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## ***Feature Article***

### **The Growth of Taiwan's Aging Population and Its Socio-Economic Consequences**

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#### **Abstract**

The purpose of this paper is to examine the socio-economic consequences of Taiwan's aging population. I begin with a portrait of growth of aging population in Taiwan during the Nationalist ruled era from early 1950s to the current. Then, the social and economic consequences from the expansion of the aging population are outlined and discussed from a sociological point of view with focus on the responses by the government and society. Finally, policy recommendations are offered to tackle these newly emerging problems. This paper does not touch geriatric issues, but deal with only applied gerontological matters in hope the findings will provide policy makers insight and options in their designs for bettering the life of the elderly in Taiwan in the future.

# **The Growth of Taiwan's Aging Population and Its Socio-Economic Consequences**

**Wen-hui Tsai<sup>1</sup>**

## **I. Introduction**

One of the main salient characteristics of the twentieth century world history is the rapid expansion of human population. It had taken humans millions of years for world's population to reach its first billion in 1850, but it took only another 120 years to reach its second billion in 1935. World population reached the third billion in 1960 and the fourth billion in 1975. By the end of the twentieth century in 1999, the world population had climbed up to six billions. Thus, it is clear that the fastest growth of human population occurred during the twentieth century. Although the speed of growth has begun to show a slow down in recent years, the world population still climb to 6,752,807,231 by October, 2007.

Alongside with the population expansion, the world has also witnessed the rapid growth of population aging in major regions. The proportion of aged population in total population has increased rapidly not just in most developed regions, but also in less developed regions. The 65-and-older population increased from 131 million in 1950 to 420 million in 2000, said the report from the U.S. Census Bureau and the National Institute on Aging. Over the 1990s, the increase was about 2% each year. The one-year increase of 9.5 million between 1999 and 2000 was unprecedented, Nancy Gordon, associate director for demographic programs at the U.S. Census Bureau, said "Global aging is occurring at a rate never seen before and we will need to pay close attention to how countries respond to the challenges and opportunities of growing older."

Such a rapid growth of aged population has caught the attention of researchers, government policy makers, and general public. Two areas of aging issue have been focused. One area of study has concentrated on the study of aging process and the life of the elderly. The researchers are interested in finding ways of helping elderly to achieve a "successful aging." Geriatric medicine advancement has been very astonishing which helps to keep the aged much healthier than a generation ago. Geriatrics is more interested in physical health of the elderly, while social gerontological studies take the aim at the improvement of elderly life in social and psychological spheres. They investigate the leisure activities of the elderly, social relationships with friends and relatives, and patterns of elderly living.

Another area of study examines the impacts on society and people's daily life from

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the increase of aging population. The researchers want to know such questions as how national economy is being affected? Can countries provide adequate health care? What kind of pension and retirement systems can retirees expect? How family as an institution is being compromised? The results from such studies of policy making and elderly welfare programs have raised the public's awareness of the problems the aged faced and have thus improved the quality of life for the elderly.

Taiwan's population is aging as well. The proportion of those aged 65 and older population reached 7 percent in 1993, qualified it as an "aging nation" defined by the United Nations and it is forecasted to be doubled to 14 percent in 2018, entering the "aged nation" status as defined by the United Nations. The speed of Taiwan's aged population expansion is the second fastest in the world, only slightly behind Japan. Jeremy Chen, director of Taiwan's CEPD (Council for Economic Planning and Development) Department of Manpower Planning, says "aging is a common phenomenon to all industrially advanced countries. But what is worrying is that Taiwan's pace of aging is twice as fast as the Western European countries' average of 50 years for the transition from an aging to an aged society."

