

The Tendency of Former Indonesian Migrant Workers to Earn a Living Wage When Returning to Work in Indonesia: A Case Study of Malaysia's Destination Country

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Abstract

While the experience of working abroad can provide new skills and knowledge, former migrant workers often face challenges in reintegrating into the local labor market upon returning to Indonesia. Malaysian migrant workers have a tendency to work for less than the minimum wage after returning to Indonesia. Using the August 2021 sakernas data and logit analysis, this study will discuss the probability of former Indonesian migrant workers with a destination country of Malaysia, to earn wages above or equal to the minimum wage in the place where they work. The results of the logit analysis show that former Indonesian migrant workers have a probability of earning a living wage upon returning to Indonesia. Those who have a greater probability are former migrant workers with male gender, have higher education and have a formal job after returning to Indonesia.

Keywords: Former Migrant Workers, Malaysia, Living Wage

INTRODUCTION

International labor migration has become one of the main strategies for many Indonesian households to improve their living standards. Data from the National Agency for the Placement and Protection of Indonesian Workers (BNP2TKI) shows that in 2019, there were around 3.7 million Indonesian migrant workers working in various countries around the world. Most of them work in the informal sector, such as domestic work, construction, and manufacturing, hoping to send significant remittances to their families in Indonesia.

While the experience of working abroad can provide new skills and knowledge, former migrant workers often face challenges in reintegrating into the local job market after returning to Indonesia. According to a report from the World Bank (2017), around 60% of former migrant workers in Indonesia experience difficulties in finding decent work, while only 40% manage to find a job with a salary that meets a decent standard of living. This challenge is caused by several factors, including the lack of recognition of international work experience, limited access to retraining, and lingering discrimination and social stigma.

One of the countries with the highest arrival rate is Malaysia. In 2024 Malaysia had a cross-arrival of 935 workers, the highest compared to other countries such as Hingkong, Taiwan, Italy and South Korea. The arrival of migrant workers back to Indonesia then raises labor phenomena, especially regarding whether migrant workers have the opportunity to get jobs and decent wages in Indonesia.

In addition, data from the 2020 National Labor Force Survey (SAKERNAS) shows that the open unemployment rate in Indonesia reached 7.07%, with a higher unemployment rate among former migrant workers compared to the general population. This indicates a significant gap that must be addressed to improve the welfare of former migrant workers.

Based on the August 2021 sakernas data, here are the activities of former migrant workers after returning from Malaysia.

Table 1. Former Migrant Workers Activities

Type of activity	Freq.	Percent
Working	174,646	73.46
Looking	15,828	6.66
Establishing new business	1,641	0.69

Discouraged	1,500	0.63
Future job arranged	2,558	1.08
Housekeeping	36,365	15.30
Others	5,190	2.18
Total	237,728	100.00

Source : Sakernas Data, 2021

73.46% of former Malaysian migrant workers managed to get a job after returning to Indonesia, 15.30% of them work as housekeeping, 6.66% are still trying to find a job while the rest are Establishing new business, discouraged, future job arranged, and others.

Referring to the percentage of former Malaysian migrant workers who are able to work again reaching 73.46%, this research aims to analyze the probability of former migrant workers to earn a decent income in Indonesia, taking into account various factors such as education, skills, gender, place of residence and ability to master the internet or digital-based work. Through quantitative analysis, this research is expected to provide in-depth insights into the challenges faced by former migrant workers and offer policy recommendations that can assist them in obtaining decent and sustainable employment..

METHOD

This research targets former migrant workers from Malaysia, based on data from the National Labor Force Survey conducted by Statistics Indonesia in August 2021. The definition of former migrant workers used in this research is migrant workers as individuals who have returned to work from Malaysia as migrant workers. The UN Convention excludes some categories of workers from this definition, specifically civil servants and official representatives of a country stationed abroad in a diplomatic capacity.

Data on predefined variables and indicators were collected and analyzed using the logit method. The variables used in this study are binomial former migrant workers with wages above or equal to the minimum wage, and individual characteristics. The following is the operational definition and variable formation in the study:

Table 2. Operational Definition

Variable	Description	Variable Type
Variabel dependent model logit		
Wage_minwage	Probability of former Malaysian migrant workers earning wages in Indonesia: 1=wage equal to or above the minimum wage 0=wage below the minimum wage	Varies between observations
Variabel independent model logit		
gender	Gender of the respondent: 1=Male 0=Female	Varies between observations
Urban	Classification of region of residence: 1=Urban 0=Rural	Varies between observations
Skilled	Skill mastery 1= skilled 0=unskilled	Varies between observations
Digital_working	Occupation with internet use in work 1=digital working 0=undigital working	Varies between observations
Youth	Workers by age category 1=youth 0=adult	Varies between observations
Heduc3	Workers by age group category 1=Primary education, or lower 2=Lower secondary education 3=Upper secondary education 4=Diploma I/II/III 5=University/ Diploma IV, or greater	Varies between observations
Formal_old	Formality of employment 1=formal 0=informal	Varies between observations

This study uses quantitative methods with descriptive and inferential analysis (logistic regression).

