Factors Influecing Migrant Remittances in Indonesia, A Literature Review

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1 Introduction

International migration is closely linked to economic growth and demographic transition within a country. When a country faces economic decline, characterized by low growth and high population growth, it becomes unlikely for its economy to absorb excess labor. For this reason, sending workers abroad serves as a solution to employment issues. The migration of labor abroad is indeed influenced by significant income disparities. Many Indonesian migrant workers (TKI) choose to work overseas to improve their family's welfare by obtaining better jobs and higher income. In demographic and labor economics theory, this phenomenon is often referred to as “the first stage of labor migration transition”. Currently, the number of international migrant workers from Indonesia continues to rise, reaching about 70 percent (Haning, 2015).

International migration can bring positive impacts for destination countries, origin countries, and the migrants along with their families. For destination countries, the presence of migrants can fill job segments that have been vacated by local residents due to the increasing prosperity of those countries. For origin countries, remittances serve as a source of foreign exchange income from the earnings of migrants working abroad. Meanwhile, for migrants, this opportunity provides international experience and a chance to enhance their skills, as well as to learn work discipline in different environments. For migrant families, these remittances become a source of income that can meet their living needs (Oktaviani, 2015).

The policy for the placement of Indonesian Migrant Workers (BMI) abroad is one of the government’s efforts to reduce unemployment and poverty in Indonesia. Over time, BMIs have played a crucial role in generating foreign exchange and alleviating poverty through the money or goods they send back to their regions of origin. This remittance has significant socio-economic value, not only for the recipients but also for efforts to promote equitable development in various areas. The destination countries for TKI migration include Hong Kong, Japan, Malaysia, South Korea, and countries in the Middle East. The number of international migrant workers leaving Indonesia continues to rise (Oktaviani, 2015).

According to the World Bank (2016), Indonesia is the fourth-largest recipient of remittances in the world, with total remittances reaching 62 trillion rupiah in 2016. However, by 2018, Indonesia ranked tenth. The majority of these remittances come from Indonesian migrant workers (TKI) in three countries: Malaysia, Saudi Arabia,

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and Hong Kong. These three countries account for a dominant portion of TKI compared to other countries (BNP2TKI, 2015).

According to Aprilliana (2013), most of the income earned by Indonesian migrant workers (TKI) abroad is sent back to their families in their home regions, which can enhance the welfare of these families. Based on the trends in remittances in Indonesia, the total remittances received by several provinces increased to $9.42 billion by 2015, but then declined to $8.80 billion in 2018. It is estimated that throughout 2018, remittance receipts only saw a slight increase from the previous year. This decline is attributed to the ongoing moratorium on sending Indonesian migrant workers (PMI) to the Middle East, among other factors.

The decline in incoming remittances is influenced by the high costs of sending remittances to ASEAN countries. As a result, many migrant workers (PMI) intentionally hold back or delay their remittances during certain periods. Additionally, remittances are also affected by the exchange rate of the dollar; when the dollar rises, the value of their remittances increases as well, leading to an increase in the total amount sent. It is hoped that the government will make maximum efforts to increase remittance income to levels seen in previous years. One key focus for the government should be lifting the moratorium on sending workers to the Middle East, which would boost the number of migrant workers going there. Additionally, the government should revise policies and update the administrative system to create higher-quality TKI. This includes improving registration procedures, enhancing language skills, ensuring understanding of working abroad, and further developing the skills of migrant workers Aprilliana (2013).

2 Literature Review

2.1 Remittance

Remittances initially referred to any type of money transfer made by a sender who is no longer in that location, characterized as remittances when the migrant is not in the area. Over time, the definition has expanded to include various types of transfers, not just money but also goods, gifts, donations, services, as well as profit distributions and commercial payments made by one person to another through an intermediary. Simply put, remittances can be understood as the transfer of money and goods from migrants or movers to household members, relatives, or communities in their home regions, using delivery services such as banking or postal services.

According to Oli (2022), the longer migrants stay in their destination areas, the smaller the remittances sent back to their home regions tend to be. The amount of remittances sent is also significantly influenced by employment status. Migrant workers from developing countries like Indonesia predominantly work in the informal sector. Wiyono (2018) notes that remittances are part of a migrant's income that is set aside to be sent home; thus, it logically follows that the higher the income of migrants, the larger the remittances sent back to their regions of origin.

According to Kusreni (2017), the higher the education level of migrants, the larger the remittances sent back to their home regions. This is fundamentally related to the function of remittances as a form of repayment for the educational investment made by families in their migrant members. The level of education reflects the extent of the educational investment by the family, which subsequently impacts the amount of repayment expressed through remittances.

