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Working poor in Taiwan: profile and policy response

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ABSTRACT

This study, adopting a secondary analysis from the Low-income and Middle-income Family Living Condition Survey 2018, aims to investigate the magnitude, the basic characteristics, the working conditions of the working poor in Taiwan as well as to assess the government's policy responses. This study found that the working poor are a group of people who are mainly 26 to 45 years old, high school graduates, technical or service workers. Approximately 70% of the working poor work full-time but still have a family income below the poverty line, indicating that the typical situation of the working poor is "long working hours and low wages". In recent years, Taiwan has developed policies to respond to it, including expanding the scope of social assistance and doubling the beneficiaries, raising the minimum wage, protecting the employment rights of atypical workers, providing child allowances, promoting the employment of the disadvantaged, and expanding childcare and long term care services. These policies all have resulted in significant progress. However, the main issue remaining to be addressed is the strict criteria employed in the poverty screening process. These criteria urgently need to be modified to allow more working poor to enter into the social assistance system and obtain assistance. Additionally, reforms in the distribution of social assistance resources and in an aspect of the tax system are suggested.

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Introduction

Having a job has always been regarded as an important way to escape from poverty. But what if you have a job with subsistence-level pay and little chance of advancement? Working poverty is not a new issue. It is regarded as a phenomenon of the "post-industrial age". In the golden age of manufacturing, the manufacturing sector provided many low-education workers jobs with stable above-subsistence incomes. Later, because of the change in the structure of the job market and the rise of the service industry, many low-paying jobs were generated, and working poverty has gained policy attention in both Britain and the United States (Marx & Nolan, 2012).¹

In the past decade, however, working poverty has once again attracted political and policy attention, especially in European countries, because the EU's anti-poverty strategies have added numerous jobs, but have not helped reduce poverty (Andreß & Lohmann, 2008; Brady et al., 2010; Brülle et al., 2019; Crettaz, 2013; Fraser et al., 2011; Lohmann, 2009). Specifically, globalization, with its intensification of international

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competition, and the development of science and technology, have polarized labour markets, eliminating many semi-skilled jobs, and increased the number of jobs of poor quality (Brülle et al., 2019; Horemans et al., 2016; Kalleberg, 2011; Shin, 2013; Hsiao, 2013). The development of this trend has threatened the income and living standards of workers in advanced economies. Having a job is no longer a guarantee of earning enough income to support a family and keep people out of poverty (Marx & Nolan, 2012).

Taiwan is not immune to this trend of globalized international competition and the pursuit of labour market flexibility (Li, 2014; Yeh & Shi, 2017). Existing studies in Taiwan have used various databases to make estimates of the extent of working poverty, and to discuss its causes. Yet very few studies have discussed the characteristics or the working conditions of the working poor in Taiwan, or the policy responses addressing the problem. This study is intended to analyse the basic characteristics and the working conditions of working poor in Taiwan, and examines the government's corresponding policies.

Literature review

Causes of working poverty

What causes working poverty? There are two chief types of factor causing working poverty: labour market factors and family factors. In terms of labour market factors, in the post-industrialization era, the manufacturing job market is gradually being replaced by the service industry. With the liberalization of the global economy and the pursuit of flexibility in the labour market, low-wage and informal employment opportunities have increased significantly. Low wages are most often mentioned as the causes of working poverty, followed by partial working hours or low work intensity (Brülle et al., 2019; Halleröd et al., 2015; Marx & Nolan, 2012; Marx et al., 2012; Ponthieux, 2010). Some scholars have advanced a third type of causal factor: repeated unemployment (Crettaz, 2011; Halleröd et al., 2015; Halleröd & Larsson, 2008; Larsson & Halleröd, 2011; Ponthieux, 2010).

In terms of family factors, single earnership is the main cause. When only one person in the family works to support the family, that may cause the family to fall into poverty (Marx & Nolan, 2012; Ponthieux, 2010; Lee, 2011). Marx et al. (2012) observed that the relationship between single earnership and working poverty is closer than the relationship between low wages and working poverty.

