

Research Brief

Migrant Worker Recruitment Costs

Taiwan

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There are almost 600,000 foreign migrant workers in **Taiwan** working in various industries and domestic services. Foreign workers and employment agencies (called labour brokers) are controlled by the Ministry of Labor (MOL) under the “Employment Service” and “Labor Standards” Acts. Brokers are used extensively in Taiwan by industry and provide services ranging from initial approval, sourcing and then managing workers while in Taiwan. Fees for these services are usually paid by employees via regulated monthly salary deductions. With respect to origin country agency fees, the MOL set guidelines in 2001 suggesting that their placement fees should be capped at one month of salary. Taiwan also uses a formal documentation system called "Foreign Worker's Affidavit for Wage/Salary and Expenses Incurred before Entering the Republic of China for Employment" to make wages and all fees explicit including Service Fees collected every month by Brokers from the migrant workers. This is signed by employer, employee and all brokers (source country and Taiwan) and vetted by the relevant government agency in the source country. The MOL has a long history of promoting direct hiring and signed an agreement with the Philippines in 1999. It also operates the Direct Hiring Service Center in Taiwan as well as an international Direct E-recruitment System called IDES. This was recently launched in the Philippines in conjunction with the POEA.

Current initiatives aimed at limiting country of origin agency fees do not appear to have been effective as prospective workers are encouraged to understate fees on the Affidavit, and direct hiring has made limited inroads to date. On-shore violations of fee arrangements are also reported, with NGOs citing under-resourcing/insufficient checking as a reason for its persistence.

Background

Taiwan has a total population¹ of 23,476,640 (October 2015) and an employed labour force of about 11,244,000 (January 2016). Like Singapore, Taiwan employs large numbers of foreign “guest” workers², and as at end January 2016 there were a total of 590,086. Of these 363,747 migrant workers were employed in what are described as “Productive Industries” such as manufacturing and 226,339 in “Social Welfare” which mostly includes domestic workers who are described in Taiwan as “household maids and in-home caretakers”.

Around 41% of migrant workers in Productive Industries are from Vietnam, 26% from the Philippines and about 16% respectively from Indonesia and Thailand, with 70% being men overall.

Workers in Social Welfare are virtually all female (99%), with 79% from Indonesia, 12% from the Philippines, and approximately 9% from Vietnam. Of the remainder, most are from Thailand.

Legislation

The main agency responsible for foreign workers in Taiwan is the Ministry of Labor (previously the Council of Labor Affairs³, CLA). To address the issue of labour shortages in key sectors of the economy, it established a Workforce Development Agency (previously the Bureau of Employment and Vocational Training) to cover the recruiting of workers, including foreigners, to fill gaps in the labour force.

Labour laws are administered by the Ministry of Labor (MOL) through the Employment Service and Labor Standards Acts. Foreign workers are classified as either “Professionals” or “Labor” (White-collar or Blue-collar respectively). The former are to enhance the technical and industrial competitiveness of Taiwan while the latter are to make good shortages of domestic labor in “hard labouring” jobs. Quotas are used to regulate the ratios of foreign to local workers across industries. They range from 15% to 40% depending on the nature of the industry, availability of local labour, whether in free-trade zones, and prevailing national industrial development objectives. They are adjusted from time to time.

Foreign workers in industry are covered alongside local employees⁴ under the Labor Standards Act which sets minimum provisions for working conditions including wages, working hours, holidays, severance, and

¹ <http://eng.stat.gov.tw/point.asp?index=9>

² Workforce Development Agency, Ministry of Labor. Monthly Bulletin, See Table 12-2 Foreign Workers in Productive Industries and Social Welfare by Industry and Table 12-3 Foreign Workers in Productive Industries and Social Welfare by Nationality. Data shown as at January 2016. <http://statdb.mol.gov.tw/html/mon/i0120020620e.htm>

