

## Poverty in Taiwan

Dorothy I-ru Chen

Taiwan is home to 23 million people. Among them, over 95% of them are Han Chinese and about 2% are Austronesian aborigines who mostly live in mountain areas. Around 78% of the population lives in urban areas. The GDP per capita is around USD 22,541 in 2016. The unemployment rate is 3.6% in March 2018. Poverty was widespread in Taiwan after WWII. However, the successful export-oriented official strategies in the 1960s and 1970s led to the exceptional economic growth with both the well-known record of income distribution and significant poverty reduction. As the economy took off, income inequality has started risen, and gradually become an issue.

Poverty was rarely discussed before 1987 as Taiwan was still under Martial Law. Compare with ethnic or geographical factors, poverty in Taiwan today is more closely linked to the overall economic development. Taiwan's economy moved from Original Equipment Manufacturer (OEM) in 1970 and 1980s to Original Design Manufacturer (ODM) in the 1990s. After 2000s, the government tried to encourage manufacturers to shift from ODM to Original Brand Manufacturing (OBM) but without much success so far. Due to the fact that manufacturing plays a key role in the export-oriented economy, the reduction of production cost has always been the key concern for employers in Taiwan. Started in 1990s, many manufacturers moved their factories abroad for cheaper labor cost. Since 2010, more than 50 % of exported goods are not produced in Taiwan. Consequently, a large number of low-skilled workers were unemployed as a result. To make matter worse, Taiwan encounters serious low birthrate in recent years. The total fertility rate is 1.1 in 2018. The government sees this as a major crisis of the nation. As a result, the government's concerns over poverty are mostly related to aging citizens, single parents (mostly women) and low-skilled workers.

The current calculation of poverty line is often questioned in Taiwan as the poverty rate is measured by the poverty line of 60 percent of median disposable income per capita. Due to the strict criteria, only 1.78 percent of the population is qualified for claiming welfare benefit in 2017. However, the cross-country study done by the Pew Research Center in USA in 2015 also suggests that only 1 % of population is in poor or low income in Taiwan in 2011 and considers poverty is virtually absent in Taiwan. Today, there have been continuously efforts made by the government to lift poverty line so that more people can claim the benefit. This also reflects on the changes of the government expenditure. Before 1994, the net government expenditure on social welfare is less than 10%. Since 2012, social welfare ranks the second among all (see Table 1).

Poverty in Taiwan is also eased by the government-run comprehensive National Health Insurance (NHI) and strong and vibrant charitable organizations. NHI enables everyone on the island to have the same access to medical services with little cost. Insurance subsidies are provided for the disadvantaged population. In addition, charitable organizations, such as the influential Buddhist group Tzu Chi (with an estimated 5 million members in Taiwan and more than 2 million volunteers globally), also play a key role in supporting those in needs in Taiwan.

**Table 1 Major Net Government Expenditure Structure of All Levels (%)**

Major Items	2009	2010	2011	2012	2013	2014	2015	2016
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
General administration	13.4	14.4	14.4	14.5	14.3	14.4	14.5	14.0
National Defense	11.1	11.2	11.1	11.3	11.0	11.0	11.5	11.5
Education, Science and Culture	21.8	21.6	22.5	22.2	22.5	23.4	24.0	24.2
Economic development	22.5	20.1	18.1	15.1	14.8	15.1	13.3	14.4
<b>Social Welfare</b>	<b>14.5</b>	<b>16.2</b>	<b>17.1</b>	<b>20.2</b>	<b>20.1</b>	<b>19.5</b>	<b>20.1</b>	<b>20.0</b>

Executive Yuan (n.d.)

[https://www.ey.gov.tw/state/News\\_Content3.aspx?n=02CAA5A0C70DDD33&sms=C228331DE13FB75E&s=E79B67FFE7ACD364](https://www.ey.gov.tw/state/News_Content3.aspx?n=02CAA5A0C70DDD33&sms=C228331DE13FB75E&s=E79B67FFE7ACD364)

When comparing the income distribution of Taiwan to certain European countries and USA, the degree of income inequality in Taiwan is not very different from those in Western European countries.

**Income Distribution in Selected European countries and USA**

Countries/ Per capita	Year	Quintile shares of total income (%)		Ratio of income share of highest 20% to that of lowest 20% households
		Lowest 20%	Highest 20%	
Finland	2012	9.4	36.7	3.90
France	2012	7.8	41.2	5.28
Germany	2011	8.4	38.6	4.60
Italy	2012	6.2	41.7	6.73
Netherlands	2012	8.9	37.1	4.17
Norway	2012	9.3	35.3	3.80
<b>Taiwan</b>	<b>2016</b>	<b>9.6</b>	<b>37.5</b>	<b>3.89</b>
Sweden	2012	8.7	36.2	4.16
UK	2015	6.0	45.0	8.20
U.S.A	2015	3.4	49.8	14.65

Source: The Directorate General of Budget, Accounting and Statistics (DGBAS) of Executive Yuan, Taiwan (2016).  
<http://win.dgbas.gov.tw/fies/a11.asp?year=105>