

## Country Profile

# Indonesia

## Migration and Skill Corridors

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This report provides an overview of Indonesia's transnational labour migration experience since the 1970s. It discusses trends and patterns, the migration corridors that have come into existence, and the emerging cooperation between Indonesia and EU countries on labour recruitment.

Produced by the EU-funded Link4Skills research project, this Country Profile is part of a limited publication series providing relevant information about places where the project is conducting empirical fieldwork on transnational labour migration with a focus on migration skill corridors. Countries being investigated include Austria, Canada, Germany, Ghana, India, Indonesia, Morocco, the Netherlands, Nigeria, the Philippines, Poland and Ukraine.

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## 1. Introduction

This country profile provides an overview of Indonesia, a major origin country of migrant workers in Southeast Asia. It includes a description of the country's demographic profile and international migration background, an overview of the established and emerging migration corridors linked to Indonesia, and concludes with some reflections on what potential migration of skills to Europe would mean for the country.

Indonesia is the world's fourth most populous country. Its population of 227.5 million in 2023 is projected to reach 317.2 million in 2050. Table 1 shows that Indonesia's working age population (ages 15 to 64) is projected to remain stable at around two-thirds of the total through 2050.

Table 1. Selected demographic indicators: Indonesia

Indicator	2023	2050
Total population	227,534,000	317,225,000
Age 0-14	24.9 %	19.4 %
Age 15-64	68.1 %	65.6 %
Age 65+	7.0 %	15.0 %
Median age	29.9 years	36.5 years
Life expectancy at birth, male	69.0 years	-
Life expectancy at birth, female	73.3 years	-

Source: United Nations, ESCAP (n.d.)

Part of the working age population is looking overseas in search of better career prospects. The numbers have been on the rise since the 1970s, resulting in a growing Indonesian diaspora. Data from the Migration Policy Institute (citing the United Nations) put the stock estimate at 4.6 million as of 2020, noting the following countries as the top five destinations of Indonesians: 1. Saudi Arabia (1,709,000); 2. Malaysia (1,242,000); 3. United Arab Emirates (319,000); 4. Bangladesh (150,000); and 5. Hong Kong SAR (140,000) (Migration Policy Institute n.d.).<sup>1</sup>

Indonesia is the second largest source of migrant workers in Southeast Asia, although it trails the Philippines by a significant margin. While the Philippines deployed more than two million migrant workers there in 2019, Indonesia placed fewer than 300,000. Table 2 shows that annual placements since 2015 have not exceeded 300,000. The impact of the pandemic is evident in the drop observed in 2020 and 2021, followed by signs of recovery during the next two years.

Table 2. Number of Indonesian migrant workers placed abroad, 2014-2023

Year	Number	Year	Number
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<sup>1</sup> The World Bank (2017: 2), though, cites a higher number—9 million – of Indonesians abroad.

2014	429,874	2019	277,489
2015	275,737	2020	113,436
2016	234,451	2021	72,624
2017	262,899	2022	200,761
2018	283,908	2023	273,848

Source: Primantoro (2023)

Table 3 below shows the main destinations for Indonesian workers migrating within Asia. . In 2023, Japan ranked sixth with 5,832, reflecting increased placements under Japan's Specified Skilled Worker Visa covering 12 industries.

**Table 3. Top five destination countries/territories of Indonesian workers, 2019 and 2023**

2019 (pre-pandemic) Country	Number	2023 (post-pandemic) Country	Number
1 Malaysia	79,662	1 Hong Kong SAR	60,096
2 Taiwan	79,574	2 Taiwan	53,459
3 Hong Kong SAR	70,840	3 Malaysia	43,163
4 Singapore	19,354	4 South Korea	11,554
5 Saudi Arabia	7,018	5 Singapore	6,624

Source: Primantoro 2023

Labour migration from Indonesia up until now has been dominated by workers in low-wage and low-skilled occupations moving mostly within the Asian region. Historical data on Indonesian migrant workers show marked female predominance in the past, driven by the demand for domestic workers. Women comprised 80 percent of documented migrant workers in 2009, although their share has gone down in recent years, declining to 62 percent in 2016 (World Bank Indonesia 2017: 29, 34).

The Indonesian state became interested in pursuing overseas employment for the remittances it can generate. Labor migration governance has evolved over the years, showing signs of growing institutionalization. Spaan and Van Naerssen (2017) noted that “the system of migration management has shifted from a laissez-faire approach to a more state-managed system, with the regulation of private enterprises providing migration services.” Private recruitment agencies play an important role in matching Indonesian workers with employers. Most placements of migrant workers are now arranged by private enterprises, overshadowing government-to-government placements and those arranged by individuals.

