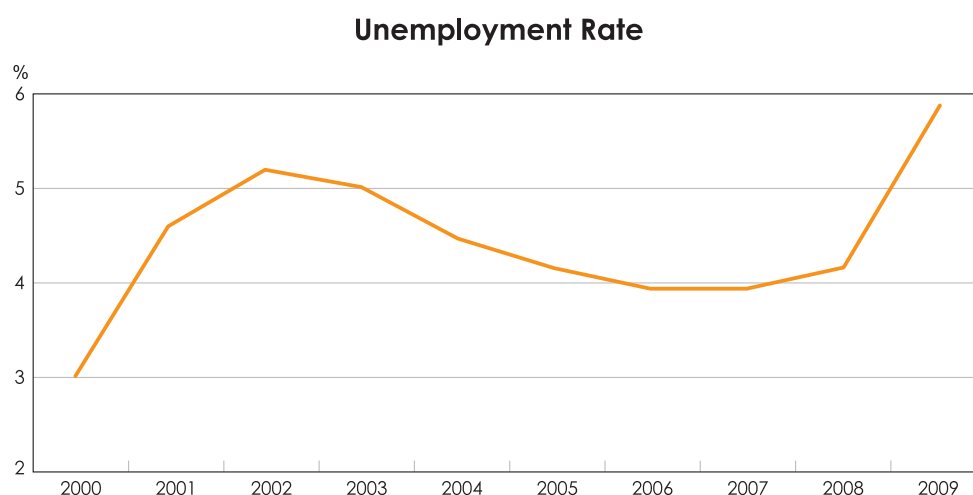


6. Labor Market

Following global financial turmoil and the recession it induced in the domestic economy, Taiwan's labor market conditions worsened in 2009. Job opportunities decreased and involuntary unemployment increased. The unemployment rate climbed to a historic high of 6.13 percent in August, and then trended downwards to 5.74 percent in December as the pace of economic recovery accelerated.

The annual average unemployment rate increased by 1.71 percentage points to 5.85 percent in 2009, the largest year-on-year increase ever recorded. The broad unemployment rate rose by 1.74 percentage points to 7.35 percent, while average employment decreased by 1.20 percent from the previous year to 10,279 thousand persons, the largest annual decrease on record. To promote employment, the government initiated various short-, mid- and long-term measures, including training programs to foster quality human resources.

In terms of earnings and labor cost, the average monthly earnings per worker in the non-farm sector, i.e. the industrial and services sectors, dropped by 4.31 percent over the previous year to NT\$42,509, posting the deepest decline in history. As the decline in total working hours outpaced that in production, labor productivity increased by 0.62 percent for the industrial sector. The unit labor cost decreased by 6.54 percent, resulting from a smaller decrease in production than in total labor compensation.



Source: Monthly Bulletin of Manpower Statistics, DGBAS, Executive Yuan.

Annual Average Employment Decreased

Employment was affected by declining corporate profitability and production amid the economic downturn in 2009. Annual average employment was 10,279 thousand persons, a decrease of 124 thousand persons or 1.20 percent over the previous year. However, employment slowly picked up with the pace of economic recovery from the third quarter of 2009 onwards.

Among the three economic sectors, the industrial sector was the most severely hit, with employment decreasing by 148 thousand persons or 3.85 percent in 2009. Employment in the agricultural and services sectors increasing by 8 thousand and 15 thousand persons or 1.41 and 0.26 percent, respectively.

Broken down by industry, the manufacturing industry registered the largest job losses with 96 thousand persons, followed by the construction industry with 54 thousand persons, and then by the wholesale and retail trade industry with 35 thousand persons. However, employment in public administration and defense, and compulsory social security increased by 39 thousand persons, thanks to the government's 2008-2009 Short-term Employment Promotion Program.

Employment in most job categories also decreased, with machinery operation and physical labor jobs suffering the largest decline of 144 thousand persons or 4.34 percent.

