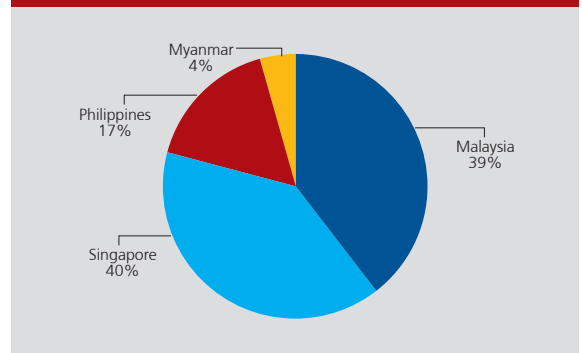
Graph 3.4.
Distribution of Respondents from Asia regions outside ASEAN



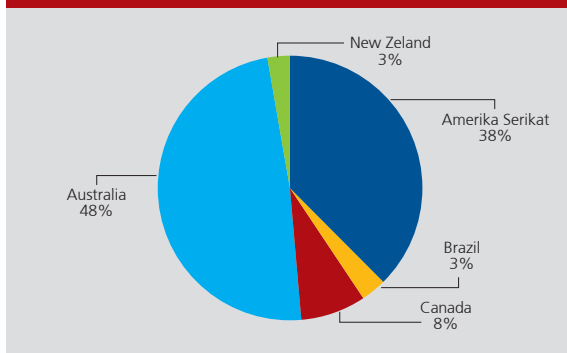
Graph 3.5.
Distribution of Respondents' Nationality from European Regions



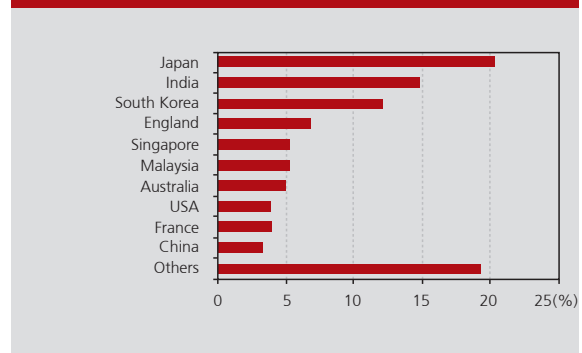
Graph 3.6.
Distribution of Respondents' Nationality from ASEAN Regions



Graph 3.7.
Distribution of Respondents from Oceania and America Regions



Grafik 3.8.
Distribution of Respondents' Nationality

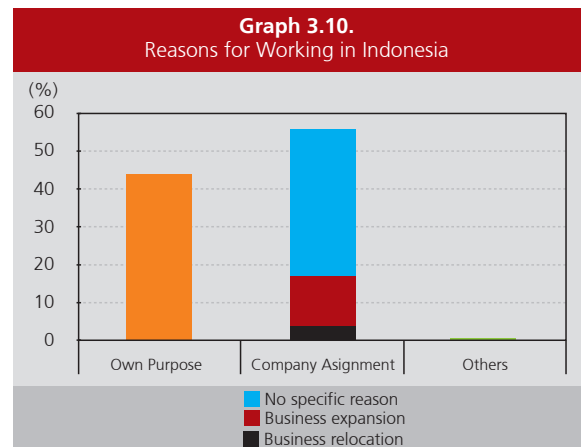
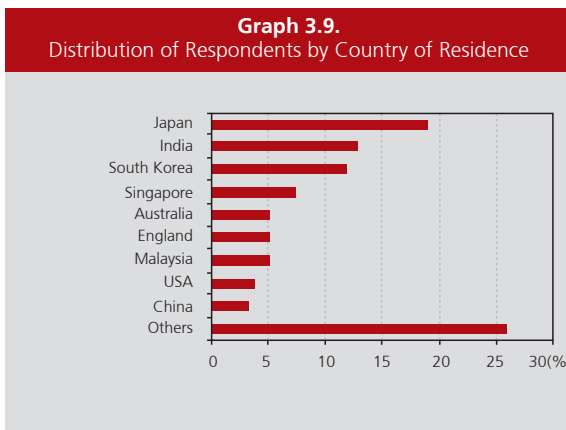


Distribution of Respondents by Region of Origin and Country of Residence: most respondents came from the Asia non ASEAN regions and mostly Japanese.

The characteristic of the foreign workers based on region demonstrates various snapshots. The majority of respondents came from Asia regions outside ASEAN (55%), followed by Europe (19%), ASEAN (13%), Oceania and America (USA) (5% respectively), while the number from the regions of Africa and Middle East was very small, namely only about 3%. For those who came from Asia regions outside ASEAN, most came from Japan (37%), India (27%) and South Korea (22%). In the meantime, for the European regions, most respondents came from England (36.2%) and France (20.3%). From the ASEAN region, respondents mostly came from Singapore (40%) and Malaysia (39%). On a composite basis, the spread of foreign workers based

on nationality was dominated by Japan (20.4%), followed by India (14.9%) and South Korea (12.1%). This condition is different from the data composition of foreign workers obtained from the Ministry of Manpower and Transmigration which stated that the majority of foreign workers were from Chinese nationality. This is because of the characteristic of the foreign workers from China who typically work in the trade sector and tend to be more homogeneous and mostly work in small companies.

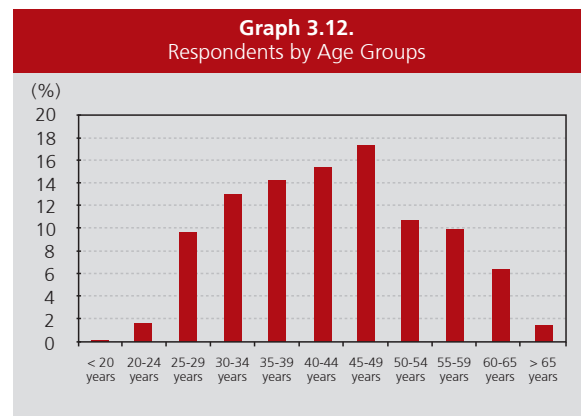
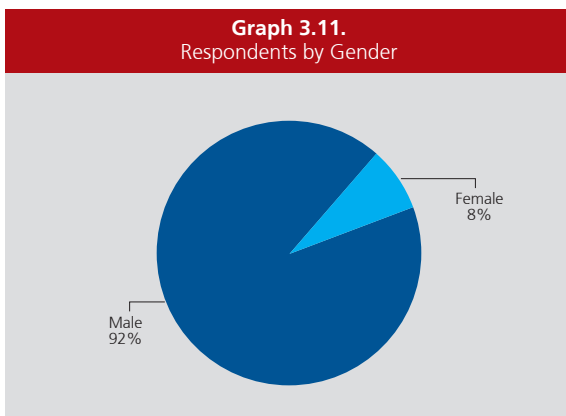
Consistent with the composition of spread by nationality, viewed from their countries of residence, most of the respondents resided in Japan (19.0%), followed by respondents who resided in India (13.0%), South Korea (11.9%) and Singapore (7.4%).



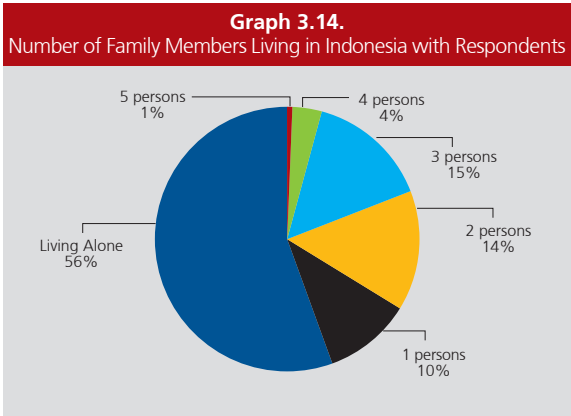
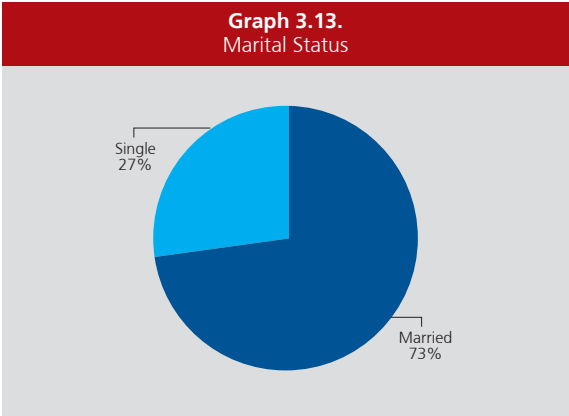
The Reasons of Foreign Workers to Work in Indonesia: almost equal between assignments and own initiatives.

Most of the respondents stated that they worked in Indonesia because of assignment by their companies (55.9%), whether it was an assignment without specific reasons (38.7%) or an assignment due to business expansion (13.6%) and business relocation (3.5%). Nevertheless, the proportion of respondents who worked in Indonesia due to company assignments was almost equal to those who did so out of their own will (43.9%). This demonstrates that Indonesia has become one of the favored destinations for the international job seekers.

By Gender, Age and Marital Status: mostly male, age between 45 – 49 years and married.



