

## 6. Labor Market

Taiwan's labor market witnessed an unfavorable trend of rising unemployment rates amid an economic slowdown under the impact of the global financial crisis in 2008. In the first half of the year, employment grew at a healthy pace with steady economic expansion. However, the labor market softened from September, with slower employment growth and increasing unemployment rates.

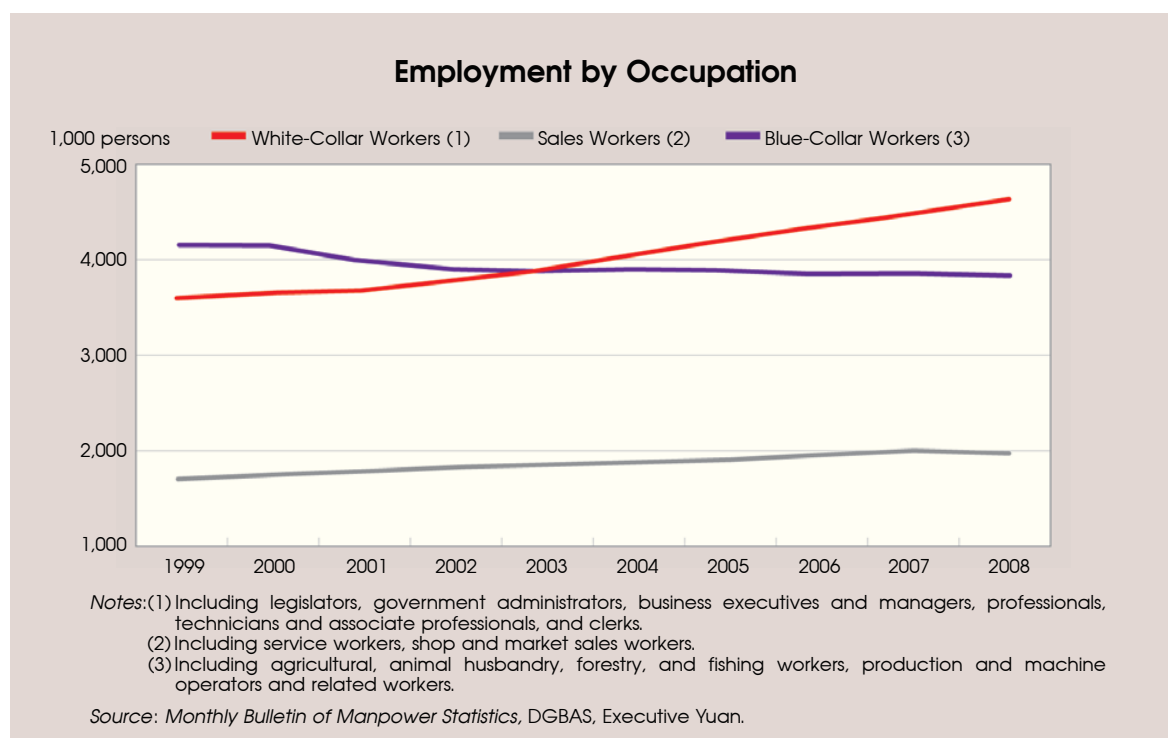
To help boost employment, the government undertook a series of job creation plans in the last quarter of the year. As a result, the annual average employment grew by 109 thousand persons or 1.06 percent, a slower pace compared to the previous year's gain of 1.81 percent. The number of unemployed people reached a record high of 549 thousand persons in December, despite the government's job creation plans. The average unemployment rate for the whole year stood at 4.14 percent, the highest level since 2005. Meanwhile, the broad unemployment rate climbed to 5.61 percent, an increase of 0.02 of a percentage point from the preceding year. A major cause of the rise in unemployment was widespread business closures or downsizing.

In terms of earnings and labor cost, the average monthly earnings per worker in the non-farm sector inched up by a mere 0.02 percent over the previous year to NT\$44,424. As the decline in total production outpaced that in total working hours, the labor productivity index for the goods-producing sector decreased by 1.04 percent. The index of unit labor cost increased by 2.15 percent, resulting from a decrease in total production and an increase in total labor compensation.

### **Annual Average Employment Increased at a Slower Pace**

Positively influenced by steady economic growth, employment grew at a healthy pace in the first half of 2008. However, employment growth slowed from September as the global financial crisis spilled over to the local labor market.

To help boost employment, the government implemented several job creation plans, such as the 2008-2009 Short-Term Employment-Promotion Measure and the Project to Subsidize Work Income. As a result, the annual average employment amounted to a record high of 10,403 thousand persons, with the bulk of job gains attributable to the services-producing sector. Nevertheless, employment grew at the slowest pace since 2003. For the year as a whole, employment of white-collar workers grew by 3.39 percent, while the employment of sales workers and blue-collar workers decreased by 1.32 percent and 0.44 percent, respectively.



The only occupation category with job gains was professionals, technicians and associate professionals.