The purpose of this paper is to examine the socio-economic consequences of Taiwan's aging population. The paper will begin with a portrait of growth of aging population in Taiwan during the Nationalist ruled era from early 1950s to the current. The paper will show patterns of demographic transition Taiwan has experienced and the history of changes of the aging population during the second half of the twentieth century and beginning years of the twenty-first century. Then, the social and economic consequences from the expansion of the aging population will be outlined and discussed from a sociological point of view with focus on the responses by the government and society. Finally, policy recommendations will be offered to tackle these newly emerging problems. Thus, this paper will not touch geriatric issues, but dealing with only applied gerontological matters in hope the findings will provide policy makers insight and options in their designs for bettering the life of the elderly in Taiwan in the future.

## **II. The Demography of Aging Population in Taiwan**

The expansion of the aged population in Taiwan is most alarming. In 1952, the aged, or those aged 65 or above, was estimated as 203,000, but it reached 2,276,000 in 2005, a nearly nine times growth. The share of the aged in total population increased from a mere 2.5 percent to 9.9 percent in 2006. It is projected to reach 10 percent in 2007, as forecasted in a Ministry of the Interior report.

The increase of the number of the aged in Taiwan's population can be attributed to the prolonging of life. Available data shows the life expectancy at birth was recorded as 65.2 years for male and 69.7 for female in 1966, it is expanded to 73.6 for male and 79.4 for female in 2004. At the same time, the life expectancy those near retirement at age 60 increased from 14.5 years for male and 16.7 years for female in 1966 to 18.9 for male and 22.3 for female in 2003. The newest life table figures show the life expectancy

at birth for male is 75.1 and for female is 81.9 in 2007.

It is thus clear that the lowering of death rate and the prolonging of life expectancy have been the main two factors in the increase of the number of the aged in Taiwan's population. The lowering of birth rate and total fertility rate, in combination with the increase of the real number of the aged population then enlarge the proportion of the aged in Taiwan's population distribution.

Government statistics also indicates a larger aged female population than male population in recent years. The sex ratio, which is defined as the number of males in per 100 females, among those aged 65 and above is 97.6 in 2006, meaning there are more elderly women than elderly men in today's Taiwan. Such a sex ratio is however consistent with those of other advanced nations in the world.

As a consequence of the enlargement of the aged population and the shrinking of working age population, Taiwan's index of aging has shown a rapid growth as well, increased from 6.2 in 1966 to 55.2 in 2006.

Sensing the urgency of population aging, the Ministry of Interior conducted a number of island-wide surveys on the life of the elderly periodically. The latest survey was conducted in 2005 with a total sample of 5,815. The sample includes 3,044 aged between 50 and 64 years old and 2,771 aged 65 and above.

Among those aged 65 and above, the survey found 57.53% are married, 38.48% widows or widowers, 2.48 divorced or separated, and 1.50 unmarried. The aged males have a higher marriage rate (71.67%) than aged females (43.42%). The study also found 37.87% living in a three generation family that consists of grandparents, adult children, and grandchildren, while 22.49 % of the aged living in a two generation nuclear families. 22.20% live with spouses, and 13.66% living alone. Nearly two thirds of the aged indicated that living together with their children and grandchildren would be the most desirable pattern of residency.

In the survey, it found 11.58% of the aged rate their health excellent, 58.48% rate their health acceptable, while 22.83% reported poor health and 6.69% severe poor health. 65.20% also reported having severe or chronic illness, while 34.42% reported none. Among those who were hospitalized during the past 12 months, the main caregivers were family members. The survey found sons are both the main and secondary caregivers: 30.86% said their sons were the main caregivers and 24.07% the secondary caregivers. 15.45% said their daughters were the main caregivers and 14.20% secondary caregivers. It is interesting to note that spouses were main caregivers (21.10%), but not secondary caregivers (3.79%).

The financial condition of the aged in the survey shows help from adult children is the main source, 53.37% reported that money from their adult children is the main income source. 24.94% listed their retirement pensions, saving, and investment assess. 33.34% depended on government relief, and 11.78% listed their income from work as the main economic source. Moreover, 91% of the aged said their children and grandchildren did not need financial assistance from them.

The findings summarized in the above are taken from the *Report of the Senior Citizen Condition Survey 2005, Republic of China*, conducted by Ministry of the

Interior in 2005 and published in 2006. The Report shows a relatively healthy picture of the aged surrounded by family members.

