

6. Labor Market

In 2013, the unemployment rate continued to decline gradually. It was 4.06 percent in May, the lowest since August 2008. The unemployment rate climbed up from June to August as more fresh graduates sought job opportunities around the graduation season. As this seasonal effect disappeared after August, the unemployment rate started to decline again and reached 4.08 percent in December. For the year as a whole, the unemployment rate averaged 4.18 percent. Although labor market conditions continued to improve, structural unemployment persisted. The unemployment rates of youth and highly educated persons both remained high. Skill mismatch is still a major issue in Taiwan's labor market.

The labor participation rate increased to 58.43 percent, 0.08 percentage points higher than that in 2012 and also the highest since 1997. The female labor participation rate increased for the fourth consecutive year to 50.46 percent, indicating continuing improvement in the work environment for females, while the male labor participation rate dropped to 66.74 percent.

Annual average employment was 10.97 million persons in 2013, a 0.99 percent increase from 2012. Employment in the industrial and services sectors continued to grow at 0.77 percent and 1.21 percent, respectively. Employment in the agricultural sector remained the same as that in 2012.

Monthly earnings per worker in the non-farm sector (the industrial and services sectors) averaged NT\$45,965 in 2013. It was a slight increase of 0.17 percent from 2012. However, after adjustment for inflation, average real monthly earnings decreased by 0.62 percent.

As the increase in total production outpaced that in total working hours, labor productivity of the industrial sector and the manufacturing industry increased by 0.09 percent and 0.03 percent, respectively. Unit labor cost in the industrial and manufacturing sectors, on the other hand, increased by 0.14 percent and 0.27 percent, respectively.

Employment Continued to Grow

Annual average employment in 2013 was 10.97 million, an increase of 107 thousand or 0.99 percent from the previous year.

In terms of employment by major sectors, employment in the agricultural sector in 2013 maintained the same level as that in the year before. Employment in the industrial sector increased by 30 thousand persons or 0.77 percent. Within this sector, construction and manufacturing employment increased by 16 thousand and 13 thousand people, respectively. Employment in the services sector grew by 77 thousand persons or 1.21 percent. Broken down further, employment in accommodation

and food services increased by 25 thousand, while wholesale and retail services employed 17 thousand more persons. Overall, services sector employment accounted for 58.89 percent of total employment, up by 0.14 percentage points. The employment ratios of agriculture and the industrial sector were 4.96 percent and 36.16 percent, respectively, both slightly down from the year before.

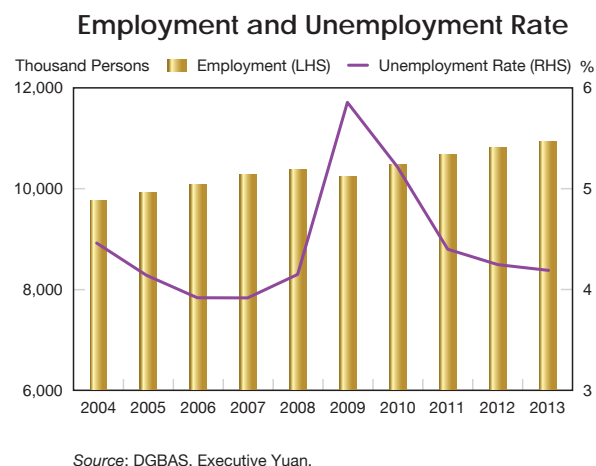
In terms of employed persons by occupation, employment of professionals saw the largest increase of 42 thousands or 3.38 percent. Services and sales workers came second with an increase of 37 thousands or 1.74 percent. On the other hand, employment of legislators, executive officers, and managers decreased by 18 thousand or 4.18 percent. While skilled workers and machine operators combined to account for the largest share of total employment at 31.32 percent, the ratio of employment of professionals to total employment increased the most to 11.73 percent, up by 0.27 percentage points, indicating a higher demand for professionals due to structural change.

Unemployment Rate Dropped

The unemployment rate exhibited a slow downward trend in early 2013. It dropped to 4.06 percent in May, the lowest since August 2008. The unemployment rate climbed up from June to August as more students fresh from graduation sought job opportunities. As the seasonal effect disappeared after August, the unemployment rate started to decline again and reached 4.08 percent in December. For the year as a whole, the average unemployment rate was 4.18 percent, the lowest in the recent five years.

While the unemployment rate decreased in 2013, unemployment duration increased to 26.18 weeks, slightly higher than the year before by 0.14 weeks. The average number of the long-term unemployed (those who were unemployed for 53 weeks or more), however, declined to 75 thousand people, a decrease of 2 thousand persons over the previous year. Males made up 60.81 percent of the long-term unemployed, of which 67.08 percent were in the group aged between 25 and 44 and 54.21 percent held a college degree or above. This indicates those aged 25-44 and those with high education remained the main constituents of the long-term unemployed group.

