

Discussion

Mechanisms of Poverty and Inequality of the Korean Elderly – Family, Labor, Welfare

- Family – the most prevalent source of welfare, but controversy about its potential and sustainability. Key argument is that the role and sustainability of family as primary welfare source was hampered
- The emphasis on family support often elapses into the rhetoric of a cultural placebo to what structural rearrangements are substantially in need
- Increasing labor flexibility generally impairs employment status and make unstable retirement
- Increasing importance of economic participation at advanced ages but the simultaneous restructuring of old workers into secondary and marginalized jobs.

Discussion

Mechanisms of Poverty and Inequality of the Korean Elderly – Family, Labor, Welfare

- the strong linkage between labor stratification and selective social security.
- Gender, educational achievement, and employment status are intimately related to each other and delimit the access to social security benefits, differentiating income levels in old age.
- Unstable workers not only suffer from low income levels and employment instability, but also limited access to the social security benefit.
- The result of the cumulated disadvantages in the labor market/work place and in the social security system reveals the formation of new class, who are subjected to unbeneficial economic conditions over the life course and a chronic poverty risk in post retirement.

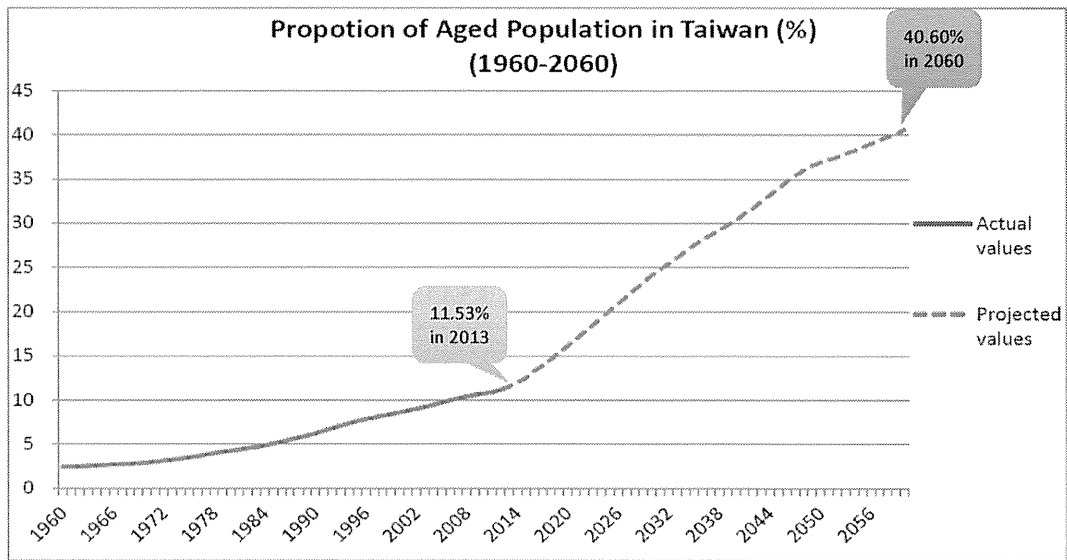
Familial support and living arrangement of the elderly people in Taiwan

Ruoh-rong Yu

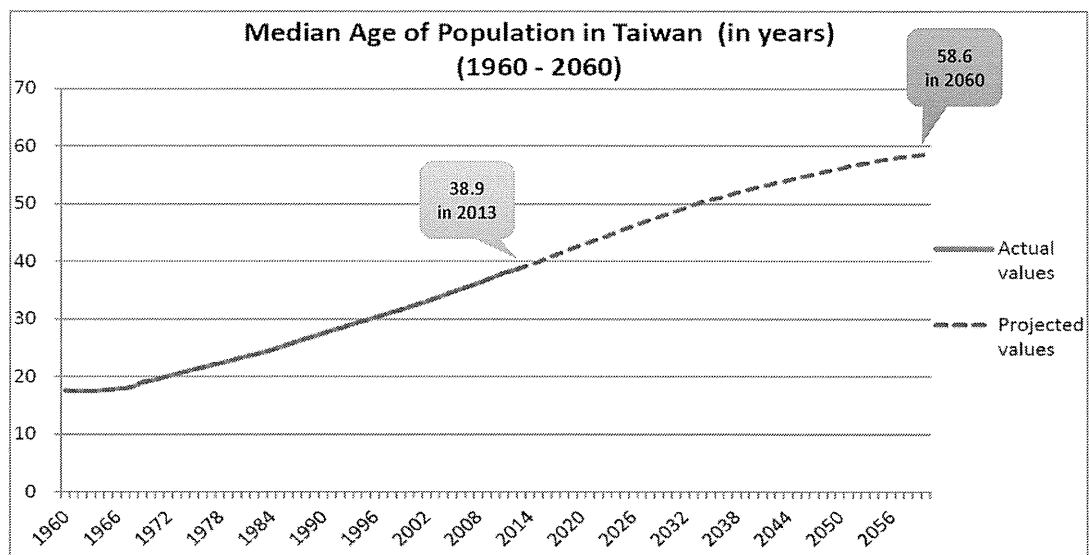
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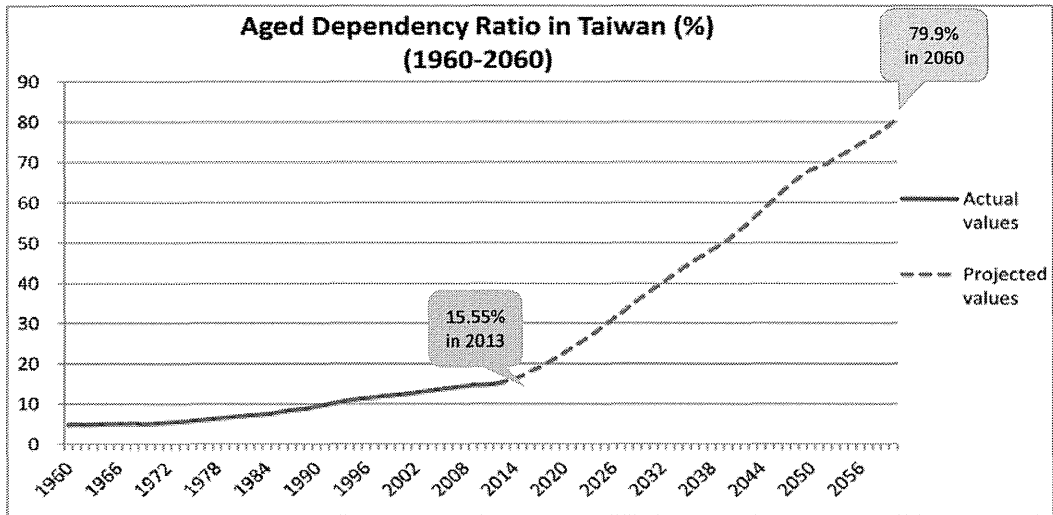
Population Aging in Taiwan: Past and Future



