



## Analyze The Social Economy Condition of Indonesian Migrant Workers, the Way to Improve the Welfare : A Case Study in Hongkong

Izza Mafruhah<sup>1</sup>, Waridin Waridin<sup>2\*</sup> and Deden Dinar<sup>2</sup>

<sup>1</sup> Ph.D Student Economics Department, Faculty of Economics and Business, Diponegoro University, Semarang 50257, Indonesia  
Lecturer of Faculty of Economics and Business, Sebelas Maret University

<sup>2</sup> Faculty of Economics and Business, Diponegoro University, Semarang 50257, Indonesia. Jalan Erlangga Tengah 17  
Semarang 50421

\*Corresponding Author E-mail: [waridin@undip.ac.id](mailto:waridin@undip.ac.id); [waridin.dr@gmail.com](mailto:waridin.dr@gmail.com)

**Abstract:** The number of Indonesian Migrant Workers (TKI) across the world reached almost seven million people in 2016. Migration brings positive impacts on both economic and social aspects of their lives. It also brings the same life for their families and countries of destination and origin. One of the main destination countries is Hongkong. This study aims to identify and map the social economic conditions and to analyze the welfare of TKI in Hongkong.

The study uses sequential mixed method. It is the combination of quantitative and qualitative methods. The analytical tool consists of the spatial analysis of Geographic Information Systems (GIS), regression and phenomenology analysis.

GIS analysis is in the form of mapping of the social economic conditions of migrant workers in Hongkong based on gathering places with the crowded theory. The data is divided into three main themes. The first is the origin of migrant workers- province, town or village of origin- and the type of work in Indonesia. The second includes education, experience, age, and the number of family members. The last is the cost of living. The regression analysis uses remittance sent to Indonesia as a proxy for the welfare of migrant workers as the dependent variable. The results show that the remittance are significantly influenced by income, Education level, the number of family members, planned retirement age and the cost of living , but age, experience, and departure cost, show no effect on remittance. Both results are explained qualitatively by phenomenological analysis. The results show that there are some non-economic variables that affect the level of welfare among migrant workers. Variables such as culture, geography, non-formal education, family situation and future expectations shown by the plan after retirement influence perception on improving the welfare of migrant workers.

**Keywords:** migrant workers, welfare, GIS, regression, socioeconomic conditions, Remittances, phenomenology

## I. INTRODUCTION

Indonesia is a country with the fifth largest population in the world with 252.3 million people. The large population generates a large labor force. The February 2015 BPS report shows that the population aged 15 years and over was 184.6 million, with the total labor force of 128.3 million, of which 120.8 million were employed and 7.5 million unemployed, indicating that the unemployment rate reached 5.8%. On the other hand, the availability of employment opportunities was only 1.6 million, resulting in a gap of 1.3 million people per year. The main weakness of Indonesian workforce is the low level of education. BPS data shows that the unemployed education was elementary school (20%), junior high school (22.6%), senior high school (40.07%), Diploma and Bachelor Degree (9.7%).

Limited job opportunities in the home country encourage people to work abroad. Government programs on employment provide opportunities for Indonesian migrant workers (Tenaga Kerja Indonesia, or TKI) with special requirements. BNP2TKI data shows that the number of TKI abroad in 2011 was 586,802 people, in 2012 was 494,609, in 2013 was 512,168, but in 2014 and 2015 the numbers decreased to 429,872 and 275,736 respectively. The decline was due to the policy of the Minister of Labor concerning moratorium of TKI placement as domestic workers. The policy includes a hard policy, namely the cessation of migrant workers placement in 21 countries in the Middle East, and soft policy, namely the tightening of migrant workers placement in the Asia Pacific countries. Violation of this policy will be considered as a criminal offense of human trafficking. This regulation causes PPTKIS to stop domestic workers placement in these countries and ultimately leads to a decrease in the number of TKI (BNP2TKI 2015).

The main reason for TKI to work abroad is the economic factor, which is one of the indications of remittance transfer to family in the home country. Remittance is driven by two main motives. First, the altruism, or TKI concern to their family, in the hope that remittance can improve the family welfare (Singh *et al.* 2014; Ghosh 2009; Marchand *et al.* 2013). The second motive is self-interest. TKI will send money to invest in the best possible assets, showing a positive relationship between remittances and domestic economic activity (Lueth & Ruiz-Arranz 2006). The welfare of TKI and their families is influenced by economic and non-economic factors. This study analyzed several factors considered to have influences such as employment, income, education, the number of family dependents, living costs, age, work experience and departure costs.