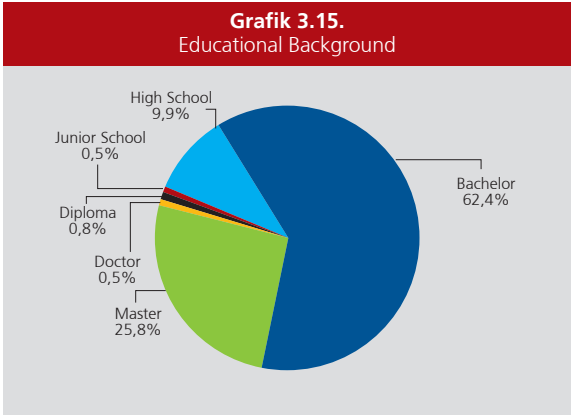
Most of the foreign workers who became respondents to this survey were male and were predominantly aged 40 – 44 years and 45 – 49 years, married and generally were not accompanied by their families while living in Indonesia (56%). From the 44% respondents who stated that they lived in Indonesia with their families, their average family size was 1 – 3 people.



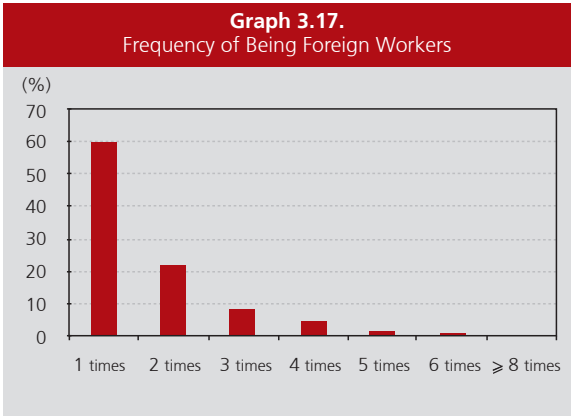
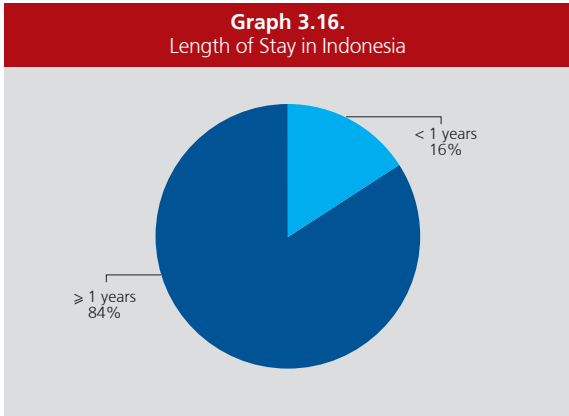
In terms of educational background: the majorities were Bachelors and Masters Degrees.

Most of the foreign workers had attended universities and possessed academic titles of Bachelors (62.4%), Masters (25.8%) and even Doctors (0.5%). This supported the fact that, generally, foreign workers working in Indonesia at least occupied the managerial positions or worked as technicians/professionals, which required quite a high skill level in the respective discipline.

However, there were foreign workers who came from only Senior High School or even Junior High School levels (10.4%). They mostly worked in the manufacture industries and the majority of them occupied the positions as professionals or managers.

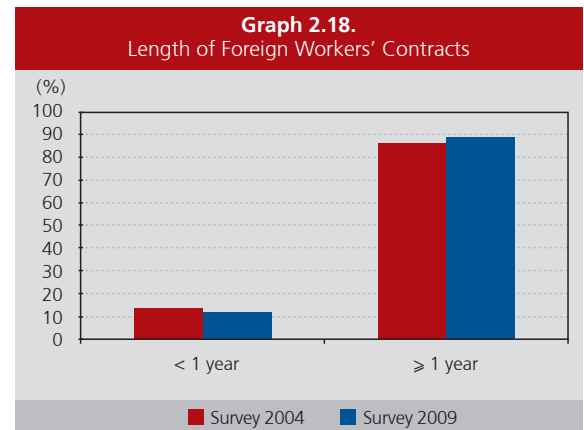


3.2 CHARACTERISTICS OF RESPONDENTS' OCCUPATION



Terms and Frequency of Employment as Foreign Workers: the majority of foreign workers had lived in Indonesia for more than 1 year and had been Foreign Workers for the first time.

84% of respondents stated that they had lived in Indonesia, on average, for more than 1 year. Based on the frequency of being on foreign workers' status, most respondents stated that it was their first occasion of being foreign workers in Indonesia (60.1%), while 22.1% and 8.7% stated they had been foreign workers in Indonesia for the 2nd or 3rd time. This indicates that most of the foreign workers had been under long term contracts with their companies or had extended their contracts several times with the same companies.



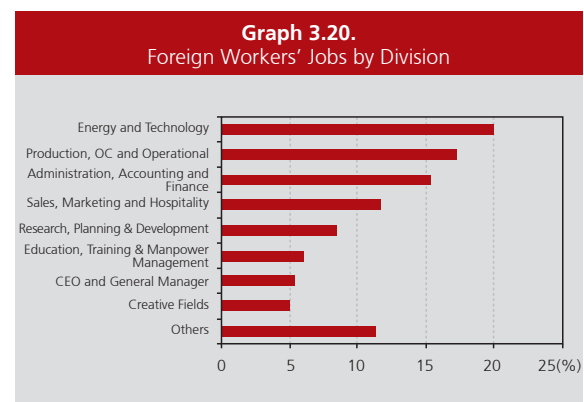
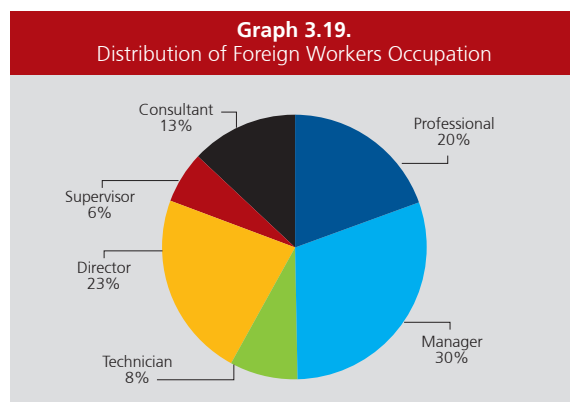
Foreign Workers' Contract Duration: 88% of respondents were under contracts of 1 year or longer, while the remainder had contracts of less than 1 year.

Compared to the 2004 survey results, the composition of foreign workers based on duration of contracts had changed. Most of the respondents stated they were under contracts to work in Indonesia for 1 year or longer (88%), while those under contracts of less than 1 year constituted only 12% (Graph 3.18).

This change in composition resulted in the adjustment of the assumption of the number of foreign workers under contracts of 1 year or longer being used to calculate the estimated value of WR outflow, from previously 85.5% to 88%. In parallel with that, the assumption of the number of foreign workers under contracts of less than 1 year, used to calculate the estimated value of Compensation of Employees (CoE) outflow, changed from previously 14.5% to 12%.

Type of Occupation and Division: Most foreign workers occupy managerial positions and work in the divisions related to technology and engineering.

Based on their job positions, most of the foreign workers occupy the positions of Managers (30%) or Directors (23%) in the companies where they worked. In addition, there were quite many foreign workers who worked as professionals (20%). The majority of foreign workers work in divisions related to technology and engineering (19.9%), production quality control and operational (17.3%) as well as administration, accounting and finance (15.3%). Their dominance in the occupations related to technology is consistent with the educational background of the foreign workers who were, on average, university graduates.



This page is intentionally blank

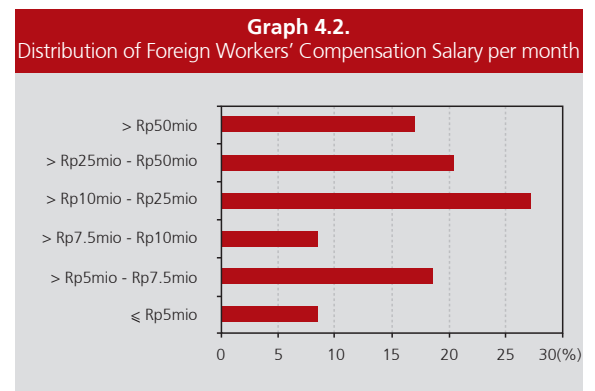
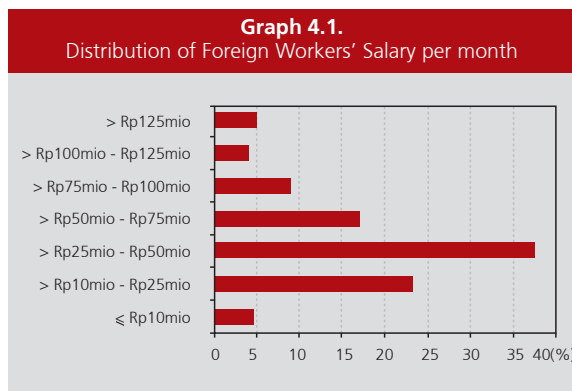
FOREIGN WORKERS' SALARY AND REMITTANCE PATTERNS

In this chapter we present about the salary and patterns of remittance by the foreign workers. The findings related to salaries and remittance patterns consist of a number of issues, among others: salary treatment, utilization of salaries, value and frequency of remittance, percentage of remittance against salary, modes of remittance and the role of banking, and the cost of remittance.