Source: National Development Council, Taiwan
 Note: The dotted lines indicate the projected values.



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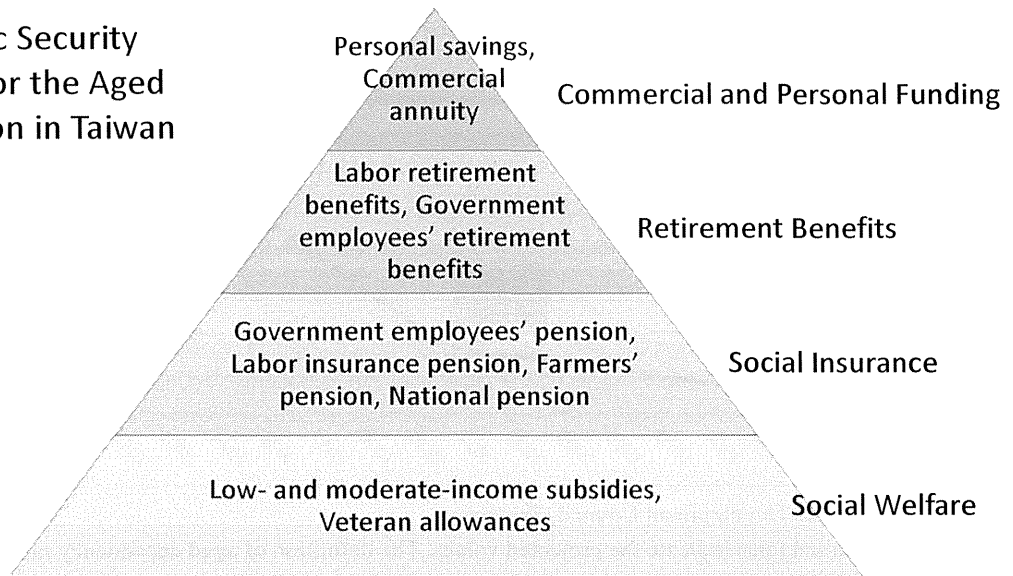


