

6. Labor Market

Taiwan's labor market conditions improved further in 2006, mainly attributable to the sustained economic growth, combined with the continuous implementation of the *Project for the Creation of Job Opportunities in the Government Sector*. The average unemployment rate was 3.91 percent, its lowest level since 2001, while the average labor force participation rate rose to its highest level since 2000.

Continuous Improvement in the Labor Market

For the year 2006, the number of unemployed dropped to an average of 411 thousand persons, representing a decrease of 4.01 percent over the previous year. The unemployment rate fell by 0.22 of a percentage point over the previous year to a six-year low of 3.91 percent.

In 2006, male and female unemployment rates fell to 4.05 percent and 3.71 percent, respectively. Most age-education groups recorded lower unemployment rates from a year ago. Within the same education group, younger persons suffered higher unemployment rates than older ones as many were inexperienced and tended to change jobs more frequently. The unemployment rate for the age group of 45-64 dropped most significantly, highlighting the fact that steady economic expansion improved the job market conditions for the senior group. The number of long-term unemployed (persons who have been continuously unemployed

Unemployment Rate



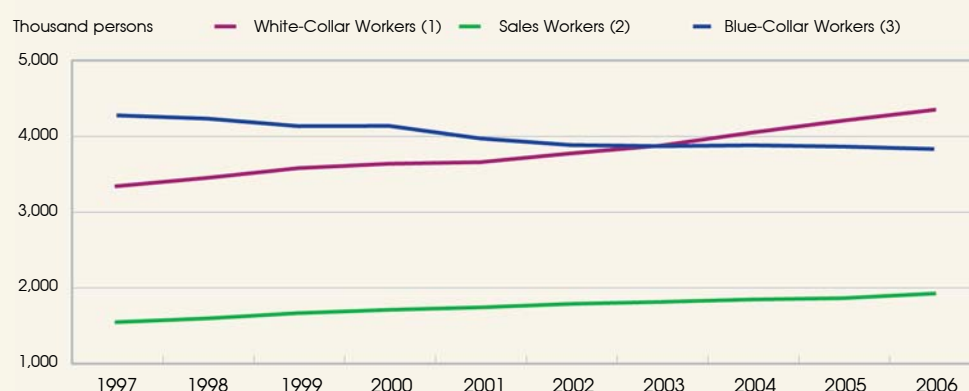
Source: *Monthly Bulletin of Manpower Statistics, DGBAS, Executive Yuan.*

for 53 weeks or more) dropped to 56 thousand from 74 thousand persons a year ago. The average duration of unemployment also showed improvement and shortened to 24.28 weeks in 2006. Following the mushrooming growth in the number of universities and graduate schools, the education group of university or above registered a historic high unemployment rate of 4.36 percent. In the meantime, its share in the total number of long-term unemployed increased to 21.49 percent. With regard to the factors behind unemployment, job dissatisfaction still accounted for the largest share of 34.42 percent. Firm closedown and business downsizing accounted for the second largest share of 28.57 percent, however it was the lowest level in eight years.

Increase in Total Employment

On the back of sustained expansion of economic activities and the government's employment creation plan, the annual average employment grew by 169 thousand persons or 1.70 percent in 2006, exceeding the previous year's gain of 156 thousand persons or 1.60 percent. The healthy employment creation brought the total number employed to a new high of 10,111 thousand persons in 2006. Employment of white-collar and sales workers grew by 3.37 percent and 3.22 percent, respectively. Among them, employment of technicians and associate professionals increased most significantly. However, over the same period, blue-collar workers' employment

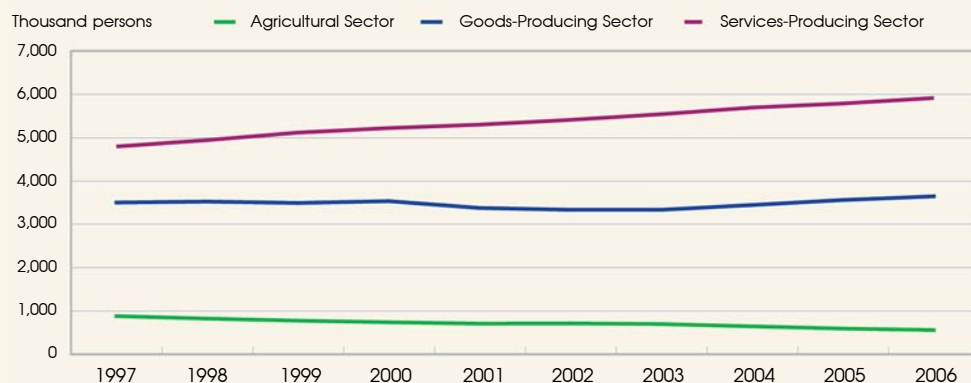
Employment by Occupation



Notes:(1)Including legislators, government administrators, business executives and managers, professionals, technicians and associate professionals, and clerks.
 (2)Including service workers, shop and market sales workers.
 (3)Including agricultural, animal husbandry, forestry, and fishing workers, production and machine operators and related workers.

