

Who will support the elderly?

Changing economic lifecycle reallocations in the Taiwanese Economy, 1985 and 2005

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Introduction

- Literature shows “raising children for old-age security” in the Taiwanese economy
- With enormous social, economic and demographic change, informal system may weaken.
- Who are supporting elderly now, what should public sector do, what should people prepare for old-age?

Objective

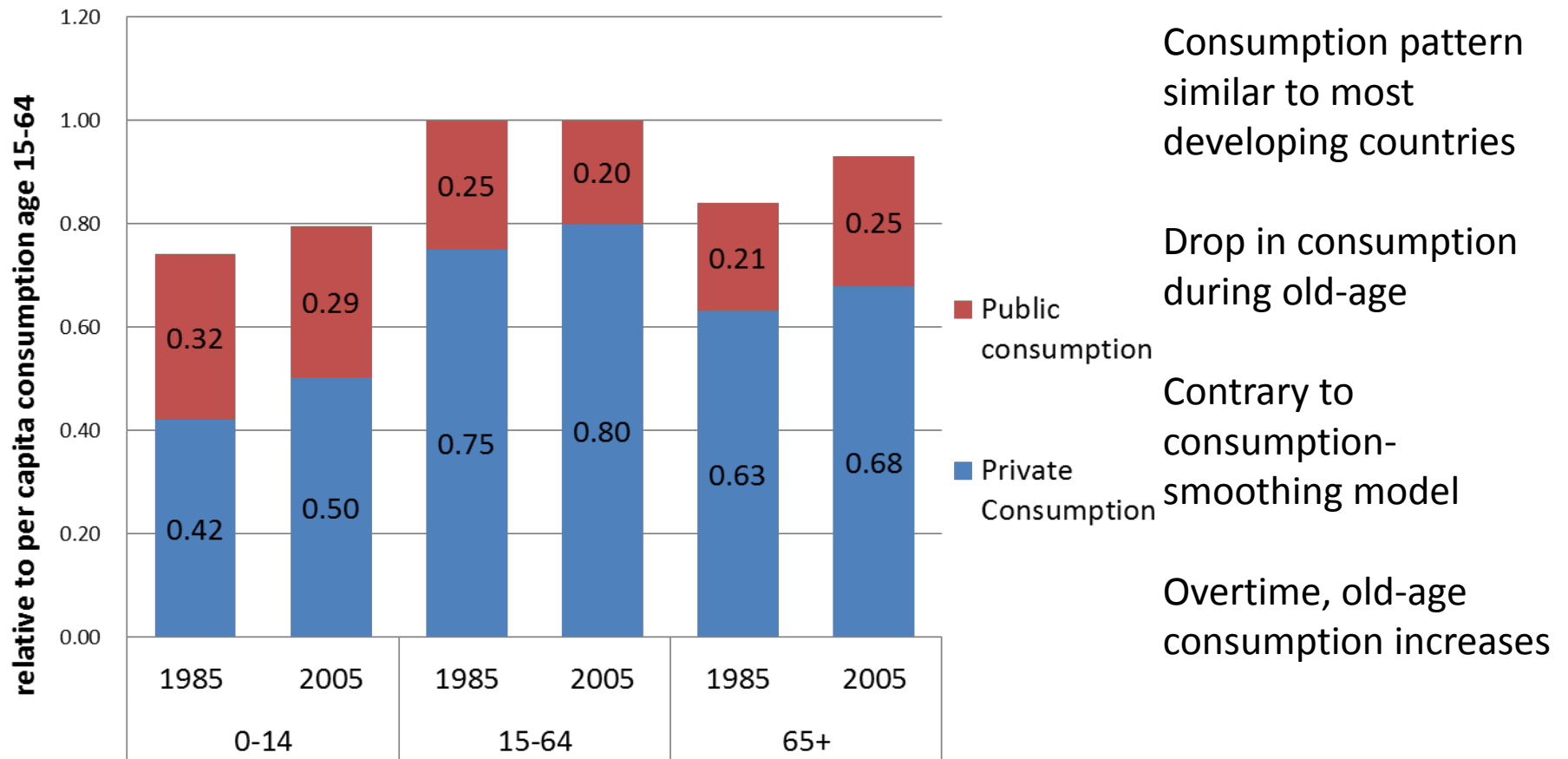
- To examine the changing pattern of old-age financing between 1985 and 2005.

