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Migrant business-people in Taiwan:

Review of Field Work Findings and their Preliminary Interpretation

The interplay between migrants based in Taiwan and their entrepreneurship strategies can be empirically studied on various levels, embracing different units of analysis. Economic sociology literature brings examples of migrants' economic action framed within the perspective of the political-cultural approach, which emphasizes the different determinants of their action governed by the existing conceptions of control. This level of analysis covers usually the macro-institutional dimension where general rules (i.e., conceptions of control) that underlie markets (e.g., the legal status of migrants, rules of a minimal wage, etc) are constructed or modified (Fligstein 2001). This investigation's scope has been limited, as it has not analyzed whether different actors in Taiwan (e.g., politicians, business people, NGOs, etc, advocates of migrant entrepreneurs) have been able to impact conceptions of control to enable migrants to run business in Taiwan. Therefore, this exploration has not been focused on the role of broader agents that would be able to create and distribute political initiatives changing the position of migrant entrepreneurs. Instead, this study explored the micro-level of individual migrant entrepreneurs based in Taiwan and their companies, it was inquiring whether the impact of entrepreneurs inherited normative and cultural attitudes have shaped strategies of their firms, particularly in the context of challenges posed by the shadow economy. In other words, these findings are analyzed within the broader context of the economic sociology literature which emphasizes that contemporary market game is based on the formation of stable expectations about the behavior of economic actors, also based on trust and predictability of normative behavior of economic actors (Beckert 2006, 2009). This line of research refers to a growing

number of conceptual and empirical studies supporting the thesis that market relations are governed not only by price competition but also by the impact of institutions and normative systems (Zelizer 1979).

This research has also covered the problem of the effects of the increasing inter-Asian mobility. Following a concept of social remittances (Levitt 1998, 2001; Levitt, Lamba-Nieves 2011) which explores the impact of transnational mobility on sending country communities this aspect of the research aimed to focus specifically on the distribution of norms and practices in running a business in the transnational context of Taiwan and Asian Pacific countries. There are little data on social remittance between Taiwan and Asian Pacific countries. This aspect of the project has mapped in a preliminary manner whether through direct contacts with the Taiwanese business milieu: i) innovations were brought to the analyzed respondents' companies; ii) whether respondents declared compliance with formal rules; iii) how analyzed migrant entrepreneurs change their normative attitude on the informal economy as a result of social imitation/social interactions with the Taiwanese institutional setting.

Methodologically, this research was based on the ethnographic fieldwork among the migrant entrepreneurs based in Taiwan.

This report is divided into 5 sections. Firstly, it depicts briefly the motivational background for setting a business by migrants in Taiwan; secondly, it explains the relevance of ethnic niches for doing business among migrants; thirdly, this report details the interplay between migrant entrepreneurship and innovativeness; fourthly this report considers migrants' self-reported quality of the Taiwanese institutional framework; fifthly this report analyses the role of guanxi networks among migrant business people with some attention paid to the informal economy; finally this report closes with the conclusion.

Legal framework and migrant companies

This report's findings confirm earlier studies' insights suggesting that the motivational script of migrant entrepreneurs is decisively impacted by the receiving country's legal environment and its migrant admission policies (Kloosterman, Rath 1998). For instance, if the legal framework discriminates against migrants on the labor market, they are willing to set up businesses in the shadow sphere to bypass these challenges. Taiwanese policies are relatively strict towards non-Chinese descent migrants willing to set up the business what may also create an additional motivational factor to drive some of the non-Chinese descent migrants into the shadow economy sector. This is one of the reasons why immigrant entrepreneurs' motivational profile includes the higher rate of tolerance towards taking risky decisions (e.g., Akee et al. 2007). The importance of Taiwanese admission policies for starting a legal business in Taiwan is particularly visible while noting a significant number of migrant respondents of Chinese descent who arrived in Taiwan and at a certain point decided to set up a business. Their status of overseas Chinese nationals had facilitated their entrepreneurial strategies since the Taiwanese government allowed them to legalize their residential status. That was, for instance, a case of the Filipino respondent of Chinese descent who arrived in Taiwan and after working as a regular employee in the cutting stone industry had established a mid-sized company that specializes in the same activities carried out in this sector. His company does not represent a stereotypical migrant run company oriented towards ethnic niche, instead, it competes with native Taiwanese companies. The respondent admits that the very possibility of running his company was possible since he was granted Taiwanese citizenship which opened him an opportunity of compliance with national regulations:

“I am an overseas Chinese so I could do this, it is very hard or almost impossible in case of people who do not have Chinese origin and who do not speak Chinese. I have learned a lot about this industry and now I am competing with others in this industry using quality materials and reasonable prices. So, I am working inside a regular Taiwanese market.” [11]

The necessity of obtaining Taiwanese citizenship or legal resident status to legalize business endeavors is visible also in the case of some non-Chinese descent migrants who arrived in Taiwan and consequently married Taiwanese citizens, what on the one hand allowed them to get a residency permit, on the other, created an opportunity to run a business jointly with a Taiwanese partner:

“There are a lot of people either from the Philippines, Indonesia or Vietnam who came over here and started their activities in the informal business and at a certain point they married a Taiwanese citizen. [...] These are usually women, for whom after the marriage and legalizing their residential status it was easier to start a formal business, like a restaurant.” [8]

Another migrant respondent admits that the legal status of migrants determines ultimately sector where they can run business, but more importantly, whether they will end up in the formal or the informal economy sector:

“Those who have no Chinese descent cannot get easily a Taiwanese id and they have difficulties registering a proper company. This is why they sometimes start doing informal businesses, like home-based services, producing lunch boxes, or telephone-based initiatives.” [12]

Ethnic niches for migrant companies

It seems, however, that regardless of having a Chinese descent or not, the preferred business *modus operandi* of the analyzed migrant respondents was oriented towards a migrant ethnic niche. Namely, companies run by migrants tended to be intensively involved in cross-national trading or service activities embracing their compatriots. This occurrence confirms other studies' findings on migrant entrepreneurs who typically start their entrepreneurial careers among the migrants in the receiving country (Wang, Liu 2015).

It was evidenced by several respondents:

“Most of our colleagues from the Philippines are involved in trading with Filipino people, either they import things from the Philippines to Taiwan or export goods from Taiwan to the Philippines. If they are offering services here these are mainly meant for the Filipino people.” [23]

Ethnic niches-oriented businesses typically are popular among poorly equipped with financial capital resources migrants. The ethnic niche offers low entry-level costs which reduce the necessity of significant investments what was indicated by the respondent:

“My first company helped me to survive, I knew what other migrants need, so I was not forced to learn about the Taiwanese market and its specific demands since I knew everything from the very outset about Filipino people what they needed in Taiwan. We, therefore, provided them with adequate services.” [19]

Hence, it does not come as a surprise that migrant entrepreneurs quite often are engaged in various transport, delivery, communication, and remittances-oriented businesses between receiving country and home country what constitutes a predictable starting point for the capital accumulation as evidenced by the respondent:

“Our task was to provided Filipino customers with the sea cargo, so they could send things to the Philippines. Later we started doing financial remittances. [...] Our company was located near the bus station where there are many Filipinos. From this point, we have begun to grow, and our products also multiplied, these were grocery products, mobile phones, mobile cards. Everything Filipino migrants required.” [16]

