



TAIWAN PART 1

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Employment in East Asia

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TODAY'S ISSUES

- History of Taiwanese political economy after the second world war
 - From the immediate post-war period, rapid expansion of the economy, and the shift toward knowledge economy
- Employment structure in the post-war Taiwan that supported the development of the political economy
 - Making of industrial workers after the land reform
 - SMEs and SOEs as major employers
- Characteristics of labor relations
 - Important historical events
 - Types of labor unions



HISTORY OF TAIWANESE POLITICAL ECONOMY 1

- Authoritarian regime (– 1987)
- Post-war period
 - Restoration of sovereignty and governance on economic activities (nationalization of Japan-owned factories)
 - Import-substituting industrialization (– 1960)
 - Protected trade in many products such as cement, glass, paper, wheat, plastic, spinning, bicycle, sewing machine and etc.
 - Growth rate (13.1% 1953-60), Manufacturing = 24.9% of GDP in 1960, absorbs 20.5% of total workforce.
- Export-led economic development (1961-72)
 - Fixed exchange rate between US\$ and Taiwan Yuan
 - Tax exemption and reduction for exporting firms and their investments
 - Manufacturing = 40.4% of GDP in 1972, absorbs 32.0% of total workforce



HISTORY OF TAIWANESE POLITICAL ECONOMY 2

- Rapid economic growth (1973-80)
 - Export-led economy was based on labor intensive industries in which Taiwanese firms were sub-contractors
 - Labor shortage and rising wages caused the declining international competition
 - New industrial policy (1973) put emphasis on the importance of steel industry, ship building, heavy and chemical industries (and necessary infrastructures such as port)
 - Manufacturing = 44.7% of GDP in 1980, absorbs 42.4% of total workforce



HISTORY OF TAIWANESE POLITICAL ECONOMY 3

- Shift towards value-added products/service, IT industry
 - Plaza accord – rising value of Taiwan Yuan – hit particularly hard on labor intensive industries (production sites were transferred to Thai, Malaysia and mainland China)
 - Emphasis was placed on industrial machines, communication technologies, electric and electronic industries
 - Economic liberalization (privatization) and internationalization, shift further to knowledge-intensive industries such as IT products/services



EMPLOYMENT STRUCTURE THAT SUPPORTS THE DEVELOPMENT 1

- Land reform (early 1950s, allowed individual farmers to own land)
 - Stable & efficient farming sector → redundant workforce became industrial workers
 - Some lands were sold and transferred to be manufacturing sites
- Landlords became capitalists, owners of small and medium sized firms (located in 鄉 & 鎮)
 - Import-substituting, export-led, and labor intensive economy allowed SMEs to grow significantly, having absorbed redundant workers from farming sector and women
 - SMEs did not need to form labor unions (gov. gave exemption for SMEs with less than 30 employees)
 - Managers (and workers) are often the members of owners' immediate or extended family
 - Little opportunity of upward mobility, high turnover



EMPLOYMENT STRUCTURE THAT SUPPORTS THE DEVELOPMENT 2

- State-owned enterprises (SOE)
 - Takeover of Japanese firms
 - Declining significance in the midst of the rise of private sector
 - In 1987, only about 100 SOE existed. BUT, the sum total of 59 SOEs account for 40% of Taiwanese GDP
 - SOEs employ about 300,000 workers (public service employs about the same, and military section employs about 400,000) = large public sector



LABOR RELATIONS IN TAIWAN 1

○ Important events

- The establishment of the Labor Standards Act in 1984
- The lifting of Martial Law in 1987
- The transformation from state corporatism (under KMT authoritarian regime) to societal corporatism

○ Before the mid 1980s

- Labor movements were repressed.
- Labor relations were generally peaceful: Trade unions were merely auxiliary, an administrative arm of authoritarian KMT government to pursue national industrial policies (state-controlled, employer-sponsored trade unions (p. 319))



LABOR RELATIONS IN TAIWAN 2

- Two types of labor unions
 - Industrial (= enterprise unions)
 - Craft (= local, associational unionism)
 - Strikes were prohibited until the lifting of martial law (there are still lots of restrictions on strikes)
- Labor unions in SMEs, large firms and SOEs
 - At SMES, labor unions are not organized well
 - Craft unions, if workers join unions at all
 - At larger firms, higher unionization rate.
 - Industrial unions
 - State needs industrial peace at large firms for their importance in economic development
 - Many large firms are state-owned



THE IMPACTS OF DEMOCRATIZATION

- The establishment of Democratic Progressive Party (DPP) after the lifting of the martial law
 - First legal opposition party
 - Seen as labor friendly than KMT
 - KMT's policy of privatization increased employment insecurity.
- Taiwan Labor Front (TLF) campaigns
 - Plant closings (1992)
 - National health care (1995)
 - Industrial democracy (1996)
- DPP government from 2000
 - Turning point of IR in Taiwan??? → discussion Qs

