

Taiwan Country Report

Prepared by Chinese Human Resource Management Association (CHRMA)

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1. Current economic and political situation in Taiwan:

■ Economy

According to an advance estimate by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan (DGBAS), real GDP grew by 2.19% in 2013. The Consumer Price Index (CPI) increased 0.79%, and the Wholesale Price Index (WPI) declined 2.43% in 2013, compared to 2012.

■ Labor Market

The following indicators, comparing 2013 to 2012, reflect the labor market situation in Taiwan:

- Average number employed was 10,967,000, an increase of 107,000 (+ 0.99%).
- Average number of unemployed persons was 478,000, a decrease of 3,000 (-0.54%).
- Average rate of labor force participation was 58.43%, an increase of 0.08%.
- Average unemployment rate was 4.18%, a 0.06% decline.
- Average monthly earning increased 0.38% from the previous year.
- Average hours worked for 2013 was 176.3, a decrease of 2.1 hours from the previous year.
- Average labor productivity for 2013, was up 0.19% from the previous year, while unit output labor cost for 2013 increased 0.82%.

■ Political Situation

- Taiwan signed two Economic Cooperation Agreements in November 2013: ANZTEC with New Zealand and ASTEP with Singapore. Both are expected to boost Taiwan's economy and job market significantly, and to take Taiwan a step further toward the Trans-Pacific Partnership (TPP) for more full integration into the regional economy. With the legal processes completed, ANZTEC entered into force on December 1, 2013; ASTEP will be sent to the Legislative Yuan for review before it officially takes effect.
- Taiwan signed a Cross-Strait Trade in Service Agreement with China in June 2013. The agreement calls for the opening of the market to services in 11 areas, passing a new milestone in the realization of the Economic Cooperation Framework Agreement (ECFA). Before March 2014, 16 public hearings will be conducted for industry sectors potentially affected by the pact, to seek public consensus on agreement.
- In November, Finance Minister reported that the cross-strait taxation agreement had reached consensus as well. This agreement is expected to mitigate the problem of double-taxation. The

opposing party has questioned the transparency of the service trade agreement, and President Ma Ying-jeou has urged the Legislative Yuan to speed up the review process. Taiwan signed a Cross-Strait Trade in Service Agreement with China in June 2013. The agreement calls for the opening of the market to services in 11 areas, passing a new milestone in the realization of the Economic Cooperation Framework Agreement (ECFA). Before March 2014, 16 public hearings will be conducted for industry sectors potentially affected by the pact, to seek public consensus on agreement. In November, Finance Minister reported that the cross-strait taxation agreement had reached consensus as well. This agreement is expected to mitigate the problem of double-taxation in the future. The process of signing Cross-Strait Trade in Service Agreement has been questioned by the opposing party for its transparency, and President Ma Ying-jeou has been urging the Legislative Yuan to speed up the review process.

- President Ma Ying-Jeou approved the Executive Yuan's plan for a Free Economic Pilot Zone. In December 2013, the President instructed the Cabinet to form a task force to promote the plan and inform the public. Currently, preliminary terms of the zone stipulate that all Taiwanese enterprises operating overseas and participating in the program will be exempted from taxation on dividends and earnings for three years, provided that they meet required investment thresholds. Foreign companies that store inventory or conduct manufacturing inside the zone will see 100% of export taxes and 10% of import taxes waived for three years. In an effort to attract international talent, foreign experts, if hired to work in Taiwan, may have their personal tax halved during their first three years of employment in Taiwan. The program is designed to bridge gaps hampering international commerce, in hopes of connecting Taiwan's economy with markets worldwide.
- Taiwan and Japan signed a memorandum of understanding (MOU) in November 2013 to cooperate on financial supervision. The MOU seeks to help create a healthier financial environment and expand markets to benefit both sides. It also seeks to expand Taiwan-Japan ties and pave the way to an economic partnership pact in the future.
- Taiwan and Pakistan also signed an MOU in November 2013 to enhance trade exchanges. The MOU serves as the first step to creating new commercial opportunities.
- In November 2013, the Executive Yuan approved amendments to the Business Mergers & Acquisitions Act, to simplify the procedure and to align with international practices. One major change related to human resources is the reservation on employees' rights to claim severance pay, even after having initially signed an agreement to stay but having reversed that decision to leave eventually.