Broken down by sector, employment in the goods-producing sector fell for the fourth consecutive month in December, resulting from a weakened economy and an oversupply in the real estate market. Job losses were large and widespread across industries, led by the manufacturing industry with December employment plunging by 53 thousand persons from a peak in August, followed by the construction industry with a decrease of 43 thousand persons. For the whole of 2008, manufacturing industry employment grew by 1.52 percent, a decrease of 0.85 of a percentage point from the preceding year. Construction industry employment fell by 0.56 percent, its first contraction since 2004. As a whole, employment growth in the goods-producing sector decreased by 1.24 percentage points to 1.15 percent. The services-producing sector still accounted for most of the total employment and exhibited a stable annual growth rate of 1.23 percent. A further reduction was reported in the agricultural sector, which decreased by 1.44 percent over the previous year.

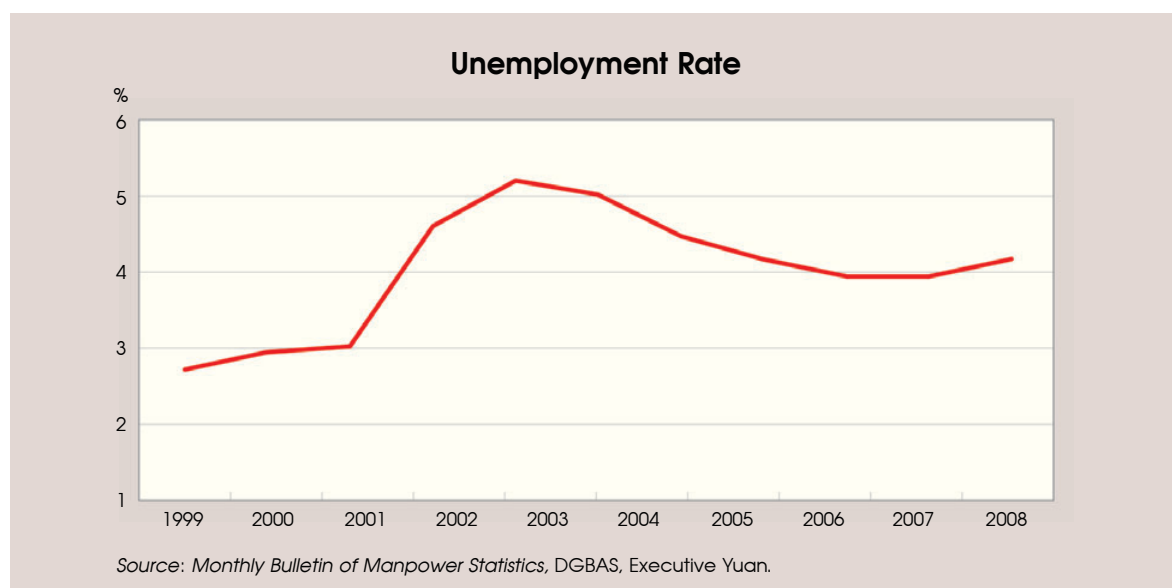
### Unemployment Rate Exhibited an Upward Trend

Taiwan's labor market softened from September 2008, mainly attributable to a weakened economy at home and abroad. The number of unemployed and the unemployment rate rose

in September. This growth runs counter to the usual trend, in which unemployment drops every September as new college graduates land jobs. The unemployed population surged to a record high of 549 thousand persons at the year-end, with the December unemployment rate hitting 5.03 percent, the highest level for that month in six years. The annual average unemployment rate for 2008 climbed to a four-year high of 4.14 percent. Meanwhile, the annual average number of the long-term unemployed (persons who have been continuously unemployed for 53 weeks or more) increased by 8 thousand to 66 thousand persons. The average duration of unemployment also lengthened to 25.25 weeks.

In 2008, business closures or downsizing were the main culprits for the high unemployment and accounted for 33.83 percent of total unemployment. The number of people who lost their jobs due to business closures or downsizing soared to 250 thousand persons in December, a huge increase of 119 thousand persons from August. The surge was more pronounced in the manufacturing, construction, and trade industries. All education groups registered higher unemployment rates compared with the previous year. Following the mushrooming growth in the number of junior colleges and universities, the unemployed people with junior college education or above rose to a record high and accounted for the lion's share, or 40.81 percent of total unemployment.

In terms of age, younger persons suffered higher unemployment rates than older ones as many were inexperienced and tended to change jobs more frequently. All age groups recorded higher unemployment rates from a year ago. The group with the highest unemployment rate was the age group of 15-24, with 11.81 percent, followed by the age group of 25-44, with 4.02



