

Foreign Worker Analysis: Does it Affect Local Unemployment? Case Study on 'X' Corporation

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Abstract: The purpose of this study is to provide a conclusion about the use of illegal foreign workers and their impact on unemployment at 'X' corporation. The focus of this study is to explain the background of the use of illegal foreign workers in 'X' corporation which has an impact on unemployment and the government's efforts to deal with an illegal foreign workers. This research is using a qualitative approach with a case study method. The data analyzed is the result of document review and interviews with 'X' corporation, Foreign Oversight Unit of the Directorate of Security Intelligence of the Jakarta Metropolitan Police and the Directorate General of Manpower Placement and Employment Expansion of the Indonesian Ministry of Manpower. The results showed that the background of 'X' corporation in using foreign workers, namely because companies need competent workers or experts in operating production machinery in the iron and steel industry and because wage payments given by companies to foreign workers are cheaper. The impact of the presence of illegal foreign workers is the reduced employment opportunities of local workers, the increasing number of unemployed people, as well as an increase in labor and immigration violations.

Keywords: Employment Opportunity, Foreign Worker, Unemployment.

I. INTRODUCTION

National development is all activities to achieve renewal for the better. National development which is full of challenges and global competition will be characterized by competition in the quality of human resources who master science and technology. Quality human resources will determine the future of the nation. Human resource development is an urgent need in all sectors and sub-sectors of development. In the framework of implementing national development, labor is one of the supporting elements that has a very important role for the success of development. In this case employment policies in development programs are always endeavored to create job opportunities in various business fields which are balanced with improvements in quality and protection of workers [1].

Basically, the amount of labor force available in a country can be an effective capital base for development if it is nurtured and mobilized as a productive workforce. However, due to the large number of Indonesian workers who do not have or lack expertise, skills and abilities in mastering technology, many companies in Indonesia are forced to use foreign workers as workers. Apart from the inability to provide quality workforce, other factors that cause Indonesian companies to employ foreign workers include to improve economic relations with other countries and the trust of foreign capital owners to develop their businesses in Indonesia. Usually these foreign capital owners in addition to investing their capital also include workers [2].

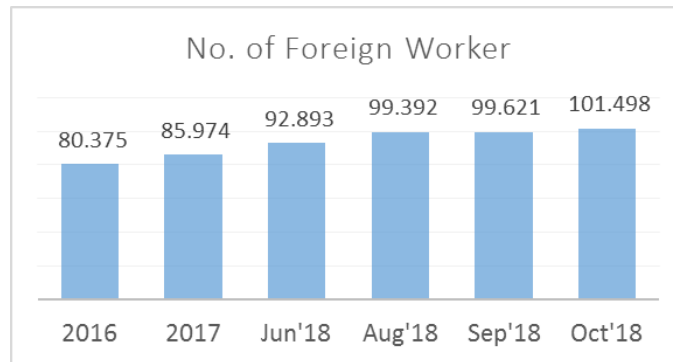


Fig. 1 Foreign Worker in Indonesia

Based on the figure above, the number of foreign workers in Indonesia has increased every month during 2016 - October 2018. In 2016 the number of foreign workers amounted to 80,375 workers but in October 2018 the number of foreign workers increased to 101,498 workers. To employed foreign workers, each company or employer must have written permission from the minister or designated official. The permit in question is the Foreign Worker Permit. To obtain an FWP, the sponsor or employer must first submit an application for ratification of the Foreign Worker Usage Plan (Article Number 13 of 2003). Here are some companies that have expired permits, while their foreign workers are still working at the company.

TABLE: I

Company Name	Foreign Worker's Permit 2017			
	Valid	Expired	Total	% Valid
PT. WG	5	17	22	23%
PT. TSCE Construction	13	125	138	9%
PT. CEC Construction	97	220	317	31%
PT. HC Engineering	0	27	27	0%
Total	115	389	504	

Based on the table above, the most expired number of foreign workers who have permits at CEC Construction is 220 permits, while at HC Engineering does not have a single registered IMTA that is valid but has expired as many as 27 permits.

