

HPG Background Paper

The role of remittances in crisis

An Aceh research study

Researched, written and published by the Humanitarian Policy Group at ODI

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About HPG

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Introduction

This paper will study the role of migrant remittances in the livelihoods of the people of Aceh, with a particular focus on the impact of the tsunami and humanitarian aid. It will limit its scope of remittances to funds sent by Acehnese migrant workers located in Malaysia and Singapore.

The special administrative territory of Aceh, formally known as Nanggroe Aceh Darrusalam (NAD) established in 1956, is divided into eight districts, two municipalities, two administrative cities, 131 sub-districts and 5,349 *desa* (villages). The population is estimated to be 4 million inhabitants. The main ethnic groups are Acehnese, Gayonese, Alas, Tamiang, Simelu, Ulu Singkil, Aneuk Jame and Kluet. Since its resistance to Dutch colonisation in the late nineteenth century, Aceh has been no stranger to violence and conflict. In 1959, the Special Region (Province) of Aceh (*Daerah Istimewa Aceh*) was established with autonomous governance in religion, education and culture. In the following decades, Aceh saw massive exploitation of its natural resources, most notably oil and natural gas. The Free Aceh Movement (abbreviated as GAM) was created in 1976 with the purpose of freeing Aceh from Indonesian rule, and a heavy military presence was deployed in the province in response. From 1976 until a Finnish-brokered peace accord was signed in 2005, there was conflict between the Indonesian military (*Tentera Nasional Indonesia*) and GAM. An estimated 15,000 people died.

On 26 December 2004, an earthquake struck 150km off the coast of Aceh. Forty-five minutes later the tsunami wave hit, and within minutes it had swept clean an 800km coastal strip. Some 130,000 people were killed and 37,000 remain missing. An earthquake on 28 March 2005 added to the toll in Nias, Simeulue and southern parts of Aceh. The December earthquake caused the 2,000sq km island of Simeulue, with its 78,000 inhabitants, to sink about one meter; the March earthquake caused it to rise two meters or more.

These events caused immense social, economic and environmental devastation to areas that were already poor. Before the tsunami, more than a third of the population of Aceh lived in poverty. Now, almost half live below the poverty line or are dependent on food aid. To help households to cope with these political, economic and social conditions, remittances are sent back by large numbers of unskilled and low-skilled migrant workers in Malaysia and Singapore.

This study explores how remittances are used to help households in Aceh cope with crises. The research questions in this study are:

1. How important are remittances in people's survival?
2. What social groups benefit from remittances?
3. Do remittance patterns change in times of crisis? By how much? What are the channels used?
4. How well do assessment methodologies capture the role of remittances?
5. How can humanitarian actors support remittances?

In this study, primary data has been collected based on individual and focus group semi-structured interviews with 29 migrant workers and/or their families in Aceh. The sampling method used was non-random snowballing because of the sensitive nature of questions asked about a family's finances. Attempts were made to ensure that the sample group was split between urban (13 respondents), peri-urban (six respondents) and rural (ten respondents), and between men (21 respondents) and women (eight respondents).

Interviews with six migrant worker union organisers and community leaders were also used. These help to increase the reliability of the conclusions drawn, and enabled some generalisation. To complement the migrant worker interviews, semi-structured interviews were carried out with seven remittance-sending companies in Aceh, Malaysia and Singapore. These companies provide a perspective on the remittance channel and whether it was affected in the aftermath of the tsunami, as well as pre- and post-tsunami remittance patterns. In terms of triangulation of data, there is an analysis of secondary data comprising macro-level and micro-level studies carried out by migration and economic researchers, migrant worker recruitment practices, Central Bank reports, commercial banking reports and postal authority reports.

Migration and remittances in Indonesia

Migration and wages

The top destinations for migrant workers are Malaysia and Singapore (other destinations include the Middle East). This is because of the geographical proximity between Indonesia and these two countries, similarities in culture and the existence of social networks in the destination countries. The labour supply chain is well established. This supply chain is managed by a series of middlemen and brokers (known locally as *calo*). The type of labour that is needed tends to be low-skilled and is used to meet the needs of the mining, plantation, construction and domestic work sectors.

These migrant workers come largely from the agricultural sector, which is predominantly made up of peasant farming. But because of the gains made from technological advancement in this sector, there is less need for agricultural labour (Hugo, 1995). Non-farm activities are limited, leaving many of these low-productivity workers unemployed. Because of the higher rates of economic growth in Malaysia and Singapore, there are more employment opportunities for these workers. Furthermore, the wages paid in these destination countries are much higher than in Indonesia (Hugo, 1993; Jones, 1996). As a result, there is a trend of increasing out-migration in Indonesia.

A migrant worker can be recruited for employment by two methods: 1) with the help of relatives in the destination countries; or 2) by employers/employment agencies in the various sectors.

Social network recruitment

Pioneering migrants who are settled are a very important source of job information for new migrants. New arrivals in Malaysia or Singapore are initially settled by the pioneers, and they are instrumental in finding jobs for the newcomers. This is mainly because there is a social network in terms of a strong blood relationship between new and old migrants (Salt, 1987; Boyd, 1989; Mantra, 1997).

Employment agencies

The employer or employment agency initiates the recruitment process. This type of recruitment is used by Malaysian and Singaporean employers who urgently need to fill positions in factories and on plantations. A premium is paid and this provides an incentive for recruiting agencies and brokers officially licensed by the Indonesian Ministry of Manpower to send migrants illegally (Jones, 1996).

