IBC
Indonesian Business Council

White Paper

Expansion of Indonesia's Overseas Worker (PMI) Industry

April 2025

Preface

We are pleased to present this study, "Expansion of Indonesia's Overseas Worker Industry/ Industri Pekerja Migran Indonesia (PMI)"

Each year, hundreds of thousands of Indonesians seek employment abroad, driven by the promise of better livelihoods and economic security for their families. Overseas employment not only creates opportunities for individuals but also helps ease domestic unemployment and contributes to the national economy through remittances.

Despite this potential, Indonesia's labor migration system faces serious structural challenges. Many PMIs are still placed in informal roles, where they are vulnerable to exploitation, wage theft, and unsafe working conditions—especially when deployed outside formal schemes or through irregular channels. Protection mechanisms are fragmented, legal support is limited, and institutional capacity to address grievances remains weak.

On the supply side, most Indonesian workers are not yet prepared to meet international labor standards. Vocational training often fails to match destination country requirements, and domestic certifications are rarely recognized abroad. Language barriers and gaps in competencies, along with administrative inefficiencies and a lack of readiness among prospective workers, further hinder progress.

To strengthen the PMI sector, Indonesia must adopt a more inclusive approach—recognizing the vital role of the private sector. A globally competitive migration system requires collaboration among training institutions, recruitment agencies, employers, and financial institutions. Greater coordination, stronger incentives, and supportive policies are key to unlocking the sector's full potential.

The Indonesian Business Council (IBC) is proud to contribute through this report, offering data-driven insights and practical recommendations. By bringing together business leaders and service providers, we aim to ensure that reforms are aligned with real-world needs. This report highlights opportunities to align training, streamline deployment, and improve worker protection—focusing not just on increasing numbers, but on building a skilled, resilient, and empowered migrant workforce.

We hope this report supports all stakeholders committed to advancing Indonesia's labor migration sector.

Thank you for your continued trust and collaboration.

Sincerely,

Sofyan A Djalil

CEO

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Glossary

PMIs: *Pekerja Migran Indonesia* – Indonesian migrant workers deployed to work overseas. They are called *Calon Pekerja Migran Indonesia* / Indonesian Migrant Candidates (**CPMIs**) before deployment.

LPKs: *Lembaga Pelatihan Kerja* – training centers where CPMIs prepare themselves with skill or language training before deployment. Government-run training centers are called *Balai Latihan Kerja* (BLKs).

P3MIs/Agents: *Perusahaan Penempatan Pekerja Migran Indonesia* (P3MI) – agencies that prepare and deploy prospective PMIs to work abroad. P3MIs help migrants go through the pre-deployment process, including finding employers abroad, managing the requisite paperwork and administrative documents, contract agreement, and more.

BP2MI: *Badan Pelidungan Pekerja Migran Indonesia* (The Migrant Workers Protection Board) – a government agency that was responsible for the placement and protection of overseas PMIs. It has since been replaced by the Ministry of Migrant Worker Protection (Ministry of P2MI) in late 2024.

Formal Workers: Based on the definition by the Ministry of Migrant Worker Protection, these are PMIs who work abroad with legally valid documentation and contracts.

Informal Workers: Based on the definition by the Ministry of Migrant Worker Protection, these are PMIs who work abroad without legally valid documentation or contracts.

P2P: Private to Private – the deployment scheme where P3MIs/Agents deploy PMIs on the basis of agreements with the PMIs' employers in the destination countries.

G2G: Government to Government – the deployment scheme where Indonesia's government is responsible for the deployment of PMIs on the basis of bilateral agreements with the governments in destination countries.[1]

Executive Summary

Executive Summary

The Indonesian labor market is currently facing numerous challenges, including high unemployment rates and limited opportunities for young and skilled workers. As Indonesia enters 2025, the country faces the challenge of 7.47 million unemployed and 11.56 million underemployed individuals. These issues are compounded by the nation's shift into its demographic bonus period, where a burgeoning youthful workforce presents both an opportunity and a risk. Recognizing this, the Indonesian Business Council (IBC) has identified the Indonesian migrant worker (Pekerja Migran Indonesia / PMI) industry as a strategic remedy for addressing these challenges and achieving sustainable economic growth.

Even at present deployment levels, Indonesia's migrant deployment reduces unemployment rate by approximately 0.21 percentage points, equivalent to 324,600 fewer unemployed individuals each year (2025-2029). Deploying 30% more workers would have a bigger impact at 0.28 percentage points (422,000 workers). This is a significant number considering that Indonesia managed to reduce its unemployment rate by just 0.7 percentage points between 2016 and 2024 (from 5.61% to 4.91%).

Beyond increasing deployments, increasing the share of PMIs working in low- and medium-skilled jobs from the currently dominant unskilled occupations could enhance the economic contributions of PMIs. While the impact of upskilling PMI deployments might be limited in the short run, boosting current deployment by 30% aiming at low- and medium-skilled levels of occupation can increase Indonesia's remittances from an estimated $14.9 billion in 2024 to $27.6 billion by 2029. This would significantly boost household incomes and contribute to regional economic development.

These future opportunities will remain out of reach unless Indonesia first addresses the structural problems holding back its PMI ecosystem. Through an analysis of the four key stages—workforce preparation, pre-deployment, deployment, and post-deployment—IBC identifies six priority challenges, grouped into two categories. The first set of challenges is administrative and bureaucratic, including the lack of a clear skill- and sector-based job classification, the government's conflicting role as both regulator and operator, and overly complex administrative procedures. These bottlenecks not only slow down deployment but also make it difficult to design policies based on actual labor market needs. The second involves PMI capacity gaps, including inadequate training, low foreign language proficiency, and limited mental preparedness for working abroad. These weaknesses make it harder for PMIs to meet employer expectations or compete with workers from other countries. Without fixing these core issues, Indonesia's ambitions to scale up quantity and quality migration will likely fall short.

Having mapped these structural challenges, the study also identifies where the most immediate opportunities lie. Although labor shortages span many sectors in developed countries, only four offer significant demand at the low- and medium-skilled levels—where Indonesian workers are most competitive with relatively modest training and investment. Within each sector, a representative occupation was identified that best reflects current opportunities for Indonesian migrant deployment: caregivers in care, welders in industry, horticulture workers in agriculture, and hotel staff in hospitality.

These sectors were prioritized for their strong demand in destination countries, alignment with Indonesia's labor profile, and potential to deliver welfare gains through increasing PMI deployments at low- and medium-skilled occupations. Each presents a distinct opportunity: caregiving can absorb Indonesia's surplus of nursing graduates; welding builds on existing vocational training; horticulture provides safer, longer-term contracts via established visa channels; and hospitality roles in the Gulf capitalize on the PMIs' soft skills that are highly valued by employers.

To address the challenges and seize opportunities, IBC provides 10 actionable recommendations to accelerate Indonesian migrant workers industry to "take-off", grouped into regulatory and strategic policy recommendations.

Regulatory Recommendations for Indonesian Migrant Workers Industry to "Take-Off"

Recommendation 1: Incorporate Skill- and Sector-Based Classification of Migrant Workers
Revisions to laws and regulations on Migrant Workers should introduce job classifications by skill level and sector to expand the government's focus from just protecting workers to also preparing and upskilling them for overseas quality jobs.

Recommendation 2: Strengthen the Role of the Ministry of P2MI as a Dedicated Regulator and Policymaker
Revisions to laws and regulations to prioritize and strengthen the role of government through the Ministry of P2MI as a regulator and policymaker in law and regulations on migrant workers to reduce potential conflicts of interest and improve oversight by leaving operations to the private sector.

Strategic Policy Recommendations for Indonesian Migrant Workers Industry to "Take-Off"

Recommendation 1: Develop a Roadmap and Establish Policy Implementation Team of PMI Industry Expansion to Boost PMI Deployment Targeting Four Occupations in Low- and Medium-Skill Levels
Formulate a roadmap to boost PMI deployment in low- and medium-skilled occupations with clear metrics of public-private partnership. Focus on occupations and sectors where Indonesian PMIs hold a competitive advantage—such as caregiving, welding, horticulture, and hotel work—by strengthening public-private collaboration to expand deployment in these roles. Establish a policy implementation team with private players to implement the roadmap.

Recommendation 2: Pursue Mutual Recognition Agreements (MRA) to Standardize Certifications
Indonesia should pursue bilateral MRAs with destination countries to ensure PMI certifications are formally recognized abroad, reducing the need for retraining and improving employability. Bilateral discussion can also be leveraged to enhance the safeguard mechanism for PMIs in destination countries.

Recommendation 3: Standardize and Scale Up Training Opportunities for PMIs Aligned with Requirements from Destination Countries
Standardize nationwide training programs provided by public and private institutions to ensure consistency. Scale up training programs leveraging public agencies and private sector stakeholders and engage foreign employers to ensure local training frameworks meet industry needs and support international recognition.

Recommendation 4: Increase Financial Support for PMI Training through Augmenting Existing Initiatives for PMI Training
To expand access to quality training, the government should extend KUR eligibility to CPMI training, make vocational activities eligible for super tax deductions, and support LPKs through resource-sharing consortia.

Recommendation 5: Strengthen PMI Competitiveness in Non-English Speaking Countries
Target labor markets in non-English speaking countries where language barriers level the playing field for Indonesian workers competing against English-proficient migrants. CPMIs should be better prepared by having their training to includes cultural understanding modules as well as for their language training to include technical terms (e.g., medical or engineering) beyond daily conversations.

<u>Recommendation 6:</u> Simplify Administrative Processes, Reduce Deployment Costs, and Ensure Protection and Empowerment of PMIs

Centralize CPMI data across ministries through a centralized data unit with involvement from relevant government agencies and streamline processes through integrated helpdesk for CPMIs to reduce bureaucratic delays and informal fees.

<u>Recommendation 7:</u> Equip PMIs With Mental Resilience Training During Workforce Preparation and Pre-Deployment

Incorporating mental resilience training during workforce preparation and pre-deployment training can help align PMIs' expectations with the realities of working overseas, helping them succeed abroad.

The PMIs industry represents a strategic opportunity for Indonesia. By leveraging its demographic advantages and implementing targeted reforms, the nation can maximize the socio-economic benefits of its migrant workforce. A broader focus on not only PMIs protection but also enabling more PMIs to take on skilled roles overseas, active government involvement in unlocking opportunities abroad for migrant workers, and integrated policy in all stages of PMI deployment that foster private participation will ensure a more equitable and sustainable future for Indonesia's workers while enhancing the nation's role in the global labor market.

1. Introducing PMIs: The So-Called “Remittance Heroes”

For decades, Indonesian migrants have worked across the world to improve their livelihoods, while also benefiting Indonesia from the impact of the remittances they send back. This chapter introduces Indonesian migrant workers/*Pekerja Migran Indonesia* (PMIs) through an overview of Indonesia's current migrant workforce conditions abroad. Using government data, Section 1.1 examines placement statistics, highlighting common occupations, deployment regions, and the mechanisms through which these workers are placed.

These findings are then compared with those of neighboring labor-sending countries (The Philippines, Vietnam, and India) in Section 1.2, offering readers a broader context on Indonesia's migrant deployment landscape including the different emphasis on policy related to migrant workers between Indonesia and the benchmarked countries.

1.1. The Star: Getting to Know PMIs

1.1.1 Who Are PMIs?

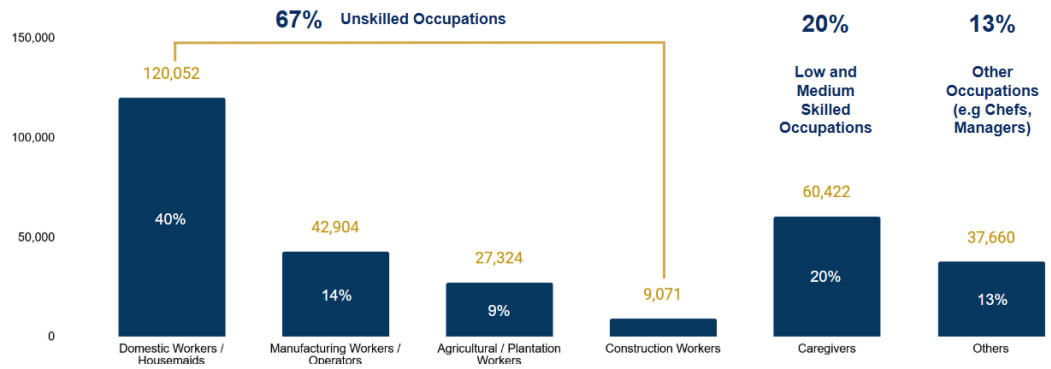
Indonesian migrant workers, known as Pekerja Migran Indonesia (PMIs), have long been celebrated as "Pahlawan Devisa" (Remittance Heroes) due to the steady increase in remittances they send back to Indonesia each year, averaging USD 11.41 billion per year between 2019 to 2023. In 2024, Indonesia deployed 297,434 PMIs across various countries and sectors—marking a 1.40% compound annual growth rate since 2019 (277,493 PMIs deployed). As a result, PMIs play a crucial role in Indonesia's socio-economic landscape, driving regional economic growth and contributing to the country's overall development.

For many Indonesians, working abroad is a pathway to better opportunities. It offers higher income and improved living standards for their families. Working abroad also serves as a practical solution to domestic unemployment, providing jobs for individuals who cannot be absorbed by the domestic job market. Beyond individual benefits, the remittances sent home by PMIs have a ripple effect on regional economies, funding essential needs such as education, healthcare, and small businesses. Remittance also drives the economic growth in the PMIs' hometowns.[2]

In the receiving countries, PMIs play crucial roles in sectors such as healthcare and manufacturing. In healthcare, they help address critical global workforce shortages, while in manufacturing, they support the creation of essential goods and products.

The 2024 placement data for Indonesian migrant workers, as evident in Figure 1, revealed a significant trend: a strong concentration in unskilled labor, with 67% of all PMI placements falling into this category. A large portion of these workers were employed as housemaids and domestic workers (120,052 or 40%), followed by manufacturing workers or machine operators (42,904 or 14%), and agricultural or plantation workers (27,324 or 9%).[3]

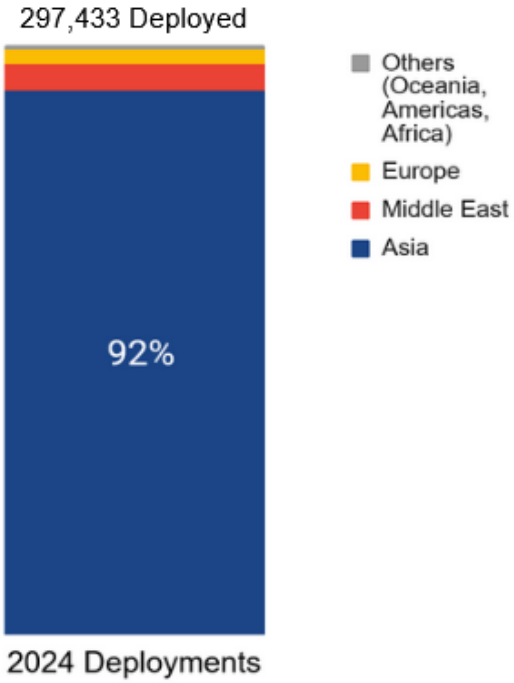
Figure 1. PMI Deployments Based on Skill Levels in 2024 [4]



Low and medium-skilled positions account for 20% of total placements, with the majority being caregivers, as 60,422 workers were placed in 2024. High-skilled roles, such as chefs, supervisors, and managers, make up the remaining 13% (37,660 workers) of placements.

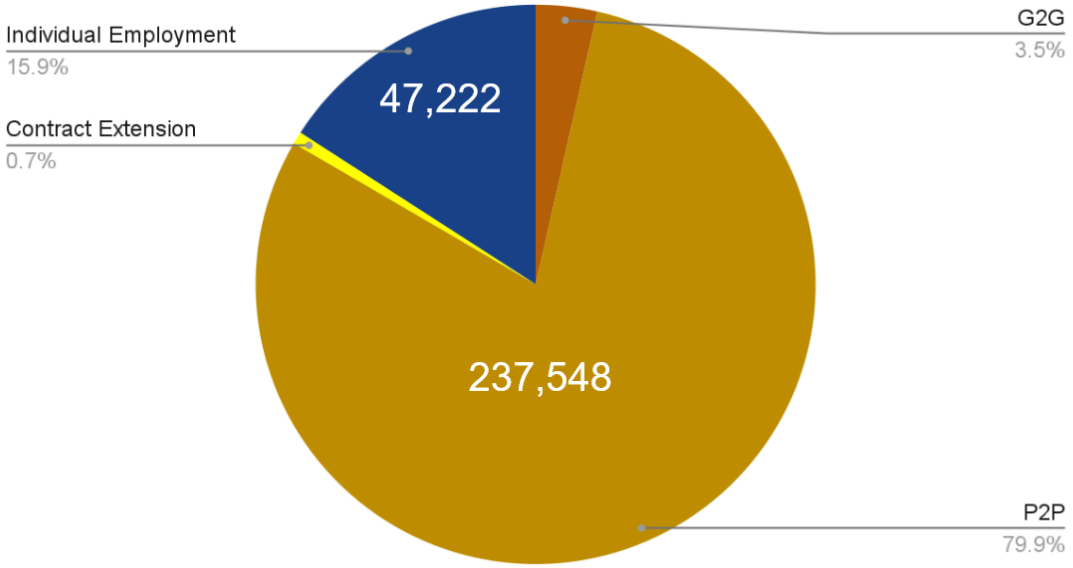
The PMI placements' for PMIs departing abroad in 2024 (illustrated in Figure 2) shows that Asia remained the primary destination for Indonesian workers, with 92% of placements (274,408 workers) occurring in the region in 2024. This demand was driven by factors such as geographical proximity, shared cultural ties, and significant labor needs in Asian countries. Despite the heavy concentration in Asia, PMIs were also employed across 90 countries and five continents, with placements in destinations like Turkey (2,630 placements), Papua New Guinea (456 placements), and Hungary (247 placements).

Figure 2. Placements by Region for 2024 PMI Deployments[5]



In terms of placement mechanisms of PMIs, the Private to Private (P2P) scheme dominates, accounting for 79.9% of total placements (237,548 workers) in 2024 (see Figure 3). This reliance on private entities underscored their vital role in organizing overseas employment for PMIs. In contrast, the Government to Government (G2G) scheme accounted for only 3.5% (10,535 workers), primarily due to its focus on demand-driven, profession-specific employment. Additionally, individual deployments made up 15.9%, while contract extensions represented a small 0.7%.

Figure 3. PMI Placements by Procedurality in 2024[6]



In 2023, a significant proportion of PMIs came from Java, particularly East Java, Central Java, and West Java (Figure 4). However, Lampung and West Nusa Tenggara (NTB), the fourth and fifth-largest PMI-deploying provinces, sent a much higher proportion of their labor force abroad, with NTB deploying 33,949 workers in 2023 alone. The migrant-deploying regencies in these five provinces are outlined in Figure 5.

Figure 4. 2023 PMI Deployments by Province of Origin[7]

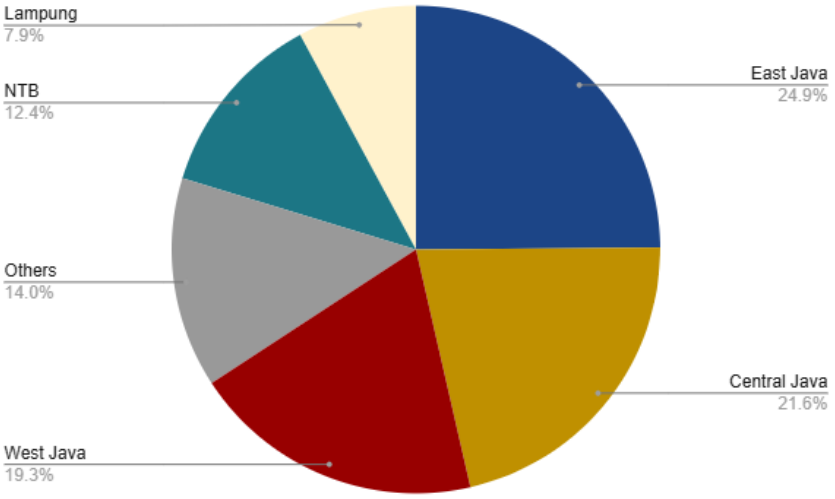


Figure 5. Top PMI-Deploying Provinces of 2023

The trends in job types, placement regions, and schemes show a clear pattern: PMIs are mostly placed in unskilled roles and concentrated in Asia through private sector mechanisms. However, as highlighted in Section 1.2, there are some differences between Indonesia's situation and that of other major migrant-sending countries.

1.1.2. Why are PMIs Preferred by Employers?

In interviews with IBC, employers in destination countries recognize PMIs as hardworking, reliable, and flexible in their roles, while also having a strong attitude of service. As hardworking and reliable individuals, PMIs are widely known for their strong work ethic, diligence, and dependability. Their flexibility is evident in their ability to adapt to various roles and multicultural environments, making them particularly well-suited for industries, such as domestic services and hospitality, where versatility is essential. Moreover, PMIs' dedication to serve reflects their positive, service-oriented mindset. This quality makes them highly valued in roles that demand attentiveness, patience, and a focus on helping others, such as in the care sector. Their respectful and empathetic approach ensures they excel in providing care and support in these critical sectors. Figure 6 summarizes these key PMI advantages as outlined by foreign employers interviewed in this study.

Figure 6. Competitive Advantage of PMIs

1.2. The Competitors: Comparing Indonesia with Other Migrant-Sending Countries

Several Asian countries are major sources of migrant workers worldwide, with India as one of the leading countries with about 1.3 million workers deployed annually. In Southeast Asia, the top labor-sending countries are the Philippines with 508,000 in 2023, followed by Indonesia with 297,000 in 2024, and Vietnam with 160,000 in 2023. As shown in Figure 7 below, all of these countries share a similar profile, characterized by relatively low minimum wages, a GDP per Capita typical of middle-income countries and a relatively similar economic growth trajectory. Despite this fact, these countries adopt different approaches to managing migrant labor. For example, Vietnam integrated migrant deployments into their national poverty reduction strategy, while India is more focused on measures to improve their migrant deployments' quantity and quality.

Figure 7. Migrant and Economic Profiles of Select Migrant-Sending Countries[8][9]

Labor Force	Migrant Deployments	Depl % of Lab Force	GDP per Capita	GDP Growth	Unemployment Rate	Avg Minimum Wage
141 million	297,000	0.21%	$ 4,941	5%	3.4%	$ 188
50 million	508,000	1.01%	$ 3,805	5.5%	2.2%	$ 167
56 million	160,000	0.28%	$ 4,347	5%	1.6%	$ 165
594 million	1,300,000	0.22%	$ 2,485	8.2%	4.2%	$ 129

Note: 2023 Data. Macroeconomic Data are World Bank Estimates

Indonesia

As noted in the previous section, Indonesia's migrant worker deployments are mainly focused on unskilled laborers. The care sector employs the majority (57%), followed by industry (24%) and agriculture (12%). Key destinations include Hong Kong (33%), Taiwan (31%), and Malaysia (27%) (Figure 8).