Based on the results of a report from the Sub Directorate V Foreign Worker Control Directorate of Intelligence and Security Metro Jaya Police, revealed that there are several companies using illegal foreign workers, one of which is 'X' corporation has employed 7 illegal migrant workers. The company is located in DKI Jakarta, which is engaged in the iron and steel industry. The use of illegal foreign workers is something that can lead to sanctions. So it is necessary to disclose and take action against 'X' corporation by related parties. Sanctions can be imposed on foreign workers as well as on employers who have employed foreigners in accordance with the provisions of the Act.

The number of foreign workers must be limited so that it does not become a problem for Indonesian workers themselves. The first threat of foreign labor is the reduction in opportunities for Indonesian citizens to find work in their own country. The entry of foreign workers is certainly a contradiction with the program to reduce unemployment rates that are still quite high [3]. As a step to control the entry of foreign workers, the government needs to improve the control and supervision of the use of foreign workers by the Labor Inspector. This is caused because supervision of foreign workers is considered to be still weak because the number of supervisors is not proportional to the number of companies including companies that arise due to investment and the limited number of immigration offices to monitor the movements of illegal foreign workers [4].

Based on the results of the above description, it can be concluded that the employer can employ foreign workers to work in Indonesia. However, if the use of foreign workers does not follow the rules set by Article No. 13 of 2003 concerning Manpower, it means that they have employed illegal foreign workers. The use of unrestricted foreign workers is feared to have an impact on local workers, one of which is the reduction in employment opportunities that have resulted in unemployment [3].

A. Problem Statement

1. What reasons behind the use of foreign workers in ‘X’ corporation?
2. Does the foreign workers affect local unemployment rate each year?

