This Policy Brief provides an overview of achievements and gaps for gender equality in the labour market and suggests ways to address shortcomings that are negatively affecting the nation’s economic development. Over the past seven years, average annual growth of women entering labor market has been substantially higher than men, in part due to expansion of service sector employment and progress in women’s education. Yet women continue to face lower participation and higher unemployment rates, poorer quality work and lower wages, limited access to resources such as land and credit and discrimination in hiring and promotion practices in the formal sector, as well as a higher level of informal economic activity. They constitute most self-employed and unpaid family workers as well as Indonesian migrant workers, making them susceptible to personal and financial insecurity, trafficking and other human rights violations. Closing these gender gaps requires giving more attention to equal employment opportunities, particularly in the formal sector, strengthening the fit between women’s training and skills and current labour market requirements through expanding labour markets and income earning opportunities by addressing the causes of labour market segmentation leading to wage gaps and limited career advancement opportunities for women.

Current Status:
• Labour Market

Despite their growing participation rate, women continue to be more disadvantaged in the labour market than men.

While women are under-represented in the labour force, they are over-represented among unemployed and under-employed, part time and informal sector workers, unpaid workers, people actively seeking work and those not actively engaged in the labour market. Reasons include women being out of the workforce to take care of family, poor access to formal sector employment, culturally defined expectations of appropriate work for women and discriminatory work practices. Women with vocational training do better than their male counterparts when they enter the labour market, because their training is a closer fit with the needs of the growing service sector.

Notwithstanding the sustained economic growth, limited employment opportunities for poor workers, particularly rural women with low levels of education, has contributed to the slow rate of poverty reduction. Although over the past seven years the average annual growth of women entering labor market is well above men (7.2% and 2.2% respectively) their labor
participation at 52% remains lower than men’s at 84%. It has actually stagnated over the past 5 years and is significantly lower than most other countries in the region. The unemployment rate for women (9%) is close to that of men (8%) and decreasing at a faster rate while their share of total unemployment is lower and has decreased from 48% to 42%. Youth unemployment accounts for 70% of total unemployment with women accounting for almost half of the unemployed youth. The rate of young women’s unemployment is higher than for young men but is decreasing at a much faster rate and is higher for young women with more education. (Note: Unless otherwise specified all temporal trends are comparing 2004 and 2009).

Women represent 75% of those not in the labour force, approximately 50% of non labour force participants who are attending school and 95% of those engaged in housekeeping. This suggests that the main reason behind women’s relatively low labour force participation is still domestic responsibilities which are not shared equally within the household. This may also be linked to the fact that women’s rate of underemployment (38%) is higher than men’s (25%), although interestingly women’s underemployment decreased from 42% to 38% while men’s increased slightly from 23% to 25% in 2009.

The structure of the labor market, the gender division of labor and wage gaps contributes to continuing gaps.

Women are more likely to be informal workers (67.4%) compared to men (62%) with a slight increase for women and a slight decrease for men over the past 4 years. Being a woman increases the probability of working informally by 24%. In the non-agricultural informal sector, men tend to be employed in transportation whilst women (60%) are mostly in household retail and groceries traders. Informal workers face a wage penalty of over 30% compared with workers in the formal sector. This means that if two people share identical qualifications and characteristics (same level of education, age, sex and location) and differ only in their sector of work, the one working in the formal sector would earn 30% more than the one with an informal job. The wage penalty is even larger for informal workers with at least a high school degree; they earn 62% less than workers with identical characteristics in the formal sector. Informal workers are not only worse off in terms of wages but are also less insured, pensioned and trained.
Despite the lure of greater income security, less than 3% of informal workers transition into the formal sector annually - 2.5% for men and 1.8% for women. Between 1993 and 2000, only 2.6% of informal workers transitioned into the formal sector per year, shrinking to 2.2% per year in 2000-07 (Table 3). Slow growth of the formal sector limits job availability. The new entrants to the job market tend to be better educated and more urbanized than before; informal workers who are young, urban and male are the most successful at breaking into the formal job market. Actually it is more common for formal workers to move into informal jobs than the other way around. From 2000 to 2007, an average of 4.4% percent of formal workers moved into informal jobs annually, higher than the level seen in 1993-2000. Formal workers in rural areas who are less educated are more likely to move into informality than those who live in urban areas and are more educated. Although women are more likely to be found in the informal sector, men are slightly more likely to move from formal to informal jobs. Most of those who are self-employed and family workers are female at 67% in 2009.