4.1 SALARY TREATMENT

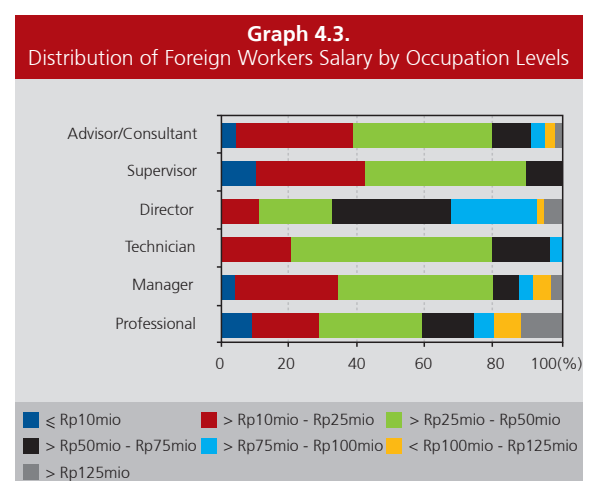
The Salary and Functional Allowance received by foreign workers: the majority received regular salaries in the range between Rp25 million and Rp50 million and compensation in the range of Rp10 million and Rp25 million.

Based on the survey result, in Graph 4.1 it is obvious that most of the foreign workers (38%) received salaries ranging from Rp25 million to Rp50 million. The next biggest group is those foreign workers whose salaries ranged from Rp10 million to Rp25 million (23%), followed by those receiving from Rp50 million to Rp75 million (17%). In addition to salary (Graph 4.2), approximately 16% of respondents stated that they received functional allowance, which mostly ranged from Rp10 million to Rp25 million (27%).



Salaries Based on Levels Occupation: in general, the salary received by Foreign Workers occupying occupation level of Directors were relatively higher than that received by other occupations.

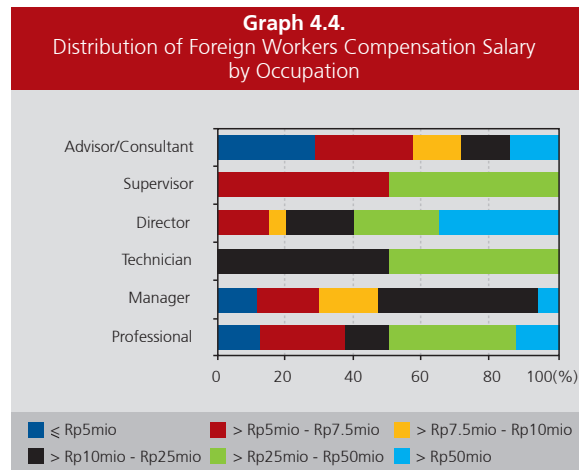
The majority of foreign workers occupying the positions of Director received salaries which were above the average of other foreign workers' salary (Rp25 million – Rp50 million), namely ranging from Rp50 million to Rp75 million (35%), followed by those ranging from Rp75 million to Rp100 million (25%). In the survey, we could not even find Directors with salaries below Rp10 million (Graph



4.3). However, viewed from the percentage of occupations receiving the highest salary, namely above Rp125 million, the majority was the professional foreign workers (12%), compared with foreign workers occupying Director's positions at only 6%.

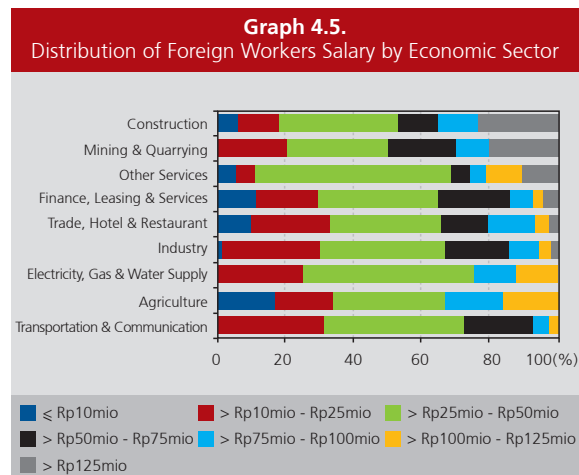
Compensation Salary based on Occupations: respondents receiving the highest compensation salary (more than Rp50 million) were those at Director's level (35%).

Consistent with the level of salary received, from Graph 4.4 it is obvious that the majority of the respondent foreign residents occupying the Director's positions also received the highest compensation salary (35%). Further, another occupation which received quite high compensation salary was Consultants (14%), and Professionals (13%). In the meantime, among the Consultants group there were quite a few who received low compensation salary (less than Rp5million), namely 29%.



Salaries by Economic Sector: the Construction- and Mining and Extraction sectors were the sectors which received the highest salary most (above Rp 125 million).

Based on the salary received for each economic sector (Graph 4.5), we found the fact that the economic sector that enjoyed the highest salary (more than Rp125 million) was the Construction sector (24%), followed by the Mining and Extraction sector (20%). In the meantime, the sector that received the lowest salary (less than Rp10 million) were mostly in the Agricultural sector (17%) and the Finance, Leasing and Services sector (11%).

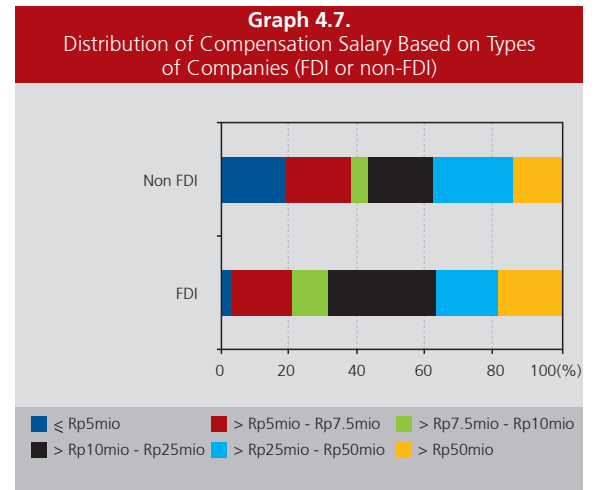
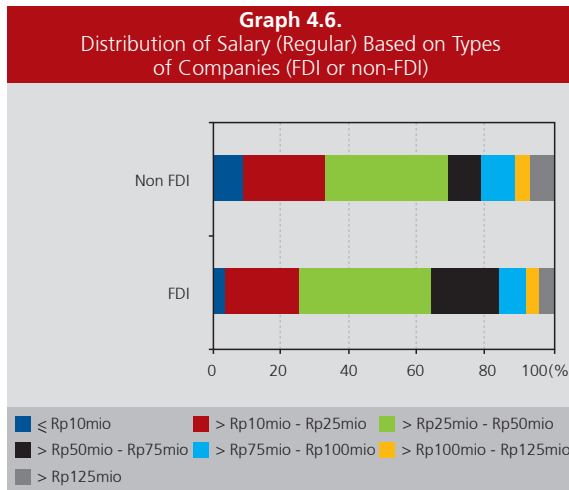


Salary and Compensation Salary Based on Types of Company (FDI and non-FDI): The salary of foreign workers who worked in FDI companies were relatively higher compared with the salary of foreign residents working in non-FDI companies.

The majority of Foreign Workers respondents whether they worked in FDI companies or non-FDI companies received almost the same salary scales, namely ranging from Rp25 million to Rp50 million. Nevertheless, based on the percentages of respondents, FDI companies which paid their foreign workers between Rp50 million and Rp75 million constituted a higher percentage (20%) compared with non-FDI companies (10%) as revealed in graph 4.6.

Likewise, in terms of giving compensation salary, most of the respondents who worked in FDI companies received higher compensation salary compared to those who worked in non-FDI companies (Graph 4.7).

As an illustration, the respondents who received compensation salary of more than Rp50 million who worked in FDI companies constituted 18%, while those who worked in non-FDI companies constituted only 14%. In the meantime, on the other side where the level of salary was lower, respondents who received compensation salary of less than Rp5 million who worked in FDI companies only constituted 3%, while those who worked in non-FDI companies constituted 19%.

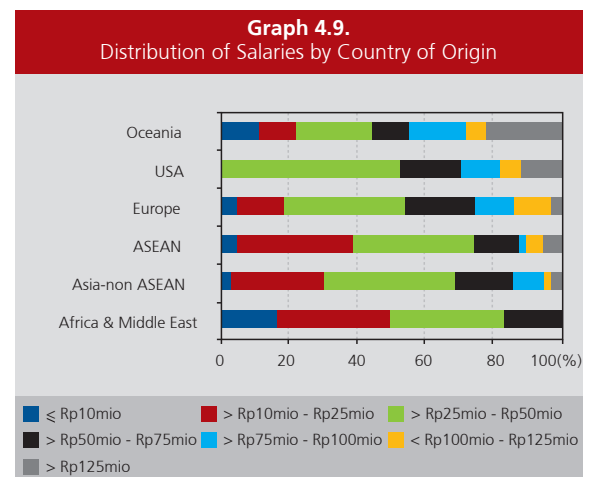
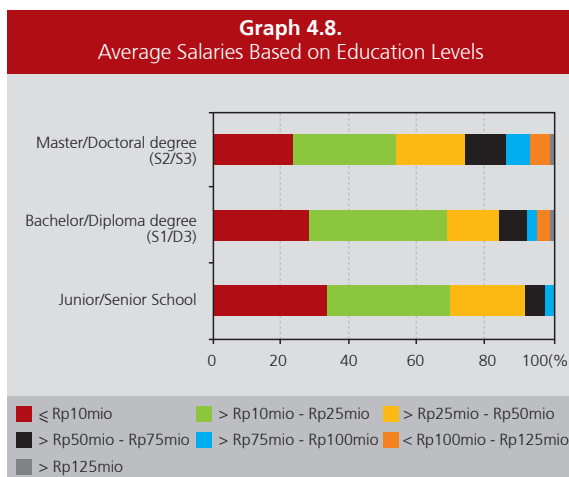


Salary Based On Education Level: Foreign workers with higher education levels (Masters/Doctors) tend to receive relatively higher salary compared with those with lower education levels.