³ Office of Information Services, Executive Yuan, 2014-02-17, “Ministry of Labor Inaugurated”. http://www.ey.gov.tw/en/News_Content2.aspx?n=1C6028CA080A27B3&s=0222C7334E050E89

⁴ Abella M, 09 April 2009, “Policies on admission low-skilled workers in Korea, Japan and Taiwan (China): Similarities and differences”, ILO/EU Asian Programme on the Governance of Labour Migration Technical Note.

documentation. Domestic workers are not covered⁵ under the Labor Standards Act, which means they are not entitled to regularly⁶ adjusted minimum wages applicable to foreign workers in other industries, days off and other protective provisions such as maximum hours of work.

Taiwan has a formal documentation system⁷ called "Foreign Worker's Affidavit for Wage/Salary and Expenses Incurred before Entering the Republic of China for Employment" to make wages and all fees explicit including Service Fees collected every month by Brokers from the migrant workers. This is signed by employer, employee and all brokers (source country and Taiwan) and vetted by the relevant government agency in the country of origin. It must be produced when applying for an entry visa to Taiwan. According to MOL, this procedure ensures transparency and helps protect migrant workers from unscrupulous brokers and employers.

In January 2010, a network of NGOs advocating and lobbying for migrant workers' rights drafted and submitted to CLA a "Domestic Workers Protection Act" to better protect the rights of domestic caretakers and workers. The Draft Act⁸ included a break time, weekly special leave provisions, minimum wage, principles for pay, termination of labour contract, insurance and complaint procedures. To date, this remains a proposal sitting at the Legislative Yuan for debate. Domestic workers remain excluded from the Labor Standards Law.

Agency Activities and Fees

Taiwan

Employers have traditionally relied on "labour brokers" in Taiwan (sometimes called foreign worker coordinators) and recruitment agencies in countries of origin to fill foreign labour requirements. Their use⁹ is extensive and they coordinate approvals, source and also manage workers while in Taiwan. Companies

⁵ GMA News On-line, February 10, 2014, "Pinay, Indonesian workers in Taiwan call for days off, higher salaries" <http://www.gmanetwork.com/news/story/347761/news/pinoyabroad/pinay-indonesian-workers-in-taiwan-call-for-days-off-higher-salaries#sthash.hzrFi8tj.dpuf>

⁶ There is a basic pay guideline for domestic workers that up until September 2015 had not changed for 18 years. Effective 1 September newly arrived migrant domestic workers are to receive a monthly salary of NTD17,000 per month. See <http://www.chinapost.com.tw/taiwan/intl-community/2015/08/31/444613/New-higher.htm>. See also August 19 2015, "Local and Foreign workers pay not pegged: Minister", Taipei Times. <http://www.taipetimes.com/News/taiwan/archives/2015/08/19/2003625719>.

⁷ The affidavit is called "Foreign Worker's Affidavit for Wage/Salary and Expenses Incurred for Entry into the Republic of China to Work". It can be found at:

<https://www.wda.gov.tw/en/home.jsp?pageNo=201310280007&acttype=view&dataserno=201304190005>

⁸ Council of Labour Affairs, Executive Yuan, Taiwan, (January 2014), "Protection of the Rights for Foreign Workers in Taiwan". Page 16.

See also:

Laliberté André, 2015, "A multi-scalar comparison of responses to abuse against domestic migrant workers in Taiwan, Hong Kong, and Shanghai". 4th RDW Conference, Developing and implementing policies for a better future at work, July 8-10, 2015, Geneva, Switzerland.

⁹ Verité, 2010, "Help Wanted: Hiring, Human Trafficking & Modern-Day Slavery in the Global Economy". Regional Report – Migrant Workers in IT Manufacturing in Taiwan and Malaysia. Pages 16 to 18.

wishing to hire foreign workers are required to firstly secure a hiring permit from the MOL due to the quotas on foreign workers. This can be lengthy process and is frequently undertaken by brokers on behalf of employers. Following approvals the brokers then source employees via networks and links to origin country agencies.

