



Policy Brief

Financing Indonesia's Global Workforce

**Unlocking Opportunity for Five Hundred Thousand
Migrant Workers**

Highlights

- **Labor mobility is a strategic investment for Indonesia's economy**, which generated IDR 260 trillion in 2024, with an opportunity to get up to IDR 1,174 trillion by 2040.
- The government has launched an ambitious target of sending 500,000 skilled workers abroad by 2026, backed by an allocated budget of IDR 15-30 trillion. However, **public funding alone will not be sufficient or sustainable to finance such a large scale**; Private and philanthropic capital, as well as innovative financing models, are needed to bridge the gap.
- **Workers are hindered by unaffordable pre-departure costs** and limited access to accessible financing. Meanwhile, **training institutions and recruitment agencies suffer from liquidity challenges and capital shortages** that constrain both the scale and quality of provision required to meet rising global demand.
- **Indonesia can mobilize capital to provide direct financing to migrant workers** through **grant-based funding**, including government and philanthropic endowments, destination-country contributions, and impact-oriented grants, as well as **securitization mechanisms** that convert future income streams into upfront loans.
- **Direct support alone will not be sufficient to reach the 500,000-worker target**, requiring **banks to play a larger role**, supported by **de-risking measures** such as guarantees and cross-border payment mechanisms.

1. Financing as the Critical Enabler in Indonesia's Global Workforce Strategy

Indonesia's global workforce initiative has a massive potential for the economy. Remittances from overseas Indonesian workers reached IDR 260 trillion in 2024, making migrant earnings the country's second-largest foreign exchange source after oil and gas, with a potential of sending back over IDR 1,174 trillion in remittances in 2040. Global demand for skilled labor is rising fast, driven by aging populations and labor shortages in many advanced economies. Countries like Japan, South Korea, Germany, Australia, and the UAE are seeking healthcare workers, welders, and other skilled talent in the hundreds of thousands. Recognizing this, the Indonesian government has a target to dramatically increase overseas employment of Indonesians, which is to deploy 500,000 skilled workers by 2026, and significant public funding between IDR 15 and 30 trillion has also been planned to achieve the ambitious target.

To scale up the deployment of Indonesian migrant workers, the government has articulated five development pillars: **expanding market access, accelerating placement processes, upgrading skills and competencies, strengthening worker protection, and ensuring affordable financing**. On market access expansion, initiatives include new and upgraded G-to-G bilateral agreements, such as Japan's Specified Skilled Worker (SSW) scheme, to secure larger and higher-quality quotas. To speed up placement processes, regulations are being prepared to cap end-to-end processing at 14 days and job-order verification at 7 days in coordination with other relevant government institutions. The quality of workers is being improved through the revitalization of vocational schools and training centers, coupled with a rating system for placement agencies. In addition, comprehensive protection measures now include call centres providing responses within 24 hours, expanded social security and health insurance coverage, service and system digitalization through online apps, and better data management through worker censuses.

Historically, financing has not been the main concern in Indonesia's migrant worker deployment. Most previous overseas placements have involved low-skilled workers, requiring relatively low upfront costs with minimal training, and, in some cases, no formal certification. As Indonesia shifts toward deploying low-to medium-skilled workers at scale, financing becomes a more material concern, particularly along the training and certification stages. The KUR PMI scheme has significantly expanded access to affordable credit for migrant workers, increasing the maximum loan size from IDR 25 million to up to IDR 100 million. However, its contract-linked structure limits the availability of financing for language and skills training prior to contract signing. In parallel, the SMK Go Global program plays an important role by supporting language and technical training through grant-based funding.

Taken together, these arrangements suggest that while the financing pillar is in place, it would benefit from further strengthening to better support pre-departure training and certification, as well as ensuring long-term financial sustainability. Sustaining annual deployments of 500,000 workers is likely to benefit from a more diversified financing ecosystem that complements APBN allocations with greater private-sector participation. Government funding should serve as a strategic catalyst to crowd in external capital rather than bearing the full burden indefinitely. By treating labor mobility as an investment opportunity, Indonesia can attract co-financing from employers, banks, philanthropy, and development agencies to unlock the potential of sending one million global workers annually.