The government's primary focus is the protection of PMIs, with Law 18/2017 specifying protection of PMIs in the title of the law. This emphasis on protection is also seen in the establishment of the Ministry of Migrant Worker Protection (Ministry of P2MI), which was previously only an agency (*Badan Perlindungan Pekerja Migran Indonesia*/*BP*2MI). In addition to protecting PMIs, the ministry is also responsible for promoting migrant work, improving the pre-deployment capacity of PMIs, and expanding opportunities beyond domestic labor roles.

Philippines

The Philippines is renowned for its extensive migrant workforce, with 1.01% of its labor force working abroad in 2023—nearly five times higher than Indonesia's (as shown in Figure 7). While Figure 8 shows domestic workers forming the majority of deployments, the Philippines also sends workers across various skilled occupations, including nurses (19,771 in 2023), welders (7,818), and mechanics (4,197). Most of the country's migrant workers are deployed to the Gulf States (46%), followed by other Asian economies like Hong Kong[10] and Japan (31%), American nations (10%), and European countries (8%), as evident in Figure 8.

In 2021, the Philippine government consolidated seven migration-related offices into the Department of Migrant Workers to streamline deployments and integrate policies better. This department includes specialized units like the Finance Service for remittance facilitation, the Information and Technology Service for data collection, and a research institute to study migration and development links.[11]

Similar to Indonesia's Ministry of P2MI, the Department of Migrant Workers focuses on migrant support. However, it also conducts active research on migration and facilitates remittance transfers, which functions are not presently covered by Indonesia's Ministry of P2MI. As an example of the latter, the Department signed a Memorandum of Understanding with money transfer service provider Western Union to ensure that Filipinos globally can send remittances seamlessly back to the Philippines.[12] During COVID, it also promoted the use of digital finance among Filipino migrants to ease the transfer of remittances.

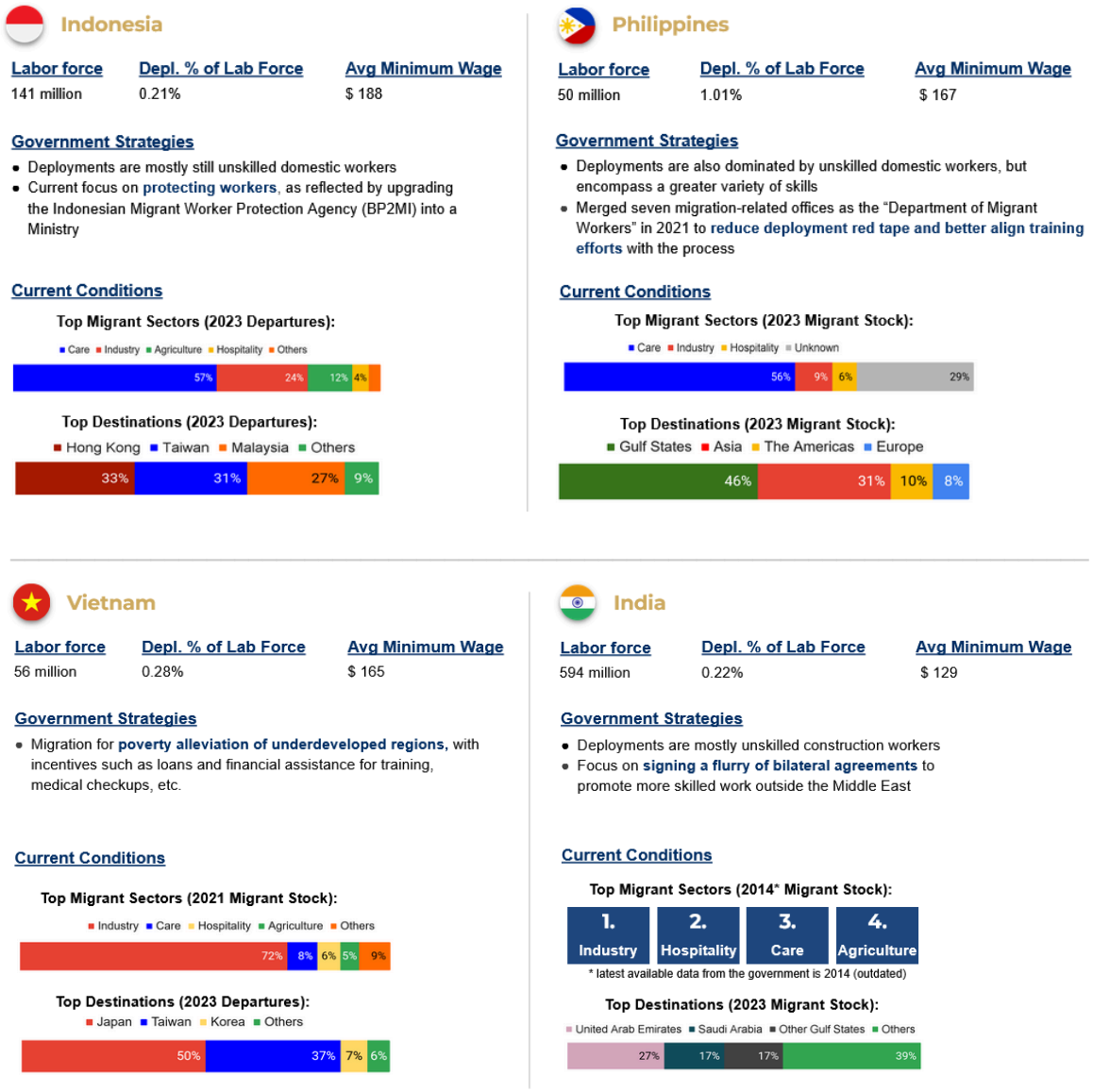
Vietnam

A significant majority (72%) of Vietnamese migrant workers are employed in the industrial sector, with Japan (50%), Taiwan (37%), and Korea (7%) being the main destination countries (see Figure 8 below). The Vietnamese government actively promotes labor migration as a strategy for poverty reduction, especially in underdeveloped regions. To support this, they provide financial incentives, including loans and assistance for training,[13] medical checkups, and other essential pre-departure needs.[14]

India

India relies heavily on deploying unskilled workers, especially in the construction industry. To expand opportunities, the Indian government focuses on signing bilateral agreements to promote skilled labor migration beyond the Middle East. Although sectoral employment data is outdated (with the latest available data from 2014), the construction, hospitality, and care sectors continue to dominate. Top destinations for Indian migrant workers include the United Arab Emirates (27%), Saudi Arabia (17%), and other Gulf states (17%),[15] highlighting the continued reliance on Middle Eastern markets (refer to Figure 8).

Figure 8. Comparison of Indonesia's Migrant Profiles and Strategies and Other Migrant-Sending Countries



In summary, Indonesia's migrant deployment rate is still behind neighboring migrant sending-countries despite employers praising the migrants' attitude. While this gap results from other countries successfully integrating their migrant deployment strategies with their economic priorities, it also presents an opportunity for the government and Indonesian private sector to better promote PMIs' competitive advantages to foreign employers. After learning about the current characteristics of Indonesia's migrant workers, the next chapter will examine the importance of PMIs as seen through the economic lens.

2. Economic Analysis: Why Do PMIs Matter?

The departure of PMIs is inextricably linked to the economic realities of Indonesia. While a PMI's own economic situation may influence their desire to work abroad, PMI deployments also contribute to the Indonesian economy through remittances, which are spent in the local economy and boost Indonesia's foreign exchange reserves. This chapter seeks to quantify the interaction between migration and economics, identifying the factors statistically associated with PMI departures as well as the impact of these departures on the Indonesian economy, particularly through remittances—and how significant this impact would be with increased deployments or a bigger proportion of low- and medium-skilled deployments.

The chapter begins by quantifying the current state of the PMI landscape. Section 2.1 uses statistical analysis to identify the push and pull factors influencing PMI deployments. It then examines the current impact of these deployments on unemployment reduction and local economic growth. Section 2.2 quantifies the economic impact of both increased deployments and increasing the share of said deployments in low- and medium-skilled jobs —the two key approaches available to the Indonesian government. Skill-based PMI classifications are explored to better understand the opportunities available to PMIs, highlighting why low- and medium-skilled jobs are the most recommended target for increasing PMI deployments. The chapter concludes by assessing the impact of such scenarios on PMI remittances, providing readers with a comprehensive understanding of not only the current economic contributions of PMIs but also the potential impact of targeted migrant policies.

2.1 The Current Situation: Quantifying the Economic Impact of the 'Heroism'

This section attempts to answer two key questions: what are the push and pull factors affecting the decisions of PMIs to seek employment opportunities abroad. The result from this analysis can provide a picture to policymakers and other relevant stakeholders on the factors that may affect PMI deployment rate. The second part of the section then provides understanding of the contribution that PMIs provide, especially toward the wider local economy.

2.1.1 The Science: Understanding the Factors Associated With PMIs Deployments

Interviews with PMIs reveal that economic factors drive their decisions to work abroad. Many seek to pay debts or overcome local job shortages, while others are attracted by higher overseas wages and recruitment programs in growing economies. This section will examine these "push" (economic hardship) and "pull" (overseas opportunities) factors, and link them to PMI deployment numbers.

2.1.1.1 What Push Factors Are Driving Indonesians to Become PMIs?

It is hypothesized that various economic factors influence the frequency of PMI deployments from a region. For example, individuals in high-unemployment, high-poverty areas may be more likely to work abroad in order to send remittances to their families. To test this, a model was created to analyze PMI deployment numbers alongside local economic factors such as unemployment rate, school enrollment (primary and secondary), and poverty rate.

Of all the factors tested, only two were found to have a statistically significant relationship with increased PMI deployments:

- **Secondary School Enrollment**. Districts see a 0.73% increase in PMI deployments when the percentage of citizens enrolling in secondary schools (SMA or SMK) rises by one percent. This suggests that higher education levels may provide individuals with better access to information, qualifications, or opportunities for work abroad.

- **Poverty Rate**. Districts see a 0.45% increase in PMI deployments when the percentage of citizens living below the World Bank poverty line (Rp112,000 per day) rises by one percent. This indicates that economic hardship may drive more Indonesians to seek work abroad.

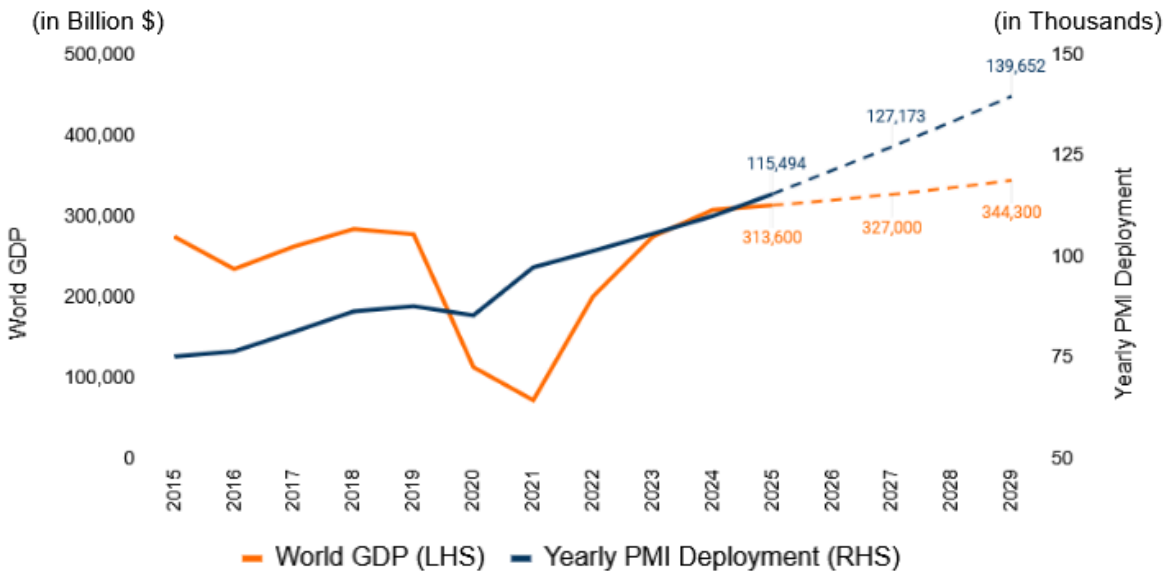
2.1.1.2 What Pull Factors Are Allowing Indonesians to Work Abroad?

PMIs have reported being drawn to higher salaries and the chance to experience new cultures, opportunities that have arisen due to global economic growth. As global economic growth is the primary "pull" factor driving migration, it is important to assess its statistical significance and measure its impact on PMI deployments.

To quantify this, a model was created to analyze the relationship between GDP and PMI deployments from 2015 to 2023. In theory, the GDP of developed countries (as a key migrant destination) might seem to be an appropriate choice to analyze the foreign pull of working abroad. However, PMIs also work in developing nations (such as Malaysia, Saudi Arabia, Zambia, and Papua New Guinea). Consequently, Worldwide GDP, rather than just Developed World GDP, serves as a better indicator of the external economic growth influencing PMI deployments.

The model's regression results are then used to forecast PMIs deployments from 2025 to 2029 (see Figure 9 below), providing valuable insights for businesses and policymakers to plan for future workforce needs and economic opportunities.

Figure 9. Projections of Worldwide GDP and Yearly PMI Deployments[16]



**Dashed line: projected numbers up to 2029*

Figure 9 shows a forecasted steady increase in yearly PMIs deployments in the coming years. The model estimates that a 1% rise in Worldwide GDP is linked to a 2.46% increase in migrant deployments from Indonesia, indicating strong sensitivity to global economic performance. As a result, PMI deployments are projected to grow at a 3.9% Compound Annual Growth Rate (CAGR) through 2029, reaching 344,300 deployments by that year.

2.1.2 The Contribution: Understanding How PMIs Impact the Indonesian Economy

PMIs continue to impact the Indonesian economy even while working abroad. Their migration reduces domestic job competition, and the remittances they send home help stimulate the local

economy. This section quantifies the current impact of PMIs on the national unemployment rate and the regional GDP (measured by Gross Regional Domestic Product/GRDP) of their regions of origin.

2.1.2.1 How Much Are PMIs Reducing Unemployment?

PMIs play a crucial role in reducing unemployment in Indonesia. Without them, it's assumed that these workers would remain unemployed, leading to a significant increase in the domestic unemployment rate. This section presents a simulation that highlights how PMIs help alleviate domestic labor pressures and support a healthier job market.

The analysis uses a simulation to compare two scenarios regarding Indonesia's unemployment rates:

- **Scenario 1: If Indonesia Sends PMIs as Usual**: This scenario uses a regression on current unemployment data to forecast future rates, assuming that PMIs continue to be deployed abroad as usual.

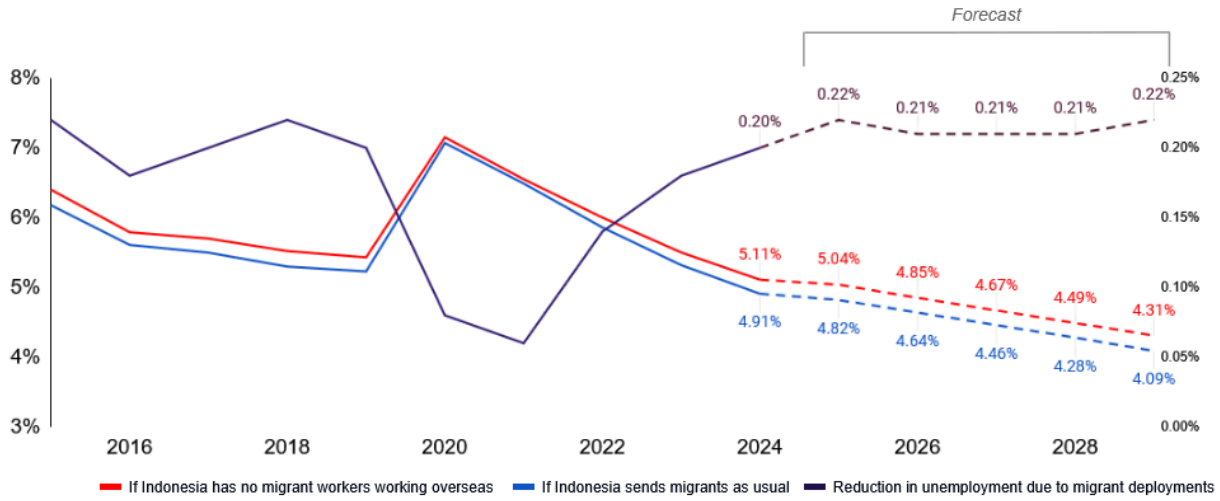
- **Scenario 2: If Indonesia Has No PMIs Working Abroad**: Here, it is assumed that the yearly deployments reported by BP2MI do not happen, and all those individuals are immediately assumed to be unemployed. New unemployment rates are then calculated for this scenario.

Using data from 2015 to 2023, forecasts for the unemployment rate from 2025 to 2029 are created in Figure 10. The difference between two scenarios shows the significant impact of PMIs on reducing unemployment. Each year from 2025 to 2029, PMIs lower Indonesia's unemployment rate by 0.21 percentage points, which means 328,000 fewer unemployed individuals annually. This accounts for nearly half of the total decrease in Indonesia's unemployment rate between 2016 and 2024, when it fell from 5.61% to 4.91%.

*"A **0.21 percentage point reduction in unemployment is huge.** Even after COVID, it takes a huge effort from the government to reduce unemployment by a single percentage point."*

Labor Economist
University of Indonesia

Figure 10. Unemployment Rate Projections With and Without PMIs



2.1.2.2 How Much are PMIs Helping Local Economies Grow?

The primary economic contribution of PMIs to Indonesia comes from remittances. These funds, primarily sent to support their families, flow into the local economy through spending on basic needs, education, and even small business investments upon their return. In 2023, Bank Indonesia reported remittances totaling $14.2 billion[17] — an amount comparable to the entire GDP contribution of the health services and social work sector.

While remittances provide immediate financial relief, their long-term impact on sustainable economic mobility is less clear. To explore this, a model was created to assess whether there is a statistical connection between the remittances PMIs send home and the growth of the local economy. The model analyzes the provincial GRDP alongside remittance data and control factors such as poverty rates, access to savings accounts, school participation, household consumption, and employment formality, to better isolate the impact of remittances on economic growth.

The results show that a 1% increase in remittances is associated with a 0.01% increase in provincial GDP (GRDP). The potential economic benefit of remittances could be significantly enhanced by increasing PMI deployments and upskilling workers for higher-skilled roles.[18] Upskilling is especially important as it not only increases the amount of remittances but also equips returning migrants with more valuable skills.

*"Thus far, **it has not been easy to achieve a 0.01% growth in Gross Regional Domestic Product** through a single policy. It could not be called a small number at all."*

Labor Economist
University of Indonesia

2.2 The What-Ifs: Potential Impact from Increased Deployments and Better-Skilled PMIs

As demonstrated in Section 2.1, PMIs positively impact the local economy by reducing unemployment and sending remittances which in turn boost GRDP. However, the economic benefits could be even greater if Indonesia increased PMI deployments and upskilled workers to secure higher-paying jobs. This section will simulate the potential impact of both increased deployments and upskilling initiatives.

2.2.1 More Jobs: Potential Unemployment Reduction by Increasing PMIs Deployments

Currently, Indonesia deploys 200,000-300,000 PMIs annually, which is about 30% lower than the numbers from 2014-15. Despite recent increases (+176% in 2022 and +37% in 2023), past deployment levels from ten years ago have not been recovered. This section builds on the unemployment reduction model from Section 2.1 by simulating a scenario where Indonesia successfully maintains higher deployment numbers.

Figures 11-12 show that a 30% increase in PMI deployments would reduce the unemployment rate by 0.28 percentage points between 2025 and 2029, equivalent to 422,000 fewer unemployed individuals per year on average. This marks a 0.07 percentage point improvement over the 0.21 percentage point reduction expected under current deployment levels. Given that Indonesia reduced its unemployment rate by only 0.70 percentage points between 2016 and 2024 (from 5.61% to 4.91%), this additional reduction would account for one-tenth of the country's total progress over the past eight years, highlighting the significant role that increased PMI deployments could play in further lowering unemployment.

