

## The Impact on the Livelihoods of Families Dependent on Migrant Workers in Kabupaten Malang: Results of the Second-round Monitoring

Local  
Monitoring  
No.07/FS/2010

September 2010

Fact sheet

*During the first visit in September 2009, there were indications that the people most affected by the 2008/09 global financial crisis (GFC) were the Indonesian migrant workers working in the Republic of Korea (South Korea). This second visit was undertaken to confirm the findings of the first visit. The research was, therefore, focused on the migrant workers who had just returned from Korea as well as their families. Apart from these former migrant workers, the visit also looked at former Indonesian migrant workers in other countries because there were indications that they had also been affected by the GFC. During the September–December 2009 period, the severity of the impact of crisis varied between sectors and between types of work in the same sector. Migrant workers in the automotive sector were the most affected. They felt the impact most in the loss or reduction in the amount of overtime that indirectly resulted in a fall in the level of remittances sent to their families in Indonesia. Some Indonesian migrant workers in Korea were laid off, but they did not return home immediately. Instead, they sought work in other companies, especially, in the agribusiness sector, by using a reference provided by their former employer.*

### Conditions in the Companies Where Migrant Workers Are Employed in South Korea and Other Countries

The impact of the GFC has been particularly felt by Indonesian migrant workers in South Korea. The crisis in various companies in the country, especially in export-oriented industries, emerged in May/June 2008 and reached its peak in September/October 2008—when migrant workers' activity and income were at their lowest. The severity of the crisis varied between sectors and between types of work in the same sector. The worst impact occurred in the automotive industry, but the impact differed depending on the type of work or product produced. Some piston producers had to close down, while automotive accessory companies did not have to cease trading. These companies only reduced the number of workers, working hours (by reducing or eliminating overtime), or both.

Other industries, such as the textile and electronic injection industries, also had the same experience although none of these companies closed. There were also companies that stopped doing shift work. The reduction in the number of working days and hours was done in phases from five workdays to four and then three because the companies reduced their production capacity. The same situation also occurred in the automotive accessory and ready-made garment industries in Malaysia. One automotive accessory industry that was hit by the crisis was the car fragrance industry that ceased working overtime.

The situation gradually improved around October 2009 when the number of working days and hours increased to almost normal levels. In general, however, companies were not yet ready to take on extra workers in the same numbers as prior to the GFC. On the other hand, there were companies in South Korea that took on replacement workers for workers whose contracts were coming to an end.

The impact of the GFC was not particularly felt by women migrant workers from Indonesia who were employed as domestic workers. In general, their wages remained the same. In fact, in Hong Kong, since June 2009, migrant workers have been receiving a full wage (with no deductions for tax or insurance—both of which are paid by the employers). This wage policy is the result of demands by migrant workers on the Government of Hong Kong.

### Condition and Coping Strategy of Indonesian Migrant Workers in South Korea during the 2008/2009 GFC

In South Korea, the workers who were worst affected by layoffs were local workers (South Koreans). Migrant workers were last to be laid off because they were under contract. Migrant workers who were laid off did not immediately return to Indonesia. Some of them found work with other companies, especially in the agribusiness sector, in order to survive.



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This research was funded by AusAID.

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A migrant worker could move to another company if the company where they were working was affected by the GFC. According to one migrant worker, a worker could move twice by using the reference provided by their initial employer. After being laid off, some migrant workers stayed at their friend's place, while others were assisted by the company that had laid them off for 1–2 months until they found new employment. When their former company recovered, workers who had been laid off but were still in South Korea were recalled. Some migrant workers asked for assistance concerning employment from the Indonesian embassy in South Korea. Migrant workers who were unable to find other employment usually returned home before their work visa expired. This finding was confirmed by the UPT P3TKI (*Unit Pelaksana Teknis Pelayanan, Penempatan, dan Perlindungan Tenaga Kerja Indonesia*—Technical Implementation Unit for the Service, Placement, and Protection of Indonesian Migrant Workers) for East Java when the SMERU research team met with them. They said that there were approximately 5,000 intending migrant workers who were ready to depart for South Korea but had not left for quite a long time. This was because, at the same time, there were many migrant workers still in South Korea who had been laid off but had not returned home because they were waiting for an employment opportunity to arise in other companies/factories.

