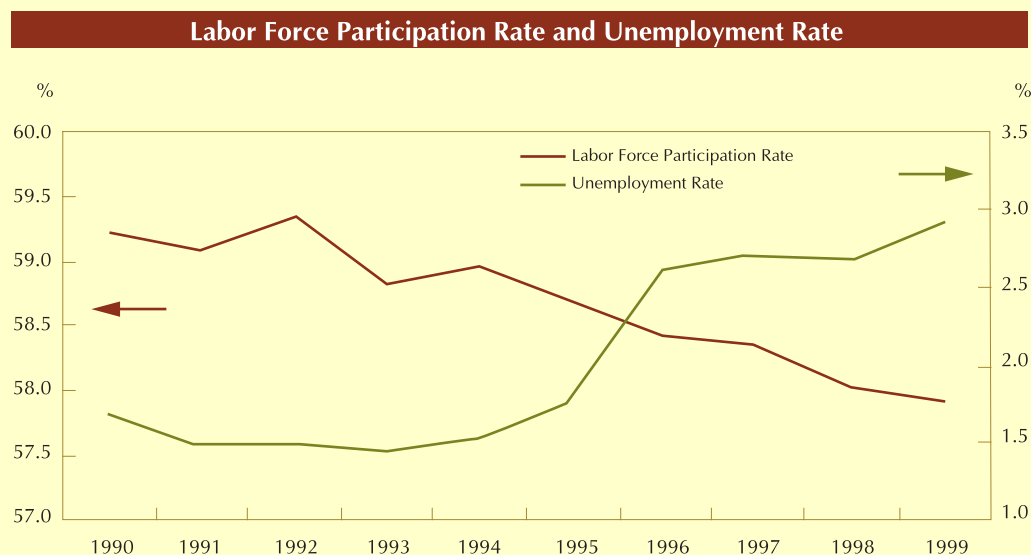


5. Employment and Earnings

The labor market witnessed an unfavorable trend of a rising unemployment rate and a lower labor force participation rate for the year 1999. The monthly average unemployment rate rose to 2.92 percent, the highest reading recorded since 1967. The rise was mainly caused by weak demand during the economy's fledgling recovery, the wave of downsizing experienced by both public and private enterprises facing challenges from changing industrial structures. Additionally, the employment situation deteriorated in the central Taiwan area that was seriously hit by the September earthquake. Meanwhile, the labor force participation rate fell to an annualized 57.93 percent for 1999, the lowest level achieved since 1983. However, as productivity continued to improve at a faster pace than the increase in payrolls, unit labor costs in the manufacturing sector declined by 3.80 percent. Lower unit labor cost added to the competitiveness of domestic enterprises.

Rising Unemployment Rate and Declining Labor Force Participation Rate

The average total population in Taiwan amounted to 21,957 thousand in 1999, representing a slight increase of 0.79 percent over the previous year. The working age population grew by 1.45 percent during 1999 and led to a 1.28 percent increase in the labor force population. The labor force growth was mainly sustained by a rise in the female labor force population of 2.37 percent, compared to the corresponding increase rate of 0.56 percent in the male labor force population. In terms of age structure, the 25-49 age group



rose by 0.39 of a percentage point, with a share of 71.61 percent of the labor force population. Also, the labor force population with college education or above grew by 5.73 percent over the preceding year.

