

# Step Up: Improving Recruitment of Migrant Workers in Indonesia

Findings from a Research Visit to Semarang, Indonesia, May 3-7, 2011



## About This Report

This report was written by Guy Morgan and Chris Nolan, with contributions from Laura Ediger. Findings are based on interviews and research undertaken in Semarang, Central Java, Indonesia, during May 2011. The report describes the recruitment system in Semarang and does not serve as a case study of the Indonesian recruitment system at a national level. However, recommendations for improving the system do have applicability at the national level.

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Any errors are those of the authors.

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## Executive Summary

Migration Linkages, a multi-year initiative led by BSR with generous funding from the MacArthur Foundation, has sought a greater understanding of the recruitment process—from village level to factory floor—in order to identify and mitigate risks to migrating workers and to spotlight opportunities for business to protect basic rights. In view of this, in May 2011, BSR conducted a research visit to Semarang, located in Central Java, Indonesia. Based on interviews with government officials, recruitment agencies, migrant worker recruits, and other stakeholders, the BSR team found significant evidence that variability in the recruitment system is creating human rights risks for Indonesian migrant workers.

In theory, the Indonesian migrant worker recruitment system is robust; recruitment agencies officially are licensed by the Indonesian government and use a formal system with processes and controls to recruit young adults based on job orders placed by employers in destination countries such as Malaysia. At the village level, the village head confirms that an individual is eligible to migrate abroad for work, and the individual's family also gives written consent. The local authority then processes the request. The migrant worker signs a contract and is given pre-departure training on local customs, language, and expectations of work in the destination country.

In practice, however, there is significant variability in the process—variability that can contribute to less-than-ideal outcomes for workers:

- » **Recruitment fees<sup>1</sup>:** There are no standards that control the amount or percentage of recruitment fees that workers must pay, nor are there standards that dictate how such fees are to be repaid. In some instances a fee is deducted from the worker's paycheck over the first six months of work with an arbitrary interest rate applied (this can range from as low as 7 percent to as high as 50 percent). In other cases the repayment period is longer than six months. In still other cases the end employer (that is, the employer in the destination country) covers these fees entirely. The conditions surrounding recruitment fees significantly impact the workers' net income, and subsequently determine the amount of funds they are able to send back to their families in Indonesia.
- » **Contracts and general preparation:** Not all workers sign contracts with end employers. In some instances, contracts are signed with a recruitment agency, or a labor outsourcing company. In many instances there is limited transparency around contract terms and clauses, which can lead to contract substitution, pay discrepancies, and even fraud at the expense of the worker.
- » **Grievance processes and recourse avenues:** If and when a problem arises in the destination country (for example, a pay dispute), the manner in which a grievance is raised and managed varies considerably. In some cases the worker raises the issue directly with his/her employer, who may pass it on to the recruitment agency. In other cases, the worker may raise the issue directly with the recruitment agency. In still other cases, a worker may raise an issue

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<sup>1</sup> ILO Convention No. 181 on private employment agencies prohibits the charging of fees, directly or indirectly to workers, and this protection is reiterated in the ILO Multilateral Framework on Labor Migration.

with the Indonesian embassy in Malaysia, which then follows up with the recruitment agency or directly with the employer. Generally speaking, the mechanisms available to workers to raise grievances and address issues can be opaque and somewhat ad hoc in nature.

In order to address these issues and improve the recruitment system in Indonesia, government and business both need to embrace wholesale change.

#### **ACTIONS NEEDED**

With business as the driver and government as the guardian of the system, BSR research indicates these improvements hinge on the following actions:

- » **Government:** Must define, codify, and promote characteristics of a “good” recruitment agency, and incentivize ethical recruitment. This includes engaging in better governance of the recruitment system (e.g. consistent administration of relevant laws and regulations).
- » **Business:** Must improve pre-departure orientation, promote awareness and protection of individual worker rights, and ensure access to remediation measures. This includes deploying tools to assess and monitor the conduct of recruitment agencies in line with established standards. It also involves exploring innovative approaches that leverage informal communication channels of workers and build on the trend toward increased direct recruitment.

These ideas and others will be explored in further detail as part of a guide on ethical recruitment that will follow this report later in 2011.

# I. Introduction

## RESEARCH VISIT PURPOSE AND OBJECTIVES

As part of its Migration Linkages initiative, BSR has sought to increase understanding of the recruitment process of low and semi-skilled Indonesian workers for the formal sector, from initial contact (by agents) with potential workers up to the departure of these workers to a destination country. To date, Migration Linkages' work in Malaysia, one of the main destination countries for short-term Indonesian migrant workers in the ICT sector, has highlighted the fact that key rights issues and abuses stem from how workers initially are recruited in their country of origin.

BSR, together with representatives from the Malaysian labor, women and refugee rights organization Tenaganita, as well as experts from Jakarta-based Indonesia Business Links (IBL)<sup>2</sup>, conducted research on this issue in Semarang, Central Java, Indonesia from May 3-7, 2011. Semarang was identified as the research site because of the high volume of workers being recruited into the ICT sector in Malaysia. The objectives of this research were to:

- » Understand the process and dynamics of the migrant worker recruitment system.
- » Clarify the regulatory framework for the recruitment of migrant workers.
- » Identify and highlight migrant worker risks in the recruitment process.

In order to achieve these objectives, the research team met with government officials at local and regional levels, recruitment agencies, vocational school representatives, village leaders and representatives, students seeking employment abroad, and a migrant worker who had returned to Indonesia. A complete list of all interviewees is attached as Appendix I (see page 21).

