

6. Labor Market

The unemployment rate dropped to 3.62% in May 2015, the lowest since February 2001. However, it gradually climbed up as an economic slowdown loomed large from June onwards. Eventually it came to 3.87 percent in December. For the year as a whole, the unemployment rate averaged 3.78%, still the lowest since 2001. Meanwhile, the broadly-defined unemployment rate went down by 0.16 percentage points from the previous year to 4.98%. While there were improvements in labor market conditions, structural unemployment problems still existed. For example, the unemployment rates of young people and of highly educated persons both stayed elevated, while the labor force participation rate for males between ages 45 to 64 remain depressed.

The labor force participation rate was 58.65% in 2015, climbing by 0.11 percentage points from the previous year to a record high since 1996. As the work environment improved, there was a continued increase in the number of female employees in the labor market. As a consequence, the female labor force participation rate continued rising and reached a historical high of 50.74% in 2015. On the other hand, the labor force participation rate of males gradually decreased in the past twenty years. Increasing industrial offshoring, slow industrial transformation, and skill mismatch were the main reasons behind this decline.

Annual average employment in 2015 was 11.20 million persons, an increase of 119 thousand persons or 1.08% from the previous year. In terms of employment by major sector, employment in the services sector grew by 83 thousand persons or 1.26%. Employment in the industrial and agriculture sectors also increased by 31 thousand and 7 thousand persons, respectively, or 0.76% and 1.18%, respectively.

The average monthly earnings per worker of the non-farm sector (the industrial and services sectors combined) was NT\$48,490 in 2015, a 2.52% increase from 2014. Average real monthly earnings also increased by 2.83%, the fastest pace in the past five years. Compared to the other Asian Tigers, Taiwan registered the second highest increase in average real monthly earnings, next only to Singapore.

Because the decrease in total production exceeded that in total working hours, labor productivity of the industrial sector and the manufacturing industry decreased 1.29% and 0.91%, respectively. On the other hand, given an increase in total earnings and a decrease in production, unit labor costs in the industrial and services sectors increased by 6.61% and 6.22%, respectively.

Employment Continued to Improve

Annual average employment in 2015 was 11.20 million persons, an increase of 119 thousand persons or 1.08% from the previous year. On the other hand, the annual growth rate of employment gradually slowed to 0.82% in December from 1.22% in March, in contrast to the month-by-month uptrend in 2014.

In terms of employment by major sectors, employment in the agricultural sector in 2015 increased 7 thousand persons or 1.18%.

Employment in the industrial sector increased 31 thousand persons or 0.76%. Within this sector, manufacturing and construction employment increased by 17 and 14 thousand people, respectively. Employment in the services sector grew by 83 thousand persons or 1.26%. Among which, employment in accommodation and food services increased by 21 thousand, while wholesale and retail added 17 thousand jobs. Of total employment, the services sector accounted for 59.02%, rising slightly by 0.11 percentage points from a year before, while the agricultural and industrial sectors made up of 4.95% and 36.03%, respectively.

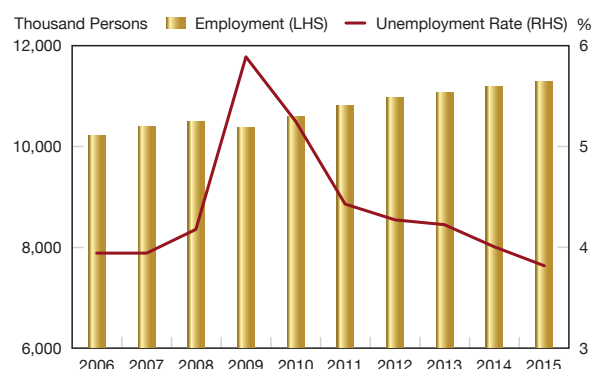
In terms of employed persons by occupation, employment of white collar workers (legislators, senior officials, managers, professionals, technicians, associate professionals, and clerical support workers) increased 63 thousand persons or 1.27%. Services and sales workers increased 15 thousand persons or 0.69%. Employment of blue collar workers (skilled agricultural, forestry, fishing, and animal husbandry industries, craft and machinery related workers etc.) increased 41 thousand persons or 1.04%. These numbers indicated that professionals and technical skills were in great demand.

Unemployment Rate Gradually Increased

As employment increased, the unemployment rate dropped to 3.62% in May 2015, the lowest since February 2001. However, it gradually climbed up from June onwards as the economy began to slow down in the second quarter. The unemployment rate reached 3.87% in December and averaged 3.78% for the year as a whole. It was still the lowest yearly average since 2001.