### Laws and regulations

In 2017, Indonesia introduced a new law on Protection of Indonesian Migrant Workers (law 18/2017). This law, which aimed to strengthen worker protection (Missbach and Palmer, 2018), replaced a previous law known as Placement and Protection of Indonesian Workers Overseas (39/2004). The older law focused more on placement and recruitment and was short on protection. To ensure the implementation of service policies provided by the new law

(Cabinet Secretariat of the Republic of Indonesia, 2020), President Joko Widodo signed Presidential Regulation Number 90 of 2019 creating the Agency for the Protection of Indonesian Migrant Workers known as BP2MI.

Despite these developments, many gaps remain in protecting migrant workers, particularly for migrants in domestic work. The Indonesian government has imposed bans on sending new domestic workers to Malaysia and Saudi Arabia because of cases of abuse and exploitation. Indonesia imposed a ban on Saudi Arabia in 2011 due to the execution of an Indonesian worker. Another ban was applied to Saudi Arabia in 2015 and to 19 other countries including most of those in the Middle East.<sup>2</sup> The ban was not lifted until 2023 (Jakarta Post 28 August 2023). The ban did not stop women from migrating, however. Since the legal channel was not possible, women were pushed into irregular migration or trafficking which involved riskier conditions.

The drop in deployment levels since the mid-2010s seems to suggest that the ban may have dampened labour migration especially amid the country's improving economy. For those who opted to work abroad, they considered other destinations. The BP2MI agency is also proposing to increase government-to-government placement with destination countries in the hopes of securing more protection for Indonesian migrant workers.

## 2. Migration Corridors Overview

Over time, the following migration corridors came into existence:

*Indonesia-Malaysia* (established migration corridor). The neighbouring country of Malaysia has been the traditional destination of Indonesian workers, a cross-border movement greatly facilitated by geographical proximity, cultural similarities (including language) and social networks. Even before Malaysia launched a formal recruitment system in 1991, and before the Medan Agreement between the two countries, Indonesians were coming to fill the need for workers in agriculture, construction, transportation and services. By the time Malaysia introduced recruitment policies, many migrants were already in the country. Although Malaysia has diversified the origin countries of foreign workers, Indonesians remain the majority. The cooperation between both countries has been strained from time to time because of reported abuses against migrant workers, particularly domestic workers. Indonesia had imposed several bans on the sending of domestic workers to Malaysia because of maltreatment cases, and women migrant workers have also turned to other destinations which offer better wages and working conditions.

*Indonesia-Middle East* (established migration corridor). When the Middle East started recruiting foreign domestic workers in the 1980s, Indonesia emerged as a major source country. Saudi Arabia was attractive to aspiring Indonesian migrants because of the possibility to

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<sup>2</sup> In 2012, the government stated it will stop sending domestic workers in 2017 and drafted a roadmap towards this goal (Antara, 2012).

perform the haj (pilgrimage to Mecca), which is one of the pillars of Islam. Labour migration to Saudi Arabia accelerated and it quickly joined Malaysia as the top destinations of Indonesian migrant workers. Other countries in the region followed suit in recruiting domestic workers from Indonesia. The *kafala* system, which ties migrant workers' legal employment and residency to their sponsor, breeds conditions that render migrants vulnerable and powerless in relation to their sponsor or employer. The bans on the deployment of new domestic workers to Saudi Arabia (since 2011) and to the Middle East in general (from 2015) led to a significant decline in temporary labour outflows to this region (OECD, n.d.) and redirected labour migration to Southeast and East Asia.

*Indonesia-Southeast and East Asia* (established migration corridor). Singapore, Taiwan, South Korea, Hong Kong SAR and Japan are sought-after destinations for Indonesian migrant workers. Particularly for women, Singapore, Taiwan, and Hong Kong SAR emerged as alternative destinations for migrant domestic workers. All three destinations are dominated by women migrants because of the demand for domestic workers or caregivers. Recruitment of migrant domestic workers in all three destinations is primarily mediated by private recruitment agencies. The excessive fees charged by private recruitment agencies is a long-standing concern because it pushes migrants into indebtedness and situations where they have to endure horrific working conditions to repay their debts. In Taiwan and Hong Kong SAR, host governments provide some basic protection, and the presence of civil society organizations provide important support through their advocacy of migrants' rights and provision of services.