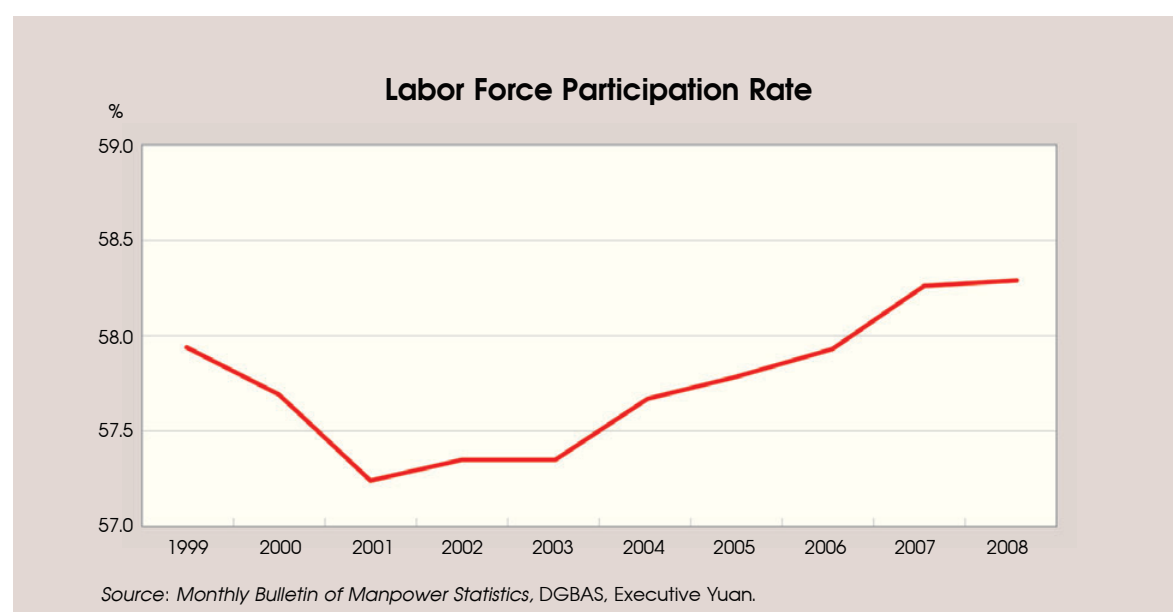
percent. The number of unemployed for the age groups of 25-44 and 45-64 increased significantly and hit record highs in December, highlighting the fact that the economic slowdown worsened job market conditions for the senior group who were normally the main breadwinners.

### Labor Force Participation Rate Inched Up

The annual labor force growth rate decreased by 0.5 of a percentage point to 1.31 percent as demand for labor was falling due to the flagging economy, while the non-labor force growth rate increased to a record high since 2002. The annual labor force participation rate inched up by 0.03 of a percentage point to 58.28 percent in 2008. The growth was mainly sustained by a rise in the female participation rate of 0.23 of a percentage point.

In terms of gender, the female labor force participation rate reached an all-time high of 49.67 percent, while the male rate edged down to an all-time low of 67.09 percent. Broken down by age bracket, the participation rate for the working population aged 25-44 increased by 0.4 of a percentage point to its highest level on record of 83.81 percent, while the participation rate for the working population aged 15-24 experienced another drop. With regard to education groups, the participation rate for the working population with junior college degrees or above increased, while the participation rates for all the other education levels experienced downward trends.

Among the non-labor force population, housekeeping accounted for 30.57 percent of the total, representing a significant decrease of 0.49 of a percentage point over the preceding year. Those pursuing educational attainment or preparing for school entrance examinations, and those intending to work but not actively searching for work, both dropped, with respective



shares of 28.03 percent and 2.16 percent, while the old-aged and disabled increased to 28.45 percent.

### Earnings of Non-Farm Workers Edged Up Slightly

In 2008, the average monthly earnings of the non-farm sector per worker averaged NT \$44,424, a record-low increment of 0.02 percent over the previous year since 2003. The slowdown in economic growth, the wave of downsizing experienced by enterprises, and the rising number of workers taking unpaid leaves translated into sluggish wage increases. After being adjusted by the CPI, real monthly earnings showed a record decline of 3.39 percent.

With respect to different sectors, the average monthly earnings of services-producing sector workers inched up by 0.15 percent to NT\$45,450, while real monthly earnings declined by 3.26 percent. The average monthly earnings of goods-producing sector workers decreased by 0.16 percent to NT\$43,233, and real monthly earnings showed marked declines of 3.56 percent. The real monthly earnings performance was mixed across component industries. While the real estate industry, and the accommodation and food services industry saw increases in real monthly earnings, the finance and insurance industry experienced a 9.04 percent drop during 2008. Regarding real regular earnings by sector, the goods-producing sector and services-producing sector per worker suffered decreases of 3.11 percent and 3.25 percent, respectively, over the previous year.

### Labor Productivity in the Goods-Producing Sector Decreased

As the decrease in total production outpaced that in total working hours, the labor

#### Labor Productivity and Unit Labor Cost Indices in the Goods-Producing Sector



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

productivity index for the goods-producing sector in 2008 posted a record decrease of 1.04 percent, the first decline since 1984. The largest declines in labor productivity were mainly found in traditional industries, such as the wearing apparel and clothing accessories industry, and the motor vehicles and parts manufacturing industry, which showed a two-digit decrease over the previous year.

The index of unit labor cost in the goods-producing sector exhibited an increase of 2.15 percent, the first increase in seven years, resulting from a decrease in total production and an increase in total labor compensation. The increase in unit labor cost in some industries, such as the wearing apparel and clothing accessories industry, and the chemical products manufacturing industry, exceeded 10 percent, which indicated a likely weakening in the competitiveness of these industries.