INDONESIAN LABOUR MIGRATION TO SABAH: CAUSES AND IMPLICATIONS

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INTRODUCTION

There is increasing interest among policymakers and researchers in the relationship between migration and development in low and middle income countries (United Nations, 2006). However, there remains a lack of empirical evidence on the impact of migration on economies of origin and destination, especially in Asia and Africa. This paper reports on one of the most substantial global migration corridors (World Bank, 2011) – that linking Indonesia and Malaysia. In 2009 it is estimated that migrants in Malaysia numbered 2 million, around a half of whom were Indonesians. It is based predominantly on a substantial survey of Indonesian labour migrants working in the East Malaysian state of Sabah undertaken in 2010. Information from the survey, together with information from their employers as well as in-depth interviews with key informants.

The paper begins with a brief discussion of contemporary thinking on the relationship between migration and development as a basis for examining the situation in Sabah. Some key features of the movement between Indonesia and Malaysia, especially that directed to Sabah, are then discussed. The economic contribution of Indonesian migrant workers is first examined in Sabah and then in the home areas of the Indonesian migrant workers. The paper then discusses the policy implications of these findings, especially in the Malaysian context.

THE RELATIONSHIP BETWEEN MIGRATION AND DEVELOPMENT

Over the last two decades there has been a massive increase in the flows of goods, finance and information between Asia-Pacific nations and although movements of people have also increased there remain substantial barriers. Some in the region argue that it is paradoxical that whereas a freeing up of regulations has facilitated flows of capital and goods between economies there has not been a similar liberalisation of the other factor of production-labour.
Undoubtedly increasing migration between economies has contributed to Asia-Pacific integration and had benefits for origins, destinations and the migrants themselves. Yet there remains widespread misunderstanding of international labour migration in the region and its impacts, both current and potential. Migration in this region, as is the case elsewhere in the world, remains a highly sensitive issue and the movement of workers in the region, especially the low skilled, remains highly restricted. It must be the sovereign right of every nation to regulate immigration but too often restrictive migration policy is not based on empirical evidence but on misinformation and the pressures of interest groups. In such contexts undocumented migration and exploitation of and discrimination against migrants thrives.

There is, however, an increasing awareness in the region of the complex relationship between labour movement on the one hand and economic and social development on the other. As the former Secretary General of the United Nations has put it:

‘There is an emerging consensus that countries can co-operate to create triple wins, for migrants, for their countries of origin and for the societies that receive them’ (United Nations, 2006, 5).

It is being recognised, however, that the migrants do more than ‘make up the numbers’ in labour force deficit situations. It is recognised that migrants can make important and substantial contributions to economic development in destination communities. In economies like the United States and Australia it has been demonstrated that at worst the impact of migrants on the economy is benign and at best they contribute to economic growth in situations where there is a shortage of workers through:

- Supplying particular skills they contribute to increase productivity.
- Also fill low skilled jobs eschewed by local workers (e.g. agriculture).
- Migrants are selected from risk taking and entrepreneurial groups and disproportionately start up new enterprises.
• They are crucial in developing economic linkages with origin countries.
• There is no evidence that they displace local workers from jobs. On the contrary, they have a net effect in creating jobs.

Hence in developed economies migrants are an important structural feature. They are of long term and integral significance to development in those economies. However, this is often not recognised. There is often not only a failure to recognise the economic contribution of migrants but to stereotype them in a range of negative ways, blaming them for crime, spread of infectious diseases etc. when there is rarely evidence that they are any more responsible than local populations. Careful management of migration, protection of the rights of migrants while ensuring that the wellbeing of the native population is not compromised is one of the keys to good governance in high income economies.

It is not just in destinations, however, that migration can contribute to development. The impact of emigration on origin countries has long been regarded as a complex issue (de Haas, 2006, 9-13) but dominant thinking up to around 2000 was of a pessimistic impact on origin communities with the loss of human resources through ‘brain drain’ restraining development initiatives. The last decade, however, has seen a striking reversal with researchers (Lucas, 2005) and especially multilateral agencies (United Nations, 2006; World Bank, 2006; Global Commission on Migration and Development, 2005) arguing that emigration can have positive developmental impacts in origin countries. While this ‘development dividend’ is not automatic and requires appropriate policies and there is no denying the reality of ‘brain drain’ impacts, this new approach represents a more holistic understanding of the complexity of the migration-development relationship.