Shavitry (2019) states that remittances tend to be larger when the recipients in the home region are immediate family members. Conversely, remittances are usually smaller if the recipients are not part of the immediate family. The purpose of sending remittances significantly influences their impact on development in the home region.

2.2 International Migration

There are various approaches that can be used to explain the phenomenon of migration, such as classical and Keynesian models. The Keynesian theory of labor is often considered less relevant when applied in developing countries, where other factors such as informal labor markets and socio-economic conditions play a more significant role in shaping migration patterns In developing countries like Indonesia, the neoclassical model consists of "price incentive micro model" and "output employment macro model." Additionally, there is the "two sector labor transfer" or rural-urban model. Below are several theories that discuss migration.

2.3 Migration Theory Ravenstein

In Ravenstein's theory (1889), a person's migration is influenced by two forces: push factors from the origin and pull factors from other areas. Ravenstein concluded that pull factors are more significant than push factors in driving migration. He also outlined several laws of migration behavior, including: a) Migrants tend to choose the nearest places as their destinations, influenced by cost factors and the benefits of mobility. b) The difficulty of earning a living in the origin area and the possibility of better income in the destination area are the dominant factors influencing migration. News from relatives or friends who have moved is crucial for those considering migration; however, negative information about the destination can reduce the desire to migrate. c) The greater the influence of urban areas on individuals, the higher their level of mobility.

2.4 Migration Theory Lewis

Lewis divides the economy into two sectors: the traditional rural sector (subsistence-based) and the modern urban sector (industrial). The main focus of this theory is the process of labor migration and the growth of the modern sector in urban areas. Individuals can move from places with zero marginal social product to locations with positive and rapidly growing marginal products due to capital accumulation and technological advancement. The movement of labor and the growth of modern sector employment lead to an increase in output from the urban modern sector. The speed of this output growth depends on the level of industrial capital accumulation within that sector. This theory was further developed by John Fei and Gustav Ranis, known as the Lewis-Fei-Ranis (LFR) model. Generally, this theory highlights the surplus labor supply prevalent in developing countries. Similar to Lewis's theory, the LFR model also emphasizes two important sectors in the economy: first, the rural economic sector, which tends to have low or even zero productivity; and second, the high-productivity economic sector, which is primarily found in industrial areas located in urban settings.

2.5 Migration Theory Everett Lee (Push and Pull Factor)

The theory proposed by Everett Lee is well-known for the Push-Pull Factor approach, which distinguishes between the attractions and pressures from the origin area. This theory differs from Ravenstein's "law of migration." The definitions of push and pull factors are as follows: (a) Factors in the origin area are those that encourage (push factors) a person to leave their current location. (b) Factors in the destination area are those that attract an individual to move to another area (pull factors). (c) Intervening obstacles are factors that may hinder migration between two areas. (d) Personal factors underpinning the migration decision. Migration occurs when there are push factors from the origin and pull factors from the destination. The origin will act as a push factor if it presents more challenges or negative conditions (such as poverty or unemployment) compared to positive factors (such as high income or good education).

2.6 Migration Theory Donald J. Bogue

Bogue also states that there are two factors influencing migrants' decisions to migrate or move to another place: push factors and pull factors. He explains that the push factors for migration include technological changes, migration regulations, social welfare levels, natural disasters, decreasing and rising costs of natural resources, shrinking job opportunities, and pressures from political, religious, and ethnic factors. Meanwhile, the pull factors of migration are primarily economic factors in the destination area, such as higher wages and better job opportunities compared to the origin. Other factors include better educational facilities and a more attractive lifestyle in larger cities.

2.7 Migration Theory Todaro

According to Todaro & Smith (2006), migration flows occur in response to income disparities between different regions. However, the income in this model is not the actual income but rather the expected income. Migrants consider and compare various labor markets available in a region, then choose one that maximizes their expected gains from migration. Labor migration results in an increase in wage levels in the areas left by migrants, while wage levels in the regions that receive migrants will decrease. Labor will continue to migrate until the wage levels in both areas equalize.

2.8 Labor Supply

The neoclassical model of labor-leisure choice is an economic framework used to analyze labor supply behavior. In this model, individuals derive satisfaction from consuming goods and enjoying leisure time. The constraints faced by individuals include time, income, and non-labor income. Non-labor income refers to the portion of an individual's income that is not influenced by the number of hours worked. Therefore, an individual's consumption expenditures must equal their income from labor and non-labor income. A person's decision to work is influenced by the reservation wage, which is the lowest wage level that an individual is willing to accept. If a worker is offered a wage below the reservation wage, they should decline the job offer.

