Dynamics of Push and Pull Factors of Migrant Workers in Developing Countries: The Case of Indonesian Workers in Malaysia

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Abstract: Low income and high unemployment in labour sending countries and high income and low unemployment in labour receiving countries are frequently justified as push and pull factors of migrant workers, respectively. Indonesia is the main labour-exporting country to Malaysia but the studies on the push factors in Indonesia and the pull factors in Malaysia are very limited. This paper has three objectives. The first objective is to examine the long-run relationship among income and unemployment in Indonesia and Malaysia and the Indonesian migrant workers in Malaysia. This is followed by examining the causality between the variables in the second objective, and the extent to which income and unemployment in Indonesia and Malaysia determine the Indonesian migrant workers in Malaysia in the third objective. Time series data were employed and analysed by utilizing the Vector Autoregressive (VAR) framework. The findings show a long-run relationship among income and unemployment in Indonesia and Malaysia and the Indonesian migrant workers in Malaysia. Only unidirectional causality is found in the long-run, which is from income and unemployment in Indonesia and Malaysia to Indonesian migrant workers in Malaysia. The findings also show that the Indonesian migrant workers in Malaysia are significantly determined by income and unemployment, positively in the case of Indonesia, and negatively, in Malaysia.

Keywords: Indonesia, Malaysia, Migrant Workers, Income, Unemployment

1. Introduction

Many factors determine the supply of international migrant workers, which are grouped into factors in home countries (push factors), factors in host countries (pull factors) and a combination of these two factors. To date, empirical findings on the studies of push and pull factors of migration are mixed indicating the theories used in explaining these factors have not been solid. For instance, Jennisen (2003) found the positive effect of income both in home and host countries on migration while Ahmad et al. (2008) reported the negative effect of income in the home country on migration. The studies on push and pull factors of migration also tend to concentrate in developed countries. This study attempts to contribute to the debate especially on the use of neo-classical economic theory and dual labour market theory on migration. The focus on Indonesian migrant workers in Malaysia as a research object will also enrich the studies of migration since both Indonesia and Malaysia are developing countries in which Indonesia is still a lower middle income country while Malaysia is an upper middle income country. Low income and job scarcity in Indonesia and conversely, high income and a high demand for low-skilled workers in Malaysia, are popular reasons for the high supply of Indonesian migrant workers to Malaysia. However, an empirical study at the aggregate level on this issue especially which used the Vector Autoregressive (VAR) framework has not been conducted, thus far. Said et al. (n.d.) had studied this issue but applied unemployment in Indonesia as a push factor and income per capita in Malaysia as a pull factor of Indonesian migrant workers in Malaysia. They applied the traditional regression approach instead of the VAR framework. Thus they failed to detect whether their regression results were spurious or not. Nevertheless, they reported that the effect of unemployment in Indonesia and income per capita in Malaysia on Indonesian migrant workers in Malaysia are both positive and significant.

The previous studies on Indonesian migrant workers in Malaysia mainly used a micro approach. These studies, among others, include those conducted by Nasution (2000) on the construction sector; Mantra (2000) on migration from East Flores, West Lombok, and Bawean Island; Widyawati (2008) on an image of the Indonesian migrant workers in the Malaysian media; Wu (2006) on remittance from the Acehnese