Determination of the dependent variable Probability in this study explains former Malaysian migrant workers who earn wages above or equal to the minimum wage. Descriptive analysis is used as an initial analysis to get a picture of each variable and the relationship between the independent and dependent variables in cross tabulations and graphs. The logit model is used to determine the factors that influence the probability of former migrant workers earning wages equal to or above the minimum wage.

In achieving the objectives of this study, a quantitative approach with a logistic regression model was used. This model is used to identify factors that influence the probability of former Indonesian migrant workers and the probability of earning a living wage equal to or above the minimum wage. The equation used in this analysis is as follows:

$$\text{Logit} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \varepsilon \dots\dots\dots (1)$$

Logit (Y) is a former Malaysian migrant worker who has a probability of getting a wage above or equal to the minimum wage. Wage_minwage (1=wage equal to or above the UMR 0=wage below the UMR), β_0 is the Intercept, $\beta_1 \dots \beta_8$ is the slope of the regression model, X_1 is classification by gender (1=male, 0=female), X_2 is classification by region of residence (1=urban UMR 0=rural), X_3 is skill mastery (1=skilled, 0=unskilled), X_4 is digital working or work with internet use in work (1=digital working, 0=undigital working), X_5 is youth or age category (1=youth/0=adult), X_6 is heduc3 or education group (1=Primary education, or lower, 2=Lower secondary education, 3=Upper secondary education, 4=Diploma I/II/III, 5=University/ Diploma IV, or greater), X_7 is formal_old (1=formal, 0=not yet, 1=informal). The test used is the g test statistic to test the role of explanatory variables simultaneously and the wald test to test the effect of variable coefficients partially, while for the interpretation of the binary logistic regression equation, the odd ratio is used. Odd ratio is the ratio of the probability of successful and unsuccessful events of the response variable.

The following is a logistic regression model or formula by adopting from Ghozali which is used to test hypotheses based on the variables to be studied, namely:

$$\text{Ln} = \frac{p}{1-p} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \varepsilon \dots\dots\dots (2)$$

Determination of the probability in each research model will be calculated by Marginal Effect. In the Linear Probability model (LPM), the direction coefficient directly measures the change and probability of an event occurring as a result of a one-unit change in the independent variable, assuming the other independent variables remain constant. The direction coefficient (slope) or regression coefficient measures the average change in the value of the independent variable, if the other independent variables remain fixed.

In a logit variable, the direction coefficient of a variable indicates the magnitude of the change in the value of 'the log of the odds' due to a one-unit increase in that variable if all other variables remain constant. In the logit model, the rate of change in probability of an event happening is given by $\beta_j \pi(1-\pi)$, where β_j is the partial regression coefficient of the j th independent variable or regressor. However, in calculating π all variables involved in the analysis must be included. So that all independent variables will be involved in the calculation of probability changes. Whereas in LPM, only the j th regressor is involved. To overcome this, in the logit model analysis, the marginal effect (dy/dx) is used, in order to measure the X variable on the Y variable.

Discussion

The table below illustrates the employment status of former migrant workers when they returned to Indonesia.

Table 3. The Employment Status of Former Migrant Workers

Status of Employment	Percent
Own account	17.27
Employer assisted by temp worker(s)	18.78
Employer assisted by permanent worker(s)	0.83
Employee	22.71
Casual worker in agricultural sector	9.82
Casual worker in non-agricultural sector	18.54
Unpaid family worker	12.04
Total	100.00

Based on the data, there are various employment statuses pursued by former migrant workers. As many as 17.27% of them work as entrepreneurs. This shows that some of them have the initiative to start and run their own business without relying on other parties. Meanwhile, 18.78% became employers assisted by

temporary workers, and only 0.83% became employers with the help of permanent workers.

Furthermore, the largest proportion, 22.71%, chose to be employees or workers. This may reflect a preference for greater stability and job security after experiencing uncertainty as a migrant worker abroad. Many former migrant workers are also involved in manual labor, with 9.82% working as manual laborers in the agricultural sector and 18.54% in the non-agricultural sector. This may be because the skills they have are more suitable for this type of work, or due to the lack of other more attractive job opportunities in their area. In addition, there are also 12.04% who work as unpaid family workers. This indicates that they are still dependent on family support and are not yet able to earn an independent income. Overall, this table illustrates the various occupational adaptations taken by former migrant workers in their efforts to reorganize their economic lives after returning home. This finding is in line with research stating that migrant workers often face significant challenges in adjusting to the local labor market after returning from abroad (Hugo, 2002). Policies that support the reintegration of migrant workers back into the domestic labor market can play an important role in improving their welfare.

From a total of 174,646 workers, this study will eliminate those who are unpaid family workers to answer the research objective, how likely are former migrant workers to earn a living wage above or equal to the minimum wage in the place where they work.