Unemployment duration decreased to 24.95 weeks, shorter than the year before by 0.94 weeks. The average number of the long-term unemployed (those who were unemployed for 53 weeks or more) was 69 thousand people, a drop of 5 thousand persons from the previous year. Males made up 62.52% of the long-term unemployed, while 66.77% were in the age group between 25 and 44

Employment and Unemployment Rate



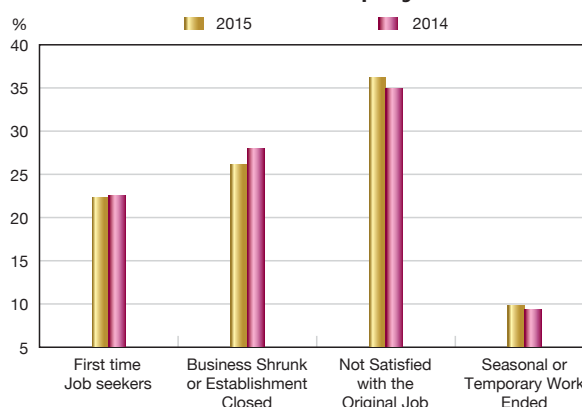
Source: DGBAS, Executive Yuan.

and 52.98% had a college degree or above. This indicates long-term unemployment remained a serious problem for males, those aged 25-44, and those with a higher education.

In terms of causes of unemployment, total unemployment decreased by 17 thousand people or 3.64% from the year before, mainly because involuntary unemployment from business curtailed or establishments closed fell by 12 thousand persons or 9.55%. The ratio of such unemployment to total unemployment dropped to 26.28%, compared to 28.00% the previous year. People who quit their jobs to seek other job opportunities made up a major portion of the unemployed. The ratio increased to 36.53%, indicating greater willingness for job change as employment opportunities increased.

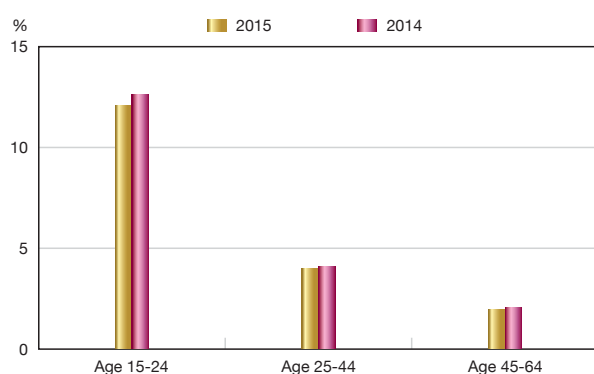
In terms of age groups, the unemployment rate of the age group of 15-24 decreased by 0.58 percentage points to 12.05%, mainly because unemployment by business curtailed or establishments closed fell by 2 thousand persons. This indicated that government policy measures to increase youth employment were effective. However, the youth unemployment rate was still 3.19 times as high as the total unemployment rate. This number was higher than those in other countries such as Japan, South Korea, and the United States and therefore has room for improvement in the future. The unemployment rates of the age groups of 25-44 and 45-64 were 3.95% and 1.99%, respectively,

Causes of Unemployment



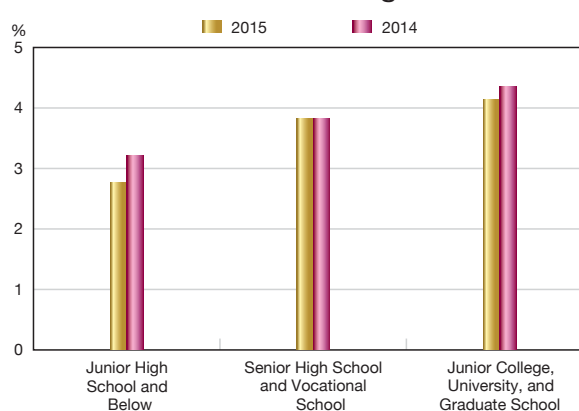
Source: DGBAS, Executive Yuan.

Unemployment Rate by Age



Source: DGBAS, Executive Yuan.

Unemployment Rate by Educational Background



Source: DGBAS, Executive Yuan.

representing year-on-year declines of 0.18 and 0.10 percentage points. As population aging has become more apparent in recent years, how to promote employment of middle aged and the elderly persons should be made an urgent policy priority.

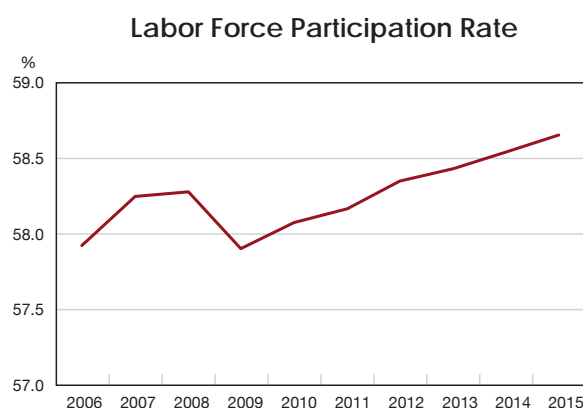
In terms of educational background, unemployment of people with a junior high school degree or below decreased by 11 thousand persons or 16.46%, and the unemployment rate dropped to 2.77%. The unemployment rate of people with a college degree or above also fell to 4.13%, representing a decrease in number by 6 thousand people, or 2.41%. However, for people with a middle high school or vocational school degree, unemployment rose by 1 thousand persons or 0.48%, and the unemployment rate stayed unchanged at 3.83%.