### Impact of the GFC on Migrant Workers' Families in Desa Arjowilangun

Migrant workers who hail from Desa Arjowilangun felt the impact of the GFC through a fall in their income. Their income fell 25%–50% in line with the fall in their working days, working hours, and overtime. For example, their income that was usually Rp9 million–Rp11 million per month fell to only Rp6 million–Rp7 million per month because they were not working overtime. This situation occurred during the period of November 2008 to August 2009. During the GFC, the cost of living for migrant workers in South Korea also tended to rise. This automatically reduced the amount of money that they were able to remit to their families in Indonesia. In fact, there were some migrant workers who not only experienced a fall in their income, but also had their work contract terminated prematurely or not extended. However, there were also migrant workers whose contracts were extended. This condition was basically experienced by both male and female migrant workers. The percentage fall in remittances was the same as the decline in the income levels. The weakening US dollar against Asian currencies only resulted in a fall in remittances of approximately 5%.

Due to this impact of the GFC, migrant workers' family had to economize. As a consequence of a fall in remittances from their family member, those who had already started to construct a house had to prioritize their expenditures for daily essentials and building materials. The fulfillment of tertiary needs, such as recreation, cosmetics, and electronic goods declined. One type of electronic good that migrant workers' family had previously purchased was a desktop or laptop computer, but recent interest in purchasing these electronic goods has fallen off.

After returning to the village, most of the former migrant workers returned to farming. Apart from farming, some former migrant workers also opened a shop, livestock-raising enterprise, and livestock-trading business, but others were just about to plan to go into business.

## Community Development in Desa Arjowilangun

### Current Economic Developments in the Village

Although migrant workers have experienced a fall in their income, their income is still far higher than the average income of the community in Desa Arjowilangun. Therefore, the income they remitted or brought back to the village had a positive effect on the economic development of the village. Apart from being used for consumption needs, the income of migrant workers is also used to open businesses and contributes self-generated funds to the development of the village.

The types of businesses opened by migrant workers include cell phone, electronics, and clothing shops, and shops selling daily needs. During the past three months, the number of shops in the village has risen. Based on information from several business operators, gold shops, cell phone shops, and cell phone accessory shops have been developing relatively well, while the development of other shops selling miscellaneous items is dependent on the completeness of their inventory (the more complete the shop's inventory, the better the shop sells). There are also increasing numbers of internet cafes and clothing shops. On the other hand, there are fewer furniture shops due to the rising price of raw materials and the difficulty of raising the selling price. Computer and laptop sellers cope with the falling sales of computers and laptops by offering computer courses with the hope that this can spur renewed interest in purchasing computers/laptops.

The motto of the village "No day without development" is being put into practice consistently. The construction of houses in almost every hamlet continues nonstop, while the construction of infrastructure, especially the improvement of the quality of village streets is ongoing. Ninety-seven percent of the village's streets have now been asphalted. The village community's interest in contributing to the development of their village remains high. A recent *adat* (customary) ceremony to clean the village collected self-generated funds amounting to Rp50 million, while an activity to resurface the street collected self-generated funds at the amount of Rp61 million which was more than the amount of partnership funds provided by the local *kabupaten* (district) government. Seedling assistance from Perhutani (State Forestry Corporation) has also encouraged interest from the community in buying three times as many additional seedlings through their own funding. Desa Arjowilangun has the highest amount of self-sufficient funding of any village in East Java. One factor encouraging this community's unity to develop the village is Desa Arjowilangun's participating a contest that will choose the model village for all of East Java.

It is believed that there will be a harvest failure with agricultural food crops, especially rice and corn, due to a less than normal level of rainfall. Rice that has already been planted has already dried up, but farmers still expect that rain will fall so that they can plant another crop of rice and corn. In addition, large livestock raising is developing, while poultry production has fallen due to the large number of chickens that have died due to the hot weather. Businesses involved in buying and selling land in the village have also been emerging. The price of land has risen significantly due to the high level of interest

from migrant workers in buying land in strategic locations (along main streets), giving rise to the expression “*uang cari tanah*”, or literally “money for land”.