Data

- Family Income and Expenditure Survey 1985, 2005
- National Income Accounts 1985, 2005
- Public statistical reports (National Health Insurance, number of student enrolled, public expenditures by student level, etc.)

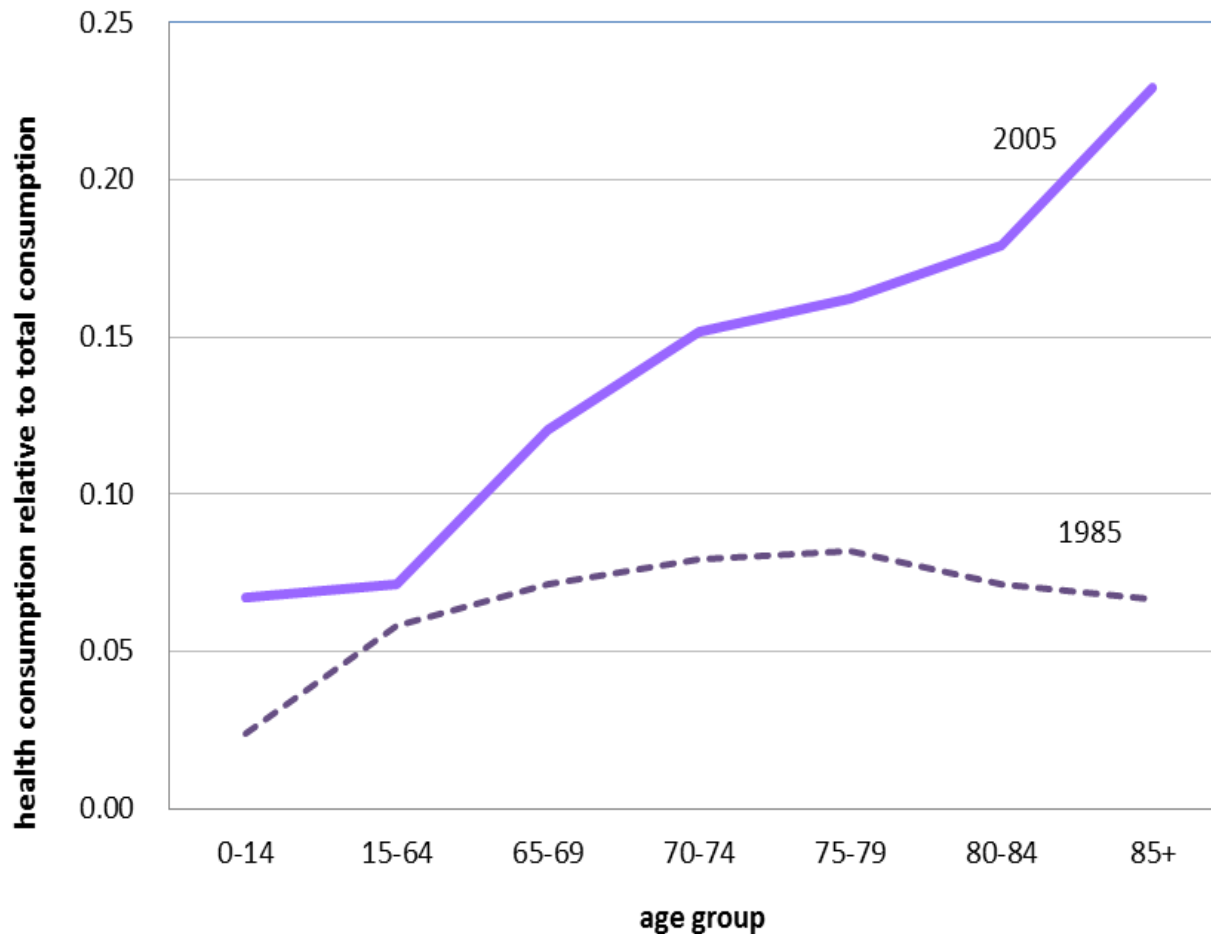
Lifecycle Consumption Pattern

Figure 1: Per capita consumption by age, 1985 and 2005



How much is health consumption overtime?