While supervision of the foreign worker is the responsibility of the employer, brokers provide a range of services such as managing the living arrangements and transportation of workers to and from the worksite, providing for medical examinations, and even handling workers with poor performance. In factories where brokers have a contract to manage foreign workers, they may have representatives on-site called "coordinators." Coordinators mediate and also act as translators for both management and workers.

Brokers therefore can be quite integral to some industries in Taiwan, as they offer employers the option of not having to deal directly with the complexities of bringing in foreign employees and some of the issues associated with managing them day-to-day.

Employers do not typically pay Taiwan-based brokers for their services. Instead, brokers' earnings are via service fees charged to workers, even though the bulk of the brokers' services are being provided to the employer. These "service fees" are, however, regulated, with brokers allowed to collect a maximum monthly service fee from foreign workers of NT\$1,800 (US\$56) in the first year, NT\$1,700 (US\$53) in the second year and NT\$1,500 (US\$47) in the third year. Brokers must sign a Services Contract that itemises services and fees with the foreign worker before the service fee can be collected. These fees cannot be collected in advance of employment.

Employers cannot withhold salaries except those specified by regulations, such as health and labour insurance fees, agreed food and lodging fees and income taxes. Also, employers cannot make salary deductions for debts or loan repayments on behalf of third parties.

Country of Origin Agents' Fees

In 2001 the MOL (then the CLA) introduced legislation "suggesting" that foreign broker's placement fees be limited to a maximum of one month's salary or NT\$15,840.

Under Taiwan's regulations¹⁰ the Wage/Salary affidavit signed by all parties must be verified by the relevant authority of labour-origin country to ensure the expenditures incurred abroad associated with fees (including debt) are within guidelines.

¹⁰ National Immigration Agency, Ministry of the Interior, 2013, "Living in Taiwan - Which regulations should be noted when foreign workers come to work in Taiwan?"
http://iff.immigration.gov.tw/ct.asp?xItem=1217231&ctNode=34333&mp=iff_en

Policy Initiatives, Adjustments and Rationale

In early 2014 the MOL released a paper¹¹ restating its policies and rationale for protecting foreign worker rights in Taiwan. The major initiatives with respect to limiting placement fees are:

- The use of the Foreign Worker's Affidavit for Wage/Salary and Expenses is to ensure proper documentation or paper trail. According to the Employment Services Act (revised on January 2002), brokers who collect unlawful compensation are subject to fines, suspension or revocation of permits. Breaches by origin country agencies are reported to authorities in the respective countries.

In 2009 the Salary/Wage Affidavit was revised, stipulating that Taiwan's brokers shall not receive or collect any amount of loan incurred by the foreign worker, in order to prevent over-collecting.

- To help reduce excessive brokers' fees, the MOL established the "Direct Hiring Joint Service Center (DHSC)" in 2007. The Workforce Development Agency (WDA) set up several service counters across Taiwan to assist employers to sidestep agencies. In 2009 the direct hiring program was expanded to help employers to re-hire foreign workers on the expiry of their contracts in the manufacturing, fishing boat, construction, institutional caretaking and domestic helper industries.
- An on-line direct hiring system called "International Direct e-Recruitment System (IDeS)" was launched in January 2012 and at least one bilateral arrangement has been made with organizations in countries of origin to coordinate its use. In August 2015 the Philippine Overseas Employment Administration (POEA) launched a Special Hiring Program¹² for Taiwan (SHPT) under a government-to-government agreement under which POEA will facilitate the processing of overseas Filipino workers applying for manufacturing, construction, fishery or domestic service, and care-giving jobs in Taiwan. Applicants complete an internet-based application¹³ selecting Taiwan as their destination. According to POEA, if selected by a potential Taiwanese employer, they pay about US\$500 (See Attachment 1 for details) before embarkation and post-arrival salary deductions of up to US\$20 per month for informal workers (domestic helpers) and between US\$29 to US\$248 in the formal employment sector (such as manufacturing). Monthly deductions cover insurance, food and accommodation and taxes. According to the POEA, these charges are much lower than the PHP90,000 (US\$2,000) to PHP160,000 (US\$3,500) some recruitment agencies charge workers. Employers using the system save agency introduction fees¹⁴ (presently NT\$20,008 (US\$633)).