Innovation and ethnic niches

The role of efficient governance of the receiving country in the perceived legitimacy of the receiving country among migrants attracts the most attention in the literature, but there is still little evidence on the relationship between learning and innovating among migrants in the receiving country. The interview data found that to be efficient in the formal sphere besides

employing price competition strategies, migrant entrepreneurs were also expected to bring new products or services into a local market. In other words, the analyzed entrepreneurs had to create innovative measures in finding niches for their products/services on the Taiwanese market. Even though the major sectors in which migrants operate are typically grocery stores and ethnic cuisine restaurants which do not require a great deal of innovation, some of the analyzed respondents entered also more demanding sectors of running a business like travel agencies, broker agencies, gangmaster/employment agencies. All these endeavors were drawing on respondents' unique learning processes on the specific needs of migrants in Taiwan. Citations of respondents revolve around these experiences:

“I am running a company that offers different opportunities for Filipino people in Taiwan, starting from arranging visas, airfare, and job opportunities. Even though our company's portfolio is diversified most of our transactions are related to Filipino migrants. [...] It is obvious, we know the market in the Philippines, we have connections, experience, everything, so it is much easier to access Filipino than Taiwanese people”. [3]

Clearly, with the growing numbers of migrants there is also a significant risk of competition with other migrants running companies located within ethnic niches where similar skills, know-how are being used to offer services related to transnational migration processes. This growing competition compels migrants to broaden their offer, and this struggle triggers innovativeness and searches for quality services as it was in the case of this respondent:

“You have to have a good business plan, reliable strategy, and hire the right people, if you miss one element you will fail. My priorities are quality products and reliable service, my services might be slightly pricy, but customer service, frontal service is superior, I offer a backup service.” [5]

Once migrant entrepreneurs succeed in an ethnic niche, which required acquiring new skills and accumulating greater capital resources, their services/products may enter also a local

Taiwanese market. Several respondents reported that they advanced Taiwanese customers after having spent some time in an ethnic niche:

“Your system must be very good, I invested a lot in our company’s digital system, the software must be efficient, otherwise you cannot succeed. Therefore, the IT staff is most expensive. You must keep talented, creative staff. I employ 30 people and have around 20 000 customers monthly. I increase annual salaries for my staff, it is not easy to keep good employees since here in Taiwan everybody wants to be a boss on his own.” [4]

Even though there might be a certain hardship with accessing Taiwanese customers some of the analyzed Filipino migrants demonstrated innovativeness in this regard, they drew on their cultural resources brought from the Philippines. Namely, it was the English language, widely spoken in the Philippines, which helped several migrants to find a way to a specific market niche in sectors like international call agencies, English language schools, or broker companies. Some of these endeavors provided Taiwanese students with access to University learning in the Philippines as evidenced by one of the respondents:

“We are offering certain possibilities for the international students, including Taiwanese students to start their education in the Philippines. The Philippines typically does not constitute a hot destination for international students as compared with the UK or the US, however, given courses are taught in English and costs of living are low, there are still some people interested in signing up”. [7]

Migrants and the institutional infrastructure in Taiwan

One of the major aspects of the project has been concerned with expanding qualitative research on the impact of exogenous cultural traits (Polavieja 2015) of migrant entrepreneurs in a Taiwanese context. Specifically, it aimed to examine whether the migrant entrepreneur’s tax morale (intrinsic normative motivation to comply with tax rules) (Torgler 2011) changes in a new institutional context which is less affected by the informal economy than specific sending

countries (e.g., the Philippines). The innovative aspect of this objective pertains to the question of whether the tax morale is stable in the new Taiwanese context or is subject to change as a result of experiences/learning/innovating in a new institutional setting. There is no current knowledge on this topical issue. This aspect of the research has been related to the increasing amount of data suggesting that growing trust in the government, political system, and institutional environment can have a positive impact on taxpayers' tax morale (Schaltegger, Torgler 2007). The research examined preliminarily focused especially on how the tax morale attitude of migrant entrepreneurs depends on their trust in the Taiwan state apparatus. Here are some opinions of migrant business respondents indicating their perception of the quality of Taiwanese institutional arrangements and how this perception shapes their business ethics attitude:

“Once your company is registered here, doing business is quite easy, regulations are clear and transparent. [...] Even though the economy in my country [the Philippines] has been recently improving it is not as good as in Taiwan”. [6]

Another respondent adds:

“The Taiwanese system is good for running a business, the Taiwanese government is systematic. Once you apply for a business license it takes two weeks and you can start running a business. In the Philippines, it can take 6 months to get a business license. These Filipino administrative constraints additionally create corruption, you are supposed to give some money to people to process your business license otherwise they will delay this process. Here in Taiwan things are transparent, people earn better money, thus there is no need to get involved in corruption in this country” [14].