Figure 2: Per Capita Health Consumption by Age, 1985 2005

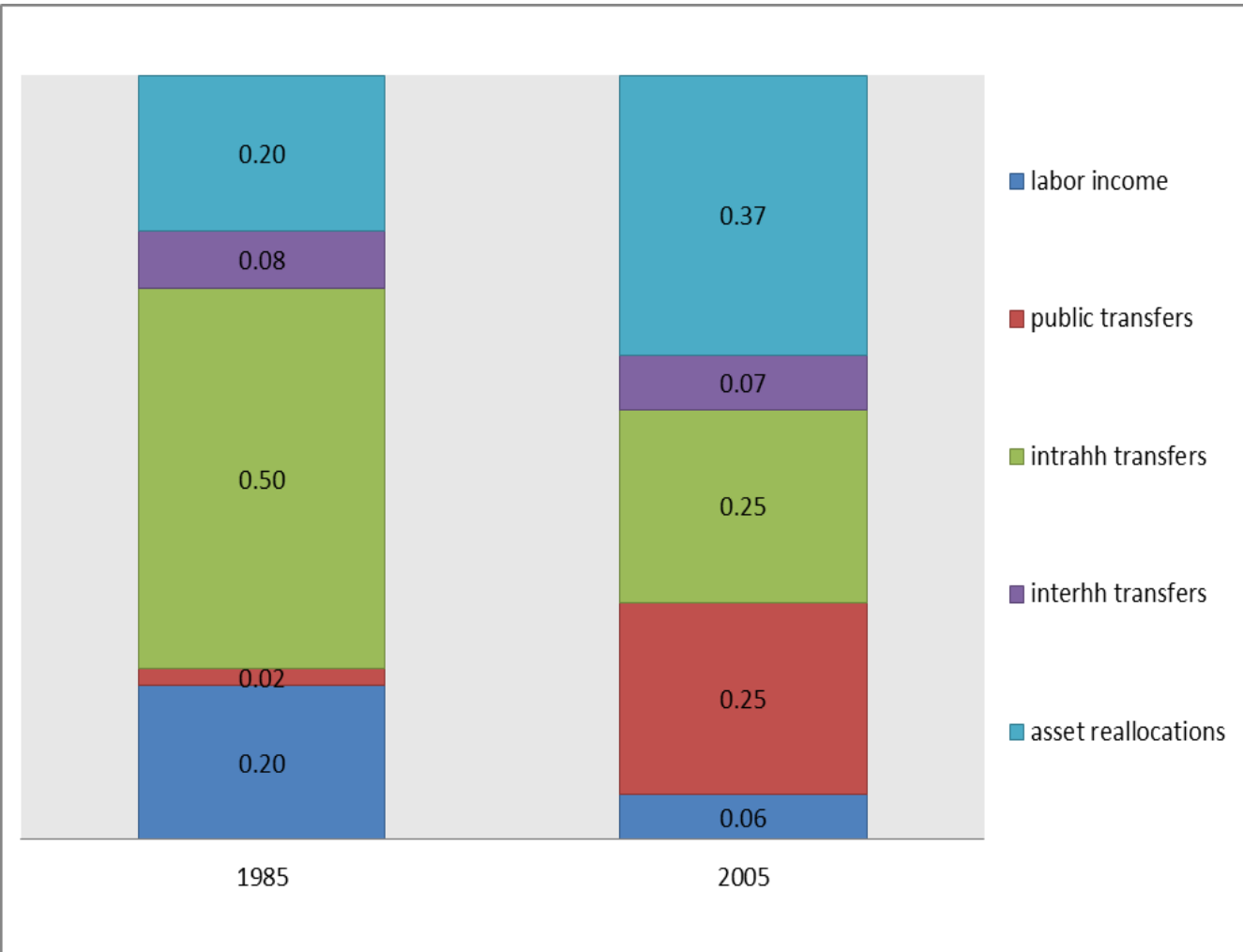


Health consumption for elderly increased tremendously

Health consumption is mainly provided by National Health Insurance

How is old-age consumption being finance?