2. HR Challenges

■ Employers Face a Challenging Business Environment

Employers in Taiwan face a tougher situation in running businesses:

- Low work participation among youth and females, a shortage of basic and high-level labor and over-supply of mid-level workers, a trend toward early retirement, an ageing population and low birth rate all will directly impact employers.
- The Ministry of Health and Welfare announced its second-generation National Health Insurance (NHI) plan in January 2013. The newly-proposed plan levied a supplementary 2% increase in premium on enterprises.
- From January 1, 2013 onward, the premium on ordinary Accident Insurance will be adjusted upwards by 0.5% to 8% of the insured's monthly insured salary; on top of which, a 1% employment insurance premium applies, resulting in a total premium of 9%.
- Starting from January 1, 2014, the minimum hourly wage will increase from NT\$109 to NT\$115 (5.5% increase) while the minimum monthly wage will increase from NT\$19,047 to NT\$19,273 (1.18% increase) beginning on July 1, 2014.
- In Taiwan, 75% of publicly listed companies are family-owned enterprises. The biggest threat they face arises from lack of a succession plan and difficulty finding suitable managers willing to become successors.

■ **High Unemployment Rate among Youth**

Taiwan's youth unemployment ranks highest compared to other age categories in Taiwan's labor market. The Council of Labor Affairs (CLA) statistical data indicate that, on average, workers take their first job at age 21. Labor force participation for people aged 20~24 is 53.33%. Korea's participation for this age group is slightly lower at 48%, but the U.S.A is substantially higher, as are Germany at 71.1%, Japan at 68.5%, Singapore at 62.8% and Hong Kong at 61.6%.

Facing the challenges of youth unemployment, the government has taken several actions to mitigate this situation:

- Setting up career planning centers at universities to help students with vocational interest testing, career counseling, resume writing, interviewing, campus recruitment and other concerns.
- The Council of Labor Affairs (CLA) rolled out a Mentor Program to match mentors from different fields with graduates interested in those fields. The program is defined as a trainer-trainee relationship and provides subsidies for trainees of up to NT\$10,000 per month. With the budget of NT\$20.2 billion for five years, this program is intended to promote the value of vocational skills and help get trainees ready for the job market at a competent skill level with equitable pay.
- The Executive Yuan approved an amendment to the Enforcement Statute for Substitute Services, adding one new category: Commercial Substitute Services, under Article 4-1 R&D Substitute Services. The new category allows college graduates to take on technical or service positions at private businesses as substitute service for up to three years. This amendment seeks to help new

graduates earn practical work experience and permanent job placement after substitute service.

- The Council of Labor Affairs (CLA) announced the Youth Employment Liked program. This program will provide training subsidies of up to NT\$120,000 for military-discharged and unemployed youth aged 18~29 who pass a professional assessment by a Government Employment Service agent. The program aims to develop youth skills matching job market needs and help increase employment.

■ **Imbalance of Manpower Supply-Demand**

Given the fact that unemployment remains high, while employers bemoan work force insufficiency, Taiwan faces a serious shortage of basic- and high-level labor and an over-supply of mid-level workers. The chief reason job applicants cannot fill job vacancies is that their skills are incompatible with the job requirements. This demonstrates the necessity of re-training the mid-level labor force to upgrade its capabilities, as well as the need to reform the higher education system.

The Executive Yuan approved a talent cultivation, training and recruitment blueprint for the next 10 years. The plan focused on student talent cultivation and work force retraining. The former subject was addressed by the Ministry of Education (MOE), the latter by the Council for Economic Planning and Development (CEPD).

The MOE's white paper blueprint will help train workers the various skills needed by society. The blueprint also emphasizes transnational mobility, in order to increase Taiwan's international competitiveness.

The CEPD explained its planning concept for addressing the labor market's supply-demand imbalance through additional training of the existing workforce. The policies it designed are intended to gradually channel private sector investment into labor training, to develop training based on market demands and reduce the discrepancy between university subject matter and requisite real-world knowledge.

3. CHRMA projects/initiatives/conference

- CHRMA won the nonprofit-sector TTQS (Taiwan Training Quality System) gold award. TTQS is a training and development system developed and supported by Taiwan government.
- CHRMA arranged a Sharing Seminar on Best Practices, sharing knowledge and successes, in December. Speakers included Quanta Computer, ASTD the BEST Award winner; Shihlin Electric, golden award of TTQS in large scale enterprise; Ernst & Young, ELCA Inc. and Trade-Van, 2013 Award for Best Companies to work for.