Besides labour market factors and family factors, some scholars maintain that institutional factors also play an important role. Marx et al. (2012) claim that institutional factors, such as labour regulations, childcare systems, and tax incentives, also affect working poverty. Marx and Verbist (2008) compared 15 EU countries (EU-15), and argue that these institutional factors are most favourably aligned in the Nordic countries and least favourably in southern Europe, while the institutional constellations in the Anglo-Saxon and continental European countries have mixed and sometimes contradictory effects.

In Taiwan, most studies on the causes of working poverty have considered labour market factors to be the most relevant. Hsiao (2003) investigated changes in working poverty in Taiwan from 1979 to 2001 and found that the development of working poverty in Taiwan was mainly related to the transformation of industrial structure and the change

of work patterns. Huang (2006) analysed data from 1999 to 2002 and found that the phenomenon of working poverty in Taiwan is related to a lack of protections in the flexible labour market and its multiple employment patterns. Yeh and Shi (2017) conducted an analysis of working poverty in Taiwan based on variables of low wages, low working hours, and the number of dependents. They found that working poverty in Taiwan was mainly caused by low wages, and less by low working hours or the number of dependents.

The working poor in the United States and Europe

The most common and widely accepted definition of 'working poor' is by Eurostat. It is 'at least one person in the family having a job in which he has worked at least seven months in the past year, regardless of his or her status as self-employed or employee, and whose household income falls below 60% of the country's median household income'.

The proportion of working poor in Europe varies from country to country. According to Eurostat statistics, the share of working poor is increasing in a number of Member States, reaching an average of 9.6% in the EU in 2019.

The definition in the United States is similar to that of the European Union, but unlike the EU, the U.S. adopts its official poverty line rather than a 60% proportion of median household income as its definition of 'working poor'.

According to the US Bureau of Labor Statistics, the working poor accounted for 4.5% of all working people who worked at least 27 weeks per year in 2017, that is, about 6.9 million people were working poor (US Bureau of Labor Statistics, 2020).

Kalleberg (2011) pointed out that the decline of the U.S. manufacturing sector and the polarization of the labour market are the main causes of the deterioration of overall wages, job stability, and working conditions for low-skilled and low-educated people. From 1940 to the mid-1970s, the manufacturing sector provided many low- and middle-skilled jobs paying a stable income. However, with the advent of global competition, technological upgrading, and other factors, the American manufacturing sector is gradually disappearing. From 1970 to 2008, the proportion of workers employed in manufacturing dropped from 23.4% to 9.1%. During this period, the job market gradually became polarized. Middle-paid, low/medium-skilled manufacturing jobs were gradually replaced by high-paid/high-skilled, or low-paid/low-skilled jobs. As a result, many low/medium-skilled workers were able to work steadily in manufacturing in the 1970s, but now can only serve in low-paid, unstable jobs in the service industry, with a high proportion at risk for working poverty.

Who is most likely to become part of the working poor?

U.S. studies have found that Blacks and Hispanics, individuals with little education, families with children under 18, female-headed families, people employed in the service industry, and those who work part-time are most likely to be working poor (U.S. Bureau of Labor Statistics, 2020; PolicyLink, 2020).

Studies of European countries point to the higher risk of working poverty in the southern European countries, such as Greece, Italy, Portugal, and Spain, followed by NMS (New Member States of the EU) countries, such as Poland and the Baltic nations.

Men are generally more at risk of joining the working poor than women, because in the male breadwinner model, women are usually the second income earners in the family and are less likely to be directly at risk of working poverty.

The risk of working poverty is different in different countries and at different ages. In the northern European countries, young people have a higher risk of becoming working poor; in the southern European Union countries, middle-aged workers have a higher risk. In terms of work patterns, part-time workers have twice the risk of falling into working poverty than full-time workers, and temporary or contract workers have three times the risk.

Low education is also closely related to working poverty. The proportion of people with low education falling into working poverty is about five times higher than the proportion of the highly educated. In terms of household characteristics, single-parent families, self-employed workers, and migrant workers are more likely to fall into working poverty (European Foundation for the Improvement of Living and Working Conditions, 2010).