Source: *Monthly Bulletin of Manpower Statistics, DGBAS, Executive Yuan.*

Employment by Sectors



Source: Monthly Bulletin of Manpower Statistics, DGBAS, Executive Yuan.

edged down by 0.85 percent. This was mainly due to the continuous outward relocation of labor-intensive industries and the transition of the manufacturing sector towards technology-intensive. The occupational profile of employment has undergone a major change from blue-collar to white-collar jobs over the past years.

Broken down by sectors, the services-producing sector still accounted for most of the total employment and registered an annual growth rate of 2.09 percent. All major components of services industries expanded their employment, including trade, accommodation, eating-drinking places, as well as the professional, scientific and technical services industries. Following a pickup in external demand for consumer electronics and the steady expansion in the domestic construction industry, employment in the goods-producing sector exhibited a stable annual growth rate of 2.36 percent. Within the goods-producing sector, manufacturing employment continued to trend up and amounted to 2,772 thousand persons, a record high since 1990. Employment in the agricultural sector posted a further reduction of 6.16 percent over the previous year.

Increase in Labor Force Participation Rate

The number of labor force and non-labor force increased by 1.46 percent and 0.87 percent over the previous year, respectively, as more workers were willing to participate in the labor market when the economy expanded steadily. While the male labor force participation rate

Labor Force Participation Rate



Source: *Monthly Bulletin of Manpower Statistics, DGBAS, Executive Yuan.*

edged down to an all-time low, the female rate reached an all-time high, resulting in an increase in the average participation rate. The annual participation rate remained on a rising trend, averaging 57.92 percent in 2006, a record-high reading since 2000. In terms of age structure, the participation rate for the working population aged 25-44 increased by 1.11 percentage points to its highest level on record of 82.98 percent, while all the other age groups experienced downward trends. Broken down by education groups, the participation rate for the working population with junior high school degrees or below decreased by 1.19 percentage points to a record low, while the participation rates for all the other education level groups continued to rise.

Mild Increase in Earnings of Non-Farm Workers

The average monthly earnings of the non-farm sector workers, i.e. those hired in the goods-producing and services-producing sectors, increased by 1.13 percent over the previous year to NT\$44,107 in 2006. After deflated by the CPI, real monthly earnings grew by 0.53 percent, compared to the negative 0.90 percent recorded a year ago.

With respect to different sectors, the goods-producing sector experienced more favorable wage adjustment than the services-producing sector. The average monthly earnings of goods-producing sector workers increased by 1.51 percent to NT\$42,503, and real monthly earnings increased by 0.90 percent. All industries in the goods-producing sector showed improvements in real monthly earnings. The average monthly earnings of services-producing sector workers

increased by 0.77 percent to NT\$45,584, and real monthly earnings inched up by 0.17 percent, the first annual increase in three years. However, the real monthly earnings performance was mixed across services component industries. While the finance and insurance industry, cultural, sporting and recreational services industry, and the professional, scientific, and technical services industry showed marked improvements, all the other component industries saw declines during 2006. Regarding regular earnings by sectors, the average monthly regular earnings of goods-producing sector and services-producing sector workers increased by 1.7 percent and 0.82 percent over the previous year, respectively.

Rising Labor Productivity in the Goods-Producing Sector

As the increase in total production outpaced that in total working hours, the labor productivity index for the goods-producing sector rose by 4.51 percent in 2006. The largest gain in labor productivity were in the electronic parts and components industry, which grew by 12.22 percent. However, traditional industries, such as the leather, fur and allied products manufacturing industry, and the pulp, paper and paper products manufacturing industry, exhibited negative productivity growth.

Higher growth in the labor productivity index than in earnings resulted in a decrease of 2.11 percent in the index of unit labor cost in the goods-producing sector. The lower unit labor cost indicated a continuous drop in labor cost in Taiwan's goods-producing sector and thereby

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



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

enhanced its international competitiveness. However, the increase in unit labor cost in some industries, such as in the leather, fur and allied products manufacturing industry, transport equipment manufacturing and repairing industry, and apparel, clothing accessories, and other textile products industry, exceeded 10 percent, which indicated a likely weakening in the competitiveness of these industries.

