

## CONFERENCES, WORKSHOPS, AND SEMINARS

### **Workshop on Labour Flows to Taiwan, 6–8 June 1991, Institute of Economics, Academia Sinica, Taipei, Taiwan**

The Population Division of the Institute of Economics, Academia Sinica, Nankang, Taipei, Taiwan sponsored a two-day workshop entitled “Labour Flows to Taiwan”. The workshop programme is appended to this report. The major source of funding for the workshop was the Institute of Economics, Academia Sinica and partial support was provided by the Asia Foundation and the Council of Labour Affairs of the Government of Taiwan. Furthermore, at the end of the workshop, a day-long visit to a construction site near Taipei where a large number of Thai “guest workers” were working was also arranged for the benefit of the Southeast Asian participants. The workshop was co-ordinated by Dr Ching-lung Tsay and Dr Wilawan Kanjanapan of the Institute of Economics, Academia Sinica.

The objectives of the workshop were to review the existing knowledge about labour migration from Southeast Asia to Taiwan and develop a research proposal for further research into the phenomenon. Where no empirical evidence on certain aspects of the phenomenon was available, insights into these aspects were sought through recourse to a theoretical analysis.

There were a total of sixty-two researchers who participated in the workshop. Out of this, thirteen were from countries of the Association of Southeast Asian Nations (ASEAN) and the forty-nine participants from Taiwan belonged to various research, government, and private institutions concerned with this issue.

The first day’s proceedings dealt with three major issues of the phenomenon: (1) factors which triggered the flow of Southeast Asian

workers to Taiwan; (2) developing a methodology of estimating the extent of the phenomenon in Taiwan and providing an estimate of the number and characteristics of illegal workers in Taiwan; and (3) the social and economic consequences of the presence of illegal workers in Taiwan and the policy implications suggested both by theoretical analysis and empirical evidence.

Acute labour shortage especially in low-end skill levels caused by high economic growth rates and the increasing skill level of the domestic labour made possible by marked improvements in the country's educational system was said to be a major demand-side factor influencing the flow. It was said that the resulting increase in domestic wages combined with the considerable appreciation of the Taiwanese dollar has resulted in steep rises in unit labour costs. This makes Taiwan's exports less competitive in the international markets. Moving labour-intensive production offshore through direct foreign investment (DFI) in the Southeast Asian countries and automation of domestic production have not done much to reduce the need for the importation of foreign labour in the case of several enterprises given that Taiwan's industrial economy is dependent on a large number of small and medium enterprises.

Furthermore, there was empirical evidence indicating a positive correlation between the extent of DFI in a Southeast Asian country and the number of illegal workers in Taiwan. This empirical evidence was hypothesized to be the result of three factors, namely, demonstration effect, displacement effect, and income effect, based on the earlier work of Sassen-Koob, who demonstrated this linkage using data on the U.S. DFI in various countries and immigration into the United States. The demonstration effect is said to operate mainly through information about conditions in Taiwan transmitted by Taiwanese businessmen and workers in recipient countries of DFI as well as trainees from these countries visiting Taiwan. The displacement effect relates to the situation resulting from the employment of mainly female workers in enterprises created by Taiwanese DFI. The sex-selective generation of employment by DFI means that many male workers, especially in the urban areas are replaced by female workers and these male workers are influenced by the earlier mentioned "demonstration effect" and try to move to Taiwan. The

income effect results from improvements in income arising from DFI, which facilitates mobilization of the necessary wherewithal for travel to Taiwan in search of still higher income in view of existing wage disparities and currency exchange rates. The validity of the hypotheses which strive to provide an explanation for the observed relationship between DFI and worker flow was questioned by several discussants who contended that there was no detailed study documenting the hypothesized linkages and the underlying motivations. Therefore, it was high time that such a study be undertaken. Discussants of various papers also emphasized the important role played by ethnicity and cultural distance in the movement of workers from Southeast Asia to Taiwan.

Using Taiwan's excellent immigration recording system which registers arrivals and departures and a methodology to estimate point and period prevalence rates available in epidemiology, a paper was able to accurately estimate the number of foreign workers staying illegally in Taiwan either at a point in time or in a period of time. It was also able to estimate the average length of stay of different foreign workers. These data were given for various Southeast Asian source countries. This is the first time such data from the region have been subject to such rigorous analysis and the results published. The estimates given by the procedure would be accurate only to the extent that there are no illegal entrants (as against illegal overstayers).

