

TAIWAN'S UNEMPLOYMENT WOES

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Executive Summary

1. Taiwan's unemployment rate is directly linked to economic growth. High and persistent unemployment is likely to increase fiscal burden through higher social welfare spending. A higher fiscal burden will in turn jeopardise future economic growth capacities as well.
2. Owing to the rigidity of the labour market and a sluggish economy in Taiwan, the unemployment rate has been on an upward trend since the second half of 1995. Indeed, a rising unemployment rate could be attributed to a higher level of structural unemployment.
3. For Taiwan, the record high unemployment rate mostly stems from government policies which are in favour of information and communications technology industries for attaining higher economic growth.
4. Recent available statistics seem to confirm the severity of Taiwan's unemployment problem. Indeed, the unemployment problem in Taiwan can be described as a phenomenon of "growth recession", which is characterised by slow or moderate economic growth without job creation.
5. In many cases, the fruits of economic growth are only enjoyed by capital owners and skilled workers in the high-tech sectors, and not by unskilled workers.
6. The continual shift of production activities overseas and the sluggishness in setting up high value-added industries have resulted in worsening unemployment and weaker economic growth in Taiwan.
7. Transforming and upgrading Taiwan's industrial structure remains key to boosting Taiwan's competitive advantage. Without innovation, Taiwanese companies have to bear with slim profit margins and low value in their supply chains.

8. Of late, Taiwan's labour market has been marred by persistently stagnant growth in wages, high unemployment and even higher youth joblessness.
9. Taiwan's sluggish economy along with an expansion in higher education has resulted in an oversupply of college graduates and their high unemployment rate.
10. Highly educated youth are important human capital. However, Taiwan's best-educated generation has found itself underpaid and underemployed.
11. Rising unemployment rate for graduate degree holders is a result of the widening gap between their graduate training and the demands of the business world.