Major Human Resources Statistics

Unit: 1000 persons

Year	Labor Force						not in Labor Force		Labor Force Population			Unemployment Rate		
	Employment		Unemployment		Persons	Percentage Change (%)	Persons	Percentage Change (%)	%	Male	Female	%	Male	Female
	Persons	Percentage Change (%)	Persons	Percentage Change (%)						%	%		%	%
	Persons	Percentage Change (%)	Persons	Percentage Change (%)	Persons	Percentage Change (%)	%	%	%	%	%	%	%	%
1990	8,423	0.39	8,283	0.30	140	6.06	5,795	4.13	59.24	73.96	44.50	1.67	1.68	1.64
1991	8,569	1.73	8,439	1.88	130	-7.14	5,927	2.28	59.11	73.80	44.39	1.51	1.50	1.53
1992	8,765	2.29	8,632	2.29	132	1.54	6,006	1.33	59.34	73.78	44.83	1.51	1.47	1.57
1993	8,874	1.24	8,745	1.31	128	-3.03	6,213	3.45	58.82	72.67	44.89	1.45	1.36	1.59
1994	9,081	2.33	8,939	2.22	142	10.94	6,321	1.74	58.96	72.44	45.40	1.56	1.51	1.65
1995	9,210	1.42	9,045	1.19	165	16.20	6,478	2.48	58.71	72.03	45.34	1.79	1.79	1.80
1996	9,310	1.09	9,068	0.25	242	46.67	6,621	2.21	58.44	71.13	45.76	2.60	2.72	2.42
1997	9,432	1.31	9,176	1.19	256	5.79	6,738	1.77	58.33	71.09	45.64	2.72	2.94	2.37
1998	9,546	1.21	9,289	1.23	257	0.39	6,902	2.43	58.04	70.58	45.60	2.69	2.93	2.33
1999	9,668	1.28	9,385	1.03	283	10.12	7,020	1.71	57.93	69.93	46.03	2.92	3.23	2.46

Source: Monthly Bulletin of Manpower Statistics, Taiwan Area, the Republic of China, Council of Labor Affairs, Executive Yuan, R.O.C.

Unemployment by Reasons

Unit: 1000 persons

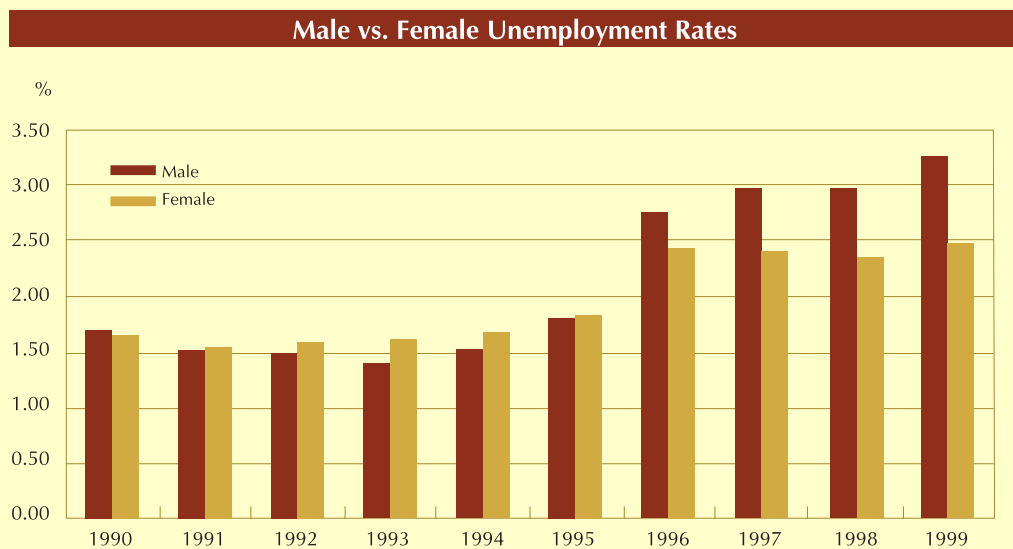
Year	Unemployment	New Job-Seekers	Experienced Job-Seekers				
			Establishment Closed or Business Shrunk	Not Satisfied to That Job	Seasonal or Temporary Work of That Job Completed	Others	
1991	130	43	87	21	46	8	12
1992	132	46	87	16	49	8	14
1993	128	41	87	18	50	7	12
1994	142	43	99	19	57	9	14
1995	165	47	118	29	66	10	14
1996	242	56	186	68	79	19	21
1997	256	57	199	71	84	22	22
1998	257	59	198	71	82	25	20
1999	283	61	222	91	86	26	19

Source: Monthly Bulletin of Manpower Statistics, Taiwan Area, the Republic of China, Council of Labor Affairs Executive Yuan, R.O.C.

