Development Studies & Migrant Workers in Taiwan

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Today’s Agenda

• Introduction of Development Studies
• Migration in general
  – Theories of migrant workers
• Migrant Workers in Taiwan
  – History
  – Current situation
  – Issues
  – Research examples in other countries
Development Studies

- Development Studies and Contemporary Taiwan Society

- Institutionalization of Development Studies
  - From economics
  - UK since 1960s
  - US since 1990s
Taiwan vs. Development Studies

- Learned from Western textbooks
- Since 1980s: Used the theory of “developmental state” to study Taiwan (Wang 2003, Chu 2003)
- Could not participate in the international society since 1970s
- To-be-studied: Foreign aid experience in agriculture, public health, climate change, etc.
Taiwan vs. Development Studies

• Recent focus changes in research on Taiwan:
  – economic development → environment & civil society
  – urban development → land justice
  – local faction → community development
  – Other “bottom-up” topics:
    the indigenous people & national parks,
    foreign workers from the Southeast Asia,
    immigration policy, etc.

• Research on other countries:
  traditional international relations → insufficient
Foreign Aid by Taiwan

• History
  – 1959: 1st agricultural mission to Vietnam
  – 1961: 1st long-term technical mission in Liberia
  – 1962: Sino-Africa Technical Cooperation Committee (SATCC), a permanent agency responsible for agricultural cooperation with African nations, was established.
  – 1989: the International Economic Cooperation Development Fund (IECDF) was established to provide economic assistance to developing partners.
  – 1996: the International Cooperation and Development Fund (Taiwan ICDF) was established (as a GONGO, government organized non-governmental organization).
Foreign Aid by Taiwan

• ICDF Operations:
  – Infrastructure
  – Technical Cooperation
  – Humanitarian Assistance
  – Lending and Investment
  – International Education and Training

• Difficulties:
  – Conditional diplomatic relations
  – No democracy element
  – non-transparency
  – insufficient evaluation capacity
  – project managers

• Private Sector:
  – Secular service NGOs
  – Religious NGOs
  – Sponsor NGOs
  – Overseas service NGOs
  – Taiwan Alliance in International Development, Taiwan AID

• Difficulties:
  – Unfamiliarity with developing nations
  – Advocacy NGOs
  – Locations: Latin America vs. Southeast Asia, South Asia & China
  – ICDF Regulations
Questions for Migration Workers in Taiwan

• Why do we see migration?
• Why do we see international migration?
• Why do we see migrant workers in Taiwan?
• Where are they from?
• What do they do?
• How are they doing?
Migration

• Why
• When
• Where
• Who
• How
• What consequences
Why

• Theoretical framework: Harris-Todaro model
  – Migration is a rational decision
  – The decision depends on expected rather than actual wage differentials
  – The probability of obtaining a city job is inversely related to the urban unemployment rate
  – High rates of migration are outcomes of rural urban imbalances
A Diagrammatic Presentation
A Diagrammatic Presentation

- Assume only two sectors, rural agriculture and urban manufacturing.
- The demand for labor (the marginal product of labor curve) in agriculture is given by the negatively sloped line $AA'$. Labor demand in manufacturing is given by $MM'$.
- The total labor force is given by line $O_AO_M$.
- In a neoclassical, flexible-wage, full-employment market economy, the equilibrium wage would be established at $W^*_A = W^*_M$, with $O_A L^*_A$ workers in agriculture and $O_M L^*_M$ workers employed in urban manufacturing. All available workers are therefore employed.
- But what if urban wages are institutionally determined (inflexible downward) as assumed by Todaro at a level $\bar{W}_M$, which is at a considerable distance above $W^*_A$?
• So now we have an urban-rural real wage gap of $W_M - W^{**}_A$, with $W_M$, institutionally fixed.

• If rural workers were free to migrate, then despite the availability of only $O_M L_M$ jobs, they are willing to take their chances in the urban job lottery.