A migrant respondent from the trade industry adds:

“Institutional system in Taiwan is very efficient, there are no salary gaps as in the Philippines. In the Philippines there are too many regulations, there is a puzzling bureaucratic apparatus.

All this does not help to do business in the Philippines, at least it is less beneficial than in Taiwan.” [22]

Favorable opinions were also expressed about the Taiwanese tax system:

“The tax rate is acceptable in this country. [...] Generally, I trust the Taiwanese government because they are fair. Everybody pays taxes, the system is reliable, you have no way to avoid paying taxes, everything is fast and transparent here”. [5]

Interestingly, some respondents have noted that tax compliance in Taiwan is not the only result of the morally altruistic attitude of taxpayers, but they also pointed to the structural conditions of the Taiwanese tax system which through digitalized procedures filters all registered transactions leaving little room for any attempts of tax fraudsters. This research follows in this regard other studies showing that tax compliance improves when institutional quality increases, corruption is controlled, citizens display greater trust in the legal system, and consequently, the size of the shadow economy diminishes (e.g., Torgler, Schneider 2009; Hanousek, Palda 2004): “In this country, it is almost impossible to fail with paying taxes since my all transactions are immediately known to the tax authorities, all are screened, so it is complicated to make tax evasion in Taiwan.” [16]

These citations gain specific significance especially in the case of entrepreneurs who previously operated in countries where quite frequently the state apparatus is associated with the low level of political and economic legitimacy, thus the question remained how entrepreneurs changed or kept their attitude towards tax compliance in a new business and legal environment. The findings suggest that the interplay between trust and tax compliance of significant migrant-entrepreneurs in the Taiwanese context improves their tax compliance. It has been evidenced especially by those respondents who run mid-size companies:

“I need to issue invoices for any type of transaction I have had with my customers. All these transactions are consequently taxed. Our customers usually are associated with the construction industry who also need invoices. No way to make a fraud.” [2]

Another respondent who employs 38 people in the service industry refers to the advanced nature of the Taiwanese tax system which compels tax compliance:

“Everything these days is being processed by the computers, the internet; tax authorities also use these means, so it is a big headache to find a way to avoid paying taxes. The tax authorities will always notice that you oversell or undersell something. So, you have to be very accurate about how you sell, how you issue the invoice, they have a very good tracking system here. There is no way to imitate Filipino methods to avoid paying taxes in Taiwan.” [8]

Guanxi relations and migrant companies

One of the lines of inquiry of this research is related to the question on the role of the Taiwanese institutional and legal environment in stimulating some migrants to overcome a particularistic type of trust typically practiced within the informal economy networks and launching a universalistic type of market exchange. Here, research follows Zucker's (1986) insights who in a Weberian line asserted that market contracting in modern society, at least understood as an ideal type model, should be protected by a universalistic bureaucratic apparatus, capable of enforcing predictable rules governing the market game. Given market relations inherently imply the uncertainty of the future outcomes of contracting parties, economic actors reduce the possibility of potential loss by relying on predictable law, enforced routinely by the state without resorting to the trusted identifiable particularistic actors. However, in the context of institutional instability of sending country's economy (e.g., in the Philippines case inconsistent regulations, corruption), overlapping with the structural weakness of the small and middle-