As far as the utilization of human resources was concerned, those who were not in labor force rose at a faster pace of 1.71 percent than the 1.28 percent growth for working population. At the same time the labor

participation rate fell by 0.11 of a percentage point to 57.93 percent. The main reason behind the continuous decline of the labor participation rate was the lengthened education years and earlier retirement age in recent years. The withdrawal of those persons who intended to work but did not seek a job from the labor market also contributed to the low level of labor force participation. Broken down by age group, the participation rate for the working population aged 45 to 64 and above 65 declined by 0.46 and 0.59 of a percentage point, respectively, highlighting the increased employment difficulties facing olderworkers.

The robust development in the services sector was advantageous for encouraging greater women participation. The female labor participation rate continued its upward trend in 1999, rising 0.43 of a percentage point to 46.03 percent. The male labor participation rate, by contrast, edged down 0.65 of a percentage point to 69.93 percent. The gloomy condition in certain segments of the industrial sector, which has been traditionally dominated by male workers, led to the drop in the male labor force participation rate to below 70 percent for the first time.



The number of jobless people substantially rose 26 thousand or 10.12 percent, to an average of 283 thousand in 1999. The closedown and downsizing of plants and firms, which contributed to the largest increase in the jobless figure, caused 91 thousand people to become jobless in 1999. In addition to the less-favorable economic conditions, outward movement of labor-intensive industries' production facilities also helped explain the

dampened labor market demand. The severe earthquake in September contributed to the rising unemployment in the central Taiwan area as well. The unemployment rate for the year 1999 consequently rose 0.23 of a percentage point to 2.92 percent. Males suffered a higher unemployment rate more than females did, since the declines in the industrial sector employment were worse than they were in the services sector. After having declined for two years, the female unemployment rate rose back to 2.46 percent in 1999. In contrast, the male unemployment rate rose at a faster pace to reach 3.23 percent compared to the decade low of 1.36 percent recorded in 1993.

Structural Unemployment

The adjustment process in industrial upgrading caused structural unemployment. The average unemployment duration of jobless workers reached 23 weeks, one week longer when compared with 22 weeks for 1998. In terms of age groups, the jobless people aged 15 to 44 encountered the longest unemployment duration of 30 weeks. The unemployed people with only primary school education also experienced a longer unemployment duration of 28 weeks, indicating scarcer job offers for the less-educated population.

Employment by Sector

Unit: %

Year	Annual Rate of Change				Percentage Distribution			
	Total	Agriculture	Industry	Services	Total	Agriculture	Industry	Services
1990	0.30	-0.19	-2.70	3.23	100.00	12.85	40.83	46.32
1991	1.88	2.73	-0.35	3.65	100.00	13.95	39.93	47.12
1992	2.29	-2.56	1.45	4.30	100.00	12.34	39.61	48.06
1993	1.31	-5.63	-0.03	4.22	100.00	11.49	39.08	49.43
1994	2.22	-2.89	2.57	3.08	100.00	10.92	39.22	49.86
1995	1.19	-2.25	-0.06	2.94	100.00	10.55	38.74	50.71
1996	0.25	-3.77	-3.00	3.58	100.00	10.12	37.49	52.39
1997	1.19	-4.36	3.03	0.93	100.00	9.57	38.17	52.26
1998	1.23	-6.38	0.60	3.11	100.00	8.85	37.92	53.23
1999	1.03	-5.60	-0.88	3.48	100.00	8.27	37.21	54.52

Source : Monthly Bulletin of Manpower Statistics, Taiwan Area, the Republic of China, Council of Labor Affairs, Executive Yuan, R.O.C.

Increased Employment in the Services Sector

The average number of those employed slightly increased to 9,385 thousand persons in 1999, representing a mild growth of 1.03 percent over the previous year. Broken down by sectors, only employment in the services

sector registered a positive growth. The services sector accounted for most of total employment and experienced an annual growth rate of 3.48 percent. Employment in the industrial sector, in contrast, fell by 0.88 percent in 1999. Since the government gradually opened the domestic agricultural product market to foreign competition, the employment in the agricultural sector had shown a steadily declining trend since 1992, posting a further reduction of 5.60 percent during 1999.