Unemployment Rate Remained High

The unemployment rate rose sharply from the beginning of 2009 as the economic downturn deepened. It reached a historic high of 6.13 percent in August with 672 thousand persons unemployed. From September onwards, however, the economy recovered and the seasonal factor of job-seeking graduates and students vanished. Hence, the unemployment rate gradually declined month by month to 5.74 percent in December. On an annual average basis, the unemployment rate was 5.85 percent, while the unemployed population reached 639 thousand persons, a year-on-year increase of 189 thousand persons or 41.96 percent. The average duration of unemployment also lengthened by 2.2 weeks from the previous year to 27.5 weeks.

The annual average number of the long-term unemployed (those continuously unemployed for 53 weeks or more) was 101 thousand persons in 2009, an increase of 35 thousand persons or 53.03 percent over the previous year. Among these people, the 25-44 age group accounted for 62.3 percent, while those with college education or above made up 40.5 percent. Thus, a trend of lower ages and higher educational levels was observed in the unemployed population.

Due to the economic recession, business closures or downsizing were the major cause for unemployment from 2008. In 2009, it accounted for 52.76 percent of the total unemployed, marking the first increase over 50 percent on record and a steep increase of 18.93 percentage

points over the previous year. In the first quarter of 2009 alone, those unemployed because of business closures or downsizing had accumulated to 94 thousand persons, especially in the manufacturing, construction, and wholesale and retail trade industries.

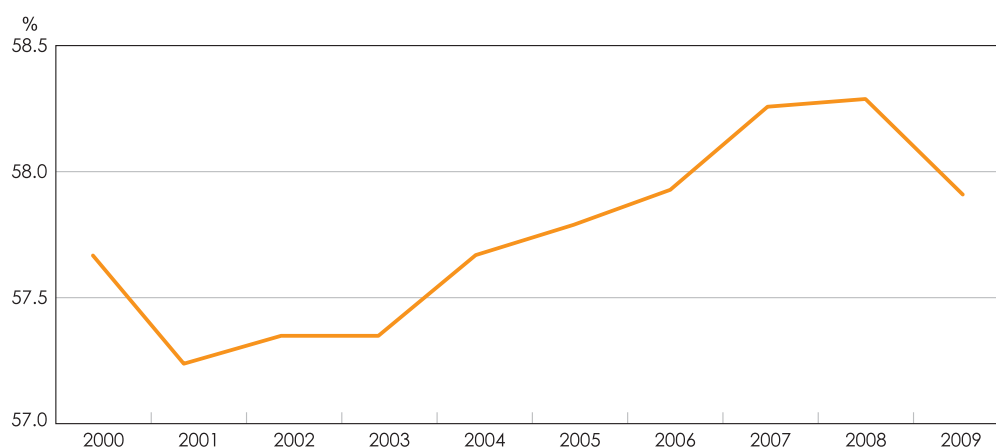
In terms of age, the 15-24 age group continued with the highest unemployment rate in 2009, as they are generally inexperienced and tend to change jobs more frequently. The average number of the unemployed for the age groups of 25-44 and 45-64 increased by 121 thousand and 51 thousand persons or 48.13 and 57.75 percent, respectively, over the previous year. A majority of them were unemployed involuntarily.

Labor Force Participation Rate Edged Down

The labor force growth rate decreased from 1.31 percent in the previous year to a mere 0.59 percent in 2009, reflecting falling demand for labor in the flagging economy. The number of employed people recorded the largest decrease ever of 1.2 percent, while that of unemployed people increased by 41.96 percent to a historic high level.

The labor force participation rate inched down by 0.38 of a percentage point to 57.90 percent in 2009. In terms of gender, the male labor force participation rate sank by 0.69 of a percentage point to an all-time low of 66.4 percent. The female rate edged down to 49.62 percent due to the gloomy economy, the first decline since 2001. Broken down by age bracket, the labor force participation rate for the 15-24 age group continued declining as a result of extended years of education. The rate for the 25-44 age group increased by 0.38 of a percentage point to 84.19 percent, remaining the highest level of participation among all age groups. With regard to education groups, those with college degrees or above were the only group that

Labor Force Participation Rate



Source: Monthly Bulletin of Manpower Statistics, DGBAS, Executive Yuan.

recorded an increase in the labor force participation rate at 68.4 percent, indicating a more aggressive attitude in the job market among the better educated.