Figure 1: Location of Semarang, Central Java, Indonesia



### Indonesia: an important origin country for workers

Statistics detailing how many workers emigrate annually from Indonesia are outdated. However, the Institute on Migration (IOM) notes Indonesia is one of the top 10 most important emigration countries in Asia<sup>3</sup>. Malaysia, together with Singapore, are the main destinations for international migrants in Southeast Asia, with approximately 2.4 million and 2 million international migrants accepted respectively in 2010<sup>4</sup>. According to the International Labour Organization's (ILO) official statistics, Malaysia accepted almost 75,000 migrants from Indonesia in 2002, mostly in the manufacturing or agriculture sectors<sup>5</sup>. It is important to note that these figures relate to those working in the formal (versus informal) sector, meaning those who are part of the formal economy, are subject to taxation and regulation, and therefore are included in official economic statistics.

<sup>2</sup> [www.ibl.or.id/index.php](http://www.ibl.or.id/index.php)

<sup>3</sup> IOM, World Migration Report, 2010.

<sup>4</sup> *ibid*

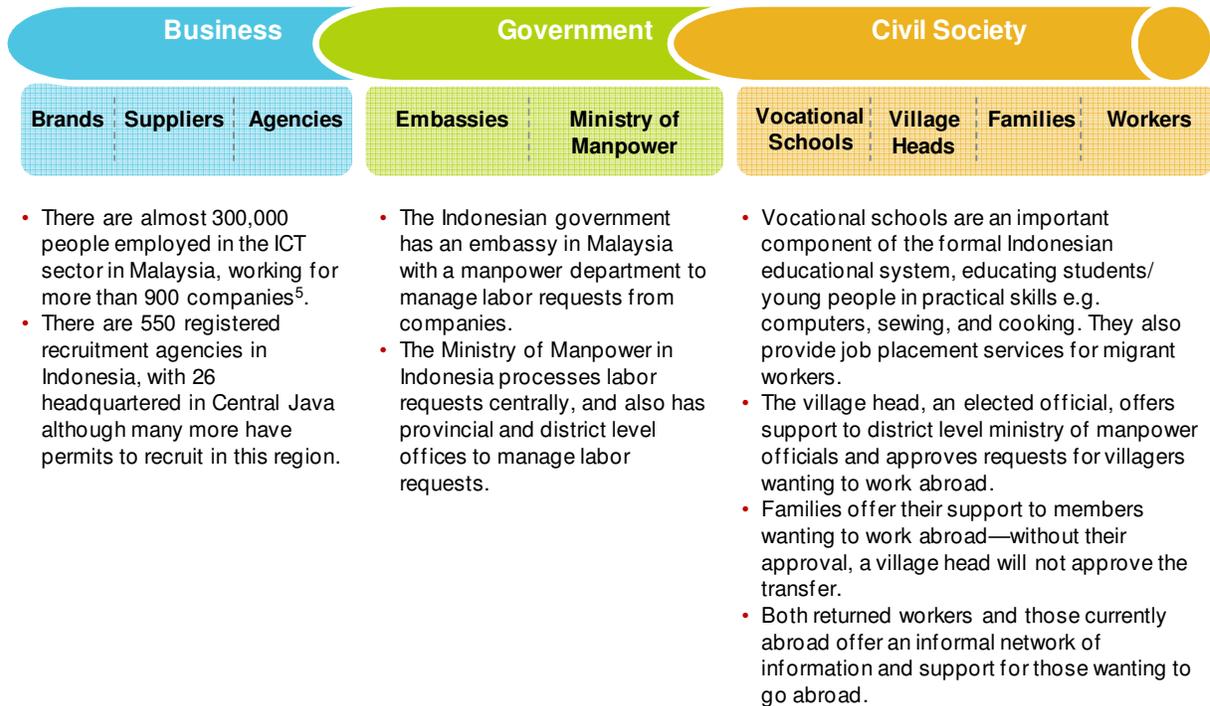
<sup>5</sup> LABORSTA – ILO migration database, Malaysia

## II. The Migrant Worker Recruitment System

### STAKEHOLDERS INVOLVED

For Central Javanese workers preparing to work in the Malaysian formal sector, the Indonesian recruitment system involves multiple groups, organizations, and individuals in both origin and destination countries, as illustrated in Figure 2.

Figure 2: Stakeholders Involved



<sup>5</sup> Migration in a Digital Age – Migrant workers in the Malaysian Electronics Industry – Case Studies on Jabil Circuit and Flextronics

### RECRUITMENT PROCESS

The aforementioned stakeholders play an important role in the demand, supply, and information dynamics of the recruitment chain for Indonesian migrant workers, as outlined in Figure 3.

Figure 2: Indonesian Recruitment System

Employer demand phase	Government phase			Recruitment phase			Acceptance phase			
Company	Indonesian Embassy	BNP2TKI Ministry of Manpower (National level)	BP3TKI Ministry of Manpower (Provincial level)	School Based	Vocational School (District level) + BKK School-based career services	PPTKIS / PJTKIS Recruitment Agency	PPTKIS / PJTKIS Recruitment Agency	BNP2TKI and BP3TKIS	TKI Individual Recruit	BP3TKIS
Prepares a "job order" detailing number of workers needed, job types, qualifications, contract terms, name of agency	Reviews job order and contract terms	Issues SIP (permit for recruitment)	Issues SPR (provincial level request to fill job order)		Not School Based	Ministry of Manpower (District Level)	Recruitment Agency	Presents opportunity, registers job seekers Conducts tests and interviews, offers job, and assists with paperwork	Preparation and approval of documents	Prepares to transit abroad, gets permission from family and village head, obtains documents, signs contract
				Receives SPR, monitors activities of recruitment agencies		Advertises job opportunities in local press, online, and through word of mouth (e.g. agent network)				

Notes:

\*Companies are present 70 percent of the time; during all other instances, agencies conduct this process alone, on behalf of their client(s)

### Important Acronyms

- » MoM – Ministry of Manpower
- » BNP2TKI - Institute for Placement, Protection, and Service for Migrant (national level)
- » BP3TKI - Institute for Placement, Protection, and Service for Migrant Workers (province level)
- » PPTKIS / PJTKIS – Indonesian recruitment agencies
- » BKK – School-based work liaison officer
- » TKI – Indonesian migrant worker

### Employer demand phase

- » A company in the destination country generates a “job order” using a standardized template (see Appendix II) and sends it to the Indonesian Embassy indicating the demand. This document details the types of jobs to be filled, required qualifications for those jobs, and all associated contract terms. The order is sent to the labor representative located at the Indonesian Embassy.