Table 3: Mobility from informality to formality (%)

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<td>All</td>
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<td>Urban</td>
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<td>Rural</td>
<td>17.8</td>
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<td>Male</td>
<td>20.0</td>
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<td>19.0</td>
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<td>Female</td>
<td>13.8</td>
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<td>Young</td>
<td>23.3</td>
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<td>16.7</td>
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Source: World Bank 2010

The share of women in wage employment in the non-agricultural sector increased from 29% in 2004 to 33.45% in 2009. The total share of women in wage employment in both agricultural and non-agricultural sectors also increased from 29.55% in 2004 to 33.45% in 2009. While the wage levels of female workers have increased, wage discrimination is still prevalent. From 2004 to 2009, the average monthly wage of female workers categorized as employees increased from Rp 676,611 to Rp 1,098,364. In non-agricultural sectors, the average wage of female casual employees also increased from Rp 277,183 to Rp 396,115. Although women’s average wage has increased, there remains a wide wage disparity between women and men. The biggest gap was in casual employees in non-agriculture sectors where women receive only 54% of men’s wages. At the national level, the average monthly wage for female workers in 2009 increased by 61% from 2004, however, women’s average wage was still only 78% of the average male worker’s wage. Wide disparities also exist between provinces.

Looking at the employment sectors in order of their share of the labour market, the majority of women workers (41%) are concentrated in agriculture, where they represent 38% of all workers and suffer from a 17% wage gap. Women are half of all workers in wholesale, restaurants and accommodation, where the wage gap is 25%; 41% of those in social services with a wage gap of 32%; 42 percent of those in industry with the highest wage gap of 44%; and a third of those in finance and business services where the wage gap of 20% is in their favor (see Table 4).

Table 4: Gender Division of Labor by Sector, Wage Gap

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<th>Real Wage Gap</th>
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Source of data: Sakernas 2004 and 2009 Feb

The wage premium for more-educated workers is high and started growing after 2003. The premium is higher for more-educated women and urban workers.
Female workers who have at least completed senior secondary school enjoy the highest wage premiums. On average, during 1990-2007, they earned a premium equal to the wage of less-educated women, while the premium for more-educated men was only 57% on average. Premiums for more-educated men, however, grew at 1.9 percentage points per year during 2003-2007 – more than four times the rate of women’s premiums, which grew at 0.4 percentage points per year.

Gender gaps in employment and wages cannot necessarily be explained by disparities in educational attainment and training. The ratio of girls to boys at all levels of schooling is close to parity and for junior secondary and higher education is in favor of female students. There are, however, significant regional differences to be taken into account for local government planning purposes. Furthermore female students’ choice of vocational training subjects also works in their favor. Since the financial crisis of 1998, the economy has increasingly relied on the service sector to generate growth. Annual growth in the industrial sector has fallen dramatically, while annual service sector growth remained strong. From 2003 to 2007, employment in the service sector has grown more rapidly than employment in the industrial sector. Furthermore, the service sector commands a wage premium approximately twice that of industry and 4 times that of agriculture. This change in the structure may be negatively affecting male graduates who tend to choose technical and industrial majors over more service-oriented majors in vocational school. Women tend to choose vocation majors compatible with the growing service sector, where educated workers benefit from higher wage premiums: 56% of female SMK students are enrolled in business management and 28.9% study tourism (Figure 1).

Policy Issues

Job creation is essential for reducing poverty and vulnerability.