2. Systemic Financing Problems Across the Migrant Worker Ecosystem

2.1 Financial Constraints Faced by Stakeholders

2.1.1 Migrant Workers

Prospective migrant workers face binding financial barriers that shape whether they can enter overseas employment through safe, formal pathways and also sustain repayment during departure preparation and the first few months abroad. These constraints are driven by a combination of high upfront costs, limited access to affordable credit, and elevated exposure to deployment risks. First, the cost burden is substantial and front-loaded. For example, Table 1 shows that a typical caregiver pathway to Japan can require approximately IDR 75.7 million in total pre-departure spending, of which IDR 42 million is training and certification alone, before the worker even applies for a contract. Field reports from the Ministry of Indonesian Migrant Workers Protection (KP2MI) further indicate that, in practice, actual placement-related expenses may exceed the official cost structure. This structure creates a material "liquidity gap" especially for low-income candidates as the costs arrive months before the first paycheck.

Second, the socioeconomic profile of many prospective migrant workers constrains their ability to self-finance or access formal credit. KP2MI placement data (2022–2024) shows that the majority of migrants have education levels of senior secondary or below, including 22% with only primary education and 31% with junior secondary education. This profile is commonly associated with limited household savings and thin credit histories, increasing reliance on informal borrowing channels and exposure to over-indebtedness.

Table 1: Breakdown Preparation Cost of a Caregiver Migrant Worker to Japan ¹

Type	Cost Item	Approx. Cost (IDR) [1 Yen = 108 IDR]
Training Cost	Language Training	24,634,909
	Language Certification	1,250,000
	Technical Training	15,095,144
	Technical Certification	1,500,000
	Total	42,480,053
Placement Cost	Medical Examination	902,000
	Psychological Test	550,000
	Passport	0
	Worker Social Security Insurance	370,000
	Domestic Transportation	500,000
	Working Visa	400,000
	Departure Flight Ticket	10,000,000
	Company Fee (180,000 Yen)	19,440,000
	Supervisory Fee (10,000 Yen)	1,080,000
	Total	33,242,000
Total Cost		75,722,053

In the absence of conventional collateral and documented repayment capacity, banks typically require a verified overseas work contract before extending credit. As a result, financing for pre-contract needs, particularly training and certification, remains largely inaccessible, given the perceived risk of non-completion, certification failure, or unsuccessful job matching. These constraints push workers toward informal or high-cost lenders at the most financially vulnerable stage of the migration process. Even after a contract is secured, repayment risks persist. Shocks occurring abroad can directly undermine repayment capacity, as income generation is contingent on successful deployment and continued employment. KP2MI complaint statistics for 2022–2024 indicate that the most frequently reported cases included “PMI gagal berangkat”, “gaji tidak dibayar”, and “penipuan peluang kerja”. These incidents map directly to credit risk and severe cash flows at precisely the point when loan repayment is expected to begin. Together, these factors limit the effectiveness of existing credit mechanisms and highlight the need for financing structures that better align worker’s condition in practice.

2.1.2 Training Development Institutions (LPKs)

Training institutions operate within a structurally constrained financial model, characterized by tight cash flows and limited access to capital. Due to many prospective migrant workers being unable to fully self-finance training and certification, LPKs are often required to pre-finance these costs, either through installment arrangements or informal credit extended to trainees. This creates immediate liquidity pressure and, over time, undermines the ability of many LPKs to sustain basic operations.

Access to bank financing for expansion and investment in training infrastructure and equipment also remains limited, particularly for smaller providers. From a lender’s perspective, training provision is perceived as high risk due to multiple sources of uncertainty, including non-completion of training, failure to secure job matching, and variability in placement outcomes. In addition, collateral constraints further weaken bankability due to training assets such as classrooms and equipment being illiquid.

¹ Ministry of Indonesian Migrant Workers Protection, 2025

2.1.3 Licensed Recruitment Agencies (P3MIs)

Recruitment agencies face a similarly front-loaded and capital-intensive financial structure. In addition to advancing recruitment and placement-related costs that many workers are unable to pay upfront, P3MIs are subject to regulatory capital requirements intended to strengthen worker protection. Under the Regulation of the Minister for the Protection of Indonesian Migrant Workers No. 31 of 2025, licensed agencies must maintain a minimum paid-up capital of IDR 5 billion and place a mandatory deposit of IDR 1.5 billion to state-owned banks. While this requirement reinforces compliance and safeguards worker interests, it also locks a substantial portion of agency liquidity, particularly for smaller firms. Furthermore, access to external financing remains limited, as banks tend to view the PMI placement business as high risk which relies on successful placement outside the agency's direct control.