Figure 3: Finance of Consumption for Older Persons 65+



1985

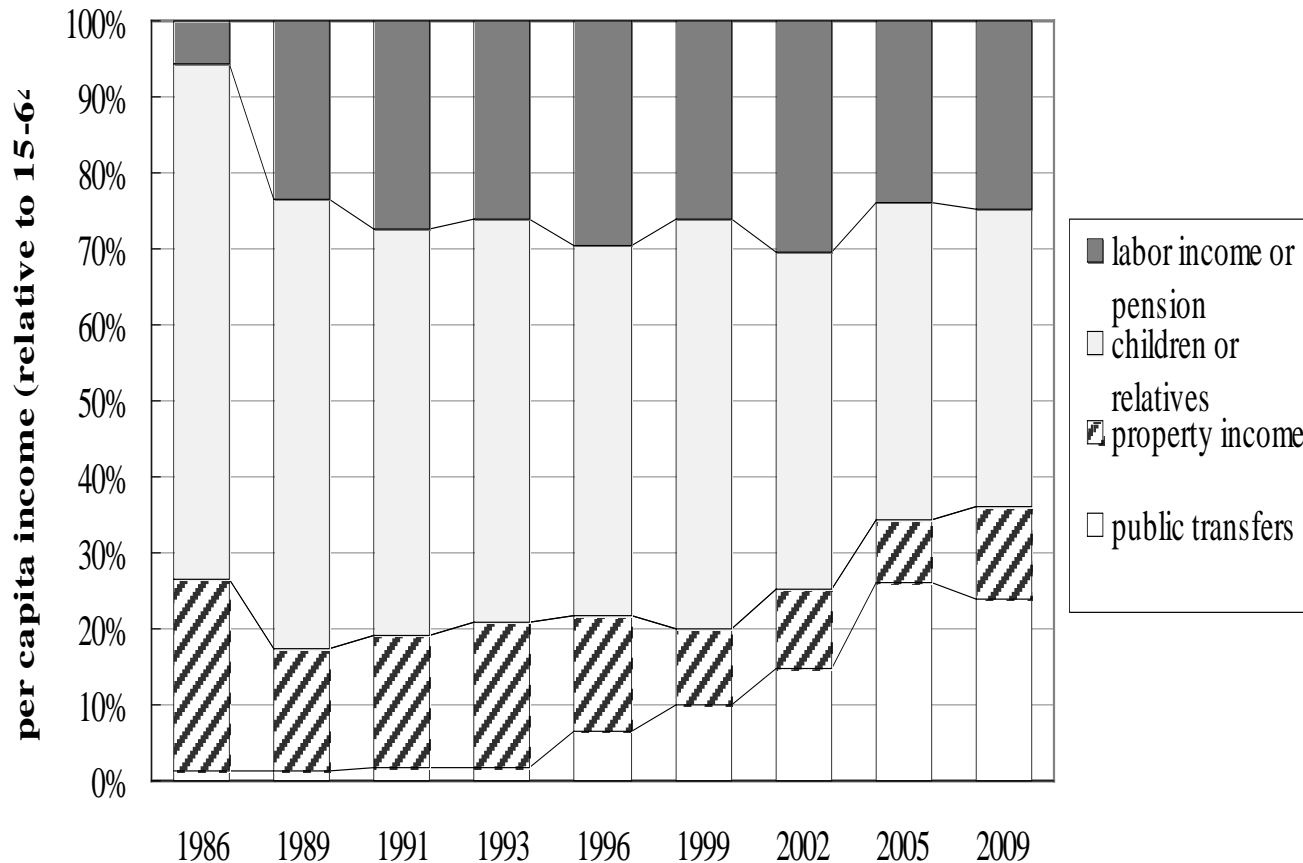
1. Intra-household transfers
2. Labor Income
3. Asset Reallocations

