

6. Labor Market

Despite economic fluctuations at home and abroad, labor market conditions in Taiwan remained favorable in 2011. In the first half of the year, business demand for labor increased as the economy continued to grow, while the government persisted with programs to create more jobs. As a consequence, there was a significant rise in employment and a considerable drop in unemployment, which in turn translated into a larger decrease in the unemployment rate. In the second half of the year, the worsening European debt crisis and global economic

slowdown caused some fluctuations in the labor market; nevertheless, in general, the jobless rate trended downward. For the year 2011, the average unemployment rate was 4.39 percent, 0.82 of a percentage point decrease from 2010. It was also the first time the unemployment rate dropped below 5 percent since the 2008 global financial crisis.

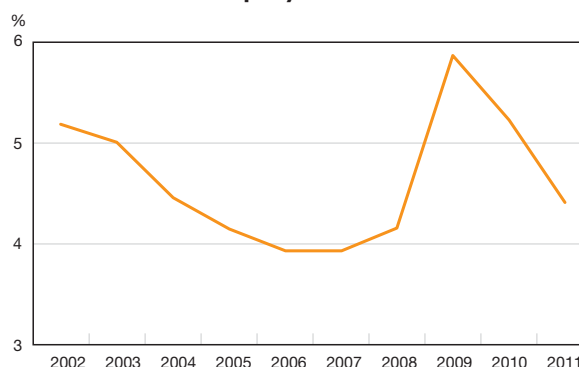
Annual average employment reached a historical high of nearly 10.71 million persons in 2011, a 2.06 percent increase from 2010. Employment in the industrial and service sectors continued to grow at 3.24 percent and 1.64 percent year on year, respectively. However, employment in the agricultural sector dropped 1.45 percent from the previous year.

In terms of earnings and labor cost, the industrial and service sectors combined to register an increase of 2.73 percent from the previous year as monthly earnings per worker averaged NT\$45,642 in 2011. Since the increase in total production outpaced the increase in total working hours, labor productivity of the industrial sector and the manufacturing industry rose by 3.36 percent and 3.42 percent, respectively, while their unit labor cost rose by 1.21 percent and 1.11 percent, respectively, as compensation grew at a faster pace.

Increase in Employment

Continued economic growth and the government's measures to promote employment helped to create more jobs in 2011. Annual average employment in 2011 was 10.71 million, an increase of 216 thousand or 2.06 percent from the previous year. However, growth in employment decelerated in the fourth quarter of the year due to the deepening European debt crisis and weaker global economic performance.

Unemployment Rate



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

Broken down by sector, employment in the agricultural sector dropped by 8 thousand persons or 1.45 percent. On the other hand, in the industrial sector employment increased by 123 thousand or 3.24 percent. Within this sector, manufacturing employment increased the most, adding 88 thousand persons, and construction employment also increased by 34 thousand persons. In the service sector, employment grew by 101 thousand persons, or 1.64 percent, while an aging population and greater emphasis on medicine and health boosted the employment in medical services and social work by 22 thousand persons. Employment in wholesale and retail services gained 16 thousand persons.

Decline in Unemployment Rate

In the first half of the year, as the economic recovery continued and the government implemented job creation programs, there was a marked decrease in the unemployment rate. In the second half of the year, the jobless rate was still on a downtrend despite some fluctuations caused by the prolonged European debt crisis and a global economic slowdown. The unemployment rate in December declined to 4.18 percent, the lowest level since September 2008. For the year as a whole, the average unemployment rate was 4.39 percent, with the number of unemployed persons standing at 491 thousand, down by 86 thousand, or 14.86 percent from the previous year.

Improving labor market conditions also shortened the duration of unemployment by 2 weeks from the year before to 27.7 weeks. The average number of long-term unemployed (those unemployed for 53 weeks or more) declined to 80 thousand persons, a significant decrease of 24 thousand persons over the previous year. More than 60 percent of the long-term unemployed were male, of which 66.49 percent were in the age group between 25 and 44, and 42.99% were college educated or above. This indicates that long-term unemployment of the 25-44 age group and those with a higher educational background remained a major concern relating to the issue of unemployment.

Unemployment decreased by 86 thousand persons from the previous year. A major reason behind the decline in the number of unemployed was that those who were laid off involuntarily because of tight conditions or shutdowns decreased markedly by 92 thousand persons. Consequently, the proportion of persons laid off relative to the total unemployed was down substantially to 30.10 percent, compared to 41.57 percent the year before.

On the other hand, favorable labor market conditions significantly raised workers' willingness to change jobs. Leaving previous posts for other job opportunities became a major cause of unemployment, making up an increasing share of 32.63 percent in the total unemployed, an 8.06 percentage point increase compared to the year before.