Figure 11. Unemployment Rate Projections Under Three Scenarios

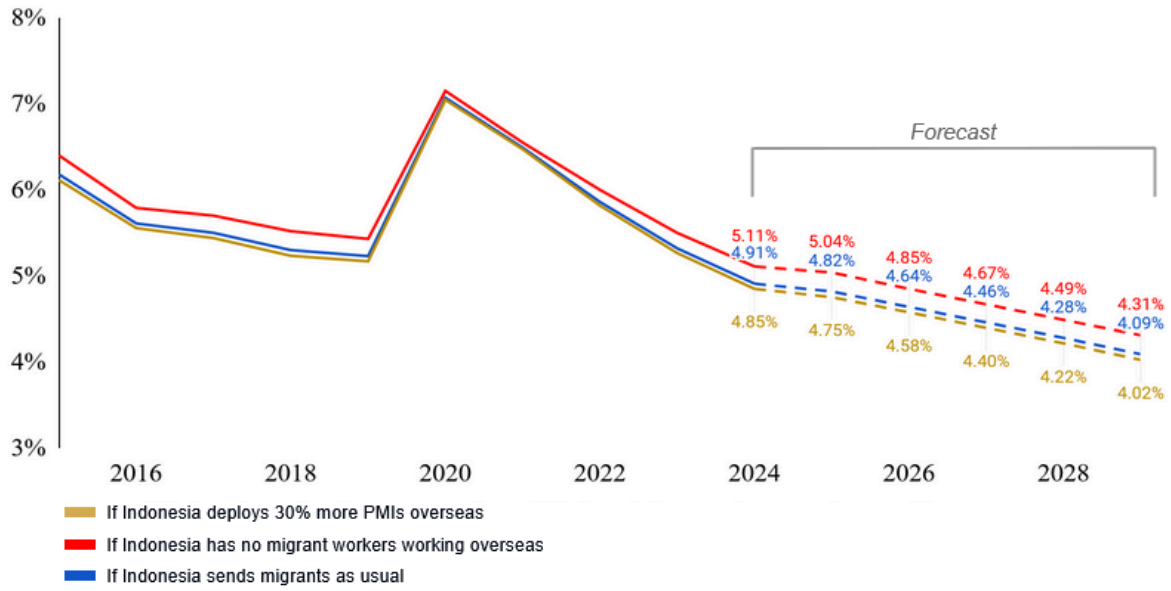
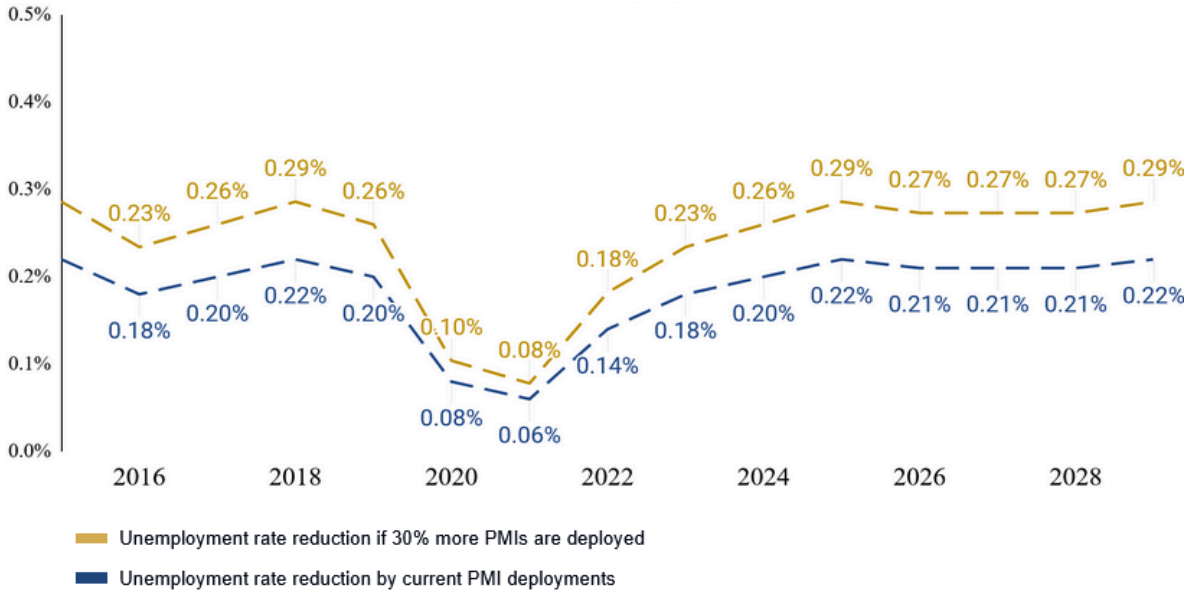
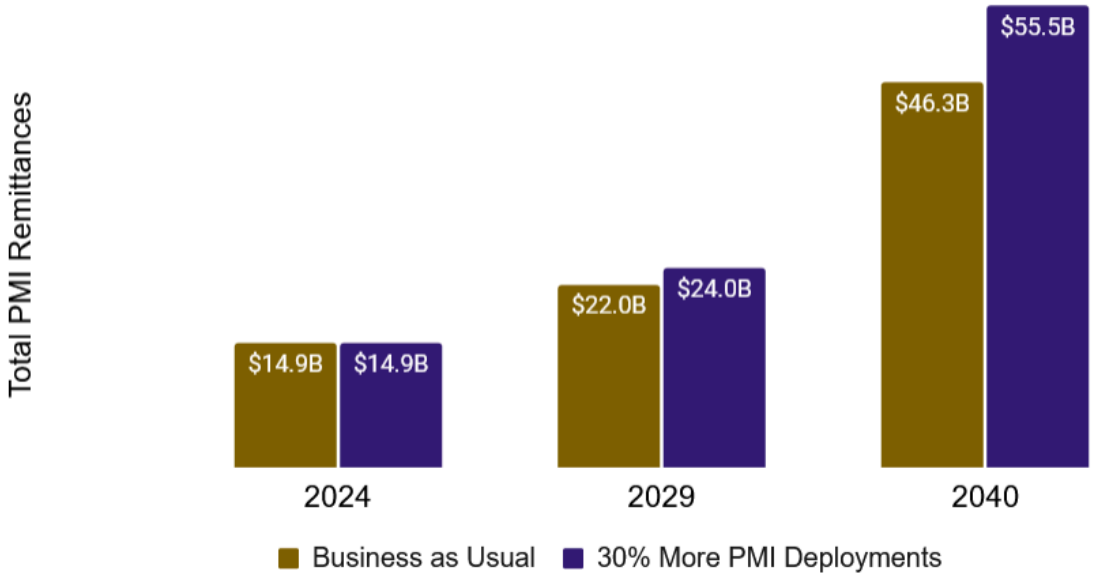


Figure 12. Unemployment Rate Reductions Under Current Deployment Levels and 30% More Deployments



Naturally, an increase in deployments will also lead to an increase in remittances. To estimate the increment over time, the yearly total remittances from 2024 to 2029 and eventually 2040 is simulated for both the estimated "business as usual" scenario – where the PMI deployments are expected to grow by 3.9% annually – and the 30% increased deployment scenario, which happens immediately in 2025 on top of the natural deployment growth. However, as Figure 13 below shows, the short-term impact is quite modest, with remittances increasing by just 9% in 2029 from $22.0 billion to $24.0 billion. In the long-term, the impact is more notable – a 20% increase in yearly remittances by 2040 (from $46.3 billion to $55.5 billion).

Figure 13. Simulated Yearly Remittances: Business as Usual and Increasing PMI Deployments by 30%



Two Approaches to Increasing The Impact of PMI's Remittance Through Better-Skilled Work

The relatively modest gains in remittances from a 30% increase in PMI deployments are largely due to the low wages associated with the predominantly unskilled jobs PMIs are placed in—such as housemaids and plantation work. To enable more PMIs to access higher-paying roles, such as caregivers or welders, two key approaches can be pursued: (1) upskilling current PMIs who are currently limited to lower-skilled positions, or (2) deploying individuals who already possess the necessary skills for these roles.

The first approach provides an opportunity for existing PMIs to earn more from their labor. With the advantage of their experience abroad, they are already accustomed to living as migrants and are more likely to possess the language proficiency and mental resilience required to succeed. Based on discussions with existing private players in the migrant deployment space, there are ongoing plans to upskill PMIs working as housemaids so that they can be re-deployed as caregivers. IBC's simulation shows that if Indonesia can upskill 25% of its unskilled PMIs on top of the 30% increase in deployments, yearly remittances can further increase to $24.1 billion by 2029 and $58.1 billion by 2040.

However, upskilling can be very costly and time consuming. For example, most deployed caregivers hold a vocational degree in caregiving (*D3* or *SMK Keperawatan*), both of which take three years to complete. While training other occupations such as welders, cooks or hotel staff are not as long, they are also hampered by the fact that not all PMIs possess the necessary capacity for this training. In fact, 22% of PMIs deployed in 2023 were only primary school graduates, making it significantly more difficult for them to absorb and benefit from upskilling programs.

Meanwhile, the second approach focuses on attracting individuals who have never migrated for work but already possess the necessary skills or qualifications—such as an associate degree in caregiving or a welding certification. These workers still require additional training, although shorter – primarily centered on foreign language proficiency and alignment with international standards (e.g., blood-drawing techniques or patient-handling protocols for caregivers). While this option reduces both preparation time and cost, it limits the benefits of labor migration to a relatively small group with the appropriate background and does little to improve the livelihoods of current PMIs.

A truly effective strategy to increase the potential remittance from PMIs must therefore focus on the recruitment of better-skilled individuals and pursue targeted upskilling of unskilled current PMIs —ensuring that the gains of migration are more widely and equitably shared.

Furthermore, further sensitivity analysis of the simulation, involving adjustments to its parameters, reveals that sustaining a 3.9% annual PMI deployment growth and ensuring that PMIs complete their contracts without early return are the most critical factors in achieving these remittance increases. Having said that, the next section will show that increasing deployments is not the only way that the government can boost PMI remittances.

2.2.2 More Earnings: Potential Remittance Increases by Expanding PMI Deployments in More Skilled Jobs

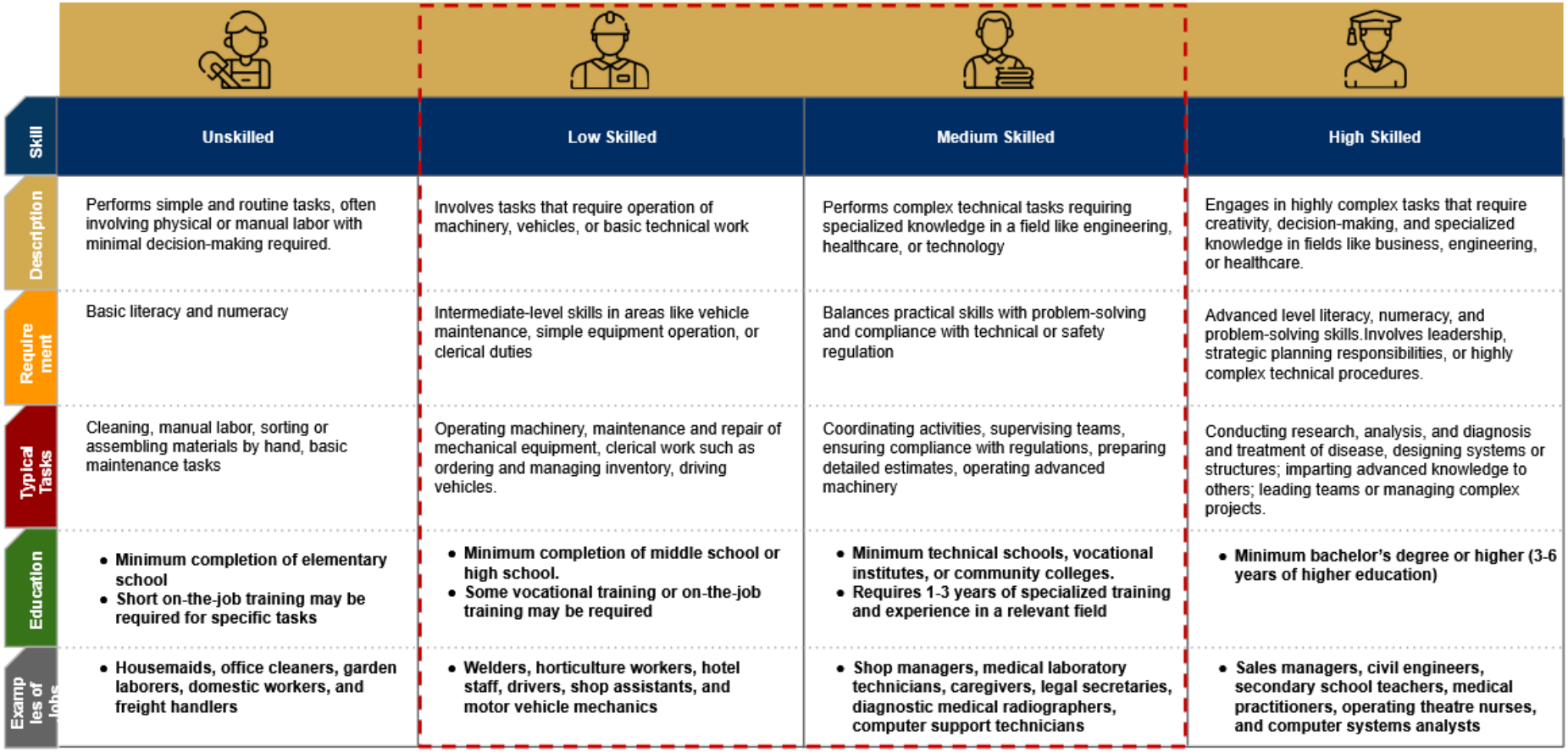
PMIs can increase their income by taking on more skilled jobs. The upskilling effort required to make this possible can not only enhance PMIs' welfare and competitiveness but also increase remittances, further contributing to their overall well-being. While global labor shortages exist across all skill levels and occupations, it is most feasible to expand PMI deployments in roles that better align with the low- and medium-skilled jobs (e.g., caregivers, welders, and hotel staff) that aligns better with the average Indonesian workforce's skill level. In contrast, deploying PMIs in jobs with higher skill requirements (e.g., doctors, engineers, and academics) would require longer training and education (most of which require at least an undergraduate degree) for positions with fewer shortages, leading to higher preparation costs and limiting potential participation of most Indonesians –given our current education levels –as PMIs.

To implement a more targeted strategy to increase deployments in more skilled occupations, it is crucial to first accurately define skill categories before determining which jobs offer the most potential for increased deployments. This section begins by categorizing skill levels before justifying the specific skill tiers that should be the focus. After refining this focus, this section concludes with a simulation to estimate the potential increase in remittances if Indonesia's increased deployments came exclusively through low- and medium-skilled jobs abroad.

2.2.2.1. Categorizing Migrant Jobs by Skills: Understanding What Skill Levels PMIs Should Upgrade To

IBC's skill categorization attempt uses a framework that is adapted from the International Labour Organization's skill categories,[19] to classify PMIs into four levels: Unskilled, Low-Skilled, Medium-Skilled, and High-Skilled (as shown in Figure 14). This classification is based on education, qualifications, and job demands, allowing Indonesia to better understand the occupations that are worth focusing on as well as the general capabilities that Indonesian PMIs need to be able to master.

Figure 14. Proposed PMIs Archetypes based on Skill and Education



Skill	Unskilled	Low Skilled	Medium Skilled	High Skilled
Description	Performs simple and routine tasks, often involving physical or manual labor with minimal decision-making required.	Involves tasks that require operation of machinery, vehicles, or basic technical work	Performs complex technical tasks requiring specialized knowledge in a field like engineering, healthcare, or technology	Engages in highly complex tasks that require creativity, decision-making, and specialized knowledge in fields like business, engineering, or healthcare.
Requirement	Basic literacy and numeracy	Intermediate-level skills in areas like vehicle maintenance, simple equipment operation, or clerical duties	Balances practical skills with problem-solving and compliance with technical or safety regulation	Advanced level literacy, numeracy, and problem-solving skills.Involves leadership, strategic planning responsibilities, or highly complex technical procedures.
Typical Tasks	Cleaning, manual labor, sorting or assembling materials by hand, basic maintenance tasks	Operating machinery, maintenance and repair of mechanical equipment, clerical work such as ordering and managing inventory, driving vehicles.	Coordinating activities, supervising teams, ensuring compliance with regulations, preparing detailed estimates, operating advanced machinery	Conducting research, analysis, and diagnosis and treatment of disease, designing systems or structures; imparting advanced knowledge to others; leading teams or managing complex projects.
Education	• **Minimum completion of elementary school** • **Short on-the-job training may be required for specific tasks**	• **Minimum completion of middle school or high school.** • **Some vocational training or on-the-job training may be required**	• **Minimum technical schools, vocational institutes, or community colleges.** • **Requires 1-3 years of specialized training and experience in a relevant field**	• **Minimum bachelor's degree or higher (3-6 years of higher education)**
Examples of Jobs	• **Housemaids, office cleaners, garden laborers, domestic workers, and freight handlers**	• **Welders, horticulture workers, hotel staff, drivers, shop assistants, and motor vehicle mechanics**	• **Shop managers, medical laboratory technicians, caregivers, legal secretaries, diagnostic medical radiographers, computer support technicians**	• **Sales managers, civil engineers, secondary school teachers, medical practitioners, operating theatre nurses, and computer systems analysts**

Disclaimer:

1. *Some roles might transition between categories based on regional context, industry demands, and educational pathways.*
2. *Some sectors like IT or healthcare may have nuanced skill classifications where high-skilled roles differ in terms of qualifications required (e.g., certain technicians might be considered low-skilled in one sector but high-skilled in another).*

Recommendation for increased PMI deployments

Unskilled Workers
Unskilled workers are engaged in simple, routine tasks that require minimal physical or manual labor and little to no decision-making. These roles rely on basic literacy and numeracy, with tasks such as cleaning, sorting, manual labor, or basic maintenance work. Educational requirements for this category typically include the completion of elementary school, with some jobs requiring short-term on-the-job training. Examples of unskilled occupations include housemaids, office cleaners, garden laborers, domestic workers, and freight handlers.

Low-Skilled Workers
Low-skilled workers perform tasks that involve the operation of machinery, vehicles, or basic technical work. This category includes intermediate-level skills in areas like clerical duties, simple equipment operation, or vehicle maintenance. Workers in this group are generally required to have completed middle or high school and may undergo some vocational or on-the-job training. Common roles include welders, horticulture workers, hotel staff, drivers, shop assistants, and motor vehicle mechanics.

Medium-Skilled Workers
Medium-skilled workers handle complex technical tasks requiring specialized knowledge in fields such as healthcare, engineering, or technology. These roles often demand a balance between practical skills and problem-solving, with responsibilities that include coordinating activities, supervising teams, ensuring regulatory compliance, preparing detailed estimates, and operating advanced machinery. Educational qualifications for this category typically involve completion of technical schools, vocational institutes, or community colleges, with 1-3 years of specialized training and relevant experience. Occupations in this group include nurse assistants, caregivers, medical laboratory technicians, computer support specialists, and legal secretaries.

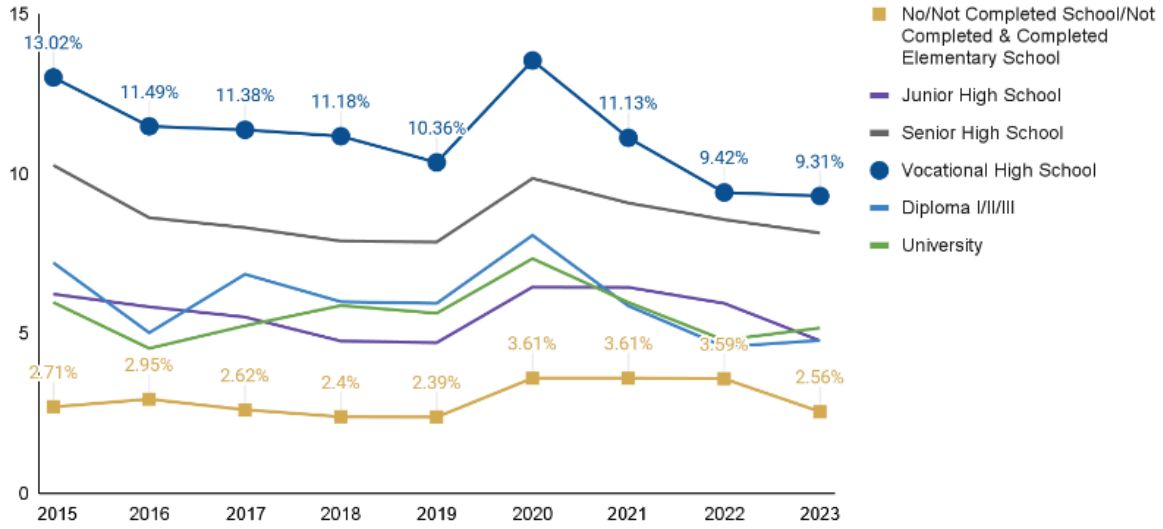
High-Skilled Workers
High-skilled workers are responsible for highly complex tasks that require creativity, decision-making, and advanced knowledge in specialized fields such as business, engineering, or healthcare. These roles demand advanced literacy, numeracy, and problem-solving skills and often involve leadership, strategic planning, or managing complex technical procedures. Educational requirements include a minimum of a bachelor's degree or higher, typically involving 3-6 years of higher education. Representative occupations include civil engineers, doctors, secondary school teachers, computer systems analysts, and nurses.

2.2.2.2. Targeted Deployments: Considerations to Focus on Low- and Medium-Skilled Occupations

Section 1.1 highlighted that the majority of Indonesian migrant workers (PMIs) are currently employed in unskilled occupations. To shift towards deploying more PMIs in low- and medium-skilled job categories, a collaborative effort between the government and private sector is recommended. Several key considerations support this proposal:

1. High Unemployment Among Vocational School Graduates
Unemployment rates among vocational school graduates (Sekolah Menengah Kejuruan) in Indonesia remain the highest compared to other educational backgrounds.[20] As recently as 2023, the open unemployment rate of SMK graduates reached 9.31% —the highest of all educational levels, as shown in Figure 15.[21] This trend has been consistent since 2015, according to Statistics Indonesia (BPS). By targeting international low- and medium-skilled job markets, Indonesia can provide these graduates with better employment options.

Figure 15. Open Unemployment Rate by Education Level



While individuals with only an elementary education have the lowest unemployment rates, they are not ideal candidates for overseas deployments in low- and medium-skilled jobs due to the significant training investment required. In contrast, SMK graduates occupy a strategic position: they possess foundational skills that make them more readily trainable for international low- and medium-skilled jobs, requiring less upskilling than lower-educated groups. Targeting this segment could unlock more immediate and scalable opportunities for Indonesia's labor migration strategy.

2. Lower Prevalence of Exploitation Compared to Unskilled Workers

Unskilled jobs come with a higher risk of exploitation of PMIs due to the low-wage nature of their work[22] and a greater tendency for nonprocedural employment. Some destination states are also reported to have weaker protections for unskilled migrant workers[23], which makes it even harder for them to receive their due rights in cases of exploitation. Figure 16 shows that while working long hours is still common in low and medium-skilled migrant work, reports of abuse, debt bondage or withholding documents are far less reported in these work, allowing migrants and the Indonesian state to fully receive the economic benefits of their work.[24]

Figure 16. Exploitation Types and Their Prevalence Between Unskilled vs Low and Medium-Skilled Workers[25]

	Unskilled Workers	Low and Medium-Skilled Workers
Debt bondage/stolen wages	Common	Less common
Withholding documents	Common	Uncommon
Poor living conditions	Common	Less common
Physical/verbal/sexual abuse	Common	Less common
Excessive overtime/long hours	Common	Common

Legend

Common: Reported in all four key migrant sectors at the skill level in question (care, manufacturing, agriculture,hospitality)

Less Common: Reported in just two to three job sectors

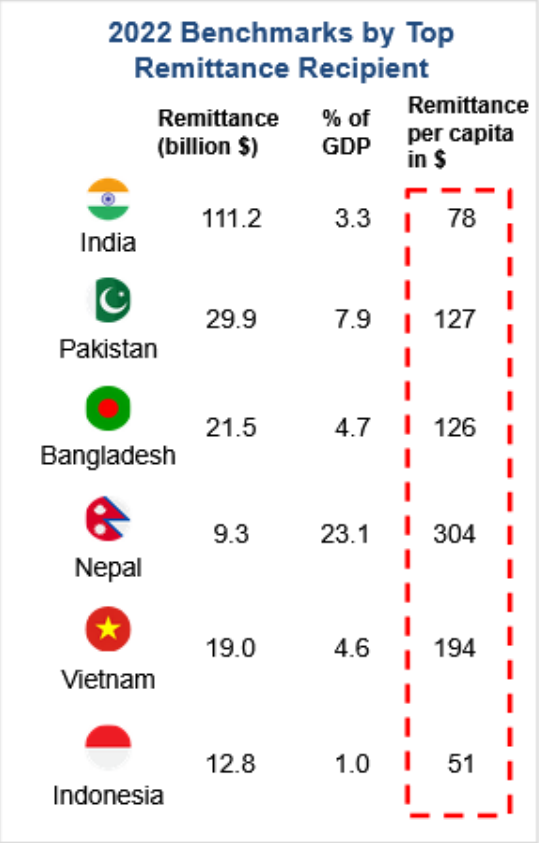
Uncommon: Reported in at most one job sector

Data Source: IBC Aggregation of 18 sources and 10 expert interviews

3. Higher Economic Contribution Through Remittances

Low- and medium-skilled workers typically earn more than unskilled laborers, leading to higher remittance flows to Indonesia. While Indonesia's 2023 remittances totaled $14.2 billion —a substantial figure, equivalent to nearly half of the real estate industry's $31.3 billion contribution to the national GDP —remittance per capita remained relatively low at $51 –unchanged from its 2022 number. This is significantly lower than that of other migrant-supplying countries (Figure 17). Providing access to better-paying jobs will enable PMIs to send a larger portion of their income as remittances. The next section will simulate the potential remittance increase that could come from an increase in low- and medium-skilled deployments.