Taken together, these constraints indicate that scaling deployment sustainably requires financing for both migrant workers' preparation and the capital needed by LPKs and P3MIs that deliver training and placement. This underscores the need for a more diversified financing ecosystem to complement existing schemes.

2.2 Structural Root Causes of Financing Challenges

2.2.1 Many PMI candidates originate from households with limited disposable income, thus face constraints in financing upfront training and placement costs.

The financing challenge is closely linked to the low-income socioeconomic profile of Indonesia's migrant worker (PMI) candidates. This is reflected in KP2MI placement data, which shows that deployments are concentrated in a number of sending districts that exhibit structurally lower income levels and limited household savings capacity. Between 2022 and 2024, five kabupaten: Indramayu (55,373), Cilacap (34,361), Kabupaten Cirebon (30,793), Ponorogo (29,776), and Lombok Timur (33,270) accounted for 23.08% of total national placements. These districts also tend to exhibit weaker socioeconomic fundamentals relative to national benchmarks, with poverty rates above the national average (9.01%), reaching 14.51% in Lombok Timur and roughly 9–11% across other regions, while local minimum wages typically range between ~Rp2.0–2.6 million per month, well below the national average minimum wage benchmark (~Rp3.27 million). This profile indicates that many prospective PMI candidates originate from districts with thin disposable income. As a result, upfront training and certification costs are a binding upfront constraint rather than a marginal inconvenience, and even modest delays in matching or departure materially increase financial vulnerability before the first overseas paycheck is earned.

2.2.2 Banks are well-positioned to play a larger role in migrant worker financing, yet risk considerations remain the primary barrier to expanded lending.

a. Currently the largest liquidity gap occurs during the training phase

Despite the availability of KUR PMI financing, uptake remains limited relative to the scale of overseas deployment. In 2024, only 2,458 individuals accessed KUR PMI, compared with more than 297,000 migrant workers deployed abroad in the same year, highlighting the narrow reach of formal credit within the overall system. The current KUR PMI scheme is accessible only after a verified overseas job contract has been secured, and therefore does not cover the pre-contract training phase at LPKs, where upfront liquidity needs are most acute. This design is reflected in the Regulation of the Minister for the Protection of Indonesian Migrant Workers No. 18 of 2025, which relies on employment contracts as the primary risk anchor for financing. As a result, the burden of financing training and certification shifts to households and training institutions, which

are often required to pre-finance working capital and recover costs only after successful deployment.

Liquidity constraints are further compounded by capital lock-ups and investment needs, including the mandatory IDR 1.5 billion deposit required of P3MIs as a worker-protection guarantee and the capital required to upgrade and expand training infrastructure and equipment. The net effect is a financing structure in which capital is concentrated at the later stages of worker deployment, while early-stage activities, particularly training provision and capacity expansion, remain structurally underfinanced.

b. Cross-border earnings make it harder to enforce repayment.

Another root cause lies in cross-border enforceability: income is earned overseas, while financial obligations remain in Indonesia, resulting in fragmented repayment rails. Indonesian banks operating or partnering abroad rely heavily on local host-country payment systems rather than integrated, end-to-end payroll channels linked to Indonesian creditors. In Japan, for example, BNI operates in Japan (Tokyo; plus an Osaka sub-branch is listed by OJK), and its remittance model explicitly relies on interoperability with local Japanese channels, rather than extensive branch networks. As a result, changes in host-country infrastructure, such as the termination of Japan Post Bank's international remittance services, illustrate how cross-border transfers can be disrupted by external decisions beyond Indonesia's control.

3. Building a Sustainable Financing System for the PMI Industry

At present, predeparture financing relies primarily on conventional bank lending, most notably through KUR PMI, and government-funded grants, which have played an important role in expanding access to finance. To reach the target of deploying 500,000 skilled Indonesian workers abroad, Indonesia will require a more diversified and resilient financing mix. The aim is to bring new capital into the system and distribute risk across multiple stakeholders, including government, banks, investors, philanthropies, employers, which would make training, placement, and protection more affordable and financially sustainable.

3.1. Capital Mobilization Frameworks

To expand the range of capital supporting worker training and overseas placement, particularly for higher-risk segments such as very low-income households or candidates from remote regions, additional sources of funding are needed to complement existing mechanisms and reduce reliance on workers' own resources. These funds can be structured with distinct operational features and risk-bearing arrangements across participating stakeholders.