B. Research Design

1. Research Framework

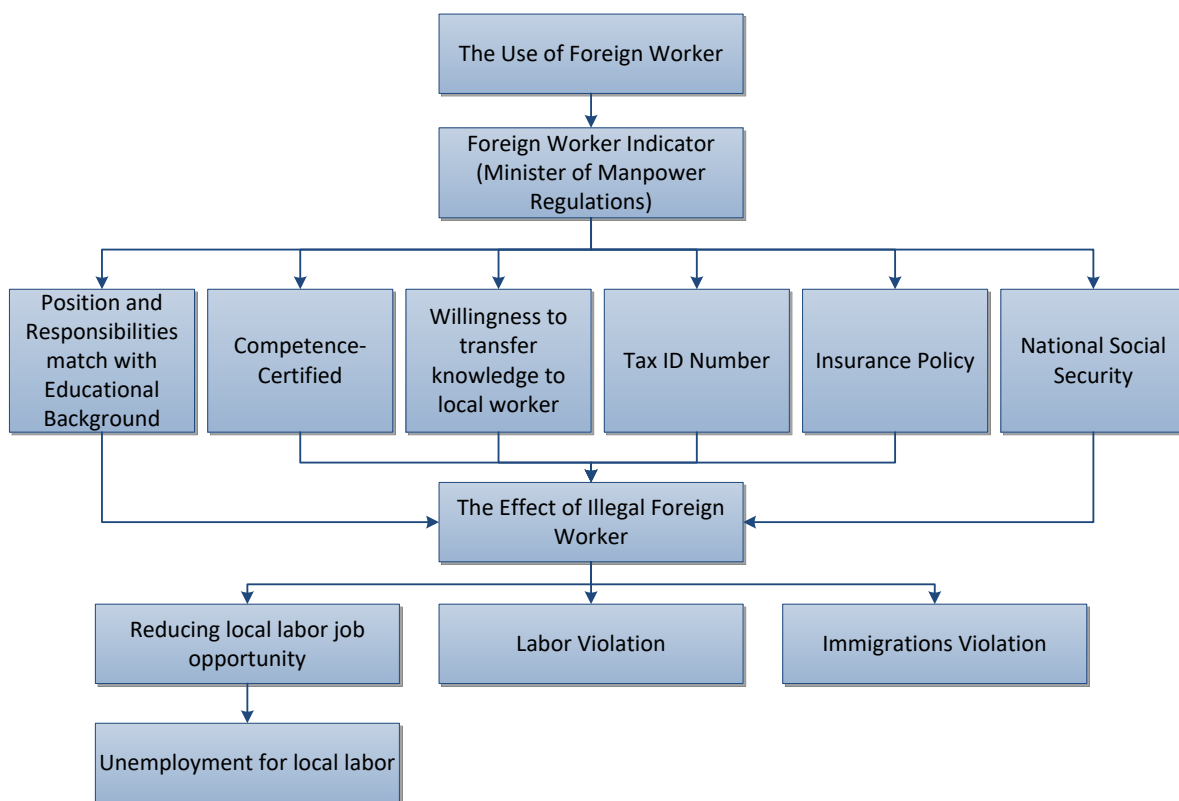


Fig. 1. Research Framework

2. Population, Sample, and Dataset

The research approach used in this study is a descriptive qualitative approach. This type of descriptive qualitative research used in this study is intended to obtain information about the use of illegal foreign workers at ‘X’ corporation which is located in DKI Jakarta and its impact on local unemployment. The location taken in the research has been determined before purposively, conducted at ‘X’ corporation which is a national private factory engaged in the iron and steel industry that located in Cakung, East Jakarta, and Sub Directorate V Foreign Control Directorate of Intelligence and Security of the Greater Jakarta Metropolitan Regional Police (Sub Directorate V POA Metro Jakarta Police Intelligence Agency) located in South Jakarta, and the Directorate General of Manpower Placement and Employment Expansion, Office of the Ministry of Manpower of the Republic of Indonesia located in South Jakarta. Sources of descriptive qualitative data in this study are Person, Paper, and Place. Data were collected using three methods, observations, interviews, and documentation studies. Then the data are analyzed with data collection, data reduction, data presentation, and conclusion drawer.

II. RESULTS AND FINDINGS

A. Reasons for the use of Foreign Workers

Hiring foreign workers is an irony, while in the country there are still many unemployed people. However, due to several reasons, hiring foreign workers is unavoidable. According to [5], there are a number of things behind the company to use foreign workers in Indonesia as follow:

1. Meeting the needs of skilled and professional workers in certain fields that cannot yet be filled by Indonesian workers.
2. Speed up the process of national development by accelerating the process of technology transfer or knowledge transfer, especially in the industrial field.
3. Providing expansion of employment opportunities for Indonesian workers.
4. Increasing foreign investment to support development capital in Indonesia.

The results of a joint interview with the Coordinator of 'X' corporation provide information that the use of foreign workers conducted by 'X' corporation is motivated by several factors, namely the company needs competent workers or experts in operating production machinery in the iron and steel industry. 'X' corporation is a company engaged in the smelting industry. In the production process carried out by the company, workers are required to be able to operate the production machines. The machines used by the company were bought and imported from abroad because they were considered more sophisticated and faster in carrying out the production process, but the Indonesian workers had not been able to operate the machines yet. Therefore, companies need to bring in foreign workers from the machine's home country. The workforce concerned has competencies that are in accordance with the position required by the company, namely as a machine operator. This can be proven based on work experience possessed by the relevant foreign workers. One way for companies not to use foreign workers is to send Indonesian workers who are in the company to carry out education and training to the country of origin of the machine, but this requires a lot of time and money so the company prefers to use foreign workers in production process.

Then the payment of wages made by companies to foreign workers is cheaper. The production process carried out by 'X' corporation includes the selection of scrap metal, burning of iron using a hot furnace and molding iron to become long iron carried out by unskilled workers, basically the work can be done by Indonesian workers. This is done by the company because the foreign workers who work are willing to be paid lower or cheaper wages. In addition, because contractors or those who can operate machinery are foreign workers so that other production processes that can actually be carried out by Indonesian workers, also use foreign workers so that there are no difficulties in terms of communication. Another factor that makes the payment of foreign workers' wages cheaper is because the company does not administer a Foreign Workers Permit or can be said to be illegal so the company does not make tax payments to the government or pay the Compensation Fund for the Use of Foreign Worker for every foreign worker employed in accordance with the laws.