Source: National Development Council, Taiwan

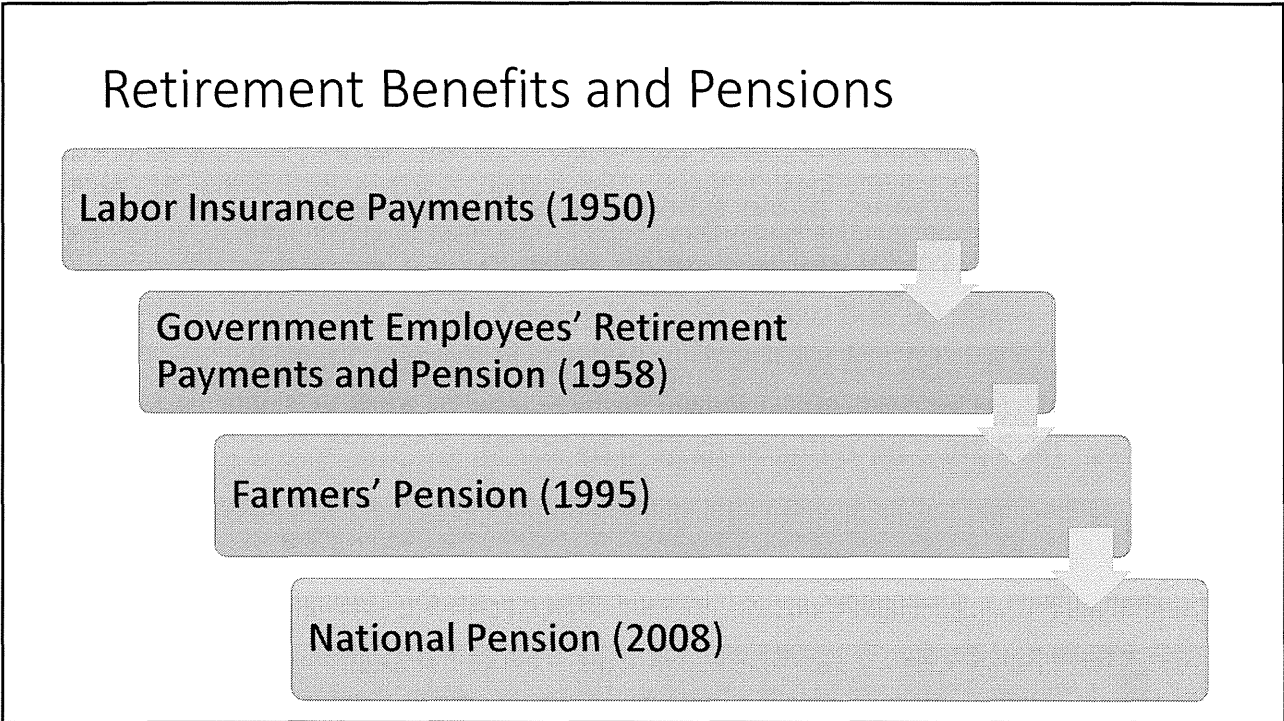
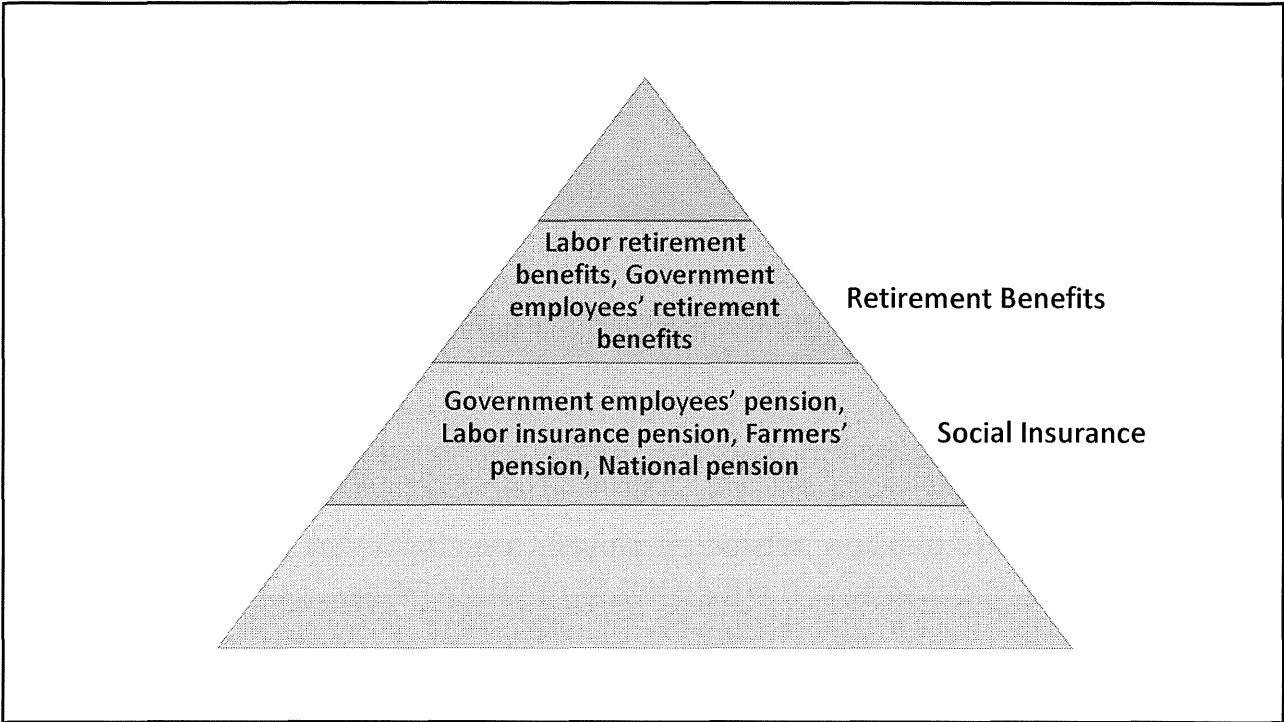
Note: The dotted lines indicate the projected values. The definition of aged dependency ratio is $[(\text{number of people aged 65 or above}) / (\text{number of people aged 15-64})] \times 100\%$.

Economic Security System for Aged Population in Taiwan

**Economic Security
System for the Aged
Population in Taiwan**



**Economic Security System for
Aged Population in Taiwan:
Retirement Benefits and Pensions**



Labor Insurance Pension (勞保年金)

- Retired employees of private sector
- Monthly pension
- Eligible at age 60 and with 15 years of labor insurance (age requirement shall be raised to 65 by 2027)
- The amount of pension depends on the average insured monthly income (the upper limit is now 43,900 NTD) and the years of labor insurance.
- In addition to pension, retired employees are eligible for retirement benefits, which can be in lump-sum or monthly basis.



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Government Employees' Retirement Benefits

- Retired civil servants, public school teachers, and soldiers
- Lump-sum payment and/or monthly pension
- Eligible at age 60 and with 5 years of service, or after 25 years of service (requirement for monthly pension is more stringent)
- The pension income replacement ratio can be as high as 100% (the upper limit shall be reduced to 80% by 2022).



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Farmers' Pension (老農津貼)

- Farmers and Fishermen who reach certain age
- Monthly pension
- Eligible at age 65 and with at least 0.5 year of farmers' insurance
- The amount of pension has increased from 3,000 NTD in 1995 to 7,000 NTD in 2011.



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National Pension (國民年金)

- Those who are not eligible for labor insurance, farmers' insurance, and government employees' insurance. The insured persons are mainly students, housewives, and unemployed.
- Monthly payments
- Eligible at age 65
- The basic monthly pension is 3,500 NTD. The extra insurance payments depend on the years of insurance and the insurance premium.