Individual satisfaction can be obtained through consumption or enjoying leisure time. The constraints faced by individuals include their income level and available time. Working, as a trade-off to leisure, can lead to discomfort, so people are only willing to do it if they receive compensation in the form of income. Therefore, the solution to this individual's dilemma is the number of hours they wish to work at their desired wage and price levels.

An individual's decision to increase or decrease leisure time is influenced by the wage level and non-labor income. Productivity levels are always changing according to the phase of production, initially rising to a peak and then declining. The greater the elasticity of labor demand, the more significant the role of labor input in producing output, which means that the quantity of labor demanded is relatively small.

The reservation wage explains that an individual does not want to work at all if the wage set in the labor market is below their reservation wage. That person will enter the labor market only if the wage offered exceeds their reservation wage. Therefore, the decision to work is based on a comparison between the wage set in the labor market and the reservation wage. The wage set in the labor market indicates how much employers are willing to pay per hour of work, while the reservation wage reflects how much labor is willing to be paid at a certain hourly rate.

According to PER.19/MEN/V/2006, candidates for overseas workers (TKI) must meet the following requirements:

1. Be at least 18 years old, except for TKI to be employed by private individuals, who must be at least 21 years old, as evidenced by an identity card (KTP) and a birth certificate from the relevant authority.
2. Be in good physical and mental health, and for female TKI, not be pregnant, as evidenced by a medical certificate from a hospital.
3. Have at least completed junior high school (SLTP) or its equivalent and possess work skills. d) Be registered with the local labor office in their area of residence.

Additionally, candidates for overseas workers (TKI) must possess complete documentation according to Law No. 39 of 2004, Article 51, which requires candidates to have:

- An identity card (KTP), the latest education certificate, a birth certificate, or a birth registration letter.
- A marriage status certificate, with a copy of the marriage book for those who are married.

- A letter of consent from their spouse, parents, or guardian, and a work competency certificate.
- A health certificate based on medical and psychological examinations.
- A passport issued by the local immigration office.
- A work visa.
- A placement agreement for TKI.
- An employment contract, and
- An insurance participant card and KTKLN/fiscal exemption recommendation.

Every TKI candidate has equal rights and opportunities (Law No. 39 of 2004, Article 8) to: a) Work abroad and obtain accurate information about foreign labor markets and TKI placement procedures. b) Receive equal service and treatment in placement abroad. c) Practice their religion freely and have the opportunity to worship according to their beliefs. d) Receive wages according to the prevailing wage standards in the destination country. e) Enjoy equal rights, opportunities, and treatment as other foreign workers according to the laws of the destination country. f) Obtain legal protection guarantees in accordance with regulations against actions that may undermine their dignity and rights during placement abroad. g) Ensure safety and security guarantees for their return to their home country and receive an original copy of the agreement.

The obligations that must be fulfilled by candidates, according to Law No. 39 of 2004, Article 9, include: a) Complying with laws and regulations both domestically and in the destination country. b) Adhering to and performing work according to the employment contract. c) Paying the placement service fees for TKI abroad in accordance with legal regulations. d) Reporting their arrival, presence, and return to the Indonesian representative in the destination country.

In economic terms, demand is defined as the maximum quantity of a good or service that a buyer is willing to purchase at every possible price within a specific time frame. In relation to labor, labor demand refers to the relationship between wage levels and the number of workers that employers wish to hire. Thus, labor demand can be defined as the amount of labor employed by an employer at every possible wage level within a certain time period. Over the past decade, Indonesia has become the second-largest sending country for migrant workers in the world, after the Philippines. Each year, no less than 700,000 Indonesian workers go abroad for employment (BNP2TKI, 2012a).

Generally, Indonesian migrant workers primarily go to East Asian, Southeast Asian, and Middle Eastern countries. A significant majority (about 73.2 percent) work in the informal sector, including roles such as domestic helpers, construction laborers, agricultural workers, and drivers. The remaining workers are employed in the formal sector, such as company employees, hospital nurses, industrial workers, and miners. The increasing number of Indonesian migrant workers each year reflects a phenomenon of globalization or international integration. The positive impact of remittances from Indonesian migrant workers is evident both nationally and regionally. On a national scale, these workers significantly contribute to foreign exchange earnings, as reflected in Indonesia's Balance of Payments (BOP).

