

# **Industry's Talent Shortages: The Current Situation and Policy Response**

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## **The Current Situation**

1. 78% of employers in Taiwan face a talent shortage: According to the report of Manpower Group's 2017/2018 Talent Shortage Survey, the job vacancies that are hardest to recruit for in Taiwan are those for sales representatives, followed in descending order by engineers and IT technicians.
2. The situation of domestic industries' talent shortage calls for urgent response: According to statistics from the Executive Yuan's Directorate-General of Budget, Accounting and Statistics (DGBAS), there were roughly 218,000 manpower vacancies in the industrial and service sectors in 2017. Most serious was the shortage of 120,000 mid-level technicians (technicians & associate professionals, craft & related trades workers, and plant & machine operators), at 55% of the total, while there was also a shortage of 32,000 professional personnel.
3. Difficulty recruiting industrial innovation talent: According to the NDC's Consolidated Report on the Survey and Projection of Talent Supply and Demand in Key Industries for 2018-2020, talent demand for technical and knowledge services mostly requires possession of a college degree or above plus two to five years' work experience, while difficulty in recruiting such personnel was reported by 50% of firms in the communication & IoT installation and equipment industry, and 40% of firms in the cloud services industry.

## **Issues Faced**

1. Talent retention: Relative insufficiency of development opportunities within Taiwan, stagnation of wage growth, and countries competing to

poach talent.

2. Talent recruitment: Wages are not internationally competitive, countries are competing with each other to recruit talent, complexity of laws and regulations makes residency difficult, and the living environment needs improving.
3. Talent cultivation: There is a gap between learning and application, and inadequate cultivation of future industry talent in digital and smart applications.

## **Strategies**

### ***1. Seven main strategies for talent retention:***

- 1) Amending the Income Tax Act to reduce the highest rate of individual income tax from 45% to 40%, and to provide for the profits of sole proprietorships and partnerships to be directly taxed as personal income, without the need to calculate and pay profit-seeking enterprise income tax. (§5; §§14, 71, 75, 79, 108 and 110)
- 2) Amending the Statute for Industrial Innovation to liberalize the taxation of stock-based compensation, up to NT\$5 million as calculated at current price in the year of receipt, allowing the recipient at the time of transfer to opt for it to be taxed at whichever is the lower of the market price at the time of transfer or the market price at the time of receipt. (§19-1)
- 3) Amending the Statute for Industrial Innovation to liberalize the taxation of technology shares (shares received for investment of technology), changing from allowing deferral of taxation for five years to allowing deferral to the actual time of transfer, so as to aid the development of start-ups. (§12-1)
- 4) Amending the Statute for Industrial Innovation to allow limited

partnership venture investment enterprises that meet certain conditions to utilize the tax benefits of fiscally transparent entities (FTEs). (§23-1)

- 5) Amending the Statute for Industrial Innovation to provide that an individual angel investor whose investment in a single startup reaches NT\$1 million can deduct up to 50% of the amount invested from their taxable personal income, with deduction up to a limit of NT\$3 million per year. (§23-2)
- 6) Creating an innovation-friendly startup environment:
  - a. Adjusting the mechanism of the NT\$1 billion Angel Investor Program, to provide ample early-stage startup funding.
  - b. Revising and expanding conditions for the listing and OTC trading of large without-profit corporations, to help startups that are not yet earning a profit to access the capital markets.
  - c. Promoting the establishment of Linkou Startup Terrace, Taiwan Tech Arena, and Taiwan Startup Hubs in the northern, central and southern regions, to expand the development of international and local innovation clusters.
- 7) Extending the ambit of those to whom employee compensation tools (treasury stock, subscription warrants, new stock, employee bonuses) may be issued, to include the employees of controlling corporations and subsidiary corporations.

**2. Seven major strategies for talent recruitment:**

- 1) Promoting the Act for the Recruitment and Employment of Foreign Professionals:
  - a. Relaxing work, visa and residency regulations: Issuing the 4-in-1 Employment Gold Card (incorporating work permit, resident visa,

- alien resident certificate, and re-entry permit).
- b. Relaxing regulations on stay and residency of parents, spouses and children.
  - c. Providing retirement, health insurance and tax benefits (foreign special professionals having the portion of their salary above NT\$3 million taxed as half of its actual amount for their first three years of working in Taiwan).
- 2) Upgrading the Contact Taiwan online matchmaking platform to a national-level one-stop talent recruitment portal.
  - 3) Pushing forward passage of the New Economic Immigration Act:
    - a. Relaxing the job qualification requirements and conditions for the employment of foreign professionals, to give a boost to their recruitment.
    - b. Making it easier for overseas compatriots to enter Taiwan and to come to work, reside and settle in Taiwan, to strengthen links with overseas compatriots.
  - 4) Extending the period allowed for overseas Chinese and foreign students to remain in Taiwan to seek employment after graduation, doubling it from 6 months to one year (Ministry of the Interior).
  - 5) Making it easier for multinational corporations to post staff to Taiwan for work or training, with the aim of establishing for bilateral talent exchange with New Southbound Policy countries (Ministry of Labor, Ministry of Economic Affairs).
  - 6) Relaxing the capitalization and turnover requirements applicable to the hiring of foreign professionals by firms in 5+2 industries (Ministry of Labor).
  - 7) Increasing the establishment of bilingual experimental classes in

public senior high, junior high and elementary schools, and special classes in senior high schools and below for the children of talent recruited from abroad (Ministry of Education).

**3. Seven main strategies for talent cultivation:**

- 1) Strengthening industry-academia linkage: Refining talent cultivation to better match the needs of specific industries, and increasing enrollment quotas for the relevant school departments (Ministry of Education, Ministry of Economic Affairs).
- 2) Enterprises assisting school instruction: Industry associations to provide suggestions on adjustment of departments and courses, and encourage member enterprises to provide schools with requisite instructors, teaching materials and equipment (Ministry of Economic Affairs, Ministry of Education).
- 3) Industries initiating mutual assistance in pre-training talent: Encouraging industries to invest resources and collaborate with schools in cultivating talent for their particular needs, with full policy and regulatory support from the government (Ministry of Economic Affairs, Ministry of Education, Ministry of Labor).
- 4) Expanding the promotion of industrial talent skills assessment: In accordance with the new revision of the Industrial Innovation Act, strengthening operational mechanisms and quality criteria for industrial talent assessment, to target the needs of key policy industries (Ministry of Economic Affairs).
- 5) 1,000 young elite in smart technology: Using universities and juridical entities as cultivators, and encouraging enterprises to set up AI R&D centers in Taiwan, cultivating at least 1,000 high-caliber researchers in smart technologies by 2021 (Ministry of Science & Technology, Ministry of Economic Affairs, Ministry of Education).

- 6) 10,000 pioneers in smart applications: Cultivating smart technology application skills in university students who are pursuing cross-disciplinary studies, to speed up the cultivation of enterprise personnel with ability to use technological tools, and providing members of society with second-specialty training, for the cultivation of at least 5,000 people a year skilled in the practical application of smart technologies (Ministry of Economic Affairs, Ministry of Science & Technology, Ministry of Education, Ministry of Labor).
- 7) Talent transformation program: Encouraging schools to establish second-specialty or skill-upgrading courses, to help members of the labor force enter innovative industries (Ministry of Education, Ministry of Labor).