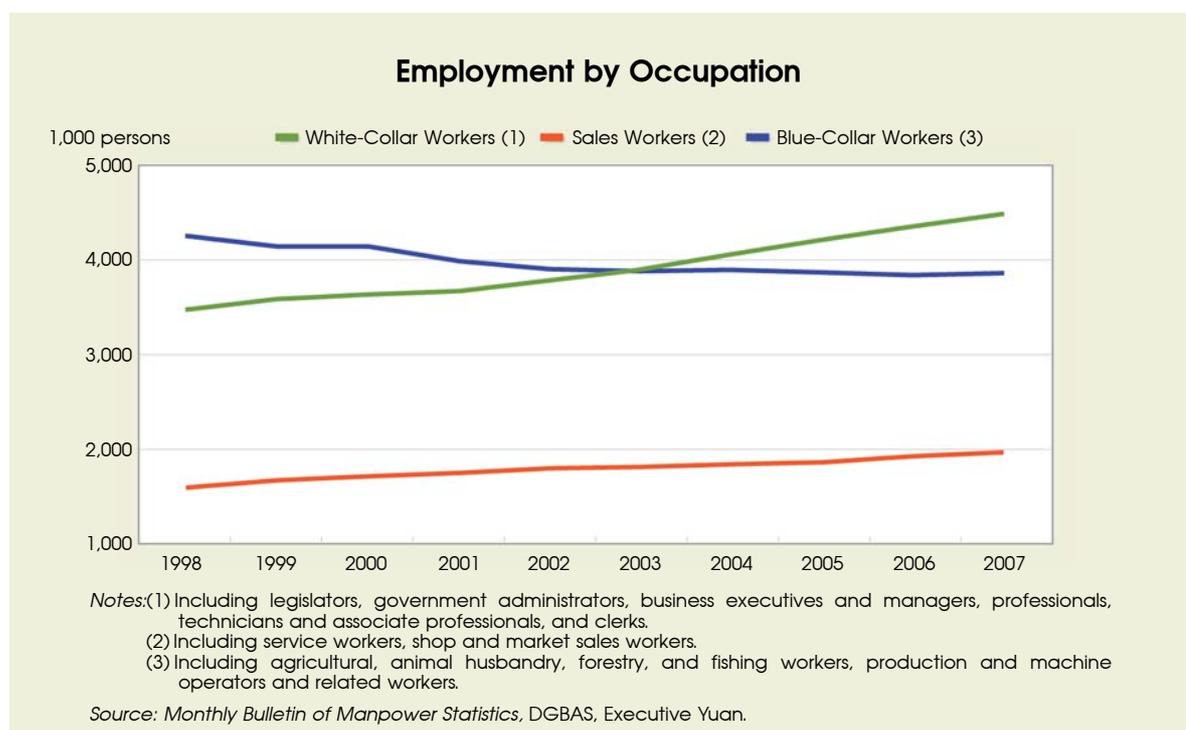


6. Labor Market

Taiwan's labor market continued to improve in 2007, mainly attributable to steady economic expansion and ongoing implementation of the Project for the Creation of Job Opportunities in the Government Sector. The annual average employment amounted to a record high of 10,294 thousand persons, an increase of 1.81 percent over the previous year. The average unemployment rate was 3.91 percent, the same as in 2006 and the lowest since 2001, while the average labor force participation rate rose to its highest since 1998. In terms of earnings and labor cost, the average monthly earnings of the non-farm sector per worker increased by 2.28 percent over the previous year to NT\$45,112. As the growth in labor productivity outpaced that in earnings, the index of unit labor cost in the goods-producing sector decreased by 5.06 percent.