3 Discussion

3.1 The InfluenceOf Education Level On Remittances

According to the research by Adisavitri and Marhaeni (2016), the human capital theory posits that education can increase an individual's income by enhancing productivity in the workplace. They found that the volume of remittances is positively and significantly influenced by education level, lending credibility to this study. Therefore, it is likely that remittances to the home country will increase in proportion to the income generated. Similarly, Andharista (2016) argues that income is positively and significantly influenced by education. The human capital hypothesis suggests that an individual's chances of obtaining better employment improve with higher levels of education, thereby reinforcing the credibility of remittances.

Education also has a partial positive and significant impact on remittances to the home region. Achaya (2014) stated that the higher the education level of migrants, the greater the remittances sent back to their home areas. As an individual's education level increases, so do their skills and competencies, along with a sufficient theoretical knowledge base from their prior education. From a productivity perspective, there is likely a close relationship between education and income. Higher education can lead to greater work productivity, resulting in increased earnings. Consequently, workers are often disadvantaged when there is a conflict of interest between the government and employers. The lack of employment opportunities abroad and insufficient protection for Indonesian migrant workers (TKI) is exacerbated by the low education levels of many TKI, who often only have junior high or high school education. This makes them more vulnerable to exploitation by companies or employers abroad.

Quality labor refers to educated workers with skills and competencies capable of competing with workers from anywhere. Educated labor can be classified into self-employed workers and professional workers (Archangelis, 2015). Self-employed workers are individuals aged 15 to 30 who possess high ideals and integrity, operate independently, and can produce tangible contributions in the form of productive ventures that benefit the broader community.

Education primarily focuses on establishing the fundamental quality of labor and enhancing competitiveness, while skill development in the workplace involves applying competencies to achieve high productivity. Achieving this requires collaboration among educational institutions, training organizations, and the private sector to improve labor quality, which is a shared responsibility among the government, society, and private enterprises. Therefore, prioritized education and training must align with labor market needs, ensuring that graduates have better employability in both the job market and business world. This alignment positively impacts productivity, leading to increased worker income. As income levels rise, the desire to create job opportunities expands, reducing the mismatch between labor supply and available jobs.

3.2 The Influence Of Marital Status On Remittances

Marital status is one of the factors that influences the quantity of remittances sent back to the home region. This is largely due to the number of married workers who have the opportunity to work abroad. Marital status has a positive and significant impact on the remittances sent home, as stated by Salas (2014). This condition indicates that there is a direct relationship between the remittances received by migrant workers and their marital status.

Research conducted by Wolde (2014) indicates that marital status influences an individual's decision to migrate for foreign labor. This finding aligns with a study by Ardharista (2016), which states that marital status has a positive and significant effect on remittances from non-permanent workers in Denpasar. According to Afriska (2018), in a case study of Vietnam, married migrants tend to invest in their children's education, which results in a reduced interest in saving and a decrease in the remittances sent back home. This finding is also consistent with research by Chowdhury (2016), which shows that being married has a positive and significant impact on increasing remittances from migrants. This suggests a correlation between remittances and marital status, meaning that as the number of informal sector migrants increases, so does the amount of remittances sent, compared to single migrants.

3.3 The Effect Of Remittances On Gender

The involvement of all family members is essential for improving the family's economy, and this includes the significant role of women. A woman's role is primarily aimed at meeting the family's economic needs. Traditionally, the husband, as the head of the family, is tasked with earning the family's income, while the wife's role is often seen as supplementary. However, compared to middle-income groups, in low-income families, wives tend to play a more active role in generating income for the family (Docquier, 2017).

However, the number of women working outside the home has reached its peak, particularly with the availability of promising job opportunities abroad, specifically as female migrant workers (TKW). In Sumber Agung Village, many wives choose to work as TKW due to unmet economic needs, high daily living costs, and the expenses of their children's education and healthcare, alongside their husbands' relatively low incomes. Becoming a TKW abroad is seen as a solution to achieve better economic status.

TKW who work abroad are generally motivated by both economic and non-economic factors, which they hope will positively impact their lives and their families. The education level of these migrant workers is generally low, with most being married and having worked abroad for more than a year. The types of jobs they typically hold include domestic work and caregiving, which usually do not require specialized skills and involve minimal difficulty in carrying out their tasks.

4 Conclusion

Based on the literature review discussed earlier, the researcher concludes that there is a direct influence of education level, marital status, and gender on remittances. It is known that higher remittances from migrant workers not only benefit the families left behind but also indirectly contribute significantly to foreign exchange earnings. Therefore, it is hoped that the government will make maximum efforts to increase remittance income.

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