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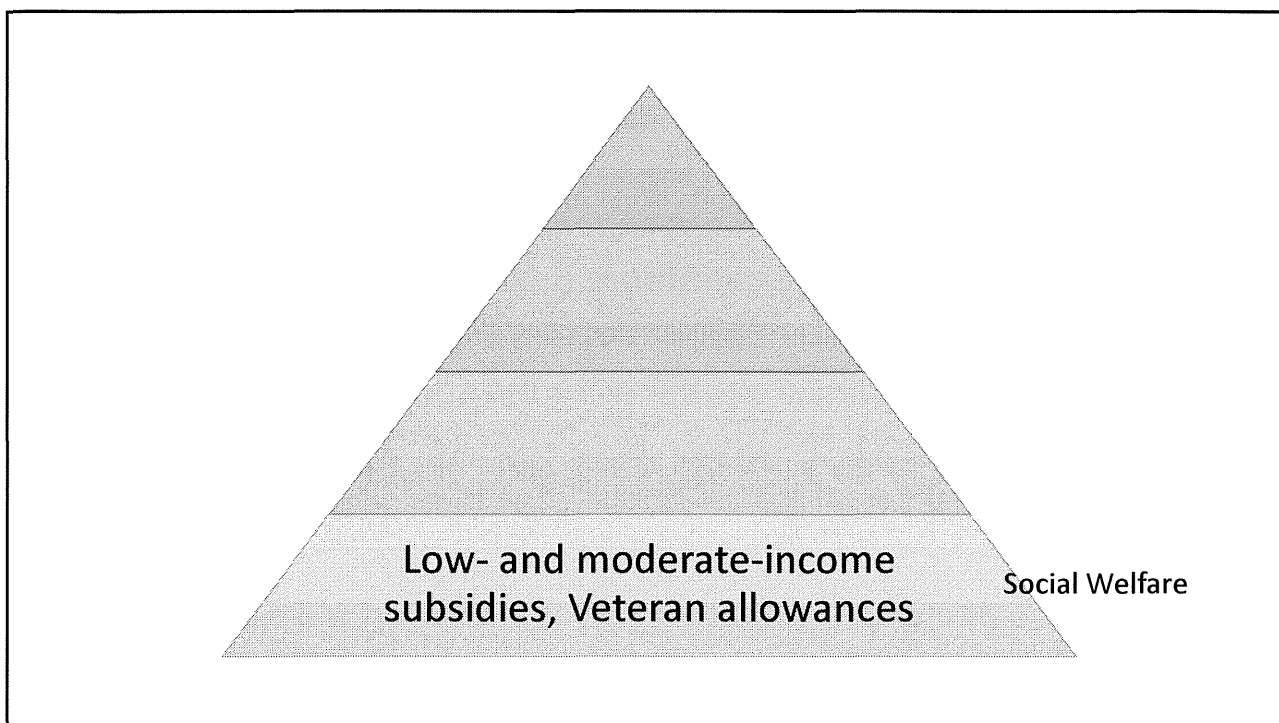
Retirement Payments and Pensions: Potential Crises

- No comprehensive pension program for the aged
- Huge discrepancies among different types of pension
 - For example, the income replacement ratio for government employees' pension is about 90%, yet that of the labor pension is often less than 20%
- Many jobless persons cannot afford pension premium of the National Pension
- Insurance premium are relatively low as compared to the amount of retirement payments or pensions
- Rates of return for pension fund are low in recent years
- Declining fertility rate and increasing life expectancy have deteriorated the financial situation of pensions



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Economic Security System for Aged Population in Taiwan: Social Welfare



Social Welfare Services for the Aged

- Local governments
 - Elder allowances
 - Low- and moderate-income living allowances for the aged
 - Low- and moderate-income nursing allowances for the aged
 - Subsidies for the disabled aged
 - Day-care and/or home nursing services for the disabled aged
 - Traffic, rehabilitation, and meal services for the disabled aged
- Social welfare programs provided by central government
 - Veteran allowances



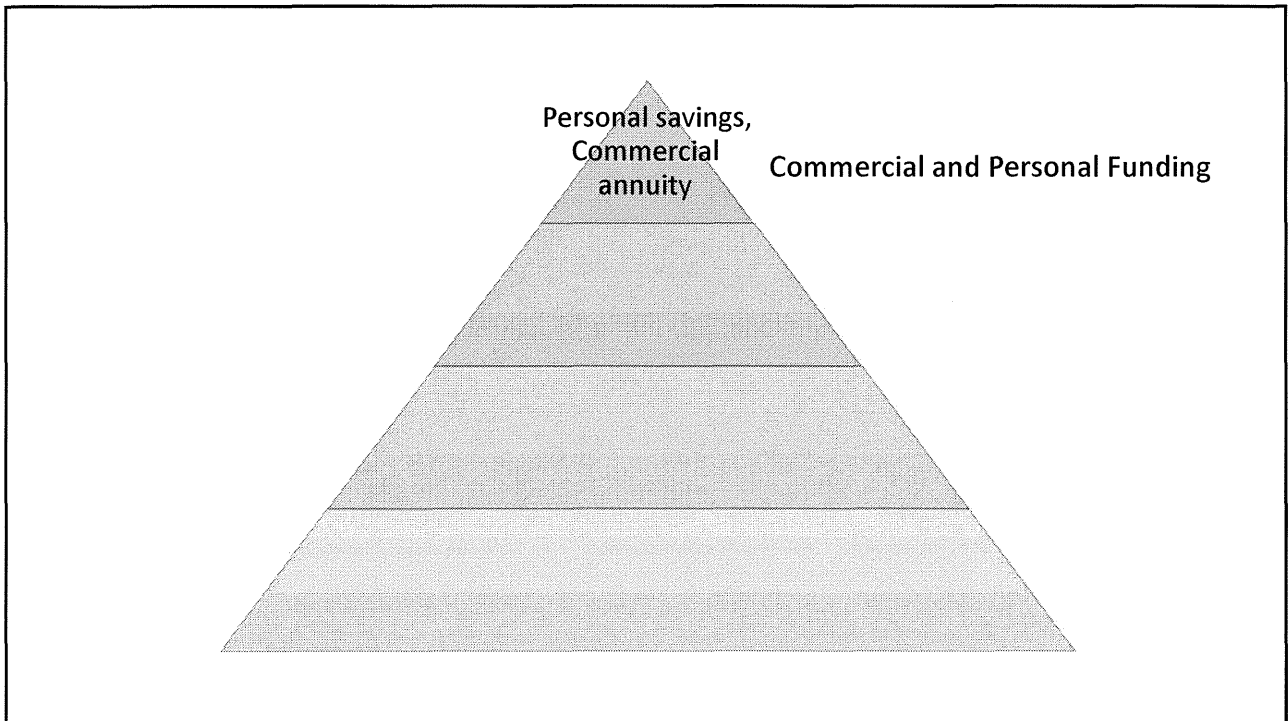
Social Welfare Programs: Potential Crises