Migrants recruited in this way tend to enter on a tourist visa; when the visa expires, they are likely to be caught, detained and deported; this after having mortgaged land or taken out loans from local moneylenders at 100% interest or higher to pay the recruiter's fee (Jones, 1996). This was verified by a man interviewed in Kuala, Lamno. He had made two attempts to become a migrant worker. He sold all his household assets in order to pay for the recruiter's services, as well as to buy a counterfeit passport. Upon arriving in Malaysia, he was arrested and deported. His remaining asset for collateral, land, was destroyed in the tsunami, and he is now struggling to look for work as a driver. Based on interviews with other migrant workers, the average cost for travel papers (legal or illegal) is a prohibitive Rp6–7 million (\$600–700).

Remittances

According to World Bank estimates, the total amount of remittances received by Indonesia at the national level was \$4.6 billion in 2004. At this aggregated level, remittances represent a large potential for economic development. But this is not the case for migrant workers from poor households.

For these workers, the rationale for labour migration is to improve economic welfare; this is not the same as economic development (Fagen and Bump, 2005). Households' economic dependence on these remittances is very high. Many of these low-skilled workers view their employment as short-term because they would like to be quickly reunited with their families once they have made money. These remittances can be in the form of money, property or ideas (skills) usually carried back by the returnee migrants to their places of origin (Mantra, 1997). Main areas of spending are repairing or building a home, sending children to school or purchasing agricultural land (Rudnyckjy, 2004). However, such spending is adjusted to the unpredictable nature of remittances – migrants will send money home only when they have paid off their debts to agents and have some savings.

One of the problems encountered in computing or estimating how much remittance is made by these migrants is the uncoordinated nature of remitting. On average, a migrant remits 20%–50% of his/her income (Orozco, 2005). In Indonesia, the value of individual remittances can range from the equivalent of \$25 to \$75 a month (Kompas, 30/10/2004; New York Times, 26/3/2006). Although these amounts seem negligible, they go a long way in supporting the livelihoods of families in Indonesia. This is because, given the weak exchange value of the Indonesian Rupiah compared to a foreign currency like the Malaysian Ringgit (RM), the family in Indonesia has significantly increased purchasing power.

These remittances become a critical source of cash. These amounts can help prevent families from falling into chronic poverty, or can minimise the incidence of transitory poverty.

Migration and remittances in Aceh

Migration

According to the 2003 estimates of the national *Badan Pusat Statistik* (BPS), almost 30% of the population in Aceh was living below the poverty line, as against the national average of 17.4%. Aceh is the third poorest region in Indonesia despite its natural resources, which are mainly extracted for use at the national level. Table 1 provides a breakdown of income per capita and poverty levels by district in 2003.

Table 1 Population, per capita income and Below Poverty Line (BPL) in 2003, by district

District	Population ('000) <u>a/</u>	Per Capita Income (2003 US\$/year) <u>b/</u>	Percent BPL <u>c/</u>
Aceh Tengah	272.5	557	28.90
Aceh Utara	523.7	556	38.20
Lhokseumawe	167.4	549	25.60
Aceh Besar	296.0	525	30.50
Bireuen	361.5	521	30.00
Sabang	24.5	500	32.40
Langsa	122.9	471	16.30
Aceh Selatan	197.7	450	29.40
Aceh Barat Daya	115.4	413	29.50
Aceh Tamiang	225.0	411	26.00
Aceh Timur	331.6	367	31.60
Aceh Singkil	124.8	363	29.50
Nagan Raya	144.0	360	34.70
Banda Aceh	223.8	357	9.70
Pidie	517.7	327	38.90
Aceh Barat	195.0	298	36.10
Simeulue	59.1	286	35.00
Aceh Jaya	98.8	270	32.00
Aceh Tenggara	150.8	144	24.20
Gayo Lues	66.4	114	32.20
NAD	4 218.60	862	29.80

Source: a/ BPS-Aceh 2003; b/ calculated based on data from BPS-Aceh and exchange rate (Rp:US\$) of 8 577; c/ WFP data base.

Note: Poverty Line, US\$0.47 per capita per day for Aceh and US\$0.45 per capita per day for Indonesia. It varies district to district, with max in Aceh Besar of US\$0.54 and min in Simeulue US\$0.45.

The unemployment rate in Aceh was 11.2% in 2003, higher than the national average of 9.5%.¹ Many of the unemployed Acehnese are either unskilled or low-skilled workers from subsistence and low-income production households. Because of the inability of the province to provide economic stability and personal livelihood opportunities and the consequences of the conflict, workers have to look elsewhere to improve their economic welfare.

There are two main differences between Indonesian migrant workers and Acehnese migrant workers. First, while most Indonesian migrants take on short-term work contracts, Acehnese migrant work is characterised by both short-term and long-term work. Long-term work increases the ability of workers to keep sending remittances home. Second, migration and remittances have been strongly influenced by the conflict. Acehnese society was in continuous crisis for over 30 years. How people coped is reflected by migration trends (forced and voluntary), and the remittance system as an adaptive response has developed over time. The same type of coping has been used in response to the tsunami.

There are permanent Acehnese settlements in Malaysia and Singapore. Migration by these settlers was not solely motivated by economics. People migrated for different reasons – trade, education, religion and politics. The implication is that the social network for Acehnese migrant workers is much stronger than for other Indonesian workers. The settlers become an important source of information and support for new arrivals.