B. Impact of Illegal Foreign Worker

Dependence of technology is one of the drivers of the high number of illegal foreign workers in Indonesia. Some national industries still need technology in the form of machinery from abroad. The machines were not brought in by themselves, but also together with foreign workers to help the adoption of the technology. However, companies are reluctant to equip foreign workers with Permits for Employing Foreign Workers because of the short work period that makes these illegal workers.

As for the results of interviews with the Director of Foreign Security Monitoring Directorate of Security Intelligence of the Jakarta Metropolitan Police and officials of the Directorate General of Manpower Placement and Expansion of Employment Opportunities, according to him, there are several impacts arising from the presence of illegal foreign workers, namely the reduction in illegal workers. employment opportunities for Indonesian Workers. The most negative impact of the influx of foreign workers is the reduction in employment or employment opportunities for Indonesian citizens to find work in their own country. This is because the number of workers will increase. If it is not matched with an increase in domestic business, employment will be increasingly narrow. Besides the arrival of foreign workers to

Indonesia also poses a threat to local workers, especially those who have no skills at all. If not honed, local workers will not be able to compete with foreign workers. This is in accordance with prior research, which is the result of research showing that the influx of foreign workers has had an unfavorable influence on employment opportunities and the level of wages received by local workers. The influx of foreign workers has caused employment opportunities and the level of wages received by local workers to decrease [6].

Then the next impact could increase local unemployment. The presence of foreign workers if it is not matched with additional employment will only cause a lot of unemployment. As a solution, the addition of jobs must also be done. According from survey conducted by Central Statistics Agency, the number of foreign workers has continued to increase over the past three years. In 2015 the number of foreign workers reached 69,025 people, an increase of 7.5% to 74,183 people in 2016. While in 2017 it increased 15.9% to 85,947 people. After the influx of foreign workers into Indonesia the number of unemployed people in 2017 increased by 0.14%, namely 10,000 people to 7.04 million people in August 2017 from August 2016 amounting to 7.03 million people. The number of the workforce in Indonesia in August 2017 reached 128.06 million people. The number is up 2.9% or 2.62 million compared to August 2016 which was 125.44 million people. This means that a 15.9% increase in the entry of foreign workers into Indonesia makes the unemployment rate in Indonesia to 0.14%. This is in accordance with the results of [7], which is the result of research showing that foreign investment from China that enters Indonesia has an impact, namely the increasing number of Chinese workers entering by riding on infrastructure projects owned by Chinese investors. The entry of unskilled workers from China has caused problems because they take jobs from local workers that could lead to local unemployment.

Next impact will increase in labor and immigration violations. A number of illegal uses of foreign workers can increase labor and immigration related violations. In general, there are two violations that can be committed by foreign workers, namely labor violations, that is, if a foreign worker works in the territory of Indonesia without a work permit or has a work permit but the use of his work permit is not in accordance with his permit. For example a person's work permit is in the name of 'A' corporation, but the person concerned in the field works for 'B' corporation. This is a violation of a work permit and in such cases inspection and law enforcement are carried out by labor inspectors. Then immigration violations that is if foreign workers do not have a residence permit or residence permit expires (overstayer). In this case, the inspection and law enforcement are carried out by the Immigration Supervisor under the Ministry of Law & Human Rights. This is consistent with the results of prior research, which is the result of research showing that the implementation of regulations related to foreigners and their activities are not optimal while in the territory of Indonesia, weak coordination of foreign supervision teams and many cases of increased labor and immigration violations done by foreign workers [8].

III. CONCLUSION

'X' corporation in using foreign workers, because the corporation in need of competent workers or experts in operating production machinery in the iron and steel industry, and because wage payments given by companies to foreign workers are cheaper. Payment of foreign workers' wages is cheaper because the company does not take into account of Foreign Worker Permits or that would be considered as an illegal activity, so the company does not make tax payments to the government or pay the Foreign Workers Use Compensation Fund for each workforce foreigners employed in accordance with statutory provisions. The impact of the presence of illegal foreign workers is reduced employment opportunities for Indonesian or Indonesian Workers, increased unemployment, and an increase in labor and immigration violations.

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