Chia-Jen Chang[1], **Chia-Jung Chung**[2]

FACTORS INFLUENCE ON LABOR SHARE DECLINE

This study discusses the factors of influence on labor share decline in Taiwan from the aspect of technological change, globalization, bargaining power and financialization. This study uses the capital-labor ratio, openness, union density, unemployment benefit generosity, unemployment rate, foreign direct investment, inward direct investment and derivative financial asset as the variables for technological change, globalization, bargaining power and financialization based on the quarterly data during 1999 to 2013. The analysis is performed by means of the method of the ordinary least squares (OLS). The empirical results show that all the variables have influence on labor share except union density and FDI. Therefore, we should carry out significant reforms in fiscal policy, financial market policy and labor market policy in order to balance the situation with uneven labor share.

Keywords: *labor share; labour market; employment.*

Чіа-Жень Чанг, Чіа-Юнь Чунг

ЧИННИКИ ВПЛИВУ НА ЗМЕНШЕННЯ ЧАСТКИ ЖИВОЇ ПРАЦІ

У статті досліджено чинники впливу на зменшення частки живої праці на Тайвані в контексті технологічних змін, глобалізації, фінансіалізації економіки та переговорів між стейхолдерами виробництва. За щоквартальними даними щодо економіки Тайваню за 1999–2013 рр. за допомогою методу найменших квадрантів досліджено такі попередні чинники впливу: співвідношення капіталу та праці, відкритість економіки, кількість профспілок, допомога з безробіття, рівень безробіття, пряме іноземне інвестування, внутрішнє інвестування та фінансові активи у вигляді деривативів. Результати аналізу вказують на те, що всі досліджені змінні, крім кількості профспілок та ПІІ, мають вплив на частку живої праці. За результатами дослідження розроблено рекомендації щодо реформування фіскальної політики, політики на фінансовому ринку, трудової політики. Запропоновані реформи в підсумку мають сприяти більш збалансованому та справедливому розподілу праці та капіталу.

Ключові слова: *доля живої праці; ринок праці; працевлаштування.*
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Чиа-Жень Чанг, Чиа-Юнь Чунг

ФАКТОРЫ ВЛИЯНИЯ НА УМЕНЬШЕНИЕ ДОЛИ ЖИВОГО ТРУДА

В статье исследованы факторы влияния на уменьшение доли живого труда на Тайване в контексте технологических изменений, глобализации, финансиализации экономики и переговоров между стейкхолдерами производства. По ежеквартальным данным по экономике Тайваня за 1999–2013 гг. с помощью метода наименьших квадрантов исследованы такие предварительные факторы влияния: соотношение капитала и труда, открытость экономики, количество профсоюзов, помощь по безработице, уровень безработицы, прямое иностранное инвестирование, внутреннее инвестирование и финансовые активы в виде деривативов. Результаты анализа указывают на то, что все исследуемые переменные, кроме количества профсоюзов и ПИИ, имеют влияние на долю живого труда. По результатам исследования разработаны рекомендации относительно реформирования фискальной политики, политики на финансовом рынке, трудовой политики. Предложенные реформы в итоге должны привести к более сбалансированному и справедливому распределению труда и капитала.

Ключевые слова: *доля живого труда; рынок труда; трудоустройство.*

[1] National Changhua University of Education, Taiwan.
[2] National Changhua University of Education, Taiwan.

1. Introduction. As economy grows up rapidly, functional income distribution worsens dramatically. The phenomenon of uneven distribution presents a conflict in economy and hierarchy as well as politics and society. Moreover, it leads to conflicts between capitalists and workers and exacerbates the uneven distribution between labor share and capital share.

According to national accounts yearbook of Directorate-General of Budget, Accounting and Statistics Executive Yuan, labor share 2008 was 47.1%. It declined to 44.6% in 2010. Although labor share rose to 46.2% in 2012, the current labor share is still low. Furthermore, the labor share becomes much more uneven because of increase in popularity of atypical employment. Based on the summary analysis of preliminary result of commerce and service census in 2011, the rate of contractor increased 14.66% as compared to 2006.

