

6. Labor Market Conditions

Unemployment Rate Continued to Decline

The expansion of general economic activity during 2004 encouraged firms to hire more labor. The government also continuously promoted the *Public Service Employment Expansion Program* to help boost employment. Both factors reduced the unemployment rate. For the year 2004, the unemployment rate dropped to 4.44 percent, which was 0.55 of a percentage point lower than the year before.

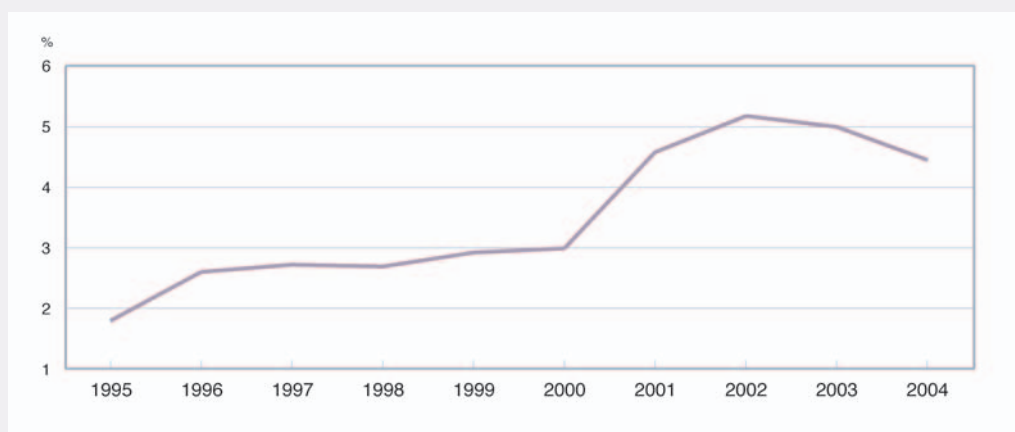
Total Employment Increased

Positively influenced by the economic recovery and the government's employment expansion plan, employment increased 2.22 percent from the year before, among which employment of white-collar, blue-collar, and sales workers grew by 4.38 percent, 0.28 percent, and 1.76 percent, respectively. The growth rate of the employment of white-collar workers was the highest since 1994. The employment of blue-collar workers declined between 1998 and 2003 as manufacturers relocated their production base overseas, mainly to China. However, the economic expansion in 2004 increased job opportunities for blue-collar workers, turning the growth rate of their employment positive.

Labor Participation Rate Rose

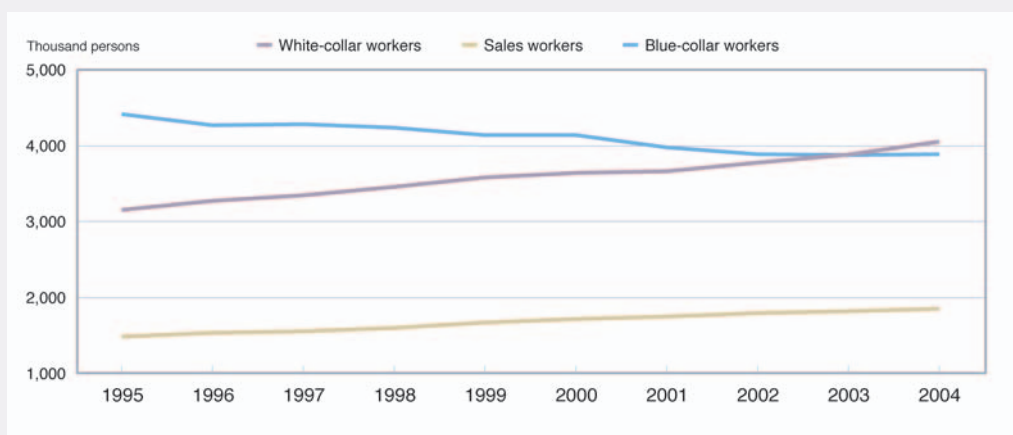
In the wake of the solid economic recovery, the overall labor participation rate increased.