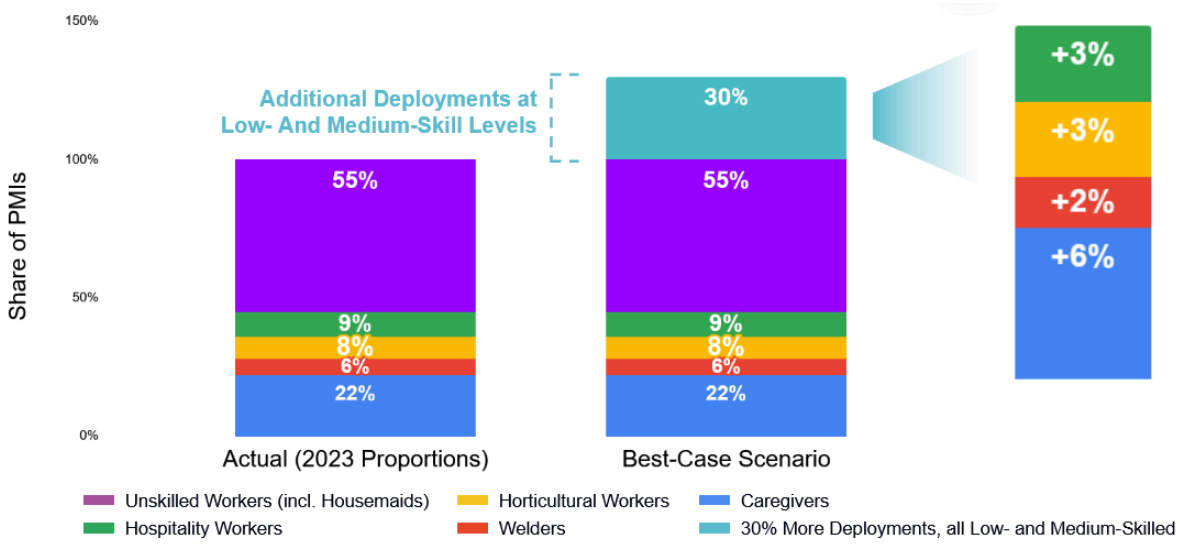
Figure 17. Remittance Data Benchmark of Other Migrant-Supplying Countries (2022)[26]



2.2.2.3 Simulating the Best Case: Estimating the Impact of Additional Deployment of Low- and Medium-Skilled Workers

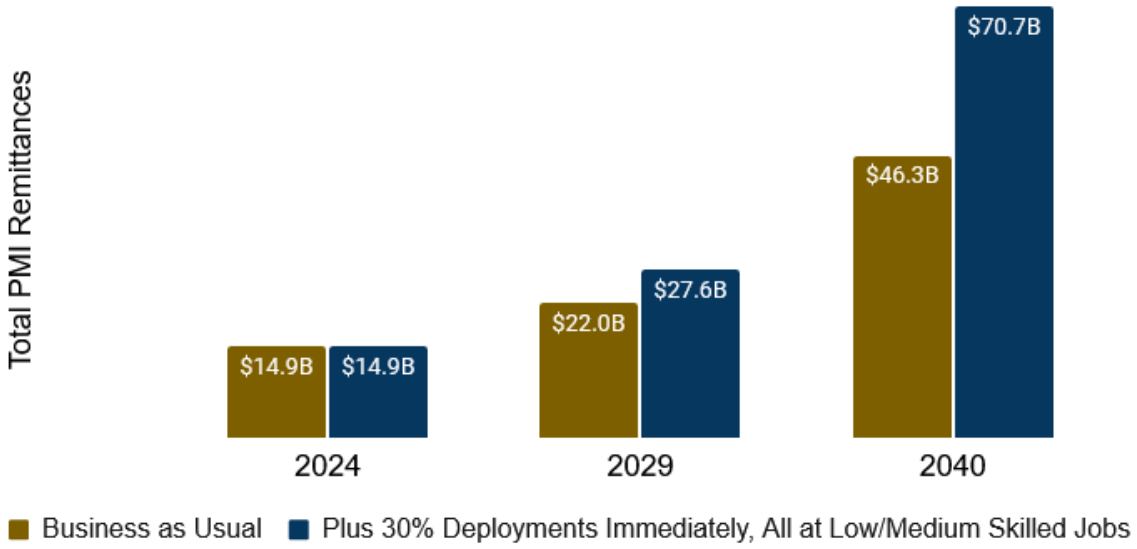
While Section 2.2.1 calculated the impact to unemployment reduction from 30% additional deployment of PMIs without upskilling, this section augmented the analysis to simulate the impact on remittances assuming that all of the 30% additional PMIs previously simulated in Section 2.2.1 are all deployed to low- and medium-skilled occupations. This exercise is simulated to be done towards four key occupations—caregivers, welders, horticultural workers, and hotel staff—based on their current deployment shares (see Figure 18). As discussed in greater detail in Chapter 4, these four occupations are experiencing high demand in international markets, where Indonesia has the capacity and significant potential to meet this demand in the short to medium term.

Figure 18. Deployed PMI Occupational Distribution - Business as Usual and 30% Additional Immediate PMI Deployments in Low- and Medium-Skilled Jobs



As can be seen in Figure 19 below, deploying 30% additional PMIs to low- and medium-skilled jobs has the potential to significantly increase remittance to USD 27.6 billion by 2029, or equivalent to IDR 440 trillion. As with the previous simulation, the benefit of deploying more workers at elevated skill levels towards remittance can increase further by 2040, reaching USD 70.7 billion. When compared to the Business-as-Usual scenario, this represents an additional USD 24.3 billion in remittances, a significant number considering that this exceeds even the current remittance figure in 2024.

Figure 19. Simulated Yearly Remittances: Business as Usual and 30% Additional PMIs Deployments at Low- and Medium-Skilled Jobs



Overall, Indonesia's PMI deployments have significantly contributed to reducing unemployment in the country. Driven by local poverty and labor shortages abroad, PMIs work overseas and send remittances that support the local economy. However, there is an opportunity to increase PMI deployments while also upgrading the deployments to the low- and medium-skilled jobs that generate higher remittances. To achieve this, Indonesia must first address the existing challenges within the PMI deployment process, which will be discussed in the next chapter.

3. Barriers to Expansion: Migrant Worker Deployment Issues

To fully unlock the economic potential of PMI deployments, the Government of Indonesia (GOI) must first address several key challenges. This chapter outlines the most pressing issues identified by IBC, covering both bureaucratic obstacles and capacity gaps that must be bridged for PMIs to succeed in their deployments.

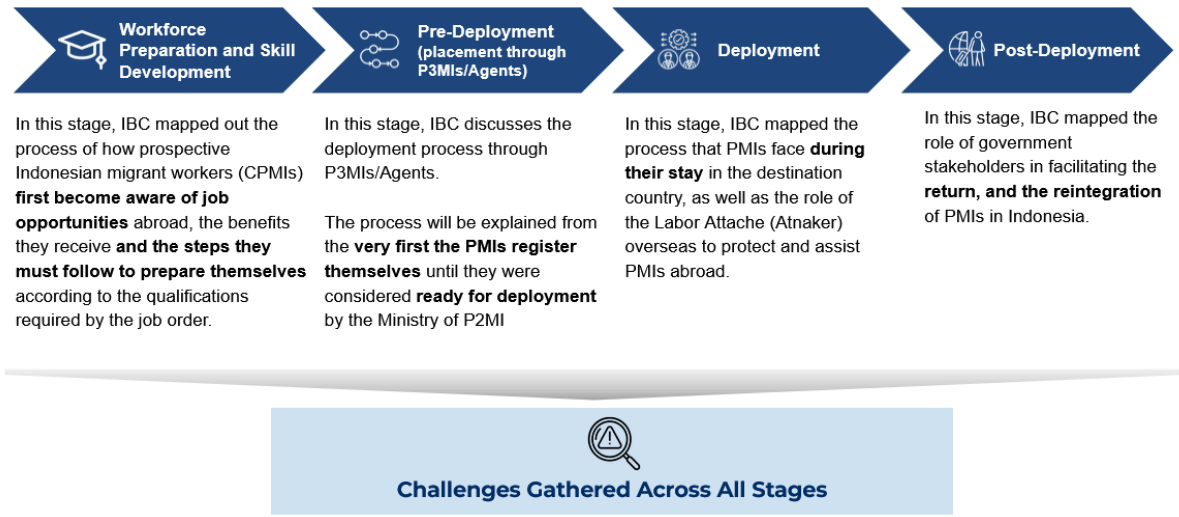
Through regulatory and secondary sources analysis as well as stakeholder interviews, IBC has identified challenges throughout the PMI deployment process, from workforce preparation to post-deployment. The seven most critical challenges were then selected. Some of these challenges are administrative and bureaucratic, which include issues related to Indonesia's PMI classification approach, the conflict of interest arising from the government's dual role as both a PMI operator and regulator, and the administrative hurdles PMIs face in obtaining deployment clearance. Other challenges are centered on PMIs' ability to excel abroad—which requires the involvement of not only the government but also all stakeholders in preparing PMIs before their deployment. Examples include issues related to skill competencies, language barriers, and the challenges PMIs face in terms of mental resilience.

Through this analysis, readers will gain a clearer understanding of not only the priority challenges in PMI deployment but also the shortcomings of the current ecosystem of Indonesian Migrant Workers Industry in addressing those challenges.

3.1. The Prioritization: Identifying the Most Critical Challenges in PMI Deployment

The PMI deployment process consists of four stages, as shown in Figure 20, with different regulations and stakeholders involved at each stage. In the first stage, Indonesian Migrant Candidates/*Calon Pekerja Migran Indonesia* (CPMIs) become aware of job opportunities abroad and receive the necessary training and certifications (e.g., in language or skills) required for their jobs. Next, they work with P3MIs/agents to be matched with specific foreign employers and complete the paperwork required for their deployment. Once deployed, PMIs work for these employers while stakeholders, such as the Labor Attaché in each destination countries' Indonesian embassy, help protect and assist them. After their deployment, the government and private sector support their reintegration in Indonesia through initiatives such as counseling and entrepreneurship programs.

Figure 20. Overview of the PMI Deployment Process

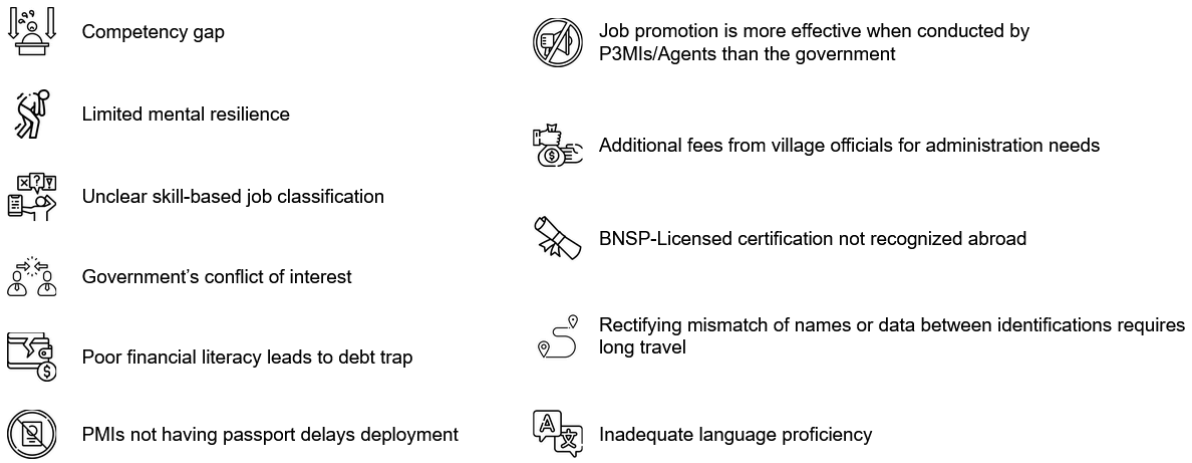


Based on these four stages of PMIs deployment, IBC identified and prioritized existing challenges reported across the stages. This prioritization process is divided into three steps in order to comprehensively identify and then rank identified challenges that will generate the most impact if addressed, and will be discussed in greater detail in the remainder of this chapter.

Step 1. Challenges Identification

Through an analysis of the gaps between regulations and on-the-ground practices in PMI deployment, IBC identified a long list of challenges across all stages of the deployment process (Figure 21). While discrepancies exist between the activities outlined in prevailing regulations and actual practices, they are not the root cause of the identified challenges but rather attempts to address them. For example, LPKs have adapted their training curricula beyond BNSP standards to help PMIs overcome difficulties with foreign accents, which are not covered in the existing guidelines. Similarly, PMIs often undergo additional training in their destination countries before starting work to align with local workplace practices. The challenges identified by IBC are primarily structural in nature, with existing standards and regulations proving insufficient to prevent these issues from arising.

Figure 21. Challenges Identified Across the PMI Deployment Process



Step 2. Issue Screening

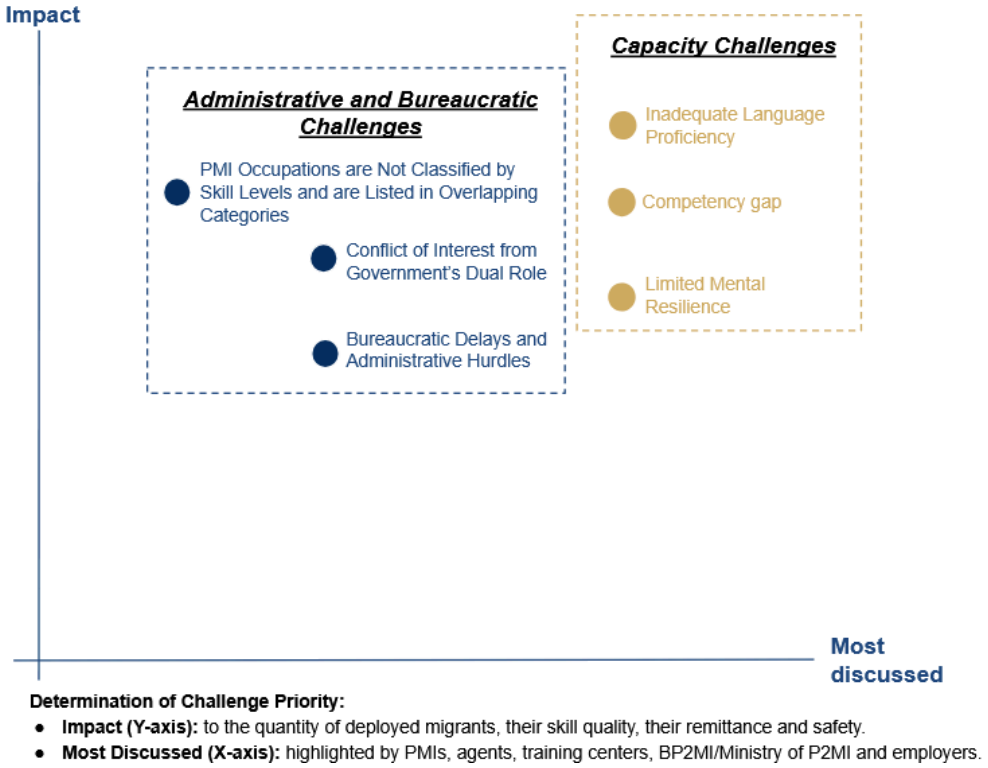
From the challenges identified in the first step, IBC conducted a prioritization using the Pareto Principle approach, identifying priority challenges that, when solved, would generate 80% of the impact. In the Issue Screening stage, IBC discussed with multiple stakeholders – including current and former PMIs, P3MIs, and the Ministry of P2MI–by assessing the frequency with which these challenges were raised.

Step 3. Impact Screening

Challenges that are most discussed from the Step 2 above are then evaluated based on its perceived impact of their effects on successful PMI deployment. This impact is discussed in terms of PMI quality, remittances generated, worker safety, and its impact on the speed of PMI deployment.

The result of this narrowing exercise identified six key challenges, as highlighted in Figure 22, which can be grouped into administrative and bureaucratic and capacity-related issues. The former pertains to internal deployment processes established by government agencies, while the latter relates to PMIs' ability to excel in their work, as well as the preparation activities that take place before deployment. The following two sections will provide an in-depth analysis of these two groups of challenges.

Figure 22. Prioritized Challenges for Migrant Deployment



3.2. The Administrative and Bureaucratic: Systemic Gaps in PMI Industry Governance

The PMI deployment process involves multiple government agencies with different responsibilities. However, the current arrangement of functions and work between government agencies has led to poor data quality, reduced private sector interest, and departure delays of PMIs. This section highlights the three main administrative and bureaucratic challenges that are hindering the smooth scaling of PMI deployments at low- and medium-skill levels.

3.2.1. The Limitations of Indonesia's PMI Classifications

Indonesia's current classification of migrant workers pose a challenge to deployment of skilled PMIs workers as it focuses entirely on administrative and protection matters (e.g.,whether the PMIs followed official deployment procedures, who are the PMIs' employers, etc.). Meanwhile the PMI's skills, qualifications, or job functions remain untouched. As a result of this condition, the Indonesian government lacks the data needed to design effective policies to match PMIs with higher quality or more skilled jobs abroad.

Several government bodies have attempted to define PMIs and further classify existing PMIs. For example, the Ministry of Manpower has provided examples of individuals who qualify as PMIs, as

shown in Figure 23. According to UU No. 18/2017, having PMI status grants Indonesian workers clear rights, highlighting the importance of a strict definition of who qualifies as PMIs. Some of these rights include legal support in cases of rights violations, guarantees of safe return home and access to post-departure rehabilitation programs. Meanwhile, the Ministry of P2MI classifies PMIs based on who employs them, whether their deployment follows official procedures and who is responsible for their placements as evident in Figure 24.

Figure 23. The Ministry of Manpower's Definition of PMIs

Migrants workers	Non-migrant workers
1. Workers Employed by Legal Entities: Includes those hired by corporate or institutional employers. 2. Workers Employed by Individuals: Encompasses domestic workers and laborers engaged by individual employers, particularly within private households. 3. Seafarers and Fisheries Workers: Maritime professionals such as ship crew members and fisheries workers contributing to the shipping and fishing industries.	1. Individuals dispatched by international organizations or foreign governments. 2. Students and trainees pursuing education or training abroad. 3. Refugees or asylum seekers. 4. Entrepreneurs and investors managing businesses overseas. 5. Civil servants stationed abroad, including those working in diplomatic missions. 6. Employees of institutions funded by the national budget. 7. Indonesians managing independent businesses overseas.

Figure 24. The Ministry of P2MI's Classification of PMIs

By Employer Type	By Deployment Procedurality
Differentiating between formal workers (employed by companies with legal contracts) and informal workers (hired by individual employers or entities without legal status)	Classifying workers into procedural workers (those adhering to official procedures) and nonprocedural workers (those engaged in illegal practices such as falsified documentation).
By Placement Types	
Highlighting various placement pathways, including placements via P3MIs/Agents, private placement agencies, SOEs, or direct hiring by overseas employers.	

While the two classifications might be useful for protecting vulnerable PMIs abroad, they could not help much to raise PMIs deployment in low- to medium-skilled jobs. To achieve that, Indonesia's government needs to use a skill-based classification for migrant occupations.

Another issue related to the classification is the presence of overlaps within the PMI occupations recorded by the Ministry of P2MI. For example, "Caregivers", "Elderly Caretakers" and "Care Workers" refer to the same occupation, but exist as separate jobs in the Ministry's records. More standardized job definitions are crucial to avoid data overlaps and confusion. Importantly, the standardized classification will help the government to identify skill gaps or target training efforts effectively.

Indonesia's current classifications, which neglect skill-based job classification, also differ from international frameworks issued by the International Labour Organization (ILO),[27] Organization for Economic Co-operation and Development (OECD),[28] and International Organization of Migrants (IOM). These institutions' classifications emphasize skill-based classification to enhance global mobility and competitiveness. Without any efforts to synchronize, Indonesia is at risk of falling behind in global competition to connect its workers with better-paying opportunities in the global labor market.

In this issue, disregarding skill-based classification, two key stakeholders play a crucial role, namely the Ministry of P2MI and the Directorate General of Immigration under the Ministry of Manpower. While the former is responsible for standardizing general jobs in Indonesia, the latter recorded deployment occupations from P3MIs. However, cooperation remains ineffective between both ministries to record migrant deployments by its occupations, sectors, the activities a job entails, or the skill levels required. Consequently, it becomes difficult to use the Ministry of P2MI's available data for long-term workforce planning or matching migrant job requirements with the strengths of the Indonesian workforce –a crucial aspect of supporting PMI deployments at more skilled occupations.

3.2.2. The Conflict of Interest from The Government's Dual Role

The Ministry of P2MI has two roles in the deployment of migrant workers, as both an operator and a regulator. These roles position the institution as the sole stakeholder in the challenge of conflict of interest. The condition, which stemmed from past practices under BP2MI (Migrant Workers Protection Board), raises concerns about fairness and neutrality. This is the case since the dual-responsibility framework diverts valuable government resources away from the creation of essential regulations or national policies that could better prepare PMIs for deployment. Such policies might include degree recognition initiatives and certification alignments with destination countries.

Although G2G programs currently account for only about 3.8% of migrant worker placements, the conflict of interest may remain. By regulating private agencies while also competing with them at the same time, the government undermines trust and reduces the perceived independence of its oversight. This dual role compromises regulatory neutrality by creating an uneven playing field for private agencies and potentially introducing bias in the enforcement. The lack of trust and transparency threaten the integrity of the entire system.

*"The **Ministry of P2MI** acts as **both an operator and a regulator**. This makes **business operations challenging**, as it tends to simplify processes for the government while making it difficult for the private sector."*

Owner
Company in the PMI deployment business

3.2.3. Other Administrative and Bureaucratic Hurdles

The deployment of PMIs often experiences delays due to subjective and inconsistent permit processes managed by labor attachés. Despite agencies' compliance, approvals are frequently stalled over minor administrative issues, such as formatting or submission timing. These inefficiencies lead to unnecessary expenses, extended processing times, and delayed worker placements, ultimately limiting opportunities for PMIs and hindering Indonesia's competitiveness in the global labor market.

At the local level, mismatches in personal details, like names or marital status on identification documents (e.g., KTP), require workers to return to their hometowns to correct their records. During this process, they often encounter informal fees demanded by local authorities, including neighborhood leaders (*Ketua Rukun Tetangga*) and sub-district heads (*Camat*), adding further complications and costs.

At the moment, the Ministry of P2MI is unable to solve administrative hurdles such as identity discrepancies or permit processing issues, as it requires the involvement of regional governments. At the same time, there is no cross-stakeholder data integration that could address the bottleneck condition. Consequently, some migrants' deployment can be postponed by months.

*"Some colleagues faced **additional fees for resolving ID discrepancies** upon returning home, while others experienced **delays in obtaining family** consent letters as **village officials demanded payments** to expedite the process."*

Former PMI
Deployment in Japan

3.3. The Capacity: Focus Areas for PMI Preparation

The quality of PMIs largely influences their acceptance abroad, depending on their education and skill levels. Currently, most PMIs deployed overseas work in unskilled or low-skilled jobs, with housemaid/domestic worker being the most common occupation. This section highlights the three aspects that need to be addressed in regards to PMIs' current capacity to perform abroad.

3.3.1. Limited Competencies among PMIs

PMIs face a persistent competency gap due to several key issues. First, there is a shortage of LPKs (Workforce Preparation Training Centers) that provide technical training tailored for the increasingly in-demand medium-skilled jobs. Second, certification bodies like the Badan Nasional Sertifikasi Profesi (BNSP) have become less relevant for global recruitment, as they do not meet international standards. Furthermore, on-the-ground interviews found that in caregiving roles, vocational and diploma (SMK/D3) curricula lack a specific focus on practical caregiving experience compared to bachelor's (S1) programs –in contrast to the perception that vocational education is more practical by nature. This leaves SMK/D3 graduates at a disadvantage and necessitates additional skill development.

