DOES GLOBALISATION PROMOTE INCOME EQUALITY IN TAIWAN?

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Executive Summary

1. Multinational companies have largely outsourced production as a result of the international fragmentation of production, causing wage disparities between highly skilled and less-skilled workers to rise and further deepening income inequality.

2. Globalisation has not solved the problem of income inequality; instead, it has become the main factor for the rise in income inequality in many emerging economies like South Korea and Taiwan.

3. Economic issues such as income distribution rather than political issues became salient for Taiwan's presidential election in January 2016.

4. The worsening problem of income inequality in Taiwanese society has become the main driver of recent social movements.

5. Since the late 1980s, the unequal income distribution has started to worsen. Taiwan's experience has revealed that the relationship between economic growth and income distribution has failed to support the inverted U-shaped Kuznets curve.

6. The aim of Taiwan's tax reform policy is to narrow the income gap between the rich and the poor. Tax policies could also be adjusted to raise more revenue from the wealthy to help support social welfare programmes for poorer families. The government needs to carry out tax reforms in pursuance of equity and fairness.

7. Social welfare spending is a favoured strategy employed by Taiwan's ruling party to enhance its prospects of re-election, while avoiding any significant tax increases. As a result, social welfare spending is becoming increasingly significant in influencing income distribution.

8. Taiwan has attempted to ameliorate income inequality by expanding government transfer payments, enhancing social welfare and raising taxes for the rich. As a result, income inequality has improved slightly.

9. There is a need to encourage domestic investment for revitalising the economic growth momentum. The active domestic investment is likely to create more jobs and a new business model and solve the fundamental problem of income distribution.

10. Due to persistently sluggish foreign and domestic demand and uncertainty in global financial markets, President Tsai Ing-wen is now facing daunting challenges such as revitalising Taiwan's export-reliant economy, improving income distribution, reining in housing prices and raising real wages.