Acehnese migrant workers in Malaysia and Singapore are concentrated in urban and peri-urban areas which have these social networks. Based on interviews, there is specialisation of work and this is distinguished by gender. Men tend to work in construction, factories and trading. Women tend to work in factories. In the interview responses it was found that men tended to accept work in the informal economy and risked arrest and deportation. On the other hand, women tended to work in the formal economy, and as such experienced less vulnerability. This distinction is related to education levels and the qualifications required for formal work. In the interview responses, the men tended to be less well-educated than the women, who all have at least a high school education. This is associated with the conflict, where males were targeted, and many could not complete their education. Another distinction was that men tended to take on unpredictable short-term work, while women signed job contracts for two years, which could be renewed. Many women were between 18 and 30 years of age, worked for up

¹ Based on World Bank figures

to five years in factories, accrued more savings for remittances and/or investment and then returned home to Aceh to marry.

During fieldwork, the presence of a social network was found in an Acehese community located in Selayang near Kuala Lumpur. The size of the community is about 500 people. This is a low-income, peri-urban area that functions as the wholesale market for fresh produce sold to the city. Wholesale trading activities here used to be controlled by Malaysians, but this is gradually changing because of the entrepreneurial spirit of the Acehese. Acehese in this community come exclusively from Pidie, Bireun and Lhokseumawe. They will only protect the interests of those from the same area of origin. In interviews with community leaders, this group has been in existence since the beginning of the conflict. According to them, there are other similar communities in the Klang Valley, Penang, Malacca and Johor. Community leaders explained that they have been assisting in the relocation of undocumented migrants (mostly men) from the same areas of origin in order to escape political persecution. This assistance was also provided in the aftermath of the tsunami, when some IDPs did not know if the security situation in Aceh would stabilise. Once they have entered this community, migrants receive assistance in looking for housing and work on construction sites or increasingly at the wholesale market. Since the Aceh peace agreement, some families who migrated either because of the conflict or because of the tsunami have started to return to Aceh.

Based on interviews, the wages earned in the different types of work were as given in Table 2. :

Table 2: Wages earned

Type of work	Monthly wage (US\$ equivalent)
Construction	400–530 (depending on skill level)
Factory	114–530 (if including overtime)
Trading	320 (average income)
Services – bakery, restaurant, cleaning	186–213
Domestic maid	133–213
Plantation	106 (average income)

The wages in all these types of work are well above the Aceh average (equivalent to \$71/month or \$862/year) – a wage differential up to seven times higher. It is assumed that wages in Aceh have not significantly changed since the tsunami.

To analyse this further, in Aceh if an individual is able to secure stable casual work or can be consistently self-employed, say as a motorised rickshaw or *becak* driver, he/she is able to earn between the equivalent of \$90/month in Banda Aceh. This amount is not sufficient to support an entire household or to enable a single person to have savings. This is because, in dollar value, basic needs in Aceh are approximately \$80/person/month,² and the average size of a household (pre-tsunami) is five people.³ Based on this comparison of wages, there is a strong motivation for the out-migration of unskilled/low-skilled Acehnese workers.

Remittances

Based on limited data accessed from Pos Indonesia, the amount of remittances received in Aceh for 2003 was \$3.15 million.⁴ This amount does not include remittances sent through sources other than Pos Indonesia, and does not include remittances in the form of property or skills. It is extremely difficult to collect this missing data. Compared to the World Bank estimate of \$4.6 billion for the whole of Indonesia in 2004, based on a crude approximation it can nonetheless be observed that remittances contribute minimally to the regional GDP of Aceh. But remittances still play a very important role in society in terms of improving economic welfare.

In general, remittance channels can be categorised as formal and informal.

Formal remittance channels

Formal banks in Malaysia such as Bumiputera-Commerce Bank (BCB), Rashid Hussein Bank (RHB) and Malayan Banking provide remittance-sending services using telegraphic transfers (TT) or international bankers' cheques. In Indonesia, banks such as Bank Internasional Indonesia (BII), Bank Nasional Indonesia (BNI), Bank Rakyat Indonesia (BRI), BUKOPIN, Danamon and Bank Syariah Mandiri provide remittance-receiving services. The recipient must have a bank account. The time needed for the transfer to reach a recipient in an isolated area can be up to two weeks. This is because the receiving bank

² Based on calculations by PUGAR – The Center for People Movement & Democracy, Aceh

³ Based on calculations used by NGOs in the tsunami response for pre and post tsunami household size

⁴ Kantor Pos Purwokerto ; FAO & WFP Aceh Food Supply and Demand Assessment March 2005,

branch is located in a town and the recipient from a village has to arrange for transportation to go to the bank to withdraw the funds. Banks like BNI and BRI are expanding to rural areas. These services tend to be used by formal migrant workers with a higher level of education, who demand secure transactions and who are less sensitive to commission fees. In addition, they have a higher level of awareness of the benefits and costs of using these services. Commission fees increase with the amount sent. Fees are considered to be expensive. Migrant workers usually compare these fees with the amount of rice that can be bought at Acehnese prices – 1kg for \$0.90.

Another formal channel is Western Union (WU), where the recipient does not necessarily have to have a bank account. The transfer is made in minutes. The sender receives a Money Transfer Control Number (MTCN – used by WU as a condition for disbursing funds). Either the sender or WU contact the recipient (in writing or, for an additional fee, by phone) to inform him/her of the transfer. The recipient is then required to go to the designated WU agent and provide the MTCN and identity card (ID) to receive the cash disbursement. If the recipient does not have ID, WU has a Test Question for which only the sender and recipient have the answer. Agents are only located in the main towns of each district in Aceh. Alternatively, WU will function like a bank and transfer the funds to the recipient's bank account. Many formal banks are WU agents. Commission increases with the amount sent, and is relatively expensive. At the lowest point of the scale for its operations in Malaysia, the commission fee is \$5.