In 2004, South Korea forged a memorandum of understanding for the recruitment of workers from Indonesia and 15 other origin countries. Based on its Employment Permit System, the MoU applies to five sectors: manufacturing, construction, services, fisheries, and agriculture. Indonesia has so far sent workers only in the sectors of manufacturing and fisheries. Under this government-to-government agreement, private recruitment agencies are out of the picture. Migrant workers are provided support throughout the migration process and protected and treated as national workers.

To meet the shortage of nurses and caregivers, Japan initiated the Indonesia-Japan Economic Partnership Agreement. Since the agreement was signed in 2008, 3,638 nurses and caregivers have been deployed to Japan (Haryanto et al., 2022). Under this program, qualified nurses who have received Japanese language training prior to migration start as nurse assistants in Japan, undergo further training, and must pass the national examination to practice as nurses. In recent years, Japan has introduced various schemes to recruit workers, and this can present opportunities for aspiring Indonesian migrant workers.

*Indonesia-Europe* (new migration corridor). The labour market in Europe is new terrain for Indonesians, and it has potential to provide better work, better incomes, and better protection of workers. Indonesia had long wanted to send more skilled workers overseas, but this has not been possible because labour market demand in Asian destination countries is mainly for low-wage and low-skilled work. Four EU countries in the Link4Skills project are looking at partnering with Indonesia for labour recruitment—Austria, Germany, the Netherlands and Poland.

Germany has started discussions with Indonesia and has taken concrete steps to initiate the process of labour recruitment. In 2021, Germany's Federal Employment Agency and Indonesia's BP2MI agency signed the Triple Win Programme for the recruitment of Indonesian nurses (Republic of Indonesia 2021). On the Indonesian side, there are proposals to extend recruitment to the private sector and relax the initial language requirement to A1 or A2 with the required B1/B2 levels to be attained while the nurses are in Germany. Another step is the signing of a memorandum of understanding between the Indonesian Ministry of Industry and the private Indonesian education centre Malikal Zentrum Institute (MZI) to provide industrial vocational education and training. Fulfilling the German language requirement can be a challenge in accessing work opportunities in Germany.

On May 13, 2024, Austria signed a memorandum of understanding with Indonesia for the recruitment of professional and skilled workers through private recruitment agencies. Austria had already signed an earlier agreement with Indonesia (November 2022) to strengthen vocational training.

To date, it seems the Netherlands and Poland have yet to engage Indonesia in exploring cooperation on recruiting Indonesian workers.

### 3. Migration and Skills

The European turn in Indonesia's transnational labour migration promises better prospects for migrant workers. While these suggest wins for individuals, there could be societal challenges for Indonesia. The migration of skilled workers and professionals to Europe could lead to brain drain. This concern arises not just because of the potential number of those leaving, but also because migrants tend to be more experienced and more skilled compared to non-migrants. Moreover, the prospect of skilled migrants remaining in Europe implies the loss of skilled workers for Indonesia. While destination countries invest in skills training in Indonesia, these initiatives are targeted to the needs of destination countries. The potential of brain drain and how to mitigate it should be considered in discussions of fair labour exchange.

Labor migration is not the only channel for bringing in needed workers. Potential migrant workers and talents may be recruited through other migration pathways. For example, student migration could be a step toward migration for employment. Also, as already evident, migrant workers can be recruited from outside their home countries, a practice known as third-country hiring. This type of hiring falls outside the regulation framework of origin countries—this is an issue that may be subject to the discussions and agreements between Indonesia and destination countries.

The participation of the private sector in the recruitment of migrant workers is and will be part of the recruitment landscape. Fostering cooperation between Indonesia and destination countries, coordinating efforts to promote ethical recruitment by all labour migration partners, and bringing employers into the conversation will be necessary. It is also important to recognize that the ambit of regulation is limited to accredited actors and institutions. In the wide and borderless world of information technology, online recruitment is happening, presenting opportunities as much as unknown perils and threats to safe and orderly migration.

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## About the Link4Skills project

Link4Skills is an EU-funded research and project addressing the global challenge of skill shortages and mismatches through innovative, sustainable solutions that foster fair skill utilization and exchange across continents.

Focusing on Europe, Africa, Asia, and America, the project seeks to bridge the gap between skill supply and demand by facilitating re/up-skilling, promoting automation, and encouraging migration as policy options.

Link4Skills is creating an inclusive, participatory policy decision-making environment by integrating a diverse range of stakeholders, including EU decision-makers, inter-governmental institutions, national and subnational decision-makers, employers organizations, employees organizations, and civic society co-development institutions.

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