

Taiwan Country Report

Prepared by the Chinese Human Resource Management Association (CHRMA)

APFHRM Board Meeting in Tokyo, Japan

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1. Current economic and political situation in Taiwan:

■ Economy

The latest economic data reported by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan (DGBAS) indicates real GDP grew 3.74% in 2014; the overall GDP for 2015 is estimated to be 3.78%. The Consumer Price Index (CPI) increased 1.20%, and the Wholesale Price Index (WPI) declined 0.51% in 2014, compared to 2013.

■ Labor Market

The following indicators, comparing 2014 and 2013, reflect the labor market situation in Taiwan:

- Average number employed was 11,079,000, an increase of 112,000 (+ 1.0%).
- Average number of unemployed persons was 457,000, a decrease of 21,000 (-0.22%).
- Average rate of labor force participation was 58.54%, an increase of 0.11%.
- Average unemployment was 3.96%, a 0.22% decline.
- Average monthly earning increased 1.81% from the previous year.
- Average hours worked for 2014 was 177.9, an increase of 0.9 hours from the previous year.
- Average labor productivity for 2014 was up 4.12% from the previous year, while unit output labor cost for 2014 decreased 1.40%.

■ Political Situation

- The nine-in-one elections were held on November 29, 2014 for mayors and councilors of the special municipalities and cities, county commissioners and councilors, and township administrators and councilors. The opposition party (DPP) prevailed over the ruling party (KMT) in most of the key races, winning 13 of the 22 cities and counties. The DPP won 47.56% of the popular vote, while the KMT won 40.7%. Key election issues included rapidly rising property prices, falling incomes, a growing gap between rich and poor, food safety, and job prospects for young people. Voting across the island reflected general dissatisfaction with KMT governance. These election outcomes are a significant indicator for the 2016 presidential and legislative elections.

- Here are a few new labor laws and benefits-related amendments, promoting healthier and wealthier life and work:
 - The "Labor Standards Act" (LSA) was amended to prioritize workers' rights to receive repayment for wages, retirement benefits and severance pay. These payment rights are now on par with those of a first-priority mortgage. The amendments also extended the payment scope of the "arrear wage payment fund" to include retirement benefits and severance pay. The amendment to Article 56 of the LSA bears the most significant impact on employers, requiring employers to regularly review the retirement fund levels to protect labor rights.
 - Other highlights of the LSA Amendments:
 - Prioritized repayment of payable labor contract items such as wages, pensions and severance pay.
 - Raised the contribution rate of the Arrear Wage Payment Fund from 0.001% to 0.0015%.
 - Required employers to review the funding level of retirement funds at the Bank of Taiwan at the end of each year.
 - Increased the cumulative penalty for employers who fail to pay severance pay or pension from NT\$90,000 ~ \$450,000 (US\$2840 ~ \$14,200) to NT\$300,000 ~ NT\$1,500,000 (US\$9,470 ~ US\$47,330).
 - Some highlights from amendments to the Gender Equality Employment Act, aiming to create a friendlier work environment for working parents:
 - Stipulated payment of 50% of regular wages for paid menstrual leave.
 - Required employers to provide employees with five days of paid leave for pregnancy checkups.
 - Increased paid paternity leave from three to five days.
 - Increased the cumulative penalty for gender discrimination from NT\$300,000 (US\$9,470) to NT\$1,500,000 (US\$47,330).

2. HR Challenges

■ Labor Shortages

According to the National Development Council (NDC), Taiwan's working population will peak at 17.37 million in 2015. The number of people aged above 65 and below 14 will draw even at 3.12 million in 2016, with the two groups continuing to diverge thereafter. Taiwan's working population will start shrinking by 180,000 annually in 2016. Taiwan is facing the potential for severe labor shortages starting next year if its demographic challenges are left unaddressed. Facing the issue of demographic change, government ministries and councils are discussing potential solutions. The NDC's proposed initiatives include:

- Working with the Ministry of Labor to offer enhanced services for senior job seekers. The Ministry of Labor is cooperating with the Ministry of Education and the Ministry of Health and Welfare to expand career planning, daycare and long-term childcare services.
- Expanding Taiwan's manpower pool by recruiting more overseas talents.
- Easing restrictions on immigration visas for foreign entrepreneurs, professionals and skilled workers.

■ **Overworked vs. Shorter Working Hours**

According to the Ministry of Labor, Taiwanese people work an average of 2,124 hours a year, a figure much higher than the average working hours in the US, Japan, and Germany, which stand at 1,788, 1,735 and 1,388 hours per year respectively. The Taiwan public and labor groups are pushing the government to amend labor laws to reduce work hours. Most employers in Taiwan support shorter work hours if measures are taken to offset the reduction. The Ministry of Labor proposed an amendment to reduce work hours from 84 hours per two weeks to 40 hours per week. It also plans to increase the legal cap for overtime from 46 hours to 60 hours a week. However, this is still a subject of disagreement between employees and employers.

■ **Bottleneck of Economic and Industrial Structure**

Taiwan's manufacturing efficiency and cost-oriented business model have hit a bottleneck, resulting in outflows of capital and high-level talent as well as stalled economic growth. To counter this, the National Development Council (NDC) initiated the HeadStart Taiwan Project, which aims to consolidate the power of the private sector and the international startup community to create a positive and effective startup ecosystem that nurtures innovation and the creation of high value-added startups. Major strategies include deregulation, global funding attraction and cluster building to help young people in Taiwan start businesses and expand into the international market. The project also aims to make Taiwan a regional innovation and entrepreneurship center, accelerating economic growth.

The NDC hopes to spur early-stage investments by attracting more international venture capital firms to Taiwan. It will also select an operations team and a high-quality professional management team for a proposed international innovation and entrepreneurship park.

The international connections task force, led by the Ministry of Science and Technology (MOST), intends to rent an office building in Silicon Valley in the U.S. and team up with reputable accelerator companies in the area to set up a Taiwan innovation and entrepreneurship center. MOST will also establish a rapid prototyping service center in Taiwan

as a hub for integrating public and private resources.

3. CHRMA projects/initiatives/conference

- In March, CHRMA arranged a seminar on Best Practice in Global HR Management. Highlights included an introduction to the World Federation of People Management Associations (WFPMA), a visit from a Japanese company, a discussion of talent development strategies, and reflections from the Society for Human Resource Management (SHRM) on HR challenges in Taiwan.

About CHRMA

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

Contacts

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