Development of policies which facilitate the beneficial impacts of migration on development in both destination and origin countries has been significantly hampered by a lack of empirical research on the impacts of migration. This has especially been the case in
the Southeast Asian situation (Hugo and Young, 2008). This paper seeks to redress this
deficiency in part using a field study in Sabah, Malaysia.

**THE SABAH FIELD STUDY**

A study of Indonesian labour migration in Sabah, Malaysia was undertaken focussing
on Tawau Division. The study comprised three stages and was carried out from April to
December 2010. It began with a survey to scope migration issues in the study area and
establishes rapport with key informants. In stage 2, a questionnaire was developed and tested
and a methodology for sampling was developed and the survey was carried out in stage 3. A
mixed methods approach was adopted combining a survey, in-depth interviews and
observation.

The study was conducted in Sabah located in northern portion of the Borneo Island
and included three districts in Tawau Division namely Tawau, Kunak and Semporna. Early
census 2010 Malaysia Department of Statistics report estimates that Tawau Division has a
total population of 614,500; where 254,200 (44 %) of them are foreign citizens. The majority
of the foreign population in Tawau Division are Indonesian while in Sandakan Division the
majority are from the Philippines. This is because traditionally, Tawau Division has been the
main entry point of Indonesians while the Philippines enter through Sandakan due to its
geographical proximity to the Southern Philippines. The southern part of Tawau Division
shares land and sea borders with Kalimantan, Indonesia.

The survey was carried out by a group of university students who could conduct the
interview in either Malay/Indonesian or Bugis, the dialect predominantly used by the
Indonesian workers. The survey interviewed 902 Indonesian workers from five sectors –
plantations, manufacturing, services, construction and informal. Based on data on issuance of
work permits by the Sabah Labour Force Department, quota sampling was adopted in the
selection of the sample. In 2009, 77.5 percent Indonesian workers were recruited in plantations, 23.6 percent in manufacturing, 1.69 percent in construction and 1.9 percent in services. In order to make the data collection more relevant for research purposes, as the number of respondents in construction and services sectors would be too small, an adjustment of 7 percent (services), and 8 percent (construction) was applied. We also included informal sector (5 percent respondents) because it is important in the study of Indonesian workers in Sabah.

In the absence of a suitable sampling frame, a non-probability sampling approach was adopted. The Sabah Labour Force Department (SLFD) has access to data such as company names, number of foreign workers employed and the company contact details. In addition, most non government companies comply with SLFD requests to provide Indonesian workers for interviews as it has the authority to approve recruitment of Indonesian workers.

Some 848 Indonesian workers from 37 non-government companies in 4 main job sectors namely plantation (63.2 percent), manufacturing (24.3 percent), services (3.9 percent) and construction (2.6 percent) were successfully interviewed. Although the number of respondents interviewed in services and construction is below the target percentage, it is sufficient to draw some conclusions. Another 54 respondents from informal sector (6 percent) including small traders, entrepreneurs and sales assistants were interviewed in markets, shopping, business and tourist centres using snowball sampling.

Primary data was also collected via face-to-face in-depth interviews among government officers from government agencies such as Sabah Labour Force Department, Federal Special Task Force, Sabah Immigration Department and Economy Planning Unit Sabah. These agencies manage foreign workers and attend to their issues and concerns. Useful information derived from these interviews included Indonesian worker flows,
irregular migration, immigration rules and regulations, job vacancy and demands. Most importantly, secondary data relevant to Indonesian migration were also obtained.

Non-participant observation usually produced more personal and confidential data. In this study, observation on work places and facilities conducted prior to face-to-face interviews helped researcher understand more about Indonesian workers’ working condition. A visit to Nunukan Island accompanied by a key informant gave a real picture of the formal and informal ports, flows of people to and from Tawau and Nunukan, legal and illegal entries and business activities flourished from this movement of workers.

THE INDONESIA-MALAYSIA MIGRATION CORRIDOR

The World Bank (2011) designates the Indonesia-Malaysia migration corridor is the 13th largest in the world. They suggest that the number involved in this flow in 2010 was 1.4 million persons. This would seem to be a significant underestimate for a number of reasons. Trends in the official number of foreign workers from Indonesia in Malaysia are shown in Figure 1. However, they are a significant underestimate because:

- They seem to exclude all migrant workers in Sabah and Sarawak and their families.
- They exclude undocumented workers estimated at 700,000 by Kanapathy (2008a) and a majority would be Indonesian.
- It excludes expatriate and foreign skilled workers, the official numbers of which in 2006 were 32,609 and 22,940 respectively (Kanapathy, 2008b, 336). Indonesians are a minority in this group.