*"**The D3 education system in Indonesia is vastly different from what is implemented in Japan.** Although the curriculum includes practicum sessions for nursing homes, these are only partially applicable."*

Chief of LPK
Private Training Institution (LPKs)

*"**Only domestic workers are required to have BNSP-licensed certification. For other jobs,** such as caregivers, employers only request **educational certificates** (e.g., SMK, D1/D3, or S1 diplomas)."*

Chief of LPK
Private Training Institution (LPKs)

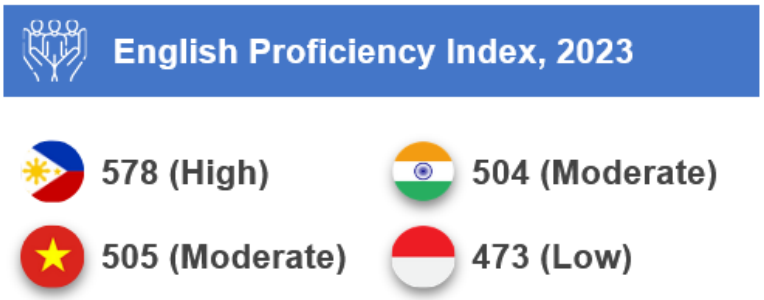
The lack of competencies of PMIs can also be seen from the employment of middle school and vocational school graduates in mostly unskilled roles. Between 2022 and 2023, around 75% of PMIs deployed had completed middle school to high school or vocational education, yet most of them were employed in unskilled jobs such as housemaids and plantation workers. These roles, which require minimal formal qualifications, do not align with the workers' educational backgrounds. This mismatch not only points to a lack of suitable job opportunities abroad that match their skills, but also highlights disparities in Indonesia's education quality compared to other countries.

The Ministry of Primary and Secondary Education, LPKs, and the Ministry of P2MI are the three relevant stakeholders with regards to the competency gap challenge. The first is responsible for the SMK curriculum, as employers and PMIs complained that the current curriculum lacks practicality and is not aligned with international standards that PMIs need to master. Although the second often provides training to SMK graduates who become CPMIs, LPKs rarely collaborate directly with SMKs to provide technical training tailored to the job's demands, increasing the CPMIs' overall training time and cost. Lastly, the Ministry of P2MI does not provide regular input to or collaborate with the Ministry of Primary and Secondary Education on skills development program, although the institution is the main source of information and alignment between the destination countries' government and LPKs.

3.3.2. Language Barrier Faced by PMIs

Limited language skills restrict PMIs' access to job markets, especially in countries with strict language requirements. PMIs' language proficiency is low in both English-speaking and non-English-speaking countries. As presented in Figure 25, Indonesia's English proficiency lags behind countries like the Philippines, Vietnam, and India, as evaluated by Education First. While Indonesia has a National Work Competency Standard (SKKNI) to address language barriers, it doesn't meet the needs of destination countries. Furthermore, PMIs often struggle with conversational situations not covered in their training and lack understanding of local dialects, which hinders communication.

Figure 25. Education First's 2023 English Proficiency Index Scores, Selected Countries[29]



While there is growing demand for migrant workers in non-English-speaking countries, Indonesia's limited language training capacity makes it hard to scale up deployments. For example, Japanese or German language training, which is required for caregiver roles, can take 6-8 months of intensive study.[30] To overcome language teacher shortages, some LPKs use former PMIs as instructors. While former PMIs are familiar with work-related conversations and local accents, they lack formal teaching qualifications.

On PMIs' inadequate language proficiency, the relevant parties involved are the Ministry of Primary and Secondary Education, LPKs, and the Ministry of P2MI. The Ministry of Primary and Secondary Education is relevant for the lack of practical foreign language learning in the current SMK curriculum. In addition, LPKs rarely collaborate with SMKs despite having the knowhow of PMIs'

experience with foreign languages once abroad. Lastly, the Ministry of P2MI is accountable for facilitating and supporting collaboration between LPKs and the Ministry of Primary and Secondary Education.

3.3.3. Mental Resiliency Issues of PMIs

Some PMIs choose to cut their contracts early, with interviews with former PMIs revealing that a lack of mental readiness often impacts their job performance and well-being. For example, PMIs may experience homesickness, emotional distress (especially caregivers who attend to the elderly and perform unpleasant tasks, such as cleaning bodily waste), loneliness (particularly PMIs on plantations who are placed in isolated dormitories to avoid conflicts with locals), and competition among PMIs (with some turning down promotions for fear of being seen as "bootlickers" by others).

Other challenges include financial difficulties, sometimes caused by spending earnings on gambling, and physical illness due to the inability to adapt to new working conditions. While most employers cover healthcare costs, PMIs fear being sent home if they fall ill for too long.

These challenges underscore the need for comprehensive preparation and support systems to enhance PMIs' resilience and well-being. PMIs should be made aware of the long hours often required in their roles and the cultural knowledge (e.g., Japanese honorifics) necessary for success. Unfortunately, many SMKs and some LPKs do not include these aspects in their training.

The Ministry of Primary and Secondary Education, the Ministry of Higher Education, Science and Technology, LPKs and P3MIs/Agents, as well as the Ministry of P2MI and KBRI, are the relevant stakeholders with regards to PMIs' limited mental resilience. The Ministry of Primary and Secondary Education and The Ministry of Higher Education, Science, and Technology oversee vocational schools and diploma/associate degrees education respectively, where targeted training at mental resilience for PMIs is needed. LPKs and P3MIs/Agents have the know-how of the mental challenges that PMIs face abroad. Lastly, the Ministry of P2MI and KBRI are monitoring the mental challenges that affect PMIs' success and longevity abroad.

3.3.4. Limited Incentives for LPKs

There are at least two existing incentives aimed at upskilling Indonesian workers and supporting their deployment abroad.

First, the People's Business Credit (*Kredit Usaha Rakyat*/KUR) program operates with a maximum interest rate of 6%. This incentive is designed to assist PMIs in repaying their loans, with the broader goal of increasing their income and potential remittances. However, KUR is currently unavailable for the training stage of CPMIs and is only accessible from the pre-deployment stage onward. This limitation places a financial burden on LPKs (training institutions), as they end up charging no initial training fee and are only being paid once the CPMIs are working abroad. While the need for more vocational training is evident,[31] the high costs discourage new private players from entering the market and thus reducing the number of available training for potential PMIs. To address this issue, loan programs should be provided and cover the training period, rather than only providing support afterward.

Second, the Vocational Super Tax Deduction allows 200% of vocational training expenses to be deducted from taxable income. This policy is intended to incentivize employers to invest in vocational training for Indonesian workers. However, LPKs are not eligible for this incentive—it is only available to local companies engaged in vocational partnerships. The program benefits companies that conduct training at their business locations or collaborate with schools and universities to provide training. Despite playing a crucial role in training unskilled PMIs for deployment, LPKs have been excluded from this program.

Beyond these two incentives, government funding for training efforts is expected in the near future. Abdul Kadir Karding, the Minister of Migrant Worker Protection, recently announced a plan to inject IDR 45 trillion into P2MI to fund various assistance programs and skill enhancement initiatives for CPMIs. However, as of the end of the month, the technical details of the fund's disbursement are still under discussion.

Overall, the PMI ecosystem faces multiple challenges, including bureaucratic obstacles and capacity gaps, which must be addressed to ensure successful deployments. Administrative and bureaucratic hurdles stem from issues such as the government's PMI classification system, the dual-role scheme, and fragmented administrative processes. Meanwhile, capacity gaps encompass deficiencies in professional competencies, inadequate language proficiency, and insufficient mental preparedness among PMIs. This chapter maps the most discussed and critical challenges to prioritize the key issues—such as lack of skill-based classification, inadequate language proficiency, and competency gap—that should be resolved in order to improve the quality of PMI and boost PMI deployment. In the next chapter, IBC identifies key occupations at the low- and medium-skill levels and recommends prioritizing for large-scale deployments.

4. Opportunities: Every PMIs Cloud Has a Silver Lining

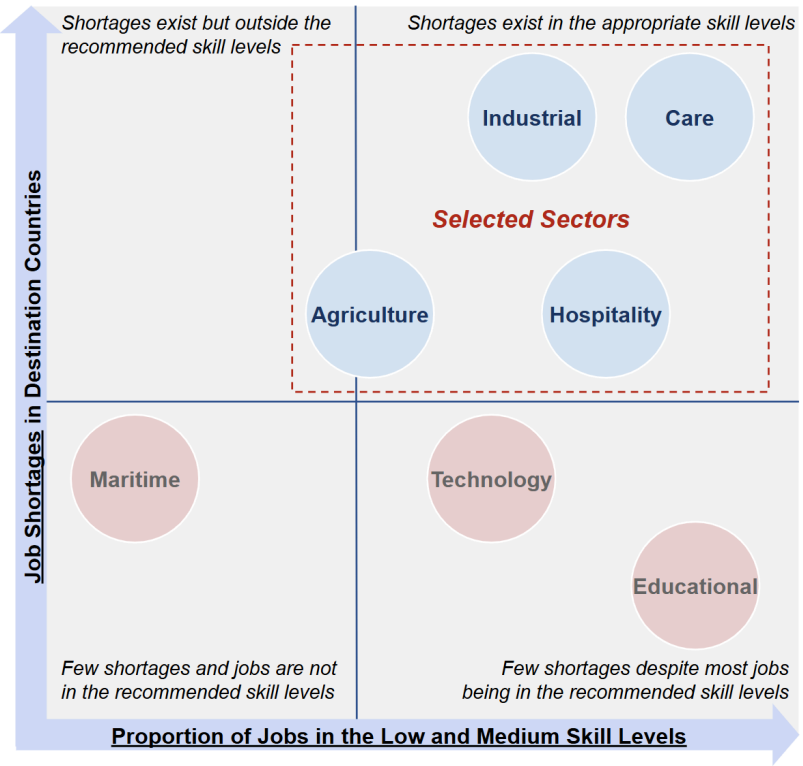
According to a study by Korn Ferry,[32] the global talent shortage is projected to reach 85 million workers, creating a significant gap that will require migrant workers to help bridge. While this shortage spans a wide range of sectors and occupations, not all are well-suited for maximizing the economic potential of PMIs through the increased deployment at low- and medium-skill levels explored in Chapter 2. This chapter examines four key occupations at the low- and medium-skill levels —caregivers, welders, horticultural workers, and hotel staff—which the IBC recommends prioritizing for large-scale deployments.

The discussion of each occupation begins with an overview of the global shortages and their underlying drivers, followed by an analysis of why PMIs are particularly well-suited for these roles. The chapter then identifies the countries where deployments should be prioritized, as well as the occupation-specific challenges hindering immediate scaling, such as the recognition of Indonesian certifications or the complexities of language training.

The following sections deep dive into four sectors prioritized deemed compatible for PMI deployment (see Figure 26). The sectors selected are experiencing plenty of shortages in destination countries, posing enough demand for Indonesia to increase migrant deployments in the sector. The job shortages can also be filled by migrants at low- and medium-skilled levels, enabling migrants to unlock better welfare and remittances while minimizing risks of skill mismatches.

In its concluding sections, the chapter presents benchmarks from countries that have successfully expanded deployments in these occupations, offering key insights for Indonesia to learn from. Through this analysis, readers gain a comprehensive understanding of the factors that favor deployment scaling in these four occupations and the need for tailored approaches to effectively implement these strategies.

Figure 26. Prioritized Sectors for PMI Deployment



4.1. The Carers: Potential to Fill the Needs in Countries with Aging Population

No other sectoral shortage is as heavily impacted by an aging population as the care sector, which provides health, personal, and social services in hospitals, private homes, and elder care facilities.[33] [34] The growing elderly population not only reduces the available workforce but also drives greater demand for care services. Yet at the same time, fertility rates in many developed economies have dropped below the replacement level of 2.1 children per woman, reducing the number of young local workers entering the labor force. To fill these gaps, both nurses—who administer medical procedures in healthcare facilities—and caregivers—who provide non-medical assistance in private homes and elder care facilities—are urgently needed.

Among these roles, caregivers have become the most in-demand workers to address shortage in elderly care facilities in developed countries. The COVID pandemic further compounded the problems by causing massive burnout among the existing care workforce in said countries[35] [36] [37], leading to high turnover that worsened existing shortages.

By 2030, eight major destination countries—Japan,[38] Germany,[39] Hong Kong,[40] [41] the U.S., the U.K., Australia,[42] Canada, and New Zealand—that have long relied on migrant nurses and caregivers will face a projected shortage of 722,000 caregivers,[43] the largest deficit among all care professions. The shortage in the care sector is already happening and will worsen in almost all developed economies. For example, the U.S. is expected to be short 324,000 workers (nurses, radiologists, doctors, caregivers, etc.) in 2030. Similarly, Singapore will be short 24,000 care workers in the same year,[44] while Germany will suffer a shortage of 270,000 care workers in 2035.

While caregivers are highly related towards nurses (in developed countries, some positions titled ‘nurses’ are mislabeled and are effectively caregiver jobs),[45] [46] it is far easier for Indonesia to scale the deployment of caregivers for multiple reasons:

- Unlike nursing, migrant caregivers **do not require a Bachelor’s degree**, with a high school or vocational school degree or diploma generally sufficient.
- **Nurses and nursing graduates can work as caregivers** abroad with little transition required.
- Indonesia is experiencing a **surplus of 695,217 nurses in 2025**, with a further surplus of **22,040 nursing graduates every year.**
- **Indonesia has a head start** in deploying caregivers compared to the Philippines, which focuses more on nurses—a tougher segment to compete in due to the Philippines' long-established dominance.
- Caregiver roles require **less technical English proficiency** than nursing, and with demand largely coming from non-English-speaking countries, Indonesia faces fewer language-related barriers.

Spotlight on Migrant Nurses[47] [48]

Decades before aging populations became a pressing issue, developed countries such as the U.S. and the U.K. had already been recruiting nurses from around the world, particularly from English-speaking countries like India and the Philippines. As a result, the prospect of working as a migrant nurse is highly regarded in these nurse-supplying nations. Migrant nurses also tend to earn

higher salaries than migrant caregivers. For example, in 2023, a migrant nurse in Germany earns approximately €2,500 to €4,500 per month (Rp 43–77 million), whereas migrant caregivers earn around €1,800 to €3,000 per month (Rp 31–52 million).

However, the requirements for becoming a migrant nurse are highly stringent. Some countries, such as Germany, require a Bachelor's degree (S1), significantly reducing the pool of eligible Indonesian nurses. Additionally, many destination countries impose strict minimum clinical experience requirements—Japan, for instance, requires at least two years of experience—making it difficult to scale up nursing deployments.

The biggest hurdle, however, is obtaining nursing licensure abroad. Most English-speaking countries require migrant nurses to pass the National Council Licensure Examination (NCLEX-RN) as proof of their qualifications. However, Indonesian candidates must take the NCLEX-RN exam in the Philippines or Singapore, often spending over Rp 150 million throughout the entire process.

Moreover, some otherwise capable Indonesian nurses struggle to pass the exam due to differences in standard nursing practices between Indonesia and the NCLEX-RN framework. For example, procedures such as blood drawing and medical record management follow different protocols. In contrast, countries like India and the Philippines[49] have nursing curricula that closely align with NCLEX-RN standards, largely due to their colonial histories with the U.K. and the U.S., respectively. Additionally, they have domestic NCLEX-RN testing centers, reducing logistical and financial barriers for their nurses.

As a result, these countries send significantly more nurses abroad than Indonesia. Between 2015 and 2019, the Philippines deployed 88,332 nurses—nearly nine times more than Indonesia, which sent only 9,694 during the same period. While Indonesia has the potential to send migrant nurses on the basis of its nursing graduate surplus, scaling their deployments would be significantly more money and time-consuming on the basis of the long clinical experience, extra training and certifications required to prepare Indonesian nurses for deployment. Therefore, it is recommended for Indonesia to focus on scaling caregiver deployments instead, as the associated requirements are considerably less demanding.

Whereas the Philippines are known as the key supplier of migrant nurses worldwide, Indonesia has already sent far more caregivers than the Philippines –257,765 between 2015 and 2019 (almost five times of the Philippines' 53,523). Despite this, it is important for Indonesia to focus on regions with shortages where it can stand out against other major migrant caregiver-sending countries like the Philippines, to ensure deployment success and scalability.

With this in mind, **Japan and Germany** are the best regions Indonesia can focus on caregiver deployments. With English not being the primary language in many destination countries' healthcare settings, Indonesian caregiver workers face a more level playing field against migrants from traditionally more English-proficient countries such as the Philippines and India. Both Japan (since 2008 via Economic Partnership Agreement / EPA)[50] and Germany (since 2020 via the Triple Win program)[51] already have existing arrangements with the Indonesian government to send more migrant caregivers, including assistance with language training and mutual standards recognition.[52] [53] As an example, under Japan's Economic Partnership Agreement with Indonesia, caregivers will have their skills recognized for departure if they are graduates from Indonesian nursing schools (D3 or S1) or are graduates of an Indonesian university in any degree while also being certified as a caregiver by the Indonesian government. Furthermore, with a median population age of 49.5 years (Japan) and 46.7 years (Germany) respectively, the shortages of caregivers can only reliably increase. In fact, the already existing shortage of almost 270,000 workers will grow threefold by 2040, requiring Indonesia to almost double its caregiver deployments to fulfil the shortage of these two countries alone, as detailed in Figure 27.

Figure 27. Caregiver Shortage Projections by 2040 in Japan[54] and Germany

It must be noted that the deployment of caregivers is more complicated than other recommended jobs in this report, owing to the care sector's stringent certification requirements and people-facing nature. Three issues in particular stood out that need to be addressed for Indonesia to deliver more caregivers to address both countries' shortages:

1. **Language training in its current form is time intensive and difficult to scale**. The need for clear communication in a medical/care setting necessitates a level of language mastery that requires months of training even before departure. To achieve Japan's N4 certification (elementary level for simple conversations and reading textual of daily topics) required of caregivers, approximately 4-8 months of intensive training is required, whereas Germany's B1/B2 language certificate requires 2-6 months.[55]

   Indonesia's ability to scale caregiver deployment is constrained by a shortage of certified language training centers and an over-reliance on foreign trainers or returning migrant workers to deliver instruction. Currently, Japanese language instruction for both G2G programs and private initiatives depends on this narrow talent pool. For Germany's Triple Win G2G program, which places Indonesian caregivers in German care facilities, training is conducted exclusively in Bandung at a center commissioned by the German government.[56] [57] [58] Unlocking broader deployment will require shifting away from this bottleneck and enabling private sector-led expansion in training infrastructure.

2. **A lack of alignment between Indonesian caregiver qualifications and destination country standards forces many migrant workers to spend additional time and money just to remain employed**. Despite efforts by the Indonesian government to ensure domestic degrees meet the minimum threshold for completing caregiver contracts abroad, Indonesian workers often face lengthy and costly certification processes upon arrival. In Japan, this means preparing for the National Care Worker Exam—held only once a year—with a migrant pass rate of just 18%.[59] In Germany, workers must undergo the *Anerkennung* (recognition) process, which involves translating numerous documents[60] and, in some cases, completing additional coursework.[61] [62] These steps can cost hundreds of Euros (up to Rp 10 million) and delay employment by three to four months. To reduce the burden on workers and accelerate deployment, either process reform or stronger alignment between Indonesian curricula and foreign requirements is urgently needed.

3. **Migrant workers often depart without a full understanding of the realities of caregiving work abroad**. Interviews with former migrant caregivers mentioned how vocational graduates (in particular SMK graduates), with minimum clinical experience, are often surprised at certain aspects of migrant caregiving that is not covered in their education:

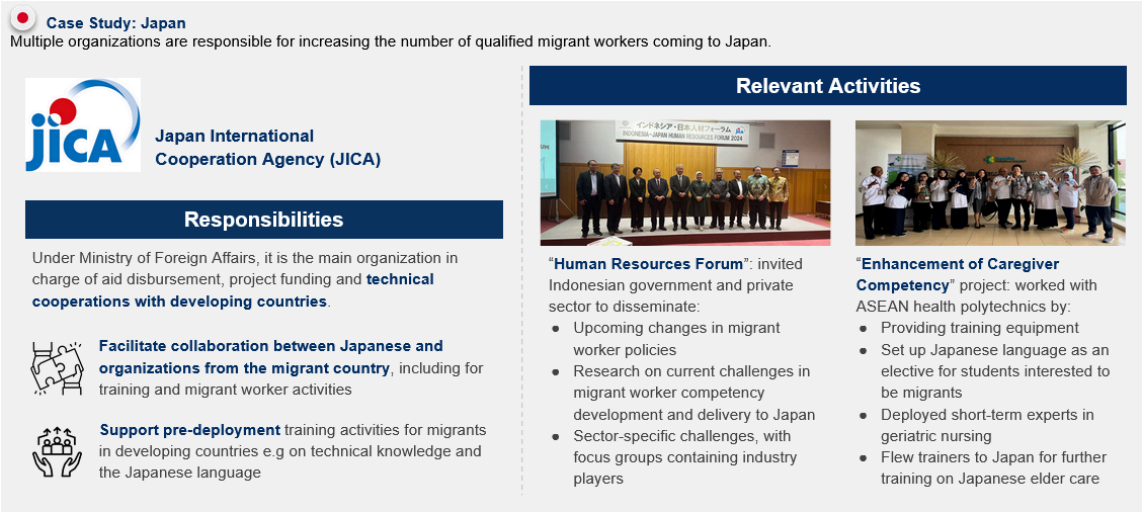
a. Countries might have different methods or procedures for caring, e.g., in lifting or turning a patient.[63]
b. The job of elder caregivers requires them to handle bad behaviors or clean up after other people, requiring migrants to mentally be used to them.
c. Working overtime is sometimes required, which can result in 11-hour working days.
d. Time needs to be dedicated to understanding local customs and honorifics to succeed in caregiving.

An interview with a former migrant caregiver to Japan suggested that caregivers are more likely to stay working when expectations are well aligned with the realities of their work, which needs to be adjusted either during their education or pre-departure training. Involvement of ex-migrants in this process is helpful in particular, as they are able to answer questions about working abroad in better detail than regular educators or trainers.

Beyond caregivers themselves, the care sector has structural characteristics that shape how the market operates:

- **Women Dominate the Field**. Unlike domestic workers, most destination countries do not restrict other care jobs by gender and age. Despite this, the field is still dominated by women –such as 89% of registered nurses in the U.K, 85% of migrant caregivers in Australia, or 75% of Japan's healthcare workers. Most of the workers in these countries are 30-59 years old, although migrants are generally younger.
- **Long Hours Dominate**. While this is more common among domestic workers, caregivers in Taiwan,[64] the U.K. and Japan also reported long working hours of 10-19 hours per day. The social nature of care jobs also opens workers to incidents of abuse. In Taiwan, 38% of surveyed caregivers reported having been subjected to verbal abuses, as did 23% of migrant caregivers in the U.K. However, the prevalence of abuse varies by destination countries, with Japan, Germany and Australia being common destinations with the least frequent reports of abuse.[65]
- **Stronger Involvement of Governments from Destination Countries.** Government agencies from destination countries often play a direct role in training and deploying migrant workers in the care sector.[66] Japan, for instance, has four different agencies coordinating caregiver placements (see Figure 28), while Germany has two (Figure 29), both having presences in Indonesia. As a result, scaling deployment requires careful coordination with these stakeholders and a clear understanding of the support each offers.

