

A Study on the Determinants of Taiwan's Wage Stagnation

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Taiwan's real wage has stagnated since the second half of 1990s while continuous growth in GDP has been recorded (although at a slower pace compared to that before 1990s). This is in contrast to the phenomenon found in countries such as Korea, Japan, Singapore, and the United States, where real wages still trend upward. More than a decade of flat wages suggests that the Taiwanese workers do not enjoy the benefits of the overall economic growth.

The labor share of national income in Taiwan has also been falling since the second half of 1990s. Although it is a common phenomenon shared by many countries in the world, Taiwan's labor share seems to be falling faster than her major trading partners. A falling labor share implies that productivity gains do not translate into broad rises in pay; instead, a larger share of the benefits of growth indeed accrues to owners of capital.

Various studies have suggested that trading with low-wage countries, outward direct investment, foreign outsourcing, and capital-using technological progress may contribute to the variation of wage and labor share. Taiwan-specific factors such as export outsourcing and labor policies may also help explain these phenomena. The purpose of this project is therefore to identify, among these factors, what cause Taiwan's wage to stagnate and labor share to fall overtime. We will study the issues from the following perspectives: (1) to compare the wage variation across countries; (2) to use industry-level data to study what affect the wage growth in Taiwan; (3) to examine the downward trend of labor share of national income in Taiwan. Some policy suggestions will also be provided.