Despite modest growth in formal job creation, there has been no progress in removing barriers to this growth. Labor regulatory reform and job creation are included among the Government’s priorities in the National Medium-Term Development Plan (RPJMN 2010-2014). A draft revision of the Labor Law, developed under the supervision of the Ministry of Manpower and Transmigration (MoMT), is currently under review by the Ministry of Justice. While the draft introduces some welcome reforms (e.g. greater flexibilities in the use of temporary contracts, which may help stimulate formal job creation), it fails to address problems associated with Indonesia’s current severance system, characterized by high rates (that discourages job creation) and low compliance (that fails to provide real protection, particularly for low wage workers). Slow progress on labor and social security reforms is a cause of concern. The political window of opportunity for movement on either issue is brief, and will begin to close as national elections loom in 2014.
While there is a legal and policy framework in place to support gender equality in the world of work, implementation remains the key issue.

Several legal measurements have been put in place to ensure equal employment opportunities (EEO) such as Law No 80/1957 on Equal Remuneration, Law No 21/1999 on Discrimination (Employment and Occupation), Manpower and Transmigration Ministerial Regulation No 49/2004 on the Structure and Scale of wages, Law No 3/1992 on Social Security covering accidents at the workplace, old age security, life and health insurance, and the Labor Law No 13/2003 on Labor. Other provisions provide for breastfeeding in the workplace, protection of employed women workers at night and gender mainstreaming for the MoMT. Enforcement of these laws and regulations to protect women workers’ rights is necessary for gender equality but some feel that compliance with these laws increases costs to employers and may result in the slow growth of industries and employment opportunities. In 2002, MoMT drafted a paper on “Strategic Thinking on Advancing Gender Equality in Indonesia: Ministry of Manpower and Transmigration Perspective”, as a blueprint for its strategy to advance ILO Conventions 100 (Equal Remuneration) and 111 (Discrimination), which was then incorporated in Law no 13/2003 on Labor. Since 2009, the MoMT has been developing a Code of Practice on Sexual Harassment at the Workplace and in 2010 established an inter-governmental agency taskforce to review and strengthen the implementation of EEO guidelines. The ILO is assisting the Ministry to develop a system for monitoring and evaluating application of these guidelines. Improving workers’ protection is one of the targets set by the Government for achieving the MDGs, specifically under Goal 1: Eradicate Extreme Poverty and Hunger and Goal 3: Promote Gender Equality and Empower Women. In Goal 3, the Government has set targets on employ-

Recommendations

- Conduct research on factors underlying the low female participation rate in the labor force, gender gaps in wages by sector and type of employment, and barriers to women’s promotion and career development in the formal sector.

- Related ministries and the Centre of Bureau of Statistics (BPS) to improve availability of sex-disaggregated database in order to track trends in the links between education and training and labor participation and remuneration in different sectors, as well as the formal and informal sector.

- MoMT to advocate the uptake of the EEO policy in order to eliminate discrimination in recruitment, promotion, wages, and other employment practices. MoMT to further ensure that private companies adopt an EEO policy to increase productivity through building commitment at all levels and
technical units, training and consultation, developing networking, monitoring and evaluation.

- MoMT to promote legal literacy, using EEO guidelines and other legal instruments for gender equality and non-discrimination in employment. for women workers and their employers.
- MoMT and Ministry of Education to encourage girls to pursue education and training streams which feed into growth areas such as the service sector and promote continuing education and training to encourage women workers to pursue higher level professions.

