

## Taiwan Country Report

Prepared by Chinese Human Resource Management Association (CHRMA)

APFHRM meeting in Singapore

September, 2015

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

#### ■ Economy

Taiwan's 2015 economic gross domestic product (GDP) forecast has been slashed by more than half to a mere 1.56%, according to the Directorate General of Budget, Accounting and Statistics (DGBAS). The drop is attributed to the global economic slowdown and weak domestic demand in real estate and stock markets, as well as Mainland China's efforts to build its own tech industry supply chain in the manufacturing sector. DGBAS indicates real GDP grew 0.52% in the second quarter, therefore revising the overall estimated GDP for 2015 to 1.56%. The 2015 Consumer Price Index (CPI) decreased 0.18% compared to 2014, while the Wholesale Price Index (WPI) declined 7.33%.

#### ■ Labor Market (as of June 2015)

The following indicators reflect the current labor market situation in Taiwan compared to 2014:

- Average rate of labor force participation was 58.57%, an increase of 0.12%.
- Average number employed was 11,185,000, an increase of 123,000 (+1.12%).
- Average number of unemployed was 431,000, a decrease of 20,000 (-4.47%).
- Average unemployment rate was 3.76%, a decline of 0.21%.
- Average monthly income increased 1.67% from the same period in 2014.
- Average hours worked was 177.3, an increase of 4.3 hours from the same period in 2014.
- Index of labor productivity was 107.1 (+3.42%), while index of unit output labor cost increased 3.71%.

#### ■ Political Situation

Taiwan's two major political parties have both nominated female candidates for the 2016 presidential campaign. The election is currently being contested among Ms. Hung Hsiu-chu from the ruling Kuomintang (KMT) Party, Ms. Tsai Ing-wen from the Democratic Progressive Party (DPP) opposition, and Mr. Soong Chu-yu from the

People's First Party. It is very likely that Taiwan will become the latest Asian nation to elect a female leader, following Thailand, the Philippines and South Korea. In the past, the highest-ranking female politician in Taiwan was Ms. Annette Lu, who served as vice president between 2000 and 2008. Although female political leaders are not rare in Taiwan, it will be the first time for female candidate to be elected president.

Whoever wins will face significant social and economic challenges, including increasing social inequality, a growing wealth gap, wage stagnation, and unaffordable housing. These issues have a particularly strong impact on the younger generation, inciting young people to participate more in political processes and public debates and generating a younger sociopolitical force. On international issues, Taiwan faces a complex cross-strait relationship with China. Issues include rising nationalism, irredentism and military conflict in Asia, as well as Taiwan's continued exclusion from many free trade agreements signed in the region.

## 2. HR Challenges

- **Facing Global Competition: Talent shortage and outflow**

Taiwan faces five major Human Resources challenges; two of which are workforce shortage and talent outflow. CHRMA's *Human Resources White Paper in Taiwan 2014* discusses these problems and proposes solutions. We are pleased that Taiwan's government takes a similar view of these HR issues and is implementing aggressive labor and economic strategies to stimulate economic growth and upgrade industries. Government initiatives include the "Productivity 4.0 project", which aims to improve industrial transformation. Meanwhile, the government also plans to amend labor laws to attract more foreign labor to Taiwan.

- Talent Shortage: Solved by Productivity 4.0 Project, Talent Cultivation, and One-stop Integration of Investment and Recruitment Services

According to statements from Premier Mao Chi-kuo, the Productivity 4.0 project aims to improve industrial transformation and value-added industries, as well as create new products to compete in the global market. Productivity 4.0 is comparable to Germany's German Industry 4.0 project, the United States' Advanced Manufacturing Partnership (AMP) initiative, and mainland China's Made in China 2025 program. According to the Premier, Productivity 4.0 incorporates the precision machinery of

German Industry 4.0, as well as the information technology and communications services of the AMP initiative. Based on the concept of smart automation, Productivity 4.0 also employs the Internet of Things, smart robots, massive data, and efficient management to spearhead domestic industrial upgrades and transformation. Productivity 4.0 targets smart manufacturing, smart services and smart agriculture. It prioritizes employing mechanical equipment and facilities for the upgrading and transformation of nine industries, including metals processing, transportation equipment, 3C (computers, communications and consumer electronics), foods, textiles, pharmaceuticals and health, logistics, and agriculture. The Premier also expects that this project can also help solve the labor shortage issue in Taiwan's manufacturing industries.