Figure 28. Japanese Agencies Involved in Migrant Caregiver Deployments [67] [68] [69] [70] [71] [72] [73] [74] [75] [76] [77] [78] [79] [80]



Case Study: Japan

Multiple organizations are responsible for increasing the number of qualified migrant workers coming to Japan.

Japan Platform for Migrant Workers towards Responsible and Inclusive Society (JP-MIRAI)

Responsibilities

A collaborative effort between the government and the private sector, with goal to ensure that Japan becomes the **destination of choice** for migrant workers.

- **Provide migrant workers all the information** about working and adapting to Japan
- **Guide the private sector** on the best practices to employ migrant workers
- Multi-stakeholder learning and **collaboration on migrant issues** and brainstorming its solutions

Relevant Activities

JP-MIRAI Website / App: available in 9 languages, with features including:

- Complete pre-departure information
- Guides on Japanese customs and regulations e.g visas, living costs and taxes
- Checklist and free consultation on workplace rights violations
- Stories on common problems migrant workers face and common resolutions

Seminars and Workshops: for member companies and local governments on issues such as:

- Responsible business conduct on migrant use
- How to make Japan more attractive to migrant workers
- Sharing the learnings from local governments
- Migrant certification systems and organizations

Case Study: Japan

Multiple organizations are responsible for increasing the number of qualified migrant workers coming to Japan.

Japan International Corporation of Welfare Services (JICWELS)

Responsibilities

The main organization for **arranging and executing nurse and caregiver Economic Partnership Agreements (EPAs)** with other countries.

- Collaborate with developing countries' governments to **select potential migrants and match them** with interested Japanese facilities
- Assist **pre-departure preparations** for departing caregivers and nurses, including language and migrant orientations.

⚠ ***Some overlapping activities with other govt organizations.***

Relevant Activities

Screening and Preparation: Joint effort with foreign governments (e.g BP2MI), helping with activities including:

- Signing MoUs with foreign stakeholders
- Online Japanese test and further language training
- Conducting interviews and matching with Japanese health facilities
- Pre-departure orientation on living in Japan

Online Consultation Form: For:

- Foreign caregivers and nurses interested in migrating
- Japanese health facilities interested to be matched with foreign workers

Overlapping Activities

With JICA: Language training
With JP-Mirai: Informing migrants, employer consultations on hiring

Case Study: Japan

Multiple organizations are responsible for increasing the number of qualified migrant workers coming to Japan.

Association for Overseas Technical Cooperation (AOTS)

Responsibilities

A private nonprofit funded by the Japanese government to promote **human resources development in developing countries through training.**

- **Conduct training programs** in Japan or developing countries that require specialized skills as well as Japanese language
- **Dispatch relevant experts** to companies with relationships to Japanese businesses to introduce specific skills and train potential trainers

⚠ ***Some overlapping activities with other govt organizations.***

Relevant Activities

Caregiver Training Partnership: an example MoU with Binawan Foundation has AOTS help Binawan deliver capable caregivers to Japan by:

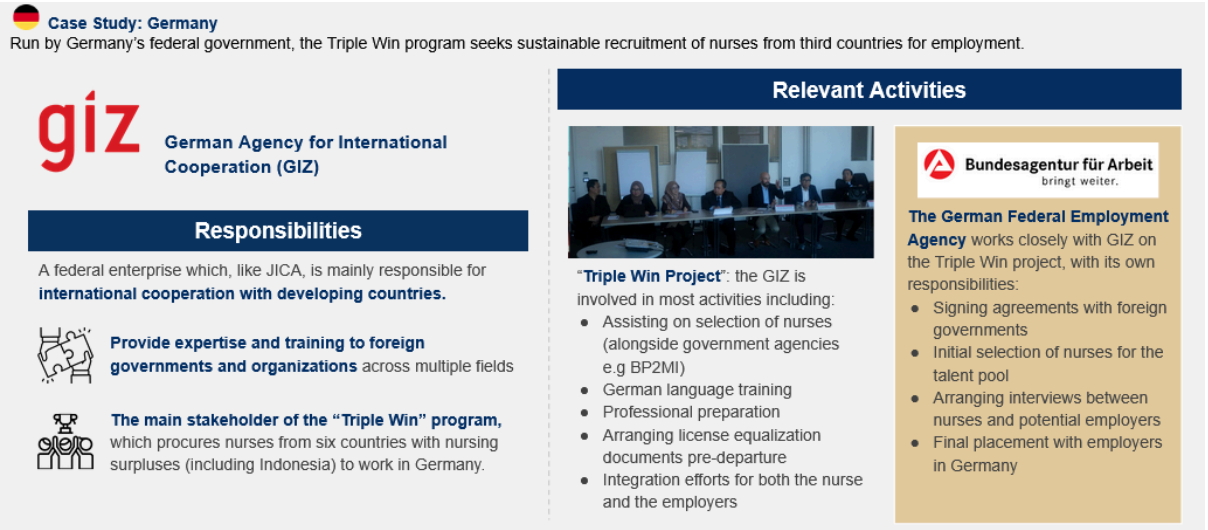
- Conducting "Training of Trainers" for the foundation
- Helped in the development of training modules
- Assisting in Japanese language and culture training
- Aiding with training supervision

Language and Culture Training: in the form of short courses and can be done in Japan or abroad, including for potential migrants.

Overlapping Activities

With JICA: Collaborating with developing countries to support their caregiver migrant training efforts
With JICA and JICWELS: Japanese language training

Figure 29. German Agencies Involved in Migrant Caregiver Deployments[81] [82] [83]



4.1.1. Not Born Yesterday: How History and Policy Made the Philippines a Migration Powerhouse

Ultimately, the Philippines remains the benchmark for migrant deployments in the care sector, sending not just caregivers and nurses but also doctors, medical technicians and such.[84] Several historical factors and policies have contributed to the Philippines' dominance in the sector:[85]

1. A culture of migration began early as Filipinos were used as laborers in Mexico and Hawaii by Spanish and American colonizers.[86] By the 1970s, labor migration became widely regarded as an economic solution in response to the economic crisis triggered by the oil shock.
2. Nursing and other health training started in the early 20th century when the United States colonized the nation, in accordance with their standards. World War II caused a shortage of nurses, prompting the United States to welcome Filipino nurses to work in the country. Furthermore, this Filipino-U.S standard treats nursing education as a pathway towards a medical (doctor's) degree, which increases its rigor and enables its nurses to integrate better.[87]
3. English is an official language of the Philippines, a relic of American colonization. It is used in legal documents and used when teaching scientific subjects. English First ranks the English proficiency of Filipinos as the second highest in Asia, just behind Singapore.

Following independence, the Philippines continued to encourage migrant deployments. They acted swiftly to codify the migrant deployment process through the 1974 Labor Code[88] [89] and sign bilateral agreements with foreign nations before other developing nations, before focusing on retention by setting up agencies to protect their workers abroad as well as promoting formal remittance channels, eventually consolidating their various migrant-facing agencies into the "Department of Migrant Workers" in 2021. This new structure is designed to ensure comprehensive and efficient oversight of the entire migrant deployment process, from training to the reintegration of former migrants upon their return home.

Despite possessing a different historical and linguistic background than the Philippines, there are three key lessons that Indonesia can learn from its example:

1. The government needs to normalize migration from Indonesia as an economic option by incorporating it in its economic planning and smoothening the migration and working processes.

2. Signing more labor-related bilateral agreements will not only make Indonesian migrants prioritized by foreign employers, but also increase the foreign assistance in training workers for the care sector.
3. Serious efforts to increase foreign language proficiency are required for the Indonesian workforce. This may include using the language in health subjects such as anatomy and physiology.

In summary, caregiving offers opportunities for expanded PMI deployment and relatively has lower requirements than comparable occupations like nursing. To increase caregiver deployments to meet global shortages, the Indonesian private sector will need to scale its existing operations. However, their ability to do so will be amplified if the government establishes internationally recognized standards for caregiver training, which training centers can adopt to better prepare CPMIs for overseas employment.

4.2. The Welder: Potential to Capture Demand from Industrial Nearshoring and Reshoring

Much like the care sector, the industrial sector—particularly roles requiring physical strength—is also grappling with workforce shortages driven by aging populations in developed countries. At the same time, younger workers are less inclined to work in this sector, as opportunities for other types of jobs in sectors with lower SHE (Safety, Health, and Environment) risks and better job security are widely available. This comes at a time when multinationals investing in developing countries are reshoring or nearshoring their manufacturing operations closer to home to mitigate business risks, opening new jobs and demand for workers.

On the other hand, migrant workers' ability to operate advanced industrial technologies varies across countries, often creating skill gaps.[90] Many workers from developing economies are familiar with machines of basic to moderate complexity, but face a steep learning curve when required to adapt to more sophisticated systems in developed nations. This mismatch contributes to ongoing shortages of skilled labor, as companies not only struggle to find qualified workers but also bear the added cost of upskilling new recruits.

One of the jobs experiencing the largest shortage in this sector is welders. In just five regions –the United States,[91] European Union, Australia,[92] United Kingdom,[93] and Japan –the welder shortage is projected to reach 980,000 workers by 2030.[94] Even with Indonesia's current deployment of approximately 3,635 welders, a significant increase in deployment would still fall short of meeting the global shortage. Therefore, Indonesia has a substantial opportunity to increase the deployment of PMIs in this occupation. Overall, these are the reasons why the welder profession presents lucrative opportunities for Indonesia to capture:

Technical education is valuable in the welding profession, opening opportunities for vocational graduates to work as migrant welders once equipped with technical skills and certifications.

Overseas welding jobs expose Indonesian welders to work with advanced technologies, **allowing the transfer of knowledge** from on-the-job skillings.

Global supply chain disruptions set **a trend for manufacturers relocating their factories** through onshoring and nearshoring, consequently creating demand for welders.

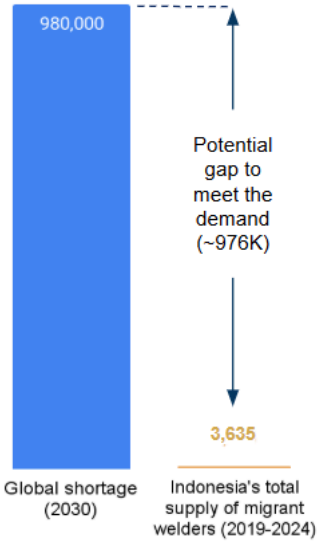
Indonesia's **surplus of young workforce** (inc. welders) are fit for physical-heavy works in the industrial sector.

PMI welders could experience **a fourfold increase in their salaries**, from an average of $423 per month in Indonesia to $1,724 per month overseas.[95]

Language is not a significant issue since the work requires less verbal communication and coordination, as the work relies more on physical and technical capabilities.

Unfortunately, out of the five regions facing welder shortages, Indonesia is currently only supplying migrant welders to Japan—leaving the potential in the other four markets completely untapped. Indonesia's overseas welder deployments between 2019 and 2024 (3,635 workers) account for only 0.4% of the shortage, as illustrated in Figure 30. Therefore, this gap of over 976,000 workers between the shortage and Indonesia's deployment level presents a significant opportunity for Indonesia to increase its deployment efforts.

Figure 30. Welder Shortage Projections by 2030



- Out of the five regions with welder shortages, Indonesia is only supplying migrant welders to Japan — leaving the potentials in all four other markets completely untapped.

Indonesia's migrant welders in the past five years supplied only

~ 0.4%

of the global welder shortage in 2030

While Indonesian welders have competitive potentials to meet the untapped opportunities across the globe, there are still challenges that need to be addressed for Indonesia to deploy more welders:

1. **Indonesia's welding certification system is largely geared toward domestic needs, making it harder for CPMIs to access global job markets.** Upskilling and certification efforts currently centered on national credentials issued by the National Professional Certification Board (BNSP), while access to internationally recognized welding certifications—such as those required for deployment to Japan—is still limited within Indonesia. As a result, many prospective migrant workers are unable to meet the standards required in other destination countries, narrowing their employment options abroad.

2. **Lack of bilateral initiatives to facilitate deployment in new destinations.** Aside from Japan, Indonesia has yet to establish such bilateral initiatives for welder deployments, making it more challenging to scale up welder deployments in a concerted manner. The current political climate in several new deployment destinations, such as the U.S. and E.U., has made it more difficult to expedite the deployment of welders, with processing times ranging from one to six months, depending on the country. Bilateral initiatives between Indonesia and destination countries could help by setting worker quotas, align Indonesian and international welding certification systems, and streamline visa processing.

Countries such as India, Vietnam, and Ukraine—also major suppliers of migrant labor—are among those exporting welders abroad. However, even their contributions have not been sufficient to ease

the global shortage, and none have developed standout policies or institutional frameworks to support large-scale welder deployment. To date, no country has made welders a priority occupation within its labor migration strategy. As a result, there are no clear international benchmarks to reference—prompting this study to omit direct comparisons for welder deployment.

4.3. The Horticultural Worker: Potential to Fill the Gap Left by Urbanization

Developed countries have long relied on migrant labor to meet agricultural workforce needs[96]—a trend that has only intensified as younger generations increasingly prefer less physically demanding office jobs and as urbanization accelerates. In many of these countries, the average farmer—often the owner or operator of the farm—is now over 50 years old and must compete to hire from a shrinking pool of domestic workers, as performing physically demanding tasks themselves becomes increasingly difficult with age. This is true for both conventional agriculture and horticulture. Conventional agriculture[97] happens in large plantations or farms, with the goal of mass food production, whereas horticulture is mostly practiced in nurseries or orchards,[98] with careful cultivation happening at a smaller scale.

While automation has helped ease some of the strain in conventional farming, the crop-harvesting season still demands large numbers of manual workers. To avoid crops going unharvested, many countries have introduced seasonal worker visa programs to bring in migrants during peak periods. While common, crop-picking roles are seasonal and typically classified as unskilled—making them a poor foundation for mass migrant deployments strategy, which require year-round demand and sustainable skill development. In contrast, horticultural work avoids both limitations, as tasks like nursery planting or orchard cultivation demand precision and specialized knowledge throughout the growing cycle.

There are four reasons why horticulture work is especially suitable for Indonesia to achieve its migrant placement objectives:

Whereas work as conventional agricultural crop pickers or plantations are mostly unskilled, horticulture work **requires more skill**, due to the level of crop knowledge and technology required in the cultivation process.

Horticulture is **safer from the threat of automation**, due to the smaller scale and delicate handling of crops or flowers required.

Working in nurseries or orchards provides more cover from the heat and is less physically demanding, making it **safer and subsequently more attractive for workers.**

Whereas agricultural workers often work on seasonal contracts, horticulture workers are more likely to **work on multi-year contracts**, as constant human attention is required in all stages of cultivation.

Most importantly, migrant horticultural workers are paid on average 183-555% higher than migrant crop pickers or plantation workers. Migrant horticultural workers are well-compensated across key destination countries, with monthly wages starting at around Rp 20 million in Japan and South Korea, and reaching Rp 46–52 million in Australia. Yet despite this high demand and attractive pay, Indonesia sent just 478 horticultural workers abroad in 2023—a negligible figure given the scale of regional labor shortages. This is especially striking since many of these countries already have existing mechanisms in place to receive Indonesian workers:

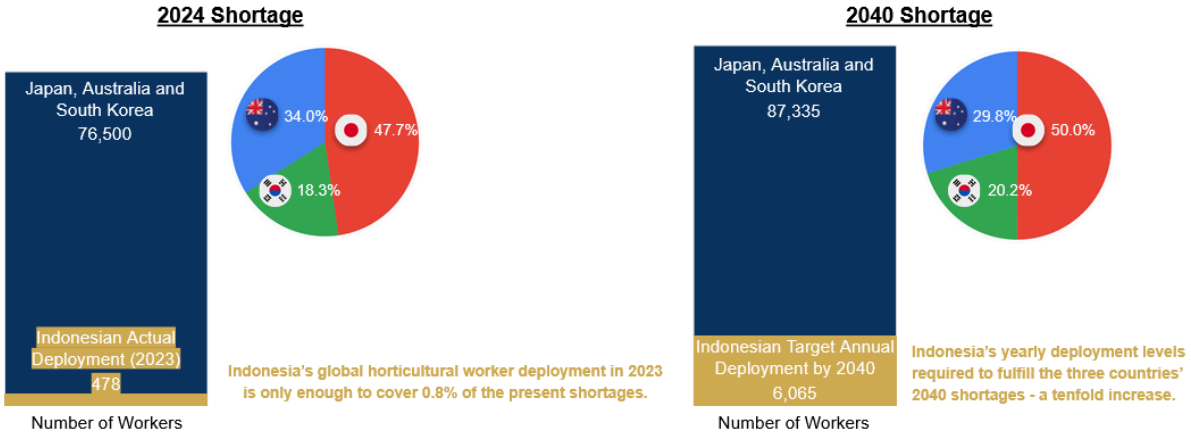
Those with no farming experience can work in Japan under the Technical Intern Training Program, while farmers can join with just exams on basic agriculture and basic Japanese.[99] [100] [101]

Australia's two agriculture-specific Visa programs both cover horticultural workers and Indonesia as a sending country.[102]

The Employment Permit System set in 2004 covers Indonesia as one of the allowed sending countries.[103] [104]

The three countries, due to their proximity, wages and visa pathways, are ripe targets for deployment. Already short an estimated 76,500 workers presently, this number is estimated to grow 12% by 2040 (see Figure 31), which would require Indonesia to deploy more than tenfold horticultural workers –over 6,000 every year, assuming no other countries increased their migrant deployments.

Figure 31. Horticultural Worker Shortage Projections by 2040



Unlike caregiving or welding, horticultural work offers a rare opportunity for large-scale migrant deployment, thanks to the minimal preparation required to scale it. Common barriers that typically slow down migrant placement—such as language requirements, certification, or gender restrictions—are largely absent in this sector:

1. **Language proficiency requirements are not an issue**. Only basic training of the destination language is required, and in practice they are not always used extensively –just for recruiter interviews.[105] An Indonesian worker in Osaka reported there being so many Indonesians working that Japanese ended up rarely being used in practice. In addition, the language proficiency requirements for horticulture is generally lower than other migrant fields.[106]

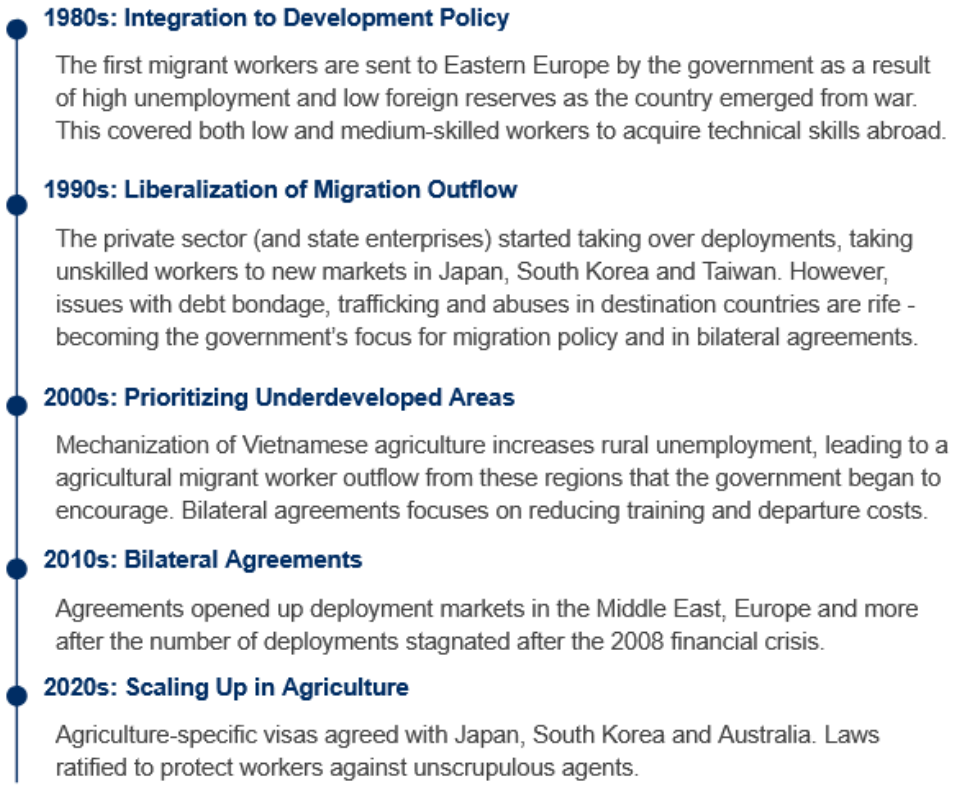
2. **A lack of horticultural training or experience does not matter**. Training happens on the job –even for those with farming background, as the crops cultivated from past experiences are likely to be different. No training, certification or schooling is expected in Indonesia.

3. **Horticultural work is not limited to men**. Unlike conventional agriculture, horticulture provides work both to men and women alike, as it is less physically demanding. As of 2020, approximately 30% of horticulture skilled migrant workers in South Korea are women–as are 44% of horticultural workers in Australia (compared to 31% for all Australian agricultural workers).

4.3.1. The Vietnamese Edge: State-Led Strategy Behind a Horticultural Migration Success Story

While most developed countries typically recruit agricultural migrants from nearby regions, Vietnam has emerged as a dominant force in sending horticultural workers abroad. It is the leading source country for agricultural visa holders in Japan[107] and South Korea[108]—accounting for roughly half of those issued—and the top ASEAN sender to Australia. Vietnam's approach to migration (with key themes outlined in Figure 32) is deeply embedded within its state-centric economic planning, treating labor mobility as a tool for addressing unemployment, boosting foreign reserves, and reducing regional inequality.

Figure 32. Vietnamese Migration Policy Timeline[109] [110] [111] [112]



The Vietnamese model offers several lessons that are highly relevant for Indonesia as it seeks to scale up its own horticultural labor deployments:[113]

1. **Tailor bilateral agreements to the sector**. Different industries require different forms of alignment—while the care sector demands qualifications and standards recognition, horticulture is primarily about operational readiness and deployment scale.
2. **Target policy to low-income and agrarian regions**. By prioritizing underdeveloped areas and treating horticultural migration as a poverty reduction tool, Vietnam made overseas employment more attractive for rural households.[114]
3. **Let the private sector lead on execution**. Although the Vietnamese government remains heavily involved in migration policy, it delegates marketing and deployment operations to the private sector—allowing for more agile and scalable implementation.

Although labor shortages in horticulture are less severe than in sectors like care or construction, scaling up deployments in this field is far more feasible. Minimal requirements in training, experience, and language proficiency lower the entry barriers. Vietnam capitalized on these advantages by focusing on rural farming communities as a key labor source—and in doing so, became the region's horticultural leader. Indonesia has the potential to follow the same path.