**Current Status:**
**Enterprise Development and Access to Finance**

Micro-Small-Medium Enterprises (MSME) form the backbone of the informal sector in Indonesia where the majority of women workers are concentrated. They account for the bulk of employment in Indonesia, employing between 80% (Government of Indonesia/Gol MDG report) to 96% (World Bank, 2010) of the working labour force and for over 99% of all business units. They contribute close to 58% of GDP (Gol MDG report) and yet receive about half of bank credits. The distribution of all firms according to size shows that micro firms form the bulk (83%), while 16% are small, 7% are medium and 0.2% are large. Women run 39% of all micro and small firms and 18% of all medium and large firms (2006 Economic Census as cited in IFC/NORC 2010). The number of women-run SMEs increased by 42% between 2002 and 2007 and in line with global trends, their annual growth exceeds that of men at 8% and -0.27% respectively. There are clear differences between female and male entrepreneurs (see Box 1); most women engaged in micro and petty enterprises at the business margin with a lack of access to the capital and business advisory services necessary for entrepreneurial success, largely due to lack of collateral, complex procedures and legal (licensed) status. They become entrepreneurs mostly as a function of “self-employment by necessity”, due to limited work opportunities and the need to supplement family income whilst also carrying out domestic roles.

A 2006 IFC study on business women’s access to credit found that they are applying for and receiving less credit than men. In the study sample, 11.5% of total loans were disbursed to women, while male borrowers accounted for 88.5%. While legally there is no gender discrimination in access to finance, in practice, women business owners avail themselves less than men to credit, despite the fact that they are considered a better (lower) credit ‘risk’ than male borrowers. Reasons for this could include a higher rate of financial literacy among men than women, a greater likelihood that men have necessary collateral (legal titles for assets such as land, housing, vehicle) and more freedom in decision making, although both spouses in the household must sign loan agreements.

Male and female patterns of accessing financial services do not differ much: women (17%) are only slightly less likely to be “finan-
But divorce law provides a greater share of assets to husbands while taxation law identifies men as the subject of taxation meaning that married women must use their husband’s tax number at all times unless they have a specific pre-nuptial contract that allows a couple to separate their assets and income.

Current laws governing access to land and assets, and property ownership do not discriminate against women. These include the Agrarian Law No. 5/1960, the Law on Religious Jurisdiction No. 7/1989 (which covers inheritance) and property ownership for women in the Marriage Law No. 1/1974. Female heads of households (FHH), except those without legal identification as head of households, are eligible for securing land tenure and inheritance for their children, and thus accessing formal credit institutions. Traditional norms and values give men greater de facto claim over asset and land ownership which constrain women’s economic opportunities, particularly in accessing credit and in practice, married women may face limitations depending on their husbands’ awareness of and respect for their legal rights.

Planned mechanisms to expand and strengthen MSMEs should be informed by gender analysis.

The Government aims to promote MSME development through the following measures: facilities to increase the capacity of MSMEs; expansion of cooperatives through entrepreneurship and capacity building on business management; provision of information on services and business consultancy; and expansion of the People-Based Small Business Loan Program (KUR). The Ministry of Home Affairs’ (MoHA) 2010 Regulation No 39, established the Village-owned Cooperative “BUMDES” (Badan Usaha Milik Desa), a new form of village owned cooperative providing goods and servic-

Policy Issues

Contradictory legislative and policy arrangements contribute to women’s limited access to formal finance institutions.

The 1974 Marriage Law No. 1/1974 provides equal rights and responsibilities between husband and wife while article 31(3) of Law No 1/1971 on Marriage recognizes men as the head of the house and ‘breadwinners’ and women as wives and mothers. The explanatory clauses to Article 61 of Law No 23/2006 on Administration of Population, however, recognize women as the head of household. Article 31 paragraph (2) of the Marriage Law No. 1/1974 stipulated that married women are entitled to perform legal acts (including appearing before the court of justice, entering into contracts and using and owning property). But divorce law provides a greater share of assets to husbands while taxation law identifies men as the subject of taxation meaning that married women must use their husband’s tax number at all times unless they have a specific pre-nuptial contract that allows a couple to separate their assets and income.

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es, including credit, for SMEs. The Ministry of Finance Regulation No 135/PMK.05/2008 clearly outlines government support to accelerate the real sector (i.e. the market of goods and services) and to facilitate access to finance for SMEs and cooperatives by establishing a government sponsored credit guarantee fund. Each of these programs needs to be analyzed further to determine the extent to which women, particularly poor women, are able to gain access to services and build in measures to target women entrepreneurs.