### Government phase:

- » The job order is reviewed and approved by the Indonesian Embassy. According to interviewees, job orders rarely are rejected. Those orders that are rejected generally offer insufficient salaries.
- » The job order is then sent to BNP2TKI MoM in Indonesia, which issues a Recruitment Permission Letter (also known as a “SIP,” in Indonesia because it is “Surat Ijin Pengerahan”).
- » In specific provinces, BP3TKI must also approve the permit to recruit workers.
- » The SIP is “picked up” by recruitment agencies (PPTKIS and PJTKIS), which liaise with a school-based recruitment liaison officer (BKK) and/or advertise job postings online or in the local media. A network of recruitment agents also may be deployed to help find potential migrant workers.
  - Recruitment agencies also can obtain a SIP from MoM by submitting a written application enclosing:
    - Proof of the agency’s legal status

- Copy of the cooperation agreement between themselves and their business partners (sub-contractors in the destination country and/or their end client requiring the labor) for placement of Indonesian workers abroad
- The SIP issued to the recruitment agency contains:
  - The names of potential users or business partners in the destination country
  - The number of candidates to be recruited in the province concerned
  - The type of job/position and the terms and conditions of employment
  - The validity period of the SIP (this period cannot exceed six months)

**Recruitment phase**

For the formal sector, there are two recruitment pathways/routes which a migrant can follow: through a local vocational school or independent of schools all together (this is illustrated in Figure 4). The duration of each route varies but can take two to three months.

**School vs. non-school route**

» The breakdown of those recruited through each of these two routes is unknown. Interviewees suggested that the split likely is even.

*Figure 4: Formal Sector Recruitment Routes*

Vocational School Route	Non-School Route
<ul style="list-style-type: none"> <li>• A student (minimum age 18) is recruited through a job fair that takes places at his/her local vocational school.</li> <li>• Recruitment agents and their client in the destination country (for example, a computer chip manufacturer) “pitch” the jobs for which they are recruiting.</li> <li>• Agents are invited into the school by the BKK (who, in addition to being the recruitment liaison officer is also a school teacher).</li> <li>• Students are tested and interviewed by the agents and their client; if they are successful, acceptance phase begins.</li> </ul>	<ul style="list-style-type: none"> <li>• A candidate (aged 18 or over) is recruited at the village level having responded to a job advertisement online, in the local paper, and/or through word of mouth.</li> <li>• The individual is invited to an assessment day at the recruitment agent’s main office, likely located in the nearest large town.</li> <li>• The PPTKIS conducts aptitude tests, interviews, and, if the candidate is successful, offers a job, at which point the acceptance phase begins.</li> </ul>

Regardless of the route, the following steps are required:

- » Each job seeker must register at his/her local regency/city agency. He/she must be at least 18 years of age, possess a valid health

certificate<sup>6</sup>, a permission letter from his/her family acknowledged by the village head, and an ID card proving registration as a job seeker.

- » The village head must provide permission based on his/her knowledge of the job seeker's personal and family situation. Permission is normally granted, but there are instances where it might not be given.
- » Formal employment offers to candidates must be preceded by the provision of certain information "in the form of counseling and guidance"<sup>7</sup> over the course of one day. That information should detail:
  - Job type
  - Location and working environment
  - Protection procedures and potential risks
  - Registration details (e.g. location and times)
  - Salary
  - Office/working hours
  - Break times
  - Annual leave
  - Overtime
  - Security
  - Social and cultural situations
  - Rights and obligations of the individual
  - Costs to be borne by the recruit and not paid by the agency/employer, together with the repayment mechanism
- » Recruits who pass the official selection criteria (tests, interviews, etc.) must sign an initial placement agreement with the recruitment agency.

### A Note on Fees

- » Recruitment agency officers are prohibited from collecting a recruitment fee directly from a potential recruit per Article 13 of Law Number 14, 2010. Rather, the law provides for a different repayment mechanism in order to provide greater transparency and avoid the potential for "backhanders" and general corruption.

### Variable pass rate

- » According to those interviewed, there was a great variability in the percentage of individuals who pass the test/interview.

### Processing time

- » Processing time from decision to hire to a worker possessing all necessary documentation and departure readiness ranges from three weeks to three months.

### Acceptance phase

After signing an initial placement agreement, the recruit enters the formal acceptance phase of the process.

- » The recruit must provide all the requisite personal information for the preparation of employment papers and passport. Recruits also must agree to undergo medical examinations. This process is managed by BP3TKI and BNP2TKI in liaison with PPTKIS, and copies of the placement agreement are generated for the recruit, the agency, BP3TKI, and MoM at the district level.
- » PPTKIS must submit evidence of pre-placement insurance premium payments. PPTKIS also is required to assist the recruit with the procedures for a medical and psychological check-up pre-departure.
- » The employment agreement, which is separate from the initial placement agreement, must be signed by the recruit when the pre-departure training is conducted. The employment agreement should contain the following:
  - Name and address of the labor "user" (end employer in the destination country)
  - Name and address of the recruit

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<sup>6</sup> Health certificates are required to certify that workers will not be a financial burden on the destination country. For example, female job seekers must not be pregnant; workers must not have a communicable disease etc.

