RESEARCH REPORT

Recruitment Costs Brief: Indonesia

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Indonesia is a major country of origin for many migrant workers, particularly migrant domestic workers bound for Malaysia, Taiwan, and other countries within the region. While government regulations have been formulated to specifically counter high placement fees for migrant domestic workers through the establishment of a placement fee cap and the introduction of a bank credit scheme, the effective implementation of these policies is hampered by a lack of congruence between government regulations and localised socio-cultural systems and norms, a convoluted government bureaucracy, and the difficulty of enforcing fee caps within countries of destination.

Background

Indonesia is a major country of origin for many migrant workers currently working and living within Asia. Drawing from official statistics released by the National Authority for the Placement and Protection of Indonesian Overseas Workers (known as Badan Nasional Penempatan dan perlindungan Tenaga Kerja Indonesia, or BNP2TKI), the International Labour Organization (2015) reports that as of 2014, there are more than 6 million Indonesians living abroad, spread over 178 countries. In 2014 alone, more than 400,000 Indonesians migrated abroad for work, mostly from low-income households situated in more rural parts of Indonesia (Patunru & Uddarojat 2015). It is estimated that there are over 5 million Indonesian migrants in the domestic work sector internationally (Khoo *et al.* 2015). These statistics are, at best, partial; government authorities are not well-coordinated across various official state bodies, and many migrant workers are undocumented as they cross borders through more irregular means (Bachtiar 2012). As such, the number of Indonesian workers abroad may be much higher than is formally estimated.

Migrant workers are integral to Indonesia's domestic economy and long-term poverty-reduction plans. The World Bank estimates that migrant remittances — calculated at over USD $8 billion in 2014 (Bank Indonesia 2014) — lowered the poverty rate in Indonesia by 26.7% between 2000 and 2007. Recognising the importance of migrant remittances to the economy, the Indonesian government centralised pre-departure procedures for informal and formal-sector bound migrant workers in 2004 under Law No. 39/2004: "Concerning the Placement and Protection of Indonesian Workers Abroad".

Female migrant domestic workers have formed the bulk of Indonesia's migrant worker outflow. In 2014, 57% of Indonesian nationals working abroad were women; the main destination countries were Malaysia, Taiwan, and countries in the Middle East (International Labour Organization 2015). There has been a recent government push to reduce the number of women going abroad as domestic workers in order to "preserve the country's dignity" (Nazeer 2015). Gendered moral anxieties resonate powerfully with a government concerned about perceptions that it is 'selling' its women to be mistreated while working abroad (Chan 2014). The 2017 Domestic Worker Road Map announced by the Indonesian government aims to replace the migration of low-skilled women for domestic work with women who are professionally trained as caregivers, nurses, and chefs instead (Xinhuanet 2015).

The government has instituted a moratorium on the recruitment of female domestic workers to work in countries in the Middle East, such as Saudi Arabia, Jordan, Kuwait and Syria due to widespread abuse and exploitation (AFP 2015). This moratorium has come under strong criticism from civil society activist groups such as Migrant Care, which have criticised the move as detrimental to Indonesian women's right to labour mobility (Nazeer 2015; Patunru & Uddarojat 2015).

High placement loans borne by migrant domestic workers – which result in salary deduction periods of 7-9 months in Singapore (Platt *et al.* 2013) – are frequently attributed to the intervention of migration brokers (known also as sponsors, *petugas lapangan*, *calo*, agents, and intermediaries). These brokers are perceived to have inflated the costs of migration by requiring payment for buoying potential migrant domestic workers through Indonesia's convoluted migration infrastructure (BNP2TKI 2015b). The informal costs paid to sponsors are seen as forming a critical component of migrant domestic workers' high placement fees, and contribute to difficulties in government attempts to formalise and legislate placement costs.

Lindquist (2010, 2012) extensively charts how the sponsor is the figure who makes the crucial connection between potential migrants and private agencies as well being a key link to state-regulated procedures. These sponsors operate primarily as informal sub-agents working individually in villages to link migrants to formal recruitment and placement mechanisms. Sponsors are cultural brokers who are able to navigate social nuances, norms and expectations within the community in order to successfully enable migrants to work abroad, and offer expert guidance to migrants who may require initial capital, assistance with overcoming bureaucratic hurdles, or access to transportation in order to travel to major urban sites for further training and placement. Lindquist (2012) considers the sponsor's multiple functions as labour recruiter, cultural broker, and low-level bureaucrat, arguing that distinctions between commercial entities, social networks, and the state are becoming increasingly blurred as the migration industry develops and grows more complex.