Labor Force Participation Rate Rose

The labor force (employed and unemployed combined) grew slightly by 103 thousand persons or 0.89% to 11.64 million in 2015.

The labor force participation rate reached 58.65%, 0.11 percentage points higher than the year before. In terms of gender, the male labor force participation rate increased by 0.13 percentage points from the preceding year to 66.91%, while the female rate also rose to 50.74%, up by 0.10 percentage points over the previous year. Such improvement reflected government efforts to promote gender equality and to improve the work environment. The fact that the female labor force played an increasingly significant role in economic development was also an important factor.

In terms of age group, the labor force participation rates of all age groups went up. The 16-24, 25-44 and 45-64 age groups saw their rate go up by 0.88, 0.55, and 0.24 percentage points to the levels of 30.24%, 87.40% and 61.89%, respectively. However, in the past 20 years or so, while the 45-64 age group maintained a similar labor force participation rate at about 61%, it was mostly because the female labor force participation rate in that group went up by 11 percentage points, as opposed to a 7 percentage points drop in the male labor force participation rate. This indicated increasing industrial offshoring, slow industrial transformation, and skill mismatch of that age group caused many male workers to drop out of the labor market.



Source: DGBAS, Executive Yuan.

Real Earnings of Non-farm Workers Increased

The average monthly earnings per worker of the non-farm sector reached NT\$48,490 in 2015, a 2.52% increase from the year before. After adjustment for inflation, the average real monthly earnings also increased by 2.83%.

In terms of major sectors, the average monthly earnings of industrial sector workers increased by 2.99% over the previous year to NT\$46,735 and their earnings in real terms also increased by 3.31%. Meanwhile, the average monthly earnings of services sector workers increased by 2.14% to NT\$49,861 and their real earnings also went up 2.46%. The electricity and gas supply sector enjoyed the highest average monthly earnings with NT\$96,444, while education services received only NT\$24,302, the lowest among all sectors.

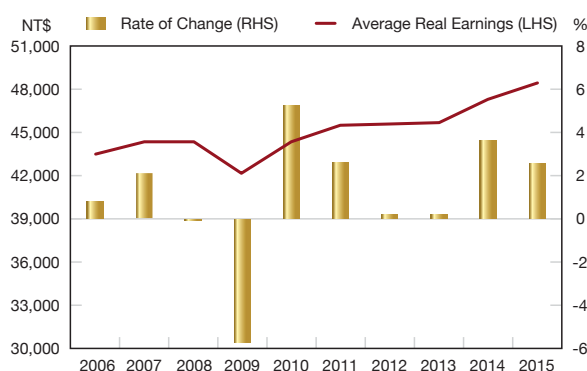
In terms of growth rate, as demand for health care services increased due to population aging and awareness of preventive health care, health care and social assistance workers' earnings enjoyed the largest increase at 4.57%. The manufacturing sector came in second with a 3.48% increase, while other services workers' earnings decreased by 1.60%.

Labor Productivity Decreased and Unit Labor Cost Increased

As the decrease in total production outpaced that in total working hours, labor productivity of the industrial sector and the manufacturing industry went down by 1.29% and 0.91%, respectively. In manufacturing, the leather, fur and related products sector registered the largest decrease in labor productivity of 25.63%, followed by a 6.62% decrease in basic metals manufacturing.

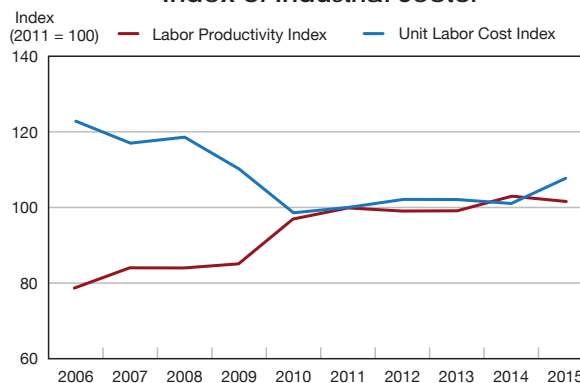
Since total earnings enjoyed positive growth while production decreased, unit labor costs of the industrial and manufacturing sectors increased by 6.61% and 6.22%, respectively. Of all the manufacturing sectors, manufacturing of wood and of products of wood and bamboo experienced the largest increase in unit labor costs of 13.84%, and computers, electronic and optical products manufacturing came in second with an increase of 11.82%.

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



Source: DGBAS, Executive Yuan.

Labor Productivity and Unit Labor Cost Index of Industrial Sector



Source: DGBAS, Executive Yuan.