Total Employment Continued to Increase

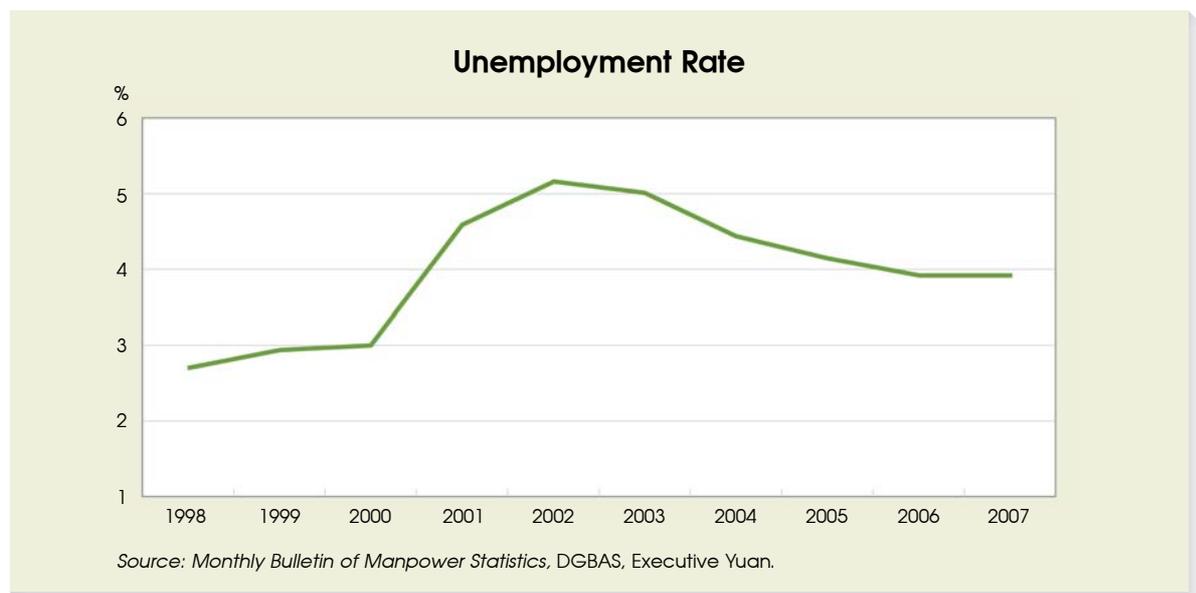
The steady economic expansion and ongoing implementation of the government's job-creating programs led to another record-breaking year for employment in 2007. The annual average employment reached a record high and showed a year-on-year increase of 1.81 percent, the highest rate of increase in three years. The bulk of job gains was attributable to the manufacturing industry.



For the year 2007, employment of white-collar and sales workers grew by 2.96 percent and 1.97 percent, respectively. Among them, employment of technicians and associate professionals increased most significantly. In the mean time, the steady economic expansion increased employment opportunities for blue-collar workers, and their job growth rate recorded the first annual increase in three years. Broken down by sector, the services-producing sector saw the largest employment gain of 105 thousand persons with an annual growth rate of 1.8 percent. Job growth occurred in several industries, including the professional, scientific and technical services and the educational services industries. Employment in the goods-producing sector grew by 88 thousand persons or 2.39 percent. Within the goods-producing sector, manufacturing employment continued to trend up and rose by 65 thousand persons over the year, supported by a pickup in external demand for consumer electronics. Construction employment grew by 17 thousand persons, thanks to steady expansion in the domestic construction industry. A further reduction was reported in the agricultural sector, which decreased by 2.03 percent over the previous year.

Unemployment Rate Remained Low

In 2007, the number of unemployed edged up to an average of 419 thousand persons, representing a slight increase of 8 thousand or 1.90 percent over the previous year. In the meantime, the number of the long-term unemployed (persons who have been continuously unemployed for 53 weeks or more) inched up by 3 thousand to 58 thousand persons. However, the unemployment rate remained at a low of 3.91 percent, unchanged from a year ago. The average duration of unemployment also showed improvement and was shortened to 24.24 weeks.



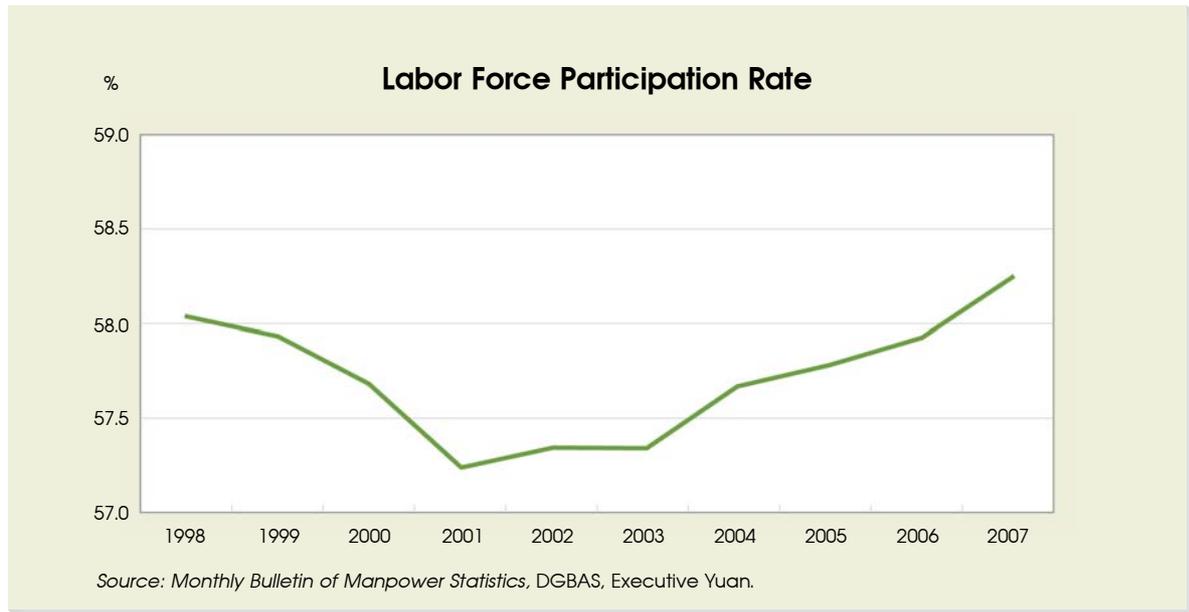
For the year 2007, the male unemployment rate remained at the previous year's 4.05 percent, while the female unemployment rate rose by 0.01 of a percentage point to 3.72 percent. According to age differences, younger persons suffered higher unemployment rates than older ones as many were inexperienced and tended to change jobs more frequently. The group with the highest unemployment rate was the age group of 15-24, with 10.65 percent, followed by the age group of 25-44, with 3.86 percent. Following the mushrooming growth in the number of universities and graduate schools, the unemployment rate of university graduates or those with advanced degrees rose by 0.15 of a percentage point to a record high of 4.51 percent, reflecting a growing unemployment problem among the highly educated. However, the joblessness with higher education, unlike other groups, tended to be short-term. The jobless people with junior high school education or below encountered the longest duration of 25.39 weeks. In contrast, the unemployed people with university education or above experienced a shorter unemployment duration of 22.43 weeks, and their share in the total number of long-term unemployed decreased by 0.83 of a percentage point to 20.66 percent. With regard to the factors behind unemployment, job dissatisfaction still accounted for the lion's share, or 33.01 percent of total unemployment.