**Recommendations**

- Improve access for poor women start-up entrepreneurs to productive resources such as financial services (loans and savings), financial literacy, business advisory services, improved technology and markets and training and support so they can move from informal to formal sources of finance.
- Enhance legal literacy for women entrepreneurs to better understand their property rights and entitlements under the various laws referred to above.
- Strengthen existing women MSMEs to scale-up their activities, thereby generating more employment opportunities for other women workers.
- Collaborate more systematically with CSO networks, who play significant role in developing and strengthening women-run MSMEs through financial support, capacity building support and advocacy on gender sensitive policy development.
- Related Ministries to improve availability of sex-disaggregated database for women-run SMEs including on profitability, market segmentation, job creation, development and access to finance (formal, informal, MFIs, commercial banks, etc).

- BPS to integrate Access to Finance module into Susenas to track disaggregated data and links to poverty reduction.

**Current Status:**

- **Migrant Workers**

As the migrant workforce becomes more feminized, it is possibly becoming more vulnerable.

In 2008, women comprised 74% of the total 748,825 Indonesian migrant workers (see Figure 2) reflecting a growing trend for women in this sector. The actual number of overseas workers is estimated to be much higher at about 4.3 million since many more emigrate illegally. Women comprise around three-quarters of Indonesia’s migrant workers, mostly in unregulated domestic work and continue to be one of the least protected in the region. Coming mostly from rural areas with low levels of education, they are vulnerable to unregulated recruitment practices, indebtedness, exploitation and abuse. Women migrant workers are at risk of trafficking: 55% of trafficking victims assisted by International Organization for Migration in Indonesia were exploited domestic workers, 89% of whom were women.

**Figure 2** Migrant Workers Placement by Sex and Year, 1994-2008 (official data, does not include undocumented migrants)

Economic contribution of migrant workers is hampered by exploitative practices.

High migration fees (official and unofficial) are often financed by migrant workers and their families through debt. These range from USD 350 to USD 950 for legally registered migrants; the fees for illegal arrangements are lower, which explains the high rate of undocumented migrants. Actual salaries are often lower than contract values due to salary deductions from brokers and recruitment agencies and underpayment by employers. Registered migrant workers face barriers in claiming non-wages benefits such as insurance, for which they have paid. Because formal transfers come with high charges and require legal ID, migrants’ savings are often sent back via informal and insecure channels to households that are highly dependent on remittances. Indonesia is one of the top remittance-recipient countries in the world. In 2007 alone, migrant workers sent approximately USD 6 billion in remittances (equal to one-third of foreign direct investment in the same year). Their economic contribution is hampered by the high costs of recruitment, placement and post placement stages, weak legal protection, and income insecurity. This affects both the livelihoods of the migrant workers and the households that depend on their income. Households reported that remittances equaled 80-90% of total household expenditures, regardless of the income level of the household.

There is considerable scope for reducing risk and increasing revenues and household incomes by addressing the barriers to legality that migrant workers face. Indonesia’s policy framework is incomplete compared to countries such as the Philippines, placing its female migrant workers at greater risk. The Philippines offer better protection, labor standards and minimum wage provisions, through bilateral agreements, memorandums of understanding, and support services in receiving countries. The Migrant Workers and Overseas Filipinos Act (RA 8042/1995), establishes labor centers in all countries with more than 20,000 Filipino workers. Each center – staffed with a Labor Attaché, Foreign Service Personnel, Welfare Officer, Center Coordinator and, if necessary, an interpreter – provides a comprehensive range of services, including loans to cover the costs of legal disputes, and operates a fund to cover possible repatriation costs if necessary.

