



Employee training and human capital in Taiwan[☆]

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Abstract

Although globalization, liberalization and the development of the network economy have undoubtedly enhanced the competitiveness of the Taiwanese economy, with the island's citizens benefiting enormously from lower prices on a wide range of products, the downside has been the obvious increase in unemployment, and the accompanying instability of employment amongst the island's remaining workforce. Policies adopted by the Taiwanese government to tackle this and improve human capital in the human resources development (HRD) process on the island, give rise to many questions, however, such as whether employee training programs can really provide Taiwan's workforce with sustainable employability and whether such programs can effectively reduce the probability of unemployment. They also raise the questions of whether employee training programs can help unemployed workers to shorten their unemployment period, thus reducing the overall number of structurally-unemployed workers, and whether these programs can ultimately lead to increases in overall income levels for successful trainees. These are the questions to be investigated in this paper.

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1. Introduction

Although globalization, liberalization and the development of the network economy have undoubtedly enhanced the competitiveness of the Taiwanese economy, with the island's citizens benefiting enormously from lower prices on a wide range of products, the downside has been the obvious increase in

unemployment, and the accompanying instability of employment amongst the island's remaining workforce. Prior to 1996, the unemployment rate in Taiwan had remained below 2 per cent; however, since then, it has risen continuously, and indeed, by 2003, had reached a historical high of 5.3 per cent. What is of particular concern, is that not only has the rate of unemployment climbed consistently during this period, but amongst the total unemployed population, the share of long-term unemployment has also been rising dramatically, reaching a record high of 32 per cent by 2003 (DGBAS, 2003).

During 2003, several measures were implemented by the Taiwanese government in an attempt to tackle the current problems, such as the NT\$ 20 billion (US\$ 600 million) 'Public Service Employment Expansion

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Act', the NT\$ 50 billion (US\$ 1.5 billion) Public Construction for Employment Enhancement Act' and the NT\$ 11 billion (US\$ 325 million) Employability Enhancement Program' (EEP) Whilst the purpose of the first two measures was to generate more jobs, and thereby reduce the overall unemployment rate, the purpose of the EEP was to encourage the setting up of employee training and retraining programs by private sector employers. The overall goal of the EEP was to upgrade the skills of one and a half million workers over the subsequent three years and thus to increase the overall employability and employment stability of the workforce (Lee & Hsin, 2003). The current EEP is a pilot program which, if successful, will be expanded by the government to become one of the leading measures for increasing the flexibility and employability of Taiwan's workforce.

Such policies give rise to many questions, however, such as whether employee training programs can really provide Taiwan's workforce with sustainable employability and whether such programs can effectively reduce the probability of unemployment. They also raise the questions of whether employee training programs can help unemployed workers to shorten their unemployment period, thus reducing the overall number of structurally-unemployed workers, and whether these programs can ultimately lead to increases in overall income levels for successful trainees. These are the questions to be investigated in this paper.

The foregoing questions are important because if employee training programs in the human resources development (HRD) process do prove to be effective in improving overall employability, the government will be able to rely more on these programs and less on legislation to provide Taiwan's workforce with the job security that it so desperately needs. Whilst legislative measures aimed at job security can provide protection for male workers between the ages of 25 and 55, such measures nevertheless represent a two-edged sword, because the overall knock-on effect is to reduce employment stability for younger and older workers alike, as well as for women. There is clearly sufficient scope for the government to expand employee training programs in Taiwan because it currently spends only 0.03 per cent of the island's GDP on employee training. This stands in stark contrast to many of the European nations which spend substantially higher amounts of their GDP on employee training; examples

include Denmark, which spends 0.84 per cent of its GDP, Sweden, spending 0.31 per cent, Germany, at 0.34 per cent, and the Netherlands, which spends 0.30 per cent of its GDP on such programs (Martin, 1998).

Following on from this introduction, the remainder of this paper is organized as follows. In the next section, we briefly review the current literature on employee training, concluding with a statement of this study's hypotheses. Section 3 provides a brief overview of current employee training in Taiwan, the main purpose being to provide the reader with some background on the current trend in employee training. Section 4 presents details of the data sample and a summary of the empirical results, followed, in Section 5, by the conclusions drawn from this study.

2. Employee training and the employability of workers

2.1. *The relationship between employee training and employability*

Since it has long been argued by scholars of human capital theory that training enhances a worker's level of human capital, the theoretical rationale behind the government's EEP is clear; i.e., that lifelong learning or continuous education and training (CET) in the human resources development process represents one of the most important means of assuring workers' sustainable employability (OECD, 1997). Following their review of the works of Loundes and Fougere, along with 20 other empirical studies, Ok and Tergeist (2003) concluded that, in each case, there existed a positive relationship between participation in employee training and the rise in wage rates as compared to those of non-participants.

US scholars have conducted wide-ranging studies on the impact of employee training on workers' pay and employability; indeed, they have provided more studies than scholars from any other countries. Following their review of the empirical studies conducted in the US, Heckman, Lalonde, and Smith (1999) concluded that whilst employee training significantly increased the earnings of economically disadvantaged women, and in some cases, disadvantaged men, such training had no measurable effects on the earnings of young workers.

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