Clearly, the flow of migrant workers from Indonesia to Malaysia is one of the major corridors of migration, not only in Asia but globally. The official figures for Indonesians in Malaysia are significant underestimates of both their numbers and the proportion they make
up of all migrant workers since they are both the largest group among migrant workers in Sabah and among undocumented migrants. A recent report suggested (Azly, 2009, 1):

‘At least 2.2 million Indonesians are now working in Malaysia and 25 percent of them work as house helpers’.

This seems to be a more realistic indication of the scale of migration.

Figure 1: Malaysia: Number of Foreign Workers from Indonesia, 2001-09
Source: Malaysian Ministry of Internal Affairs

Establishing the number of Indonesians in Sabah is a difficult process. Table 1 shows the official number of work permits issued in recent years. The large increase in recent years reflects the increased effort to reduce the numbers coming in to Sabah illegally. It will be noticed that Indonesians dominate among those given official work permits. In 2009 a 6-month legalisation program (Operasi Permutihan) was carried out in Sabah and this
revealed some 549,955 workers and their families were legalised, of whom 389,502 were from Indonesia. Perhaps the best indication of the total numbers of Indonesian migrants in Sabah can be derived from the Population Census of Malaysia. The results of the last three censuses in Sabah are presented in Table 2. Preliminary results only are available for the 2010 enumeration but it indicates that there has been a substantial increase of the foreign population in the state from 552,967 in 2000 to 932,300 in 2010. Moreover, the proportion of residents in Sabah who were foreign increased from 22.4 to 40.9 percent. It will be noticed that the foreign population is strongly concentrated in the Sandakan and Tawau Divisions. While of country of origin migrants is not available, it is apparent the overwhelming majority are from Indonesia.

**Table 1:** Issuance of Temporary Work Permits (PLKS) Based on Nationality in Sabah, 1997-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Nationality</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Indonesia</td>
<td>Philippines</td>
</tr>
<tr>
<td>1997</td>
<td>19,763</td>
<td>4,229</td>
</tr>
<tr>
<td>1998</td>
<td>76,441</td>
<td>17,383</td>
</tr>
<tr>
<td>1999</td>
<td>112,699</td>
<td>22,651</td>
</tr>
<tr>
<td>2000</td>
<td>86,760</td>
<td>8,258</td>
</tr>
<tr>
<td>2001</td>
<td>91,871</td>
<td>10,666</td>
</tr>
<tr>
<td>2002</td>
<td>132,031</td>
<td>13,944</td>
</tr>
<tr>
<td>2003</td>
<td>153,721</td>
<td>9,063</td>
</tr>
<tr>
<td>2004</td>
<td>168,875</td>
<td>8,569</td>
</tr>
<tr>
<td>2005</td>
<td>95,900</td>
<td>6,365</td>
</tr>
<tr>
<td>2006</td>
<td>200,449</td>
<td>12,034</td>
</tr>
<tr>
<td>2007</td>
<td>182,843</td>
<td>11,072</td>
</tr>
<tr>
<td>2008</td>
<td>149,659</td>
<td>10,442</td>
</tr>
<tr>
<td>2009*</td>
<td>240,294</td>
<td>29,712</td>
</tr>
<tr>
<td>2010*</td>
<td>232,174</td>
<td>39,983</td>
</tr>
</tbody>
</table>

* Sabah Immigration Department, 2010
The representation of migrant workers in particular industry sectors in both Sabah and Malaysia as a whole is depicted in Table 3 and it is evident that there is a strong concentration in low skill sectors of the labour market. The manufacturing sector accounts for about a third of migrant workers, household domestic services a quarter and construction and agriculture round 21 percent in Malaysia as a whole (ILO, Regional Office for Asia and the Pacific, 2008, 66). It is interesting that in recent years most of the growth has been in the manufacturing sector although it is likely that undocumented workers are more likely to work in plantations and several of the other stable sectors. The non-inclusion of Sabah in these data means that the numbers employed in plantations and agriculture are not indicative of the actual numbers working. If we examine the Sabah data it will be noted that half of the workers are employed on plantations and more than a quarter in other agriculture. It is
apparent that in Sabah most Indonesian migrant workers are engaged in export sector primary industry activity.

