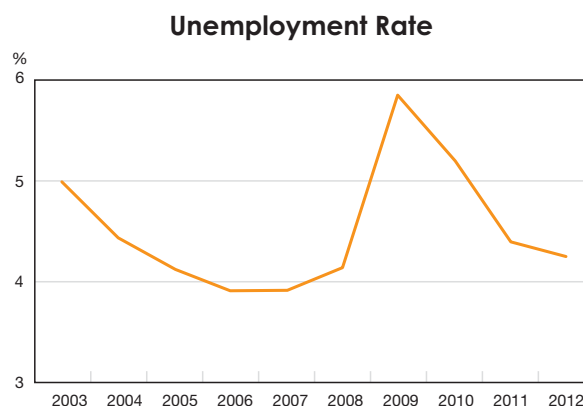


6. Labor Market

In early 2012, as business demand for labor increased, the unemployment rate dropped to 4.10 percent in April. However, with the graduation season approaching, the unemployment rate started to rise in May and hit 4.40 percent in August before declining gradually to 4.18 percent in December. For the year 2012, the average unemployment rate was 4.24 percent, the lowest since 2009.



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

Annual average employment was 10.86 million persons in 2012, a 1.41 percent increase from 2011. Employment in the industrial and services sectors continued to grow at 1.12 percent and 1.68 percent, respectively. Employment in the agricultural sector increased 0.39 percent from the year before.

In terms of earnings and labor cost, monthly earnings per worker in the non-farm sector (the industrial and services sectors) averaged NT\$45,888 in 2012, which was a slight increase of 0.30 percent from the previous year. As total working hours increased while total production decreased, labor productivity of the industrial sector and, in particular, the manufacturing subsector fell by 0.75 percent and 0.73 percent, respectively. Additionally, unit labor cost of the industrial and services sectors increased by 2.37 percent and 2.47 percent, respectively.

Employment Continued to Grow

Despite the economic slowdown, labor market conditions in Taiwan remained favorable in the year 2012. Annual average employment in 2012 was 10.86 million, an increase of 151 thousand or 1.41 percent from the previous year.

Broken down by sector, employment in the agricultural sector increased by two thousand people or 0.39 percent. The industrial sector saw total employment increase by 43 thousand or 1.21 percent. Within this sector, manufacturing employment registered the largest increase of 26 thousand people, while construction employment also increased by 14 thousand people. Employment in the services sector grew by 106 thousand persons or 1.68 percent. Of this increase, 37 thousand were in the wholesale and retail services, the largest gain within the services sector.

Unemployment Rate Declined

In early 2012, greater business demand for labor led the unemployment rate to drop to 4.10 percent in April. However, with an increasing turnout of job seekers around the graduation season, the unemployment rate started to rise in May and peaked at 4.40 percent in August before gradually declining to 4.18 percent in December. For the year as a whole, the average unemployment rate was 4.24 percent, the lowest since 2009.

Improving labor market conditions shortened the duration of unemployment by 1.63 weeks from the year before (26.04 weeks versus 27.67 weeks). The average number of long-term unemployed (those who were unemployed for 53 weeks or more) also declined to 77 thousand people, a decrease of 3,711 persons over the previous year. Of the long-term unemployed, 63.07 percent were male, of which 68.19 percent was in the age group between 25 and 44 and 49.42 percent held a college degree or above. This indicates that male being aged between 25 and 44 and having a higher education degree were major factors for long-term unemployment.

Total unemployment decreased by 10 thousand people or 2.15 percent from the year before. A major factor contributing to this decline was a decrease by 11 thousand in the number of unemployed persons who were laid off involuntarily because of shrinking business or temporary shutdown. Consequently, the proportion of the aforementioned group relative to the total unemployed went down to 28.46 percent compared to 30.10 percent the year before.

On the other hand, favorable labor market conditions raised people's willingness to change jobs. People who quit their jobs to seek other job opportunities made up a major part of the unemployed, with its share rising by 1.09 percentage points from the previous year to 33.72 percent.

In terms of age, the unemployment rate of the age group 15-24 was still the highest at 12.66 percent as people in this group are generally inexperienced and tend to change jobs more frequently. The unemployment rate of the age group 25-44 was 4.38 percent, while the unemployment rate of the 45-64 age group was 2.31 percent, representing respective year-on-year declines of 0.08 and 0.33 percentage points.

