My research draws on employment theories to investigate how relative power among employers, workers and the state determines the contours of the employment system in Taiwan. I argue that employers are the dominant force in the Taiwanese labor market and their business and employment practices are mechanisms which counter rising labor protections by the state and shift employment risks to individuals through the use of non-standard employment.

Risk Shifts from Employers to Individuals through Non-Standard Employment

Since firms make the employment decisions which are the driving force for the expansion of non-standard employment, studying firms clarifies why and how employment risks, in terms of workers’ entitlements and job security, are shifted towards individual workers. The aim of my approach is to build a bridge between employment and labor market research at the institutional and individual levels of analysis. I analyzed determinants of employing non-standard workers – part-time (PT), fixed-term (FIX), dispatched (DIS) and contract (CON) workers – and outsourcing (OUT), using an establishment survey I conducted in 2011 in Taiwan. The survey contains 2,632 employers and is the first representative survey since 2002.

Determinants of Non-Standard Employment and Outsourcing

My analysis shows that firm-internal flexibility arrangements are complements rather than alternatives to the use of non-standard employment, net of cost-saving factors. This suggests that direct cost-saving is not the primary reason for using non-standard employment in Taiwan. Instead, firms find the best mix of internal flexibility among regular full-time workers and external flexibility from non-standard workers to cope with economic and legal environments. When direct costs-saving is the concern, however, employers externalize tasks completely by outsourcing, which as a business rather than employment strategy, avoids social protection regulations altogether.

Subcontractors, who take outsourced work, tend to deal with pressure from clients by utilizing all forms of non-standard work. The results also show that employers opt for fixed-term workers to reduce reliance on unionized full-time regular workers. Nonetheless, this is neither necessary when the union is weak nor feasible when the union is strong. Only when power of the union is medium, employers are the most likely to use fixed-term workers.