In graph 4.8, it is obvious that foreign workers with Masters/Doctors education levels (S2/S3) tend to receive salary compared with the salary of those with Bachelors (S1) and Senior High School educational levels, namely Rp50 million – Rp75 million(12%), Rp75 million- Rp100 million (5%) and Rp100 million – Rp125 million (6%). Nevertheless, we also found the fact that for all levels of foreign workers’ education, there were quite a few who received less than Rp10 million.

Salary Based on Country of Origin: respondents originating from America (US) received higher salaries on average compared with others.

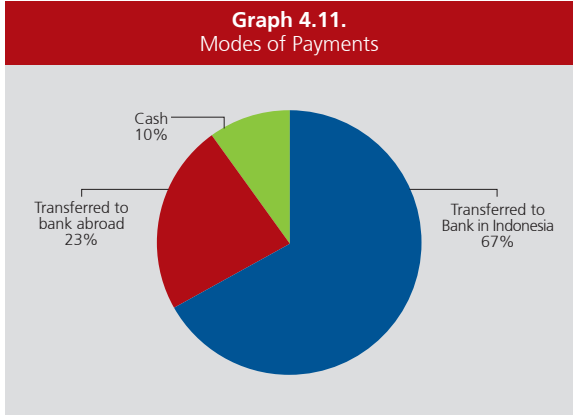
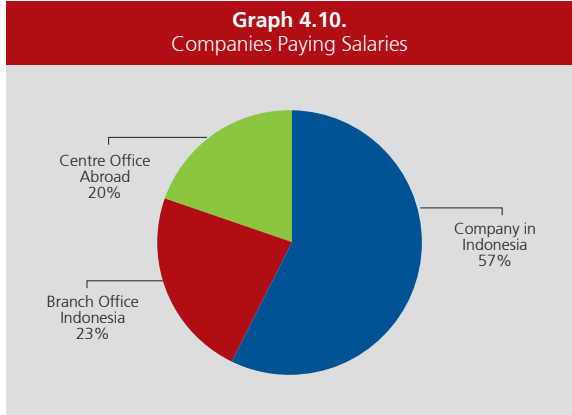
Based on the amount of salary received, approximately 50% of respondents with US nationality receive higher earnings (on average), namely Rp25million – Rp50 million (Graph 4.9). In addition, foreign workers



who received the highest salaries of Rp125 million were from Oceania (22%). On the contrary, there were quite foreign workers originating from Africa and the Middle East who received less than Rp10 million (17%).

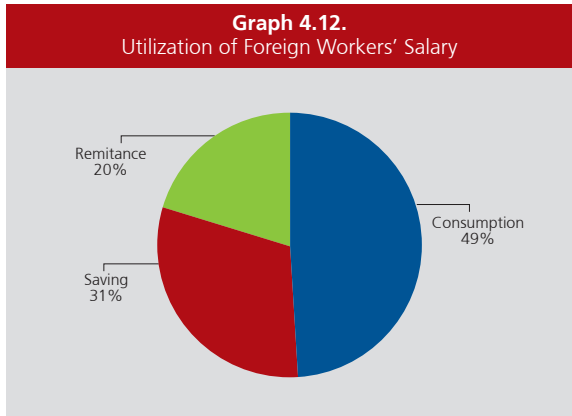
Companies Paying Salaries and Modes of Payment: most of foreign workers were paid by companies in Indonesia (57%) and the majority was done by transferring to bank accounts in Indonesia (67%).

In the meantime, the percentage of respondents whose salaries were paid from the headquarters overseas was only 20%. Considering that most of the source of payments of salary were originally from within Indonesia and the receiving accounts were also at the banks located in Indonesia, it is reasonable to assume that the salaries paid to the foreign workers will have some impact to the domestic economy, especially in driving consumption.



4.2 THE UTILIZATION OF SALARY

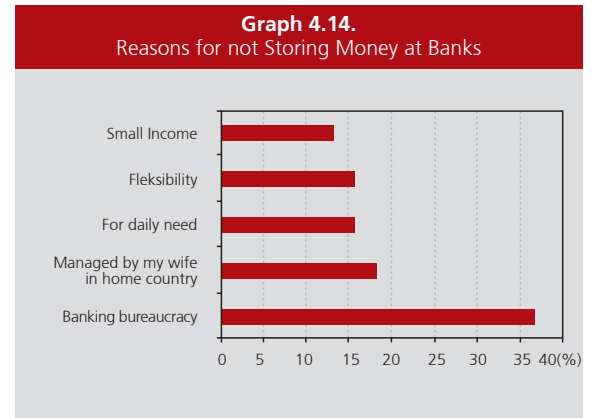
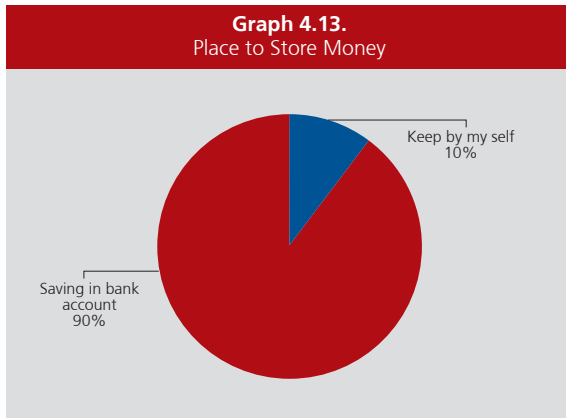
In the utilization of salary, 49% the salary received by foreign workers was used for consumption, the remainder was saved (31%) and remitted to their countries of origin (20%). The biggest item of consumption was food, followed by entertainment, recreation and sports.



No	Types of Spending	Rank
1	Food	87%
2	Entertainment	58%
3	Traveling/Recreation	45%
4	Sport	34%
5	Rent House	22%
6	Transport	22%
7	Clothes	21%
8	Children Education	18%
9	Shopping	17%
10	Daily need	7%
11	Health	7%
12	Car	5%
13	Staf Home (driver, dom help)	5%
14	Communication	4%
15	Others	4%

Saving of Money: the majority of respondents saved their money at banks

The higher the education level of the foreign workers and the more advanced the world's financial system, most of the foreign workers tend to save their money in banks (90%) and only 10% kept their on their own (Graph 4.13).

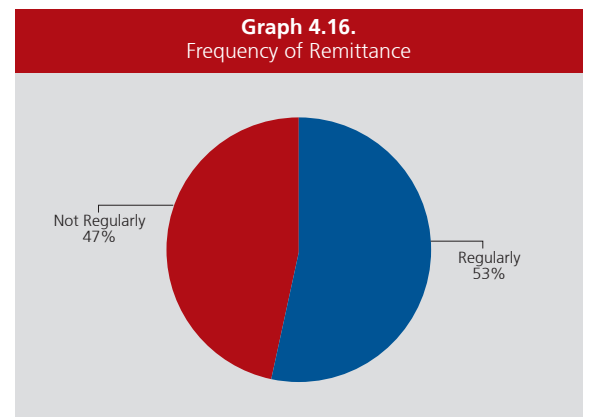
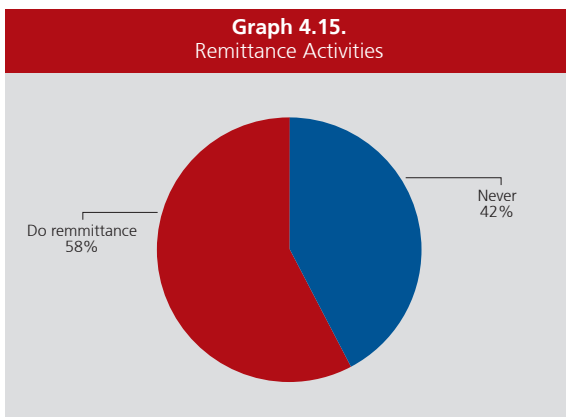


Upon further investigation, the reasons of respondents for not saving their money in banks varied quite considerably (Graph 4.14). Most of the respondents mentioned the banking bureaucracy as the main reason for not storing their money in banks (37%). This was probably related to their busy schedule of work and their reluctance to prepare the required documents such as visa, stay permit card, etc. The other reason which was quite dominant was that foreign workers preferred to keep their money in their countries of origin so that the funds could immediately be managed by their spouses or other relatives for business purposes (18%).

4.3 VALUE AND FREQUENCY OF REMITTANCE

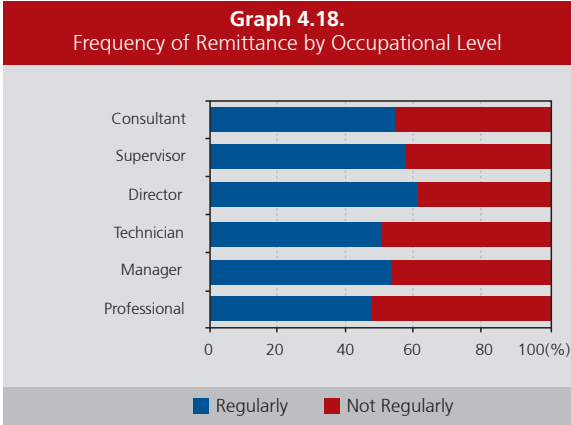
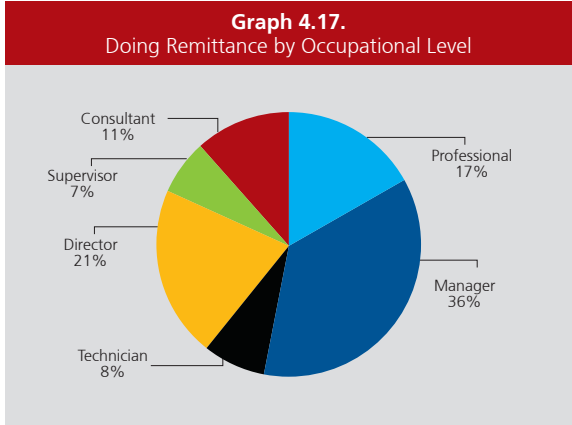
Frequency of Remittance: the majority of respondents made remittances to their countries of origin.