Policy Context

The government has put important measures such as Letter No B.80/MEN/SJ-UM/IV/2011 on the establishment on an integrated team for the protection of migrant workers on 15 April 2011. The current legal frameworks and support services available for migrant workers, however, needs to be further strengthened to mitigate their vulnerabilities. The existing laws and regulations do not clearly define roles and negotiating power across government institutions in providing support and services for migrant workers. In addition, as mandated in ICPD 1994 Chapter X on International Migration, urge Governments to address the root causes of migration, to make remaining in one’s country a viable option for all people. Inflows of remittances should be fostered by sound economic policies and adequate banking facilities. Countries of destination should consider the use of temporary migration, while countries of origin should collaborate in promoting voluntary return. The exchange of information on migration policies and the monitoring of stocks and flows of migrants through adequate data gathering should be supported. ICPD+15, suggested a more comprehensive approach that addresses the root causes of migrant workers, reintegration process of returning migrants, and more intensive cooperation and dialogue with recipient countries may need to also be envisaged.
Law No. 39/2004 on the Placement and Protection of Indonesian Migrant Workers emphasizes placement procedures rather than workers’ protection, and overlooks women migrant workers’ specific vulnerabilities such as sexual harassment and abuse, and limited mobility for live in domestic workers. This law has been revised and is currently with the House of Parliament.

**Recommendations**

- MoMT to develop a comprehensive policy framework to improve protection of migrant workers, with a particular focus on women, especially domestic workers. The Philippines model on the protection policy framework may be used as an example. An agenda of action is recommended to improve the access of migrant workers to formal financial instruments and services, to ensure that poor households benefit from remittance flows, and to enhance data collection on migrant workers by sex, destination, occupation, remittances, wages, abuses and legality.

- MoMT to establish and monitor service standards for the pre-departure training and preparation programs implemented by recruitment agencies and ensure that participants receive comprehensive and detailed information about their contractual and legal rights and have the correct documents and forms to claim entitled benefits (e.g., insurance).

- Pursue bilateral negotiations with all major receiving countries to protect workers, including foreign domestic workers, through agreements or memorandums of understanding.

- Promote the use of standard employment contracts that detail comprehensive rights and benefits for migrant workers. In the absence of legal frameworks, the contract is often the only legal document available to domestic workers. The Philippines also requires employers to register, sign and authenticate employment contracts with their foreign missions.

- Expand support services for migrant workers in Indonesian embassies of all major receiving countries that cover a range of functions that may include: one-stop information services, legal advice, and conciliation services. Facilitate legalization of illegal undocumented migrant workers: to strengthen their protection status, ability to use legal and safe remittance channels, etc.

- Make formal sector instruments and services more accessible and responsive to migrant workers. This can be done by: helping ensure that migrant workers have valid and acceptable forms of identification; customizing financial products and instruments for Indonesian migrant workers, including remittance services, loans and savings; ensuring better assessment techniques of data and regulatory changes; enabling strategic partnerships between remittance service providers (both formal and informal), and expanding the state’s role in encouraging formal transfers.

- Facilitate migrant workers’ and their families’ access to the formal sector financial services providers in two ways: 1) provide financial literacy trainings for migrant workers in partnership with financial institutions, Indonesian embassies and non-governmental organizations and 2) improve physical accessibility to locations where remittances can be deposited, transferred and withdrawn, and improve the user-friendliness of financial institutions.

- Formalize and regulate informal service providers while maintaining their accessibility for migrant workers. Improving competition in order to reduce costs will help ensure that only efficient providers
remain in business. In addition, licensing and regulating informal providers will allow remittances through these channels to be better monitored and tracked.

- Comprehensive data on migrant workers and households is needed and would best be collected through national, regular surveys such as Susenas or Sakernas. This could include data from an annual survey in addition to the panel data from the Indonesia Family Life Survey which would spur further empirical research designed to support policies concerning migrant workers. (Note: Possible research questions include: why and how people migrate; who they are (sex, education level, age, etc) and what kind of jobs they are looking for; to what extent do migration and remittances contribute to economic growth; how do households use additional income from remittances – for consumption, economic development (i.e., purchasing productive assets), or human development (i.e., increased spending on education and health)).

References


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