Nevertheless, there is no question that Taiwan's population is getting old fast. The combining forces of ever expanding aged population and the fewer number of children born have created a situation that both government policy makers and the general population can not ignore. What are the consequences? And how shall the society respond to these changes? These crucial issues will be discussed in the next two sections.

### **III. Socio-economic Consequences of Population Aging**

The size and structure of a population will shape social systems in every society. A country such as China with a population of more than one billion is likely to have a more complex society system than those of any other countries with a smaller population. Similarly, a country like Taiwan with a fast growing aged population will likely be faced with series of consequences than a country with a youthful population.

One of the major consequences of the aged population growth is the imbalance of working age population in against non-working age population. Dependency ratio is a measurement of the number of both young (0-14) and old (65+) in against the working age population. The smaller the dependency ratio, the more economic burden placed on the working age group to support both the young and old. The projection by the Economic and Development Council shows that by 2051, the aged population will constitute 37% of Taiwan's total population and the dependency ratio will lower to 33 in 2026 and 15 in 2051. One economist warns that "If in the next 20 years Taiwan is unable to enhance its labor participation ratio and the added-value productivity of the employed, Taiwan's GDP per capita will be lower than the current level. That is, as the labor force dwindles, Taiwan's GDP per capita will decrease."

The worsening of dependency ratio will undoubtedly affect the economic productivity of Taiwan in the future. It will also alter the cost and benefits of pension and social security paid to the aged, when more and more the aged entering the retirement age eligible for social security and national pension.

An analysis of the government's expenditures in elderly welfare reveals a trend of rapid growth. According to available data from the government, only 5.4% of the elderly received living allowance from the government in 1994. It is expanded to 71.7% by 2006 that includes NT\$8,643 million paid as subsidies for the median and low income aged, NT\$41,216 millions as living allowance for the aged farmers, and NT \$27,914 millions as living allowance for aged citizens with a combined total of NT \$77,773 millions, roughly equivalent to US\$2,356.8 millions (Accounting Office, 2007). In addition, the social security expenditure was increased from 9.4% of Taiwan's GDP in 2000 to 11.1% in 2005. Consequently, the welfare expenditures for the aged now is weighted more heavily than welfare for children and women.

Some economists nevertheless see the growth of the aged population as a new

opportunity for a new type of economic structure. Instead of viewing the aged as economic burden, they see the emergence of new industries that target the aged as new consumers. Health care services, leisure industry, insurance, and entertainment business for the aged can add new life into national economy. The new industry has been labeled as the "Senior Industry," that closely related to all aspects of aging lifestyle such as food, clothing, accommodation, transportation, recreation and entertainment.

The data provided by the Food Industry Research and Development Institute also reveals a change in Taiwan's food industry due to the increasing size of the aged and an "eat-out" population. The Industrial Development Bureau of the Ministry of Economic Affairs points out that production value of health-preserving food in Taiwan accounted for approximately NT\$38 billion in 2006, representing an annual growth rate of 10%. Market projections reveal that amount growing to NT\$46 billion in 2008. As the aged population grows, health-preserving food is expected to become a key product of the food industry.

Another immediate effect from the imbalanced age distribution in Taiwan is the increase of foreign laborers. Import of foreign labor began in the late 80's and early 90's when Taiwan's population began aging. Population aging was partly responsible for the increased foreign labor force entering Taiwan in recent years. The depth and extent of immigration issues correspond to demographic issues. The government began to permit foreign laborers to enter Taiwan in October 1989 and with the implementation of the "Policy to the Open Door to Laborers of Foreign Nationalities" in 1989-1992, the number of foreign laborers in Taiwan has increased. The great majority of the foreign laborers come from south-east Asian countries and nearly half of them employed in social welfare related works such as home care for the elderly and household maintenance work. According to government's data, foreign laborers now constitute 11.4% of Taiwan laborers who have middle school or lower educations.