The majority of respondents (58%) made remittances to their countries of origin (Graph 4.15). Additionally, 53% of the respondents stated that they made remittances on a routine basis (Graph 4.16).



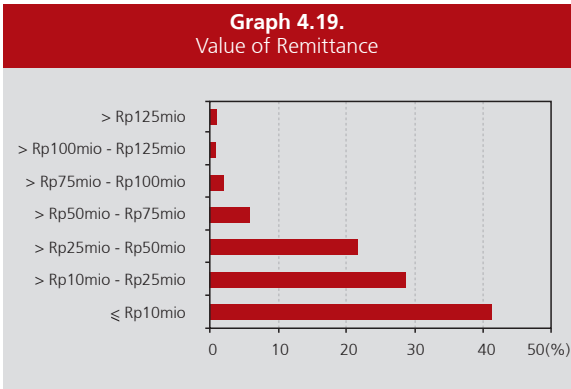
Remittance Based on Occupation: Foreign Workers in Manager’s position tend to make the most remittances

Viewed from the occupational levels, respondents who made remittances were mostly at the Manager’s level (36%) and Director’s level (21%). With regards to the frequency of remittance (Graph 4.18), those in the Director’s positions made the most remittances on a routine basis (60%), while the occupational level that made the least remittances on a routine basis were the Professionals (47%).

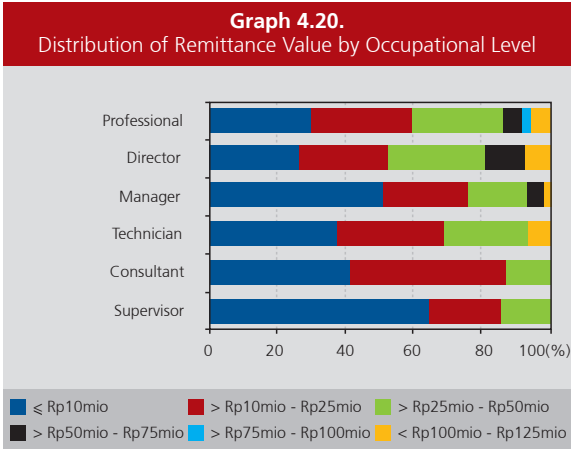


The Value of Remittances: most remittances were of less than Rp10 million in value

The average value of remittance made by respondents were less than Rp10 million (41%). Compared with the average salary of Foreign Workers which was Rp25 million – Rp50 million, the proportion of salary which was remitted to their countries of origin ranged between 20% and 40%.



Based on their occupational levels, the number of respondents who made the most remittances with the value of less than Rp10 million were Supervisors (64%). In the meantime, in the occupational level of Professionals, only 5% of respondents made remittances of more than Rp125 million in value.



Values of Remittance based on Country of Origin: US Foreign Workers tend to make remittances in quite big amounts

From graph 4.21, it is obvious that US Foreign Workers tended to make remittances in quite big amounts. The average value of remittance which were made by US foreign workers mostly ranged between Rp10 million and Rp25 million (56%) and between Rp25 million and Rp50 million (22%), while those in the category of less than Rp10 million constituted only 11%. Apart from those, the respondents who also tended to make remittances in big amounts were those from ASEAN countries, with the highest range of remittances ranging from Rp10 million to Rp25 million (36%), and then from Rp25 million to Rp50 million (28%), and then from Rp50 million to Rp75 million (11%).

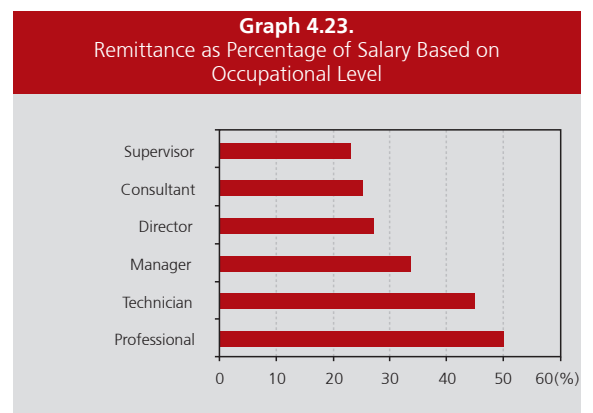
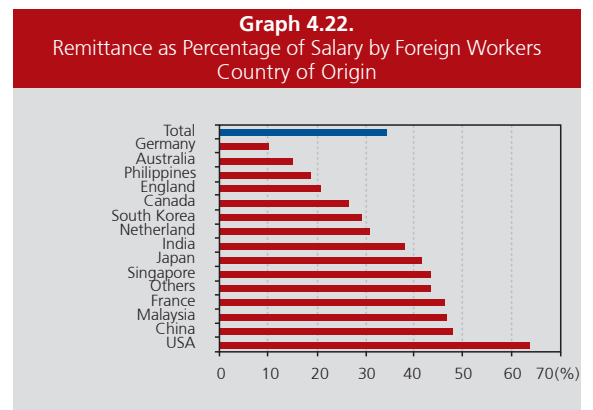
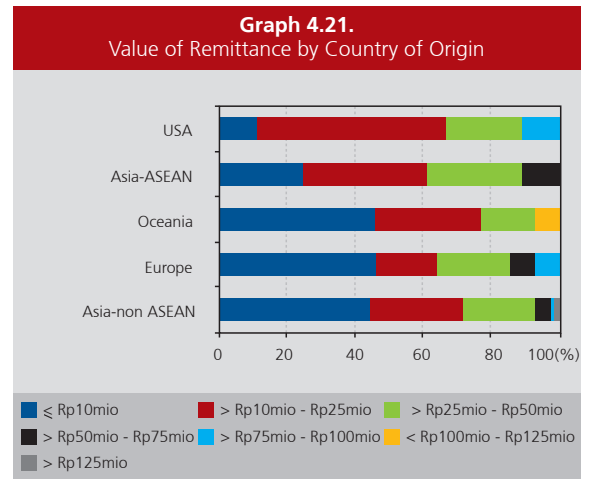
4.4 PERCENTAGE OF REMITTANCE AGAINST SALARY

Percentage of Remittance: 34.2% of salary on average

The average percentage of remittance against salary done by all respondents was 34.2% of salary, a slight decline compared to the 2004 foreign workers survey result of 38.7% (Graph 4.22). Based on their countries of origin, the highest percentage of remittance was made by foreign workers from USA (63.6%), while the lowest was made by those from Germany (10%).

Percentage of Remittance by Occupational Level: Professional foreign workers made the highest remittance as percentage against salary

Foreign Workers with Professional positions made the highest remittance as percentage against salary, namely 49.9%, while those who made the lowest remittance were the Supervisors, namely 23.1% (Graph 4.23).



Comparison of survey results from 2 periods (2004 and 2009): the percentage of remittance against salary by nationality in the most parts showed a decline compared with the 2004 survey result.

Compared with the 2004 survey result, the 2009 survey results (table 4.2) demonstrates that the biggest decline in remittance occurred in British, Australian and Philipino foreign workers, a significant increase occurred in French foreign workers.

Table 4.2.
Comparison of Remittance as Percentage of Salary, by Nationality between 2004 and 2009 Survey

No	Nationality	2009	2004	Diff
1.	USA	63.6	73.9	-10.3
2.	China	47.8	48.9	-1.1
3.	Malaysia	46.8	47.5	-0.7
4.	France	46.3	25.8	20.4
5.	Singapore	43.3	46.1	-2.9
6.	Japan	41.3	28.6	12.7
7.	India	37.7	33.4	4.3
8.	Netherland	30.7	15.0	15.7
9.	South Korea	29.0	37.8	-8.8
10.	Canada	26.3	30.0	-3.8
11.	England	20.6	51.3	-30.7
12.	Philippines	18.6	42.8	-24.2
13.	Australia	14.9	44.4	-29.6
14.	Germany	10.0	15.5	-5.5
15.	Other Countries	43.4	39.3	4.1
TOTAL		34.2	38.7	-4.5

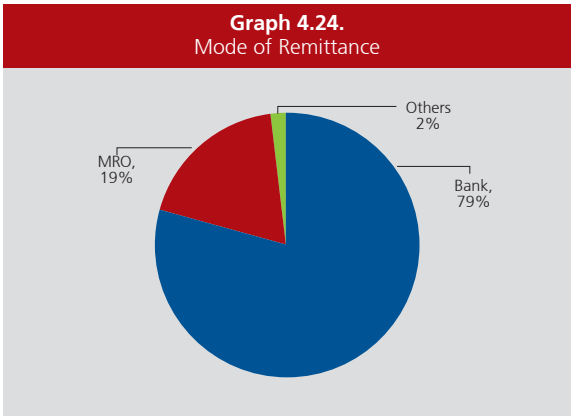
Table 4.3.
Comparison of Remittance as Percentage of Salary by Occupation, between 2004 and 2009 Survey

No	Occupation	2009
1.	Professional	49.9
2.	Technician	44.8
3.	Manager	33.7
4.	Director	27.0
5.	Consultant	25.1
6.	Supervisor	23.1
Total		34.2
Occupation		2004
1.	Leader and senior manager	52.0
2.	Technician and Specialist Assistant	36.6
3.	Specialist/professional	27.4
Total		38.7

4.5 MODE OF REMITTANCE AND THE ROLE OF BANKING

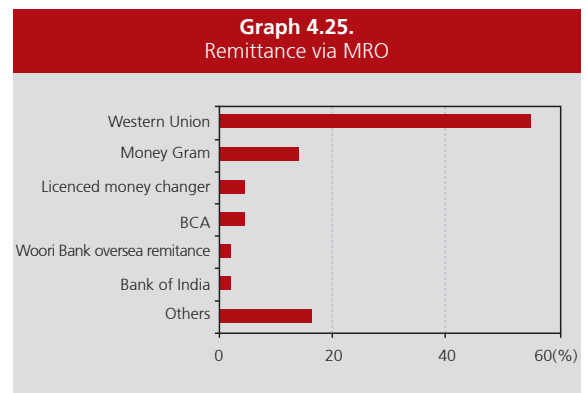
Mode of Remittance: the majority of remittances made to the countries of origin were made through the banking channels

Based on the mode of remittance used by foreign workers, we found the fact that around 79% of foreign workers used the banking channels (79%), and the remainders (19%) used the Money Remittance Operator (MRO) channel (Graph 4.24).