<sup>7</sup> Law 14, 2010, "Implementation of Placement and Protection of Indonesian Manpower Abroad"

- Position and type of work to be undertaken by the recruit
  - Rights and obligations of all parties
  - Conditions and requirements of work, including wages, payment mechanisms, work hours, break time, leave entitlements, social security, and other facilities provided
  - Duration of the agreement
- » Before signing any agreement, a recruit must “read and understand the entire contents of the employment agreement.”<sup>8</sup> Shortly after signing the agreement, the recruit transits to Malaysia.

## REGULATORY OVERSIGHT OF MIGRANT WORKER RECRUITMENT

### Indonesia-specific legislation

Indonesia provides migrant workers with increasing access to overseas work opportunities while providing certain levels of rights protection through the current regulatory framework.

Law Number 39, the central piece of legislation governing the placement and protection of Indonesian manpower abroad, was enacted in 2004. Additional government regulations and presidential decrees enacted between 2004 and 2009 provide the framework for the enforcement of Law Number 39, as listed in Table 1.

**Table 1: Indonesian Regulations governing the Placement and Protection of Indonesian Manpower Abroad**

Regulation	Title
Law Number 39, 2004	Placement and Protection of Indonesian Manpower Abroad
Government Regulation Number 23, 2004	Professional Certification National Board
Presidential Regulation Number 81, 2006	Establishment of the National Agency for Placement and Protection of Indonesian Manpower
Government Regulation Number 38, 2007	Division of Government Affairs between Government, Provincial Government, and Regency/City Government
Presidential Decree Number 02/M/2007	Appointment of Head of National Agency for Placement and Protection of Indonesian Manpower
Presidential Regulation Number 47, 2009	Establishment and Organization of the Ministry of State
Government Regulation Number 14, 2010	Implementation of Placement and Protection of Indonesian Manpower Abroad

### Oversight of Recruitment Agencies

The permit process for recruitment agencies is managed by MoM. Agencies must renew permits every five years. BNP2TKI and MoM also perform monitoring visits to agencies on a semi-annual or annual basis, during which the oversight organizations review agency documentation, verify staff certifications, and ensure

<sup>8</sup> *ibid*

compliance with acts and laws. MoM requires each agency to have at least IDR\$3 billion in assets and hold at least IDR\$550 million in its accounts to guarantee payment of workers' insurance. MoM has the power to revoke an agency's permit if these conditions are not met.

In early 2011, 150 out of 550 agencies in Java had received a "red" warning from MoM and were waiting for a decision on whether their permits would be revoked. Though specific reasoning for these warnings was not available, such a warning generally is issued when agencies provide false information on the age of recruits, send workers to illegal destinations such as Kuwait and Jordan, or when agencies hire workers to fill jobs that are not in accordance with stated contractual agreements.

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### III. Worker Risks in the Recruitment Process

While Indonesia’s recruitment system ostensibly is robust, based on our interviews it is clear that there is significant variability in the implementation of the recruitment and employment process. This variability can contribute to less-than-ideal outcomes for migrant workers. The most significant variability is evident in three areas:

- » Fees
- » Contracts and general preparation
- » Grievance processes and recourse avenues

#### FEES

Put simply, recruitment fee standards do not exist in Indonesia. Currently, these fees may include pre-departure medical exams, a passport processing fee, repatriation insurance, travel costs, and other “administrative” expenditures. Standards on the rate of repayment also do not exist. This creates an opening for a high level of variation in the amount of fees that workers pay, potentially increasing the cost of migration.<sup>9</sup>

Table 2 illustrates a sample recruitment fee breakdown provided during our interviews.

**Table 2: Sample Recruitment Fee Breakdown**

Item	Cost (IDR)	Cost (USD)
Medical exam	250,000	30
Insurance	950,000	111
Passport processing*	50,000	6
Air ticket (est.)^	3,000,000	350
Agency processing fee (e.g. labor tax)	250,000	30
Agency profit	500,000	60
<b>TOTAL</b>	<b>5,000,000</b>	<b>587</b>

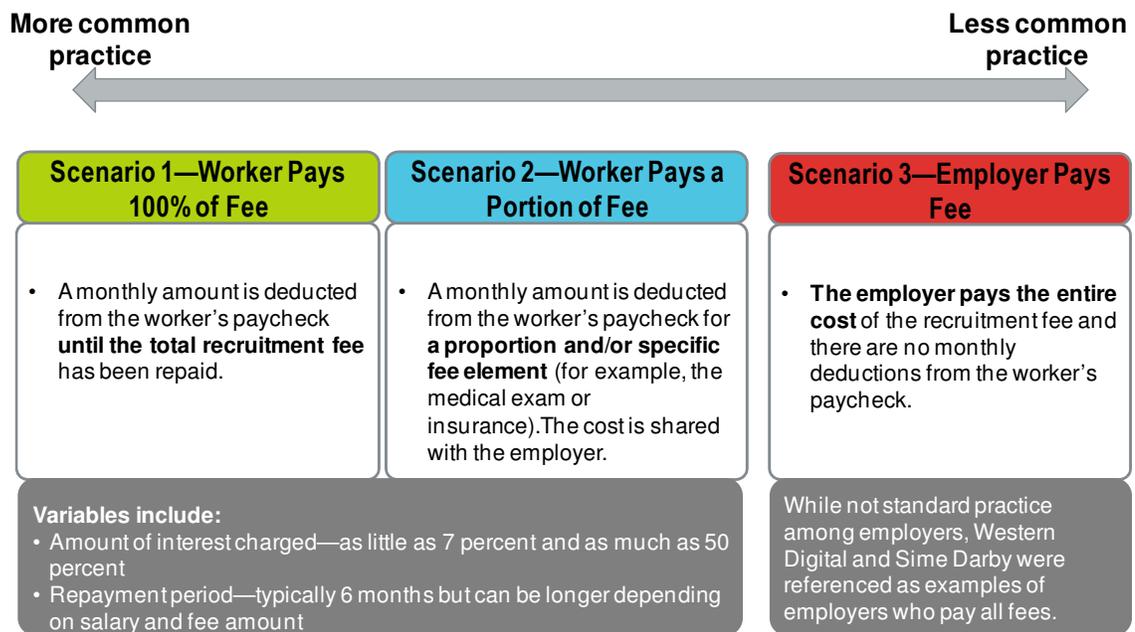
\* The government charges IDR\$50,000 to process passports for new/first-time migrant workers and IDR\$300,000 for passport renewals.