The actual number of foreign laborers in Taiwan is higher than the data gathered by the government reported in the above table, for there are a large number of illegal immigrants entering Taiwan labor market undocumented, including those who arrive from the Chinese mainland.

Related to the importation of foreign laborers to Taiwan, there also has a steady increase of foreign brides marrying to Taiwanese. Many of these foreign brides are married not just for providing family or small business cheap and unpaid labors, but also for helping their new families in taking care of the elderly with many of them disabled.

In an analysis of foreign brides in Taiwan, Wen-hui Tsai explained, "The majority of foreign brides come to Taiwan not for seeking job employment, but for serving as "daughter-in-laws." In most of the cases, the husband's families expect these women to do household chores, to take care of their aging parents at home and to give birth to a child, preferably a son. Those women who show interest in finding work outside the house often encounter a double-edged difficulty: their own lack of education and job

skill and a strong resistance against their employment from their husband's families." Marriage a foreign daughter-in-law provides a much stable primary care giver to aged parents than hiring a stranger from a foreign country. It is a much better arrangement both economically and emotionally to needed family in time of lower fertility rates.

Relying on foreign laborers and/or foreign brides to take care of the elderly is not without cost. First of all, there is a language barrier between the host family and foreigner workers. The elderly often find it difficult to communicate with their helpers of foreign nationality. Secondly, the great majority of foreign laborers and foreign brides are unskilled and untrained in providing quality care to the elderly for they are often uneducated or with a minimum education in their home countries. Thirdly, foreign laborers and foreign brides are alone in Taiwan that has a different cultural custom and moral demand and consequently, they often are depressed and lonely. All these difficulties must be tackled if foreign laborers and foreign brides are to be counted for providing quality care to the elderly in the future.

Another impact from the graying of Taiwan's population and the lower fertility rate is the change of family relationships. Although the idea of having five generations living under the same roof was a perfect norm in Chinese traditional value, there were in fact very rare due to shorter life expectancy in the past. The interactions between grandparents and grandchildren were rather exceptional. However, the opportunity to have a grandparent and grandchild living under the same roof becomes more frequent as the life expectancy extended in Taiwan. Government statistics show that the idea pattern of housing in Taiwan is a three generation family that includes grandparents, adult children, and grandchildren living together. A majority of the aged also express the wish to live together with their adult sons as well.

Consequently, the responsibility of taking the aged parents falls to the hands of adult children, especially those of adult sons. Adult children now are the main primary care givers in Taiwanese family. Unfortunately, most of adult children and their spouses are employed outside the home, the heavy demand of providing care to the aged parents thus create tensions within the family. Traditional concept of filial piety has become unattainable in today's Taiwanese society.

In summary, changes have occurred in Taiwan from the impacts of graying of Taiwanese population. Certain adjustments are needed to accommodate these changes and to avoid potential severe social problems in the future.

#### **IV Government Policies and Societal Responses**

As early as 1980, the government passed the first version of the Senior Welfare Act to regulate welfare programs provided for the aged and to detail budget sources and elderly care professional training requirements. The Act had gone through several revisions with the latest one done in 2007.

Since then, several measurements have been taken to counter emerging aging

problems and to ensure a better care for the aged. National Health Insurance Act was established in 1994 and the National Pension Act was passed by the legislators in 2007. Both Acts have profound impacts to the well-being of the aged in Taiwan.

A major part of the welfare programs provided to the aged in Taiwan is covered by the Social Benefits available to all citizens in need. Social Benefit payments are cash or in-kind such as costs to cover free bus pass, homecare, institution care, and meals to the residence provided to individuals and families that need assistance. In 2005, the cash payment in social benefits were NT\$647.8 billions and in-kind supplements were NT\$539.6 billions. Among them, NT\$565.1 billions were cash payments to the aged.

The central government welfare programs for the aged include the followings:

- a) Living allowance for mid or low-income senior citizens;
- b) Living allowance for the disabled or mid or low-income senior citizens;
- c) Veteran's living allowance;
- d) Old-age farmers' welfare allowance;
- e) Old-age citizens' welfare living allowance; and
- f) Old-age indigenes' welfare living allowance.