Unemployment Rate



Source: *Monthly Bulletin of Manpower Statistics, Taiwan Area, the Republic of China, Directorate-General of Budget, Accounting and Statistics, Executive Yuan.*

Employment by Occupation



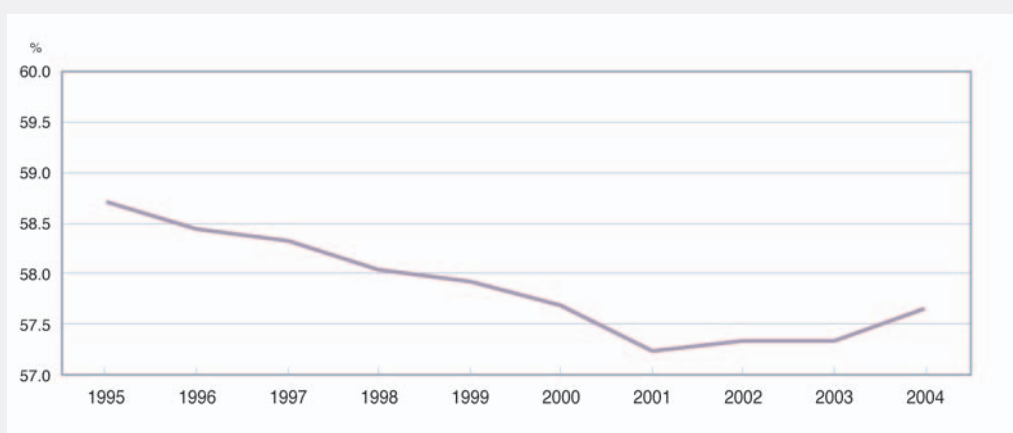
Source: Monthly Bulletin of Manpower Statistics, Taiwan Area, the Republic of China, Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

The labor participation rate in 2004 was 57.66 percent, 0.32 of a percentage point higher than the year before. In terms of gender, the male labor participation rate increased slightly from 67.69 percent to 67.78 percent, while the female one increased more markedly from 47.14 percent to 47.71 percent.

Increase in Earnings of Non-agricultural Workers

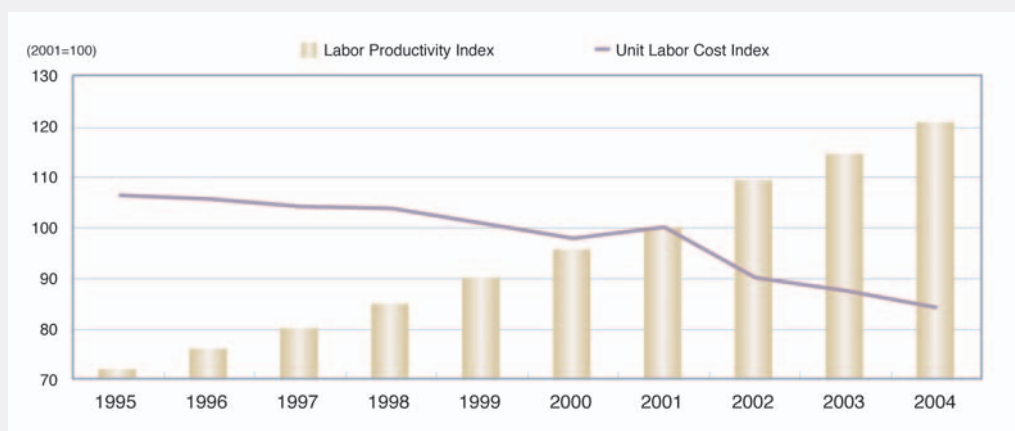
The average monthly earnings of non-agricultural sector workers, i.e. the workers hired in the industrial and services sectors increased by 1.74 percent to NT\$43,021 in 2004. The average monthly earnings (deflated by the CPI) of non-agricultural sector workers increased by 0.12 percent. The average monthly earnings of industrial workers increased by 2.34 percent and

Labor Participation Rate



Source: Monthly Bulletin of Earning and Productivity Statistics, Taiwan Area, the Republic of China, Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

Labor Productivity and Unit Labor Cost Indices in the Industrial Sector



Source: Monthly Bulletin of Earning and Productivity Statistics, Taiwan Area, the Republic of China, Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

real earnings by 0.71 percent. Average monthly earnings of services sector workers increased by 1.19 percent to NT\$45,064, while real earnings dropped by 0.43 percent.

Rising Labor Productivity in the Industrial Sector

As the increase in total production outpaced that in total working hours, the labor productivity index for the industrial sector rose by 5.45 percent in 2004. As the increase in total production exceeded that in total labor compensation, the index for unit labor costs in the industrial sector fell by 4.07 percent.