3.1.1 Grants or Full Scholarships

The following models provide grant- or scholarship-type funding for PMIs, sourced from various institutions and managed through different mechanisms, offering diversified options.

<p>1 National Endowment Fund</p>	<p>Concept A state-backed endowment fund (modelled on LPDP) dedicated to financing overseas workforce development, with a multi-year mandate so training and placement are not fixed to yearly budget cycles.</p> <p>Operationability Seeded by APBN allocations, concessional loans/grants from development partners, a standard per-contract registration fee from agencies, and contributions from alumni. The steering committee includes Coordinating Minister for Community Empowerment (Kemenco PM) and Ministry of Indonesian Migrant Workers Protection (KP2MI) and key ministries.</p> <p>Benchmark Models OWWA in the Philippines and OWWF Welfare Fund in Sri Lanka.</p>
<p>2 Private Philanthropy Fund</p>	<p>Concept A privately governed philanthropy-based endowment fund to provide full scholarships and grants for PMI candidates.</p> <p>Operationability Funded by zakat/infaq, corporate CSR, family offices, philanthropic foundations, and diaspora donations. The fund is established as a foundation/trust with an independent board. Disbursement is delivered through accredited partners (e.g., LPKs) using milestone-based releases tied to training completion, certification outcomes, and verified placement pathways (P3MIs) ensuring workers receive employment. Coordination with the government is maintained to align targeting and data interoperability.</p> <p>Benchmark Models Paradaya Movement (Forum Zakat x Paragon) and similar zakat/CSR skill programmes</p>
<p>3 Skill Impact Bonds</p>	<p>Concept An outcomes-based financing mechanism where private “risk investors” provide upfront capital to training providers, and “outcome funders” (typically government and/or philanthropic donors) repay investors (with a return), only if pre-agreed results are achieved (typically linked to job placement and retention, not just training delivery).</p> <p>Operationability (1) Outcome funders commit to pay for verified results, disbursed in stages; (2) Risk investors supply working capital to service providers; (3) Service providers deliver the intervention (training, placement services); (4) an independent evaluator verifies performance.</p> <p>Benchmark Models India’s Skill Impact Bond</p>
<p>4 Employer and Destination Country Co-Financing</p>	<p>Concept: Standardized co-financing for pre-departure training and placement by employers and host governments, moving gradually toward full employer cost absorption.</p> <p>Operationability Employers pay training contributions per recruit for language, skills, and certification; host governments expand schemes with G-to-G MoUs and bilateral agreements.</p> <p>Benchmark Models Germany’s “Triple Win” programme for foreign nurses</p>

3.1.2 Remittance - Linked Securitization

Unlike grants or scholarships, which provide non-repayable support, this model functions as a form of private capital mobilization, where future remittances are structured into securities. Investors provide upfront funding and assume repayment risk, while workers are not required to bear debt obligations.

Remittance - Linked Securitization

Concept:

A pool of workers' contracts and future salaries is turned into financial assets. Banks or the government create remittance-backed notes and sell them to investors as bonds.

Operationability:

Investors buy remittance-backed notes; banks/governments use the capital to create new migration loans; public entities may provide limited guarantees (such as Jamkrindo). Requires clear OJK rules on future-flow securitization and robust loan performance data.

3.2. Enabling Further Bank Participation Through Risk-Sharing Mechanisms

While capital mobilization strategies, such as endowments, impact investors, employer or destination-country contributions, and public participation through securitization, can introduce new sources of funding, achieving deployment targets of 500,000 workers annually requires scale that these channels alone cannot deliver. To reach full coverage and maximize impact, the banking sector remains a critical partner in expanding access to financing. However, meaningful bank participation will depend on complementary risk-mitigation mechanisms that address the structural risks inherent in training, placement, and cross-border employment.

3.2.1 Guarantees and Subsidies as Risk-Sharing Instruments

Banks will naturally seek to structure financing by adjusting interest rates, tenors, and collateral requirements. However, these adjustments alone are insufficient if credit remains unaffordable or inaccessible to intended beneficiaries. In such cases, targeted guarantees and subsidies play a critical role in enabling bank participation while preserving affordability.

Guarantees and Subsidies

Current Situation:

Prospective migrant workers face significant financing needs, particularly for training and certification, at a stage where no overseas employment contract exists, resulting in elevated credit risk and limited access to formal loans. At the same time, LPKs and P3MIs require working capital to deliver training and placement services, yet their business models are perceived as high risk due to outcome uncertainty and limited collateral.