The Ministry of Education has been reviewing teaching materials of certain courses in the formal education system, including technical and vocational schools, universities and post-graduate institutions, to determine whether they are comprehensive enough to equip graduates with fundamental knowledge. Meanwhile, those already in the job market must rapidly learn the skills and knowledge necessary for industrial transformation so that they can also contribute their capabilities and wisdom to the Productivity 4.0 project.

Operating since August 2010, the InvesTaiwan Service Center is the only official government one-stop window for integrated investment and recruitment services in Taiwan. The Center is expected to work closely with the Ministry of Foreign Affairs, as well as the Ministry of Economic Affairs HiRecruit human resources site, to streamline operations and ensure top-quality service. Each case is assigned to a dedicated project manager, who takes responsibility from start to finish in helping investors find and recruit overseas talent. The managers assist recruits with a variety of issues related to living and working overseas, including residence, visas, work permits, and children's education, in order to make the process as smooth as possible for both recruiters and workers.

#### ■ Labor Shortage: Wage Raises, Extension of Foreign Workers' Work Permit Time, and Encouragement of Mid-Aged Workers

Currently there are some 220,000 migrant domestic nursing workers in Taiwan, and their monthly salary has been at a fixed rate for the past 18 years.

After lengthy negotiations and a boycott on imported labor through administrative procedures, in consideration of workforce needs, the Ministry of Labor reached an agreement with Indonesia, Philippines, Thailand and Vietnam to raise the minimum monthly salary for the above countries' migrant nursing workers to NT\$17,000 (approximately US\$525) from September 1, 2015. Comparing Taiwan's monthly pay for migrant domestic helpers to that of Hong Kong and Macau (at NT\$16,530, or approximately US\$510), Taiwan hopes that this wage increase can attract quality migrant nursing workers to work in the country.

It has been more than 20 years since Taiwan started to recruit foreign migrant workers, and about 580,000 foreign workers are currently legally employed in Taiwan. According to the current labor law, foreign workers' total cumulative working time in Taiwan cannot exceed 12 years. However, there are approximately 8,000 foreign migrant workers whose work permits will expire this year. Taiwan's Ministry of Labor (MOL) is supportive of a proposal by legislators to extend their work permits. The latest proposal is to extend the maximum length of employment for foreign migrant workers from 12 to 15 years. The proposal also includes a mechanism for retaining outstanding workers, including those with language and technical skills. Substantive details of the plan will be finalized as soon as possible. Most importantly, extending the length of time migrants can work in Taiwan will help employers retain people who meet their business needs.

Due to the concurrent trends of a decreasing birth rate and an increasing average age, the average age of Taiwan's workforce will be in the 55-64 age group within 15 years. Taiwan's National Development Council warns that an aging population will lead to a decline in Taiwan's workforce. According to DGBAS' survey, more than 40% of companies are reluctant to hire workers older than 45. That percentage increases to 70% only in the case of workers who are eligible for managerial and supervisory positions.

To prevent a labor shortage caused by the aging workforce, one of the Ministry of Labor's annual goals in 2015 is to improve employment standards for at least 100,000 middle-aged workers. The ministry has implemented incentives including the Middle-Aged Workers Job Redesign Program, which provides a NT\$100,000 subsidy per successful case to optimize work environments and operations for middle-aged workers, as well as On-the-job Training and Readjustment Plan, which provides three months' training to both middle-aged workers and their employers.

### 3. CHRMA projects/initiatives/conference

- CHRMA arranges three SHRM sharing seminars on current HR trends, knowledge and experiences acquired during the 2015 annual SHRM conference in Las Vegas, Nevada, USA. Our delegation will share and disseminate this information to practitioners, academic groups and students across Taiwan.
- The WFPMA/BCG Creating People Advantage 2014-2015 panel was held jointly by BCG Taiwan and CHRMA. The panel included presentations delivered by the Managing Director of BCG Taiwan and the president of CHRMA.

### 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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