Research in Taiwan concluded that in terms of individual factors, women have higher working poverty rates than men; those with lower education levels have higher working poverty rates; and with respect to family factors, single-parent families and families with a high ratio of dependents have a greater chance of falling into working poverty. In terms of structural factors, self-employed workers, people living in non-urban areas and southern regions, people engaged in agriculture and the services sector, and workers in the private sector are more likely to fall into working poverty (X. C. Yeh, 2010; Huang, 2006; Lin, 2011; Luo, 2006; Ma, 2010; Chen and Wang, 2015; Hung et al., 2014).

This study portrays the profile of the working poor, and evaluates policies responding to working poverty in Taiwan. Specifically, this study aims at investigating the following questions:

First, what is the magnitude of the working poor in Taiwan?

Second, what are the basic characteristics of the working poor, such as gender, age, educational level, and marital status?

Third, what are the employment situations and working conditions of the working poor?

Fourth, what are the government's policy responses to the working poor phenomenon?

Research methods and data

Definition of the 'working poor'

This study defines the working poor as 'people who are employed but are living in a poor household'. To be employed is defined as having any kind of paid employment including full-time, part-time, temporary, or seasonal work. This differs from the EU and US definitions, which have a specific time period of 27 weeks. However, this definition is in line with Taiwanese regulations and policy. A poor household is defined as one where the family's disposable income is less than 60% of the medium household income in Taiwan.

In short, an employed individual who lives in a poor household is considered as belonging to 'the working poor'.

Research data

The dataset used in this study is 'The Low-income and Middle-income Family Living Condition Survey 2018'.² This survey is carried out by the Statistics Division of the Ministry of Health and Welfare every 5 years. The target population of investigation is low-income households and low-middle-income households who live in Taiwan.

Although this dataset may exclude some working poor who are not on a social assistance scheme, it provides other valuable work-related information that other datasets do not possess. The author also aims to discuss the strict poverty-screening threshold uniquely embedded in Taiwan.

The survey adopted the interview survey method. The sampling adopted is the stratified two-tiered system sampling method. Samples were stratified according to the low-income and middle-income categories. The first stage sampling unit was 'township (town, city)', and the second stage sampling unit was 'household'. A total of 10,000 households were sampled. The sampling rate was 3.84%.

Research methods

This study adopts the secondary analysis method.

The secondary analysis of this study is based on the above dataset of 'The Low-income and Middle-Low-income Family Living Conditions Survey in Taiwan 2018'. The author adopts the definitions of this study, and selects those who are over 16 years old, employed, and currently living in a poor household, to establish a working poverty sub-dataset.

Based on this working poverty sub-dataset, the author uses relevant variables (e.g., gender, age, education level, occupation, and type of working type) to conduct further analysis to address the research questions of the study.

Research results

How many working poor are there in Taiwan?

Based on the definition of 'working poor' set out above, there are currently 197,122 individuals in Taiwan, which is 1.71% of the 11 million working people in Taiwan.

This percentage is much lower than that of the US or EU, and even lower than other studies in Taiwan (Yeh, 2010; Yeh & Shi, 2017) which use different datasets to simulate working poor in Taiwan. Yeh (2010) estimated that the working poverty rate of Taiwan was between 3% and 6% from 1993 to 2006 based on the Family Household Income and Expenditure survey. In addition, Yeh and Shi (2017) used the L I S (Luxemburg Income Study) data to estimate the working poverty rate in Taiwan, they found that the working poverty rate in Taiwan was 10.3% in 2010 and 8.6% in 2013. These studies employed simulations of relevant datasets, which led to conclusions suggesting that there are higher proportions of working poor in Taiwan.

This study unlike the previous one, is based on the officially approved definition of poor households, yields to a much lower percentage. The reason for this low percentage is because Taiwan's official categorization of 'poor households' adopts uniquely strict standards.

There are three unique features of Taiwan's social assistance system. First, the 'family' used to calculate family income is based on the extended family as defined by Taiwanese civil law. Second, if a family has property valued above a certain set value,³ then it will not qualify as a 'poor household'. Third, for those who have the ability to work but are not employed, there is a virtual minimum wage calculation method. That is to say, those who have the ability to work, even if they are not employed and have no income, will have an attributed income based on the minimum wage when it comes to calculating their family income.