Details of policies regulating placement fees

Shortly after Law No. 39/2004 was passed centralising all pre-departure activities, the Indonesian government issued Presidential Regulation No. 81/2006 to establish BNP2TKI to manage the placement of overseas workers. The law did not sufficiently distinguish the jurisdictions of BNP2TKI and the Ministry of Manpower and Transmigration (Kementerian Tenaga Kerja dan Transmigrasi RI, more briefly known as Kemnaker), sparking institutional struggles between the two agencies which have complicated placement fee reduction policies (Bachtiar, 2011; IOM, 2010). Formally, the former is charged with execution, enforcement and implementation, while the latter oversees policy creation and the monitoring and regulation of private recruitment agencies. In practice, however, the job scopes of the two agencies share strong overlaps.

Law No. 39/2004 devolves responsibility for migrant worker pre-departure activities to private recruitment agencies. Recruitment agencies are held accountable for migrant worker documentation (e.g., for producing and signing placement agreements with prospective labour migrants; ensuring the completeness of documentation), recruitment (for e.g. providing information to prospective labour migrants about their rights, responsibilities and risks inherent in the work; enrolling labour migrants in an insurance programme; housing labour migrants before departure) and training and education (with particular stipulations for pre-departure training). Overall, the government regulations covering domestic workers in Indonesia have been criticised for their concern with placement procedures rather than protection, and for placing the onus of protecting migrant workers on profit-oriented recruitment agencies. For example, there is no standardised syllabus for pre-departure training and education programmes (IOM 2010); the government leaves this to private recruitment companies, resulting in high costs and unnecessarily long training periods which have compounded migrants' placement fee burdens (Patunru & Uddarojat 2015).

Specific to the governance of placement fees, the Kemnaker Decree No. 588/2012 on "Components and Amount of Fees Paid by Candidates for the Placement of Indonesian Workers for the Domestic Sector of Countries of Interest - Singapore" caps the placement fee amount that recruitment companies are to charge migrant domestic workers bound for Singapore at 13 million IDR (Indonesian rupiahs) or SGD $1325 (BNP2TKI 2015a). BNP2TKI has struggled to implement this fee cap on recruitment agencies. Currently, government data shows that it costs an average of 40 million IDR (SGD $4078) for Indonesian domestic workers to be trained and placed in Singapore; their stated goal is to reduce these expenses by 26 million IDR (SGD $2651) to more closely align with the cost structure laid out in Decree No. 588/2012.

Recent moves in this direction have been the striking of tripartite agreements with recruitment companies and APJATI (Asosiasi Perusahaan Jasa Tenaga Kerja Indonesia; the largest association of private recruitment companies in Indonesia, representing over 500 agencies) in order to trim these expenses (BNP2TKI 2015a). Nusron Wahid, head of BNP2TKI, intends to demand greater transparency in fee schedules that chart the costs involved in recruiting, training, and placing migrant workers, and plans to crack down on unlicensed recruitment companies, irregular migration routes and foreign agents who recruit directly from Indonesia without the intervention of local recruitment companies. The eventual goal is to reach "zero costs" (BNP2TKI 2015b) for all outbound migrant domestic workers. Similar attempts have been made to slash the expenses of domestic workers headed to Taiwan on three-year contracts from 34.4 million IDR (SGD $3466) to 19.9 million IDR (SGD $2039) (Jakarta Post 2014). One of the ways in which the government seeks to standardise and monitor placement fee schedules is through the establishment of SISKOTKLN, a system which facilitates 'paperless' transactions between recruitment companies and migrant workers so that all information surrounding costs and contracts is captured in a central database and can be monitored by the government.

Another attempt to deal with the placement loans has been the integration of banks as players in the current system of debt-financed migration. In November 2015, BNP2TKI introduced the KUR TKI (Kredit Usaha Rakyat Tenaga Kerja Indonesia) or the "small enterprise loan for Indonesian migrant workers" scheme (BNP2TKI 2015c). Under this system, a worker has the option to take a loan from one of five government-approved banks to pay the training centre her accrued debt. The government-approved banks pay the training centre the full cost of the worker's loan, and then recoup the money from the worker through monthly remittances sent to the bank as the worker begins her job overseas. The government-mandated banks are only allowed to charge a government-subsidised per-annum rate of

12%, on top of additional service charges and administrative fees; in comparison interest rates under the older system could rocket to as high as 54%. Under this scheme, the worker is expected to manage her own loan repayment by remitting part of her salary (a smaller proportion of her salary than under the conventional arrangement of loan repayment, which often demands that a worker 'pays back' nearly 100% of her salary to the employer per month) back to the bank every month for approximately eight months. The KUR scheme has two other components, one of which focuses on microloans; the Indonesian government has dedicated most of its attention and resources to extending small loans to returned migrants in order to prevent circular migration.

