

Top Incomes in Taiwan during 1976-2005:

Family Income Survey Analysis

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Objectives:

Taiwan has experienced three decades of “economic miracle” during the 1950s through the 1970s. In the period, the rapid economic growth brought about the beneficial effect of decreasing inequality of income that is regarded as the exception of Kuznets inverse-U hypothesis. Nevertheless, the distribution of income has worsened since the beginning of the 1980s that has become a major social and political concern in recent years. As shown in Figure 1 which describes the trends of income shares for deciles 1, 2, 9 and 10, it seems very clear that the share of top decile families jumped from about 22% during 1976-2000 to about 25% of total income in 2001-2005 that may be identified as the major contributor of worsening income distribution and hence deserve due concern besides current focus on jobless growth and working poor issues. This study aims to explore the trend of top incomes in Taiwan as well as causes for changes during the last 30 years. It is expected that the empirical findings of this study may provide valuable comparison with those studies for OECD countries and derive meaningful policy implications for Taiwan.

Data and Methodologies:

To investigate the evolution and income composition of the top incomes in Taiwan, we use household income data which come from annual family income and expenditure survey conducted by DGBAS (Directoral-General of Budget, Accounting and Statistics). The surveys were consistently undertaken since 1964, nevertheless, electronic data file for annual survey including about 15,000 representative households were not available to public use until 1976. Therefore, the time-series analyses of this study are based on household income data in 1976-2005. Basically, the unit of analysis of this study is the household, while the equivalent value of 0.5 is used to adjust the equivalent disposable family income for different number of family members and the same value is assigned to each family member.

With edited data set, the trend of disposable income share of top 0.1%, 1% and 10% income earners will be analyzed. Furthermore, the changes in important components of their income source, especially, wage income, self-employed income and property income will also be investigated. Finally, important socio-economic changes in industry structure, tax reform, capital market, labor market, and their association with the variation of top incomes will be discussed.

Preliminary Results:

- (1) Figure 1 presents some fairly clear indication of “ the rich get richer and the poor become poorer” in the past three decades, and the most large changes are due to the top 10 percent income earners whose income shares were kept relatively stable during 1976-2000, and then made upturn in 2001-2005.

- (2) Figure 2 further depicts the income shares accrued to top 0.1% and 1% income earners during 1976-2005. There seem no obvious long-run increasing or decreasing tendencies, while fluctuating in 5-year periods.

- (3) For the changes in income composition of top incomes during 1976-2005, it seems that top incomes were mostly composed of wage income and its share kept increasing in 1976-2005, while self-employed income decreasing and property income relatively constant. The causes for these changes need further investigation.

Keywords: top incomes, income distribution in Taiwan, tax reform

Figure 1. Disposable Income Shares for Deciles 1, 2, 9 and 10 in Taiwan, 1976 to 2005.

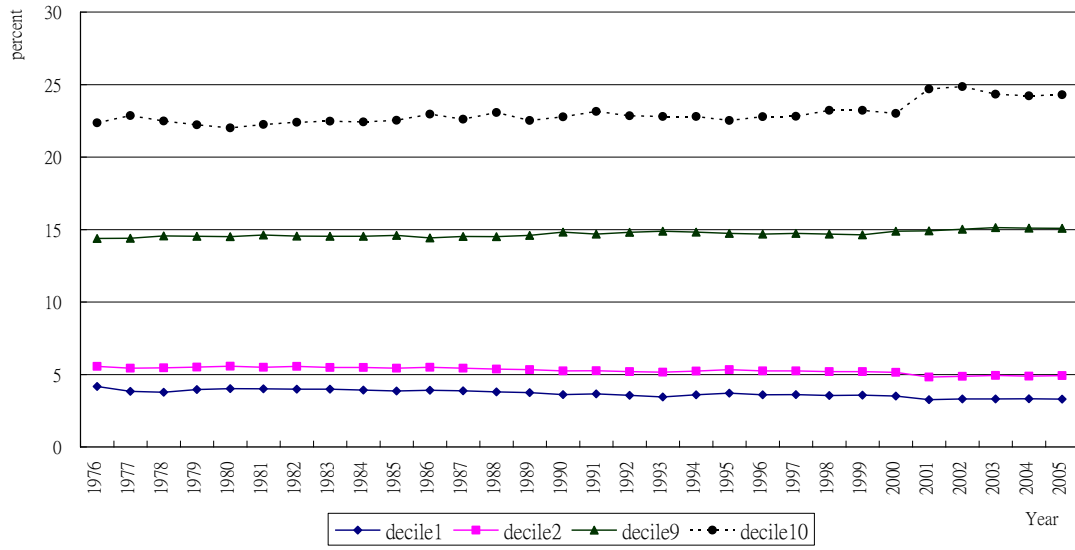


Figure 2. Disposable Income Shares for Top 1% and 0.1% Income earners in Taiwan, 1976 to 2005.