This design of Taiwan's social assistance system is unique. Underlying it are strict requirements for self-reliance and work ethics (Sun 2000; Li, 2009). Taiwan's stringent review standards have made Taiwan's poverty rate appear to be the lowest compared to many countries, accounting for only 2.6% of the total population. It is thus much lower than neighbouring East Asian countries, such as Japan and South Korea, and significantly lower than the United States and European countries (Organization for Economic Co-operation and Development, 2020).

Basic characteristics of the working poor

Gender

Among the working poor aged 16 and over in Taiwan, 51.2% are men and 48.8% are women (See Table 1). The difference between male and female working poor is small, which is different from the conclusions of previous studies in Taiwan (Yeh, 2010; Huang,

Table 1. Basic Characteristics of the Working Poor in Taiwan, 2018

Categories	Total (n)	Total (%)
Total	197,122	100
Gender		
Male	100,925	51.20
Female	96,197	48.80
Age		
Under 18	1,720	0.87
18-24	23,616	11.98
25-44	91,411	46.37
45-64	78,134	39.64
Over 65	2,240	1.14
Education level		
Elementary and below	7,453	3.78
Junior high	40,482	20.54
Senior high / vocational	107,918	54.75
College / university	40,006	20.30
Graduate school	1,263	0.64
Identity status		
Aboriginal	9,065	4.60
Veteran	901	0.46
New immigrant	13,485	6.84
Taiwanese	173,671	88.10
Marital Status		
Single	41,184	20.89
Couple / partner	94,151	47.76
Divorced / separated	50,967	25.86
Widow / Widower	10,820	5.49
Disabled		
Yes	16,328	8.28
No	180,794	91.72

2006; Luo, 2006) that women were more prone to fall into working poverty, and from studies of European countries that men were more prone to fall into working poverty.

Age

In terms of age, among the working poor aged over 16 in Taiwan, the 25 to 44 years old cohort accounted for the highest proportion, accounting for 46.4%, followed by the 45 to 64 years old cohort, which accounted for 39.6%. The 18 to 24 year cohort accounted for 12.0%, and the 65 and older cohort accounted for 1.1%. (See [Table 1](#))

Education level

In terms of education level, among the working poor aged over 16 in Taiwan, senior high/vocational school accounted for the highest proportion, accounting for 54.75%, followed by junior high school, which accounted for 20.54%. The college/university accounted for 20.30%, and graduate school accounted for 0.64%. (See [Table 1.](#)) Compared with the national statistics⁴ reporting 11.85% for middle school, 30.30% for high school, 38.31% for colleges, and 7.1% for graduate school, one can see that the education level of the working poor in Taiwan leans heavily towards middle and high schools.

Ethnic identity

88.1% of the working poor in Taiwan over the age of 16 are Taiwanese; 6.8% are new immigrants, and 4.6% are indigenous people (See [Table 1](#)). Compared with the national statistics of 2019, where new immigrants accounted for 3.1% and indigenous people accounted for 2.4%, one can see that new immigrants and indigenous people are at a higher risk of falling into working poverty.

Marital status

In terms of marital status, among the working poor who are over 16 years old in Taiwan, the highest proportion are married or cohabitants, accounting for 47.7%; followed by divorced or separated, accounting for 25.9%; unmarried, accounting for 20.9%; and widowed, accounting for only 5.5%. (See [Table 1](#)) Compared with the national statistics of 2018, one can see that divorced or separated individuals make up a higher percentage of the working poor than the national average.

Physical or mental disability

As for the status of physical or mental disability, among the working poor who are over 16 years old in Taiwan, 91.7% are non-disabled; only 8.3% are disabled (See [Table 1](#)).

Table 2. Working condition of poor households.

Categories	Households	Working status		Average working persons
		No	Yes	
Total	250,498	34.52	65.48	0.99
Low income	141,441	49.99	50.01	0.7
Lower-middle income	109,057	14.46	85.54	1.38

Working conditions of the working poor

The working status of heads of poor households

65.5% of heads of poor households worked. The average number of working persons per household was 0.99 persons. Comparing the two categories of 'poor' households, 86% of the heads of lower-middle-income households work, while only 50% of the heads of low-income households work. The average working person per household in lower-middle income is 1.38 persons as compared to 0.7 persons in the low-income household. (See Table 2) One can see from Table 2 that more household heads work in lower-middle-income households than in low-income households.