^By far the largest expense, and one which agencies try to manage most closely, given inevitable uncertainties around price fluctuations. Urgent demands to fulfill job orders often increase this cost further and cut into agencies’ margins.

<sup>9</sup> This practice is contrary to ILO Convention 181 on Private Employment Agencies.

Based on our interviews, significant variability also exists in the percentage of recruitment fee costs borne by a worker. Our research indicates that these costs can range widely, from zero to 100 percent (as depicted in Figure 5). The most common practice appears to be for workers to bear 100 percent of recruitment fees. For workers earning an average of IDR\$3 million per month, average monthly deductions of IDR\$500,000 have a significant impact on the money available to live on and to send home. One migrant worker noted that during the first six months of her employment in Malaysia, she had little to no money left to remit to Indonesia.

Figure 5: Recruitment Fee Scenarios



### Illegal and Unofficial Agents

If recruitment agencies are approaching quota deadlines for recruitment and do not have a sufficient number of workers, some will turn to illegal or unofficial agents—“informal sub-agents,” as they sometimes are called. Generally, agencies pay these agents a substantial commission (also referred to as a “finder’s fee”) to secure the workers. Unfortunately, our research indicates that agencies ultimately pass along this cost to the worker in the form of higher processing fees.

In the formal sector, finders’ fees can range from IDR 500,000 to IDR 1 million. In the informal sector, they can be as high as IDR 6 million.

### Outsourcing Companies

For workers that are recruited by “outsourcing companies,” agencies in Malaysia that provide labor to companies on a temporary basis, the deductions from workers’ salaries often are higher than they would be otherwise. In the last few years, workers have become less willing to be employed by these agencies because resulting job salaries tend to be less stable and predictable. Many outsourcing companies also have earned a reputation among workers for providing jobs with poor working conditions and jobs that are inconsistent with job descriptions.

### The importance of informal networks

Over the past two years, having heard bad reviews through word of mouth (for example, returned workers and/or family members in destination countries), workers have begun shying away from outsourcing agencies.

## CONTRACTS AND GENERAL PREPARATION

Employment contracts are another source of variability in the migrant worker recruitment process, especially since there is no standardized contract which guarantees basic rights; in the formal sector, there is no memorandum of understanding (MOU) between the Malaysian and Indonesian governments to enable contract standardization. As a consequence, contract variability can have a negative impact on rights protection. Issues with contracts include:

- » A lack of transparency surrounding the terms of the contract
- » A lack of awareness and understanding on the workers' part in regard to contract content and the pre-departure process
- » Contract substitution

### Lack of transparency surrounding the terms of the contract

In some cases a contract provides minimum information with little elaboration about job type and living conditions in the country of destination. Very often, fee repayment terms are also vague.

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### Perspective from a Returned Migrant Worker

One worker noted her shock when she received her first paycheck in Malaysia; the low net amount made her think she would not be able to pay bills at all. When asked about recruitment fee repayment terms, she was not aware of what interest rate had been applied, or how long it would take her to pay back the recruitment fee. This lack of knowledge was caused in part by her not receiving an itemized breakdown of her paycheck.

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It also seemed that workers just assume that foreign employment has its costs, and that working through the current system strips workers of control over fee repayment as a whole.

### Lack of understanding of the contract content and awareness of the pre-departure process

Although the law calls for each worker to understand what he/she is signing, the presence of two contracts—the placement agreement and the employment agreement—is a potential source of confusion for workers. When it arises, this lack of understanding is a result of poor communication. It also presents an opportunity for abuse by unscrupulous recruitment agencies. In addition, while workers are required to review the final contract during pre-departure orientation, the onus to ensure the worker is prepared for life as a migrant sits largely with the employer and agency, and there is clear variability in the support received by the workers. One such example (according to our research): No training for how to save or manage wages earned is provided.<sup>10</sup>

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<sup>10</sup> BSR Good Practice Guide outlines topics that should be addressed in pre-departure orientation, [http://migrationlinkages.bsr.org/doc\\_repository/BSR\\_Good\\_Practice\\_Guide.pdf](http://migrationlinkages.bsr.org/doc_repository/BSR_Good_Practice_Guide.pdf), pg. 7.

### The contracting process

- » **Drafting:** Contracts are prepared by agencies acting as “mediator”. Contracts are drafted in Indonesian with a typical duration of two years.
- » **Review and Signing:** Signed and witnessed at the district-level MoM and kept on file. Recruits sign two documents:
  - Placement agreement (with the agency):
  - Work agreement (with the company)
- » **Extension:** The initial two year contract can be extended for a one-year period up to three times (i.e. leading to a total duration of five years). After three extensions, workers must go through the whole process again.

