

**The Causes of Workers in Taiwan  
receiving lower salaries than in  
Neighboring Countries**

**造成台灣勞工薪資較鄰近國家低的原因**

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**Research Methods**

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## I. Chinese Abstract

現今許多大學生對於起薪的期待依然只停留在 22K，而這樣的起薪卻是低於 14 年前的標準。目前台灣剛剛畢業的大學生或是已經工作一段時間的員工所得到的薪資，都是遠遠低於我們的鄰國：南韓，日本，新加坡。

根據我們所搜集的資料，將造成台灣低薪的原因分為兩大部分。第一個方面從外部的國際因素著手，由於台灣的主要經濟動力是來自於出口貿易，但在近幾年國際貿易市場愈趨向國際區域整合，但台灣所簽署的自由貿易協定已遠少於主要出口貿易競爭對手南韓，這將會對台灣的出口造成一定的衝擊。第二部分，將從台灣內部因素著手，首先是探討政府在全球經融風暴為了挽救高失業率而頒布的” 22K 政策” 對往後幾年薪資結構造成的影響，接著，台灣產業沒有升級也是薪資停滯的主因之一，另外，台灣極為缺少能夠活躍於國際市場的品牌，微薄的利潤致使台灣的薪資也無法上升，最後，台灣產學間不相符的問題以及大量引進外籍勞工，也都是造成台灣低薪的主要因素。

關鍵字： 員工，低薪，貿易壁壘，代工業，職員自身問題

## II. English Abstract

Now we are already in our second year of college, and it's less than two years before we graduate from college and enter the workforce. Many of college students' expectations for the start of salary are still 22k. While this level of beginning salary is lower than 14 years ago. At present, Taiwan's graduates or those employees who have been working have some time, the salary they get is still lower than our neighbor countries: South Korea, Japan, Singapore.

Therefore, our group attempted to investigate the causes of low salary in Taiwan from three aspects. The first aspect is external, because Taiwan is not a member of WTO, so the heavy duties on imports and exports are a barrier to Taiwan's international trade. The second part includes five internal causes. We would discuss Taiwan's slow industrial upgrading, and the lack of Taiwan's own brands. In addition, the employees' own problems make employee's wage stagnant. Finally, we would focus on the problem of considerably introducing foreign workers into Taiwan, which also serves as a crucial reason of Taiwan's low-paid circumstances.

Keyword: employee, low salary, trade barrier, original equipment manufacturer,  
employees' own problems

### **III. Introduction:**

#### **Provide the Thesis Statement, Supply Data, Statistics, and Special Evidence**

The purpose of this study is to look into the main causes resulting in the stagnation of the average salary in Taiwan. When Ben Bernanke, the former U.S. Federal Reserve Chairman visited Taiwan last year, he was astonished that Taiwanese average wage had declined to the average of 15 years ago, which was a strange economic phenomenon, especially when our gross domestic product had been still growing every year ([1] Sun par.1&4). According to the Ministry of Labor data, the average starting salary only increased roughly 6,000 NT\$ from 1995 to 2015. The holistic salary structure is stagnant and worsening year by year in Taiwan, which has had negative impact on the young generation such as insecurity, family pressure, anxiety, etc. As sophomore students in Tunghai University, there are about two years left before entering the workforce. Therefore, investigating the reasons of the serious low-paid circumstances in Taiwan would be a really thought-provoking matter for us to consider carefully. There are a great number of chained causal relations behind this issue, and the result of this study would be divided into two parts: external cause, and internal cause. According to our findings, in the first part, the international export trade barriers and the comparison between Taiwan and S. Korea in Free Trade Agreement would be discussed. Then, in the second part, the internal cause includes five minor points: the influence of “22K policy,” slow industrial upgrading and lack of Taiwan’s independent brands, the lack of correspondence between Taiwanese education system and the actual skills the employees should require, and introducing a great deal of foreign workers.

## **IV. Body**

**Method:** Qualitative research/data

Brief outline:

In the way of investigation of low salary of Taiwan we start from the external causes. We begin with external causes: Taiwan as an island nation, international export is crucial to us. Taiwan's export is mainly to China, however Korea's has a lot of similarity in comparison of Taiwan's products. On the other hand, internal causes such as 22K policy and foreign labors have huge effect of Taiwan's low salary condition. Actually, not many people know that foreign labors has exceeded number than aboriginal tribes peoples; in this case, we can see from this phenomenon that there are too many foreign labors in Taiwan. Besides, the slow industrial upgrading and lack of our own brands is also another factor.