For those without bank accounts, another formal option available to them is to receive a money order (*wesel pos*), whereby the sender informs the recipient of a personal identification number to be used at the receiving post office for redemption. Alternatively, people with proof of identification or a letter from the sender will receive a cash disbursement from the post office. According to Pos Indonesia, *wesel pos* is the most popular system of remittance.⁵ But it appears to be less popular with the Acehnese, as only one respondent used it. In interviews, it was found that some of the 'unbanked' used the bank accounts of others to receive remittances.

Formal remittance values and patterns are recorded by the central banks of Indonesia, Malaysia and Singapore. Indonesia requires general monthly bank reports, but does not specifically require information on remittances. In Malaysia, bank reports on cross-border settlements are submitted online daily through the International Transaction Information System (ITIS).⁶

⁵ Kontan-Online No.34 Tahun IX 30/5/04

⁶ Source: Regional Technical Assistance 6212: South East Asia Workers' Remittance Study, Asian Development Bank

Informal remittance channels

The money changer or bureau de change is licensed in Singapore to provide remittance services. But it is not permitted in Malaysia, making it an informal channel. It provides a generally safe and more affordable and convenient alternative to the formal remittance channel. It charges a flat rate for any amount transferred. Currency exchange rates can be negotiated, which better-educated workers tend to do. Rates vary between money changers, and this can be from RM10–RM25. Transfers are made in 1–2 days. The sender writes a letter to the recipient which the recipient has to provide to the corresponding money changer to collect the funds. Rates tend to be more competitive in Kuala Lumpur than elsewhere. Most of these money changers cluster in shopping areas such as *Kota Raya* Shopping Complex and the surrounding shop-houses, where there is a heavy presence of migrant workers from different countries. The equivalent in Singapore is Lucky Plaza. Operations remain open after office hours and on weekends. Factory workers who have long shifts are able to take advantage of these longer operating hours. Partner money changers in Aceh provide a crucial link in this chain. This is because they provide additional community services, such as physically depositing funds into the recipient's bank account or delivering the funds to the recipient's home. Based on interviews, there have been no cases of theft or fraud using this service. This is the most popular service chosen by the interview respondents.

The riskiest type of informal channel is remittances via friends and relatives. This service is used by workers who cannot afford to come home often, do not have permission from their employers to take a leave of absence or do not want to risk arrest by immigration officials. Remittances are sent in the form of cash, clothes and consumer goods (TV sets, fridges, rice cookers). Based on interviews, there was a low incidence of friends or relatives stealing the remittances. However, there was a higher incidence of the remittances being confiscated by customs officials in Indonesia. But over time, according to respondents, migrant workers were becoming more aware of safer channels.

Another informal option, albeit rarely used, is provided by the *taikong*. This individual functions as the employer and remittance agent of the migrant worker. For a fee, the *taikong* will ensure that the remittances are delivered to the home of the recipient.

There are no records of the value of remittances sent through informal channels. But given the services that this channel offers it is likely that amounts are high.

Remittances before the tsunami

Before the tsunami, these formal and informal remittance channels were well developed and functioned well. Formal migrant workers could choose between the two channels. Informal workers could use a combination of the two – the sender without a bank account could use a money changer to transfer funds to his/her family’s bank account. Respondents explained that families try to ensure that there is one bank account for use by the whole family. Normally, it is the head of the family who has the bank account and everyone else uses it.

Based on interviews with Acehese families, the most important cash spending priority for remittances is to support elderly parents. This is because of the importance of filial piety in Acehese values. The next priority is to help pay for the family’s basic needs, which includes school fees. Housing, which is a priority in other parts of Indonesia, was not as important to the Acehese as most had some form of housing and land (pre-tsunami).

Remittances are normally only sent after the first year of work in Malaysia or Singapore. This is because workers have to repay recruitment fees/debts to the *calo*. Workers entering Malaysia or Singapore illegally using social networks have no fees to pay. Amounts sent tend to be fixed because most migrant workers, with their limited income, have a fixed cost structure that covers, in the following order of priority: 1) debt repayment; 2) living expenses; and 3) remittances. The amount of debt to be repaid is determined by the *calo*, and repayment is normally extracted directly from a worker’s wages. The remaining income is then split between the worker’s living expenses, remittances and a minimal amount of savings.

Table 2: Remittance patterns

Sender	Recipient	Amount per year (US\$ equivalent)	Frequency
Father and breadwinner	Wife and children	400–530	Once a month, every other month, quarterly
Son	Parents	Up to 200	Upon parents’ request, once a month, quarterly
Daughter	Parents	50–300	Upon parents’ request, once a month, every other month

Daughter	Widowed mother	120	Quarterly
Brother	Parents and siblings	20–500	Once a year
Brother	Brother	Minimal amount	Upon brother's request

At the household level, there is a degree of reliability in the remittance pattern, though the whether the same fixed amount is sent every month is questionable.

Reliability as defined by respondents who receive remittances means that they are assured they will receive the funds at a fixed frequency for a given year. To illustrate, a child needs to pay school fees at the beginning of every month. His father, the migrant worker, promises a monthly remittance to meet this obligation so that the child does not risk being expelled from school.

Reliability increases when the sender is the father and head of the family. Fathers interviewed said that, by sending money every month, they felt assured that all expenditures could be paid on time. They did not have to worry about their wives being ashamed for making a delayed payment. Also, reliability increases when the recipient is an elderly or widowed parent. However, as shown in Table 2, reliability decreases when the sender is not the head of the family. It was also found that, if the sender had many siblings who had jobs, there was even less priority to send remittances. Young migrant workers interviewed, especially unmarried men, were more inclined to use their income as savings for future investment in Aceh. Daughters were found to be responsible for their widowed mothers' well being.

