

Abstract

The original purpose of most labor market policies is to enhance social welfare of a specific group of individuals and sustain a fair social relationship. However, the labor market may be distorted by the introduction of these public policies. In this thesis we examine the labor market effects of two public policies in Taiwan. Firstly, we investigate the impacts of national health insurance on the labor market. Taiwan's national health insurance is financed by premiums, which are proportional to an employee's salary. These premiums may introduce distortions to the labor market. Based on repeated cross-sections of individual data we find that, on average, private sector employees' work hours declined relative to their public sector counterparts, while their relative wage rates were almost unchanged with the introduction of national health insurance. Secondly, we investigate the effects of employment protection legislation on the rates of worker flows, job reallocation, and churning flows. Our study's empirical identification takes advantage of the natural experiment created by Taiwan's enactment of Labor Standards Law, which substantially increases the costs of firing an employee, in 1984 and the subsequent measures of the law's enforcement. Moreover, our identification also exploits the fact that in Taiwan the stringency of Labor Standards Law's provisions and the intensity of the law's enforcement vary with establishment size. Our analysis is based on monthly data at the establishment level for the period 1983–1995. We find that Taiwan's Labor Standards Law and its enforcement measures dampen worker and job turnover rates for medium-sized and large establishments, and the dampening effects vary with establishment size.