Money Remittance Operator (MRO): the majority of remittance using the MRO channels used Western Union.

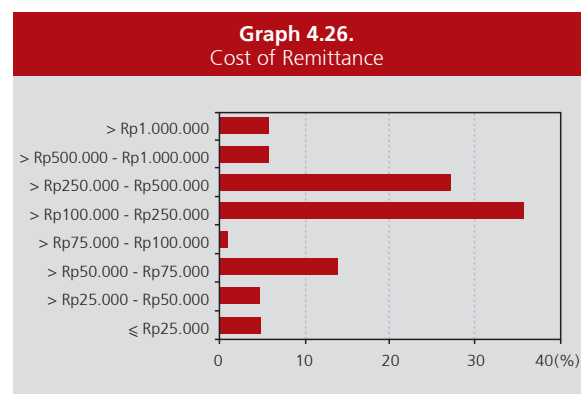
Based on the types of MRO being used by foreign workers (graph 4.25), Western Union still dominated as the most used remittance service provider other than banking (55%), followed by Money Gram (14%).



4.6 COST OF REMITTANCE

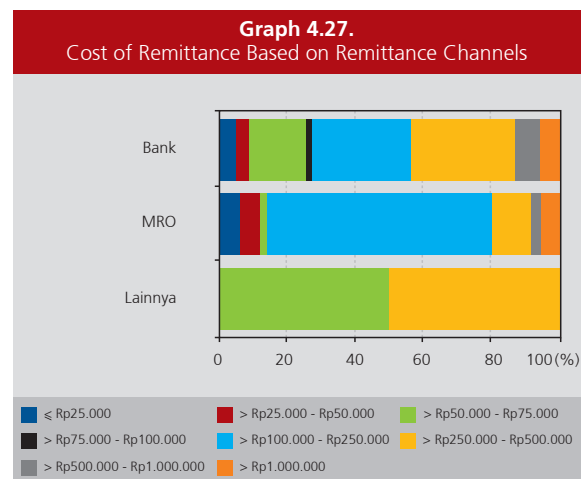
The Cost of Remittance: on average, the cost of remittance mostly ranged from Rp100 thousand to Rp250 thousand.

The cost of remittance varied for each mode of remittance, from the lowest at Rp25 thousand to the highest at Rp1 million per remittance. This variance was driven by the nominal amount of remittance, namely the bigger the amount the higher the cost. From graph 4.26 it is apparent that the average cost of remittance ranged between Rp100 thousand and Rp250 thousand (28.1%).



Cost of Remittance by Remittance Channel: the average cost of remittance via banking channels were higher compared with Money Remittance Operator (MRO) and other channels.

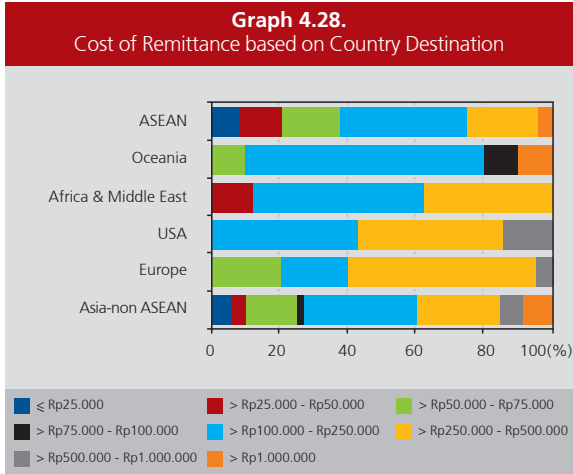
The average cost of remittance for each remittance through the banking channels ranged from Rp250 thousand to Rp500 thousand (31%) and from Rp100 thousand to Rp250 thousand (29%), more expensive compared with the average cost of remittance through MRO which mostly ranged from Rp100 thousand to Rp250 thousand (55%). Meanwhile, the average cost of remittance through other media (hand carried by friends) was relatively unvaried, namely between Rp50 thousand and Rp75 thousand (50%) and between Rp250 thousand and Rp500 thousand (50%).



Cost of Remittance based on Country Destination:

on average, the cost of remittance to Europe and the US was more expensive compared to the cost of remittance to other countries.

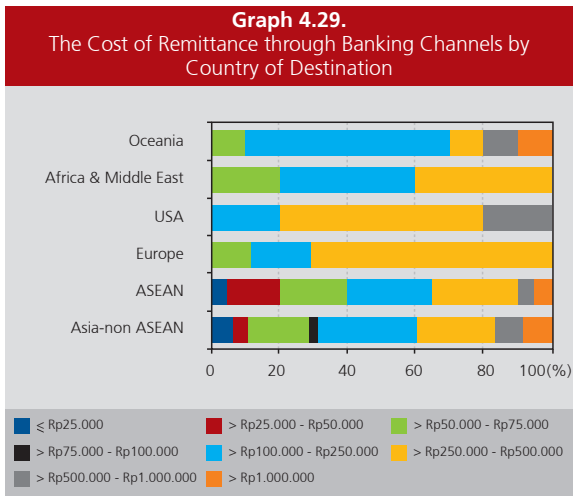
The average cost of remittance to European regions in most cases ranged from Rp250 thousand to Rp500 thousand (55%), while the average cost of remittance to the United States in most cases ranged from Rp250 thousand to Rp500 thousand (43%).



The Cost of Remittance through Banking Channels by Country of Destination:

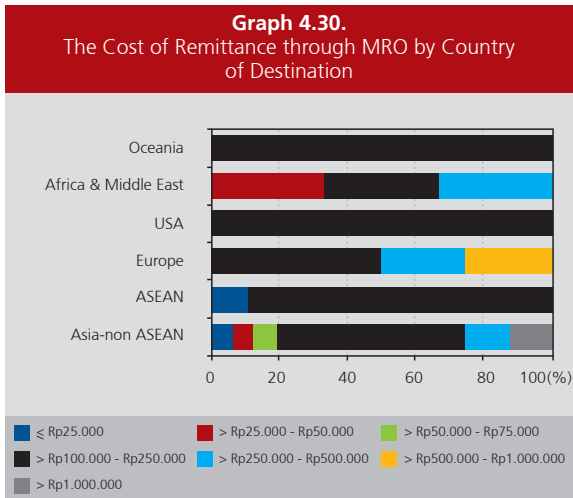
on average, the highest cost of remittance through banking channels was to Europe, the USA, Africa and the Middle East

The average cost of each remittance to Europe, the USA, Africa and the Middle East through banking channels mostly ranged from Rp250 thousand to Rp500 thousand.



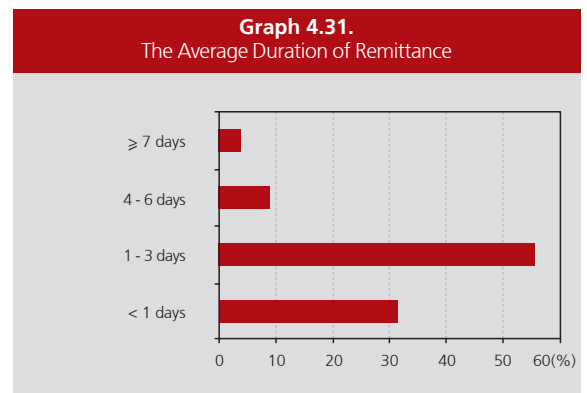
The Cost of Remittance through MRO by Country of Destination:

on average, the cost of remittance through MRO is relatively uniform. The average cost of each remittance via MRO mostly ranged between Rp100 thousand and Rp250 thousand (Graph 4.30). However, the cost for certain regions was quite high, such as to Europe (25%) which ranged between Rp500 thousand and Rp1 million, and to Africa and the Middle East (33%) which ranged between Rp250 thousand and Rp500 thousand.