The ability to send the same fixed amount every month is dependent on the sender earning the same amount every month, and having the same expenses every month. This can be difficult to achieve if workers do not work consistently over time, if the employer has less/no work available or if the *calo* announces more hidden costs that the worker has to pay.

Concerning the money changers, many respondents found their services to be reliable and satisfactory. Money changers interviewed explained that they had become familiar with their customers and knew which village the recipients lived in. Door-to-door deliveries could be made. The services provided by money changers contributed to increased reliability in remittance flows.

When viewed at the macro-level, these remittances can be described as unreliable because households receive different amounts at different frequencies throughout the year. But according to Pos Indonesia, each year, there is a guaranteed spike in the value of amounts sent to all of Indonesia a few days prior to the *Idul Fitri* celebrations. Remittances received in 2003 via Pos Indonesia were \$3.15 million. The amount received was distributed uniformly throughout the year with the exception of a 300% spike for *Idul Fitri*.⁷ Workers who cannot return home, although it is a social obligation to do so at *Idul Fitri*, will try to compensate by sending more money during this period; more remittances are needed during this time to pay for the celebrations and more remittances are needed to cover the Muslim obligation of *zakat al-fitr*, or charitable contributions to those who are less fortunate.

Social benefits of remittances

With reference to Table 2 and the interview responses, remittances are of the greatest social benefit to elderly parents and widowed mothers, followed by the worker's wife and children. Remittances play a social protection role for these groups in the absence of any formally state funded and implemented welfare programme. However, parents tend to receive remittances as subsidies while the wife and family tend to be fully covered.

Elderly parents are always the first beneficiaries of remittances. This is based on the values of filial piety of the Acehnese. But they do not always receive enough from their migrant worker child to cover all their basic needs. This is because, if they have many children, each child is expected to make a contribution. Hence what the migrant worker child sends is a cash subsidy to contribute to meeting total basic needs. Children who remain with the parents contribute in other ways if they do not have income, including planting vegetables and cooking meals at home. But this situation becomes precarious if the parents have an only child who is a migrant worker. Because there are limits to how much an unskilled/low-skilled worker can earn, an only child will find it extremely difficult to cover all his/her parents' basic needs. As a consequence, the parents will have to rely on the community for relief and care assistance.

The next group of beneficiaries to receive remittances are wives and school-going children. In the male-dominant society of Aceh, this is the obligation of the husband and father who is the head and breadwinner of the family. The man must cover all of the household expenses. If the situation is

⁷ Kantor Pos Purwokerto ; www.posindonesia.co.id

extremely difficult, the wife will try to supplement their income by selling vegetables in the market or sewing. If there is such a situation, then the man's elderly parents will receive a smaller portion of the remittances so that the man can meet the obligation of supporting his wife and children. Women do not have this obligation. Furthermore, they tend not to be married when working in Malaysia or Singapore. This is because factory employers specifically require their female workers to be single and not have any commitments (see Appendix 2). As such, they tend to focus their remittances on their parents.

If the migrant worker is single and making more than enough to cover his/her parents' basic needs, he/she is expected to contribute cash to his/her siblings. However, in the aftermath of the tsunami several respondents stopped receiving remittances from their siblings after their parents died in the tsunami. Without parental pressure, siblings are expected to be independent and should not be receiving any social benefit from remittances. As such, the group that receives the least social benefit from remittances are the siblings of migrant workers.

Beneficiaries are selected on the basis of their role in the Acehnese family, their level of self-reliance and their actual and future vulnerability. When asked to measure the amount of remittances needed to reduce this vulnerability, all respondents explained that they could not think of this in terms of dollar value. All of them equated vulnerability with the failure to meet basic needs (*kebutuhan hidup*), specifically three meals a day and clothing. But several added that, since the tsunami, basic needs included medicine, though they did not specify the type of medicine. The need for medicine may be because of a perceived or actual increase in vulnerability since the tsunami. None of the respondents viewed their remittances as going beyond fulfilling the basic needs of their dependants, such as investments in housing expansion or the purchase of a car. None of the recipients viewed the remittances as a tool for discretionary spending or long-term savings. This may be because their families are extremely poor and are only concerned with avoiding the maximum loss of daily welfare (Siegel and Alwang, 1999).

Another aspect of benefit that these senders and recipient groups identified was in terms of the peace of mind derived from receiving reliable remittances. As explained earlier, respondents felt reassured when they received the same amount of funds (or more) at a fixed frequency throughout the year. They did not want to worry and make phone calls or send SMS messages to each other to discuss remittances. Senders and recipients did not want to worry about failing to meet the recipients' basic needs. This was because they did not have any alternative source for immediate cash spending – many

were un-banked; could not qualify for credit/loans let alone build a credit history; did not have assets that could be easily converted to cash; and did not have rich relatives.

Impact of the tsunami on migration and remittances in Aceh

Based on interviews, in the first month after the tsunami, many migrant workers could not locate their families. Family members either died or were displaced. These workers took 14–30 days to locate their families using mobile phones (calls and SMS) to contact friends and relatives. After locating them, more workers could not return to care for their families in the emergency period than those who could. This was for several reasons – the worker had just started his/her first year of work in Malaysia and Singapore and had to use all of his/her income to repay the *ca/o*; the worker had entered the destination country illegally and could not risk arrest by leaving to return to Aceh; the worker did not receive permission for a leave of absence; or most family members had died including parents, and it was pointless to return to care for a surviving sibling.