### **External Cause: International Export Trade Barriers in Taiwan**

Taiwan's economy has been heavily relying on international export trade. In 2002, exportations in Taiwan has helped in contributing economic growth by 5.1% (李紀珠 paragraph 4). However, due to government's low legislation effectiveness and Taiwanese controversial political situation, Taiwan is falling behind to sign free trade agreements (FTA) with large trading partners. This cause most Taiwan's export goods to be expensive, which could make the products stay unsold. This can cause the company's benefit to decline, which leads to low salaries because the employer will not raise the worker's salaries.

According to Taiwan's Ministry of Economic Affairs in 2014, 77% of Taiwan's export goods overlap with South Korea (China-Korea FTA paragraph 6), which

means that South Korea is Taiwan’s biggest rival in terms of trade exportations. However, Taiwan has not sign as many FTA with large trading partners as South Korea. Here’s is a table to show:

<b>South Korea</b>	<b>Taiwan</b>
People’s Republic of China	People’s Republic of China
Singapore	Singapore
ASEAN	El Salvador
Chile	Guatemala
Columbia	Honduras
EFTA	Nicaragua
India	New Zealand
Peru	Panama
United States	
European Union	

*Table1: Countries that South Korea and Taiwan signed FTA with*

On June 1 2015, China and South Korea signed a bilateral free trade agreement, which is a warning to Taiwan’s export industries, because Taiwan’s economic drive is highly relied on the bilateral trade with China, with total value of US\$97.245 billion, which is also 21.96 percent of Taiwan's overall trade value. This bilateral free trade

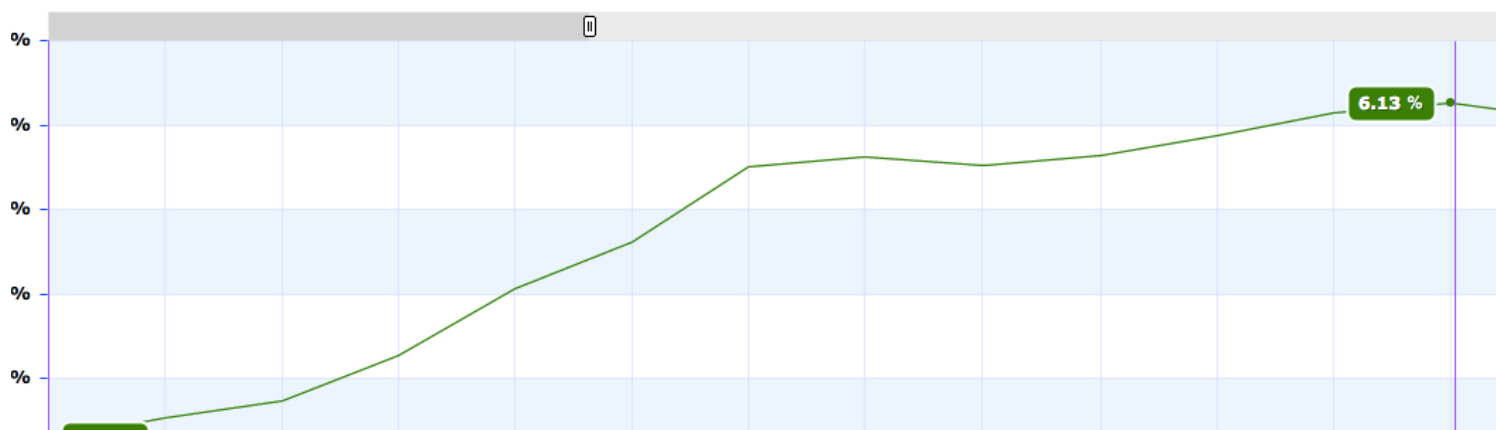
agreement between China and South Korea will lower the competitiveness of Taiwan's products exported to China than South Korea's because South Korea could have lower export tariff or even duty free in certain industrial trade goods. Taiwan's Ministry of Economic Affairs estimated that the free trade agreement between China and South Korea could cause Taiwan's gross domestic product (GDP) to drop by 0.5 percent. And due to South Korea is Taiwan's biggest rival in terms of trade exportations, the overall output value could also dropped by 0.98 percent. This can cause the products imported from South Korea to China is cheaper than Taiwan. This can also cause products imported in Taiwan to be stay unsold, which leads to low benefits, which also leads to low income, and leads to low salaries to workers because the employer will not raise the worker's salary.