2005

1. Asset Reallocations
2. Familial transfers
3. Public transfers

Verifying with other data

Figure 4 Sources of income for older persons aged 65+, 1986-2009



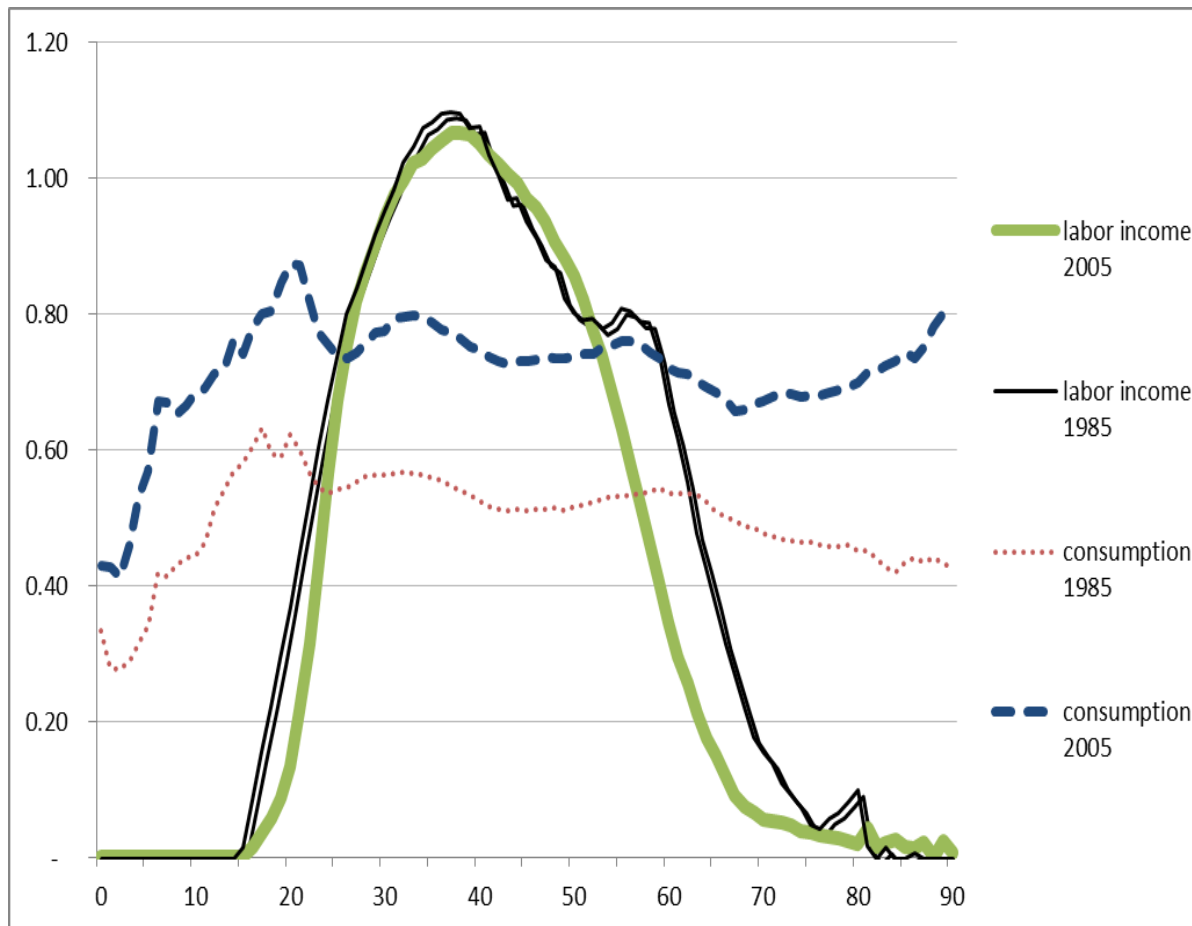
Results are similar with some differences that are due to variable definition.