One respondent who managed to return located her entire family in an IDP camp. She said that she returned with a plane-load of other workers at the beginning of February 2005. She was fortunate to receive a leave of absence for a month. In addition, her employer made a charitable contribution of RM1,000, or approximately \$266. She brought home money, food, clothes and gifts to help her family, especially her widowed mother, through the emergency period. She stayed with her family in the camp for the month she was in Aceh. She was very grateful for the aid assistance that they had received in the camp. By the time she left, her family had returned to rehabilitate their damaged home.

Another respondent flew from Malaysia to Aceh two weeks after the tsunami. She used to send remittances to her family frequently, but since starting her own family in Malaysia she had sent less money and tended to focus on her mother's needs. In the aftermath of the tsunami, she ensured that her mother was relocated to a relative's house, and had sufficient funds, food, medicine and clothes. She did not provide any assistance to her brother. She expected her brother, who lived in Banda Aceh, to be self-sufficient.

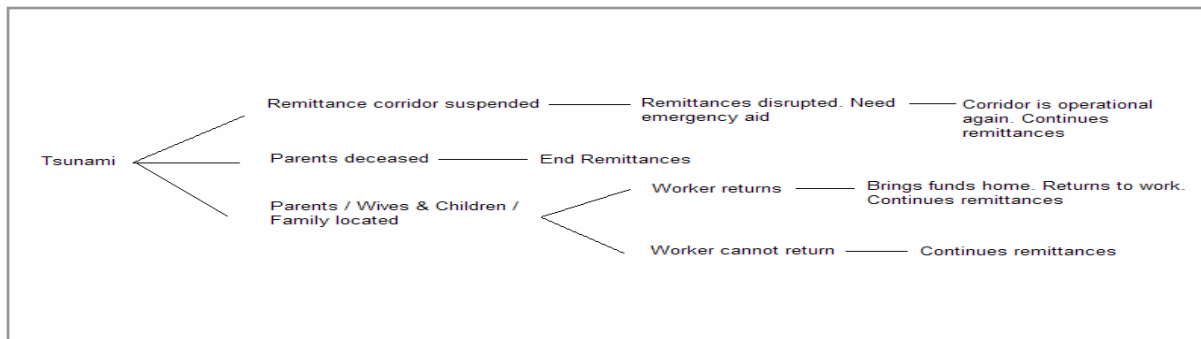
In a third case, there is less concern for a sibling. A young motorised rickshaw or *becak* driver reported before the tsunami that his older brother sent remittances to his parents and nine family members, including himself. He received a share of the remittances because of his parents' request. But after the deaths of his parents and eight family members in the tsunami, his older brother decided to stop

sending regular remittances even though this young respondent was a survivor. He was expected to be self-sufficient as his older brother struggled to get by in Malaysia.

For migrant workers who wanted to return but could not and had some savings, emergency remittances were sent via friends and relatives. According to six respondents who could not return immediately after the tsunami, amounts remitted were the same as pre-tsunami. In addition, according to a migrant worker union organiser, the union had a fund-raising campaign to supplement the remittances of workers. These charitable contributions were pooled and distributed by community based organisations (CBOs) using their social networks and by humanitarian actors. But the union organiser acknowledged that the union could not individually supplement a worker’s private remittances. Other respondents confirmed that there was a significant level of charitable contributions. This implies that these contributions either supplemented or substituted for remittances.

The impact of the tsunami on changes in the social behaviour of migrant workers and remittances during the emergency period is shown in Figure 1.

Figure 1: The effect of the tsunami on remittances



The distribution of goods and cash by humanitarian agencies and CBOs to IDPs (through cash transfers, grants and cash-for-work) were extremely important during the emergency. This was especially the case in isolated areas, where such distribution was an alternative to regular channels. Both the formal and informal remittance channels were badly affected by the tsunami. Corresponding banks for remittances and infrastructure were destroyed or severely damaged. Only BNI and Bank

Syariah Mandiri in Lhokseumawe on the east coast were operational by the first week of January 2005 (Kompas, 31/12/2004). BII was operational by 14 January (see Appendix 2). Although Western Union was operational within 24 hours of the tsunami, it had limited coverage because its agents, including the above-mentioned banks, had suspended operations (see Appendix 2). Money changers were only operational 1–2 weeks after the tsunami. However, Pos Indonesia managed to function by redirecting its workload away from damaged areas in Aceh to Jakarta and Medan. Correspondingly, according to the Central Bank of Indonesia, total remittances received by the country for January–February 2005 was Rp.177,680 million, down by 7.34%. This figure did not include remittances using informal channels. As such, it could be strongly inferred that the reduction was even more significant during the emergency period.

The main problem that many migrant workers faced was that they could not provide an address for their relocated families. A mailing address is needed by WU, Pos Indonesia and money changers for contact to be made with the recipient. The use of a mailing address to identify a recipient is an institutionalised practice in both formal and informal channels because many recipients from poor rural households do not have ID. Other households use indigenous practices in land titling – their head of village or *kepala desa* and their neighbours vouch for the identity and even ancestral roots of the individuals in a given house; this is in lieu of a formal land title registered with the municipal government. The post office adapts to this indigenous practice without having to assign a number to the house. To illustrate, during fieldwork respondents in isolated areas were located by providing the name and the hamlet of residence. A neighbour would then walk the researcher to the specific location. In other words, the mailing address becomes a substitute for the identity and location/area of origin of the poor and marginalised. This situation was exacerbated by the tsunami when those who did have IDs lost them in the disaster, and their identity could not be verified by neighbours because of massive displacement.