Total unemployment decreased by 3 thousand people or 0.54 percent from the year before, mainly because there was a decrease by 6 thousand people or 12 percent in involuntary unemployment associated with the conclusion of seasonal or temporary work. As a consequence, the ratio of such

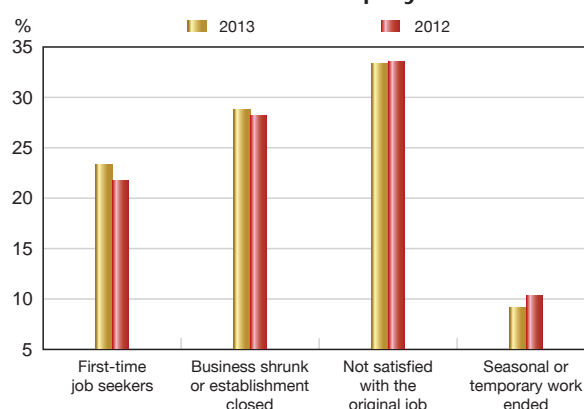


unemployment to total unemployment dropped to 9.17 percent, compared to 10.42 percent of the previous year. People who quit their jobs in search of other job opportunities made up a major portion of the unemployed, but the ratio slightly dropped, for the first time since 2010, to 33.59 percent, indicating lower willingness to change jobs amid a tepid economy.

In terms of age, the unemployment rate of the age group of 15-24 increased by 0.51 percentage points to 13.17 percent, still the highest among all age groups. Insufficient job experiences as well as gaps between school learning and occupational requirements were the main reasons behind the high proportion of unemployment of this age group. The unemployment rates of the age groups 25-44 and 45-64 were 4.27 percent and 2.25 percent, respectively, representing year-on-year declines of 0.11 and 0.06 percentage points.

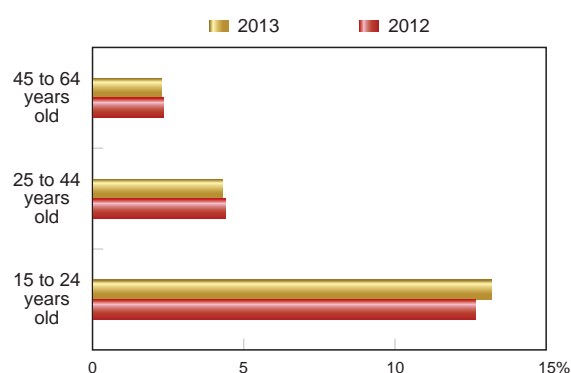
In terms of educational background, while the unemployment rate of people with a college degree or above decreased to 4.50 percent, the number of unemployed of this group increased by 3.8 thousand persons or 1.62 percent. It indicates skill mismatch of highly educated labor was still a major issue. On 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 3.53 percent, while that of those with a middle high school or vocational school degree decreased to 4.11 percent.

Causes of Unemployment



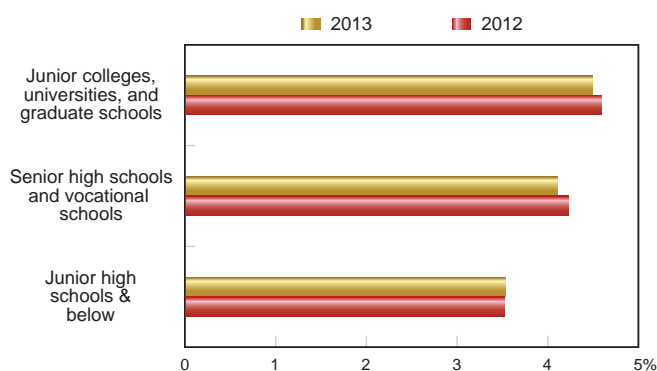
Source: DGBAS, Executive Yuan.

Unemployment Rate by Age



Source: DGBAS, Executive Yuan.

Unemployment Rate by Educational Background



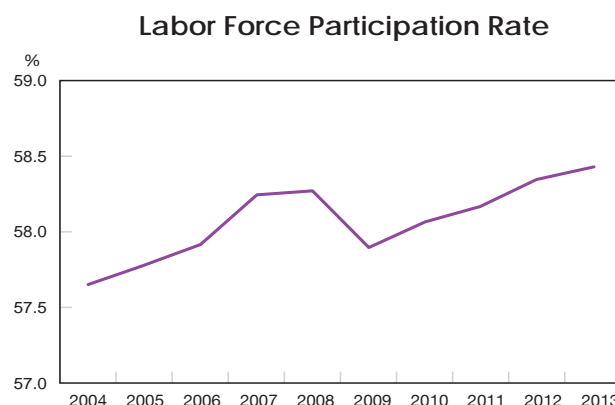
Source: DGBAS, Executive Yuan.