The ILO research states that there has been a shift in the TKI objective. In the 1970s, the main destination countries were the Middle East especially Saudi Arabia, but in the 1990s migration shifted to Asia, especially Malaysia, Taiwan and Hong Kong. This shift has led to the increase of TKI working in Malaysia (ILO 2014; ILO 2015). The main destination countries of TKI to date are Malaysia, Saudi Arabia, and Hong Kong. Malaysia is popular due to similarities in terms language, culture, religion and its close proximity to Indonesia, while Saudi Arabia is the choice destination country for religious reasons and the potential opportunity of performing hajj and umrah. The next destination country is Hong Kong because the country has legal certainty, ease of transportation, and the opportunity to earn a holiday even for informal workers.

The number of TKI has a positive effect on the amount of remittances sent. BNP2TKI data in 2015 show that the highest remittance contributors were Middle East with 3,521 million dollar, ASEAN with 2,599 million dollars (with highest remittance recorded by TKI from Malaysia), Non ASEAN Asian countries

with 2,111 million dollars, USA with 714 million dollars, Europe with 159 million dollars, Australia with 58 million dollars, and Africa with 52 million dollars. Based on the above review, this study focuses on the analysis of the TKI welfare in Hong Kong.

## II. LITERATURE REVIEW

Economic migration is often described as population movement from lower to higher economic growth areas, as high economic growth provides higher employment opportunities for the workforce (Jureidini *et al.* 2010; Ghosh 2006). Migration is influenced by push factors of home regions such as the reduction in the sources of life; the declining employment opportunities; political, religious, and the disrupting the human rights; education, employment or marriage; and natural disasters (Hugo 1993; Hugo 1998; Hugo 2008; Massey 1999). And pull factors of destination regions such as expectation for the opportunity to improve the living standard and better education; comfortable living environment and activities in big cities.

The effects of remittance in development are usually considered complex and contradictory, but some researchers see a positive effect. In some developing countries, remittances account for more than 10% of GDP. (Ghosh 2009). The largest of remittance in the world was from the United States to Mexico. Other major streams can be seen from Saudi Arabia to Asian and Arab countries, and from the United States to the countries of origin of large immigrant communities such as China, Philippines, India and Vietnam. The countries with the largest flow of remittances are Mexico, India, Spain, Pakistan, and Portugal followed by Bangladesh, China, Guatemala, Nigeria, Sri Lanka, and Indonesia (Imai *et al.* 2014). Remittances have a significant effect on TKI and their families and destination countries. Remittance reduces poverty through increased income, higher investment in physical assets, education and health, and broader access to knowledge. In poor households, remittances tend to be spent more on food and durable goods, while wealthy households will use the money for investment in business or human capital. An interesting finding in the Moniaga research is that workers in the domestic sector have a higher chance of saving, because their living costs are borne by their employers. Another important discovery is the shift in social mobility and decision-making power by women in the household (Yang 2008; Taylor 2006; Moniaga 2008).

## III. METHODOLOGY

This research uses Hong Kong as research location. TKI is categorized based on the location of the main gathering place: Victoria Park and Kwonloon mosque.

This study use Geographic Information System (GIS) and regressions. The GIS is identifying and mapping. The data is then divided into three main themes: (i) origin of TKI, i.e. province of origin, village or city of origin, and employment status in Indonesia; (ii) education, experience, age and number of family dependents; and (iii) living cost per component.

The regressions is analyzing the TKI welfare, which is the dependent variable using remittance as proxy. Independent variables are income (INC), education (EDU), experience as TKI (EXP), age (AGE) and the number of family dependent (FAM), departure cost (BEA), and living cost (LC). The model used is semi-log regression, and its logarithm variables include Remittance, Income, and Living Cost, which produce the following model:

$$\log\text{REM} = f(\log\text{INC}, \text{EDU}, \text{EXP}, \text{AGE}, \text{FAM}, \log\text{BEA}, \log\text{LC})$$

## **IV. DISCUSSION**

Hong Kong is the main destination country for TKI in Asia after Malaysia and Taiwan. The number of TKI placement in Hong Kong in 2015 and 2016 reached 14,078 and 13,072 respectively. The main reasons for TKI to choose Hong Kong are due to (a) close proximity and easy transportation from Indonesia to Hong Kong, (b) a relatively high income of about 4,200 Hong Kong dollars per month in 2016. (c) Strong legal and human rights support because the Hong Kong government does not impose any human rights differences between citizens and TKI, (d) guarantee of working hours and weekly holidays.