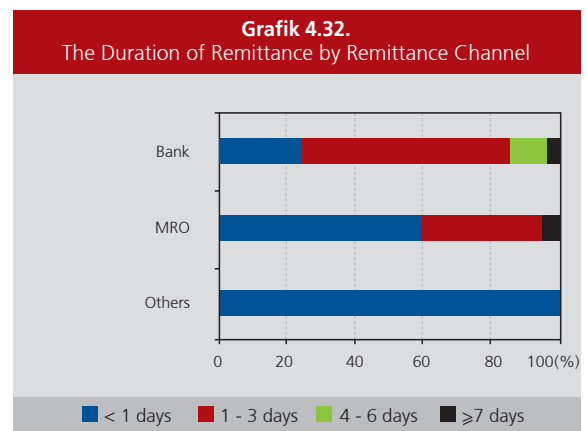
The Duration of Remittance: in most cases, the time required to make remittance to countries of destination ranged from 1 to 3 days.

On average, it took between 1 and 3 days for the money to be received at the country of destination (56%) and less than 1 day (31%).



The Duration of Remittance by Remittance Channel: the duration of remittance through banks was relatively longer compared with that through other media or remittance

From Graph 4.32, it is obvious that the average duration before the money was received in the country of destination through banking channels mostly ranged between 1 and 3 days (61%), which was longer compared with remittance through the MRO channels which generally took less than 1 day (59%). The duration of all remittances through other media (hand carried by friends) was less than 1 day.

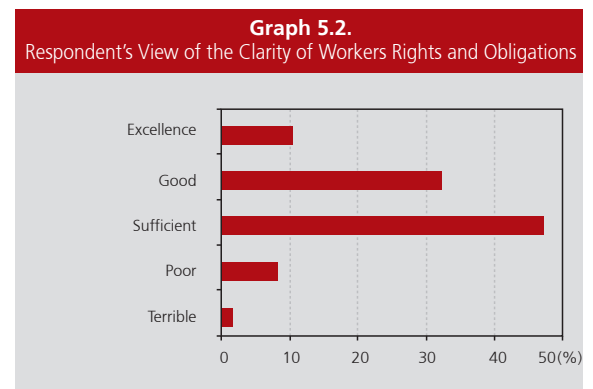
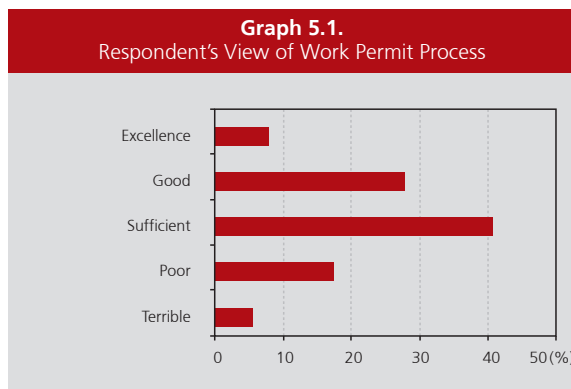


This page is intentionally blank

In this chapter, we present the field survey result regarding foreign workers' view about working conditions in Indonesia, from the aspects of permit, clarity of workers' rights and obligations, legal protection and labor relations. In addition, this chapter also discusses the foreign workers' interest to work again in Indonesia and their expectations for the improvement of working conditions in Indonesia.

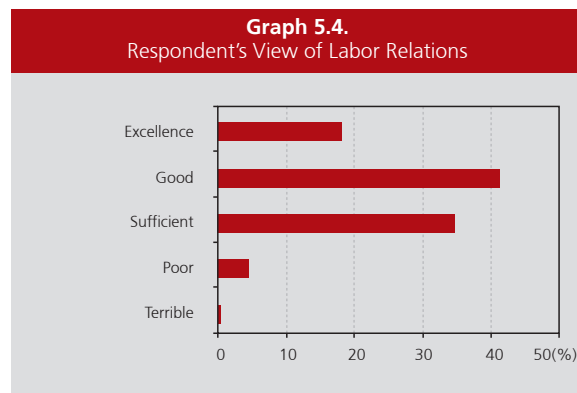
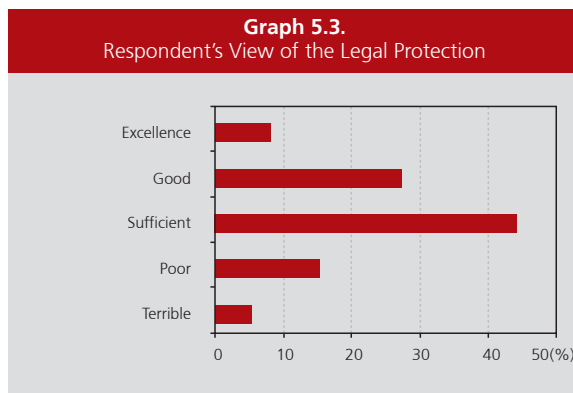
5.1 HIGHLIGHTS ON THE WORKING CONDITIONS IN INDONESIA

Permit Process: 23.1% of respondents still thought that the work permit process in Indonesia was still poor. Most of the respondents' (40.8%) perceived that the work permit process to work in Indonesia was in the "sufficient" category. This could be interpreted as "neutral" as it is between the good and poor categories. The next group of respondents (36%) gave their rating to the work permit process in Indonesia at the category of "good" and "excellence". Meanwhile, the group of respondents who rated the permit process in Indonesia as "poor" and "terrible" constituted a relatively small number, namely 23%. In general, we can conclude that the foreign workers perceived the permit process in Indonesia as being "not bad".



Clarity of Workers Rights and Obligations: only 10% of respondents stated that the clarity of Workers Rights and Obligations was poor.

Most of the respondents (47.1%) viewed that the clarity of Workers Rights and Obligations in their work environment was "sufficient". Meanwhile, the groups that perceived the clarity of workers' rights and obligations was "good" and "excellence" also constituted quite a big number, namely 42.9%. This amount was far higher than the number of respondents who gave the assessment of "poor" and "terrible" which constituted only 10%. Hence, generally speaking, the clarity of foreign workers' rights and obligations in Indonesia was perceived as "good". This is presumably related to the better bargaining position of the foreign workers so that they could obtain or request clarity of their rights and obligations in their work environment. Comparatively speaking, the condition was different in the case of Indonesian Workers working overseas. The bargaining power of the Indonesian workers was low because of their low education level, which resulted in the Indonesian workers not getting the clarity of their rights and obligations as workers.



Legal Protection: The majority of respondents felt quite satisfied with the legal protection in Indonesia (44.4% "sufficient", 35.3% "good" and "excellence")

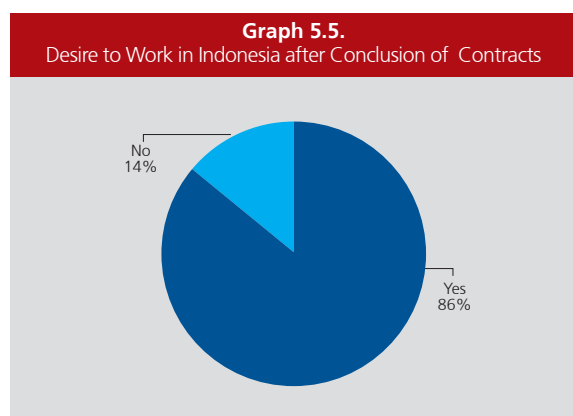
The majority of respondents (44.4%) gave the rating of "sufficient" for the legal protection in Indonesia, followed by the group of respondents who gave the rating of "good" and "excellence" at 35.3%. Nevertheless, there were quite a few respondents who gave the rating of "poor" and "terrible", which of course deserves the attention of the regulators in Indonesia.

Labor Relations: almost all respondents felt comfortable with the labor relations situation in their work environment in Indonesia (35.1%), while 41.4% others gave the rating of "good" and another 18.5% gave the rating of "excellence".

Regarding the condition of labor relations in their work environment, the majority of respondents (59.9%) gave the rating of "good" and "excellence". While those who gave the rating of "sufficient" constituted 35.1%. Hence, it can be concluded that the labor relations in Indonesia was rated as "good". Only about 5% of respondents rated the labor relations in Indonesia as "poor" or "terrible".

5.2. DESIRE TO WORK IN INDONESIA AFTER CONCLUSION OF CONTRACT

The desire to work in Indonesia (again) after the current contract concluded: the majority of respondents wished to come back to work again in Indonesia after the current contracts were concluded. The survey result showed that the majority of foreign workers (86%) stated that they would like to return and work in Indonesia after their current contracts concluded. Their desire to come back to work again was



primarily attributable to their love for the culture, the people and the nature of Indonesia (50.3%). Other reasons which were quite strong were that the respondents already felt comfortable with the climate in Indonesia (22.2%) and personal reasons related to respondents' family situation (8%).

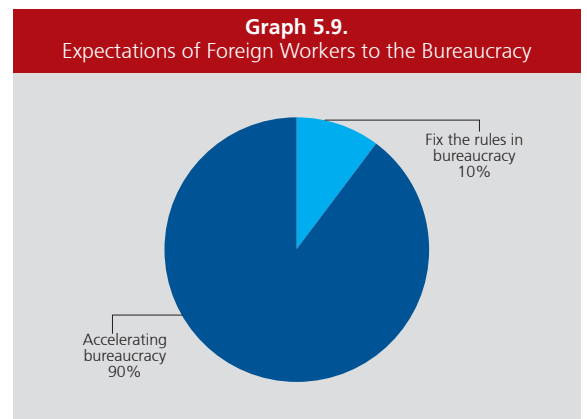
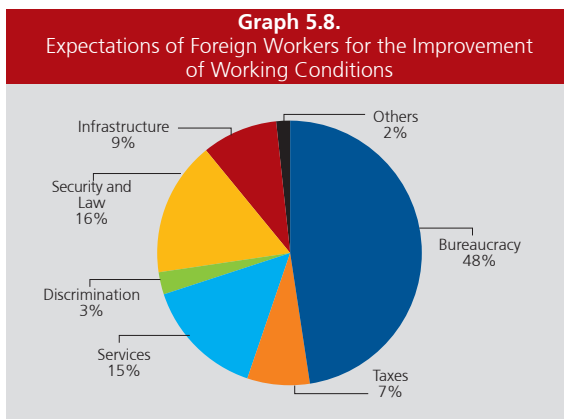
On the contrary, there was a small proportion of respondents (14%) who stated that they did not wish to work again in Indonesia after their current contracts finished. This statement was primarily driven by family issues (38.3%) and their desire to work in other countries (31.9%).