The main discussion on the reasons for decline in labor share is technological change and globalization in Taiwan. However, we cannot ignore the influence of global financialization, social welfare policy, and labor policy. Hence, this study will discuss the influence factors on labor share decline in Taiwan from the aspect of technological change, globalization, bargaining power and financialization.

This study is organized as follows. Chapter 1 is introduction. Chapter 2 is literature review. It discusses the main influence factors of technological change, globalization, bargaining power and financialization on labor share. Chapter 3 is the research method. It builds up a regression model which is appropriate for Taiwan's case. Chapter 4 is the empirical analysis. It the explains influence of capital-labor ratio, openness, union density, unemployment benefit generosity, unemployment rate, foreign direct investment, inward direct investment and derivative financial asset in labor share. Chapter 5 is the conclusion and suggestions.

2. Literature review. Here we explore the influence factors on labor share decline from technological change, globalization, bargaining power and financialization basing on the recent literature.

2.1. Technological change. The neoclassical economics theory assumes that human beings are rational and selfish under the long-run equilibrium of closed economy. It is also a perfect competition market and clearing market. Moreover, it is full employment, well-behaved production function and full capacity of use. Technology and preference are the main influence reasons for decline in labor share based on the neoclassical assumption. Nevertheless, when the capacity is not fully used, technology does not influence the total marginal labor production. Then it does not have direct influence on labor share decline.

From the aspect of elasticity in capital substitution, factors are easily substituted. If elasticity is lower than 1, it is difficult for factors to substitute. Thus, when employers increase labor demand and real wage, this will have influence on labor share which can be increased.

Labor share will be influenced for both high-skilled or low-skilled. Technological sector has higher labor share because of high competition. Those who have low labor share are mostly in non-technological sector. From the aspect of information and communication technology (ICT), the more information and communication technology are used, the more high-skilled labor would be needed. Hence, the usage of ICT influences the labor share.

Time trend, capital-output ratio, labor-capital ratio, capital-labor ratio and information and communication technology are adopted as variables for this empirical study. Ellis and Smith (2007) adopt time trend in mid-1980s as a variable. They showed the relation between technological change and time trend. Guscina (2006) adopted time trend in 1985 as a variable. Benolia and Saint-Paul (2003) took the capital-output ratio as a variable and pointed that it has a negative correlation. International Monetary Fund (2007) used ICT labor-capital ratio as variables. It also pointed out that ICT is significantly negatively correlated and labor-capital ratio is significant positively correlated. European Commission (2007) used information and communication technology and capital-labor ratio as variables. The increase in ICT use leads to increased labor share for the high-skilled and medium-skilled. However, it has negative effect to low-skilled. When the ratio of capital-labor increases, labor share would increase for the high-skilled and medium-skilled and decline for low-skilled labor. Jao et al. (2008) took the ratio of information and communication technology as a variable and described technological change as broadening the gap between capital share and labor share.

2.2. Globalization. The Stolper-Samuelson theory is based on the factor endowment neoclassical theory. The quantity of production factors will influence the distribution of capital share and labor share. The more abundant and more intensive in use production factor are, the higher are the goods price and factor price. Capital-intensive industries have higher capital share than labor share in North and other developed countries. Nevertheless, labor share is higher than capital share in South and developing countries. Thus, capital has strength in the North and labor has strength in the South. Although globalization leads to uneven distribution between capital and labor, it is hard to describe fact through the Stolper-Samuelson theory because the factors of capital and labor do not have mobility as according to the Stolper-Samuelson assumption. In fact, capital and labor can move liberally and capital moves faster than labor. Hence, the Stolper-Samuelson theory cannot describe this in detail.

From the perspective of input of factors, marginal production decides on the input proportion of capital and labor. Firms adjust their input of capital and labor; then firms tend to produce in the countries where factors price is lower due to globalization. Thus, it easily leads to changes of social structure. Labor-intensive industries move to those countries, where labor wage is low, that is to capital-intensive countries.