The above sets out the working status of the heads of poor households, and the following analyses the total working poor population as a whole.

Type of work

Regarding the type of work, 85.4% of work patterns are 'regular work', of which 62.8% are full-time work and 22.6% are part-time work; 'temporary or seasonal work' accounted for 12.4%. (See Table 3) Comparing the working patterns of low-income households and lower-middle-income households, 65.1% of lower-middle-income households serve as full-time workers, higher than 58.9% of lower-income households; 10.3% of the lower-

Table 3. Working situation of working poor in Taiwan, 2018.

Categories	Total (n)	Total (%)	Low income (%)	Lower-middle income (%)
Total	197,122	100	100	100
Living areas				
North	58,187	29.52	44.79	20.31
Middle	59,115	29.99	23.97	33.62
South	73,344	29.99	26.54	43.64
East	6,196	3.14	4.54	2.30
Offshore islands	286	0.15	0.16	0.14
Type of Work				
Full-time	123,714	62.76	58.90	65.08
Part-time	44,589	22.62	24.05	21.76
Temporary	23,931	12.14	15.22	10.28
Others	4,889	2.48	1.84	2.87
Average Hours Per Week				
15 and less	6,190	3.14	3.62	2.85
16–25	29,075	14.75	16.50	13.70
26–35	22,570	11.45	12.10	11.05
36–45	94,303	47.84	43.15	50.68
46–55	28,602	14.51	15.86	13.71
56 and over	16,361	8.30	8.77	8.02
Working status				
Employer	3,450	1.75	0.82	2.31
Self-employed	17,938	9.10	8.95	9.19
Hired by private	168,520	85.49	85.36	85.57
Hired by Gov.	6,111	3.10	4.30	2.37
Home-working	1,104	0.56	0.57	0.55
Occupation				
Technical	83,935	42.58	44.42	41.46
Service	57,836	29.34	30.55	28.61
Mechanical/assembly	17,071	8.66	8.06	9.02
Others	12,222	6.20	4.88	6.99

middle-income households serve in temporary work, lower than 12.1% of lower-income households.

Average working hours per week

The working poor in Taiwan work an average of 38.4 hours per week. Over 70% of the working poor in Taiwan work more than 36 hours per week, among them, 8.3% work 56 hours and above. One can see that the majority of working poor in Taiwan work long hours (See [Table 3](#)).

Employment status

From the perspective of employment status, among the working poor aged over 16 in Taiwan, the proportion of private employees is the highest, accounting for 85.5%; the second largest group is the self-employed, accounting for 9.1%. Government employees accounted for only 3.1%. Unpaid family members and home workers constituted a relatively low proportion, accounting for 1.78% and 0.6% respectively (See [Table 3](#)). Comparing low-income and lower-middle-income households, the proportion of the self-employed is higher among lower-middle-income households; while low-income households have a higher proportion of government employment.

Occupation

In terms of occupation, the majority occupations of the working poor who are over 16 years old in Taiwan are 'technical workers or labourers' accounting for 42.6%, and 'service and sales workers' accounting for 29.3%. The two together accounted for 72% of the total occupation of the working poor in Taiwan (See [Table 3](#)).

Summary

In terms of the characteristics of the working poor, it can be seen from the results of the study that the working poor in Taiwan are mostly young adults, 25 to 44 years old, followed by the middle-aged group, 45 to 64 years old.

The difference between male and female working poor is small, which is consistent with the conclusions of Yeh and Shi (2017) and other studies (Andreß & Lohmann, 2008; Crettaz, 2011; Goerne, 2011) that men and women have a similar probability of falling into working poverty, so gender is not an important factor.

However, the education level of the working poor, compared with the national statistics, leans heavily towards middle and high schools. It is worth noting that 20.3% of those with a college or university education level still fell into poverty and became working poor.

Individuals who are divorced or separated are three times more likely than the general public to fall into working poverty.

New immigrants and indigenous people are at a higher risk of falling into working poverty. The reason is that new immigrants have difficulties in finding jobs, and indigenous people's jobs are often replaced by foreign workers. Most of them can only work in

low-paid, unstable jobs with poor working conditions, so they have a higher chance of becoming working poor than the general population.