¹¹ Council of Labour Affairs, Executive Yuan, January 2104, "Protection of the Rights for Foreign Workers in Taiwan".

¹² Medenilla Samuel, August 31, 2015, "POEA launches direct hiring service for Taiwan jobs", Manila Bulletin. <http://www.mb.com.ph/poea-launches-direct-hiring-service-for-taiwan-jobs/#OPq19IpOjM0GX7Rt.99>

¹³ <http://www.epoaservices.poea.gov.ph/ereg/ereg.asp>

¹⁴ Want China Times, October 14 2015, "Taiwan, Philippines sign cooperation guidelines for hiring workers" <http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20150804000089&cid=1102&MainCatID=0>

- In order to minimise possible kickbacks from brokerage firms to employers, the MOL revised the Employment Services Act so that employers found to receive kickbacks would have applications for permits denied or employment permits annulled. Agents involved in kickbacks would be fined or have their operations suspended. In 2011 the definitions were clarified to cover payments in cash and kind.
- In 2002 routine agency inspection procedures were amended to review fees paid by the foreign workers to ensure they are consistent with “the Salary/Wage Affidavit” signed by employees. Breaches are penalized.
- In 2012 MOL amended guidelines for broker overcharging violations. A suspension of three months is applied for the first offence, and this increases in duration with multiple cases.
- To improve standards, MOL annually evaluates brokers for the quality of management, customer service and other practices and they are given public grades of A, B or C. Those graded as C are incentivised to improve their practices via the non-renewal of permits and limits on their expansion. Brokers scoring well are given positive recognition.
- In April 2011, the MOL introduced rewards for reporting violations of the Employment Services Act. Payments are given for the report of proven offences that range from NT\$20,000 to NT\$50,000.

Issues (Pros & Cons)

- The current arrangements to limit country of origin recruitment fees appear to be largely ineffective as foreign workers entering Taiwan can face significant fees from recruitment agents in those countries. In the Philippines, while fees are meant to be up to one month of salary (and zero for domestic helpers), employment agencies require various payments for skills training, testing, medical examinations, and other costs that result in much higher overall costs to prospective migrants. For example, domestic workers pay around US\$1,400 while factory workers up to US\$3,200 often before visa and travel costs¹⁵.

Therefore Taiwan’s Foreign Worker’s Affidavit system does not appear to protect workers from excessive fees. Employees from the Philippines reported¹⁶ paying brokers in the Philippines amounts much higher than stated in the Foreign Worker’s Affidavit presented to the POEA for approval, prior to their departure for Taiwan. The stated amounts were within domestic rules and workers are instructed that if they wish to work overseas, they must not disclose to the POEA the actual amount

¹⁵ Open Working Group on Labour Migration & Recruitment, 2015, “Recruitment Fees & Migrants’ Rights Violations”, Policy Brief #1. Page 2.

¹⁶ Verité, 2010, “Help Wanted: Hiring, Human Trafficking & Modern-Day Slavery in the Global Economy. Regional Report – Migrant Workers in IT Manufacturing in Taiwan and Malaysia”.

paid.

There is evidence that workers from other major countries of origin pay even higher fees. Estimates¹⁷ of typical fees for domestic helpers from Indonesia are US\$3,000, and as high as US\$7,000 for factory workers from Vietnam.