• If their chance (probability) of securing one of these favored jobs is expressed by the ratio of employment in manufacturing, $L_M$, to the total urban labor pool, $L_{US}$,

$$W_A = \frac{L_M}{L_{US}} (\bar{W}_M)$$  \hspace{1cm} (7.1)

Where  
$W_A$ is agricultural income,  
$L_M$ is employment in manufacturing  
$L_{US}$ is total urban labor pool  
$W_M$ is the urban minimum wage
• The expression shows the probability of urban job success necessary to equate agricultural income $W_A$ with urban expected income ($\bar{W}_M$), thus causing a potential migrant to be indifferent between job locations.
• The locus of such points of indifference is given by the $qq'$ curve in the figure.
• The new unemployment equilibrium now occurs at point $Z$, where the urban-rural actual wage gap is $\bar{W}_M - W_A$. $O_{ALA}$ workers are still in the agricultural sector, and $O_{MLM}$ of these workers have modern (formal)-sector jobs paying $\bar{W}_M$ wages.
• The rest, $O_{MLA} - O_{MLM}$, are either unemployed or engaged in low-income informal-sector activities.
In-Class Example of the Harris-Todaro Model

- Start with equation: \[ W_A = \frac{L_M}{L_{US}} (\bar{W}_M) + (1 - \frac{L_M}{L_{US}})(W_T) \]
- Rural wage = $1.50 per day
- Urban modern wage = $3 per day
- Urban traditional income = $.25 per day
- Suppose there is a .5 probability of getting a modern job. Will there be migration?
- Calculate expected urban income and compare to rural income. Important: you cannot work in two sectors at the same time!
  \[ E(Y_{URB}) = (.5)(3) + (.5)(.25) = 1.50 + .125 = 1.625 > 1.50 = Y_{RUR} \]
- So the individual migrates – even though half receives just a small fraction of the rural income.
Results of the Harris-Todaro Model

• A higher proportion of the rural educated migrate than the uneducated
  — they have a better chance (a higher probability) of earning even higher urban wages than unskilled migrants.

• Migrants from the same rural region tend to settle in common cities, even the same neighborhoods of cities
  — earlier migrants create a positive externality for later potential migrants from their home region by lowering their costs of moving by helping with resettlement and lowering their probability of unemployment by providing them with jobs or information about available jobs.
1. Migration is stimulated primarily by rational economic considerations of relative benefits and costs, mostly financial but also psychological.

2. The decision to migrate depends on expected rather than actual urban-rural real-wage differentials:
   1) the actual urban-rural wage differential
   2) the probability of successfully obtaining employment in the urban sector.

3. The probability of obtaining an urban job is directly related to the urban employment rate and thus inversely related to the urban unemployment rate.

4. The high rates of urban unemployment: Migration rates in excess of urban job opportunity growth rates are not only possible but also rational and even likely in the face of wide urban-rural expected income differentials.
Why

• Additional studies on causes of migration
  – de Janvry et al. (2015): redefining property rights to be based on formal certificates led to increased migration out of rural areas in Mexico
When

• Seasonal pattern
• Life cycle pattern
Where

• Rural-Urban
• Circular
• International
• Domestic
  – Taiwan (Hsueh et al. 2007, use data from 1992 & 2002)
    • the probability of moving into the Taipei and Kaoshiung areas greatly decreased
    • the probability of moving to Keelung, Taoyuan and Taichung increased
  \[\rightarrow\text{enlargement of the Taipei metropolitan area and the rise of Taichung metropolitan area.}\]
Who

• Men
• Women: feminization of migration
• Adults; students
• Children
• Education level
  – Higher educated moved more (Hsueh et al. 2007)
How

• On your own
• Referral
• Agents
• Hukou in China
• Kafala in the Middle East
  – the sponsorship system which regulates the relationship between migrant workers and their employers in many countries in the Middle East
What consequences

• Remittance
  – Facts
    • The Asian continent is the source of nearly 60 million migrant workers who sent almost US$260 billion to their families in 2012. This represented 63% of global flows to developing countries.
    • An estimated 70 million Asian households benefit from these flows – one out of every ten.
  – As insurance
    • Roughly 60% of declines in household income are replaced by remittance inflows from overseas. Consumption in households with migrant members is unchanged in response to income shocks, whereas consumption responds strongly to income shocks in households without migrants. (the Philippines, by Yang & Choi 2007)
    • Households able to engage in costly high-return migration (i.e. international migration) are more likely to employ modern farming technology, thereby achieving higher productivity (Bangladesh, by Mendola 2008)
### By amount of remittances, 2010e (US$million)