Eg. Familial transfers, Property income

1. Getting less from labor income
2. Increasing self-reliance on old-age
3. Rising role of public transfers
4. Lesser reliance on family

1. Getting Less from Labor Income

Figure 4. Per Capita Consumption and Labor Income by Age, 1985 & 2005



2005 labor income starts later at young but decline earlier at old age

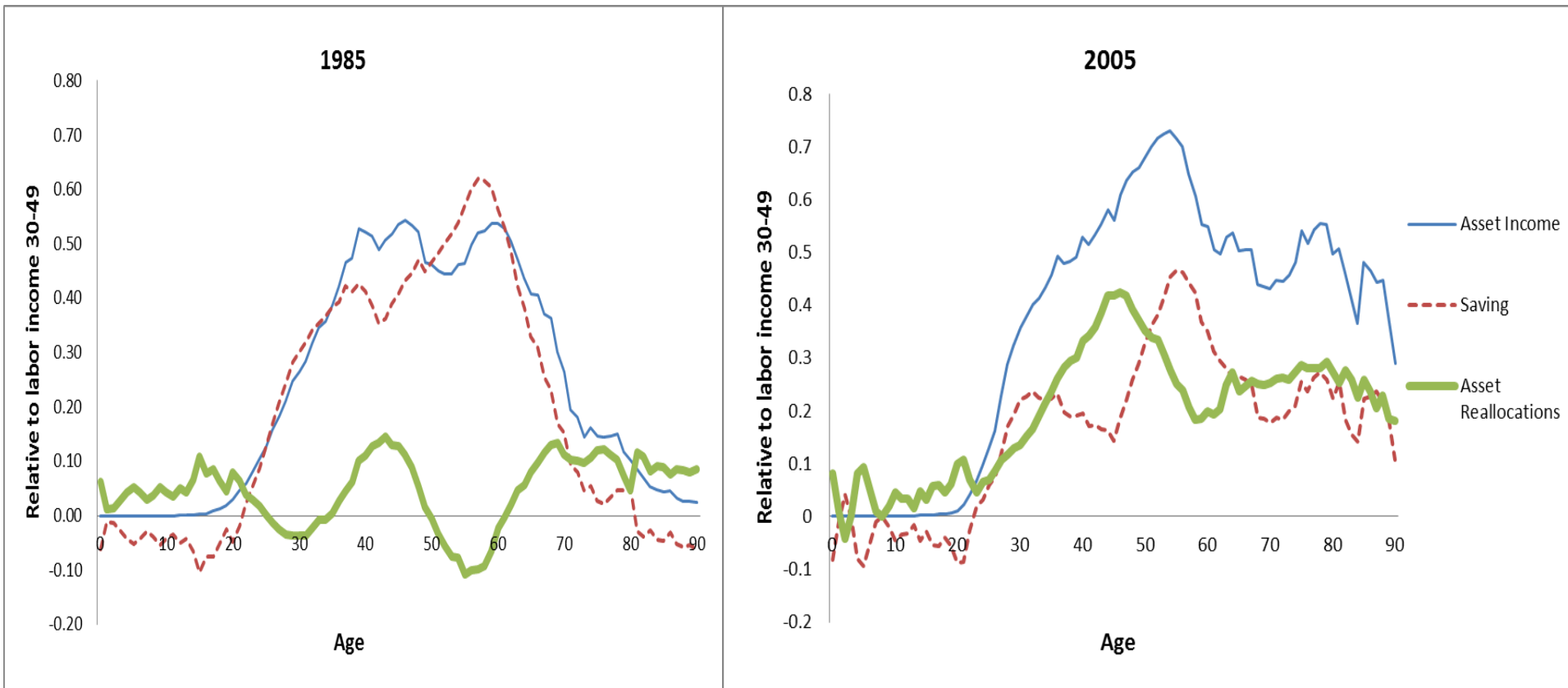
Trend: LFPR ↓ Unemployment rate ↑

Table 1 Labor Force Participation Rate and Unemployment Rate by Year and Age

Labour Force Participation Rate								
Year	age 15+	age 15-19	age 20-29	age 30-39	age 40-49	age 50-59	age 60-64	age 65+
1985	59.49%	31.39%	66.63%	73.36%	72.43%	61.39%	40.75%	9.75%
1995	58.71%	18.38%	69.14%	77.11%	75.73%	60.64%	40.95%	9.79%