- Initiatives to improve foreign worker knowledge of their rights and how to seek help include the MOL setting up “Foreign Worker Service Stations” at Kaoshiung airport providing bi-lingual information and orientation services¹⁸ to first-time migrant employees on arrival in Taiwan. These stations also assist workers leaving Taiwan. There is also a toll free “1955” 24/7 migrant hotline where employees can report issues and be referred to appropriate local authorities for assistance.
- The MOL-operated Foreign Worker Direct-Hire Service Centers in Taiwan and the on-line International Direct e-Recruitment System (IDeS) potentially go some way to reducing reliance on agencies, but there are issues.

As far back as 1999 the Philippine and Taiwan governments signed a direct employment agreement for manufacturing-based migrant workers and, in March 2003, a direct employment agreement for domestic workers and caregivers was also signed. Even with these initiatives and widespread availability of the internet in origin countries, direct hiring programmes between Philippines and Taiwan are still not used extensively by employers and employees.

Various reasons are cited, such as distrust or concern that programmes would be slow and inefficient¹⁹. Employers in Taiwan continue to rely heavily on labour brokers, possibly in part due to the on-shore services they obtain in managing foreign employees and the fact that the employees pay for these services. It has even been suggested²⁰ that employers do not want to use direct employment because the broker system means they can sell their migrant quota to the highest bidder among the brokers (in other words, receive kickbacks). Comments have also been made that such systems, while attractive for workers, may not be ideal for employers with large job orders due to their lack of scale.

There is also a concern among NGOs that the Philippine government’s (represented by the POEA) direct hiring programmes contravene joint and several liability provisions covering recruiter and

¹⁷ Open Working Group on Labour Migration & Recruitment, 2015, “Recruitment Fees & Migrants’ Rights Violations”, Policy Brief #1. Page 2.

¹⁸ On-line video orientations are in English, Bahasa Indonesian, Thai and Vietnamese. Example of an English language orientation video:

<http://www.fw.org.tw/flabor97/video-1.php>

¹⁹ opcit Verité,

²⁰ Fr. Peter O’Neill – Hsinchu Diocese Migrants Coordinator, 15 March 2007, “Taiwan Migrant Labour System”, The Catholic Church in Asia Cares for Migrants in Taiwan.

<http://www.catholic.org.tw/catholic/in-3.htm>

employer in the Migrant Workers' Act because the state cannot be sued.

Though there are factors that limit the success to date of direct hiring schemes the recent joint introduction of IDeS system in the Philippines should be monitored as a possible model.

- Even though Taiwan has laws to protect foreign workers, especially those in “productive industries”, labour groups and NGOs have argued that enforcement²¹ continues to be a problem, in part because of insufficient numbers of labour inspectors. In response the Ministry of Labor increased the number of inspectors and inspections in 2014, though critics argue that the inspection rate is still too low to serve as an effective deterrent against violations.

There are also reports²² of domestic workers forced by agencies to take out loans through Taiwan-based lenders for “training fees,” “broker fees,” and other costs. Even though salaries are meant to be directly paid from the employer and properly documented, critics cite examples where domestic workers are paid by agencies which then deduct fees and loan repayments. As a result take-home pay can be as low as NT\$1,000 (US\$32) a month.

- The lack of regular indexation of wages for domestic workers has been widely criticised by NGOs and country of origin governments and may contribute to the illegal fee burden. Minimum monthly wages were, however, recently increased for the first time in 18 years from NT\$15,840 set in 1997 to NT\$17,000.
- With regard to international cooperation on fees, Taiwan is in a somewhat difficult position given its relationship with the People’s Republic of China (PRC). According to Laliberté²³, friendly foreign governments have in the past tended to tread lightly when pointing to issues of foreign labour treatment, though in its 2015 annual report on human rights, the United States State Department criticized the exploitation of domestic workers and the government’s lack of effort in addressing the issue.