Under the terms of employment, TKI in Hong Kong get weekly holiday between Saturday and Sunday. During the holiday, workers will gather at some meeting points such as the Victoria Park, Causeway Bay, Kwonloon Mosque, Tsi Tsam Tsue Road, and Yan Oi Market, with each having different characteristics. This study took samples of TKI from two different places: Victoria Park and Kwonloon mosque. The location distinction is based on the theory of crowd behavior by Reichter and Drury, which includes three models of mass behavior: 1) Social Contagion Theory, people will be easily infected with the behavior of others in mass social situations because they mimic/imitate. 2) Norm Emergence Theory, behavior is based on group norms, thus in group behavior, social norms will be highlighted. If this norm conforms to beliefs, but in contrast with the official values/norms, horizontal conflicts will occur. 3) Convergence Theory, crowds will happen when people share (converge) thinking in interpreting an event. People will gather if they have the same interests and feel called to participate 4) Deindividuation Theory, when people are in the crowd, they would eliminate identity (Reicher, S. & Drury 1999).

The theory becomes the basis why TKI social conditions and background will affect the location of gathering and indirectly their behavior and welfare improvement. The first objective of this study was to identify socio-economic conditions based on the location of the meeting points- Victoria Park and Kwonloon using Geographic Information System.

### **Location Identification and Analysis**

The data is divided into several main groups, i.e., marital status, education, village or town of origin, domestic activities, repeat TKI and living cost. The marital status of TKI in the Victoria Park and Kwonloon mosques is almost the same i.e. married, single, and widowed. Based on education, TKI in the Victoria Park area are mostly senior high school graduates with 39%, followed by junior high school with 33% and elementary with 23%. Meanwhile, in Kwonloon mosque, the highest TKI education is junior high school, followed by high school and elementary school. Based on the region of origin, more than 70% of TKI in Victoria Park and Kwonloon mosque come from village. Based on work in the home country, 62% of TKI gathered in Victoria Park were previously employed in Indonesia, while only 35% of TKI in Kwonloon mosque were.

### **2. Economic Conditions**

TKI leave abroad due to economic factors: limited job opportunities, low income, and poverty. These factors are in accordance with Hugo's theory that the main reason for migration is the opportunity to earn better income and livelihood. Income earned will be used for living expenses in destination countries and some will be transferred to home countries with altruism and self-interest motives.

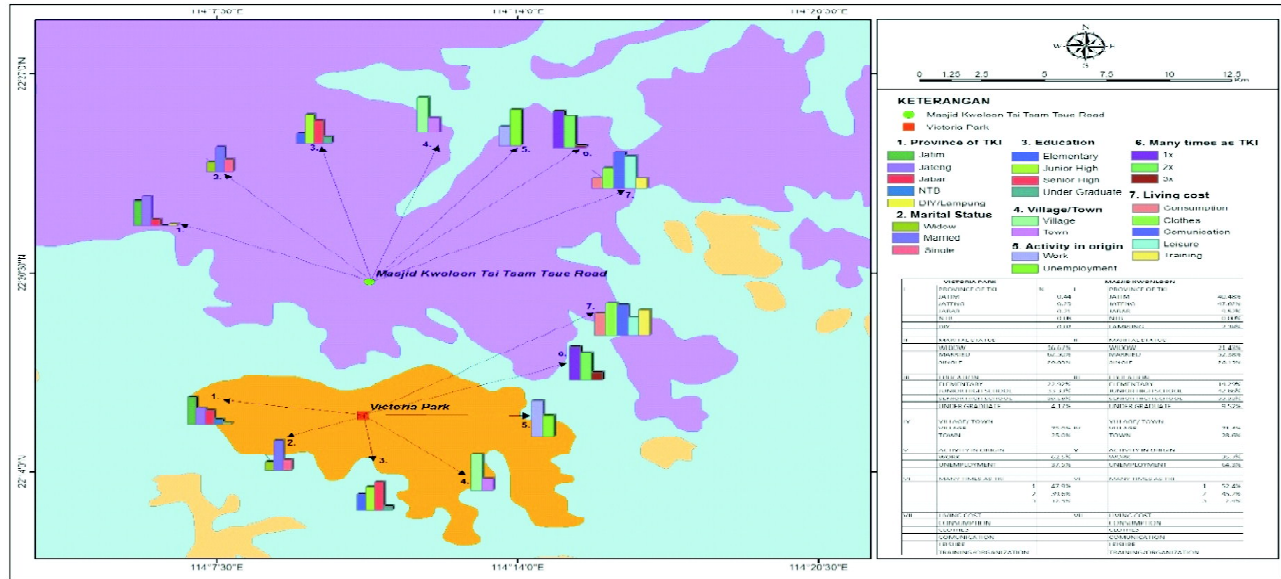


Figure 1: Geographic Information System of TKI Social Economic Condition in Victoria Park and Kwonloon Mosque

The data of TKI in Hong Kong shows that the average of living cost is 1000 Hong Kong dollars. The low living cost is because the cost of TKI daily life is borne by their employers, and if the TKI does not join meals in the employer’s home, they will get a meal allowance of 30 dollars per day. The TKI consumption behavior in this study is categorized into consumption, clothing, communication, travelling and training or organizations.