4.4. The Hospitality Worker: Bridging Labor Shortages in the Middle East's Growing Tourism Market

The hospitality sector faces a significant shortage of workers globally, driven largely by its seasonal nature and the rapid promotion of workers within the industry. These dynamics play out in two distinct ways that help explain the sector's persistent dependence on migrant labor:

1. *Seasonality*
   The hospitality industry operates on an annual cycle of peak and low seasons. This fluctuation creates imbalances in labor demand. During peak seasons, labor supply often falls short of demand, leading to shortages. Conversely, during low seasons, an oversupply of workers becomes a challenge for the industry. Regions like Romania, Belgium, and Slovenia have reported both the highest shortages and surpluses of workers in the sector. In the UAE and Saudi Arabia, seasonality consistently drives occupational shortages.
2. *Rapid Promotions*
   Native professionals in the hospitality industry often experience fast career progression. In many cases, workers are promoted after completing just a few months of training. While this system creates upward mobility for local workers, it also leaves frontline roles vacant, which are typically filled by migrant workers. For example, a general manager at Hyatt Hotels Corporation in Saudi Arabia noted that native workers are often promoted after one year of service, leaving their previous roles to be filled by migrant labor.

In the hospitality sector, one of the jobs with high demand is that of hotel staff. Hotel staff encompasses a wide range of roles, including housekeeping workers, cleaners, laundry attendants, receptionists, valet attendants, waiters, kitchen assistants, and others which do not require specific technical skills.

Hotel staff positions present a valuable opportunity for CPMIs for several reasons:

Employers do not expect a Bachelor's degree. This accessibility means that Indonesian vocational school graduates, regardless of their area of focus, have equal opportunities to work as hotel staff abroad. Both tourism-focused and non-tourism-focused SMK graduates can be deployed to various countries, taking advantage of the high global demand for hotel staff.

Hotel staff roles are highly interchangeable. Transitioning between different hotel job types does not require substantial retraining or adaptation. For example, moving from a hotel cleaner role to housekeeping or laundry attendant positions involves minimal adjustment. Similarly, roles such as kitchen assistant and waiter or front-line positions like receptionist and valet attendant require workers to simply adjust their responsibilities based on the specific role. This flexibility makes hotel staff roles accessible and provides workers with opportunities to develop a wide range of skills within the same industry.

Working as hotel staff abroad offers valuable professional experience that can significantly enhance career prospects. Migrant hotel staff who perform well in their roles often gain opportunities for advancement. Many are able to transition into managerial positions in international hotels, leveraging their overseas work experience to progress their careers in the hospitality industry.

During an interview with an HR consultant at H World International in the UAE, it was emphasized that hotel staff roles do not require specialization in a specific field of study –only English proficiency,

professionalism and a good attitude. This represents a significant opportunity for Indonesia to position its vocational school graduates as competitive candidates in the international hospitality labor market.

The combined demand for hotel staff in several countries itself are showing massive growth**.** Countries like Canada, the United States, Saudi Arabia, and the UAE are currently short 217,126 positions. Meanwhile, Indonesia has only deployed 3,014 hotel staff from 2007 to November 2024. The gap between Indonesia's supply and the demand in these four countries, not to mention global demand, is substantial, indicating significant untapped potential for Indonesian workers.

Saudi Arabia and UAE plan to add many new hotel rooms by 2030, as they seek to diversify their tourism sector from the major cities like Abu Dhabi, Dubai and Riyadh to lesser known regions such as Sharjah. The demand for hotel staff in Saudi Arabia and the UAE is expected to reach 82,000 by 2026 (see Figure 33), while Saudi Arabia's plans to introduce 320,000 new hotel rooms by 2030 itself translates to an additional 26,800 housekeeping workers. To capitalize on this opportunity, Indonesia should deepen its focus on deploying hotel staff to Gulf countries, which have already become the main destination for its hospitality workforce. Between 2023 and November 2024, 266 hotel workers were sent to the region—but this number remains small relative to the scale of labor shortages in the Gulf's growing hospitality sector. Concentrating future deployments in higher numbers to these destinations would likely yield better results than dispersing workers across a wider range of countries.

Figure 33. Hotel Staff Shortage Projections by 2026[115]

Although choosing hotel staff to prioritize in the hospitality sector seems promising, there are still some challenges remaining if Indonesia wants to focus the deployment to Saudi and UAE. Three issues in particular stood out that needs to be addressed for Indonesia to deliver more hotel staffs to address both countries' shortages:

1. **Migrants from major sending countries in the sector speak better English than Indonesian migrants**. Indonesia's level of English proficiency remains low compared to countries like India and the Philippines. Therefore, it is crucial for Indonesians to learn and master English to better prepare themselves for entering the competitive workforce as hotel staff in Saudi Arabia.

> *"The main consideration for recruiting a migrant worker in the hospitality sector is **English proficiency**. Workers do not need to be professionals; **a proficiency level is sufficient**. However, since Indians and Filipinos are generally more proficient in English, we are more likely to recruit them."*

Practitioner in hospitality sector
UAE and Saudi Arabia

2. **Visa processing times for Indonesian workers are longer compared to other supplying countries, partly due to the lingering effects of past amnesty cases**. When a large number of undocumented migrants from a single country apply for amnesty—typically to regularize their status—it can trigger stricter scrutiny from destination countries. In some cases, visa applications from that country are rejected without clear explanations, making the process more unpredictable and difficult for new applicants.

*"PMIs in the hospitality sector have experienced a decline in the late 2000s due to visa restrictions, particularly **when migrants request amnesty**. As a result, migrant workers sometimes **find their visa applications rejected during the process** without being informed of the reasons."*

HR Consultant
H World International in UAE

3. **Employer costs for hiring Indonesian migrants are more expensive than for South Asian migrant workers**. After COVID, employers have become more cost-conscious compared to previous periods. Deployment and post-deployment costs (transportation cost) for PMIs are higher than those from mainland Asia due to distance considerations. Additionally, the minimum wage for Indonesian migrant workers is still higher than that of migrants from India, making deployments from India more cost-efficient.

*"**For instance**, if the **cost to hire PMIs is AED 6,000 Emirati Dirhams [Rp 26 million]**, while the transportation and post-deployment costs for **Indians are only around AED 2,000, [Rp 8.7 million]** we would naturally choose to hire those who are more cost-efficient."*

HR Consultant
H World International in UAE

To increase hotel staff deployments to meet global shortages, the private sector needs to scale its existing operations. However, their ability to do so will be significantly enhanced if the government improves average English proficiency through the public school system and effectively collaborates with destination countries to expedite PMI visa processing.

4.4.1. Not All Strategy: How Crisis, Language, and History Propelled Sri Lanka's Migration Boom

Despite its smaller population and economy, Sri Lanka deploys significantly more migrant workers to Gulf countries than Indonesia. While it is often associated with construction labor, Sri Lanka has steadily expanded its presence in other sectors—most notably hospitality. Surprisingly, this dominance cannot be traced to any standout government policy. In fact, Sri Lanka's migrant management system is broadly similar to Indonesia's. Instead, the country's success stems largely from structural and historical factors:

1. **Crisis-driven migration waves**. Sri Lanka has experienced several major outflows of workers, typically following national upheavals. Ethnic conflict fueled the first and second waves, while the third was triggered by economic and political instability that severely limited local job prospects.[116]
2. **A long migration legacy in the Gulf**. Sri Lankan labor migration to the Middle East began in the 1970s, following the post-oil shock labor shortages in the region's energy sector. Since

the 2000s, as Gulf economies diversified beyond oil, Sri Lankan workers have increasingly filled roles in the hospitality industry.[117]

3. **A functional advantage in English**. As a former British colony, English is widely used in Sri Lanka—whether as a first, second, or third language. While it has evolved into a localized dialect (Sri Lankan English), its prevalence provides a strong advantage in sectors requiring basic communication with international guests.

This chapter concludes with a reminder that while caregivers, welders, horticultural workers, and hotel staff offer the fastest pathways for Indonesia to drive economic growth through encouraging migration for low- and medium-skilled jobs, they are not the only options. Numerous other occupations across these four sectors also face worker shortages that Indonesia could leverage (e.g., medical technicians, electricians, chefs, and landscape gardeners). However, expanding into these roles would require additional efforts due to a lower overall demand for migrant workers, more time- and resource-intensive training requirements, and a lack of existing support programs from both Indonesia and the receiving countries to expand these deployments. Instead, Indonesia should begin with addressing the key challenges hindering PMI deployments of caregivers, welders, horticultural workers and hotel staff. The next chapter will offer specific recommendations for the government to resolve both bureaucratic and capacity challenges in the form of regulatory and strategic recommendations.

5. Recommendations for the Indonesian Migrant Worker Industry to “Take-Off”

To escape the middle income trap and achieve Indonesia Emas 2045 vision, our Government needs to uncover new economic growth drivers. The simulation in Chapter 2 showcases the potential of additional 30% PMI deployments at low-and medium-skilled jobs to increase Indonesia's yearly remittance amount to $27.6 billion by 2029 and $70.7 billion by 2040, as well as reducing unemployment by 0.28 percent each year. However, Indonesia cannot fully realize this potential without addressing the bureaucratic and capacity challenges outlined in Chapter 3. Meanwhile, Chapter 4 identifies four sectors and occupations that can be leveraged to support the increased overseas deployments necessary to turn this potential scenario into reality.

Building on the understanding from previous two chapters, this chapter offers ten practical recommendations for policymakers and key stakeholders in order for the Indonesian Migrant Worker Industry to "Take-Off" and reach its economic potential. These recommendations are categorized as regulatory and strategic policy recommendations, with description on problems it seeks to solve, potential solutions, and the role of key stakeholders to contribute in answering the challenge.

Section 5.1 provides two recommendations on regulatory aspects, namely shifting policy lens to skill-based classification and strengthening the role of the Ministry of P2MI as a dedicated regulator and policymaker of PMI, both potentially addressed in the relevant law and implementing regulations on PMIs.

Next, Section 5.2 delivers seven strategic policy recommendations that can address challenges as well as capture opportunities that are available for Indonesian migrant workers. The recommendations are: 1) Develop a roadmap and establish a policy implementation team of PMI Industry expansion to boost deployment targeting at four occupations in low- and medium-skill levels; 2) Pursue Mutual Recognition Agreements (MRA) to standardize certifications; 3) Standardize and scale up training opportunities for PMIs aligned with requirement from destination countries; 4) Increase financial support for PMI training through augmenting existing initiatives; 5) Strengthen PMI competitiveness in non-English speaking countries; 6) Simplify administrative processes, reduce deployment costs, and ensure protection and empowerment of PMIs; and 7) Equip PMIs with mental resilience training during workforce preparation and pre-deployment.

5.1. Regulatory Recommendations for Indonesian Migrant Workers Industry to "Take-Off"

Our analysis of key challenges in the Indonesian migrant worker industry reveal strategic, rather than operational on-the-ground, challenges as priorities to be resolved. These strategic challenges are rooted in the existing legal basis on migrant workers (Law 18/2017 on Migrant Worker Protection) as well as its implementing regulations (e.g., Government Regulation/*Peraturan Pemerintah* 59/2021, Government Regulation 10/2020, etc.). These legal bases can be enhanced to incorporate an important new approach and to realign the strategic role of the Government in the migrant worker industry. The two recommendations under the regulatory category are proposed for the regulatory framework of the PMI industry as a legal basis for future policies that support Indonesian migrant worker industry to take-off.

Recommendation 1: Incorporate Skill- and Sector-Based Classification of Migrant Workers

Problem Statement:

The current regulatory and policy lens of PMI classification by the Government of Indonesia focuses on administrative details such as employers as shown by Article 4(1) of Law 18/2017 on Migrant Worker Protection. While the spirit of protection toward migrant workers remains an important issue, arguably more important characteristics such as skill levels and job requirements per sector are omitted in the current regulatory framework. This omission could lead to the Government missing

important information to map Indonesia's migrant deployment landscape accurately and to formulate data-driven policies that can improve PMI deployments.

Proposed Solutions:

- **Incorporate Skill- and Sector-Based Classification Approach** in the law on migrant workers (currently Law 18/2017) as well as its implementing regulation using IBC's PMIs Archetype (unskilled, low-skilled, medium-skilled, and high-skilled) from Figure 14 in Page 26 or other internationally-accepted standardization (e.g., ILO, OECD). Once implemented, the Government can collect and classify PMIs data that can be further used to link with education/workforce planning in other government stakeholders such as the Ministry of Manpower and the Ministry of Primary and Secondary Education.
- **Standardize PMI Job Classifications and Responsibilities to Align with Destination Countries.** Enrich and standardize job information in the classification with defined responsibilities and required skill levels that matched with the need of destination countries of PMIs. A more accurate classification will allow the government to accurately map PMI deployments and to devise targeted programs to sectors and destination countries that are most suitable with Indonesian capabilities.
- **Group Jobs by its Sectors.** Categorize jobs by sectors (e.g., agriculture, hospitality, industry, and health) to visualize the nature of jobs and skills in shortage. Better visualization will help the Government in devising targeted interventions to be more effective.
- **Collect and Link PMI's Returns.** Obtain additional information upon PMI's returns and link this information to job and sectoral classifications to augment PMI data, including contract duration, protection, and benefits. This additional data will allow the Government to plan policies such as skill preparation for potential PMIs and protect deployed PMIs better.

Challenges Addressed: **PMI Occupations are Not Classified by Skill Levels and are Listed in Overlapping Categories**

Responsible Stakeholders:

Ministry of P2MI

- Ensure that all PMI job placement data are sector-based, skill-based, and standardized. Collect PMI's return data.
- Leverage the data to determine future policy directions.

Ministry of Manpower

KEMNAKER

- Align with the Ministry of P2MI for both ministries to employ the same sector and skill-based job classification and descriptions.
- Integrate deployment statistics in the creation of vocational training standards.

Recommendation 2: Strengthen the Role of the Ministry of P2MI as a Dedicated Regulator

Problem Statement: The Ministry of P2MI currently has a dual role as both regulator and operator of PMI deployment, with the Ministry of P2MI sending directly 3.54% out of all migrant worker deployment in 2024. This role as operator uses the Ministry of P2MI's precious and limited resources that could have been allocated to improve its regulatory functions. Another issue related to this duality of role can lead to the Government perceived to have conflict of interest that may deter private players from participating and competing with the Government.

Proposed Solutions:

- **Secure Bilateral Agreements with Destination Countries Among Others on Code of Conduct, Safeguarding, Consular Cooperation, and Sector Quotas for PMI Deployment.** Prioritize and strengthen the role of government through the Ministry of P2MI in the law on migrant workers to focus as regulators and policymakers through initiating and leading bilateral discussion and agreements with potential destination countries on matters such as code of conduct, safeguarding deployed PMIs, consular service, and quota agreements in each sector. As a regulator, the Government will need to coordinate with relevant agencies within Indonesia and abroad and ensure the implementation of regulation for private players.
- **Shift Deployment Responsibilities to Private Sector Players.** Shift PMI deployment focused activities from the Ministry of P2MI to private agencies so the Ministry of P2MI and other government institutions can focus on regulatory and protective functions. The freed-up resources can be reallocated to strengthen monitoring, enforcement, and migrant worker protection, ensuring compliance with labor standards and ethical recruitment practices. Separating regulatory and deployment functions would improve transparency and fairness in the PMI industry, making it more attractive for existing and prospective private sector participants.

Challenges Addressed: **Conflict of Interest from Government's Dual Role**

Responsible Stakeholder:

Ministry of P2MI

- Engage in bilateral discussions with PMI destination countries to secure agreements.
- Delegate operator / deployment activities to existing private players.
- Allocate its resources for the ministry's key purposes (regulation, oversight and protection).

5.2. Strategic Policy Recommendations for Indonesian Migrant Workers Industry to "Take-Off"

In order to accelerate the expansion of the PMI industry in Indonesia, the proposed changes to the regulatory framework on migrant workers provided in the previous section can not stand alone. Thus, the migrant worker industry expansion agenda should be complemented by strategic policies through programs and initiatives. This section recommends 7 strategic policies that both comprehensively address challenges and seize opportunities for invigorating Indonesian migrant workers industry. These policies will involve both Government institutions as well as private players, planned in a roadmap and conducted mainly through a policy implementation team led by Government with substantive contribution from industry players.[118] The implementation team will play a role to align strategic direction and consolidate resources for increasing access to training and pre-deployment facilities, ensure CPMIs pre-deployment process to be smooth, and low- and medium-skilled PMIs to be employed in the occupation within countries where they can thrive.

Recommendation 1: Develop a Roadmap and Establish Policy Implementation Team of PMIs Industry Expansion to Boost PMI Deployment Targeting at Four Occupations in Low- and Medium-Skill Levels

Problem Statement:

Currently, Indonesia tends to deploy unskilled PMIs and does not have a deployment strategy for low- and medium-skilled levels migrant workers, potentially causing Indonesia to miss out on opportunities

to minimize unemployment among vocational graduates and maximize remittance contributions. At the same time, Indonesia still deploys its PMIs sporadically rather than in the sectors where PMIs have the biggest competitive edges. Shifting PMI deployments from predominantly unskilled positions to low- and medium-skilled occupations in sectors that are most suitable in terms of global need and alignment with PMIs' skills offers multiple benefits, such as reducing high unemployment among vocational high school graduates in Indonesia, addressing the mismatch between level of education and PMI job types, increasing economic contribution through higher remittances, and reducing potential cases of PMI exploitation that are prevalent in unskilled occupations.

Proposed Solutions:

- **Incorporate Deployment of PMIs at Low- and Medium-Skilled Jobs as Key Government Policy Direction for the Indonesian Migrant Workers Industry.** Aside from ensuring protection of migrant workers, the Government of Indonesia through the National Planning Agency/*Bappenas* can formulate a roadmap or blueprint document aimed at boosting the PMI industry. The document should incorporate policy and action plans based on skill- and sector-based analysis in order to accelerate deployment of skilled PMI workers. The roadmap should establish public-private partnership with well-defined success metrics. Examples of clear metrics include the number of trained PMIs in a PPP scheme, percentage of PMIs completing their contract, etc.
- **Identify Opportunities in Low- and Medium-Skilled Positions in Four Identified Sectors.** Private players, supported by regulations and incentives provided by the Indonesian Government, should map specific opportunities of employment in low- and medium-skilled levels of occupations and further align training programs for CPMIs as required by each specific sector and occupations.

  As a starting point, IBC has identified four occupations in the four sectors that allows Indonesia to quickly scale PMI deployments competitively. These four occupations are namely:
  - Care sector: Caregivers / Elder Care Workers
  - Industrial sector: Welders
  - Hospitality sector: Hotel Staff
  - Agricultural sector: Horticulture Workers
- **Establish Government-led Policy Implementation Team with the Involvement of Private Players as Platform for Partnership.** The Government, led by The Coordinating Ministry of Community Empowerment and includes key government agencies (e.g., Ministry of P2MI, the Ministry of Manpower, the Ministry of Primary and Secondary Education, and Ministry of Higher Education, Science, and Technology) as well as private players in PMI industry (i.e., P3MI, LPK) to establish a policy implementation team tasked with implementation of the roadmap through knowledge and resource sharing to expand the PMI industry and boost the deployment of skilled PMIs.

Responsible Stakeholders:

National Planning Agency/ Bappenas

- Formulate roadmap/blueprint for PMI industry expansion through skill- and sector-based analysis of PMIs.
- Incorporate ideas, experiences, and lessons learned from government agencies (e.g., Ministry of P2MI, Ministry of Manpower, etc) and private players (P3MIs/ agents, LPKs) when formulating the strategy to later assign roles and responsibilities for the strategy implementation.

Coordinating Ministry of Community Empowerment/*Kementerian Koordinator Pemberdayaan Masyarakat*

- Establish Policy Implementation Team consisting of relevant Government agencies and private players as a platform for partnership.
- Monitor activities and policies by Government agencies and private players in the roadmap.
- Assess the realization of success metrics and, when needed, conduct debottlenecking for barriers to the success metrics.

Ministry of P2MI, Ministry of Manpower & Ministry of Primary and Secondary Education

- Adopt a skills-based approach in workforce and migrant planning.
- Integrate PMI deployment into the country's economic planning, including targeted promotions of migrant work.
- Provide guidance for training and education that aligns with international standards for both vocational schools and LPKs on these 4 sectors.

LPKs and P3MIs/Agents

- Participate in formulating a roadmap for PMI industry expansion through on-the-ground findings and experiences of PMI training and deployment.
- Build relationships with foreign employers to identify placement opportunities in four sectors and occupations that have been identified.
- Contribute to the Policy Implementation Team through continuous feedback on the implementation of the roadmap.

<u>Recommendation 2:</u> Pursue Mutual Recognition Agreements (MRA) to Standardize Certifications

<u>Problem Statement:</u>

BNSP certifications establish the minimum standard for vocational training in Indonesia; however, they are often deemed insufficient by foreign employers. As a result, many PMIs must undergo additional training after arriving in their destination countries, leading to inefficiencies, increased costs, and delays in workplace integration. To enhance PMI employability and streamline deployment, internationally recognized certification standards must be adopted.

<u>Proposed Solutions:</u>

- **Establish Mutual Recognition Agreements (MRAs) with Targeted Countries.** The Ministry of P2MI can lead the process in negotiating MRAs with key destination countries to align Indonesia's vocational training certifications with international standards, ensuring that PMIs' qualifications are recognized and accepted abroad. The negotiation can also incorporate mechanisms to strengthen the safeguard mechanism for deployed PMIs in each destination country, to ensure the welfare of Indonesian workers.
- **Improve Training and Education to Ensure MRAs Can Be Signed.** Increasing the quality and standard of training, such as those provided in vocational school, associate/diploma degree, or pre-deployment training can help the Ministry of P2MI to sign more MRAs with destination countries.

Challenges Addressed: **Competency Gap**

Responsible Stakeholders:

Ministry of P2MI

- Select and engage foreign governments to devise MRAs and spearhead standard alignments efforts with BNSP, Kemendikdasmen and LPKs.

Ministry of Primary and Secondary Education, Ministry of Higher Education, Science and Technology, and Ministry of Manpower

- Align the learning paths and training materials of SMKs, Diploma/Associate Degree programs, and BLKs with standards of targeted countries to ensure that MRAs can be secured.

National Professional Certification Agency

- Align BNSPs certifications with standards used by targeted countries to ensure that MRAs can be secured.

LPKs

- Solicit inputs from foreign employers to assist with the creation of new aligned standards.
- Implement the new MRA-based standards in their training.

Recommendation 3: Standardize and Scale Up Training Opportunities for PMIs Aligned with Requirements from Destination Countries

Problem Statement:

The preparation of CPMIs for deployment involves multiple government agencies and private sector players, each with different roles and priorities. To ensure Indonesian migrant workers meet the skill demands of foreign employers, a more coordinated and standardized training framework is needed. Aligning training programs with international standards will enhance PMI competitiveness and employability.

Proposed Solutions:

- **Standardize National Wide Training Programs Across Public and Private Institutions.** All training and pre-deployment programs—whether conducted by government agencies or private institutions—must be based on a uniform learning plan that adheres to international labor standards. This will ensure consistency in skill development and improve recognition of Indonesian qualifications abroad.
- **Scale up Training for PMIs that are Aligned with Industry Needs.** The Ministry of P2MI and P3MI/LPKs must actively collaborate with foreign employers in destination countries to identify key skills required for PMIs. Afterward, the Ministry of P2MI can work with the Ministry of Primary and Secondary Education for vocational school and the Ministry of HIgher Education, Science, and Technology for Diploma/Associate Degree to devise and scale up targeted training programs that are aligned with global labor market demands. Furthermore,

the Ministry of P2MI should take the lead and collaborate with P3MI/LPKs to highlight and market to potential employers abroad the competitiveness of PMIs.