According to the political economy theory, trade liberalization in countries influences the distribution of capital share and labor share because trade liberalization presents benefit for cross-country mobility of capital. It also influences economic rent. Rodrik (1997) argues that trade liberalization has benefits for factors mobility especially capital. Hence, Rodrik's conclusion differs from the Stolper-Samuelson's theory.

The variable of openness includes trade openness, offshoring, immigration and capital liberalization. EC (2007), Harrison (2002) and Rodrik (1997) viewed trade openness as a variable of globalization. Harrison (2002) stated that trade openness has significant negative correlation. EC (2007) pointed that trade openness has significant negative effect on medium-skilled workers. Rodrik (1997) argued that the more open the trade is, the more elastic gets the labor demand. IMF (2007) adopted lots of

different dimension of indicators to be variables for globalization, including trade price, offshoring and immigration. When the price of export raises and the price of import declines, this means the decline in labor share. Moreover, offshoring and immigration are significantly negatively correlated. Harrison (2002) and Rodrik (1998) adopted capital account liberalization as the variable of globalization. The liberalization of capital account is negative correlated. Jao et al. (2008) adopted trade openness which is the ratio of exports (excluding oil) plus imports as compared to GDP and 100 minus tax rate of customs duty. Thus they show that globalization can flatten uneven distribution.

2.3. Bargaining power. Kaleckian mark-up pricing model focuses on the distribution between gross profit share and direct labor share under imperfect completion through bargaining power. Moreover, it also implicitly affects the uneven distribution of gross profit share and direct labor share results due to change in social structure and hierarchy. Degree of monopoly influences the distribution of gross profit share and direct labor share in a vertically integrated industry or under the mark-up pricing model. When the material price increases, capitalists and firms transfer costs price. Then price increases and the marginal profit for firms increases too. However, it also increases consumers' and labors' burden. The ability to purchase goods for labors is lower as goods price increases; however, capitalists enhance their purchasing ability. This further influences income distribution between labors and capitalists. Furthermore, the monopoly influences output and employment. The reason is that labor expenditure will influence the effective demand of labor and further influence output and employment. When firms have more monopoly, they have stronger authority on prices and THUS increase their profits. This indirectly results in weak purchasing ability of labors and stronger purchase ability for capitalists. Therefore, it has obvious influence on income distribution between capitalists and labors (Hein, 2011: 15–22).

The mark-up means the degree of monopoly. It has 4 determination factors influencing the degree of mark-up and distribution between gross profit share and direct labor share. First, it is the degree of industry concentration. The stronger is the centralization, the stronger gets the mark-up. When the mark-up is strong, it will increase gross profit share and decline direct labor share directly. Second, it is the degree of price competition which is negatively correlated with monopoly. Therefore, when the price of goods is under nearly perfect competition, the goods market leans to perfect competition. When the degree of monopoly is weak, it can restrain uneven functional income distribution. Third, it is the power of trade union having its negative effect on the mark-up. If the power of trade union is strong, it will require higher wages, squeeze firms' profit share and lower firms' competitiveness. Then the labor share will be increased. Forth, overhead costs will influence the degree of monopoly and further influence the mark-up. When overhead costs, such as interest or dividend payment, increase, they suppress firms' gross profit share. Firms will increase goods' price or squeeze wages in order to protect their profits. Therefore, 4 factors, mentioned above, will influence the degree of mark-up and functional income distribution (Hein, 2011: 15–22).

The non-accelerating inflation rate of unemployment model (NAIRU) shows the relationship between inflation rate, unemployment rate and labor production

through bargaining power between firms and labors under imperfect competition. The non-accelerating inflation rate means that the unemployment rate under stable inflation at any period of time and this unemployment rate is called natural unemployment (Ball and Mankiw, 2002: 120). The relationship between unemployment rare and inflation rate influence the aggregated demand for goods and further influence labor supply and demand. Therefore, the core of NAIRU model includes bargaining power of wage and pricing ability of goods for firms. Furthermore, wage is mainly influenced through unemployment, bargaining power of labors and pricing ability of firms. Price of goods is mainly influenced by bargaining power of labors, pricing ability of firms and marginal labor production. Hence, the inflation rate will influence the price of goods, unemployment rate, aggregated demand, marginal labor production and further influence labor share. Individuals will predict the inflation rate basing on the adopted expectation in the long run. If the expected inflation rate equals to real inflation rate, the unemployment rate is called natural unemployment rate. However, if the expected inflation rate is lower than the real inflation rate, the nominal wage will decline and cause decline in labor share. Furthermore, although the inflation rate is high in wage-led[3] economy based on the post-Keynesian's theory, it can augment nominal wage, aggregated demand and further increase labor share.