Taiwan has recently taken initiatives to forge sourcing arrangements with “non-traditional” labour-origin countries as pressure mounts from traditional countries of origin such as Indonesia over wages and conditions. One source for more domestic workers is Vietnam, but the limited diplomatic recognition for Taiwan makes it more difficult to achieve internationally recognized and binding agreements on fees and salaries. Some commentators²⁴ have gone so far as to question Taiwan’s

²¹ Lee Wu-chung, Sep 03, 2015, “Turning the tide on ‘sweatships’, Taipei Times. For example foreign fishing industry employees have recently been vocal about excessive salary deductions for spurious reasons.
<http://www.taipeitimes.com/News/editorials/print/2015/09/03/2003626802>

²² US Bureau of Democracy, Human Rights and Labor, 2015, Country Reports on Human Rights Practices for 2014 – Taiwan.
<http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/#wrapper>

²³ opcit.

²⁴ Lii Wen, March 1 2015, “Ministry looks to Burmese workers to solve shortage”, Taipei Times.
<http://www.taipeitimes.com/News/taiwan/archives/2015/03/01/2003612508>

motives in looking to new sources of migrant workers instead of striving to improve conditions for workers from traditional sources.

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Attachment 1

Employee Expenses under the T-IDES Program (Philippines)

Pre-Deployment (approximated)

TYPE OF FEES	AMOUNT (PHP)
POEA Processing / OEC (US \$ 50)	2,253.21
OWWA contribution (US \$ 25)	1,126.61
Phil-Health Contribution	2,400.00
Pag-IBIG Contribution	600.00
SSS UMID	1,650.00
TESDA Certification	500.00
Passport Fee	1,200.00
NBI Clearance	115.00
NSO Birth Certificate	140.00
Medical Fee	2,500.00
Visa Fee	2,800.00
Airfare	7,500.00
Total	21,929.82 (approx. US\$ 480*)

* Exchange rate Approx. 46 PHP to 1 US\$.

On-site Legal Deductions

Post - Arrival (approximated)

Type of Deduction	NT \$	Frequency
Labour Insurance (Formal Sector only)	360 (US\$11)	Monthly
National Health Insurance (formal and informal sectors)	295 (US\$9)	Monthly
Food and Accommodation	NT \$ 0 - NT \$ 4,000 (US\$125)	Monthly
Income Tax (computation varies, based on several Factors- total income received with overtime pay, length of stay, exemptions - spouse, dependents, etc.).	Approximate range NT \$ 0 - NT \$ 36,000	Yearly
Medical Check Up (3 hours upon arrival, after 6 th , 18 th , 30 th months)	1,800 each (US\$56)	4 x in three years
Alien Residence Certificate	1000 (US\$31)	Yearly
1. For the informal sector, deductions range from NT\$ 20,820 to NT\$ 22,373 (US\$650 to US\$700**) for 3 years or NT\$ 578 to NT\$ 621 per month (US\$18 to US\$20**). 2. For the formal sector, deductions range from NT\$ 33,780 to NT\$ 285,780 (US\$1,055 to US\$8,930**) for 3 years or NT\$ 938 to NT\$ 7,938 per month (US\$29 to US\$248**).		

** Exchange rate Approx. 32NT\$ to 1 US\$.

Source: Philippine Overseas Employment Administration (POEA). 20 October 2015.

<http://www.poea.gov.ph/shpt-ides/shpt-ides.html>

TWC2 Recruitment Costs Research Working Group

The great majority of migrant workers pay large sums of money in order to obtain jobs in other countries. The costs, often exorbitant, leave workers debt-ridden and in a more vulnerable position to pernicious labour abuse. At TWC2, we recognise the consequences of recruitment costs and the urgent need to eliminate such fees.

This report is part of a series of papers analysing the policies in various countries regulating recruitment costs. Through this evaluative process, we hope to be able formulate effective policy recommendations in reducing the recruitment costs of workers who come to Singapore.



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Transient Workers Count Too
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