Table 4. Logistic Regression Results	
Variabel Dependen	Wage_minwage
(1)	
VARIABLES	Model Umum
gender	0.215** (0.108)
urban	-0.0658 (0.0663)
skilled	-0.219 (0.136)
digital_working	0.0772 (0.0710)
youth	0.0352 (0.0927)
heduc3	0.120* (0.0636)
formal_old	0.216*** (0.0775)
Observations	190
Standard errors in parentheses	
*** p<0.01, ** p<0.05, * p<0.1	

The table above presents the results of a Marginal effect logistic regression analysis that examines the probability of migrant workers earning wages above or equal to the regional minimum wage (UMR) compared to those earning below the UMR. The dependent variable in this model is wage_minwage, which takes the value 1 if the worker earns a wage equal to or above the UMR and 0 if below the UMR.

The gender variable shows a coefficient of 0.215 and is significant at the 1% level, indicating that male migrant workers have a 21.5% higher probability of earning wages above or equal to the minimum wage than females. Studies show that men more often have access to relevant training and opportunities for promotion compared to women, who are often stuck in lower-paying jobs with limited advancement opportunities (Blau & Kahn, 2017). In addition, traditionally male-dominated occupations tend to offer higher salaries compared to female-dominated occupations, creating a significant gender pay gap (Goldin, 2014). Despite having the same qualifications and experience, women often receive lower wages compared to their male counterparts (Elkinawy, 2011). In addition, family responsibilities and strong gender stereotypes also limit women's participation in higher paying jobs or leadership positions. Therefore, the combination of differential access to career opportunities, gender discrimination and disproportionate family responsibilities explains why men have a higher probability of earning higher wages compared to women.

Location of residence (urban) has a negative (-0.068) but insignificant coefficient, suggesting that migrant workers in urban areas are not significantly more likely to earn above the minimum wage than those living in rural areas. The coefficient for the skilled variable is -0.219, but insignificant, indicating that skills do not have a significant influence on the likelihood of earning wages at or above the minimum wage. The use of digital in work (digital_working) shows a coefficient of 0.0772 and is also insignificant, indicating that the use of digital technology in work does not significantly increase the chances of earning wages above the minimum wage. On the other hand, the age category variable does not show significance, meaning that

former migrant workers at any age do not guarantee a greater probability of earning wages equal to or more than the minimum wage.

The education variable also shows a positive effect, with a coefficient of 0.297 and significant at the 5% level. This means that any increase in education level will increase the probability of migrant workers getting a living wage at or above the minimum wage. Higher education has a higher probability of earning higher wages for former migrant workers for several main reasons related to skills, productivity, and competitiveness in the labor market. Migrant workers with higher education have the opportunity to have better skills and knowledge, which increases their productivity in the workplace. Research shows that workers with higher levels of education tend to have better analytical abilities, communication skills and technical competence, all of which are highly valued by employers and contribute to higher wages (Oreopoulos & Petronijevic, 2013). In addition, higher education also improves workers' ability to adapt to new technologies and changes in job demands, which are increasingly important in a dynamic global economy (Hanushek & Woessmann, 2015).

On the other hand, based on the results of the marginal logit effect, former migrant workers with formal employment have a higher probability of earning a living wage than those who work in the informal sector, with a coefficient of 0.216 and significant at the 10% level. Workers in the formal sector tend to earn 21.6% higher wages compared to those in the informal sector for several key reasons. First, workers in the formal sector enjoy better regulations and legal protections, including minimum wages, social security, and other employment rights, which are not always available in the informal sector. Strict labor regulations in the formal sector help ensure that workers receive decent wages. In addition, firms in the formal sector are more likely to invest in worker training and skills development, which increases productivity and ultimately contributes to higher wages (Campos & Gassier, 2020; Ben, 2022).

Second, workers in the formal sector usually enjoy better job security and stability, which is often accompanied by higher compensation to retain a skilled and productive workforce. Formal firms also often operate on a larger scale and more efficiently, allowing them to pay higher wages due to the benefits of economies of scale. Moreover, jobs in the formal sector often require higher levels of education and skills, which reflect greater value-added and translate into higher wages (La Porta & Shleifer, 2014; Autor, Levy, & Murnane, 2003). Therefore, the combination of regulation, investment in training, job security, and higher skill requirements explains why workers in the formal sector receive higher wages than those in the informal sector.

Based on these marginal effect results, it can be concluded that gender, age, and education level have a significant influence on the probability of migrant workers earning wages above or equal to the minimum wage. This finding is important for policymakers to consider these factors in an effort to improve the welfare of migrant workers through skills training and increased access to education.

CONCLUSION

Based on the results of the marginal effect analysis of the logistic regression, it shows that former migrant workers from Malaysia have the probability of earning a living wage upon returning to Indonesia. Those who have a greater probability are former migrant workers with male gender, have higher education and have formal employment upon returning to Indonesia. Based on the findings, most migrant workers do not have a decent wage after returning to Indonesia, this can be a concern for the government to increase opportunities for migrant workers to get higher education in the form of training and seek expansion of employment in the formal sector for former migrant workers, especially with the destination country Malaysia.

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