### Contract substitution

In certain instances, the job an Indonesian worker agreed to take does not match the conditions he/she finds when he/she arrives in the country of destination. Our interviews revealed that complaints of this nature are quite common. Qualitative differences of this nature represent a soft form of contract substitution. The practice may be facilitated by vague language and a lack of detail in the contract.

Some of the more flagrant forms of contract substitution occur when a worker signs a placement agreement in to work for a specific company in a certain part of Malaysia, only to find himself/herself in a completely different location, working for a completely different company. Workers have no recourse if this type of switch occurred because the placement agreement was vague and allowed room for interpretation. Based on our research, the worst cases of substitution occur when outsourcing agencies and informal agencies or sub-agents are involved in the recruitment process.

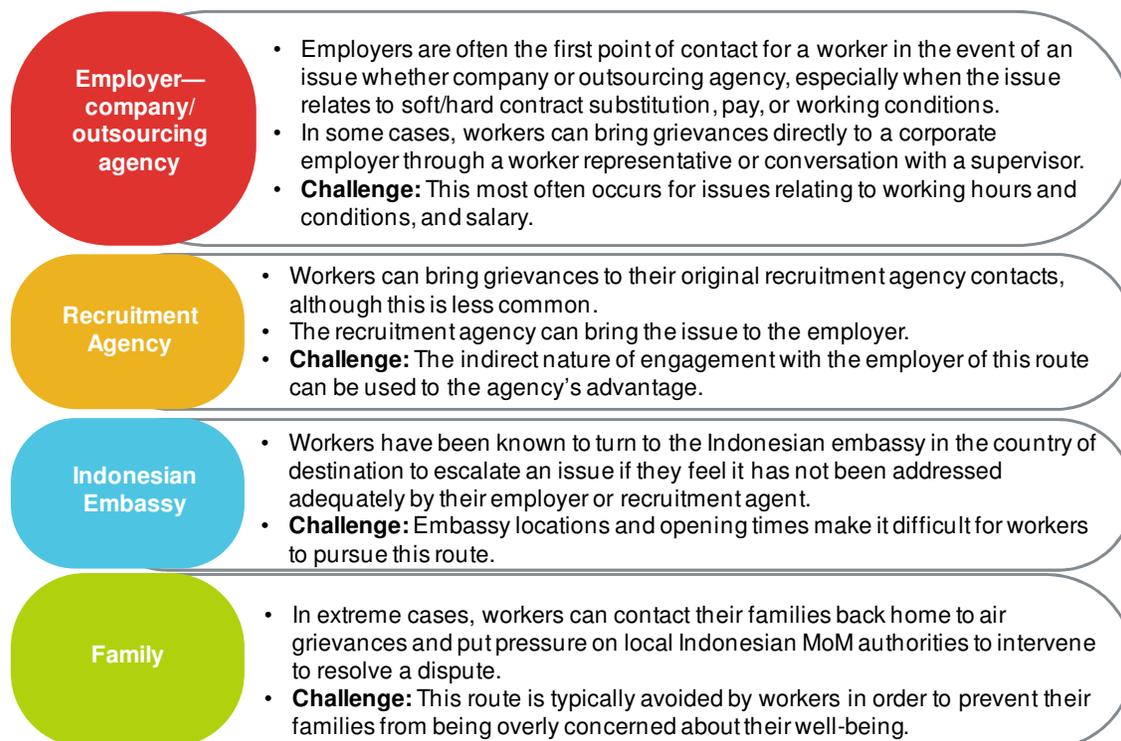
*“[Currently] it’s completely impossible for workers to bring a complaint through the legal system. There are no real enforceable contract rights for the worker. For example, the employer can just change the contract.”*

Indonesia Women’s Coalition  
(Koalisi Perempuan Indonesia)

### GRIEVANCE PROCESSES AND RECOURSE AVENUES

In the occurrence of pay disputes or complaints about work conditions, there are a number of avenues available for workers to air grievances and look for potential solutions. These range from engaging with the recruitment agency to visiting the Indonesian embassy in the country of destination, as illustrated in Figure 6. Our research indicated there usually is a high degree of variability in the avenues that workers choose to pursue. This variability largely is a function of actual and perceived contractual terms. For example, if a worker believes that his/her contract was signed with the recruitment agency, he/she may engage directly with that agency. The worker also may go directly to his/her employer to raise issues about pay or treatment. Recourse mechanisms for more sensitive issues such as discrimination, abuse, and physical and mental health problems were not addressed in the interviews, yet these types of issues remain a reality for some migrant workers.

Figure 6: Grievance Recourse Options



## IV. Creating a Better Recruitment System

There is a clear need to change the current Indonesian recruitment system to reduce the risks and financial costs to workers, and to minimize risks to business and the potential for human rights abuses. Our research indicates that the keys to achieving this transformation hinge on the following actions:

- » **Government:** Must define, codify, and promote characteristics of a “good” recruitment agency, and incentivize ethical recruitment.
- » **Business:** Must improve pre-departure orientation, promote awareness and protection of individual worker rights, and ensure access to remediation measures. This includes deploying tools to assess and monitor the conduct of recruitment agencies in line with established standards. It also involves exploring innovative approaches that leverage informal communication channels of workers and build on the trend toward increased direct recruitment.

### Government

#### Define, codify, and promote characteristics of a ‘good’ recruitment agency, and incentivize ethical recruitment

Governments can help create an enabling environment for better recruitment practices by establishing and implementing sound laws and regulations and establishing MOUs between sending and receiving countries that standardize good behavior. In addition, governments can work to create best-practice guidelines for recruitment agencies.