IMF (2007) and EC (2007) adopt union density, employment protection legislation, unemployment benefit generosity and tax wedge. IMF proposes that labor demand is given rich elasticity, higher tax wedge and unemployment benefit replacement rate are associated with lower labor share. EC points that an increase in the density of union is positively correlated for high-skilled and medium-skilled workers and negative correlated for low-skilled workers. Furthermore, unemployment benefit replacement rate is significantly negatively correlated. Tax wedge has significant negative impact on high-skilled and low-skilled workers. Benolia and Saint-Paul (2003) use the date on strike activity to measure bargaining power and it is significantly negatively correlated. Azmat, Manning and Van Reenen (2007) adopt bargaining power in certain sectors.

2.4. Financialization. Financialization means increasing the importance of financial motives, financial institutions, financial actors and financial markets within domestic and international economy. Furthermore, the relationship between financial sectors and non-financial sectors is closed (Epstein, 2005: 3). When the degree of financialization is deep, it enhances the commoditization of social relationship. It makes financial institutions merely focus on high return and increase investment in liquid assets and real estate. This implicitly transfers authority among capitalists, firms and labors which is another way to exploit labors and further influence the distribution of labor share (Stockhammer, 2012: 46).

Hein proposed 7 stylized facts that have direct influence on functional income distribution. Moreover, he also explains the effect from the aspect of price competition at goods markets, bargaining power of trade union and overhead cost through the Kaleckain mark-up model. These 7 stylized facts are as follows. First, increased shareholders' value orientation and short term of management. Second, increased dividend payments. Third, raised interest rate and interest payments. Fourth,

[3] If it increase wage share, it will have benefit on output to whole economy.

increased top manager's salaries. Fifth, increasing importance of finance as compared to physical investment. Sixth, more possibilities for hostile takeovers, mergers and acquisitions. Seventh, liberalized and globalized international finance and trade. When the possibility of hostile takeovers, mergers and acquisition increases, the concentration of industry enhances and it indirectly influences price competition at goods markets. Then the degree of monopoly enhances and labor share lowers. Financial liberalization and globalization decline trade union's bargaining power at labor markets because it directly weakens the bargaining power of trade union and exploits labor share. Furthermore, increased investment in non-financial sector for financial sector means that financial capital moves quickly and weakens trade union's bargaining power. The increase of orientation, short-term management, dividend payment, interest rate and interest payment all will increase the overhead costs. Firms will increase mark-up and squeeze labor share due to profit protection. Hence, these 7 stylized factors of financialiization increase the degree of mark-up, enhance monopoly and the pressure on labor share (Hein, 2011: 15–22).

There is no single variable to measure the influence of labor share through financialization. Rodrik (1998) adopts capital mobility and capital openness to measure it. Harrison (2002) adopts capital control as the variable of financialization and it is positively correlated. IMF (2007) adopts foreign direct investment (FDI) to measure financialization and proposes that the increase in FDI would exacerbate uneven functional income distribution. Jao et al. (2008) used foreign direct investment and private funds as variables of financialization and they provide that financialization may broaden or narrow the gap between capital share and labor share.

3. Research method.

3.1. Research hypothesis. The situation of labor share distribution exacerbates recently. Therefore, this study discusses whether technological change, globalization, bargaining power and financialization have significant influence on labor share or not. According to the literature review, this study builds up 4 assumptions as follows.

Assumption 1: As technology progresses, it will increase the usage of capital and lower labor demand. Hence, when the capital-labor ratio is high, the total labor share will decline.

