

5. Labor Market

Unemployment Rate Gradually Declined

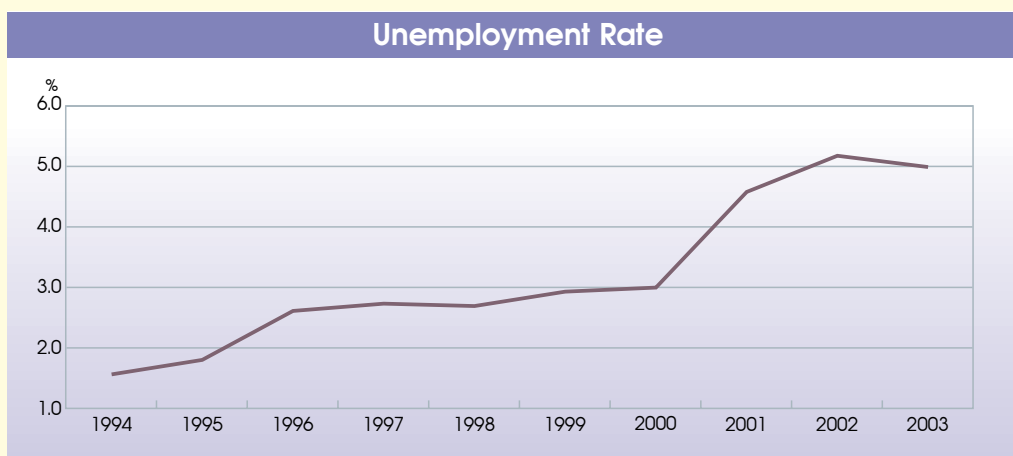
As the economy gradually recovered, firms increased their demand for labor. Moreover, the government also aggressively promoted the Expansion of Employment through Public Services Plan to help boost employment. Both factors reduced the unemployment rate. For the year 2003, the unemployment rate dropped to 4.99 percent, which was 0.18 of a percentage point lower than the year before.

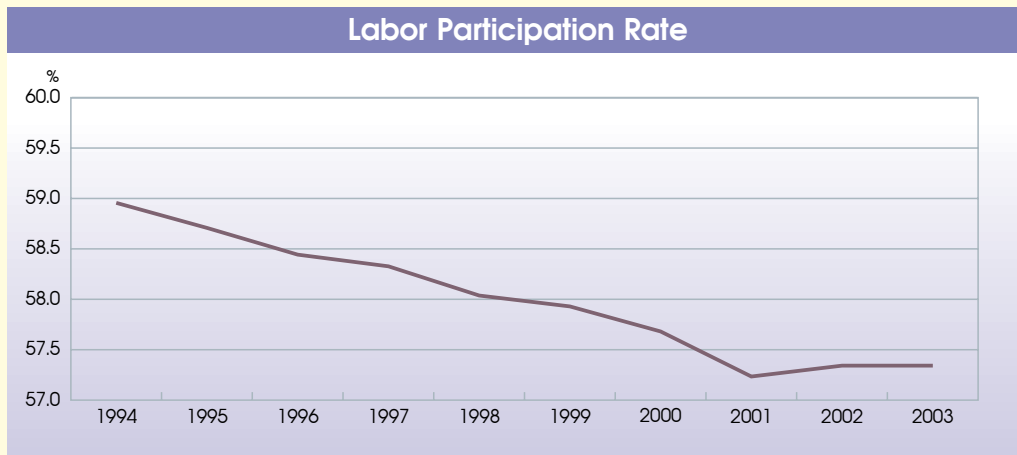
Total Employment Increased

Total employment, which was also positively influenced by the economic recovery and the government's expansion of employment plan, increased 1.26 percent from the year before. Among which, employment of white-collar and sales persons grew by 2.89 percent and 1.05 percent, respectively, while blue-collar employment declined by 0.34 percent. In general, people who were less educated or equipped with lower skills were less likely to be employed once they were laid off due to Taiwan's changing industrial structure.

Labor Participation Rate Remained Stable

The labor participation rate in 2003 was maintained at 57.34 percent, the same as that of the year before. In terms of gender, the male labor participation rate fell from 68.22 percent to 67.69 percent, while the female one increased from 46.59 percent to 47.14 percent. This

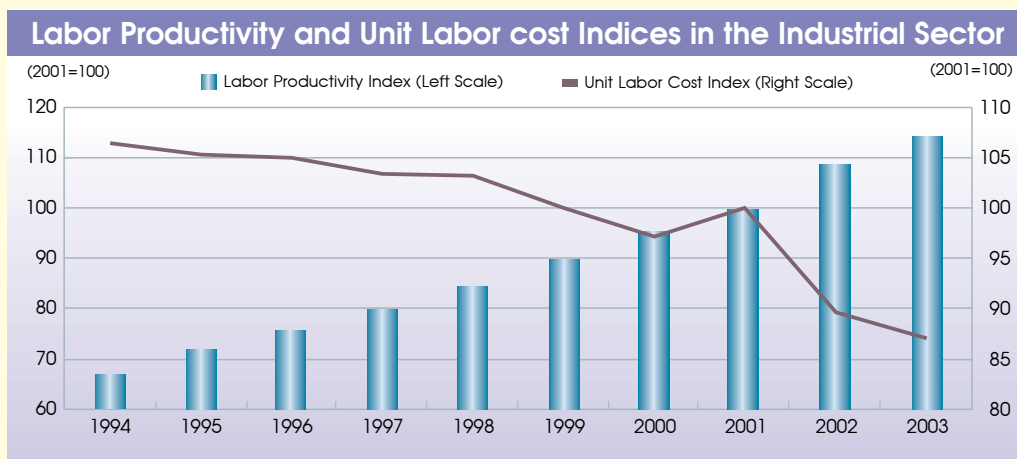




reflected the facts that there was an increase in retirement of the male labor force and certain low-skilled male workers were not able to find new jobs once they were laid off. On the other hand, females actively participated in the labor market to help improve living conditions for their families.

Increase in Earnings of Non-agricultural Workers

As the economy recovered, firms' demand for labor increased. The average monthly earnings and real earnings of non-agricultural sector workers, i.e., the workers hired in the industrial or services sectors, increased by 1.43 percent and 1.72 percent, respectively, in 2003. Average monthly earnings of industrial sector workers increased by 2.44 percent to NT\$39,655, and average monthly real earnings (deflated by the consumer price index, 2001=100) increased by 2.73 percent. Average monthly earnings of services sector workers increased by 0.52 percent



to NT\$44,452, while real earnings increased by 0.80 percent.

Rising Labor Productivity in the Industrial Sector

Due to an increase in total production, the labor productivity index for the industrial sector rose by 5.06 percent. As the increase in the magnitude of total production is more than that of total earnings, the index for unit labor costs in the industrial sector fell by 2.69 percent.