Table 3: Employment Sector of Migrant Workers in Malaysia and Sabah, 2008-09
Source: Malaysia Economic Planning Unit, Immigration Office, Sabah

<table>
<thead>
<tr>
<th></th>
<th>Malaysia</th>
<th>Sabah</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percent</td>
</tr>
<tr>
<td>Domestic</td>
<td>213,360</td>
<td>10.1</td>
</tr>
<tr>
<td>Agriculture</td>
<td>177,544</td>
<td>8.4</td>
</tr>
<tr>
<td>Plantations</td>
<td>341,464</td>
<td>16.1</td>
</tr>
<tr>
<td>Construction</td>
<td>316,559</td>
<td>14.9</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>749,953</td>
<td>35.3</td>
</tr>
<tr>
<td>Services</td>
<td>213,360</td>
<td>10.1</td>
</tr>
<tr>
<td>Total</td>
<td>2,122,931</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Figure 2: Major Routes of Indonesian Labour Migration to Malaysia
Source: Hugo, 1998

The paths by which Indonesian migrant workers travel are shown in Figure 2 and this indicates that whereas most migrant workers in Peninsular Malaysia come from Western
Indonesia (Java-Sumatra-Bali-West Nusatenggara), the bulk of those to Sabah originate from Sulawesi and East Nusatenggara.

One of the features of Indonesian migration to Sabah is the increasing pattern of families accompanying the migrant workers to Malaysia. Table 4 shows that in the 2010 survey the majority of married migrant workers were accompanied by their spouses in Sabah and a third had children with them. The bringing of family to Sabah has increased in recent years. In a study in 1996 less than a fifth of migrant workers travelled with their family (Hugo, 1998).

<table>
<thead>
<tr>
<th>Table 4: Sabah Indonesian Migrant Workers Study 2010; Location of Spouses and Children of Married Migrants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: Malaysia Economic Planning Unit, Immigration Office, Sabah</td>
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<tr>
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<tr>
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<tr>
<td></td>
</tr>
<tr>
<td>Spouse</td>
</tr>
<tr>
<td>Children</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

THE CAUSES AND PROCESS OF LABOUR MIGRATION

The drivers of labour migration from Indonesia to Malaysia have been discussed in some detail elsewhere (Hugo, 1993, 1998). There are clear underlying structural reasons for the movement. One must begin with an examination of contemporary labour market contexts in the two countries. Some major macro indicators of this situation are presented in Table 5 and some major contrasts are apparent. While both countries are currently experiencing rapid economic growth, Malaysia’s population is one tenth of the size of that of Indonesia and GNP per capita is more than three times higher. While 13.5 percent of Malaysia’s workers are in the agricultural sector, this is true of 41.2 percent of Indonesia’s massive labour force. Both
economies are undergoing major structural change and rapid growth of manufacturing is especially marked in Malaysia. Malaysia continues to experience significant labour shortages (Ducanes and Abella, 2008) with around a quarter of its workforce made up of migrant workers. Indonesia, on the other hand, remains a labour surplus economy. There is then considerable support for the simple neo-classical economics explanation of Indonesia-Malaysia labour migration as a means of allocating workers between high and low wage areas (Massey et al., 1994). However an explanation of the Indonesian movement to East Malaysia in terms of wage differentials only tells part of the story. As is the case in other international migration systems where labour surplus – low wage, and labour shortage – high wage countries, exist cheek by jowl, a satisfactory understanding must take into account a wider range of considerations. These include the historical context, the structural relations within the sending and receiving societies and the social networks linking the two countries.

Table 5: Malaysia and Indonesia: Macro Economic and Demographic Situation Around 2010

Source: United Nations World Population Prospects: The 2010 Revision Online Database; UNDP International Human Development Indicators Online Database; Asian Development Bank, 2010