In terms of age, the 15-24 age group continued to register the highest unemployment rate in 2011 at 12.47 percent as they are generally inexperienced and tend to change jobs more frequently. The average number of unemployed persons for the 25-44 and 45-64 age groups decreased by 56

thousand (16.62 percent) and 24 thousand (19.20 percent), respectively, over the previous year. For the year as a whole, the unemployment rate of the 25-44 age group was 4.46 percent, while that of the 45-64 age group was 2.64 percent, indicating year-on-year declines of 0.89 and 0.75 of a percentage point, respectively. Most of the unemployed in these age groups were the mainstay of their families and thereby their joblessness had a larger impact on households and society.

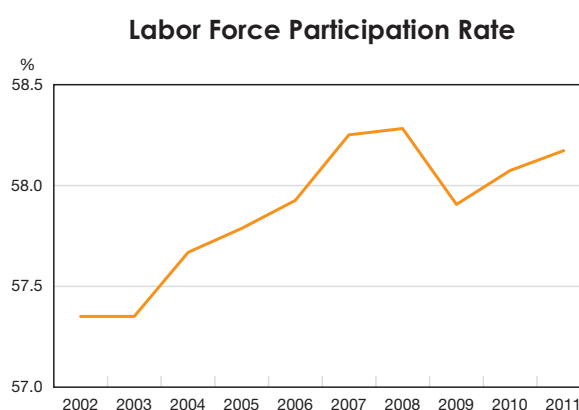
Rise in Labor Force Participation

The overall labor force increased by 1.17 percent to 11.20 million in 2011 as labor market conditions continued to improve. Persons in employment totaled around 10.71 million, with an annual growth rate of 2.06 percent, while the number of the unemployed fell by a robust 14.86 percent to 491 thousand persons.

The labor force participation rate averaged 58.17 percent for the year, a 0.10 percentage point increase compared to the year before.

In terms of gender, the male labor participation rate increased by 0.16 percentage points from the preceding year to 66.67 percent, while the female rate continued to reach an all-time high at 49.97 percent, up by 0.08 percentage points over the previous year. Labor force participation rates of all age groups went up across the board, with the 25-44 age group posting the largest increase of 0.84 percentage points to 85.56 percent. In terms of educational background, the labor participation rate of the working population with high school or vocational school degrees increased by 0.11 percentage points to 62.36 percent.

The non-labor force population totaled 8.05 million, representing a year-on-year rise of 61 thousand persons or 0.76 percent. As the economy continued to expand moderately, more job opportunities were available, which in turn encouraged more persons to participate in the labor market. As a consequence, the ratio of non-labor force to total population continued to drop. As Taiwan has gradually moved toward an aging society, the ratio of the number of old aged and disabled persons to total non-labor force continued to increase. However, compared to the year before, it only increased by 0.01 of a percentage point, which was the lowest increase of all time. Moreover, as the government continued to implement programs to encourage childbirth, the ratio of the number of persons in housekeeping to total non-labor force was up for the first time since 1982 to 29.74 percent, a 0.16 percentage point increase over the previous year.



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

Increased Earnings of Non-Farm Workforce

Due to steady economic growth, average monthly earnings per worker of the non-farm sector reached a record high of NT\$45,642, representing a 2.73 percent rise from the year before. After being adjusted for inflation, average real monthly earnings grew by 1.29 percent.

Average monthly earnings of industrial sector workers increased by 2.51 percent over the previous year to NT\$43,946, and average monthly real earnings also rose by 1.08 percent. Meanwhile, average monthly earnings of services sector workers grew by 2.93 percent to NT\$47,058 and average monthly real earnings went up 1.48 percent.

A further breakdown of the performance of monthly real earnings across sub-industries indicated that accommodation and food services experienced the largest increase of 5.44 percent due to robust domestic consumption growth as well as booming tourism mainly attributable to tourists from Mainland China. Real earnings in the professional, scientific and technical services industry also exhibited a substantial growth of 2.77 percent. Affected by the European debt crisis, real earnings of the manufacturing sector edged up by a more subdued 1.19 percent. The growth rate of real earnings in the real estate sector was only 1.37 percent due to a newly imposed tax on certain housing transactions to curb excessive speculation. In terms of monthly real regular earnings per worker, the industrial sector saw a decrease of 0.15 percent, while the services sector recorded an increase of 0.23 percent. Together, the two sectors exhibited a mere 0.04 percent increase in their monthly real regular earnings compared with the previous year.

Continued Growth in Labor Productivity

As the increase in total production outpaced that in total working hours, labor productivity improved substantially. Labor productivity of the industrial sector and the manufacturing industry were up by 3.36 and 3.42 percent, respectively. Within the manufacturing industry, the largest increase was from the computer, electronics and optical products industries, up by 21.98 percent compared to 2010.

On the other hand, total labor compensation grew faster than total production. This led to an increase in the unit labor cost in the industrial sector and the manufacturing industry by 1.21 and 1.11 percent in 2011, respectively, reversing the steep downtrend shown in both 2009 and 2010.