The non-labor force population increased by 167 thousand persons, or 2.15 percent, to 7,937 thousand persons. Among them, senior disabled people increased by 0.58 of a percentage point, showing a long-term upward trend due to an aging population. Affected by the stagnant economy, those intending to work but not actively searching rose by 0.07 of a percentage point, while housekeeping decreased by 0.76 of a percentage point.

Earnings of Non-Farm Workers Declined

In 2009, the economic downturn, the waves of corporate downsizing and workers taking unpaid leaves helped drive down wages. The average monthly earnings of a non-farm sector worker declined by 4.31 percent, the largest drop recorded, to NT\$42,509. After adjusting for CPI inflation, real monthly earnings per worker also declined by 3.47 percent. For the industrial sector, monthly earnings per worker decreased by 7.4 percent to NT\$40,032, while real earnings decreased by 6.59 percent. For the services sector, monthly earnings per worker decreased by 1.91 percent to NT\$44,583, while real earnings decreased by 1.05 percent.

With respect to different industries, the manufacturing industry was the most severely affected by the global financial turmoil, with an 8.37 percent drop in real monthly earnings per worker. However, the electricity and gas supply industry and the accommodation and food services industry managed to achieve respective increases of 8.45 percent and 2.48 percent in real monthly earnings despite the turmoil. As for real regular earnings per worker by sector, the industrial sector recorded a 2.68 percent decrease, while the services sector showed a 0.75 percent increase. Real regular earnings per worker for the non-farm sector as a whole decreased by 0.68 percent over the previous year.

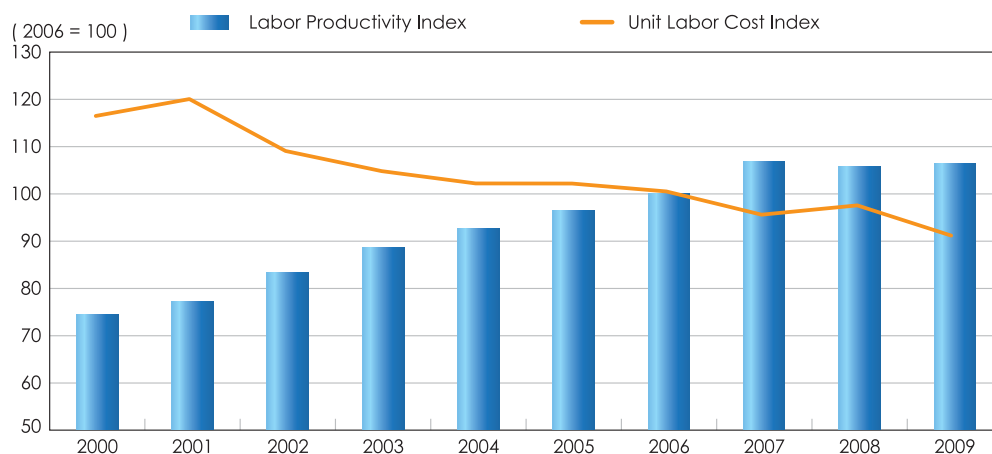
Labor Productivity Increased Slightly

As the decrease in total working hours outpaced that in production, labor productivity for the industrial sector posted a year-on-year increase of 0.62 percent in 2009. Within the manufacturing industry, the largest increase was observed in motor vehicles and parts manufacturing, followed by electronic parts and components manufacturing. For most traditional manufacturers, however, their continued decline in productivity was aggravated by the economic downturn, with wearing apparel and clothing accessories manufacturing experiencing the deepest decline of 20.09 percent.

The unit labor cost in the industrial sector exhibited a decrease of 6.54 percent in 2009, as total labor compensation decreased faster than production. Within the manufacturing industry,

chemical material manufacturing recorded the largest drop of around 20 percent, followed by electronic parts and components manufacturing and motor vehicles and parts manufacturing with declines of around 15 percent.

Labor Productivity and Unit Labor Cost Indices in the Industrial Sector



Source: Monthly Bulletin of Earnings and Productivity Statistics, DGBAS, Executive Yuan.