Assumption 2: Globalization is more obvious; it increases the factors of mobility. Therefore, when a country is more open, it will have lower labor share.

Assumption 3: Strong labor's bargaining power represents that labors have stronger authority to fight capitalists. This has positive effect for the total labor share. If union density is intensive and the ratio of unemployment benefit generosity is high, it represents that labors have strong bargaining power. Moreover, unemployment rate will lower labor share.

Assumption 4: The development of financial mechanism represents the increase of financial assets which will transfer power and authority between capitalists and labors indirectly. Therefore, the increase in foreign direct investment, inward direct investment and derivative financial asset deepens the degree of financialization and lower the labor share.

This study adopts the method of ordinary least squares for the regression analysis. Furthermore, we hope we can determine the main reasons for labor share decline basing on our empirical results and propose some efficient suggestions.

3.2. Definition of variables. Definitions of the variables are as follows.

1. Labor share:

Labor share: The ratio of employment wage to GDP.

2. Technological change:

Capital-labor ratio: The ratio of fixed assets to employment.

3. Globalization:

Openness: The ratio of commercial surplus to GDP.

4. Bargaining power:

1) Union density: The ratio of joining union of employment to total employment.

2) Unemployment benefit generosity: The ratio of unemployment benefits generosity to employment.

3) Unemployment rate: The ratio of unemployment to labor.

5. Financialization:

1) Foreign direct investment: The ratio of net value in foreign direct investment to GDP.

2) Inward direct investment: The ratio of net value in inward direct investment to GDP.

3) Derivate financial asset: The ratio of investment in derivate financial asset to GDP.

3.3. Research design. This study builds up the empirical model to discuss the influence factors of technological change, globalization, bargaining power and financialization on labor share.

Regression Model:

$$\ln(LS) = \beta_0 + \beta_1 d\ln(K/L) + \beta_2 OP + \beta_3 d(UD) + \beta_4 UBG + \\ + \beta_5 UE + \beta_6 FINO + \beta_7 d(FINI) + \beta_8 \ln(DFA) + \varepsilon, \quad (1)$$

where LS – labor share; K/L – capital-labor ratio; OP – openness; UD – union density; BG – unemployment benefit generosity; UE – unemployment rate; $FINO$ – foreign direct investment; $FINI$ – inward direct investment; DFA – derivative financial assets.

First, these variables separately pass the unit root test (Augment Dickey-Fuller, ADF) and adjust to non-stationary series.

Further, we do the simple linear regression through the method of ordinary least squares based on the adjusted variables and test whether these variables have heteroscedasticity and the regression has the autocorrelation problem or not through Liung-Box Q test and the White's general test of heteroscedasticity. If we experience problems, we would adopt the Newey-West test to solve problems.

Finally, we discuss the results of regression model explaining the influence of labor share based on technological change, globalization, bargaining power and financialization.

4. Empirical analysis. This chapter analyzes the relationship between technological change, globalization, bargaining power and financialzation on labor share basing on the regression model for the quarterly data of 1999–2013.

4.1. Unit root test. This study adopts 3 models to do unit root through ADF test and the results are as follows.

Table 1. **Unit Root Test (ADF test),** *authors'*

	With Trend And Constant	With Constant	Without Trend And Constant
LS	0.1221	0.0404**	0.8860
ln(K/L)	0.2130	0.0998	0.6642
OP	0.0008***	0.0001***	0.5808
UD	0.2290	0.1949	0.4052
UBG	0.0174**	0.0038***	0.1868
UE	0.0391**	0.0050***	0.6385
FINO	0.0002***	0.0556	0.6132
FINI	0.1996	0.0817	0.1052
lnDFA	0.0254**	0.4031	0.1390

Notes: ***, ** and * represent the 1%, 5% and 10% levels of significance accordingly.

Openness and FDI reject the null hypothesis of unit root test at 1%. Labor share, unemployment benefit generosity, unemployment rate and derivative financial assets reject the null hypothesis of unit test of the 5% significance level. Therefore, those variables are all stationary series.