Labor Force Participation Rate Rose

The number of labor force and non-labor force increased by 1.81 percent and 0.46 percent over the previous year, respectively, as more workers were willing to participate in the labor market when the economy expanded steadily. The annual labor force participation rate increased to a decade high of 58.25 percent in 2007, an increase of 0.33 of a percentage point from the preceding year. This was the net result of strong growth in the participation rate for women alongside a slightly declining trend for men.

In terms of gender, the female labor force participation rate reached an all-time high of 49.44 percent, while the male rate edged down to an all-time low of 67.24 percent. The participation rate growth was mainly sustained by a rise in the female participation rate of 0.76 of a percentage point. Broken down by age bracket, the participation rate for the working population aged 25-44 increased by 0.43 of a percentage point to its highest level on record of 83.41 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 high school education or below experienced a downward trend, while the participation rates for all the other education level groups continued to rise.

Among the non-labor force population, housekeeping accounted for 31.06 percent of the total non-labor force, representing a significant decrease of 0.92 of a percentage point over the previous year. Pursuing educational attainment or preparing for school entrance examinations,



and intending to work but not actively searching for work, both dipped imperceptibly with respective shares of 28.48 percent and 2.49 percent, while the old-aged and disabled increased slightly to 27.95 percent.

Mild Increase in Earnings of Non-Farm Workers

The average monthly earnings of the non-farm sector per worker increased by 2.28 percent over the previous year to NT\$45,112 in 2007. Taking into account the rise in CPI, real monthly earnings grew by 0.47 percent, similar to the growth rate of 2006.

With respect to different sectors, the services-producing sector experienced a more favorable wage adjustment than the goods-producing sector. The average monthly earnings of goods-producing sector per worker increased by 1.82 percent to NT\$43,276, and real monthly earnings inched up by 0.02 percent. The average monthly earnings of services-producing sector per worker increased by 2.67 percent to NT\$46,799, and real monthly earnings rose for the second straight year. However, the real monthly earnings performance was mixed across component industries. While the construction industry showed improvement in real monthly earnings, all the other goods component industries saw declines during 2007. In the meantime, the real monthly earnings performance was also mixed across services component industries. The finance and insurance industry showed marked improvement. Regarding real regular earnings by sector, the average monthly regular earnings of goods-producing sector per worker decreased by 0.46 percent, whereas that of services-producing sector per worker inched up by 0.32 percent over the previous year.

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 7.04 percent in 2007. The gains in labor productivity were particularly noticeable in the electronic parts and components industry, which grew by 18.11 percent. However, traditional industries, such as the wood and bamboo products manufacturing industry, and the precision, optical, medical equipment, watches and clocks manufacturing industry, exhibited negative productivity growth.

The index of unit labor cost in the goods-producing sector decreased by 5.06 percent from 2006, reflecting an increase in total production which exceeded that in total labor compensation. The continuous reduction improved the overall competitiveness of Taiwan's goods-producing sector. However, the increase in unit labor cost in some industries, such as in the wood and bamboo products manufacturing industry, and the precision, optical, medical equipment, watches and clocks manufacturing industry, exceeded 10 percent, which indicated a likely weakening in the competitiveness of these industries.

