

Risk premium, climate premium and pollution premium in Taiwan's labor market

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We study the tradeoff between wage, risk, climate and air pollution in Taiwan using the 1999-2014 Panel Study of Family Dynamics (PSDF) survey data of wage, worker characteristics, and job characteristics, in addition to official data sources of annual job fatality rates, climate, and air quality. By adopting the fixed effect model to relieve the biases caused by the missing time-invariant unobservable variables and risk endogeneity problems, we find positive and significant premiums for risk, climate and pollution disamenities in Taiwan. Workers in Taiwan are compensated for work-related fatal risks, especially for skilled and unskilled workers, but not for managerial workers. Workers are paid more for working in places with higher average temperatures in July or lower averages in January. Workers receive higher wages for working in places with worse air quality.

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