In addition, the following programs are run by local governments:

- g) Extra old-age farmers' welfare allowance;
- h) Extra old-age citizens' welfare living allowance;
- i) Elder Day Festival grants; and
- j) Special Festivals grants

The National Health Insurance programs provide an extensive health care coverage for all citizens in Taiwan. The government also provides a number of supplement assistance programs specifically designed for the aged that include 1) national health insurance premium subsidies to mid-income senior citizens aged 70 or above; 2) elderly in-home service; 3) elderly day care service; 4) nutritional meal service for mid or low-income senior citizens; 5) elderly protection for the aged living alone and on-line emergency call; and 6) housing assistance for low-income senior citizens.

A White Paper on Population Policy was announced by the government in February, 2008 as a planning guideline for future population policy development. The White Paper indicated that the total fertility rate in Taiwan in 2007 was 1.1, among the lowest in the world, while the aged population reached to a record high of 10.2%. The White Paper further reports one out of 5.5 couples in Taiwan is cross-national marriages, and nearly 10% of new-born babies are from such cross-national marriage families. The White Paper stipulates several policy proposals for various governmental agencies to implement, including incentives for families to have more children and the establishment of long-term care facilities for the disabled aged.

Meanwhile, societal responses toward constituting an environment conducive to elderly living are extremely positive. Nursing homes for the disabled aged and new



communities for the aged funded by private sectors are on the rise. A number of civic organizations have also been organized to assist the aged in their pursuit of a better way of life after retirement. Churches and traditional Daoist religious groups have set up adult education programs for the aged and medical hospitals to treat elderly illness. Throughout the island, business stores also often offer special discounts for aged customers. Elderly physical exercise groups are seen regularly in public parks and school yards.

Researches on aging problems are on the rise as well. The first integrated academic unit of the study of aging, the Graduate Institute of Gerontology, was established at National Cheng-kung University in 2007. It has a mission to train both graduate academic students and practicing physicians the art of geriatrics and gerontology. It is hoped that the Institute will become not only the training ground of specialists in the field of aging studies, but also the center to coordinate all research activities in Taiwan on the study of aging.

## **V. Policy Recommendations**

Aging is a global trend in the 21<sup>st</sup> century. Taiwan is no exception. There is no doubt Taiwan is aging fast. But fortunately, both government agencies and social organizations are responding to this drastic change in a timely fashion. Whether Taiwan can meet the challenge successfully nevertheless remains to be seen.

Several measurements can be taken in dealing with the aging problem in Taiwan effectively:

First, incentives need to be provided to encourage people to have more children. Incentives could include monetary rewards, tax exemption, or lowering educational cost for children born in the future.

Second, Encourage family to take care of their aged parents at home. Special cash allowance may be awarded, or special housing arrangements for families that are willing to live with their aged parents.

Third, special training sessions should be provided to foreign elderly care workers and foreign brides to improve their knowledge and skill in taking care of the aged in Taiwan.

Fourth, expand funding opportunities for research and teaching in geriatrics and gerontology that explore the living condition of the aged.

Fifth, a monitoring system is needed to supervise the operation of nursing homes and long-term care facilities for the aged. Elderly abuse should not be tolerated.

Sixth, within the national health insurance system, special attention could be given to the health of the aged and the care given to them.

Seventh, street signs, public rest rooms, public park facilities, and other public spaces should be modified to accommodate the special need of the aged.

Finally, both government policy makers and the general public should take a holistic view of aging that involves physical, psychological, and social well-being of the elderly. Aging in place should be seen as the essential component of a successful aging in Taiwan.

The above policy recommendations are not all inclusive. Other changes may be made if situation calls for it. The aged should not be seen as a liability of the society, but an asset of Taiwan. Welfare programs may cost funding shifts from other worthy programs, but they are well spent. If Taiwan does not do something now, the aged problem will eventually cost more in the future.