**Internal Cause: “22K policy,” slow industrial upgrading and lack of independent brands, the lack of correspondence between education and industry, and the problems of foreign workers**

**22K policy:**

First of all, the long-term influence of Taiwanese government's “22K policy” is one of the main causes of current stagnation of average salaries in Taiwan.

*Figure1: the unemployment rate in August 2008-2009 in Taiwan*





According to the statistic from Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C., owing to the financial crisis in 2008-2009, the unemployment rate started to increase from 4.14% to 6.13%(see fig.1). [5] As the National Policy Foundation stated, in order to lower the high unemployment, the government had implemented the 22k internship program since April 2009 to provide newly college graduates with around 30,000 job opportunities in domestic companies. Those college graduates could serve as an intern for one year and get approximately 22,000 NT dollars per month ([6] Chao par.2). Therefore, the project was also called the “22K policy.” However, the policy might solve the emergency of high unemployment during 2008-2009, but it was unexpected that many business owners took advantage of this policy. They have been taking 22,000 NT dollars as graduates’ starting salary standard ever since, which led to the anchoring effect. In addition, nowadays the percentage for entering college is nearly 95%, so there are too many college graduates every year in Taiwan. As a result, when the workforce is oversupplied, it is difficult to raise workers’ salaries and the minimum wage of 22,000 NT\$ in 2008 became the average wage in Taiwan in the past 9 years ([7] 陳香如 36).

### **Slow industrial upgrading and lack of independent brands:**

Apart from the “22K Policy,” Taiwan’s slow industrial upgrading and lack of our own brands is also one of the significant causes of low wage. Take Hon Hai Precision Industry for example, it is the most representative and enterprise dominating the electronic manufacturing industry in Taiwan, and it is mainly known as the high-technique electronic original equipment manufacturer (OEM) for Apple Inc.

However, electronic OEM actually belongs to low value-added industry. With the rapid industrial development in China and countries in South-east Asia, the competition of electronic OEM becomes more and more fierce since the labors are cheaper than in Taiwan. On that account, Hon Hai is eager for upgrading its industrial value. Tsai (2015) mentioned that Apple might need stable supplier providing with Organic Light-Emitting Diode (OLED) panel in the near future because OLED has many advantages such as better monitor quality, and power efficiency. Therefore, as long as Hon Hai could get the Sharp’s technique of Indium Gallium Zinc Oxide to manufacture OLED panel for Apple, Hon Hai’s gross revenue by selling the panel to Apple is definitely much more profound than only by doing electric OEM ([8] 蔡承啟 par.1&2).

Figure 2: the cost of the teardown part of iPhone5S and iPhone6, including retail price, manufacturing, and bill of material

Components / Hardware Elements	Apple		Apple	
	iPhone 5S - Analysis Oct 2013		iPhone 6 (Sprint Version)	
Retail Price		\$649.00		\$649.00
Total BOM Cost		\$190.85		\$196.10
Manufacturing Cost		\$4.00		\$4.00
<b>BOM + Manufacturing</b>		<b>\$194.85</b>		<b>\$200.10</b>

In addition to the industrial upgrading, it is also important to development our own brands that could be active worldwide. According to a teardown analysis by research firm IHS, the components and manufacturing cost of a 16GB iPhone 6 is only \$200.10, but the device is selling for \$649 in the U.S (see fig.2). It is calculated

that almost 70% of the benefit by selling a 16GB iPhone 6 is Apple's brand value ([9] Luckerson par.2&3). Therefore, based on the article from *The Economist*, it is suggested that either Taiwan's low value-added industry upgrading to high value-added industry or developing Taiwan's own brand could help companies to earn profits considerably so that the owners are willing to hire employees with higher salaries. [10]

### **The lack of correspondence between education and industry:**

Tu Cheng-sheng, the Minister of Education and member of the Academia Sinica, states that in the 1990s Taiwan started to implement educational reform. Concerning students access to higher level of school choices, several reforms have been made to open up more diverse ways for admitting students ([11]Tu Cheng-sheng. "Taiwan's Educational Reform and the Future of Taiwan"). This is what we today call "higher educational policy." The higher education policy becomes one of the main reasons that many young people could only get low salaries.