Formal remittance-sending companies sought to promote transfers during the emergency period. Singapore Post (Sing Post) announced a commission waiver on remittances to tsunami-hit areas from 14 January–31 January 2005. On behalf of Western Union, Sing Post also announced that a reduced and flat rate of \$12 would be charged for remittances to any of the tsunami-affected countries. Transfer amounts could not exceed S\$1,000 (US\$131). This was valid from 14 January 2005–10 February 2005. It was expected that price-sensitive migrant workers would respond positively to this. However, Sing Post reported that the remittance trend remain unchanged during this period. This is probably because

the problem of identifying and locating/tracing recipients was more significant than savings on the commission fee.

Using the only accessible January–February 2005 official figures from the Central Bank of Indonesia and Sing Post, it can be strongly inferred that many IDPs had their remittances disrupted and had to rely on NGOs and CBOs for emergency relief. But by February–March 2005, remittances started to recover. This may have been mainly because money changers put in place an emergency communications system using the *flexsi* local mobile phone network. Using this system, they could help migrant workers contact their families. The locations of IDP camps could then be provided to the money changers, who would make arrangements to either deliver the funds to functioning bank accounts, or sometimes even make deliveries to the camps.

By mid-2005, respondents observed that more migrant workers were returning to Aceh bearing money and gifts. By the end of 2005, remittance systems, both formal and informal, were operating at a higher capacity for *Idul Fitri* celebrations in November. This suggests that, by mid-2005, as Aceh entered the relief and rehabilitation phase, families were using aid assistance and remittances in a complementary manner.

In comparing the remittance trend before and after the tsunami, it appears that there was a severe reduction in the flow of funds during the emergency phase. But by mid-2005, remittance levels had increased and may have returned to normal levels. According to Pos Indonesia, the number of remittance transactions for all of Indonesia doubled leading up to the first *Idul Fitri* after the tsunami (Tempo, 31/10/05). However, respondents reported that they spent less on celebrations, such as reducing the amount of food served to guests and buying less expensive, lower-quality seasonal treats such as cookies and cakes. Also, respondents reported that they had to divert some of the remittances to purchase new furnishings to replace items destroyed in the tsunami. But no one reported redirecting remittances for housing construction. This may be because, after covering their basic needs, the remaining funds were insufficient for private construction, or people had adapted to temporary solutions such as living in IDP camps or with host families.

One woman interviewed in Tanjung Daya, Aceh Besar, reported that she was looking forward to moving into her new house (constructed by CARDI-NRC) and celebrating *Idul Fitri*. When asked why some of her neighbours still had not moved into their homes, she said that the women could not afford to furnish

their homes and refused to move into an empty home for the celebrations; they preferred to continue living with relatives temporarily. This is based on the cultural belief that, for *Idul Fitri*, the home must be well decorated; this is not unlike home decorating for Christmas. When asked how she could afford to furnish her home, and at increased prices because of the festive season, she said that it was because she had received money from relatives. This implies that, even though there is pressure for aid agencies to quickly build homes for IDPs, it may be that remittances give families the extra financial nudge they need to move into those newly built homes.

Based on the triangulation of data concerning remittances post-tsunami, remittance flows were severely affected in the first three months of the emergency. Alternative distribution channels were needed to help families cope. Emergency assistance was needed. But by April, private arrangements for remittances had resumed. There was less need for external intervention.

There were also changes to migration trends. Two young men who worked as casual labourers were interviewed in an IDP camp in Lancung Paru, Pidie. They were permanent returnees from Malaysia. Both had returned after the tsunami – one had returned in August and the other in November, to celebrate *Idul Fitri*. They did not return sooner to their village of origin because transport links had been badly damaged by the tsunami. They returned because they could not find stable employment in Malaysia, and could no longer face the risk of arrest and deportation. They moved in with their families in the camps, who were registered as aid beneficiaries, and wanted to take advantage of the recovery process. As they were unregistered in the camp, technically they were living with a host family that was itself displaced. But their families did not report the increased occupancy to the humanitarian agencies providing assistance. This is because the families counted their sons as being part of the household.

A young female domestic worker was interviewed in her home in Meulaboh. She had returned immediately after the tsunami to look for survivors. When she felt that her family no longer needed her assistance, and if she could not start up her own baking business with a grant from an aid agency, she would return to Malaysia to continue working as a domestic worker for the same employer.

In Selayang, a respondent who had left Aceh after the tsunami for fear of being pursued by the TNI said that he was also planning to return to Aceh. But his reason for returning was to support political reform as part of the peace agreement.

In the aftermath of the tsunami, many migrant workers could not immediately return to Aceh to locate their families. Some managed to return temporarily after February before resuming work in Malaysia and Singapore. But it appears that more unskilled and economically vulnerable migrant workers fitting the profile of ‘irregular movers’ as defined by UNHCR,⁸ as well as urban refugees, are returning to Aceh to assess economic opportunities in the recovery and peace building process. This suggests that there is reverse migration, but not for the purpose of providing care and relief to the tsunami survivors, but to seek livelihood opportunities.