- Within the total government expenditure in 2012,
 - The social welfare expenditure is about 23%
 - The pension and compensation expenditure is about 7%
- Not to mention similar problems to the social security programs



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Economic Security System for Aged Population in Taiwan: Commercial and Personal Funding

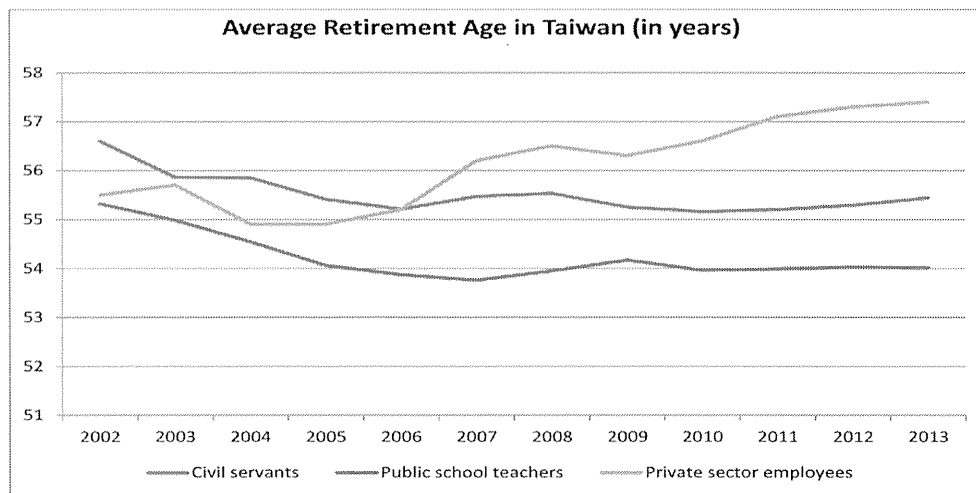


Labor Force Participation of the Aged

- **Early retirement**
 - The average retirement age of government civil servants has reduced from 60.8 in 1997 to 55.4 in 2013. During the same period, the average retirement age of school teachers has declined from 58.0 to 54.0.
 - The average retirement age of private sector employees in 2013 is 57.4.
- **Low labor force participation rate of elder population**
 - In 2013, the labor force participation rate of population aged 55-59 has declined to 53.2%, and that of those who aged 60-64 is 33.4%.



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Source: The numbers of “civil servants” and “public school teachers” are from the Public Service Pension Fund, Taiwan. The numbers of “private sector employees” are from the Directorate-General of Budget, Accounting and Statistics, Taiwan.

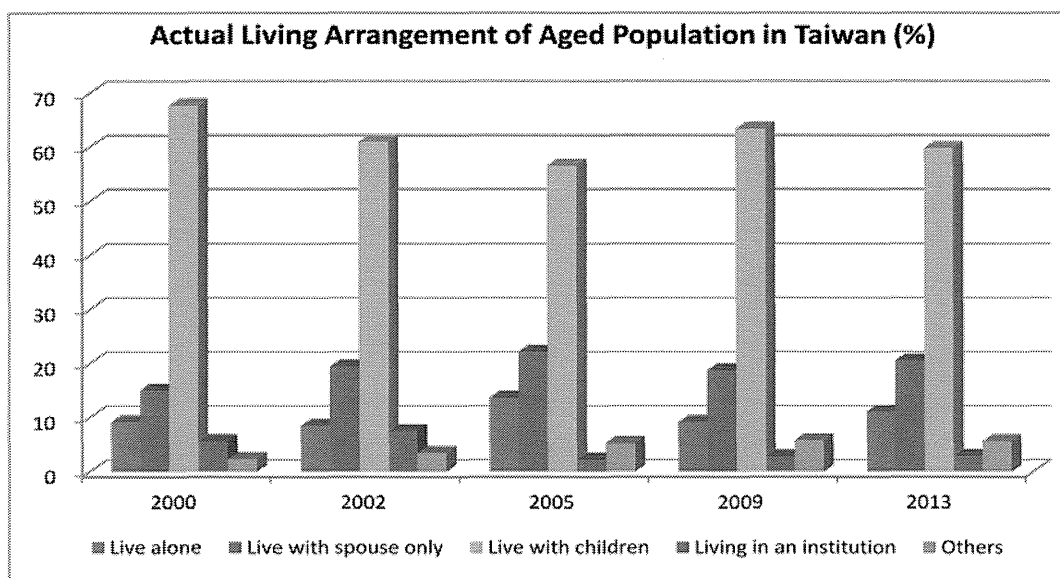
Wages, Savings and Commercial Annuity in Taiwan

- The average monthly real wage income in 2014 is about 46,786 NTD, which is almost the same as that of year 1997 (46,646 NTD).
- The savings rate of households in Taiwan has reduced from 30.7% to 20.6% during the past twenty years.
- After the financial crisis in 2009, the rate of return for financial investment has become more uncertain.
- People who bought commercial annuity and life insurance are relatively few.
- However, there is a comprehensive National Health Insurance program in Taiwan.