Table 1  
The TKI Use of Living Cost in Hong Kong

USE OF LIVING COST		
Type of Consumption	Victoria Park	Kwonloon Mosque
Consumption	9.34%	19.90%
Clothes	18.52%	28.64%
Communication	33.21%	16.82%
Travelling	29.29%	15.91%
Training / Organization	9.64%	18.73%
AMOUNT	100.00%	100.00%

The table shows that the largest expenditures of the TKI in Victoria Park are communication with 33%, travelling with 29.29% and clothing with 18.52%. Meanwhile, for TKI in Kwonlon mosque, the biggest expenditure is clothing with 28.65%, followed by consumption with 19.9%, training with 18.73, and communication with 16.82%. It can be seen that spending on consumption, training, communication, and travelling is relatively more evenly distributed. After further investigation, it was found that the needs of clothing were due to the increasing popularity of online sales and Islamic clothing model favored by TKI who gathered in the Kwonloon mosque.



The rest of TKI income is allocated for remittances to Indonesia which will be used to meet the family need to improve welfare. Remittance has several determinant factors, including income, education level, experience, retirement, and migration costs. The model in this study uses remittance as dependent variable as proxy of welfare. Independent variables include Income (INC), Education (EDU), Work Experience (EXP), Current Age (AGE), Family Dependent (FAM), Departure Cost (BEA), and Living Cost (LC).

The model used is Semi-log, with logarithmic variables such as Remittance, Income, Living Cost, and Living Cost, which produces the following model:

$$\log\text{REM} = f (\log\text{INC}, \text{EDU}, \text{EXP}, \text{AGE}, \text{FAM}, \log\text{BEA}, \log\text{LC})$$

Respondents interviewed and used as primary data source were 90 TKI in Hong Kong, with the data being processed with eviews and the results are shown in Table 2.

**Table 2**  
**Regression on Log Linier Model**

<i>Variable</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistic</i>	<i>Prob.</i>
C	6.765695	3.045020	2.221888	0.0292
LOGINC	0.745836	0.186939	3.989742	0.0001*
EDU	0.037944	0.021650	1.752654	0.0836**
EXP	0.019346	0.013336	1.450709	0.1509
AGE	-0.009260	0.010218	-0.906281	0.3676
FAMSIZE	0.112558	0.049638	2.267565	0.0262*
LOGBEA	-0.068499	0.054646	-1.253506	0.2138
LOGLC	-0.242962	0.134649	-1.804405	0.0751**
R-squared	0.318748	Mean dependent var		13.74719
Adjusted R-squared	0.256816	S.D. dependent var		0.695006

The results show that statistically, income, education level, number of family dependent, and living cost have an effect on the amount of remittances transferred, while work experience, age and departure cost show no effect. Interpretation of results indicates that remittance is a proxy of welfare, which means that the more remittances are transferred, the higher the welfare of the TKI. Remittance is indicated by the amount of money sent. If the amount of money sent increases, it can be concluded that the TKI needs have been met. The results of data processing show that if income increases by 1%, remittance will increase by 0.74%. This means that if the income increases by RM 100, the remittance will increase by 74 RM. Regression results on education level (with successful school term) indicate that if education increases by 1 year of success, the amount of remittances sent will increase by 0.03. Higher education has an influence on soft skills, so it is reasonable that the higher the education, the higher the amount of remittances sent. The number of family dependent also affects remittance. If the number of dependent increases by 1 person, the remittance will increase by 0.11. Increasing number of family dependent will increase the required amount of consumption, which in turn will encourage workers to increase the amount of remittances sent as a form of altruism towards family. Another determinant factor that influences significantly

is the cost of living. The living cost has a negative effect on remittance, as increased living costs will cause a decrease in the amount of remittances. The higher the cost of living leads to the smaller remaining income so that the amount of remittances sent will also become smaller. It means if the government wants to increase the TKI welfare, they must provide better education, both formal and informal, and encourage TKI to reduce the living cost and increase their personal saving.

## V. CONCLUSIONS

The TKI social conditions in Victoria Park and Kwonloon Mosque are relatively similar. GIS maps show the configuration of the socioeconomic data comprising (i) the origin of the TKI i.e. village or town of origin, previous employment status in Indonesia (ii) education, experience, age, and number of family dependents, and (iii) living costs per component.

The cost of living of TKI in Hong Kong is divided into five main types of expenses: consumption, food, clothing, communication, travelling and training or organization. The results show that there is a difference in the cost of living between TKI in Victoria Park and those in Kwonloon Mosque.

Remittance, which is a proxy for the TKI welfare, is significantly influenced by income, education level, number of family dependents, and living cost, while age, experience, and departure cost do not show any significant influence.

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