According to the statistics shown on the website of Taiwan's Ministry of Education, till 2016, there are 167 universities & colleges in Taiwan ([12]"School Information"). While Chuing Prudence Chou states, "In 1998, there were only 84 HEI comprising 410,000 students and 841 graduate institutes ([13]Chuing Prudence Chou. "Higher Education Development in Taiwan"). Comparing these two statistics, we know that the amount of today's universities in Taiwan is more than twice the previous amount. The rapid expansion of higher education in Taiwan makes the access of entering universities much more easier for high school students. These

changes meant that Taiwan's university acceptance rate is very high. Queena Yen states, "The university acceptance rate has achieved 95.37 percent this year, reaching record levels over the past five years, according to the 2014 University placement results"([14] Queena Yen States. "Acceptance rate for Taiwan universities reaches record high). This high acceptance rate also causes a surplus of student's graduating from universities each year.

In Hsuan-Fu Ho's Matching University Graduates' Competences with Employers' Needs in Taiwan, he claims, "The dramatic expansion of the higher education institution in Taiwan has contributed a great deal to the growing unemployment rate of university graduates. Given the accumulated number of students who graduated in previous years and failed to find a job" ([15] Hsuan-Fu Ho."Matching University Graduates' Competences with Employers' Needs in Taiwan". 122). The expansion of colleges leads to the situation that the colleges' total demand for students is greater than the applying number of students. Therefore, some colleges will lower their requirements of student's qualifications in order to obtain sufficient students. In this way, the colleges not only devalue it's own levels, but it also devalues the students' university diplomas making them worthless when they are applying for jobs. Hsuan-Fu Ho also points out that Taiwan's government no longer has enough money to support all those colleges, so universities would have to depend on their tuition income. In order to solve their financial problem, universities have to trade the quality of education for financial stability, and this deteriorates those graduates' career competences ([16] Hsuan-Fu Ho."Matching University Graduates' Competences with Employers' Needs in Taiwan". 123).

As a result, lots of graduates educational needs were not meet by their higher educational institutes. In other words, the skills those graduates hold in hand can't really match the careers that require them being well qualified. Therefore, they could only apply for careers which demand fewer skills. However, these kinds of basic jobs also mean new graduates can only obtain recently low salaries. In Education in Taiwan: Taiwan's Colleges and Universities, Chuing Prudence Chou states, " Almost 50 percent of youth under age 30 are working in the blue-collar jobs."([17] Chuing Prudence Chou."In Education in Taiwan: Taiwan's Colleges and Universities".qtd, in 鄭麗君).

Every year, lot of college students graduate from their colleges, but many of them suddenly become unemployed. According to Taipei Times newspaper, " The latest 104 Job Bank survey showed that nearly 40 percent of students who left school last year are still out of work" ([18]"Youth unemployment, low salaries"). Jeannette Bennett says, "During periods of high unemployment, people may be forced to take practically any job they can get. College graduates entering the job market during economic downturns may be forced to accept lower paid jobs" ([19] Jeannette Bennett."Consequences of Unemployment"). Due to Taiwan's high unemployment rate, many graduates are more likely to take a low paid job after some time later when they found they couldn't find a job that they previously expected to obtain after graduating.

### **Labor market and foreign workers:**

One of Taiwan's unemployment reason is because the highly import of foreign labors. According to an article in United Daily News, "Salaries are essentially determined by the labor market. If the economy is bad, demand for labor is lower than the supply. Salaries will not increase. They may even fall. Young people now expect to be poorly paid or even unemployed."(Only Change can Break the 22K Spell) In January, Taipei Zhongxiao Bridge's dismantle news hit the headline of news. The bridge demolition work needs numerous workers. But the Zhongxiao Bridge's demolition work is ineligible for applying foreign workers. To our surprise, Taipei City Government submit an application to Lao Dongbu (勞動部) argue to change the regulation so that they can hired enough foreigner labors. Which means, Taipei city government would rather break the restriction than hire Taiwan's blue labor workers. In this case, we can tell our government prefer to have cheap foreign labors instead of Taiwan's local labor. According to Lao Dongbu's statistic in 2016, the number of foreign labor has up to five hundred seventy nine thousand and two hundred sixty people. While government use their power to let cheap foreign labors come to Taiwan, Taiwan labors' salary wave would not rise.