In terms of educational background, the unemployment rate of people with a college degree or above increased to 4.58 percent, indicating there was an excess supply of highly educated labor. On the other hand, the unemployment rates of the other two groups decreased. For people with a junior high school degree or below, the unemployment rate dropped to 3.52 percent, while that of those with a middle high school or vocational school degree decreased to 4.22 percent.

Labor Force Participation Rate Rose Modestly

The labor force rose by 1.26 percent to 11.34 million in 2012 as labor market conditions continued

to improve. Total employment amounted to 10.86 million, with an annual growth rate of 1.41 percent, while the number unemployed dropped by 2.15 percent to 481 thousand people.

The labor force participation rate reached 58.35 percent, a 0.18 percentage point increase compared to the year before. In terms of gender, the male labor force participation rate increased by 0.16 percentage points from the preceding year to 66.83 percent, while the female rate reached an all-time high of 50.19 percent, up

by 0.22 percentage points over the previous year. As the government continued to improve the working environment, the willingness of females to work also increased. The labor participation rates of all age groups went up across the board, with the group aged 25-44 posting the largest increase of 0.77 percentage points to 86.33 percent. In terms of educational background, the labor participation rates for the working population with a college degree or above increased by 0.22 percentage points to 64.35 percent.

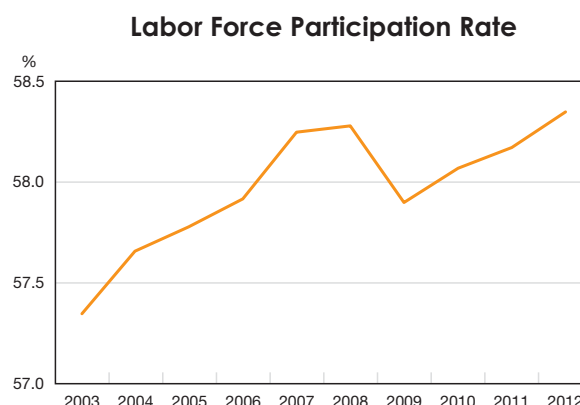
The non-labor force population totaled 8.10 million, representing a year-on-year rise of 43 thousand persons, or 0.52 percent. The ratio of those of old age and with disability to total non-labor force increased by 0.29 percentage points to 29.71 percent, an indication that Taiwan has moved toward an aging society. On the other hand, as job opportunities increased, the ratio of people in school to total non-labor force decreased 0.25 percentage points to 26.67 percent.

Earnings of Non-farm Workers Increased

The average monthly earnings per worker of the non-farm sector reached NT\$45,888 in 2012, representing a 0.30 percent increase from the year before. However, after adjustment for inflation, the average real monthly earnings actually decreased by 1.60 percent.

The average monthly earnings of industrial sector workers increased by 0.76 percent over the previous year to NT\$44,280, while their average monthly real earnings decreased by 1.15 percent. Meanwhile, the average monthly earnings of services sector workers decreased by 0.08 percent to NT\$47,233, and their average monthly real earnings also went down 1.97 percent.

A further breakdown showed that the real estate business experienced the largest real decrease in average monthly earnings, at 7.50 percent, as the government implemented several measures to cool the housing market. The water supply and pollution remediation industry also saw a 6.65 percent decrease from the previous year. On the other hand, government support for the cultural



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

creative industry and tourism contributed to a 4.33 percent increase in average monthly real earnings in the arts, entertainment, and leisure services industry, the largest among all industries. In terms of real regular monthly earnings per worker, the industrial sector decreased by 0.70 percent, while that of the services sector also decreased by 0.63 percent. Together, the two sectors exhibited a 0.64 percent decrease in their real regular monthly earnings compared with the previous year.

Labor Productivity Edged Down

Labor productivity declined owing to increases in total working hours and decreases in total production. The labor productivity index of the industrial sector and the manufacturing industry dropped by 0.75 and 0.73 percent, respectively. Within the manufacturing industry, the largest decrease was from machinery equipment manufacturing, which fell by 11.40 percent compared to the year before.

On the other hand, as total labor compensation grew while total production decreased, the unit labor cost in the industrial sector and the manufacturing subsector went up by 2.37 and 2.47 percent, respectively, in 2012.

Labor Productivity and Unit Labor Cost Indices in the Industrial Sector



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