

Taiwan Country Report

Prepared by Chinese Human Resource Management Association (CHRMA)

APFHRM meeting in Santiago, Chile

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1. Current economic and political situation in Taiwan:

■ Economy

The latest economic data reported by DGBAS (Directorate-General of Budget, Accounting and Statistics, Executive Yuan) indicates real GDP growth was 3.74% for the first half of 2014 and 3.62% and 3.08% estimated for the two quarters of the second half, respectively. Overall GDP for 2014 is estimated at 3.41%, up from 2.09% in 2013. The Consumer Price Index (CPI) increased 1.29% (Jan-Jul, YoY), and the Wholesale Price Index (WPI) increased 0.42% (Jan-Jul, YoY).

■ Labor Market (to July 2014)

The following indicators reported for Taiwan illustrate the labor market situation:

- Average number employed was 11,047,000, an increase of 80,000 (+ 0.97%).
- Average number of unemployed was 478,000, a decrease of 21,000 (-3.52%).
- Average rate of labor force participation was 58.63%, an increase of 0.11%.
- Average unemployment rate was 4.02%, a decline of 0.17%.
- Average monthly earning decreased 0.14% from the previous year (to Jun 2014).
- Average hours worked was 172.1, a decrease of 0.7 hours from the previous year (to Jun 2014).
- Average labor productivity was 108.01 (+5%), up from 102.77 in June 2013, while unit output labor cost decreased from 96.55 in June 2013 to 89.05% in June 2014.

■ Political Situation

- The seven-in-one elections will be held on November 29, 2014 for mayors and councilors of the special municipalities and cities, county commissioners and councilors, and township administrators and councilors. For both the ruling party (KMT) and the opposition party (DPP), the result will have a significant indication of and impact on the 2016 presidential election.
- Here are a few new labor laws and benefits-related amendments, promoting healthier and wealthier life and work:
 - The amendment to the Employment Service Act drafted by the Ministry of

Labor will be sent to the legislature for review. The amendment aims to build a friendlier work environment by loosening regulations and imposing heavier penalties on employers for illegal hiring practices.

- The Labor Insurance Act was revised to double the childbirth subsidy, increasing maternity benefits for insured workers.
- Taiwan's Council of Labor Affairs officially upgraded to Ministry of Labor in February 2014, vowing to improve the country's labor environment and safeguard the welfare of workers while ensuring sustainable business development.
- The basic hourly wage was adjusted to NT\$115 (US\$3.83) from January 1, 2014 and will be adjusted to NT\$120 (US\$4.00) again on July 1, 2014, while the minimum monthly wage was adjusted to NT\$19,273 (US\$642) beginning on July 1, 2014 and will be increased to NT\$20,008 (US\$667) starting July 1, 2015.

2. HR Challenges

The HR white paper draft just completed by CHRMA is scheduled to publish in late September. The white paper addresses five major current HR challenges in Taiwan, as well as suggestions to resolve them. The proposed solutions or approaches are based on the results of surveys and interviews with HR practitioners from various industry leading companies. These five major items are outlined below:

① Technical expertise talent shortage

Increasingly, talented people are more inclined to pursue the general management domain or administration, rather than entering fields emphasizing technical expertise, which are perceived as more difficult and rigid working environments. As a result, when a general management position opens, the opening may attract more than twice the number of candidates as a technical position like engineering or electronic research. Demand for these types of technical expertise has been higher than supply for several years, and this phenomena has held true across industries. Moving forward, fulfilling this demand is a critical drive for future economic development. The encouraging news that Taiwan's Council of Labor Affairs officially upgraded to full ministry this February both recognized and elevated the critical importance of human resource policies.

A consolidated and systematic suite of forward-looking human resource policies will benefit long-term business and economic development. HR policies need a sustained approach that includes, among other things, collective collaboration among government ministries (Education, Labor Affairs, Economic Affairs, Interior), increasing

the technical talent pool via education or other mechanisms, and encouraging collaboration between schools and corporations via internship or trainings.

② Unbalanced levels of higher education degree graduates

In 2013, 270,000 students graduated from high schools and vocational schools, yet higher education is ready to receive 274,000 students. Taiwanese citizens generally acknowledge that higher degree means higher salary. When a college or higher education degree becomes universally accessible and common, the oversupply results in higher unemployment among higher education degree holders.