Our sample group included four IDPs, who were all assessing the costs and benefits of returning to Aceh temporarily or permanently. They reported that many workers had returned from Malaysia in November to celebrate *Idul Fitri*, and after the holidays would decide whether to stay on. These IDPs had short-term work contracts in Malaysia. They explained that, in general, migrant workers who returned indefinitely after the tsunami were undocumented workers in Malaysia. Given the presence of foreign aid in Aceh, they felt that they may be able to find jobs without suffering the risks faced in Malaysia. These respondents chose to be located in tsunami-affected areas, where the reconstruction process had begun. They explained that they were hoping to find any type of job, such as construction, driving or managing a small grocery kiosk. If they could find a stable job and live with their families, they would stay in Aceh permanently, instead of looking for a higher-paying job in Malaysia. This implies that their remittance contributions were minimal as they preferred to return to Aceh to look for mutual support. They also explained that one of the motivations for permanent resettlement in Aceh was patriotism. Community leaders in Malaysia confirmed that many families wanted to return to their homeland now that peace had been achieved, but they were still uncertain whether the national government would permit Aceh autonomy.

⁸ www.unhcr.org Refer to the working definition from a regional workshop on Irregular Movers, Kuala Lumpur 1995 and Community Services for Urban Refugees, 1994 pp5

Implications for emergency assistance

Initial programming

The findings of this study have three implications for initial emergency relief programming:

- families who previously relied on remittances are initially likely to be as in need of assistance as others;
- assistance to restore livelihoods should include consideration of ways to assist the restoration of remittance flows; and
- the impact of an emergency on migration and remittances may involve reverse migration and the use of alternative emergency remittance channels that should also be considered.

Following the tsunami, people who normally relied on remittances for their livelihoods were affected in a similar way to non-receivers; their main source of livelihood was disrupted and their daily needs could not be met. For at least two to three months after the tsunami, these families were in need of assistance in the form of cash and in-kind support to cover their basic needs whilst remittance systems were being restored. The implication of this finding is that targeting of assistance does not immediately need to be considered in terms of differentiating between remittance-receiving households and non-remittance-receiving households.

However, continued assistance to restore livelihoods may very usefully be directed at restoring remittance flows and should focus particularly on communications and family tracing, and systems for proof of identity. A crisis such as the tsunami increases the costs of remittances, both financially and in terms of time. Households in isolated areas experience great difficulty in receiving remittances from financial institutions. While delivery is easy near the urban location of the institution, delivery becomes increasingly difficult in isolated rural areas that do not have numbered streets. Humanitarian actors can make an important contribution to addressing this problem, through collaboration with banks and money changers to identify and locate intended recipients, and possibly to provide an alternative distribution channel.

By the time of *Idul Fitri*, at the end of 2005, remittances flows had returned to normal, and for some families whose livelihoods were completely based on remittances this could mean that they had largely

restored their previous incomes. However, it is difficult to generalise in this way as the tsunami not only disrupted remittance flows, but also affected migration patterns and killed a significant number of people, causing more profound changes for many families than simply disrupting remittance flows. These profound changes are related to new and different dependencies between surviving family members. Continued needs assessment and analysis that considers changes in family structure, migration and remittances is essential to guide emergency assistance beyond the initial relief response.

Further needs assessments

The demographic and social profile of migrant workers is vital to understanding the effects of the tsunami on people receiving remittances. Better-educated female migrant workers with formal contracts and originating from the districts of Pidie and Bireun and Lhoseumawe town provided the most predictable remittance flows, and were best able to deal with the effects of the tsunami (with respect to remitting), meaning that the families they supported would be able to recover more rapidly than others. Less educated, conflict-affected male workers who worked abroad illegally were most vulnerable primarily due to their migration status, and together with their families were likely to need assistance until such time as they found a new and sustainable livelihood.

The relationship between the sender and the recipient within the household is another important factor for consideration, as remittances are often intended primarily to support parents, wives and children. If a parent, wife or child died in the tsunami, for whom the remittances were intended, the migrant worker may no longer have the motivation to send remittances. As a consequence the younger sibling(s) of the worker may suddenly have been left without the support that they had been getting from remittances to the household. If such a younger sibling is of school going age, he/she may be more likely to drop out of school to look for livelihood opportunities, and may consequently be more vulnerable and in greater need of assistance.

Assessment methodologies commonly used by relief agencies are not sensitive to such detailed issues and relationships. Registration of aid beneficiaries should include studying the profile of senior citizens, who may have a migrant worker child, and the profile of wives and children, who may have migrant worker fathers. In the short term, these households are arguably more in shock than other households where the head of the family/breadwinner is present during the emergency. In needs assessments, migrant worker families need to be distinctly identified. While they should receive the

same amount of humanitarian assistance, they are more likely to recover to pre-crisis cash income levels faster, assuming that remittances resume quickly. Hence if they have been targeted for cash-based assistance, this relief should be redirected when they start to receive remittances again.

To support such needs assessments, humanitarian actors should refer to the banks and money changers for guidance. As humanitarian actors have better records of IDP camps, they can collaborate with the remittance services to locate recipients. This is crucial for beneficiaries who are without bank accounts, or who are located in isolated areas. In addition, such collaboration may be able to guide humanitarian actors in determining how large their cash-based responses should be, what they should be used for and for how long those responses should run before they become irrelevant. As additional support, humanitarian actors should seek guidance on economic analysis at the household level. This will help them to better understand household consumption priorities, and how remittances play a role in financing consumption.

Because of the peace agreement, there was evidence of some reverse migration of ‘irregular movers’ and urban refugees, but the extent of this is unknown. Continuously updated assessments should capture this fluid situation and identify returnees who may be depending on aid beneficiaries for assistance, and putting added pressure on the intended beneficiaries. If this is the case, there may be a need for further assistance to support returnees. This potentially new need should be factored into programming and assessments.

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