The third set of papers explored the impact of foreign workers on the Taiwanese economy and society and policy measures suggested by the economic analysis and the prevailing political realities. Using neo-classical economics and existing empirical studies of factor substitutability between low- and high-skilled labour and between low-skilled labour and capital, one paper suggested that the impact of guest workers on native employment was only modest while the impact on national well-being, capital formation, and technological upgrading was positive and significant. It also concluded that "if managed properly, the external costs imposed by guest workers will be insignificant". The only definite adverse effect of using guest workers is the increase in native income inequality. These conclusions were primarily drawn from a theoretical analysis based on certain crucial assumptions in the absence of relevant

empirical evidence.

Foreign labour in Taiwan is presently a divisive political issue. Like the immigration debate in any other industrial country (for example, Japan) there is a section which espouses the need for foreign labour for the Taiwanese economy to retain its competitive edge. People holding this view, however, are divided on the issue of determining the source countries for such migrant labour. Some researchers emphasized the need to import workers from the Southeast Asian countries and not from mainland China. The reasons advanced for this position were interesting. It was said that there was a need to acquire more political influence and leverage among Southeast Asian DFI countries through the employment of workers from these countries. At the same time, it was feared that the employment of mainland Chinese workers would facilitate the communist government's intervention in the domestic affairs of Taiwan and so lead to political instability.

The researchers who opposed the recruitment of foreign workers seemed to think that the labour shortage could be handled by one or more of the following measures: increasing labour force participation rates of certain groups (such as women and the aged) of the Taiwanese population, introducing labour-saving production technology and methods, and shifting residual labour-intensive production offshore. They seemed to believe that these steps by themselves would obviate the need for the induction of immigrant labour in the Taiwanese economy. Their argument was partially anchored on the validity of the theoretical emigration-inhibiting effects of DFI in countries from which most of the illegal workers emanate and on the questionable assumption that most of the production can be automated and the rest moved to labour-surplus countries in the vicinity. Therefore, they seemed not too worried about the observed positive relationship between Taiwanese DFI in Southeast Asia and the number of illegal workers, which in fact tends to undermine the theoretical basis of their policy suggestion.

The second day of the workshop discussed the situation from the perspectives of the sending country, and several research proposals with the interests of the individual sending country in mind were presented. The research proposals emphasized the need for a multi-method approach

in order to understand the labour flow dynamics between the Southeast Asian countries and Taiwan. These included a study of the institutions relating to the international movement of labour such as recruiting agencies and foreign labour policies of the sending and host countries. The organizers were interested in developing a research design which would suggest guidelines for regulating the flow within the framework of regional economic co-operation. In other words, the effort should be to get insights on policy requirements for treating the labour flow and the resulting remittances as a form of resource exchange which would further economic development at both ends of the flow and consequently of the region as a whole.

On the third day, the workshop participants were taken to a huge highway construction project (Northern No. 2 Expressway Ta-Hsi-Lung-Tan Roadwork) where Thai "guest workers" have been employed. The estimated cost of the project is about NTD\$5.8 billion, stretching over a period of three years. The contract for construction is with a large international engineering company called BES Engineering Corporation, which had also undertaken construction projects in the Middle East. The visit gave the Southeast Asian workshop participants a firsthand understanding of the foreign labour recruitment process under way in Taiwan as well as the living and working conditions of foreign workers who were recruited through legal channels.

There were a total of 243 Thai workers at the site at the time of the visit and 724 more were expected before the end of June 1991. The employment of foreign workers having become a controversial issue in Taiwan, the management at the site apparently used to the frequent visits of media persons and politicians and therefore was well prepared (with slide projectors and flip charts) to brief the participants about the nature of the project, recruitment process, housing, recreation and boarding facilities for the workers, conditions of employment, and training. The management, it was seen, had looked after every minute detail concerning the welfare of the migrant workers including providing them with Thai food cooked by a Thai cook especially employed for this purpose. The workshop participants also had the opportunity to lunch with the workers and get a taste of the food served to the workers.

The visit highlighted an important process as yet unreported in the literature on contract labour migration in Asia: the role of large corporations which have international connections in the movement of workers. This particular company had used Thai workers in its construction projects in Saudi Arabia and most of the workers in the site had also worked for the company in Saudi Arabia. A few Taiwanese supervisors were also able to communicate well with the Thai workers, having gained a working knowledge of the Thai language during their previous stint in Saudi Arabia. It seems that the company is very wise in tracking down its previous trained and experienced employees in Thailand and providing them with excellent working conditions (a salary of NTD\$17,000 per month with subsidized food and other facilities). It looks as if the company does not want to give the workers any reason for not putting their maximum effort, which according to the management has resulted in high labour productivity at the work-site.