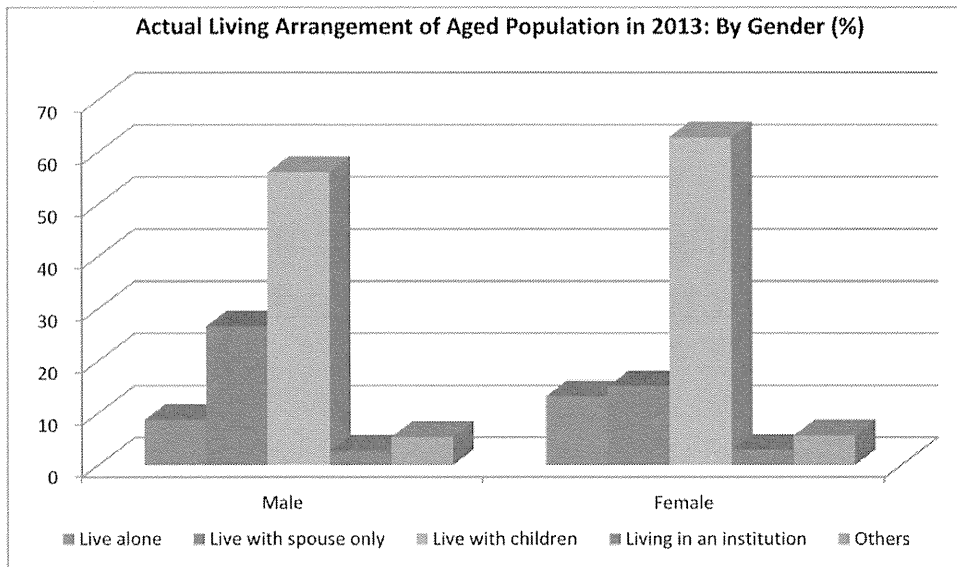


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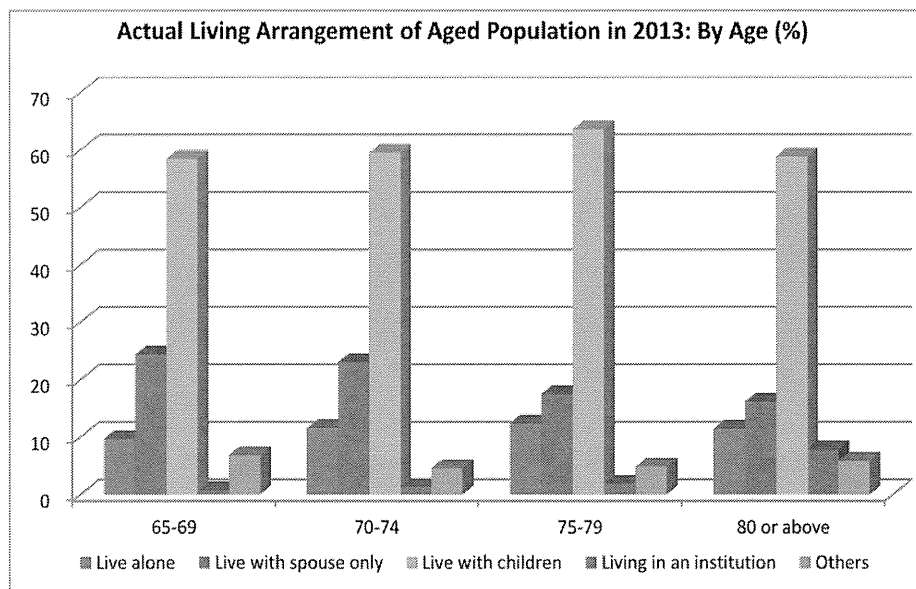
Living Arrangement of Aged in Taiwan: Actual and Preferred



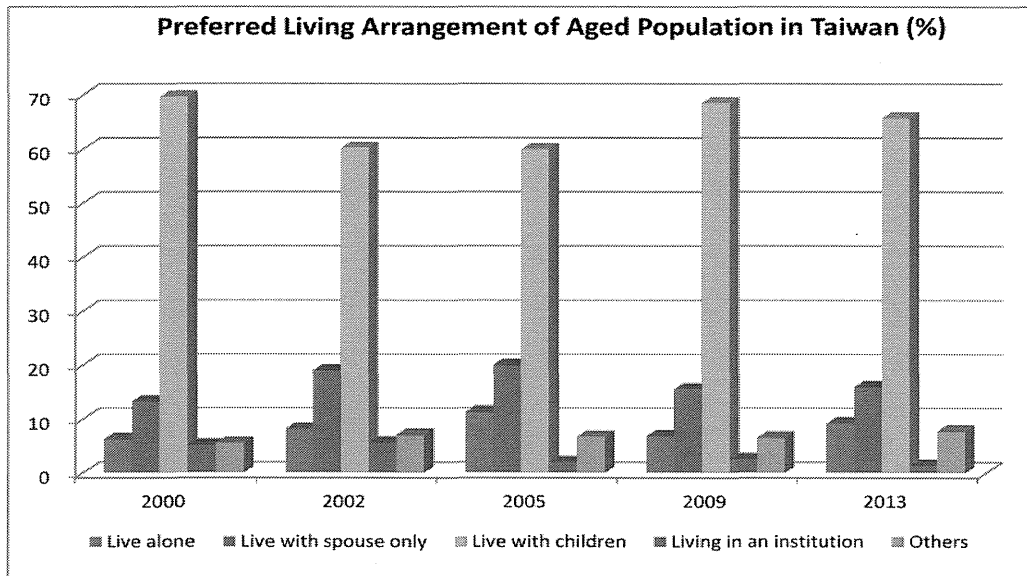
Source: Report of the Senior Citizen Condition Survey, Ministry of the Interior, Taiwan