5.3. EXPECTATIONS OF THE FOREIGN WORKERS FOR THE IMPROVEMENT OF WORKING CONDITIONS

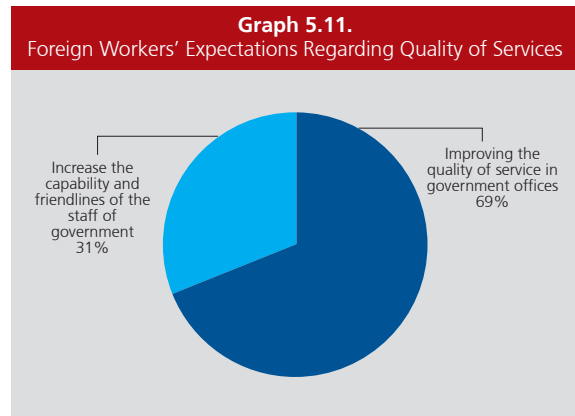
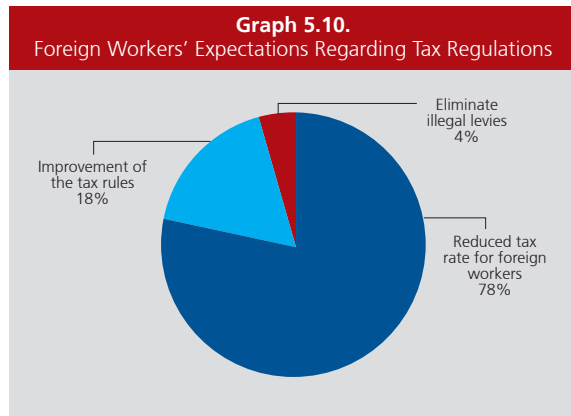
Expectation of Foreign Workers for the Improvement of Working Conditions: the majority of respondents expected some improvements in the bureaucracy in Indonesia.

Respondent foreign workers expressed their expectation for improvements in working conditions in Indonesia. The aspect which got the most attention was the issue of bureaucracy in Indonesia (48%), followed by security and legal situation and the quality of services. The majority of input which was addressed to the improvement of bureaucracy was that the process should be speeded up (90%), while the remaining 10% wished that the government improved the regulations in the bureaucracy. Most of the suggestions regarding bureaucracy was addressed to the immigration office and other related institutions.

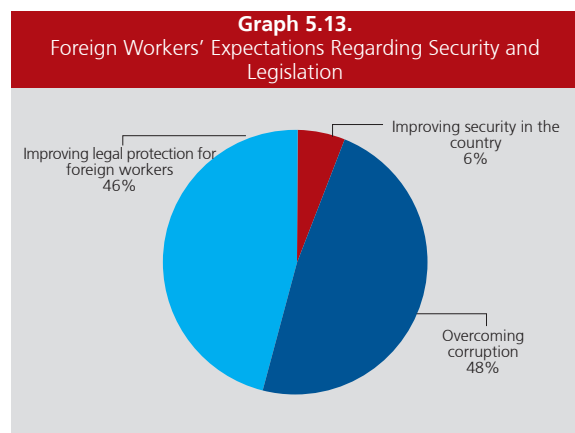
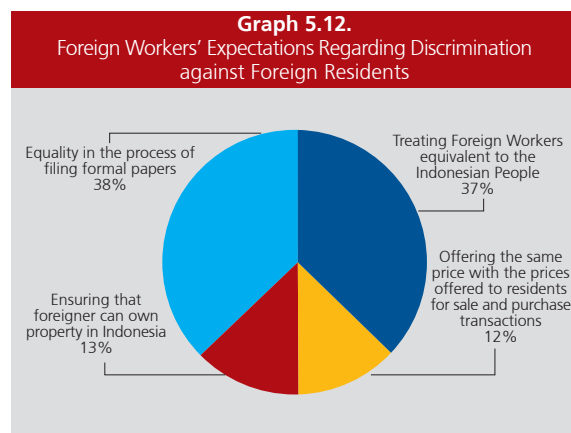


With regards to tax regulations in Indonesia, the majority of the respondents recommended that the government reduced the tax rate for foreign workers (78%), that the tax regulations be improved, and that illegitimate fees charged by certain parties in the government be stopped. Meanwhile, the foreign workers' expectation regarding the quality of services in Indonesia (69%) was that the quality of services at the government offices be improved.

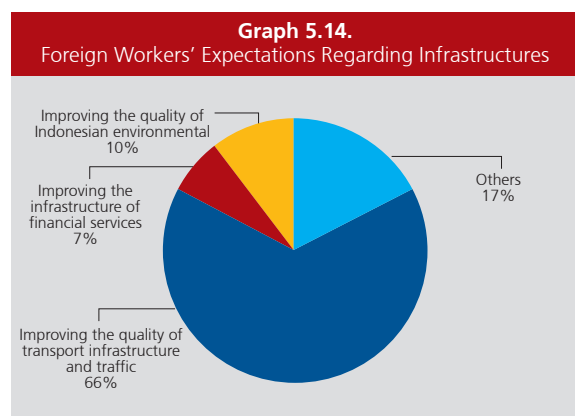
There were 31% of Foreign Workers who specifically expressed their expectations for the improvement in the competency and cordiality of the government staff in providing their services.



A few respondent foreign workers who felt that they had been discriminated gave their recommendation that they are given equal treatment as given to Indonesian citizens in the process obtaining official documents (38%) and that foreign workers are treated equally as the Indonesian citizens in their daily life (37%). In addition, there were also some inputs from the respondents for the foreign workers to be allowed to own properties in Indonesia (13%), and that foreign workers could get the same rates/prices as given to the local citizens for transactions/purchases they made in Indonesia. In the meantime, with regards to security and legal issues in Indonesia, the majority of respondents expected that the government of Indonesia could eradicate corruption in Indonesia (48%), and that legal protection for the foreign workers be improved (46%).



There were also some inputs addressed towards improvement of infrastructures in Indonesia. The majority of foreign workers' responses related to the improvement of infrastructures were that the government should improve transportation and traffic management (66%) and improvement of quality of environment (10%) and improvement of financial services (7%).



6.1. CONCLUSIONS

6.1.1. GENERAL/MACROECONOMY

- The economic growth of Indonesia which was quite high followed by the increase of foreign and domestic investments were among the factors driving the inflow of foreign workers to Indonesia.
- The number of foreign workers coming to Indonesia during the last 5 years demonstrated an upward trend although the government exercised quite a tight policy for the incoming foreign workers to Indonesia.
- There was a shift in the occupations of foreign workers from formerly predominantly consultants to professionals. Meanwhile, foreign workers from China are becoming more dominant.

6.1.2. SPECIFIC

A. Salary and Patterns of Remittance

- In general, the salaries of foreign workers were in the range of Rp25 million – Rp50 million (38%) and Rp10 million – Rp25 million (23%). However, there were some foreign workers who received salaries above Rp125 million.
- In addition to salaries, approximately 16% of respondents stated that they received compensation salary, which mostly ranged from Rp10 million to Rp25 million (27%).
- The average percentage of foreign workers' salaries which was remitted to their countries of origin (patterns of remittance) was 34.2%, a decline compared with the survey result of 2004 which was 38.7%.
- The highest percentage of salary being remitted to home countries was made by American citizens (63.6%), while the lowest was made by German citizens (10%). While by occupational category, the highest remittance was made by the professional group (49.9%).
- The majority of remittances were through banking channels (79%) and Money Remittance Operators (19%).

B. Foreign Workers' Points of View

- The majority of respondents (40.8%) perceived that the permit process in Indonesia belonged in the sufficient category. However, 23.1% of respondents perceived it as poor and terrible.
- With regards to legal protection, the majority of respondents (44.4%) gave it an sufficient rating, and 20.3% gave poor/terrible rating.
- The majority of respondents (86%) stated their desire to come back to Indonesia after their current contracts finished. The main reason they gave was that they liked Indonesian culture and nature (50%) and felt that they had adjusted to the Indonesian business climate (22%).
- Meanwhile, foreign workers that did not wish to return to Indonesia, after the current contracts finished, gave reasons which mainly related to family issues (38.3%).

C. Foreign Workers' Expectations

- The majority of respondents hoped that the government could improve the bureaucracy and the quality of services (63%). The parts of the bureaucracy that they suggest should be improved were the regulations in the bureaucracy and the permit process should be speeded up (90%).
- The majority of foreign workers also hoped that the government improved the quality of transportation infrastructures and traffic management.

6.2 SUGGESTIONS

- The government should give attention to the tendency of increase in the incoming of foreign workers to Indonesia, in the effort of protecting the domestic labor, considering the unemployment rate which is still high.
- The government should enforce the regulations, which are already in place, in relation to the limitations on the occupations which can be filled by foreign workers, and monitor the transfer of knowledge so that, in due time, the domestic labor can perform those jobs which so far have been performed by foreign workers.