S. GUNASEKARAN

### **Workshop on Labour Flow to Taiwan Programme**

#### **June 6 (Thursday)**

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| 8.45–9.00   | Registration  |
| 9.00–9.10   | Opening Remarks   |
| 9.10–10.30  | SESSION I<br>The Destination: Economic Development and Labour Inflows                                       |
| Moderator:  | Prof. Paul K.C. Liu   |
| Speaker:    | Prof. Joseph Lee<br>“Capital and Labour Mobility in Taiwan”   |
| Discussant: | Prof. Chi Schive  |
| Speaker:    | Prof. Ching-lung Tsay<br>“Labour Flows from Southeast Asia to Taiwan:<br>Size, Characteristics, and Impact” |
| Discussant: | Prof. Ming-cheng Chang  |

10.30–10.50 Coffee Break

10.50–12.10 SESSION II

The Destination: Reasons for Accepting Foreign Workers

Moderator: Prof. Tzong-shian Yu

Speaker: Drs Hui-lin Wu and Ke-jeng Lan  
“Labour Shortage in Taiwan”

Discussant: Prof. Chung-chen Lin

Speaker: Prof. Ching-shi Chang  
“An Economic Analysis of Guest Workers  
in Taiwan”

Discussant: Prof. C.Y. Cyrus Chu

12.10–14.00 Lunch

14.00–15.20 SESSION III

The Destination: Issues and Policies on Foreign Labour

Moderator: Dr Thomas T.H. Sun

Speaker: Dr Wilawan Kanjanapan  
“White-Collar Foreign Workers:  
The Case of Americans in Taiwan”

Discussant: Prof. Ramsey Hsu

Speaker: Dr Chia-sheng Wu  
“Foreign Workers: New Challenges  
for Labour Policies”

Discussant: Dr Ke-jeng Lan

15.20–15.40 Coffee Break

15.40–17.00 SESSION IV

Panel Discussion

Moderator: Prof. P.C. Chang

Discussants: Dr Ernesto M. Pernia  
Dr S. Gunasekaran  
Dr M.G. Quibria  
Dr Jerrold Huguet

## June 7 (Friday)

9.00–10.20 SESSION V

The Origin: Background and Proposed Studies

- Moderator: Prof. Rong-i Wu  
 Speakers: Dr Aris Ananta  
               Dr Secha Alatas  
               "Country Reports: Indonesia"  
 Discussant: Dr Deng-shing Huang  
 Speakers: Mr Che Hashim Hassan  
               Ms Wu Ming Chu  
               "Country Reports: Malaysia"  
 Discussant: Dr An-chi Tung

10.20–10.40 Coffee Break

10.40–12.00 SESSION VI

The Origin: Background and Proposed Studies

- Moderator: Prof. Hong-chin Tsai  
 Speakers: Prof. Wilfredo F. Arce  
               Prof. Benjamin Carino  
               "Country Reports: Philippines"  
 Discussant: Dr Eddie Chaonan Chen  
 Speakers: Dr Vatchareeya Thosanguan  
               Ms Orathai Arg-aum  
               Prof. Kusol Soonthornhdhada  
               "Country Reports: Thailand"  
 Discussant: Dr Jenn-hwa Tu

12.00–14.00 Lunch

14.00–15.20 SESSION VII

Regional Collaboration and Research on Labour Flows  
 to Taiwan: A Draft Proposal

- Moderator: Prof. Hwang Yueh-chin  
 Discussants: Dr S. Gunasekaran  
                   Dr M.G. Quibria  
                   Dr Jerrold Huguet  
                   Dr Ernesto M. Pernia

15.20–15.40 Coffee Break

15.40–16.40 SESSION VIII

Conclusions and Future Plans



Moderator: Prof. Joseph Lee  
Discussants: Dr M.G. Quibria  
Dr Ernesto M. Pernia  
Dr Wilawan Kanjanapan  
Prof. Ching-lung Tsay

**June 8 (Saturday)**

8.30 Leave Academia Sinica  
9.15–10.00 Visit Council of Labour Affairs  
10.00–12.00 Field Trip to Taoyuan: A Sample Site for Contracted  
Foreign Workers  
12.00–13.00 Lunch  
14.00 Return to Taipei

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