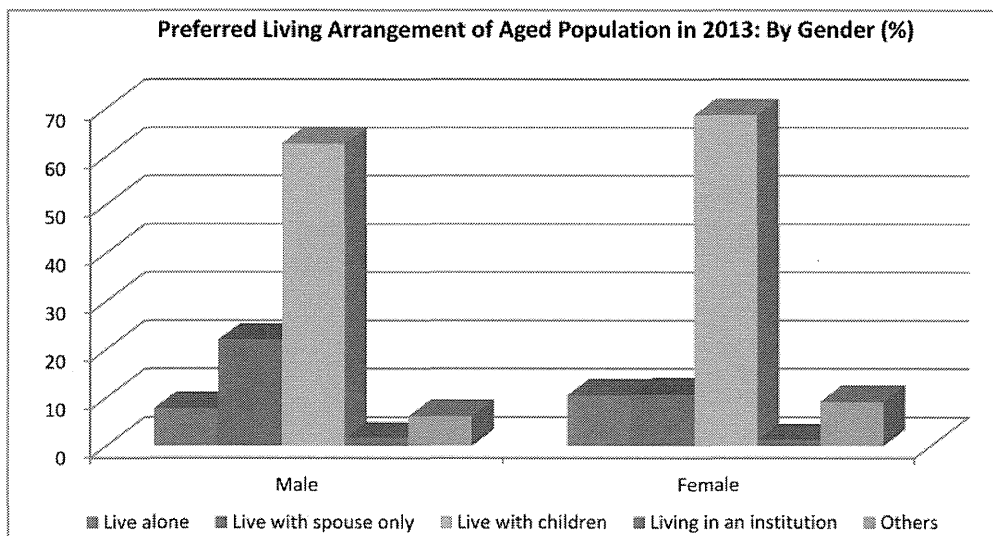
Source: Report of the Senior Citizen Condition Survey, Ministry of Health and Welfare, Taiwan



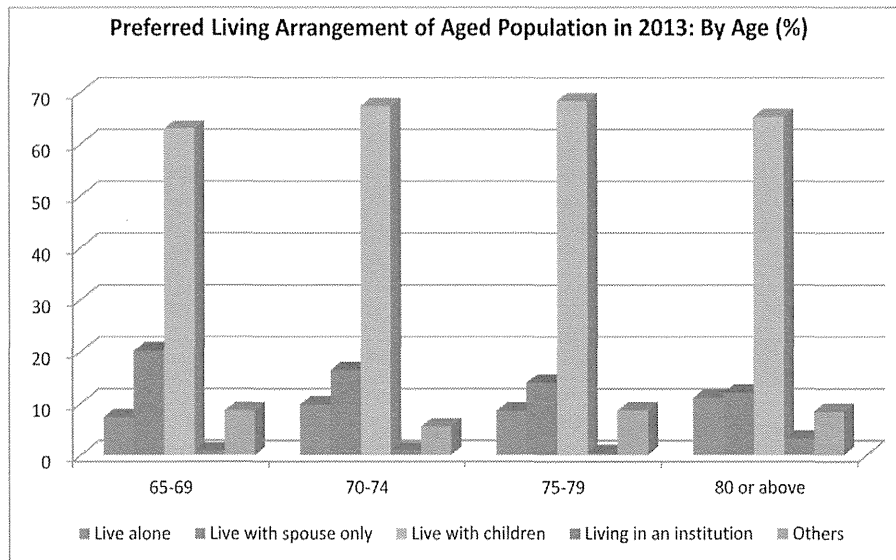
Source: Report of the Senior Citizen Condition Survey, Ministry of Health and Welfare, Taiwan



Source: Report of the Senior Citizen Condition Survey, Ministry of the Interior, Taiwan