<table>
<thead>
<tr>
<th>Variable</th>
<th>Malaysia</th>
<th>Indonesia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population 2010 (‘000)</td>
<td>26,000</td>
<td>239,871</td>
</tr>
<tr>
<td>Annual Population Growth Rate Per Annum 2005-10</td>
<td>1.69</td>
<td>1.08</td>
</tr>
<tr>
<td>Annual Growth Rate of Real GDP (%) 2007</td>
<td>6.5</td>
<td>6.3</td>
</tr>
<tr>
<td>Labour Force 2009 (‘000)</td>
<td>11,315</td>
<td>113,744</td>
</tr>
<tr>
<td>GDP Per Capita 2010 (PPP US$)</td>
<td>14,410</td>
<td>4,394</td>
</tr>
<tr>
<td>% Employment in Agriculture 2009</td>
<td>13.5</td>
<td>41.2</td>
</tr>
<tr>
<td>% Employment in Industry 2009</td>
<td>17.2</td>
<td>13.2</td>
</tr>
<tr>
<td>% Employment in Services 2007</td>
<td>56.7</td>
<td>39.9</td>
</tr>
<tr>
<td>Male Labour Force Participation Rate 2009</td>
<td>78.9</td>
<td>83.6</td>
</tr>
<tr>
<td>Female Labour Force Participation Rate 2009</td>
<td>46.4</td>
<td>51.8</td>
</tr>
</tbody>
</table>
The economic gradient between Indonesia and Malaysia is reflected in the reasons given by Indonesians in Sabah for migration. Figure 3 shows that a majority of both male and female migrant workers indicated their main reasons for moving were ‘to get a job’ or earn a ‘higher income’. It is interesting, however, to note that while only 5.2 percent of males indicated that they came to Malaysia to accompany their spouse or relatives, over a fifth of female respondents nominated this. This reflects a developing pattern in Sabah whereby more migrant workers from Indonesia are being accompanied by their families. This contrasts to Peninsular Malaysia where Indonesian migrant workers predominantly travel alone.

**Figure 3: Sabah Indonesian Migrant Workers Survey 2010: Reasons for Migration by Gender**

![Bar chart showing reasons for migration by gender](chart.png)

However, the non-economic dimensions of the migration process became evident when we examine the reasons given by survey respondents for choosing Tawau as their specific destination. Figure 4 shows that proximity was quoted by more than a half of respondents. A third indicated it was because they had relatives or friends there and an eighth...
pointed to the similarities of Tawau with their home area. In addition to the proximity of the two countries – Sabah shares a land border with Indonesia – there are strong ethnic, linguistic and religious similarities. There are well established ethnic and family linkages between Malaysia and Indonesia and strong historical antecedents to flows between the two countries (Hugo, 1993). The close similarity and common root between the Malay and Indonesian languages is also a factor.

**Figure 4:** *Sabah Indonesian Migrant Workers Survey 2010: Reasons for Choosing Tawau as a Destination*

Figure 4 also points to the central role that social networks play in the Indonesian-Malaysian migration system. It is clear that most migrant workers from Indonesia, when they move to Sabah for the first time, travel with repeat migrant workers and/or know other compatriots at the destination. In most cases migrant workers are helped by former migrants. In addition, migrant workers often are helped in the migration process by an agent known as a *calo* or *taikong*.

In the 2010 Sabah survey some 72.7 percent of respondents indicated that they had family members in Sabah before they moved there, while 83.7 percent indicated that they
knew other people in Sabah. The network factor in migration is clearly very important. Respondents were also asked who assisted them in obtaining and managing their travel documents. Figure 5 shows that agents and relatives were important.

**Figure 5: Sabah Indonesian Migrant Workers Survey 2010: Assistance in Obtaining and Managing Travel Documents**

![Choropleth map showing the distribution of assistance by type.](Image)

**THE IMPACT OF MIGRATION IN SABAH**

Migrants clearly have a major demographic presence in Sabah, making up 41 percent of the total population and close to half of the workforce. The impact of migration on the Sabah economy is considerable. The Malaysian Economic Planning Unit has estimated that currently around 252,600 new jobs are created annually in Malaysia as a whole and, of these, 45 percent are being taken up by foreigners so that their representation in the workforce has been increasing.

The Asia-Pacific Regional Office of the ILO (2008, 67-68) has argued that migrant workers can help boost productivity and output in receiving countries in the following ways:
'- by feeding excess labour demand in rapidly growing sectors and thus controlling labour costs and maintaining profitability in industries that otherwise would lose comparative advantage;
- by filling lower-productivity but necessary jobs, thus allowing (possibly) higher-skilled native workers to find employment in higher-productivity jobs; for example, household domestic workers make this important contribution;
- by increasing the current profitability of enterprises, thus allowing savings to be generated that can later be invested in improved capita;
- by augmenting domestic consumption and the multiplier effect of consumption on output.'