<table>
<thead>
<tr>
<th>World</th>
<th>2010e</th>
</tr>
</thead>
<tbody>
<tr>
<td>1   India</td>
<td>53,131</td>
</tr>
<tr>
<td>2   China</td>
<td>51,300</td>
</tr>
<tr>
<td>3   Mexico</td>
<td>21,997</td>
</tr>
<tr>
<td>4   Philippines</td>
<td>21,373</td>
</tr>
<tr>
<td>5   Bangladesh</td>
<td>10,804</td>
</tr>
<tr>
<td>6   Nigeria</td>
<td>10,045</td>
</tr>
<tr>
<td>7   Pakistan</td>
<td>9,683</td>
</tr>
<tr>
<td>8   Lebanon</td>
<td>8,409</td>
</tr>
<tr>
<td>9   Vietnam</td>
<td>8,000</td>
</tr>
<tr>
<td>10  Egypt, Arab Rep.</td>
<td>7,725</td>
</tr>
<tr>
<td>11  Indonesia</td>
<td>7,250</td>
</tr>
<tr>
<td>12  Morocco</td>
<td>6,452</td>
</tr>
<tr>
<td>13  Ukraine</td>
<td>5,595</td>
</tr>
<tr>
<td>14  Russian Federation</td>
<td>5,477</td>
</tr>
<tr>
<td>15  Serbia</td>
<td>4,896</td>
</tr>
</tbody>
</table>

### By share of Gross Domestic Product, 2009

<table>
<thead>
<tr>
<th>World</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1   Tajikistan</td>
<td>35.1%</td>
</tr>
<tr>
<td>2   Tonga</td>
<td>30.3%</td>
</tr>
<tr>
<td>3   Samoa</td>
<td>26.5%</td>
</tr>
<tr>
<td>4   Lesotho</td>
<td>26.2%</td>
</tr>
<tr>
<td>5   Nepal</td>
<td>23.8%</td>
</tr>
<tr>
<td>6   Moldova</td>
<td>22.4%</td>
</tr>
<tr>
<td>7   Lebanon</td>
<td>21.9%</td>
</tr>
<tr>
<td>8   Kyrgyz Republic</td>
<td>21.7%</td>
</tr>
<tr>
<td>9   Haiti</td>
<td>21.2%</td>
</tr>
<tr>
<td>10  Honduras</td>
<td>17.6%</td>
</tr>
<tr>
<td>11  El Salvador</td>
<td>16.5%</td>
</tr>
<tr>
<td>12  Jamaica</td>
<td>15.8%</td>
</tr>
<tr>
<td>13  Jordan</td>
<td>14.3%</td>
</tr>
<tr>
<td>14  Guyana</td>
<td>13.7%</td>
</tr>
<tr>
<td>15  Serbia</td>
<td>12.6%</td>
</tr>
</tbody>
</table>

**Notes:** Developed (high-income) countries are not included.

**Source:** Remittances data, Development Prospects Group, World Bank, 2011
Migration Data Hub

Asylum Applications in the EU/EFTA by Country

Use this interactive data tool to view total annual asylum applications in individual European Union Member States and European Free Trade Association (EFTA) countries, by year from 2008 to 2015 and for top nationalities of origin. The data tool also shows individual countries’ share of asylum applications per capita and as a share of the EU/EFTA total.

Resources

Frequently Requested Statistics on Immigrants and Immigration in the United States

This feature presents the latest, most sought-after data on immigrants in the United States—by origin, residence, legal status, deportations, languages spoken, and more—in one easy-to-use
What consequences

• Remittance

• Welfare of those who are left-behind
  – Zhou et al. (2015): Left-behind children in China performed as well as or better than children living with both parents in terms of health, nutrition, and education. However, both groups of children performed poorly on most of these indicators.
Theories of migrant workers

• Expansion of capitalism
  ① Move factories to countries with lower labor costs
    -> Restructuring of production
  ② Import migrant workers

• Productive labor depends on Reproductive labor
  – Maintenance: cooking & cleaning
  – Renewal: childbearing & child care

• Challenges:
  – Increasing Female Labor Participation -> Dual-income nuclear families
  – Longer life expectancies + declining fertility rates -> Aging society
  – Limited Public Childcare/ Elderly Care Facilities

• Global care chains (Hochschild, 2000):
  – Professional women in a wealthy country ~ migrant women from the developing world ~ women from the rural area ~ female relatives
    -> Restructuring of reproduction
Migrant Workers in Taiwan

Photo source: https://i.imgur.com/RTiSSa8.jpg
History

1. From around 1985, industrialists in Taiwan began urging the government to allow the importation of low-skilled foreign workers to alleviate the labor shortage.