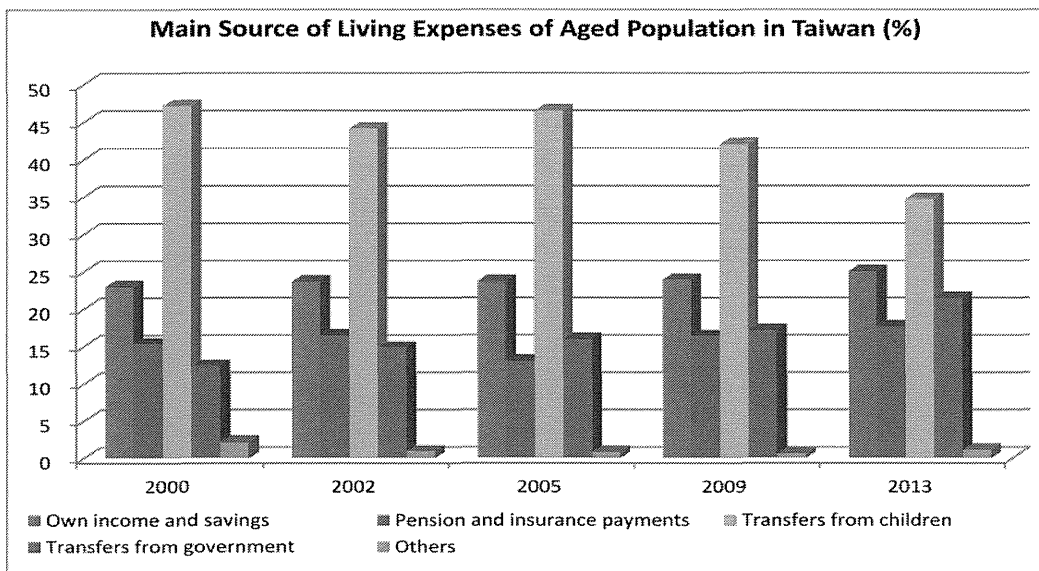


Source: Report of the Senior Citizen Condition Survey, Ministry of Health and Welfare, Taiwan

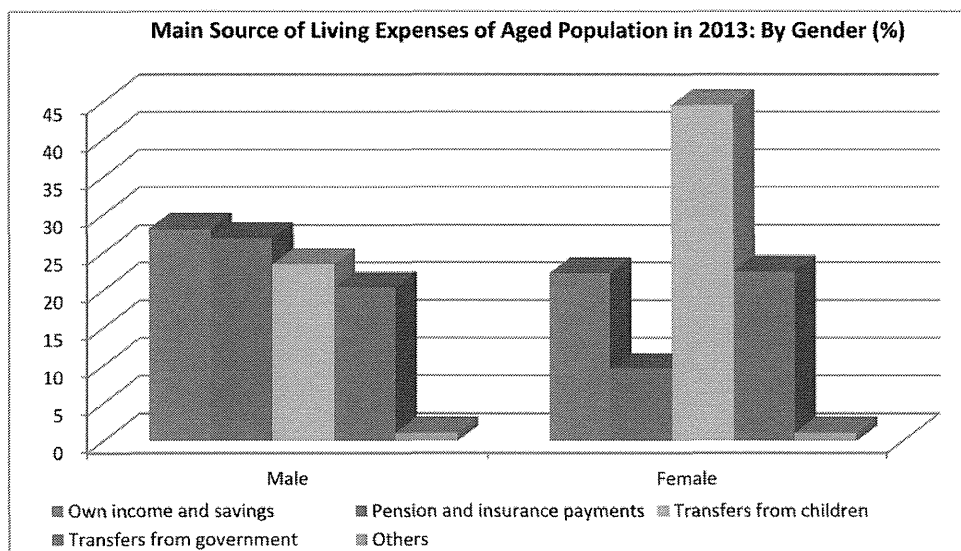


Source: Report of the Senior Citizen Condition Survey, Ministry of Health and Welfare, Taiwan

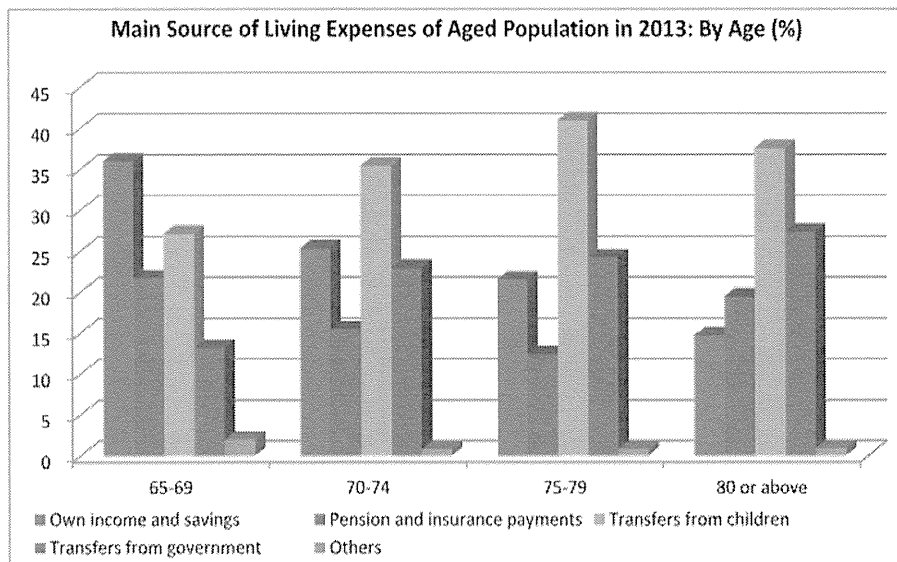
Sources of Living Expenses of Aged in Taiwan



Source: Report of the Senior Citizen Condition Survey, Ministry of the Interior, Taiwan



Source: Report of the Senior Citizen Condition Survey, Ministry of Health and Welfare, Taiwan



Source: Report of the Senior Citizen Condition Survey, Ministry of Health and Welfare, Taiwan

Summary

Summary (1/4)

- Population aging has become a critical social and economic issue in Taiwan.
- The existing retirement benefit and pension programs in Taiwan face serious problems:
 - Declining working-age population
 - Prolonged life expectancy
 - Insurance premiums relatively low as compared to insurance payments
 - Rates of return of pension funds not ideal
 - Frequent elections made it difficult to cut the benefits and pension, or to raise the eligible requirements or insurance premiums

People may not believe the programs will sustain in the future.



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Summary (2/4)

- The deteriorating labor market conditions make the adults hard to accumulate enough financial assets for retirement.
- Urbanization and declining fertility have weakened the potential support from family members.
- The National Health Insurance, though comprehensive, should be reformed soon to avoid deficits.

It is challenging to sustain the living expenses and provide adequate supports for the aged in Taiwan.



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