They have carried out a study of Malaysia which had the following results relating to migration’s impact on the economy:

- While highly skilled migrant workers only represented 2 percent of the Malaysian foreign workforce, they are strategically placed. A survey of 103 leading fastest growing enterprises, 52 percent employed at least one highly skilled foreign worker and 17 percent employed at least 20 of them.
- A study using a GCE model found that migrant workers contribute importantly to GDP and export revenue and help moderate wage increases.
- A Workplaces Practice study found a clear positive relationship between the employment of foreign workers and revenue growth.
- Employers reported that migrant workers were more willing to work overtime than native workers and are more likely to remain in the enterprise reducing operational and labour turnover costs.
Migrant workers employed as domestics allow better educated women to enter the labour force, find productive employment and improve productivity.

All of these arguments are relevant to Sabah where the following factors are relevant:

- Migrant workers make up more than twice as high a proportion of total workers as nationally.
- They are strategically concentrated in the main economic activities of the state – plantations and forestry – and hence are crucial to the export income derived by the state. Foreigners make up 80 percent of workers employed in Sabah’s plantation sector and 70 percent of its construction sector (Lajiun, 2009). The Chairman of the Malaysian Palm Oil Association estimated that a 30 percent reduction in the foreign workforce in this sector would result in a loss of RM10 billion a year in export earnings (Star, 21 December 2009).
- There is no alternative local workforce available in Sabah to carry out the low wage, low status, physically onerous jobs involved in plantations and forestry estates.

Nationally in Malaysia there has been growing opposition to the growing presence of migrant workers:

- One of the major negative arguments is that because the migrant workers have low levels of education and occupy low paid positions that they have low productivity and that they lower Malaysia’s productivity and detract from its international competitiveness.
- It is considered that because migrant workers are willing to accept depressed wages, they are preventing technological innovation and progress in the sectors of the economy where they are employed. They prevent mechanisation and labour saving technology being introduced and hence are a barrier to competitiveness.
• It is estimated that remittance outflows from migrant workers increased from RM2.47 billion in 2004 to RM3.43 billion in 2007. It is argued that this negativity impinges upon Malaysia’s Balance of Payments. These figures are only those which pass through the Malaysian National Bank (Bank Negara) and one estimate of the actual level of remittances is RM16 billion.

• Because they keep wages low in the sectors that they work in they are preventing local workers from entering those sectors.

• While Malaysia’s economy has been growing rapidly, it has been argued that nearly half of the jobs being created are low wage jobs for foreigners. Hence, of the estimated annual creation of 252,600 jobs, some 45 percent went to migrant workers in 2007.

This opposition has been much stronger in Peninsular Malaysia than it has in Sabah. There appears to be some degree of autonomy on migration matters in Sabah. Some of the regulations and restrictions relating to migrant workers appear not to be as strictly enforced as in Peninsular Malaysia. Moreover, the recent amnesty for undocumented workers in Sabah was not available in Peninsular Malaysia. Moreover, Indonesian migrant workers in Sabah have clearly found it possible to transition to permanent residence. In the survey some 62.8 percent of respondents indicated that they intend to stay in Malaysia and 59 percent indicated they intended to become a Malaysian citizen.

Turning to the impact of the migration in origin communities in Indonesia, the scale and nature of remittances is of basic significance. The measurement of remittances is problematical although there have been advances in recent years (Manning and Cronin, 2008). Figure 6 shows the steep increase in official remittances to Indonesia in recent years. This is partly an improvement in measurement but it is also indicative of an upward trend in flows of money from migrants. Despite the upswing in remittances at a national level, they
make up less than 10 percent of Indonesia’s export income. Nevertheless, to put them in context, remittances are likely to be greater than the earnings from Indonesian agricultural exports and perhaps as great as non-oil and gas mining export earnings.

**Figure 6:** Indonesia: Growth of Remittances, 1983-2010
Source: World Bank, Remittances Dataset, 8 November 2010

![Graph showing Indonesia's growth of remittances from 1983 to 2010](image)

Despite the growing impact of remittances at the national level their effects are greater at local and regional levels. For example, Titu Eki (2002, 257) collected data on remittances in a single kabupaten (regency) within the important origin province of migrants to Sabah, East Nusatenggara, from two banks and the post office and the total added up to the equivalent of Rp4,234.8 million in 1997. Although an understatement of total remittances it was four times higher than the kabupaten’s local government budget and 36.7 times greater...
than provincial earnings from exports. In the same province, Hugo (2004, 120) conservatively estimated the annual flow of remittances into the *kabupaten* of East Flores at US$20 million a year and argued that the remittances are *the* major financial flow into the region.