#### *What constitutes a ‘good’ recruitment agency?*

According to interviewees, six or seven of the 26 agencies based in Central Java can be considered reputable. The basis for such an evaluation is provided in Table 3.

*Table 3: Indicators of a Reputable Agency*

Indicators of a Reputable Agency
<ul style="list-style-type: none"><li>• <b>Existence and overall quality of a training center.</b> Information about the existence of a training center is available from BNP2TKI.</li><li>• <b>Funding sources (bank, personal, etc.).</b> If the agency is funded by a bank this suggests it is proper and reliable.</li><li>• <b>Method of recruitment.</b> Use of vocational schools and official agents instead of informal/unofficial agents.</li><li>• <b>Budget levels for operational recruitment.</b> Higher budgets might indicate use of unofficial agents.</li><li>• <b>Number of clients.</b> How many are currently active? The more active clients, the higher likelihood an agency is reputable.</li><li>• <b>Client turnover.</b> A high level of turnover in clients could indicate that the agency is not of high quality.</li><li>• <b>Total number of workers recruited.</b> Higher numbers suggest a better agency.</li><li>• <b>Returned workers using the same agency to go abroad again.</b> A good indication of a good agency.</li></ul>

While some of the data in Table 3 are available through BP3TKI, the figures are accessed or analyzed rarely. The tendency is for province-level leaders to have a

general idea of which agencies are better than others (many assume bad agencies will go out of business after developing poor reputations). Establishing clear and coherent indicators of “good” agencies and incorporating these into the agency permit application and audit process would be a positive improvement over the current approach.

**How can one incentivize good practice?**

The process of codifying what constitutes a good agency needs to be matched by an appropriate incentive to promote good behavior among licensed recruitment agencies. Conferring awards of “Excellence” and “Top Performer” status to top agencies represents one potential strategy. As an example, the Philippines Overseas Employment Administration (POEA)<sup>11</sup> has undertaken this strategy with good results. Awards are given to agencies which have demonstrated achievements in:

- » Successful deployment and employer satisfaction
- » Foreign reserve generation
- » Welfare programs for workers
- » Development of quality labor markets
- » Merit in technical capability

**Business**

**Improve pre-departure orientation, promote awareness and protection of individual worker rights, and ensure access to remediation measures**

One contributing factor to mitigating risks to worker rights is preparedness (basic awareness, understanding of the contract process, training, culture, etc.).

**How can business best prepare migrant workers, and protect and promote human rights?**

BSR has identified the characteristics of a well-prepared worker in one of our earlier reports, *ILM: Responsible Role for Business (2008)*. These recommendations (see Figure 7) also are relevant for the challenges that workers and companies committed to ethical recruitment face in Semarang.

**Figure 7: Characteristics of a Well Prepared Worker**



<sup>11</sup> ILM: Responsible Role for Business, BSR, 2008

Enhancing the pre-departure training process for workers and conducting regular audits of these sessions are imperative to ensure that businesses are delivering what workers need to prepare them for working abroad. There are a number of other ways in which the pre-departure training can be enhanced, for example:

- » **Create a certification scheme.** Under this system, new recruits only would be allowed to depart for the country of destination once they have a certificate proving completion of formal, rights-based, pre-departure training.
- » **Break the training into modules.** A one-day training is insufficient for workers to receive and retain information on meaty topics such as contract details. By breaking the training into modules over a longer period of time, recruits will have ample opportunities to digest key information and will be able to ask more questions.
- » **Align pre-departure training with post-arrival orientation.** Reinforcing pre-departure training with post-arrival orientation<sup>12</sup> helps make the most important lessons stick.
- » **From a “one-off” event to a process.** The important information exchange between employers and workers should not be a one-time event, but a process. With this strategy, once workers are on the ground at their country of destination, orientation information can be delivered to them twice yearly and revised as necessary. Orientations could simply evolve into an education/information exchange program; this approach would make dealing with subjects such as host-country culture easier and more interactive.

Responsibility for enacting these types of changes lies with buyers, suppliers and recruitment agencies alike. Parties would have to act together, and a system of incentives and penalties would have to be established to ensure that constituents embrace the new approach.

### **Deploy tools to assess and monitor the conduct of recruitment agencies in line with established standards**

Business can deploy assessment and monitoring tools to promote compliance with recruitment standards or through codes of conduct. Quality assessment and monitoring begins with good baseline data. Employers can conduct pre-selection due diligence on any recruitment agency or subagent involved in the hiring and placement of migrant workers. This work also can be followed up with regular audits of recruiters to help ensure that recruitment agencies and other agents are complying with applicable laws and regulations. These initial checks and balances can help set clear expectations with recruitment agencies around recruitment standards. The effort also sets a clear tone from the outset that variance from the standards will have negative consequences.

Another incentive for recruitment agencies to uphold certain standards could be driven by a publicly available, web-based platform set up by employers to rate and review those organizations contracted to recruit workers. Reviews would be based on both employer experience and worker interviews. Business can even establish performance criteria that mirror the recruitment process, and can share

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<sup>12</sup> See BSR Good Practice Guide: Global Migration, *Orientation and Training*, Pg. 7 for further information on topics to address during orientation. Also see BSR Migrant Worker Management Toolkit: *Build Capacity: Post-Arrival Orientation*

these criteria openly in individual agency reviews. This online rating platform could be extended further with a website for migrants to review and comment on agencies and working experiences abroad. This “strategy recognizes the trend toward greater transparency from service providers and acknowledges that workers increasingly are seeking this type of communication. The approach also introduces a new avenue for openness; public disclosures would shed light on the worker experience and recruitment process, and eventually could increase accountability and dialogue about the challenges that continue to plague the system.