Pros and cons

Brokers, shopping money, and regulating the cost structure

Government regulations do not cohere with social and cultural norms that shape the migration infrastructure at the level of the village. While brokers are often castigated as villainous figures in inflating costs of migration, most workers will not or cannot migrate without a sponsor who is well-known to their local community. By paying sponsors a fee, a woman and her family secure a broker's promise that he or she will take responsibility for the potential migrant's well-being as she passes through the recruitment system and secures a job overseas. Without the accountability and trust implicit in a relationship with a broker already known to a potential migrant worker and her community, women may be hesitant to migrate; thus, they might not bypass a broker (hence cutting out sponsors' fees) and independently approach a recruitment company.

Furthermore, brokers are crucial in lubricating formal government administrative processes, drastically shortening waiting times and processing periods for potential labour migrants. In processing paperwork, collecting passports and picking up medical check-up test results on migrants' behalf, brokers help migrants save time and money, and shield them from intimidating and exhaustive bureaucratic processes.

A third way in which government regulations do not take local social and economic systems into account is in the matter of 'shopping money'. Brokers offer an upfront payment of approximately SGD $200-$300 to the families of migrant workers or to the migrant worker herself in order to incentivise her to begin her migration route in the face of uncertainty and risk. 'Shopping money' helps to ease the initial decision to migrate; it helps to fill the initial earnings gap that a would-be migrant may leave behind in her household; and it facilitates the purchase of sundry and personal goods (such as shampoo, soap, additional food) necessary to the worker throughout her training process. It may assure migrant workers of a broker's legitimacy and financial capability, and secure migrants' trust that a broker is trustworthy and capable of delivering promises of profit. The immediate availability of the money is also an attractive prospect to both the migrant and her family, particularly if the family is facing a financial crisis. An employment agent interviewed in Singapore (author's personal research) illustrates the convoluted process of migrating overseas legally, and identifies the gendered social norms embedded in Indonesia's migration infrastructure:

> "But you see the Muslim girl, it's not like the Philippines they go themselves to do passport. Muslim girl, in the Muslim kampong, even if you step out of the house, must have a man to follow you. So these men are all the runners. They charge. Then you want to go to Jakarta, you must go to see your province. Because they worried trafficking, so you must go and see your province or your province chief, your kampong chief. He must sign that I authorize you to move. That one make money! So everybody asking for money! So more and more money, asking for money! Then until the worst stage is the girl also ask for money! The girl ask *wong saku* [sponsor], they also ask… now very smart. [...] 'When I'm very poor in my province, I heard about Singapore, I don't want to go; my father can feed me, I don't want to go; my husband can feed me, I don't want to go. But when my father is ill, my husband is down, I quickly go and run to my sponsor, but can you give me $300-400? I need to go Singapore now because my father now is sick.' So again I always say our system wrong, you see. We still deduct them money 8 months ah, don't pay [sponsors], how can it be? So we have to give them a sum of money for the Indonesians. The girl already take $300-400 nowadays already. No $300-400, they don't want to go."

This 'shopping money' is critical to potential migrant workers who use it as a source of emergency funds, amongst other things, and 'shopping money' rates have increased over time.

However, 'shopping money' also forms part of the loan burden borne by migrant domestic workers when they eventually reach the country of destination. As such, while government regulations aim at identifying and then cutting out informal sponsors' fees and 'shopping money' in a bid to reduce placement fee loans, these costs and relationships are fundamental to women's movement through Indonesia's migration infrastructure to seek employment overseas. Previous attempts to regulate costs have also proven to be ineffective. In 2012, agency fees payable by Singapore-bound Indonesian domestic workers were reduced from SGD $3000 to SGD $2000, which drastically limited the commission earned by Indonesian recruiters. As a result, the number of Indonesian domestic workers legally arriving in Singapore per month dropped from 3000 per month to 20. Indonesian recruiters leaned on Singapore agencies to pay under-the-table money of up to SGD $1000 per worker in order to restore the supply of workers, which agents were forced to recoup from either employers or more often workers (Tan 2012), and both placement costs and worker supply have floated back up to previous levels.

KUR TKI

The second way in which government regulations have attempted to reduce placement fees is through the introduction of KUR TKI (the previously-mentioned bank credit scheme), which aims to fix placement fee costs and boost migrant workers' autonomy in independently managing their loan repayments. However, this scheme has been unevenly taken up by Singapore agents and their Indonesian counterparts. Agents in Singapore who have taken up this scheme have said that, often, the employer simply pays the loan in advance for the worker to the agent in post-dated checks and agents deposit a check per month on employers' behalf. The worker is then paid the remainder of her monthly salary by the employer. Alternatively, the employer may help with the servicing of the loan through monthly remittances sent through the bank. In theory, the worker is meant to take control of the servicing of her own loan and be cognisant of her fees and repayment schedules; in practice, both agents and employers step in to do this on her behalf.