Turning to the Sabah survey, 81.1 percent of respondents indicated that they regularly send remittances to Indonesia. It must be remembered that a majority of respondents had their immediate family with them in Malaysia and 62.7 percent indicated they intended to remain in Sabah permanently. Most sent back money several times a year and the amounts are presented in Table 6. The fact that a majority of migrant workers have their spouse with them accounts for only a few sending money back to spouses. However, Figure 7 shows that more than a half sent money back to parents and over a fifth to children. The fact that the remittances are a crucial part of the support of dependants in the sending communities is indicated in Figure 8 which shows the use of remittances. The most frequently mentioned use was a routine household expenditure and this has also been found in studies in origin communities. For example, a study by Barns *et al.* (2008, 17) in Indonesia found:

<table>
<thead>
<tr>
<th>Amount (RM IRM=0.33 US$)</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 200</td>
<td>64</td>
<td>8.9</td>
</tr>
<tr>
<td>200 – 399</td>
<td>244</td>
<td>33.8</td>
</tr>
<tr>
<td>400 – 599</td>
<td>185</td>
<td>25.6</td>
</tr>
<tr>
<td>600 – 999</td>
<td>66</td>
<td>9.2</td>
</tr>
<tr>
<td>1000+</td>
<td>163</td>
<td>22.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>722</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
Figure 7: Sabah Indonesian Migrant Workers Survey 2010: Main Recipient of Remittances

![Bar chart showing the main recipients of remittances with the highest being parents at 506 (56.5%) and the lowest being spouse at 39 (4.4%).]

Figure 8: Sabah Indonesian Migrant Workers Survey 2010: Uses of Remittances

![Bar chart showing the uses of remittances with household expenditure at 646 (72.1%), children education at 209 (23.3%), saving at 142 (15.8%), build/renovate house at 81 (9.0%), and pay debt at 13 (1.5%).]
Some 46 percent of households were parents receiving remittances from children.

42 percent were receiving remittances from an absent spouse.

Average remittances were US$152 per month ranging from Singapore (2,065) to Malaysia (110).

Women remit more ($173) than men ($118).

Remittances are received infrequently and a third of migrants brought cash with them when they came home.

The most frequently mentioned use of remittances was ‘routine household expenditure’ followed by savings, education, loan repayments and capital for an enterprise.

Remittances are providing a significant capital flow into emigration communities in Indonesia and they are having some positive impacts on development in those areas:

- Raising consumption levels and increasing commercialisation and monetisation of the local economy.
- Increasing the demand for a range of services especially in education, but also in health and other social services and provided the money to pay for them.
- Creating employment in the construction sector.
- Improving infrastructure to a degree.

The development impacts of migration are not restricted, however, to the effects of remittances. One impact is to reduce the economically active population in the main outmigration areas and ease local unemployment and pressures on land resources. This is reflected in the lack of population growth in these areas (Hugo, 2004).
CONCLUSION

Indonesian labour migration to Malaysia is one of the largest such movements in the contemporary world. Moreover, it is growing and there are no indications of it subsiding. There can be little doubt that there is a potential synergy between labour short Sabah and labour rich Indonesia. However, the full development dividend of the migration between the countries is not being realised. As is the case elsewhere in Southeast Asia there is little linkage between migration policy and economic development policy in either country. Martin (2008, 17) has argued that there are three challenges facing countries in this respect:

- Further incorporation of the range of issues captured by the migration development nexus into policy formulation.
- Implementation and evaluation of the strategies to capitalise on the benefits that migration may bring for development.
- Institution of more effective international collaborations.

The real challenge is clearly moving toward strategies which take into account and use the positive interconnections between migration and development and seek to minimise negative impacts. This involves the removal of the impediments and barriers which currently intervene to prevent the benefits generated by labour migration to fully flow to Malaysia and back to origin families and communities. The poor governance of the labour migration system generally prevents the fully efficient use of migrant workers in the economy while often compromising the rights of the migrants themselves. Poor governance also dilutes the positive impacts on Indonesia with a significant part of the earnings of migrant workers not being available to impact on development because it is siphoned off by excessive transaction costs, corruption and exploitation of migrant workers. Only if there is a sound system of governance will the full potential of migration to benefit both Malaysia and Indonesia be achieved.
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