sized companies, this research analyzed whether respondents, particularly those who run companies both in Taiwan and their home countries, tend to reduce risks of running a business by substituting deficiencies of universalistic bureaucratic forms of society by relying on particularistic trust networks. These networks typically are located in the shadow sphere, which cuts across a range of different phenomena such as bribery, guanxi, or informal economy networks. The shadow economy in several sending countries as it is demonstrated in the interview data, particularly once intertwined with bribery, might be understood as an example of instrumental relation reducing risks for running a business. The literature brings examples of such relations especially regarding societies with poorly functioning coordinating institutions where the ethical separation between “us” and “them” is a way for coping with the strangers or in the guanxi networks prominent in Far East Asia. Several respondents who came from e.g., the Philippines referred to the overwhelming guanxi practices without which doing business in the Philippines would have not been possible. The guanxi system based on the personal relationship of trading parties has according to their opinions provided necessary trust resources and facilitated business through the reduction of transaction costs in a defecting institutional environment (Tsai et al. 2006). Therefore, it was interesting whether the previous guanxi experience is exported with migrants to Taiwan. Interestingly, according to the interview data guanxi resources were not reported by respondents as a necessary condition to run a business in the Taiwanese environment which was dominated according to them by the universalistic type of relations among transacting parties. As evidenced by the respondent:

“Here it is easier to run a business than in the Philippines also because, I mean, there is less corruption in Taiwan, you do not need to know everybody, expecting to pay bribes or receiving bribes what frequently happens in the Philippines. [...] Guanxi is also present in Taiwan but not on such a scale as in the Philippines.” [13]

Another respondent adds:

“Running a business in the Philippines implies that everything will be slow. This situation is caused, among other issues, by corruption. People do not trust the government; eventually, you cannot do anything without using guanxi methods. Of course, in Taiwan, you can also find guanxi, but it does not occur on a comparable scale to what is going on in the Philippines. In Taiwan guanxi can help you but you can survive without it as I do, in the Philippines business moves around guanxi.” [21]

These citations indicate that the transaction costs are higher in the Philippines since they include unofficial costs of bribes and guanxi which establish trust between transacting parties what – according to respondents - does not happen on such scale in Taiwan, where the economic system is less personalized, and regulations are applied impersonally.

Of course, we have to remember numerous ambiguities related to guanxi which as an informal network cannot be analytically equated with the illegal transaction as bribery. Yang (1994) for instance notes that guanxi implies long-term obligation informed by the emotional investment of parties involved. This is opposed to the instrumental rationality of bribery. Literature nonetheless demonstrates several adverse consequences as a hindrance to market diversification or rational allocation of resources. Xin and Pearce (1996) note that this system of particularistic relationship blocks the possibility of developing the transacting which is bounded by the formal contract enforced by the efficient law apparatuses. They claim (Xin, Pearce 1996:1655): “If laws and reliable government cannot protect those wishing to conduct business, business people will seek to create their protection, drawing on the means available to them”. This mechanism according to Xin and Pearce (1996: 1645) acts as a substitute to the defecting impersonal bureaucratic organizations. Bearing in mind structural differences between guanxi in different Asian countries, these informal structures indicate the more general problem of perception of state’s coordinating institutions. If these are perceived as poorly

functioning, this perception consequently may diminish the trust in the government and create the conditions of entry into informality.

Of course, the capability of the state apparatuses' control, including the Taiwanese state, is limited, and reducing tax evasion, underreporting, informal employment, avoidance of formal contracting, etc., does not bring efficient solutions if it relies only on the state's coercive measures (e.g., Torgler 2011, 2011a; Packard et al 2012). Informal economy activities practiced by migrants based in Taiwan were also detected while carrying out this research. The shift of migrants to the informal sector often was underpinned by the difficulties with obtaining residential rights in Taiwan what was evidenced by some respondents:

“Some migrants whose legal status is not regular here and they want to do business they have to do it at home, without id number.” [15]

Another respondent named sectors of this informality:

“These types of informal businesses include producing lunch boxes and food, selling cards and self-phones, lending credit for a short period for workers, selling food for migrant workers.” [9]

But there are also other informal activities reported by respondents:

“There are loopholes in the Taiwanese system, no system is perfect, and people exploit these loopholes. For instance, people are doing false reporting about their income to minimize costs. I can get retail invoices, another type is company invoice, the company can issue a retail invoice for a customer and you can sell it to other company which needs this invoice.” [22]

Respondent indicates that informal activities particularly revolve around not declared labor and insurance costs. Following earlier studies carried out in different geographical settings, this remark may suggest that some of the migrant business people who established companies in Taiwan implemented less generous social insurance policy towards employees than indigenous business people (see Kerr, Kerr 2018):

“First thing you do is the following: you hire people who you do not pay for medical care and social insurance, or you make them part-timers.” [20]

Although some categories of shadow economy activities reported by migrants may reduce uncertainty while operating in certain economic sectors, on the other hand, this informality can constrain the growth of their companies, and on the macroeconomic level, it may hinder broader markets. It seems that migrants operating in Taiwan cannot achieve their highest value-use, they lack large scale investments and instead “short-term turnover dominates” (Kaufmann, Kaliberda 1996; see also Friedman et al 2000). From the data interview, we see that there are growth barriers inherent to the informal sector. On the one hand, informal companies, typically represented by self-employed individuals, may get away from governmental control, for instance, they will not be affected by sanitary regime procedures. On the other, these economic activities by the very definition cannot develop and expand on the market, they represent usually only subsistence logic. These companies cannot also benefit from the cooperation with bigger business partners since they are not able to issue invoices. Also, informal companies run by migrants are affected by a sort of vicious circle, since they cannot grow, their operation income is relatively low what keeps them in the informal zone for they cannot afford to cover social security and health insurance costs of themselves and their employees. This was evidenced by the respondent:

“Minimum wage and health insurance to be paid monthly pose a challenge for some migrants who operate in the shadow economy. It might be a burden for them. Sometimes they recruit workers, but they ask them to pay social insurance for themselves.” [29]

Another opinion points to adverse conditions as the lack of legal protection of the informal sector in Taiwan:

“Some migrants focus on limited activities as selling lunchboxes in the streets, others join forces with Taiwanese citizens, so they legalize their activities. However, the latter cooperation

might be problematic, once they have disputes with their Taiwanese partners, they may lose everything.” [27]

Small and medium-sized companies are more likely to operate in the informal economy sphere because of their specific organizational culture (e.g., low managerial skills of the owners) and structural uncertainty affecting the activities undertaken by ventures of this scale (e.g., problems with maintaining capital assets). A high-risk business environment might be, occasionally or systematically, reduced by shadow economy activities, what was pointed out by the respondent:

“There are people who operate these informal businesses from their apartments. You have to only become known and your products or services need to be appreciated by customers, then you can make a success, however, this success is always small.” [8]

Another respondent continues:

“There are thousands of such informal companies run by Filipinos. They may fail with sanitation and other regulations, but usually, they will not get detected by the authorities; it is impossible to track down these companies, they do not pose threat to Taiwanese economy because everything is limited to the very small-scale business” [20]

Another opinion also emphasizes the small scale of the possible informal activities:

“If this informal business is not big, the authorities will not bother you, however, once your activities are getting bigger then you can get busted.” [17]

Given that informal trust-building relations tend to reproduce themselves according to the logic of organizational isomorphism (DiMaggio, Powell 1983; Deephouse 1996), the movement from informality to formality in certain shadow economy niches may be troublesome. However, this self-reproduction mechanism, which is often relevant for countries with unstable institutional context, does not necessarily appear in the relatively predictable Taiwanese legal framework context where the chances of leaving the shadow zone for migrants might be greater.