Training

A third issue that compounds the problems of regulating placement fees are minimum training periods for migrant domestic workers imposed by the government, ostensibly to ensure that workers are well-trained, well-informed and well-protected. By law, potential migrant domestic workers have to undergo compulsory training before they leave to work overseas. The length of these training periods vary; for Malaysia, workers have to go through 200 hours of training; for Singapore, 400 hours; and for Taiwan and Hong Kong, 600 hours. The length of training periods varies according to the perceived difficulty of learning the various destination country languages. Migrant domestic workers are commonly made to wait at training centres for indeterminate periods of time – hence accruing increasingly higher costs – and are not allowed to leave the premises until they find an employer in Singapore who wishes to hire them; some wait for up to seven months, resulting in high opportunity costs for a worker who may want to supplement her family's income by working elsewhere in the meantime. Furthermore, the minimum training periods have been criticised as overlong; trainers have been known to repeat modules simply to meet the necessary requirements.

Workers are also required to log their daily attendance while undergoing training by using a biometric system that is connected to a central BNP2TKI server. 'Logging in' by electronically registering workers' fingerprints has become a way to monitor workers' fulfillment of their attendance requirements at training centres. While the intention behind this policy is to encourage orderly and regular migration and to ensure that workers are adequately trained, the varying interpretations of its requirements have made migration much more costly and more onerous, particularly for experienced domestic workers. The institution of these minimum training periods has led to a situation in which experienced domestic workers are expected to undergo training – and pay the full costs associated with said training and accommodation – even if they are embarking on their second, third, or fourth contract to work overseas. The introduction of the biometric system physically binds them to 'clock in' their hours. Some agencies in Indonesia have begun to offer schemes tailored for these experienced workers; they file in to 'clock in' at the beginning of the day and then again at the end of the day, but are free to work elsewhere and go about their day-to-day business otherwise. However, they are still charged the same amount as new hires. Agents claim that they cannot proceed with administrative procedures if experienced workers do not attend the full course of training.

Over-regulation

Onerous regulations to ensure 'orderly' migration have played a role in increasing the costs of migration. Technology plays an expanding role in centralising the regulation and monitoring of migrant domestic workers. Documentation and application procedures are increasingly digitised, and workers' personal information is becoming subject to greater surveillance from central authorities. This has made migration more cumbersome for many workers, who used to depend on manipulated documents (for instance, fudging the date of birth) in order to overcome bureaucratic hurdles and migrate overseas quickly and cheaply. Workers find it increasingly difficult to manipulate their age or their address, or create multiple passports under different identities, so that they can escape onerous requirements and migrate elsewhere for work. The manifold requirements and regulations of the Indonesian government – ostensibly in place to protect workers – have created a situation in which it is often easier and cheaper for workers to migrate irregularly, and have also served to entrench the role of brokers in helping migrants through these complicated processes.

What is 'illegal' migration in the eyes of the Indonesian state is known as 'direct hiring' in Singapore, a process in which workers eschew or skip certain parts of the Indonesian migration infrastructure (for example, training, or being processed through an Indonesian recruitment company). Coming in through 'direct hiring' often drastically reduces workers' loans because workers bypass many of Indonesia's pre-departure procedures. The Indonesian Labour Ministry records show that 36,000 workers – or 30% of the 120,000 Indonesian domestic workers in Singapore as of 2013 – are not within the embassy's official records, partly because these workers had found their first job in Singapore without formally passing through Indonesia's migration infrastructure (Tan 2013).

Others

Many other factors render government policies aiming to curb placement fees relatively ineffectual. Aside from what has been mentioned above, corruption and bribery is fairly endemic; the geographical vastness of Indonesia makes government coordination difficult; placement fee regulations are difficult to enforce in countries of destination (in Singapore, employment agencies are legally allowed to charge workers two months of their salary as a client fee, which further increases workers' costs); and recruitment companies are accustomed to falsifying official documentation to get around placement fee regulations.

Recommendations offered by the Centre for Indonesian Policy Studies (2015) include the need to simplify and shorten application processes; lift government moratoriums on domestic workers leaving to work in the Middle East; abolish the 'mandatory permission letter' currently required from village heads and heads of families of women who wish to migrate; authorise local healthcare centres to administer compulsory health checks without the involvement of brokers; and shorten and evaluate compulsory training programmes. They suggest that the best way to lessen migrants' dependence on brokers and reduce irregular migration is to make it simpler for workers to navigate the system on their own.

Additionally, it would be important to ensure that workers should not be obliged to return to a training centre and undergo the training programme a second time—while paying all the associated costs of training and accommodation—if they have already been through the programme once. This is especially salient if it does not benefit the worker in any way (for e.g. if the worker is going or returning to a country of destination that uses a language in which the worker has already learned). A strict prohibition against this imposition by recruitment companies in Indonesia should be made clear by the Indonesian government.

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