De-risk Mechanism:

Government support, potentially channeled through an endowment fund, or private philanthropic capital can be used to provide partial guarantees or targeted interest support to banks. By absorbing a defined portion of downside risk rather than fully funding the whole costs, these instruments lower banks' expected losses. This approach allows public and philanthropic capital to act catalytically, crowding in bank financing while maintaining fiscal efficiency and maximizing impact.

3.2.2 Cross-Border Payment Arrangements to Improve Credit Enforceability

Banks' willingness to extend credit for migration-related purposes is closely tied to repayment certainty. Due to income earned overseas, traditional domestic collection mechanisms become weak, which in turn increases perceived credit risk. Cross-border repayment structures address this constraint by strengthening enforceability and predictability of loan repayment.

Cross-Border Repayment Structures

Current Situation:

Migration-related loans are typically repaid through voluntary transfers by workers once they are abroad. This creates repayment uncertainty, as income flows are generated outside Indonesia's financial system and may pass through cash payments or foreign institutions beyond the lender's direct control, which makes repayment capacity difficult to monitor.

De-risk Mechanism:

Cross-border payment arrangements strengthen repayment certainty by anchoring loan repayment directly through automatic payroll deductions or formal remittance channels, transforming overseas income into a more predictable repayment source. Implementation can take several forms: bank-to-bank model, in which Indonesian and destination-country financial institutions jointly underwrite or refinance loans; or a government-anchored or hybrid arrangement, where public entities facilitate data-sharing, standardize repayment mechanisms, or provide partial guarantees. Operationally, payroll-deduction clauses can be embedded in G-to-G agreements, bilateral labor MoUs, and standardized employment contracts.

4. Supporting Factors for the Indonesia's Future PMI Financing Framework

The financing models outlined in the previous section require a set of institutional, regulatory, and coordination enablers to function at scale. These enablers align mandates, reduce risk, and provide the governance backbone necessary for private capital, public funding, and cross-border mechanisms to work together.

Ministry for the Protection of Indonesian Migrant Workers (KP2MI)

- Could play a facilitating role in **strengthening pipeline transparency and credibility**, including through accreditation practices, performance monitoring of P3MIs, and consolidated data on training, certification, and placement outcomes.

Ministry of Finance

- Well positioned to provide fiscal anchoring and long-term continuity, including by **housing a government-backed endowment vehicle** within an appropriate institutional framework (e.g., BLU) to reduce reliance on annual budget cycles.
- The Ministry's existing toolkit could also **support system-level de-risking instruments**, such as partial credit guarantees, to catalyze greater participation from banks and investors in higher-risk segments.

Ministry of Foreign Affairs

- May help ensure that financing and repayment features, such as standardized contracts or payroll-deduction arrangements, **are reflected within G-to-G and bilateral cooperation frameworks**.

**Indonesian
Financial Services
Authority (OJK)**

- Could support **the development of a supportive regulatory environment** by offering clarity and guidance on structured financing instruments, including future-flow or remittance-linked securitization, cross-border banking cooperation, and the prudential treatment of milestone-based disbursement, income-contingent repayment, and portfolio-level underwriting approaches.

**Indonesia
Investment
Authority
(Danantara)**

- May contribute as a **strategic, long-term capital partner**, including through investments in endowment-style vehicles, first-loss tranches, or blended-finance structures. Such participation could help support skills infrastructure, underwrite higher-risk pilots, and provide confidence to private and development partners.
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Indonesia's plan to scale overseas employment to 500,000 skilled workers requires a financing system that can keep pace with its ambition. Public funding provides a foundation, but long-term growth requires a coherent financing architecture scheme that can attract broader sources of capital from private capital, banks, and philanthropy, thus reducing the financial burden faced by workers, training institutions, and recruitment agencies.

The utilization of different financing models can anchor this system, moving from fragmented, annual, and collateral-based financing toward a system where verified pipelines, shared risk, and income-linked repayment allow public and private capital to work together. By prioritizing high-impact models and aligning regulations, data systems, and partnerships around them, Indonesia can build a financing architecture that is resilient, fair, and capable of sustaining a global workforce pipeline at scale, which would turn Indonesia's global labor mobility into a durable pillar of the country's economic strategy.

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