Labor Shortage and Foreign Labor

Due to the slow growth in overall population, increased education opportunities for the youth, and structural changes in industries, the labor shortage condition worsened during 1999. The labor shortfall mounted to 196 thousand persons in 1999, posting a labor shortage rate of 3.31 percent.

Dynamic developments in the services sector in recent years have led to a tight labor supply in certain areas. However, the labor shortage rate of 3.70 percent in the industrial sector in 1999 was higher than that of the 2.90 percent in the services sector.

The labor shortage caused by under-supply of basic workers was somewhat eased through the invitation of foreign workers. As of the end of 1999, licensed alien workers in Taiwan registered an annual growth of 9 percent and totaled more than 290 thousand persons, hitting a record-high level since the government adopted the labor market opening policy in 1991.

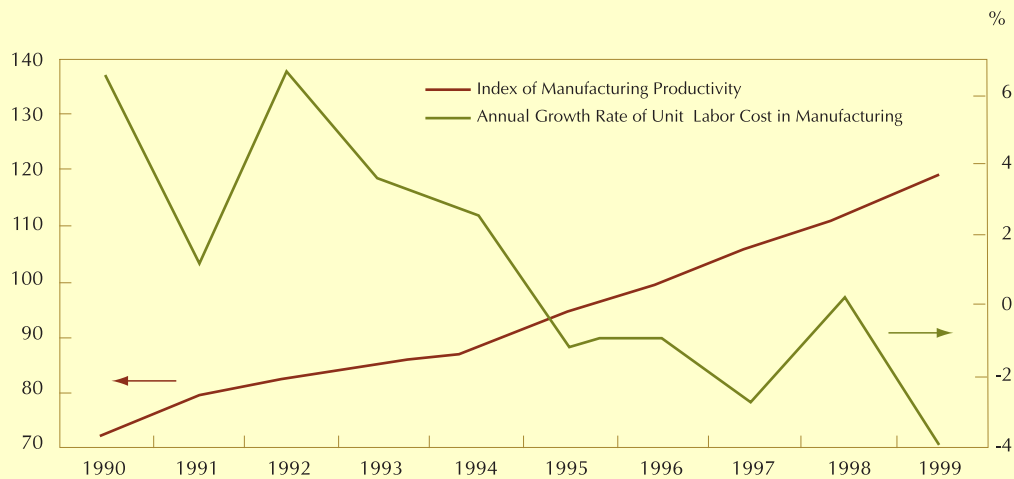
Earnings and Labor Productivity

The country's moderate economic growth, comfortable price stability and the less-favorable employment situation in 1999 translated into sluggish wage increases. The monthly earnings of employees in 1999 averaged NT\$40,870, a record-low increment of 2.85 percent. Earnings growth varied among sectors. Average monthly earnings for industrial sector workers grew by 3.04 percent to NT\$38,409, while earnings in the services sector grew by 2.66 percent, to an average of NT\$43,415.

With respect to labor productivity, the index for the manufacturing sector sharply rose by 7.05 percent in 1999 to 119.56. Much of the pickup came from enhanced efficiency, innovative technology, and upgraded production processes. During the same period, the index for unit labor costs in the manufacturing sector dropped to 94.16, a decline of 3.80 percent when compared with the previous year. The relative low unit labor cost and the

surging labor productivity drove up the international competitiveness of Taiwan's manufacturing industry.

Labor Productivity Index and Unit Labor Cost in Manufacturing Sector



Employment Improvement Policy

Being aware of the ongoing trend of increasing structural unemployment caused by the industrial upgrading and economic transformation, the government undertook a series of measures to mitigate the adverse impact of unemployment on the country. These measures included policies aiming to stimulate domestic demand and strengthen economic fundamentals, and the inauguration of an unemployment insurance program. A promotional employment subsidy program was launched to encourage the hiring mid- to senior-aged unemployed workers. Furthermore, related employment guidance and vocational training measures were undertaken to achieve the goal of employment improvement.