Challenges Addressed: **Competency Gap** **Inadequate Language Proficiency**

Responsible Stakeholders:

Ministry of P2MI

- Engage foreign governments and P3MI/LPKs to identify the skill gaps of current PMIs.
- Collaborate with all LPKs and Kemdikdasmen to ensure their training are standardized.
- Actively promote the competitive advantages of Indonesian PMIs to foreign governments and employers.

Ministry of Primary and Secondary Education, Ministry of Higher Education, Science and Technology, and Ministry of Manpower

- Ensure that vocational high schools/ SMKs, Diploma/ Associate Degree programs, and Balai Latihan Kerja (BLK) incorporate training for potential migrant deployments as an option for their students.
- Adapt their learning path and materials to address the requirements of foreign employers.

P3MI/LPKs

- Solicit information from foreign employers for feedback on Indonesian PMIs.
- Incorporate said feedback into their training program.

Recommendation 4: Increase Financial Support for PMI Training through Augmenting Existing Initiatives for PMI Training

Problem Statement:

The high costs and specialized knowledge required to establish and operate private LPKs pose significant barriers to new LPK entrants. Many existing LPKs already provide early funding for CPMIs' training, further straining their financial resources with existing programs such as KUR unavailable in the pre-deployment phase and super tax deductions excluding LPKs from eligible recipients. Without adequate financial support, the sustainability and expansion of LPKs remain challenging, limiting their ability to train and prepare PMIs effectively.

Proposed Solutions:

- **Extend Small Business Loans (KUR) to CPMI Training.** Expanding the eligibility of small business loans (Kredit Usaha Rakyat/KUR) to cover CPMI training costs would ease the financial strain on both CPMIs and LPKs, making training more accessible and sustainable.
- **Provide Super Tax Deduction for Vocational Activities to LPKs.** Extending the Super Tax Deduction for Vocational Activities to private LPKs would incentivize investment in the migrant training sector. This measure could attract new entrants into the industry and lower initial financial barriers, ensuring a steady supply of well-trained PMIs.
- **Establish an LPK Consortium for Collective Funding.** Partnership of LPKs within the Consortium can alleviate financial burdens on individual institutions by pooling resources,

fostering collaboration, and achieving economies of scale. This approach can enhance training quality while reducing operational costs.

Challenges Addressed: **Competency Gap** **Inadequate Language Proficiency**

Responsible Stakeholders:

Ministry of P2MI

- Lead Policy Implementation Team in the aspect related to changes in policies and regulations related to the incentives.
- Allocate funding (available from the increased injection presumably at IDR 45 trillion[119]) to provide innovative funding programs for CPMIs training

Ministry of Finance

- Review how KUR and Super Tax Deduction[120] eligibility can be extended, working with related bodies (e.g., Himbara or the Coordinating Ministry of Economic Affairs) as applicable.

LPKs

- Form the consortium to pool expenses, share learnings and actively engage with the government for policy feedback.

State-Owned Banks (Himbara)

- Extend KURs into CPMIs in training, not just for their deployment.

Recommendation 5: Strengthen PMI Competitiveness in Non-English Speaking Countries

Problem Statement:

Many PMIs' English proficiency is limited, making them less competitive in selected professions compared to migrants from English-speaking countries peers. However, plenty of labor shortages also exist in non-English speaking countries where mastery of their native language is a major requirement. This puts PMIs at a level playing field against migrants from better English-speaking countries like the Philippines and India.

Proposed Solutions:

- **Prioritize Deployment to High-Demand Sectors in Key Non-English Speaking Countries.** Focus PMI placement in sectors and countries where Indonesia has strong potential for workforce contribution, with the following suggested destination countries:
  - Caregivers / Elder Care Workers: Japan & Germany (shortage of 267,656 workers in 2024)
  - Welders: Japan, E.U. (shortage of 515,000 workers in 2030)
  - Horticulture Workers: Japan & South Korea (shortage of 50,500 workers in 2024)
  - Hotel Staff: Saudi Arabia & U.A.E. (shortage of 82,000 workers in 2026)
- **Encourage Partner Countries to Expand Language Training.** The Government of Indonesia can rally support from potential destination countries listed above to expand language training specifically at identified occupations and sectors where Indonesia migrant workers have a level playing field against other migrant-sending countries.
- **Incorporate Cultural Understanding Modules.** Both the Government and Private sectors

providing training for PMIs need to incorporate materials related to cultural understanding (e.g., from existing PMIs sharing their experience) to alleviate potential cultural barriers such as local dialects.

- **Integrate Technical Terms Into Language Training**. Beyond daily vocabularies and conversations, all language training for CPMIs should include terms and situations they will need to use at work. For example, caregivers need to be taught medical terms in their destination countries' languages as well as conversations they will generally have with the elderly, whereas welders should be taught the foreign terms for welding processes and materials.

Challenges Addressed: **Inadequate Language Proficiency**

Responsible Stakeholders:

Ministry of P2MI, Ministry of Finance & Ministry of Primary and Secondary Education

- Provide non-English foreign language training as an additional elective in SMKs, ensuring technical terms are integrated into the training.
- Collaborate with destination countries to support the deployment of PMIs at their countries, including in language training and migrant protection.

LPKs and P3MIs/Agents

- Provide high-quality and affordable language training outside of English.
- Incorporate local dialects and relevant work situations into their language training.
- Provide cultural understanding of deployment countries and align expectations for CPMIs before deployment.

Recommendation 6: Simplify Administrative Processes, Reduce Deployment Costs, and Ensure Protection and Empowerment of PMIs

Problem Statement:

Cumbersome administrative procedures often delay CPMIs' departure by months, increasing their expenses and creating unnecessary bureaucratic hurdles. Many CPMIs face repeated back-and-forth travel to their hometowns to correct minor documentation issues, further complicating the process. To reduce inefficiencies, greater coordination between ministries and local governments is essential.

Proposed Solutions:

- **Centralize CPMI Data Across Ministries and Local Government.** Establish a centralized system linking the Ministry of Home Affairs' personal records with the Ministry of P2MI's and Local Government database, ensuring seamless data access and minimizing administrative redundancies. Integrated data can be managed by a centralized data unit coordinated by the Ministry of P2MI in a transparent manner to support policy making and further improve efficiency between Ministries as well as regional governments.
- **Reduce Bureaucratic Delays and Informal Fees.** A more streamlined process would decrease the risk of CPMIs being asked for unofficial fees and cut down on unnecessary travel expenses, making pre-deployment smoother and more cost-effective. An integrated helpdesk located in one office site that includes key government functions that support CPMI before their deployment (i.e., Ministry of P2MI, Ministry of Manpower, select regional

governments, etc) similar to *Mall Pelayanan Publik* or Jakarta Government's One Stop Service License Agency/*PTSP Jakarta* can be adapted to the need of PMIs.

Challenges Addressed: **Bureaucratic Delays and Administrative Hurdles**

Responsible Stakeholders:

Ministry of P2MI

- Create a new CPMI pre-deployment process with fewer touch points required from them through a solution similar to integrated helpdesk involving other key government functions.
- Initiate and coordinate other ministries to streamline personal, health, and training data of CPMIs and participate in solutions such as an integrated helpdesk.

Ministry of Home Affairs

- Coordinate CPMIs' personal information with the Ministry of P2MI's database by allowing access to the Ministry of Home Affairs' database on personal record and prioritizing CPMI's personal documentation data needs through allocation of dedicated staff within the Ministry of Home Affairs.
- Ensure that local governments or villages are not seeking informal fees from CPMIs such as through establishment of minimum service level agreement for regional governments in CPMI pre-deployment or additional incentive for regional governments that's successful in reducing illegal fees to CPMIs.
- Support the establishment of an integrated PMI deployment helpdesk at the local government level.

Ministry of Manpower

- Responsible for the SIAPkerja registration, which can be integrated with the Ministry of P2MI's database.
- Collaborate with the Ministry of P2MI to adapt all vocational training activities and standards to destination countries' requirements.

Recommendation 7: Equip PMIs With Mental Resilience Training During Workforce Preparation and Pre-Deployment

Problem Statement:

The lack of mental readiness weakens PMIs' job performance and contentment, oftentimes giving rise to homesickness that lead up to premature termination of work contract. Such phenomenon prevents PMIs from reaping the full benefits of migration, especially when unprofessional behaviors occur too frequently and leave a lasting negative impression of PMIs.

Proposed Solutions:

- **Incorporate Mental Resilience In All CPMI Preparations.** On top of technical and language competencies, both LPKs and vocational schools should introduce training materials to enhance CPMIs' mental capacities and instill values that align with destination countries (i.e.,

PT ISS instilling to its employees the Japanese concept of being the best version of self). This process helps prepare CPMIs early on about contextual mental challenges that they may experience in their occupations, as well as ways to overcome them. Both P3MIs and the Ministry of P2MI should also include mental resilience as part of their pre-deployment orientations, focusing more on the job-specific experiences they will encounter once abroad.

- **Emphasize Mental Capacities and Financial Literacy in Education Curriculums.** Training in vocational schools and LPKs should be tailored to facilitate character development, fostering adaptability, self-discipline, and cultural sensitivity early on. PMIs should also be equipped with financial literacy capabilities, emphasizing key concepts such as prudent financial management, such as saving and investment. These skills will help PMIs navigate diverse work environments more effectively and improve their overall well-being.
- **Align PMI's Expectations with Reality.** Ensure PMIs are aware about not only the opportunities, but also the challenges in living and working abroad. Proper expectation setting can help prevent dissatisfaction and improve retention rates among PMIs.

Challenges Addressed: **Limited Mental Resilience**

Responsible Stakeholders:

Ministry of P2MI

- Engage stakeholders abroad to understand PMIs' mental challenges when abroad.
- Incorporate mental resilience training into pre-departure orientations with said information, focusing on job sector-specific challenges and adaptation strategies.

Ministry of Primary and Secondary Education, Ministry of Higher Education, Science and Technology and Ministry of Manpower

- Provide mental resilience training as an elective course in SMKs, Diploma/Associate Degree programs, and BLKs for students intending to become PMIs.
- Align expectations of working abroad into students interested in becoming PMIs.

LPKs and P3MIs/Agents

- Solicit information from foreign employers and former PMIs on mental challenges PMIs face when abroad
- Leverage ex-PMIs to conduct mental resilience training during LPK training and P3MI pre-deployment preparations.
- Align expectations of working abroad using stories from former PMIs.

Conclusion

PMIs play a vital role in reducing domestic unemployment, boosting economic growth through remittances, and helping destination countries address persistent labor shortages. Yet, Indonesia has not fully realized the strategic potential of its migrant workforce—largely due to bureaucratic inefficiencies, incohesive governance, and persistent skills mismatches. To move beyond a policy model focused solely on worker protection, Indonesia must now treat labor migration as a long-term human capital strategy.

In times of economic uncertainty, PMIs' role in the Indonesian economy becomes even more pivotal. A 30% increase in annual PMI deployments could reduce the unemployment rate by 0.28 percentage points. Further, increasing deployments through workers in low- and medium-skilled occupations could nearly double annual remittances to $27.9 billion by 2029, and a staggering $70.7 billion by 2040.

This report advocates prioritizing four low- and medium-skilled occupations —caregivers, welders, horticultural workers, and hotel staff —where Indonesia holds a competitive advantage. Realizing this opportunity requires a fundamental shift: revising law and regulations on migrant workers to adopt skill- and sector-based classifications, while also repositioning the Ministry of P2MI as a dedicated regulator and policymaker. Recommended policies including the pursuit of MRAs with destination countries and augmenting existing initiatives for financial support for LPKs and CPMIs.

Together, these recommendations offer a pathway to transform Indonesia's labor migration system—from one anchored in protection, to one that is skill-driven, coordinated, and globally competitive. In this way, migration becomes a statement of confidence in Indonesia's human capital and its place in the global labor economy, turning PMIs into a model of economic mobility as well as Indonesia's global ambassadors.

APPENDICES

The Migration Business Blueprint: Archetypes That Make It Work

Private players play a great role in the deployment of PMIs and can capitalize on the growing global demand for migrant workers in various ways. This section outlines common business archetypes used by existing private players at different stages of the PMI deployment process. Key considerations are explored for each archetype, including profit margins, major cost components, advantages and disadvantages, and an assessment of the types of businesses best suited to adopt them. Since financial considerations are often kept confidential by existing players, the IBC has referenced data from neighboring migrant-deploying countries as proxies when applicable. Through this lens, readers are encouraged to consider how the increasing deployment of PMIs at low- and medium-skill levels present promising business opportunities for the private sector across the PMI deployment process.

Figure 34. Stages of the PMI Deployment Process

As shown in Figure 34, the PMI Deployment Process consists of four sequential stages, beginning with Workforce Preparation and concluding with Post-Deployment. Private sector involvement varies across these stages, offering different forms of support to CPMIs and PMIs. IBC has identified four distinct business archetypes, each defined by the stages they cover within the deployment process:

- **LPKs** (Workforce Preparation): Businesses in this archetype focus on equipping CPMIs with the necessary skills, language proficiency, and mindset for success abroad. They generate revenue by charging CPMIs either upfront for training or upon successful deployment.
- **P3MIs/Agents** (Pre-Deployment): These businesses specialize in facilitating PMI placements. They source job requests from foreign employers, recruit suitable CPMIs, and guide them through the necessary steps for deployment.
- **Integrated Deployment Agencies** (Workforce Preparation and Pre-Deployment): This model integrates the roles of LPKs and P3MIs, providing both skills training and direct job placement. Businesses recruit CPMIs before training, ensuring that the curriculum aligns with the specific requirements of foreign employers.
- **End-to-End** (Workforce Preparation to Post-Deployment): This comprehensive archetype covers the entire PMI Deployment Process, extending beyond placement to include post-deployment support. Businesses in this archetype assist returning PMIs with reintegration, which may include job opportunities within partner companies.

Archetype 1 - LPKs: Upskilling PMIs through Essential Skills and Languages

Overview

The Workforce Preparation archetype, commonly implemented by LPKs, focuses solely on the pre-deployment phase of PMI training. LPKs provide skills development, certification, and language training before workers are matched with overseas job opportunities. While some LPKs tailor their training to the demands of overseas deployment, others–especially the case of LPKs that operate independently from migrant deployment companies–expanded their revenue stream by providing

training for a more diversified audience, such as general learners, professionals and companies seeking to train their employees.

Figure 35. Role of the LPK Business Model in the PMI Deployment Process

Financial Considerations

- **Margin:** Varies between countries. For example, the English Language Training Market (ELTM) in Vietnam reported net profit margins from 18-30%.[121] [122] The ELTM in India did not mention profit margin but was stating that the training fees range from $140 to $400 for the entire course for 3-6 months of learning.[123]
- **Key Components of Capital Expenditure (CapEx):**
    1. Establishment of training infrastructure, including classrooms, dormitories, books and simulation equipment.
- **Key Components of Operational Expenditure (OpEx):**
    1. Trainer and instructor salaries, covering vocational training, language courses, and soft skills development (in particular foreign trainers).
    2. Technology and digital learning platforms
    3. Marketing costs (to attract prospective students / CPMIs)
    4. Utility costs

Advantages and Disadvantages

Advantages:

- Training activities reported higher profit margins than other aspects of PMI deployment.
- As a more specialized service, it requires fewer stakeholders to manage and lower operational risks.

Disadvantages:

- Developing a curriculum that aligns with current foreign job market demands requires access to updated industry knowledge. However, standalone LPKs often struggle to obtain insights from foreign employers and make it difficult to ensure their training programs remain relevant and competitive.
- In some cases, CPMIs can only afford to pay for their training fees once they are deployed, causing the LPK's revenue to be deferred.

Best Fit for Businesses

This model is suitable for:

- Companies that already operate a vocational training center or are planning to establish one.
- Businesses with industry expertise but looking for high margins with reduced investment and complexity.

Archetype 2 - P3MIs/Agents: Helping PMIs Navigate the Deployment Complexities

Overview

P3MIs/Agents recruit and match CPMIs with prospective employers, as well as helping them through the paperwork required for their deployment. They are responsible to guide CPMIs until their departure abroad and are required to report all PMI deployments to the government. In the recruitment process, P3MIs/Agents recruits potential workers for deployment through local brokers.

To minimize capital expenditures (CapEx) in their business, some P3MIs/Agents use overseas representatives, with small commissions, rather than establishing branch offices abroad. In Bangladesh, for instance, only a few P3MIs/Agents have direct access to procuring demand letters from employers in the Gulf States. As a result, this privilege P3MIs/Agents resell the demand letters, stretching the supply chain and generating profit margins. First-hand resellers may achieve up to 48% net profit margin, while second-hand profits as high as 35%.

Figure 36. Role of the P3MI/Agent Business Model in the PMI Deployment Process

Financial Considerations

- **Margin:** Varying sources reported net profit margins of at least 4-10%, depending on destination countries and the occupations supplied
- **Minimum Capital Investment:** Proof of paid-up capital amounting to Rp5 billion, as stated in the company's deed of establishment.
- **Key Components of Capital Expenditure (CapEx):**
    1. Establishing recruitment agency offices/opening branch office (initial licensing)
    2. Office space and equipment (assuming not rented)
    3. Initial deposit of Rp 1.5 billion to government (can be counted towards the Rp 5 billion minimum capital investment)
- **Key Components of Operational Expenditure (OpEx):**
    1. Advertising and marketing for worker recruitment
    2. Administrative processing fees for visas and work permits
    3. Salaries for recruitment staff and brokers[124]
    4. Informal payments to various stakeholders (mostly given for to ease the bureaucratic process)
    5. Utilities

Advantages and Disadvantages

Advantages:

- Easiest to scale in terms of the knowhow and capital required, as expansions do not require additional procurement of specialized trainers or training equipment, which takes a longer time to source.
- CPMIs have access to Himbara for deployment funding, meaning that P3MIs rarely have to pay advance fees for deployment.

Disadvantages:

- Hidden bribery & corruption in the supply chain
- High dependency on labor policies in destination countries

Best Fit for Businesses

This model is suitable for:

- HR and staffing agencies who might be considering expanding recruitment for migrant workers.
- Businesses with extensive connections to foreign employers requiring migrant labor.

Archetype 3 - Integrated Deployment Agencies: A Unified Archetype to Prepare PMIs to Work Abroad

Overview

The PMI Preparation to Deployment archetype integrates both LPK training institutions and P3MIs, which are authorized agencies responsible for deploying PMI abroad. This model represents the most common business structure in Indonesia's migrant workforce industry.

During the preparation process, some P3MIs/Agents operate their own dormitories to facilitate the pre-deployment training for CPMIs. The training process often includes mental preparation programs to help workers adjust to the cultural and lifestyle differences that they will encounter abroad, particularly the experience of living alone. This initiative aims to ease PMIs' transition and improve their resilience while working overseas.

Figure 37. Role of the Workforce Preparation to Pre-Deployment Business Model in the PMI Deployment Process

Financial Considerations

- **Margin:** Based on interviews with business players adopting this business model, the net profit margin amounted to around 10% - 20%.[125] [126]
- **Minimum Capital Investment:** Proof of paid-up capital amounting to Rp5 billion, as stated in the company's deed of establishment.
- **Key Components of Capital Expenditure (CapEx):**
    1. Investment in training infrastructure and equipment to meet industry standards and government regulations.
    2. Office space and equipment (assuming not rented)
    3. Minimum deposit of Rp1.5 billion to secure operational licenses and regulatory approvals (can be counted towards the Rp 5 billion minimum capital investment)
- **Key Components of Operational Expenditure (OpEx):**
    1. Salaries for trainers and recruitment staff responsible for candidate selection and preparation.
    2. Advertising and marketing for recruitment (including salaries)
    3. Technology and digital learning platforms

4. Logistics and Transportation (travel to and from LPKs and P3MIs and pre-deployment processing costs, including visa applications, medical check-ups, and travel arrangements).
5. Informal payments to various stakeholders (mostly given for to ease the bureaucratic process)
6. Utilities

Advantages and Disadvantages

Advantages:

- Higher revenue potential, as income is generated from both employer recruitment fees and worker placement fees (whose workers can access Himbara's loans)
- Knowledge integration between training and deployment (e.g., to update training curricula, or using ex-PMIs as trainers)

Disadvantages:

- Vulnerable to changes in migration policies, labor regulations, and demand fluctuations in both Indonesia and destination countries.
- Hidden bribery & corruption in the supply chain

Best Fit for Businesses

This model is suitable for:

- Existing LPKs or P3MIs who want increased control of their migrant ecosystem before deployments without excessive set-up costs.

Archetype 4 - End-to-End: A Complete Ecosystem for Long-Term PMI Employment

Overview

The end-to-end business archetype is a fully integrated approach that enables companies to oversee the entire PMI deployment process, from workforce preparation to post-deployment support. This model is commonly practiced by established firms. In addition to preparing and deploying PMIs, end-to-end businesses may also employ Indonesians within their own business operations in Indonesia or through their partner companies. Their training programs can go beyond basic skills development, sometimes extending to degree programs offered through their own institutions or in collaboration with tertiary or vocational education providers. This comprehensive approach ensures that PMIs are not only well-trained for deployment but also have broader career opportunities, both domestically and internationally.

Figure 38. Role of the End-to-End Business Archetype in the PMI Deployment Process

Financial Considerations

- **Margin:** Businesses that adopt this model in India and worldwide achieve net profit margins of approximately 1-2%.[127] [128]

- **Minimum Capital Investment**: Proof of paid-up capital amounting to Rp5 billion, as stated in the company's deed of establishment.
- **Key Components of Capital Expenditure (CapEx):**
    1. Investment in training infrastructure (facilities, equipment, classrooms, dormitories, and technology solutions)
    2. Office space and equipment (assuming not rented)
    3. Initial deposit of Rp 1.5 billion to government (can be counted towards the Rp 5 billion minimum capital investment)
- **Key Components of Operational Expenditure (OpEx):**
    1. Salaries for training staff and instructors (in particular foreign trainers)
    2. Technology and digital learning platforms
    3. Administrative costs for recruitment processing, setting up partnerships (with employers, educational institutions and governments), legal compliance, and documentation.
    4. Marketing (for prospective migrants) and partnership outreach costs (with domestic and international training centers, employers and government stakeholders)
    5. Utility costs (water, electricity, etc.)

Advantages and Disadvantages

Advantages:

- Synergy and maximum control over all stages of the deployment process. This ensures consistent branding and quality assurance across all service offerings.
- Economies of scale, leading to cost efficiencies in training and placement operations.

Disadvantages:

- Requires a significant upfront investment in infrastructure and administrative processes.
- Highly influenced by regulatory changes across multiple sectors and countries, which can impact operational efficiency.
- The model requires partnerships with multiple stakeholders across the PMI deployment process.

Best Fit for Businesses

This model is ideal for:

- Large organizations with significant resources and connections, or with significant need of trained workers (e.g., hospitals, restaurants)
- Companies with an established presence in the PMIs deployment ecosystem and seeking to expand their influence in this industry

For Indonesia to fully realize the benefits of PMI deployments, a massive scaling in private involvement is needed in both preparation and deployment. Combined with the government's supporting role and careful opportunity targeting, it is possible for overseas migrant deployment to become a growth engine of the Indonesian economy, benefitting not just the PMIs but also their local communities, the private sector, and the national economy as a whole.

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IBC

Indonesian Business Council

Indonesian Business Council (IBC)
Sequis Center 1st Floor
Jl Jenderal Sudirman Kav. 71
Jakarta Selatan 12190
Indonesia

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Indonesian Business Council
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