In terms of the occupations of the working poor, 'technical workers or labourers' and 'service and sales workers' together accounted for 72% of the total occupations of the working poor in Taiwan.

62.8% of the working poor work full-time. Over 70% of the working poor in Taiwan work more than 36 hours per week, indicating that the majority of working poor in Taiwan work full time and work very long hours.

Government policy response towards the working poor

The Taiwanese government's relevant policy responses include the following:

1. expanding the coverage of the social assistance system;
2. increasing the minimum wage;
3. assisting the search for employment;
4. providing child allowances for families with children;
4. increasing care services supply;
5. strengthening labour protections for atypical workers;
- and 6. proposing an Earned Income Tax Credit (EITC) System.

Expanding the scope of the social assistance system

Because Taiwan's poverty screening mechanism is rather strict, the poverty rate in Taiwan is very low. Many working poor have not been included in the official social assistance system, so they have not been helped with social assistance subsidies (Li, 2018; Li & Li, 2016). Therefore, in 2011, the government changed the level for qualifying for social assistance to 1.5 times the poverty level. The newly included households are the so-called lower-middle-income households (mainly working poor).

The population in Taiwan qualifying for poverty-related assistance therefore has increased from 314,282 people in the old Social Assistance system before 2011, accounting for 1.35% of the total population, to 608,454 persons, accounting for 2.6% of the total population (Ministry of Health and Welfare, 2020). These lower-middle-income households can now receive national health insurance premium subsidies, tuition subsidies, child allowances, and other related social assistance subsidies.

Increasing the minimum wage

Taiwan adopted the 'Basic Wage Review Measures' in 1988, setting out policies for the formulation of wages and wage adjustment. Although wages are adjusted every year, the adjustments are limited at times by the struggle between employers and employees. In 2015, in view of the serious problem of low wages for labour, the government strengthened its efforts to promote the adjustment of basic wages, hoping to effectively improve the problems of low wages and working poverty. In the five years from 2015 to 2020, the minimum wage has been increased by 19%, and the hourly wage has also been increased by 31.7%. The current minimum wage is 23,800 NTD (USD 800) per month, and the hourly rate is 158 NTD (USD 5.3) per hour. In addition, the Ministry of Labour has recently drafted the 'Minimum Wage Law', hoping to further solve the problem of low wages for labours.

Assisting the search for employment

To encourage low-income and lower middle-income households to participate in the labour market and obtain stable jobs to escape poverty, the government has stipulated, through its social assistance laws and employment service laws that the competent authorities need to assist in the referral process for vocational training and employment services for the disadvantaged. Local government also commissioned non-profit organizations to conduct pilot programmes to help economically disadvantaged citizens to return to the labour market (Lin et al., 2014; Wang 2012; Zhan et al., 2011).

Providing child allowances for families with children

In Taiwan nationwide, families with children are provided with a monthly child allowance of NTD 3,500 (equivalent to USD 125) until the child reaches age five, if the family income tax rate is less than 20%. Qualifying poor families can receive higher child allowance: low-income families receive 5,000 NTD (equivalent to USD 167) and lower-middle-income households receive 4,000 NTD (equivalent to USD 133), which helps to reduce the burden of raising children (Ministry of Health and Welfare, 2021).

Increasing care services supply: long-term care 2.0 and childcare

One of the strategies to alleviate working poverty is to encourage caregivers in the family to enter the labour market, and to increase the working population in the family. Family care, including the care of young children, the elderly, and the disabled, is often the main reason affecting those who are able to work but unable to go out for employment. This is especially the case for women (Li et al., 2013).

The new quasi-public childcare system and the long-term care plan 2.0 system are both aimed at building affordable and accessible care services to help encourage women to return to the workforce, and also to increase the number of employed persons in the household.

In the past, there were two major childcare problems in Taiwan: 1. insufficient subsidies for childcare allowances, and 2. insufficient availability of childcare facilities. In 2018, the government implemented a new system of 'quasi-public child care', incorporating private childcare into quasi-public childcare to provide more affordable and accessible childcare services. As of October 2019, Taiwan's public and quasi-public childcare supply has reached its quota of 75,844 children, and the percentage of families receiving childcare has increased from 38.7% to 53.8% (Ministry of Health and Welfare, 2020).