Capital-labor ratio, union density and inward direct investment are non-significant through 3 models of the unit root test. It is further needed to do unit root test of the first difference. The result of the first difference is in Table 2.

Table 2. **Unit Root Test of the First Difference,** *authors'*

	With Trend And Constant
ln(K/L)	0.0035***
UD	0.0006***
FINI	0.0000***

Notes: ***, ** and * represent the 1%, 5% and 10% levels of significance accordingly.

Capital-labor ratio, union density and foreign direct investment are significant at the 1% of significance through the first difference. Therefore, we need to do the first difference for capital-labor ratio, union density and FDI.

4.2. Empirical analysis. We use the adjusted variables and discuss the influence of labor share on technological change, globalization, bargaining power and financialization through ordinary least squares.

According to our results, we need to focus on the problem of heteroscedasticity and autocorrelation in order to avoid the statistical bias. We adopt the White's general test of heteroscedasticity to test for heteroscedasticity. In Table 3, p-value of the White's test is 0.25. Hence, the variances have homoscedasticity.

Table 3. **Test for homoscedasticity,** *authors'*

	P-value
White's general test of heteroscedasticity	0.25

Furthermore, we adopt the Liung-Box Q test to test for autocorrelation. We lag 1 to 7 periods. When the data lags 1 period, the p-value is 0.326. It accepts the null hypothesis of non-autocorrelation. When the data lags 2, 3, 4 and 5 periods, it does not have the problem of autocorrelation. However, when the data lag 6 periods, the p-value of Liung-Box Q is 0.001, it is significant at the 1% level, so do 7 periods.

Therefore, in the model there exists the problem of autocorrelation. Hence, we adopt the Newey-West test to adjust the problem of autocorrelation and to solve the problem of statistical bias.

Table 4. **Test for Autocorrelation,** *authors'*

LB Q(n)	P-value
LB Q(1)	0.326
LB Q(2)	0.139
LB Q(3)	0.247
LB Q(4)	0.048
LB Q(5)	0.065
LB Q(6)	0.001***

Notes: ***, ** and * represent the 1%, 5% and 10% levels of significance accordingly.

According to the adjusted statistics through the Newey-West test in Table 5, capital-labor ratio, openness and derivate financial asset are negatively significantly correlated with labor share at the 1% of significance. When capital-labor ratio raises, the demand for capital is higher than the labor demand. Than those capital intensive sectors and high technological sectors have higher labor share. As trade is much more frequent, the pricing ability of wage is low in Taiwan. Thus, it decreases the labor share. Moreover, when derivative financial asset is more common, it accelerates the liberalization at financial market and deepens the leverage. Thus, it also accelerates the authority transference between capitalists and labors and further lowers the labor share. Unemployment benefit generosity is positively significantly correlated at the 1% significance level. When government provides a complete employment welfare policy and guarantees in case labors are unemployed, it can enhance the bargaining power of labors in Taiwan and raises the labor share.

Unemployment rate and inward direct investment are negatively significantly at the 5% of correlated significance. Wage is mainly influenced by unemployment rate and bargaining power according to the on NAIRU model. When the unemployment rate is high, it lowers the labors' bargaining power. Then it further influences wages and leads to decline in labor share. Regarding the inward direct investment, as the ratio of FDI is high, it means that financial policy is deregulated as for enterprises or industries in Taiwan resulting in labor share decline.

Union density is non-significant to labor share. The reason might be that the operations of trade unions are not well-implemented in country. Thus, union density is non-significant to labor share. Trade unions have the problem of small-scale, exclusiveness and fragmentation in Taiwan. It results in limited resource and small-scale of trade unions. Operations of trade union are usually interrupted by government and labors cannot fight for their authority. Furthermore, the quantity of vocational trade union is more than of industrial trade unions in Taiwan. Economic conflicts usually happen in industrial trade unions instead of vocational trade unions. That might be the reason why union density is non-significant to labor in Taiwan (Mao, 2008).