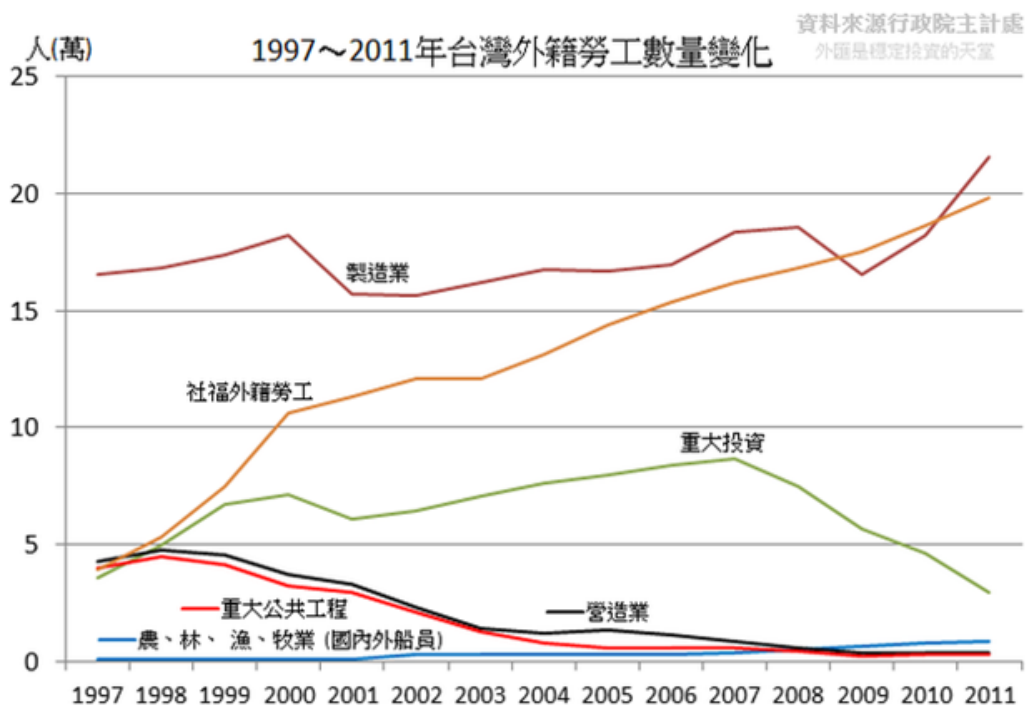


Figure 3: Taiwan foreign labor population variety from 1997 to 2011



Figure 4: Proportion of Taiwan's foreign labor

## V. Conclusion

### **Method: Qualitative Method**

In conclusion, the causes of stagnant salaries in Taiwan are Taiwanese "22k policy", International export trade barriers, slow industrial upgrading, and lack of Taiwan's independent brands. Through this, we can see that the causes of stagnant salaries not only are caused by government, but also caused by international issues, and people itself. To make it simple, everyone takes part in this issue. Most people might blame the government for not doing their job well, but they might not realize that their actions and thoughts have caused this problem too. Thus, it is important for everyone to realize that they are responsible to solve this problem.

However, solving this problem is not an easy task too. According to Elliot Fan in 2012, an economics professor at National Taiwan University, he said that Taiwan need "greater investments to raise labor productivity" but it was "easier said than done" since Taiwan has been trying to make a change for years ([21] Dou & Hsu par. 8). This shows that solving stagnant salaries is not as easy as thought, and it needs time to solve it. Another solution is to set different wages for domestic and foreign workers, but according to former labor minister Jennifer Wang in 2012, she said that this could "conflict with international human rights norms" (Dou&Hsu par. 10-12).

Through this, we can see that a solution might lead to another problem. Hence, it is important for everyone to find the best solution for everyone to solve this problem. The above is our research on the causes of stagnant salary in Taiwan. We hope through our search results can help citizens in Taiwan to be more concern about this issue.



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