The childcare allowance subsidy has also increased. If a child is entrusted to a government-assigned 'quasi-public' childcare centre, the family will be provided with an 8,000 NTD (USD 245) childcare allowance for lower-middle-income households and 10,000 NTD (USD 333) for low-income households.

In terms of long-term care, since 2015 the government has passed the Long-term Care Law and promoted the National Ten-year Long-term Care Plan 2.0. The new system sets up an 'ABC scheme': A (Integrated Community Service Centres); B (Long-term Care Service Institutions); and C (Neighbourhood Care Services), to promote comprehensive community-based care services.

Since 2015, the long-term care budget has increased nearly six times; service units have increased 1.75 times; and the number of long-term care beneficiaries has increased more than three times⁵ (Ministry of Health and Welfare, 2020).

Strengthening labour protections for atypical workers

Another problem facing the working poor is the lack of employment protection. Taiwan's employment safety system was originally designed for 'full-time' employees. Unfortunately, the growing numbers of atypical workers were often excluded from the employment safety system. In view of this, the Ministry of Labour amended its 'Rules on Employment of Part-time Workers' in 2018, to protect the labour rights of part-time workers to the same extent as full-time workers, and enacted an amendment of the Labour Standard Law in 2019. This amendment modified the definition of 'labour contract', and strengthened the labour rights of dispatched workers, in order to protect the employment rights and interests for those engaged in atypical work.

Proposing an Earned Income Tax Credit System (EITC)

The Earned Income Tax Credit system, which combines tax reduction and a salary subsidy, is considered to be a very effective way to help the working poor. The United States implemented an Earned Income Tax Credit system in 1974. South Korea also revised its income tax law in 2009 to incorporate a similar approach (Li et al., 2015).

In Taiwan, in 2008 the Ma Ying-jeou government came to power in the midst of the international financial crisis, which exacerbated the working poverty problem. The government planned to implement an 'Earned Income Tax Credit (EITC)' system, using tax credits to provide subsidies to working poor families. Unfortunately, due to the fact that Taiwan's substantial underground economy was little impacted by tax collections, the EITC proposal was not implemented further.

The Ma government implemented a work income subsidy (WIS) programme in 2008 instead. The WIS program was a short-term subsidy in nature with the purpose of assisting working poor families to maintain their self-reliance. Working poor who had a full-time job and whose salary were below NTD 190,800 (USD6600) were entitled to receive NTD 3,000 to 6,000 per month, depending on their income, for up to a year. A total of about 300,000 working poor families received WIS subsidies at that time.

Assessment of working poverty policies

Among policies responding to working poverty, the policies of increasing the minimum wage and strengthening labour protection for atypical workers are most beneficial to the working poor. The current minimum basic wage has been raised to NTD 23,800 (USD 800), which is estimated by scholars⁶ as being close to a reasonable salary of NTD 23,321 (USD 804). This has substantially benefited the real income of the working poor.

As for the policy to strengthen labour protections for atypical workers, the 2018 "Rules on Employment of Part-time Workers" and the 2019 amendment of the 'Labor Standards Act' have strengthened labour rights of atypical workers, and protect the employment rights for the 37% of atypical workers among the working poor.

Regarding increasing care service supply: since 2015 the government implemented Long-term Care 2.0 to establish a community-based long-term care service system, and the implementation of 'quasi-public childcare' in 2018 has established accessible and affordable care services to help the working poor to reduce their care burden and secure their stable employment in the workplace.

Also regarding the policy of providing child allowances for poor families, the government has provided child allowance to families with children under the age of five since 2019. The child allowance is anticipated to increase in 2022 to NT 5,000 (equivalent to USD 180) until the child reaches age six. For poor households the amount of child allowance is even higher, which helps to reduce the burden of raising children for poor families.

However, the policy of expanding the scope of the social assistance system reflects the fact that the authorities recognize that Taiwan's poverty line has been too strict. By including a new lower-middle-income household category in the scope of the social assistance system, the population covered by social assistance has doubled from 314,282 before the law's amendment in 2011 to 608,454 in 2020. However, from the perspective of the allocation of funds, according to recent statistics, more than 90% of the resources are still allocated to low-income households.⁷ New lower-middle-income households have obtained only limited resources.