2005	57.78%	9.20%	64.23%	79.74%	75.20%	56.72%	31.78%	7.23%
2011	58.07%	7.94%	63.83%	80.91%	76.61%	56.87%	31.70%	8.08%
Unemployment Rate								
Year	age 15+	age 15-19	age 20-29	age 30-39	age 40-49	age 50-59	age 60-64	age 65+
1985	2.90%	8.19%	5.08%	1.58%	1.10%	1.17%	0.84%	--
1995	1.79%	5.88%	3.73%	1.18%	0.79%	0.59%	0.34%	--
2005	4.13%	13.89%	7.99%	3.35%	2.93%	2.89%	1.98%	--
2011	5.21%	12.00%	10.92%	4.90%	3.99%	3.43%	1.64%	--

2. Increasing self-reliance on old age

Figure 6. Per Capita Asset Reallocations by Age, 1985 & 2005

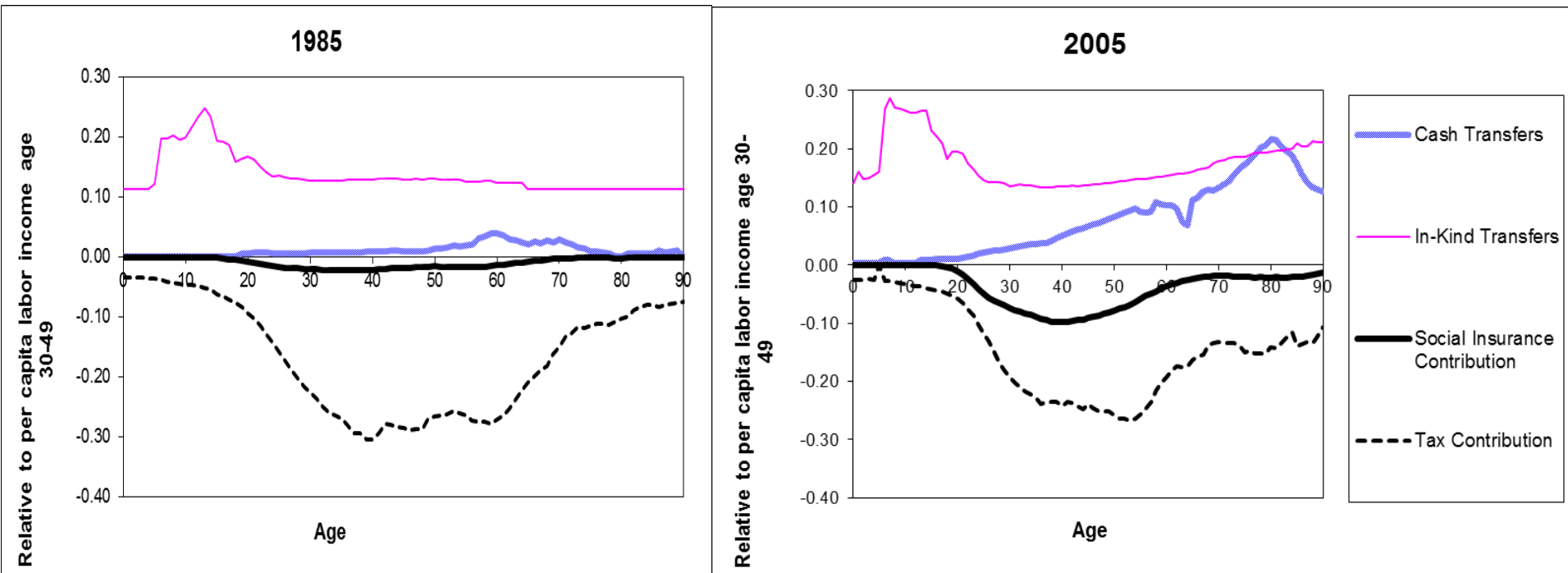


Elders are not dis-saving but saving, which is at odd with lifecycle standard model

Accumulating wealth to leave bequests, to compensate descendants with tax burdens?