Along similar lines as the previous challenge, planning within the higher education system needs to ensure graduates are prepared to enter the labor market. The higher education system should also reward and differentiate good schools from others.

Another worrying factor regards English proficiency among Taiwan's college students. According to a recent TOEIC survey, average proficiency among Taiwan's college students fell to 33rd place among 60 non-English speaking countries. This means that Taiwanese corporations must lower their expectations for English proficiency. The top 1,000 Taiwan corporations require an average TOEIC score of 550, as compared to multinationals based in neighboring countries, like Samsung and LG, who generally require a minimum TOEIC score of 750. This countrywide competitive disadvantage in English proficiency urgently needs to be addressed.

③ Policy restrains labor inflow but does nothing to prevent outflow

Considering a projected talent shortage of 63,000 for senior management positions between 2013 and 2030, combined with a projected net outflow of an average 10,000 workers each year over the same period, mostly of senior management level, employers must develop ways to attract such talent in order to succeed.

Based on one survey, two major outflow groups are fresh graduates and white-collar management or key technology talent. For young graduates, the starting salary in Taiwan is low, and most of them expect office work instead of labor. Therefore, many seek opportunities abroad, even as blue-collar labor workers in Australia or Canada, where such laborers command higher starting salary. Another shortage group is people with special technical skills or specializations that other countries aggressively recruit with better overall packages. In the other direction, hostile policies toward immigrant workers exacerbate the labor shortage, especially for foreign skilled white-collar workers.

Taiwan has allowed foreign blue-collar workers since 1989, and in 2014, they account for around 5% of the total labor force, usually filling manufacturing production floor roles most local workers prefer not to perform. However, demand for such labor still exceeds supply due to restrictions on the number of workers allowed. To resolve this labor shortage, experts agree that regulations must be amended to allow and attract more foreign white-collar workers to Taiwan. Furthermore, Taiwan should increase job opportunities by helping industries transform from low cost manufacturing to higher value added manufacturing or service industries. With recent trends of increasing base salary in China, Taiwan has become very competitive for attracting business owners, and now would be a good time to entice them to relocate their businesses to Taiwan.

④ Rigid working-hour regulations with less flexibility in real practice

According to the Ministry of Labor, among all documented compliance incidents, the top three labor categories related to working hours. At the top of the list, corporations are required to maintain each employee's record of working hours and to present it upon request. For many white-collar workers, this is impractical, and for blue-collar manufacturing workers, overtime and other work-time restrictions reduce employment opportunities. Rigid regulations also restrict school and industry joint internship or trainee projects. This problem demonstrates the gap between the regulatory framework and the real world. A better approach would be to establish a regulatory framework but allow flexibility for laborers, unions and employers to work out solutions that best accommodate all needs. This would also apply to joint school/industry projects and flexible labor forces that could address seasonal labor demands.

⑤ Higher early-career unemployment

For the past decade, Taiwan's overall unemployment remained between 4%~6%, depending on prevailing economic factors, but early-career unemployment has been increasing. According to DGBAS, in 2012, among 48,000 unemployed workers, 43.2% were between the ages of 20 and 29. While overall unemployment is now 4.24%, that of the 20-24 age group was 13.17%, the highest in the past 10 years. Beyond academic learning, schools and faculty should be obligated to better prepare students with career training and consulting. If the Ministry of Education's evaluation for funding institutions of higher learning took in additional indicators, such as graduate employment rate or average salary, in addition to factors like number of academic theses published, this challenge of early-career unemployment could be systematically improved in the long run.

3. CHRMA projects/initiatives/conference

- In May, CHRMA submitted its Best Practice report on Shihlin Electric to the APFHRM Best HR Practice publication.
- CRRMA arranged three SHRM sharing seminars on current HR trends, knowledge and experience acquired during the 2014 annual SHRM conference in Orlando, Florida. Our delegation will share and disseminate this information to practitioners, academic groups and students in the north, middle and southern parts of Taiwan.

About CHRMA

The CHRMA (the Association) was established in January 1992 as a nationwide organization composed primarily of HR professionals. The CHRMA is the most representative and the largest leading organization in the field of human resources in Taiwan. The Association now has about 2,000 members, 70% from domestic companies and 30% from multinational corporations.

Contacts

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