Labor Force Participation Rate Slightly Rose

The labor force rose by 0.92 percent to 11.45 million in 2013, as more people were willing to join the labor market. Total employment amounted to 10.97 million, with an annual growth rate of 0.99 percent, while the number of these unemployed dropped by 0.54 percent to 478 thousand people.

For the entire year, the labor force participation rate averaged 58.43 percent, 0.08 percentage points higher than the year before. In terms of gender, the male labor force participation rate decreased by 0.09 percentage points from the preceding year to 66.74 percent, while the female rate continued to rise by 0.27 percentage points to 50.46 percent. This indicates the female labor force is playing a gradually greater role in economic development as the government continues to improve the working environment and promote gender equality. Labor participation rates of all age groups went up, with the rate of the group aged 15-24 posting the largest increase of 0.50 percentage points to 29.58 percent. In terms of educational background, the labor participation rate for the working population with a degree of junior high school or below registered the largest increase of 0.25 percentage points to 41.50 percent. However, labor participation rates for those with a high school education or above dropped.

The non-labor force population in 2013 reached 8.14 million, representing an increase of 46 thousand persons or 0.57 percent compared to the year before. The ratio of people in school or preparing for higher education to total non-labor force decreased by 0.56 percentage points to 26.11 percent. On the other hand, the ratio of the elderly and the disabled to total non-labor force rose by 0.28 percentage points to 29.99 percent, a sign that Taiwan's society is increasingly aging.



Source: DGBAS, Executive Yuan.

Real Earnings of Non-farm Workers Decreased

In 2013, the average monthly earnings per worker of the non-farm sector reached NT\$45,965, a 0.17 percent increase from the year before. However, after adjustment for inflation, the average real monthly earnings decreased by 0.62 percent, indicating the nominal increase in earnings was outpaced by prices.

In terms of major sectors, the average monthly earnings of industrial sector workers increased

by 0.14 percent over the previous year to NT\$44,342 per worker, while their real earnings decreased by 0.65 percent. Meanwhile, the average monthly earnings per worker of the services sector increased by 0.17 percent to NT\$47,311, but their real earnings also went down 0.62 percent.

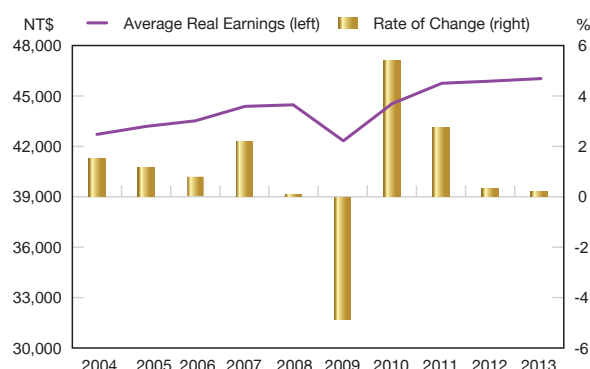
In terms of real regular monthly earnings per worker, the industrial sector registered an increase of 0.33 percent, while the services sector posted an increase of 0.05 percent. Together, the two sectors exhibited a 0.19 percent increase in their real regular monthly earnings compared with the previous year.

A further breakdown showed the earnings of the apparel and clothing accessories manufacturing industry experienced the largest decrease in real terms, at 7.38 percent, while the printing and reproduction of recorded media industry saw the largest increase in real earnings at 5.46 percent.

Labor Productivity Slightly Went Up

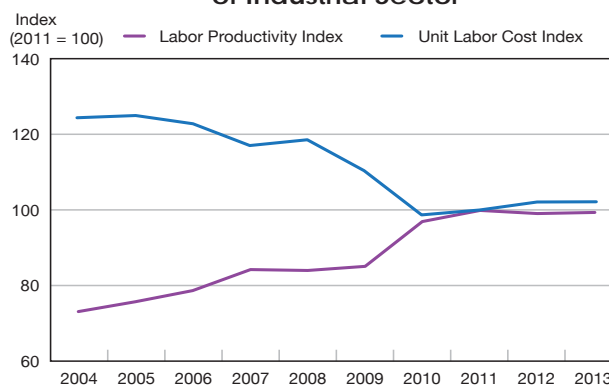
As the increase in total production outpaced that in total working hours, labor productivity of the industrial sector and the manufacturing industry increased by 0.09 percent and 0.03 percent, respectively. The petroleum and coal products manufacturing sector registered the largest increase in labor productivity of 7.52 percent. Since the increase in earnings outpaced that in production, unit labor cost of the industrial and manufacturing sectors increased by 0.14 percent and 0.27 percent, respectively. The wood and bamboo products manufacturing sector experienced the largest increase in unit labor cost of 13.39 percent, while the sector of computers, electronic and optical products manufacturing came second with an increase of 10.84 percent.

Average Real Earnings of Non-farm Workers and Their Rate of Change



Source: DGBAS, Executive Yuan.

Labor Productivity and Unit Labor Cost of Industrial Sector



Source: DGBAS, Executive Yuan.