3. Rising role of public transfer programs

Figure 7. Per capita public transfers by age, 1985 & 2005



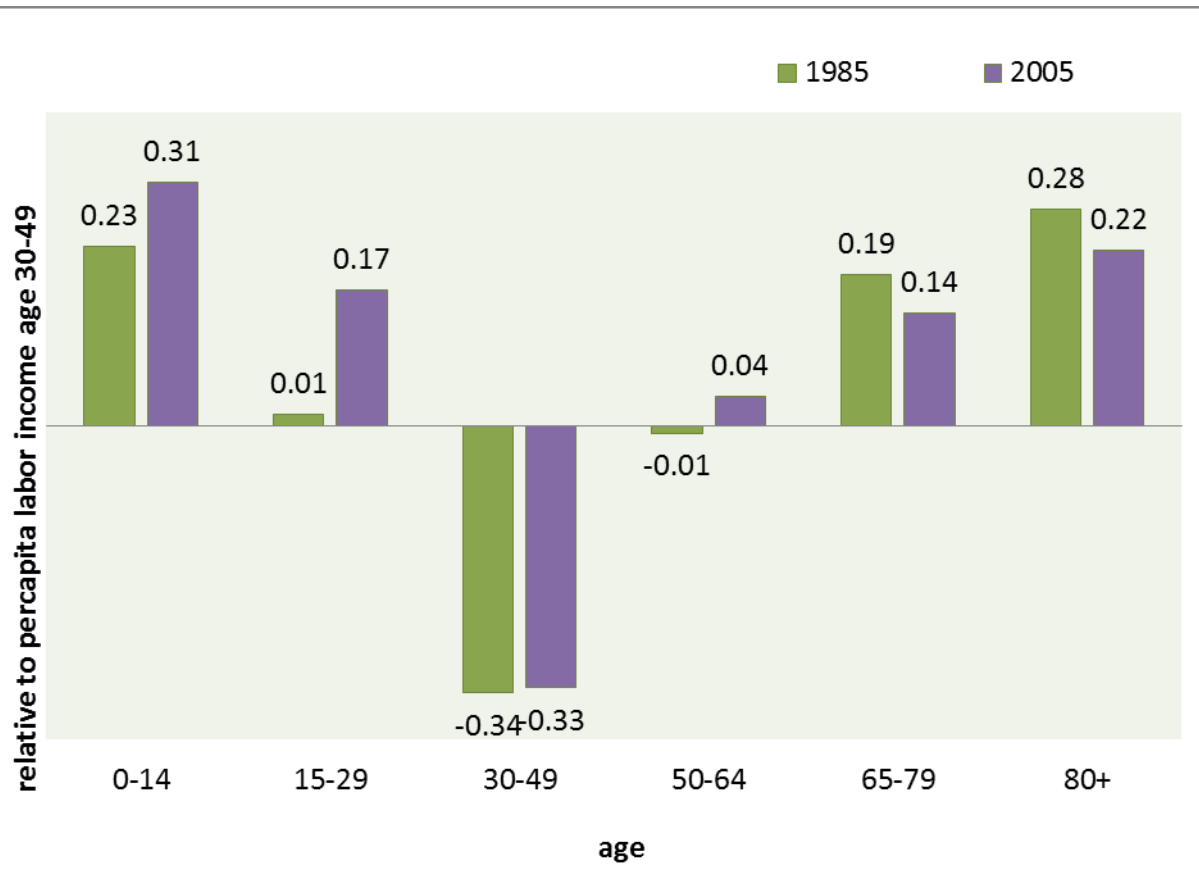
Old Age Allowance Program (1993); USD90-170; low-income elderly; 70% of 65+; 1/4 cons

National Health Insurance (1995)

Labor Insurance (1958); 50% workforce; Contribution 6.5% (employee 20%, employers 70%, gov 10%); lump-sum benefits

4. Lesser reliance on family

Figure 8. Per capita net intra-household transfers by age, 1985 & 2005



Elderly are still net receivers

Elderly living independently

1988: 25%

2009: 42%

Elderly as household heads

1985: 5%

2005: 16%

Will Taiwan become like
Japan in terms of familial
transfers trend?

Conclusions

- Elderly total consumption increases
- Old-age financing shifted from the family to the public and from labor income to asset income
- How will financing be in the future?

Thank you