2. In October 1989, the government started to realize the problem in labor shortage, because of the difficulties finding low-skilled workers in public infrastructure construction projects.

   → importing 3,000 foreign workers

Rules & Limitations

1. **Sector**: Restricting the importation of foreign workers to certain industries and occupations.

2. **Time**: Limiting the duration of the employment of foreign workers. Foreign workers may only stay in Taiwan for 2 years (in the beginning) → 12 years since 2012/2/1

3. **Labor Market**: Foreign workers cannot change employers freely.

4. **Residence**: Foreign workers cannot change the location of residence without government’s permission.

5. **Home country**: chosen by the TW government

6. **No displacement of domestic workers**. Employers may apply to import foreign workers, only after place an advertisement for the jobs in a newspaper in Taiwan for 3 days.

7. **No importation of social and health problems**. Foreign workers need to submit a certificate of good conduct from their government and having a medical checkup in Taiwan.
Situation in 1996
(Source: Lee & Wang, 1996)

• A total of 291,311 foreign nationals were given permission to work in Taiwan. This accounted for 1.6% of total employment in Taiwan.
• The larger the establishment, the more likely that it employs foreign workers.
• 1\textsuperscript{st}: Textile employed 13%
• 2\textsuperscript{nd}: electronics 12% of the total number of foreign workers in Taiwan
• From 4 countries:
  \begin{itemize}
    \item ① Thailand (68%)
    \item ② the Philippines (25%)
    \item ③ Malaysia (3.5%)
    \item ④ Indonesia (3.2%).
  \end{itemize}
• Most of these workers are male (75%) and young.
• More than half of them are between 20-29 years old.
• 87% in Productive industry; 13% in Social welfare.
Current Numbers (2016 September)

• Total: 609,272
  – Productive industries: 376,752
    • 70.12% male
  – Social welfare: 232,520
    • 99.27% female
    • Nursing workers: 230,576
    • Home-maids: 1,944
  – By city: Taoyuan > New Taipei City > Taichung

• Government statistics:
  http://statdb.mol.gov.tw/html/mon/i0120020620e.htm
By Nationality

Productive Industry

- Indonesia: 41%
- Philippines: 28%
- Thailand: 15%
- Vietnam: 16%

Social Welfare

- Indonesia: 78%
- Philippines: 13%
- Thailand: 9%
- Vietnam: 0.9%

Data: 2016/9
Industry

Education

- Junior high or lower: 24%
- High school: 53%
- College+: 23%

Age

- <24: 4%
- 25-34: 27%
- 35-44: 52%
- 45+: 17%

Years in Taiwan

- <3: 78%
- 3-6: 18%
- 6-9: 3%
- 9-12: 1%

Data: 2014
Q: Other difficulties?
Other numbers

• 94.4% paid fee in the home country for coming TW to work – 75.9% paid over 50K NTD
• 59.8% borrowed loans in the home country
• 97.2% came to TW through agents
• 76.3% were not clear about the agent fee
• 33.3% were charged for extra fees by the agent
• 40.4% were charged for extra fees by the employer
• 42.8% had important documents/valuables kept by the employer
• 83.4% were offered meals & dorms by the employer
• Average monthly salary: 25,412 NTD
Social welfare

Education
- Junior high or lower: 4%
- High school: 29%
- College+: 67%

Age
- <24: 9%
- 25-34: 51%
- 35-44: 35%
- 45+: 5%

Education
- Junior high or lower: 29%
- High school: 61%
- College+: 7%

Years in Taiwan
- <3: 29%
- 3-6: 29%
- 6-9: 7%
- 9-12: 3%
Q: Other difficulties?
Other numbers