This was partly corroborated by the interview data which suggests that for some migrants the informal economy acted only as a starting point in their business career in Taiwan. Namely, involvement in the informal economy contributed to capital accumulation and learning new skills that eventually helped to legalize their economic activities. This process was evidenced by the respondent:

“Migrants from the shadow sphere are often employed in the factories and after work hours they have their informal side-businesses, once a given business is doing well, they turn it into a legal sphere in this or another way.” [1]

Another opinion was following a similar line of argument:

“You start irregularly but if you are successful then you want to legalize it. But let’s face it: chances of being successful are very low for migrants. If you are, however, successful then you should increase your customer base, you rent a new place, you hire the staff and you want finally to get a business license, just to make your business grow.” [5]

Generally, these findings, by and large, remain consistent with the publications which as Wu (2002), among others, argued that companies implementing a consistent level of compliance with the rules of business ethics improve their organizational performances. These performances include innovation, development, product quality, transparent finance while – according to this line of inquiry - the informal economy, particularly as coupled with bribery proves to be inefficient in the longer run. San et al (2006) demonstrated for instance the crucial role of the quality of labor, and education of manpower in achieving economic success in Taiwan, and advanced skills contributed to the increase of the capital share. At the same time, the informal economy, particularly as intertwined with bribery (pay-offs, etc.) proved to be inefficient, even though as Hung (2008) showed bribery might be helpful for companies to overcome “immediate financial problems”.

Conclusion

In contrast to a neo-liberal type of reinterpretation, associated usually with the work of De Soto (1989) who viewed the informal sector not as the survival strategy but as a deliberate choice of neo-liberal entrepreneurs who in the realm of the shadow economy can deploy their inventiveness this research project is rather in tune with the current of the literature which views the unofficial sector, particularly unregistered firms as unproductive. According to this position firms engaged partly or entirely in the informal economy are often inefficient, they lack large scale investments “which are crucial to the longer-term growth” and instead “short-term turnover dominates” (Kaufmann, Kaliberda 1996: 32). Migrant entrepreneurs operating in the shadow sector are unproductive also because they cannot benefit from the official institutions (e.g., courts or banks) and are unable to own critical assets and advertise their products (see La Porta, Shleifer 2008). The firms involved in the shadow economy cannot achieve their highest value-use and remaining in this sphere does not improve their economic growth and does not enhance the efficiency of broader markets. The findings of the ongoing research seem to suggest that informal economy entrepreneurs lack essential entrepreneurial skills what may drive them into suboptimal informality. The importance of human capital for economic growth has been repeatedly confirmed in the literature, as in well-known Romer's (1990) endogenous growth scheme where the existence of human capital is positively correlated with the rate of economic growth.

Another aspect of this research refers to difficulties with determining the reasons that lead to the pushing firms run by migrants into the shadow economy. Besides mentioned in this report immigration policy constraints other potential factors might be at work which would require further research. The literature agrees that the informal economy and corruption reinforce each other (Shleifer, Vishny 1993). Most of the respondents, however, argue that corruption does

not pose a serious problem in Taiwan. Other factors, including seemingly obvious one as an excessive tax burden which might compel migrant businesspeople to hide into the shadow sector, also does not seem relevant in the Taiwanese context. According to some authors (e.g., Loayza 1997; Schneider, Enste 2000) statutory high tax rates coupled with distorted state regulations and poor law enforcement may force firms to go underground. However, this assertion probably does not apply in the Taiwanese context (see also Friedman et al. 2000). Some authors (Thiessen 2003; Kaufmann, Kaliberda 1996; Johnson et al 1997) point to the complexity of the tax system as well as over-regulation of the economy (e.g., labor regulations, trade and production limits, licenses, labor safety rules), which may trigger a considerable scale of the unofficial sector. However, it should be emphasized following the mentioned group of authors that it is not necessarily regulation *per se* that drives firms underground, but the inconsistency of the implementation of these rules. This would require further more detailed research in the Taiwanese context.

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