### **Leverage informal communication channels for more direct recruitment**

As noted above, peer-to-peer information exchange among workers has become (and continues to be) very important. Leveraging informal communication channels in both online and off-line environments narrows the scope of a recruitment agency’s involvement in the early stages of recruitment; for the model to be successful, workers would require incentives to recruit their peers into a particular company, and in collaboration with company human resource departments, would need to be encouraged to provide direct and more transparent information to those prospective workers. The use of informal worker communication channels has proven to be a viable tool for improving the recruitment process and is an approach which has been utilized successfully by employers in select migration corridors.

### **Shifting Mindsets**

While these strategic changes would most likely lead to structural improvements, it is clear that a shift in mindset is required, as well. Based on our interviews it is very apparent that stakeholders in the migrant recruitment system—especially migrant workers themselves—do not always perceive certain forms of treatment as particularly onerous. Pay discrepancies, repayment of recruitment fees, poor working conditions, and contract substitution all are seen as a cost of migration—basic costs that individual workers have to bear when they make the decision to migrate. Companies need to think about how to shift this normative behavior and empower individuals in the system to seek change.

At the same time, companies need to shift their approach and orientation to ensure that the onus for change is not placed solely on migrant workers. Companies should look at practices and policies such as those put forward in BSR’s *Good Practice Guide: Global Migration*<sup>13</sup> as a starting point when considering how to contribute to building a better system for both workers and business alike.

Multi-stakeholder engagement and dialogue between government, private enterprise, civil society, and the workforce represent the best way to leverage wholesale change and transform migration from an issue about risk to one about opportunity and hope.

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<sup>13</sup>Good Practice Guide: Global Migration. BSR.  
[http://migrationlinkages.bsr.org/resources/detail/good\\_practice\\_guide\\_document\\_labor\\_migration](http://migrationlinkages.bsr.org/resources/detail/good_practice_guide_document_labor_migration)

## Guide to Ethical Recruitment

As follow-up from this report, BSR will develop a guide to ethical recruitment that will explore in greater detail recommendations in this document, as well as other ideas and practices that may help contribute to a better recruitment system. The Guide will be applicable globally and will serve as a tool for business and other stakeholders to promote ethical recruitment. The guide will be released later in 2011.

## Appendix I: Interviewees

Please find a selection of stakeholders interviewed during BSR's field research in Semarang detailed below.

	Participant names	Title	Organization
<b>Government</b>	Mr. Aziz	Head of Section Migrant Workers Placement, Central Java Province	Department of Manpower, Central Java Province
	Mr. Djoko	Staff Manpower, Central Java Province	Department of Manpower, Central Java Province
	Mr. Rahman	Head of BP3TKI Central Java	National Institution of Placement, Protection, and Services for Migrant Workers, Province level (BP3TKI)
	Mr. Pripto Susilo	Head of Section Migrant Workers Placement, Temanggung Regency	District level for MoM, Temanggung District
<b>Agencies</b>	Mr. Yunus	Director	Phinisi Sumber Daya
	Mr. Yandi Pannata	Director	Karyatama Mitra Sejati
<b>Employer</b>	Alan Tam	Human Resources Manager	UNISEM
<b>Village Representative</b>	Mr. Sayoga	Village Head, Temanggung	N/A
<b>NGO</b>	Ms. Mila Karmila	Head of Women's Coalition, Central Java	Indonesia Women's Coalition
<b>Workers</b>	Ms. Ina	Returned Migrant Worker, Temanggung	N/A

## Appendix II: Job Order Example

### DEMAND LETTER

#### LOWER QUALIFICATION REQUEST

Labour Dept Approval A.P No. : JTK-MG-BU-33000-9(A)-6(5)	Dated : 05-05-2010	Approval : 500 Persons
Job Title : General Worker	Sex : Male / Female	
Total Order : 300 Persons	Education : Primary School	
Age : 18 - 40 Years Old	Expected Arrival : May -- December 2010	

#### TERMS AND CONDITIONS

Duration of Contract	: 2 Years
Working hours per day	: 8 Hours + 3 Hours Overtime Daily
Salary	: Male / Female = RM12.00 per 8 hour working
Meal Allowance	: 1 Free Meal + RM4.50 allowance per working day
Annual Leave	: 8 days to 16 days
Wage payment system	: Through Bank
Insurance	: Paid by company
Factory clinic	: Free
Medical Allowance	: Free up to RM300.00 / Year
Accommodation	: Provided by company
Transportation	: Arrange by company after completion of contract.
-- Return Bus Tickets	: Provided by company

#### COMPANY DATA

Name of Company	: GT Plywood Industries Sdn Bhd
Line of Business	: Manufacturing of Veneer & Plywood
Date of Establishment	: 1992
Location of Job Site	: Lot 2389, Kemena Industrial Estate, 97008 Bintulu, Sarawak.

#### APPOINTED AGENT IN INDONESIA

Name of Agent	: PT. Anla Graha
Address	: Jl Kramat VII, No. 30, Jakarta Pusat, Indonesia.

#### OTHERS INFORMATION

Terms of Service (TOS)	: Please refer attached
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Provided by :




Name : Ling Chi Hoo  
 Post : General Operation Manager  
 Address : Lot 2389, Kemena Industrial Estate,  
 97008 Bintulu, Sarawak  
 Date : 24-04-2010

Reg. No. KEH/0071/K/LG/70/0810  
 Mengetahui :

26 AUG 2010

Kuching  
 Konsulat Jenderal Republik Indonesia  
 Kuching Sarawak

Kopala Perwakilan RI  
  
  
 MONICA ARI WIJAYANTI  
 Konsul Muda