- 85.8% paid fee in the home country for coming TW to work – 70.1% paid over 70K NTD
- 65.8% borrowed loans in the home country
- 79.4% came to TW through agents
- 70.3% were not clear about the agent fee
- 25.9% were charged for extra fees by the agent
- 35.6% were charged for extra fees by the employer
- 58.6% had important documents/valuables kept by the employer
- 68.6% had no holidays at all; 46.5% employers/family took turns to provide care
- Average monthly salary: 18,115 NTD
• Employers, labor agency representatives and labor organization members protest outside the Legislative Yuan in Taipei yesterday against amendments to the Employment Service Act. They also called on Minister of Labor Kuo Fong-yu to resign. Oct 22, 2016 – *Taipei Times*

• Foreign workers have to leave TW once every 3 years
Issues

• Runaway migrant workers
  – According to a government survey 1994-95, the numbers of runaway workers in all establishments have increased from 14% to 41%.
  – Illegality created by whom?

• Unemployment among native workers
  – Liu (2000): Only if the time goes back for 20 years, native TW workers would accept the minimum wage

• Cultural differences & social cohesion

• Another topic: marriage migrants:
  487,802 foreign spouses (1987-2014)
  – 28.2% from Southeast Asia
  – 64.9% from China
  – 92.7% female
Unemployment Rate in Taiwan

Unemployment rate: 3.99%
Unemployed Persons: 469,000
(Sep. 2016)

Data source: http://eng.stat.gov.tw/point.asp?index=3
Research examples in other countries

- East Asia
- HK
- China
• **East Asia** has the highest share of migrant domestic workers among all migrant workers (ILO, 2015)
Migrant Care Worker Policies in East Asia

Hong Kong, Singapore & Taiwan

- Governments admit migrant domestic helpers from Southeast Asia (e.g. Philippines, Indonesia and Vietnam)
- Strict state regulation: temporary work permit; mostly live-in and work in the private households;
- Resistance to the settlement of migrant workers
  → “household care worker with temporary contract”

Japan & South Korea

- Before 2008: Preference of co-ethnic groups
  - nikkeijin(日系人) in Japan
  - Joseonjok(조선족) in Korea
- Since 2008, Japan also accepts workers from Philippines and Indonesia
- Mostly work in the care institutions (such as nursing homes or hospitals); access to training & gain certification
- provide legal access for migrant care workers to apply for naturalization and become permanent residence
  → “institutional care worker with access to naturalization”

Source: Yi-Chun Chien, Long Term Care and Migrant Workers: Comparing Migrant Care Worker Policies in Taiwan and South Korea, Ph.D. Dissertation, the University of Toronto (forthcoming, 2017)
Research example from Hong Kong

• “Outsourcing Household Production: Foreign Domestic Workers and Native Labor Supply in Hong Kong”
• by Patricia Cortés & Jessica Pan
• Research question: How the availability of affordable live-in help provided by foreign domestic workers (FDWs) in Hong Kong affected native women’s labor supply and welfare?
FDW situation

- each year, close to 100,000 Filipinas migrate to work as domestic helpers and caregivers.

- Singapore
  - by 2000, there were approximately 100,000 FDWs in the workforce, amounting to 1 foreign maid in 8 households (Yeoh, Huang, and Gonzalez 1999).

- Hong Kong
  - the proportion of households hiring at least 1 FDW increased from less than 2% in 1986 to close to 8% in 2006.
  - Among households with young children, more than 1/3 hired at least one FDW.
  - The pay is about 27% of the median household income.

- also very common in Bahrain, Kuwait, and Saudi Arabia.
Methods

• Difference-in-difference-in-difference:
  – Compare Hong Kong & Taiwan
  – Compare the LFP rates of mothers with older children (youngest child aged 6–17) to that of mothers with younger children (youngest child aged 0–5).
Main Findings

• FDWs increased the participation of mothers with a young child (relative to older children) by 8–13 percentage points
  – concentrated among medium and highly skilled women and have generated a monthly consumer surplus of US$130–US$200.

• By reducing child care costs through immigration, this is a market-based alternative to child care subsidies.
Research example from China

• Migrant workers from the rural areas
  – Hukou system

• Traditional vs. New Generation (born after 1980)
  – Traditional migrants: pursue higher income and then return to the rural areas
  – New-generation migrants: pursue city life
• Any other research ideas?

• Any question?

• All the best!