As for the policy of assistance in finding employment, relevant government and private research reports show that the implementation effect of assisting disadvantaged employment is only about 20%, (Li et al., 2013; Li and Li, 2016). This involves the improvement of the overall employment environment, the improvement of workers' own conditions, and the enhancement of employment services effectiveness, so there is still much room for improvement in this areas.⁸

Finally, regarding the proposed Earned Income Tax Credits (EITC), as the tax system becomes more complete and transparent, this study suggests that the government should implement the EITC policy, to address the poverty problem faced by the working poor.

Conclusion

This paper adopts the official poverty line to study the profile of the working poor in Taiwan. Because Taiwan's poverty threshold is very strict, it yield to a much lower percentage of the working poor population, 1.71% of the total working population, than most other countries.

The working poor portrayed in this paper are a group of people who are mainly 26 to 45 years old, high school graduates, technical or service workers. Over 70% of them work more than 36 hours per week. Their wages are low and they have to work long hours but are still unable to support their families. Among them, single-parents, new immigrants, and aboriginal people are at a higher risk of falling into working poverty.

In recent years, Taiwan has paid attention to this phenomenon and developed some policies to respond to it, including expanding the scope of social assistance and doubling the beneficiaries, raising the minimum wage, protecting the employment rights of atypical workers, providing child allowances, promoting the employment of the disadvantaged, and expanding childcare and long-term care services. These policies are all effective or heading in the right direction, and have resulted in significant progress.

However, there remain issues needing attention. Poverty screening is too strict and social assistance resources are unevenly distributed. The strict criteria employed in the prior era – calculating income based on the extended family, considering housing property value, and simulating virtual income – all urgently need to be improved to allow more working poor to enter into the social assistance system and obtain assistance. In addition, the social assistance system’s resources are still concentrated on the original low-income householders, and the distribution of resources to middle-low income households is still limited, which also urgently requires improvement.

Notes

1. Both Britain and the United States have long recognized the issue of working poverty, and have adopted countermeasures. For example, the United States expanded the implementation of the Earned Income Tax Credit (EITC) in 1993, and the United Kingdom introduced the Work Tax Credit (WTC) in 2003 as a measure against working poverty. These initiatives have achieved considerable results (Eissa & Hoynes, 2004; Lohmann & Max, 2018; Marx et al., 2012).
2. Although the dataset the author uses may exclude some working poor who are not on a social assistance scheme, the author aims to discuss the strict poverty-screening threshold uniquely embedded in Taiwan, indicating it should be changed to meet the need of more broadly defining working poor for public assistance and suggest further policy change.
3. The property value in Taipei City, the capital, cannot exceed NTD 8.76 million (USD302,000), and the value of property outside of Taipei cannot exceed approximately NTD 5.3 million (USD 183,000).
4. The education level of the population aged 15 and over of the total population. Ministry of Interior, 2019.
5. In 2015, the long-term care budget has increased from 4.94 billion NTD to 33.8 billion NTD in 2019, an increase of nearly six times. Service units have increased from 1,933 to 5,311, an increase of 1.75 times. And the number of long-term care beneficiaries has increased from 90,603 to 319,053, an increase of more than three times (Ministry of Health and Welfare, 2020).
6. Hsueh, Cheng-tay (2019) When the minimum wage hits the poverty. National Policy Foundation Commentary. 2019.11.11; Professor Li, Jian-hong, Professor Xin Bing-long also held the same view. United News, 2020.8.18
7. According to analysis of the social assistance budgets, the living allowances, including family and child allowances, which is the largest part of the social assistance budget, low-income households accounted for 97.4% of the total social assistance funding; while middle to low-income households only accounted for 2.6%. The medical insurance premium subsidies, the second largest budget, low-income households accounted for 91.1%; and middle to low-income households only accounted for 8.9%.
8. See Li et al. (2013). The EmploymentPromotion policies of the economically disadvantaged. Commissioned by theNational Development Council of the Executive Yuan (No. RDEC-101-004).

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