There is still a high level of interest from community members of productive age in becoming migrant workers, especially among those who have recently graduated from senior high school, but the process is increasingly difficult. The impact of the GFC on intending migrant workers has made it increasingly difficult for them to get work in South Korea due to declining opportunities there and the large number of companies in South Korea that prefer to utilize “private people”, migrant workers who have been laid off but are still living in South Korea, because they are cheaper, are more experienced, and have good Korean language skills. Two things that make it increasingly difficult to become a migrant worker in South Korea are the application of a G-to-G (*government to government*) recruitment system by the Indonesian Government and the introduction of new regulations on the duration of contracts that are now limited to five years. This means that there is no longer a system of company recommendations.



**Figure 1. The lack of an irrigation system in Desa Arjowilangun makes it difficult for the community to cultivate their agricultural land**

During one discussion with the community, it was discovered that the domestic shortage of work was the subject of most complaints. Becoming a migrant worker was a reflection of the lack of local jobs. The community hopes that a local natural resource-based industry will develop so that it can employ local workers and, thus, interest in becoming an overseas migrant worker will drop off. Several years ago, there was a plan to construct a cement industry near Kalipare, but the plan never came to fruition. In addition, there is also potential for further development of downstream agricultural processing, such as cassava chips and products from cattle production. Another problem that the community complains about is the lack of an irrigation system to irrigate the wet rice fields. The absence of irrigation makes it difficult for the community to work their farm lands. If they rely exclusively on uncertain rainfall, farmers will often experience harvest failures.

### **Community's Social Life**

There are also more community social activities in Desa Arjowilangun. This is evident from the increased number of places of worship (there is a mosque in each RW<sup>1</sup>), religious schools (*pesantren*), and gatherings of people for Koranic recitations (in each RT<sup>2</sup>). Nevertheless, the

influence of modern lifestyles is also becoming stronger, especially among teenagers. There are growing numbers of affairs and divorce cases. In addition, recently, there have also been growing numbers of “*pegat susuk*” cases, where there are demands for a divorce by a payment of money or assets (house) with a value that can reach into the tens of millions of rupiah. These kinds of practices are especially prevalent amongst female migrant workers.

### **Condition of the Poor**

The purchasing power of the poor has fallen due to the rising price of basic needs and fertilizer for their farming activities. To compensate for this, they reduce their expenditures and add to the number of family members in work. The types of work that are possible include working in the informal sector such as a farm laborer, washing person, and small trader. In addition, those who have land to farm use some of it to grow vegetables to fulfill the daily needs of their families. They fulfil their protein needs by fishing in public places such as the Karang Kates Dam. If they need financial assistance, they borrow from their closest family members (children or siblings), neighbors and, as a final alternative, a door-to-door banker called a *bank plecit* or moneylender. Apart from using a door-to-door service system, the *bank plecit* does not impose difficult conditions and allows borrowers to make daily repayments. This daily repayment system is effective for the *bank plecit* because very few borrowers fall into arrears, while for the borrower, especially small traders in the village market, this system is easy. This method is also a last resort for poor families because they do not own assets of sufficient value to sell for money.

### **Government Programs and Assistance**

The development of infrastructure is continuing in each *dusun* (hamlet) of Desa Arjowilangun. For example, the construction of a connecting road between Dusun Duren and Dusun Barisan commenced around October 2009 with PNPM funding. The preparation phase of this development activity was done with community involvement, but the construction was fully handed over to a contractor.

