

## Taiwan Country Report

Prepared by the Chinese Human Resource Management Association (CHRMA)

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### **1. Current economic and political situation in Taiwan:**

#### **■ Economy**

Taiwan's economy continued to stutter in the final quarter of 2015, contracting from the previous year for a second straight quarter of year-over-year. The fourth quarter figures dragged average gross domestic product (GDP) in 2015 down to 0.85%, even below government forecast of its original estimate. Taiwan's economy has been hit by Mainland China's deceleration, sluggish global demand for electronics and falling energy prices, factors that have pushed its exports down, while domestic consumption remains limp. For 2015 as a whole, real GDP grew by 0.75% and the consumer price index (CPI) lowered 0.31%. Coupling with the fragile domestic demand and the weak global economy, real GDP will only grow by 1.47% in 2016 and CPI will increase by 0.69%, according to a forecast by the Directorate General of Budget, Accounting and Statistics (DGBAS).

#### **■ Labor Market**

The following indicators, comparing 2015 and 2014, reflect the labor market situation in Taiwan:

- Average number employed was 11,198,000, an increase of 119,000.
- Average number of unemployed was 440,000, a decrease of 17,000.
- Average rate of labor force participation was 58.65%, an increase of 0.11%.
- Average unemployment rate was 3.78%, a 0.18% decline.
- Average monthly earning increased 1.35% from the previous year.
- Average hours worked for 2015 was 174.1, an increase of 3.8 hours from the previous year.

#### **■ Political Situation**

##### **Taiwan elects first female president**

Tsai Ing-wen has made history as Taiwan's first female president. The 59-year-old leader of Taiwan's Democratic Progressive Party (DPP) won in a landslide victory in January 2016. Tsai Ing-wen, the presidential candidate of the opposition DPP, has made history as Taiwan's first female president with 56.1% of the vote (6,894,700 votes).

million). The election result also showed that the ruling Kuomintang (KMT) Party has lost its legislative majority for the first time ever. The DPP took 68 of the 113 seats in Taiwan's parliament compared to the KMT's 35.

### **Cross-strait relations**

Tsai's election likely signals a more progressive shift in Taiwan's political trajectory. One of DPP's main party platforms is their independence from mainland China. Thus, Tsai's victory spells defeat not only for the ruling pro-China KMT, but likely also for China. In her victory speech, she vowed to preserve the status quo in relations with China, adding Beijing must respect Taiwan's democracy and both sides must ensure there are no provocations. China's President Xi Jinping in his first public remarks on cross-strait relations in March insisted that "1992 Consensus", which states the "one China" principle, was the basis for strengthened economic ties and integration between Taiwan and the mainland. We will soon tell if Tsai's presidency will make changes between the two countries, due to her inauguration sworn in this May.

## **2. HR Challenges**

### **■ Labor shortage: Changes in the population structure**

A severe challenge is from changes in Taiwan's population structure. It is estimated that beginning in 2016 the working-age (aged 15-64) population will plummet by 180,000 per year. The government implemented hardly to promote youth, female, middle-aged and elderly employment, and improve policies and services to assist new immigrants working in Taiwan.

### **■ Easing restrictions for foreign labor met with resistance**

With the number of Taiwanese working overseas reaching nearly 2 million, the Ministry of Labor (MOL) estimates that Taiwan's labor structure will soon feel the negative impact of loss of local labor. According to statistics, the past number of foreign white collar laborers remains between 26,000 to 29,000, and since there is a minimum wage requirement, it has limited impact on entry level laborers. To increase talent inflow attracting foreign white collars, the MOL proposed the Employment Service Pact draft plan last December to lower thresholds for foreign talent to legally work in Taiwan, allowing for more foreign lower-tiered white collar workers to enter Taiwan's workforce. Some of the most significant changes include eliminating the minimum monthly wage requirement, and eliminating the minimum work experience requirements. However, the plan of lowering the threshold has been strongly opposed by Taiwanese labor groups and was not passed, as they fear

that will endanger the already vulnerable youth labor population. It will take more time and communications to reach consensus from different parties in Taiwan society about white collar foreign labor will be considered as replacements or supplements for future labor strategies.

■ **Global Competition: Talent outflow, the rise of China’s red supply chain, and young Taiwanese seek oversea employment**

The emergence of red supply chain in China, Taiwan’s closest neighbor country, has been exerting increasing pressure on existing players in the high-tech sector, including Taiwanese companies. While some suggested allowing Chinese investment in Taiwan’s companies like IC design sector to create new alliances, others are against closer economic ties with China. No matter which side takes leads after the new-elected party rules the government, Taiwanese companies must face the challenges from growing China. Additionally, other Asian areas and countries like Singapore are also aware of Taiwan’s strong human resource talent and speed up recruiting Taiwanese professionals. A survey by Taiwan's job market 1111.com, indicated that more than 70% of the workforce are keen to work abroad and the main reason for leaving is to seek better pay. To take actions stopping talent outflow, National Development Council said the government will focus on recruiting talents in particular industries by providing government subsidies to raise wages that will match those of international standards to help Taiwanese companies attract talent. Taiwan will also provide other incentives to keep local talents while attracting foreign ones.

■ **Massive layoffs and unpaid leave**

Facing hush global economic environment and limp domestic consumption, possible situation may happen to massive unpaid furloughs for local employees. Ministry October’s statistics show that 226 enterprises have had massive layoffs since the beginning of 2015, totaling 11,448, up 4,000 from 2014. The number of those who claimed their first unemployment payments was about more than 9,000 higher than last year. The Ministry of Labor (MOL) has prepared a fund of NT\$20 billion (US\$604.86 million) to subsidize employees who opt to engage in training courses during their furloughs.

**3. CHRMA projects/initiatives/conference**

- CHRMA won National prize on talent development and Gold Medal of Taiwan Talent Quality-management System (TTQS) in Dec. 2015.
- A conference on corporate learning and talent development best practice sharing

from the national award winning corporations will be conducted on March 12, 2016. Invited speakers include two winners of 2015 National Talent Development Awards, who are both CHRMA's corporate members. CHRMA will also share our practice as another winner of the same award as well as the gold medal winner of Taiwan Talent Quality-management System (TTQA).

### **About CHRMA**

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

### **Contacts**

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