Foreign direct investment is non-significant to labor share. The reason might be that it does not have advantage of low wage in Taiwan so most enterprises increase foreign investment to overseas countries, which are low wage and labor intensive, in order to lower the production costs. Moreover, they also transfer and upgrade domes-

tic industry (Lin et al., 2009). Nevertheless, the net value of FDI declines due to financial crisis in 2008 and European debt crisis in 2009.

To sum up, we find that technological change, globalization, bargaining power and financailization, all influence labor share. Technological change, globalization and financailization have negative influence on labor share. Bargaining power has positive one.

Table 5. **Empirical Results,** *authors'*

	Coefficient	t-value	P-value
Intercept	-1.28127	-10.2457	0.0000
ln(K/L)	-0.97173	-15.8456	0.0000***
OP	-1.94898	-3.95329	0.0002***
UD	-6.97801	-1.95515	0.0562
UBG	0.000813	2.970601	0.0046***
UE	-0.04144	-2.13132	0.038**
FINO	1.978684	0.936777	0.3534
FINI	-2.32289	-2.41955	0.0192**
lnDFA	-0.03123	-2.87529	0.0059***

Notes: ***, ** and * represent the 1%, 5% and 10% levels of significance accordingly.

5. Conclusions and suggestions. According to the analysis, we prove that technological change, globalization, bargaining power and financialization influence labor share. The uneven distribution of labor share influences economic growth and authority distribution between labors and capitalists. Furthermore, it further exacerbates the conflict between labors and capitalists. Therefore, we should have a revolution on fiscal policy, financial market policy and labor market policy. In particular:

5.1. Fiscal policy. *Tax policy.* Taiwan's government tends to lower tax rate in order to increase investments and stimulate economic growth. However, lowering tax rate may not broaden the taxation base. The fact is that it will deepen uneven distribution between labor share and capital share and influence the whole economic environment. Furthermore, the main tax revenue in Taiwan is salary tax; however, capital tax and property tax are low. High income earners and capitalists increase wealth through investment of stocks and property because of low taxation of capital and property. This deepens further the uneven distribution. Furthermore, it does not conform to public expectations regarding the justice of taxation. Hence, it is not a proper way to lower tax rate continuously for Taiwan's tax structure. The proper ways are to increase the marginal tax rate of salaries tax, capital tax and property tax. Then it has the redistribution effect of wealth and narrows the uneven distribution gap between labors and capitalists.

5.2. Financial market policy. Openness of financial policy and deepening of financial investments cause the decline of labor share. Thus, the effective regulation of financial market can balance the uneven distribution of labor share. First, it is to enhance financial transparency which can help solving the problems of uncertainty, information asymmetry, moral hazard and fraud. Therefore, we need to supervise financial actors and all financial commodities. Moreover, we also have to set up regulations and standardize investment standards in order to lower leverage operations.

Second, the re-regulation of financial market should increase the incentives in financial and non-financial sectors and focus on long-term profits instead of short-

term ones. Furthermore, financial sectors should focus on physical economic activities and physical investment such as the investment in property or equipment. In other words, financial sectors should not increase its profit through investment of financial commodities or leverage operation.

Third, we need to levy the financial transactions tax when we invest financial commodities or do financial transactions. This redistribute the wealth and narrow the gap between capitalists and labors.

5.3. Labor market policy. Wage should increase along with the production increase. It can expand the labor share in the aspect of trade union, cost structure and economic organization based on wage-led model in Taiwan. First, the bargaining power of trade unions has to be strong and stable. Next, it needs to reduce top managers' salaries, dividend payment and interest payments. Third, the composition of economy should be shifted from the financial sector, which has high profits, to non-financial or public sectors (Hein, 2011).

Trade unions have the problem of small scale, exclusiveness and fragmentation in Taiwan. When a trade union is small and has limited resources, it cannot assist workers in the fight for their authority. Enterprise trade unions, both public-owned and the private ones, squeeze out other production trade unions. Then workers cannot fight for their authority. Hence, we have to broaden the rate of trade unions and increase the number of industrial trade unions which are functioning out of enterprises. Furthermore, it is also needed to choose someone who can properly represent workers' authority in negotiating with employers. Then trade unions can develop universally and functionally in Taiwan (Chang, 2010).

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