In addition, government programs to reduce poverty are still operating quite well. Interviews with several poor respondents in Desa Arjowilangun indicate that the Rice for the Poor (Raskin) program and Unconditional Cash Transfer (BLT) program have lightened the burden on the poor in a concrete way. Despite the controversy about the effectiveness of the two programs, they have been able to assist the poor in fulfilling their basic needs. These two programs will still be needed for several more years, but the quality of the programs has to be improved. In regard to Raskin, there have been complaints about the quality of rice that does not meet health standards (for example, it smells mouldy), while the requirement for recipients to pay is felt to be too onerous. Complaints about the BLT program include the amount that varies for each disbursement and the recipient list that often changes due to mistakes in the data on poor families. In addition, BOS (*Bantuan Operasional Sekolah*—School Operational Assistance) funding is also another program that is felt to have lightened the burden on the community, especially the poor who have school-age children. With the BOS funding, schools have released parents from having to pay the tuition fees. Nevertheless, students' parents are often still burdened with other costs such as the purchase of school uniforms and school

equipment imposed by the schools, besides other expenses such as transport costs. BOS funds are not received in full in Kabupaten Malang because the *kabupaten* government does not provide matching funds and, for that reason, the provincial government cannot disburse the funds.



**Figure 2. With PNPM funding, Desa Arjowilangun had built one of its roads**

Because the majority of migrant workers' families are classified as middle- or upper-class, most are not receiving BLT payments. They are, however, able to access the Raskin program because village authorities have applied a policy of allocating rice from this program equally amongst everyone in the village, not just to poor families. In addition, some families in Desa Arjowilangun, including the families of migrant workers, received assistance from the government to convert from their stove using kerosene to one using gas. However, many of them are not yet using it because they are not familiar with the use of gas stoves. Many well-off families already owned a gas stove, but they still received assistance under this program to convert to gas stoves.

Government authorities at the *kabupaten* level confirmed that the government had already started to implement several programs that are indirectly related to the impact of the GFC. Although these programs were not especially planned in anticipation of the impact of the GFC, they are expected to be capable of empowering the community's economy which will, in turn, strengthen its economic security in facing the impact of the crisis. One of these programs is capital assistance in the form of grant funding for businesswomen's groups in the amount of Rp25 million for each business group channeled from the Cooperatives and Small- and Medium-size Enterprises Agency. A group of businesswomen in Kecamatan Donomulyo confirmed that their group's proposal had been approved and the funds were expected to be disbursed at the end of 2009. In addition to capital assistance, this group also received training assistance from the local office of the Ministry of Labor and Transmigration on 7–8 December 2009 in making *belinjo* (fruit of the *Gnetum Gnemon* tree) and banana chips.



**Figure 3. In an effort to provide the community with overseas employment opportunities, the local office of the Ministry of Labor and Transmigration in Kabupaten Malang conducted a job exhibition**

In response to the research team's question about manpower development in Kabupaten Malang during the last three months, the local manpower office in Kabupaten Malang stated that they were preparing a job fair, entitled *Working to USA* at their office on 17 December 2009. This job fair was a collaboration between the local government and an Indonesian migrant worker service company (PJTKI) that obtained a job order from companies in the United States. The job fair recruited workers to be sent to the United States next year. The research team, however, was informed by the UPT P3TKI for East Java in Surabaya that the company conducting the *Working to USA* exhibition did not receive permission from the Indonesian embassy in the United States. A similar activity was also once organized in Jakarta, but this activity was terminated because the responsible party did not have a permit for the activity. ■

This fact sheet was prepared by Nina Toyamah and Rachma Indah Nurbani and is based on field research conducted by Nina Toyamah, Rachma Indah Nurbani, Ari Ratna Kurniastuti, and Mutmainnah in mid-December 2009. This field research was the second of three visits planned to be conducted every four months under the umbrella of the "Monitoring the Socioeconomic Impact of the 2008/2009 Global Financial Crisis in Indonesia" research being undertaken by The SMERU Research Institute. Editor: Budhi Adrianto. Translator: Christopher Stewart.

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<sup>1</sup>RW, which stands for *rukun warga*, is a unit of local administration consisting of several RT (see the next endnote for the definition of RT) within a *kelurahan*, which is a village level administrative area located in an urban center.

<sup>2</sup>RT, which stands for *rukun tetangga*, is the smallest unit of local administration consisting of a number of households.