

Taiwan job market woes and the way out

The Directorate-General of Budget, Accounting and Statistics has reported that the unemployment rate in May was 4.06 percent. Although this represents the lowest level in the past five years and 10 months, it is the highest among the four Asian tigers, Hong Kong, Singapore, South Korea and Taiwan. The monthly DGBAS report further indicates that the average real wage has dropped to the level of 16 years ago, implying declining quality of the job market.

In recent years, Taiwan's job market has been marked by persistently stagnant growth in wages, high unemployment and even higher youth joblessness. To improve the situation, government ministries must get to the roots of the problem and find solutions to growing unemployment woes. The job market is like any other market, with pricing and employment opportunities determined by supply and demand. So in order to understand the current labor situation, one has to analyze long-term trends in supply and demand.

Regarding demand for workers, Taiwan is facing a number of long- and short-term problems. First is the problem of declining exports, which has resulted in reduced demand for labor force. Second is overall weak economic conditions that discourage investment and limit job creation.

A third condition is the rapid shift of the country's economic structure toward the service sector.

Insufficiencies in scale of the economy render it unable to provide many high-quality or high-salary jobs. Consequently, service industry growth has been of little help in stimulating wage growth.

Over the years, moreover, the number of temporary and dispatch workers has greatly increased. Though this has enhanced job market flexibility, it has also been a major contributor to wage depression.

According to the Council of Labor Affairs, the total number of such workers stood at 570,000 in 2012, amounting to 5.3 percent of the employed. As for supply of workers, there also exist a number of negative factors. First, huge growth in the number of colleges in the past decade has resulted in an oversupply of college graduates, depressing entry-level wages. In response to the 2008-2009 global financial crisis, the government in 2009 provided subsidies of NT\$22,000 (US\$665) in monthly wages to encourage businesses hiring college graduates. This number, or 22K, later became the standard entry-level salaries in many firms, thus stagnating growth of wages for newcomers to the job market. Second, because college graduates are generally averse to jobs that involve relatively dangerous, physically demanding, or dirty working conditions, the government has approved the importation of a large number of foreign laborers. As of the end of last year, the figure had reached 440,000.

If there were no such imported laborers, who typically do the less attractive jobs, businesses in Taiwan would have to offer higher wages to attract local workers. While such a scenario could boost salary levels, the reality that foreign laborers will continue to be hired means that it is hard for wages to grow.

A third labor supply weakness is that training provided by universities is commonly far from what businesses need. Graduates of many college departments simply are not what businesses are looking for. College curriculums, in other words, do not satisfy job market demands.

Even if what is learned in college fits the needs of businesses, since colleges provide no practical training, it takes a long period of hands-on experience in order for college graduates to fully satisfy their employers' demands. The last factor contributing to imbalances of supply and demand in the job market is insufficiency of information. Consequently, one often sees jobs in search of people and people in search of jobs with no meeting of the ways.

In light of the foregoing analysis, a number of suggestions may be of help to government policymaking. First, to boost demand for labor, the best short-term approach is to encourage more private investment, including those by domestic, foreign, mainland Chinese and overseas Taiwanese businesses. Investment is the most powerful engine of job creation.

Second, the government should provide a better platform to enable businesses and job seekers to come together more easily. Alternately, it can subsidize an already-existing private employment platform to provide more labor market information.

Third, the government should provide more vocational training programs to help colleges meet the demands of businesses.

Fourth, legislation should be swiftly passed to make employment of dispatch workers more flexible while ensuring greater job security for them.

Finally, steps must be taken to promote flexibility of mergers of university departments with the aim of effectively responding to changes and long-standing imbalances in job market supply and demand.

1. Is it okay for you to get 22K per month? Why or why not?
2. What salary per month for a graduate is enough?
3. What should be included in a vocational training program?
4. If you could go back to the past, which one would you choose? High school or vocational high school?
5. Do you think that it is helpful for your major to find future job?
6. Will you find the job related to what you learned?
7. If you can't find the job related to what you learn, what kind of jobs will you find?
8. Is it work for you to take vocational training program before finding a job? Why or why not?
9. Do you agree that vocational training program should be provided in university?
10. Is it true about " Consequently, service industry growth has been of little help in stimulating wage growth?"