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台灣高齡貧窮現象之研究

Poverty among the Elderly in Taiwan :

An Insight from Japan's case

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## ABSTRACT

In view of the change in demographic structure in the past few years, Taiwan has become the country with the fastest speed of population aging. The aging population has become a major issue. Japan has the highest ratio of aged citizens, and the widely discussed phenomena of elderly poverty (The low-living elderly). Thus, this study based on Japan's case, has systematically reviewed, analyzed, and secondary data, in order to provide the overall and future trends of elderly poverty situation in Taiwan. The study probes into the emergence of the “elderly poverty” problem and try to find out the extent of this problem and its future outlook, to explore the causes of the “elderly poverty” problem in Taiwan and the official measures for alleviating elderly poverty. The research found that more than 50% of the elderly was the poorest households with the lowest income, nearly half of the elderly population falls to the lowest and poorest level, shows “the low-living elderly” phenomenon has increasing in Taiwan’s society. The causes of the elderly poverty in Taiwan: 1. the labor pension is too low (less than the necessary living expenses); 2. unstable employment (low income work); 3. family care function are decline (the elders living alone has keep rising); 4. early to exit from the labor market (lack of deposits). The weakened social security system are the main causes for the rising old-age poverty. The elderly poverty exists widely and need to promote public awareness for prepare adequate deposit in retirement, strengthen care function of community and focus on the elderly poor issues. For overall pictures of elderly poverty in Taiwan is worthy of further investigation and discussion.

*Keyword: Elderly poverty in Taiwan, The low-living elderly, Elderly poverty,*

*Elderly living-alone, Social welfare policy, Aging society in Japan,*

## 摘要

有鑑於過去人口結構的變化，台灣已成為人口老化速度最快的國家，人口老齡化已成為一個重大議題。而老年人比例最高的日本，卻出現廣泛的老年貧窮（下流老人）現象。因此，本研究以日本的情況為依據，對台灣老年貧窮的整體概況和未來趨勢的發展進行資料整合與分析。主要探討台灣“老年貧窮”問題的出現，並找出其影響的程度及其未來的發展，後續並深入分析其造成台灣“老年貧窮”問題之關鍵指標因素，以及政府解決老年貧窮問題的政策與措施。研究發現，超過五成老年人口落在最低收入、最貧窮層級的家戶中，顯示台灣社會的“老年貧窮”現象有所增加。而造成台灣老年貧窮的原因為：一、退休養老金不足（低於基本生活開銷）；二、就業（低薪的工作環境）；三、家庭養老功能下降（老人獨居比率不斷上升）；四、太早離開勞動力市場（儲蓄不足）。研究結果顯示，弱化的社會保障制度是老年貧窮比率升高的主要原因，而老年貧窮的現象亦廣泛存在於台灣社會，因此建議需提升公眾意識，提早準備充足的退休養老金、並加強社區老人關懷功能、以及持續關注老年貧窮的問題。本研究結果可提供未來探討台灣老年貧窮議題之參考，相關研究值得後續做進一步的探討分析。

**關鍵字：**台灣貧窮老人、老年貧窮、下流老人現象、獨居老人、社會福利政策

日本高齡化社會

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## Chapter 1 Introduction

### 1.1 Motivation and Research Purpose

According to the World Health Organization (WHO), an “aging society” has 7%, an “aged society” has 14% of the people aged 65 and above. A “hyper-aged society” has more than 20% of the people aged 65 and above. The Health Promotion Administration, Ministry of Health and Welfare of Taiwan indicated that the speed of population aging in a country is estimated by the “number of years” it takes to have the ratio of elderly population to increase from 7% to 14%. It took 85 years for Sweden and 73 years for the United State. Taiwan has become an “aging society” since February 1993. Based on the estimation by the Council for Economic Planning and Development (2013), the ratio of 65 and older population in Taiwan will reach 14% by 2018 and Taiwan will become an “aged society”. The number of years to move from aging-society to aged-society in Taiwan is about 25 years, much faster than the ones for many European countries. In view of the change in demographic structure in the past few years, Taiwan has become the country with the fastest speed of population aging. And Taiwan will even become a “hyper-aged society” by 2026 and the “oldest” country in the world by 2033, exceeding Japan (National Development Council, 2013).

Aging population has become a major issue, and the resulting problems have

gradually emerged. Known for its increasing number of the elderly, Japan has the highest ratio of aged citizens in its borders. The burden of social welfare on Japanese government became heavier and has gone beyond the government's reach. More and more people fall out of the social safety net and all kinds of problems emerge one after another, such as the widely discussed phenomena of "elderly bankruptcy" and "old-age poverty."

*"The low-living elderly"* (中译：下流老人；日语：かりゅうろうじん, means: old-age poverty), suggests elders who eke out a living and are forced to live on "low income" (in the middle-low class). It was Fujida Takanori (2015), a social worker working at the front line in elderly care who coined this term. Fujida Takanori indicated that there have been more and more poor elders in Japan. They barely make a living off basic social welfare. They can only afford a meal per day and buy over-the-counter drugs to relieve pain because they cannot afford the medical expense. They have no one to depend on and wait for death alone.

Fujida Takanori (2015) showed that more and more elders live like this in Japan in recent years. Usually people believe that they can live their retirement lives at ease as long as they have savings. However, that is not the case today because some people live in the cruel reality. It is really difficult to avoid elderly poverty even for people with the monthly income coming close to the salary of a white-collar worker. The major



reasons are the three characteristics of the old-age poverty. First, they live on an extremely low income or even live without any regular income. Second, they have small savings. Third, they have no one to depend on and suffer from social isolation. That is, they live an unhealthy elderly lifestyle despite the fact that they have a decent monthly income.

It is not rare that some elderly Japanese live in this way. Many of them did not fall below the “poverty threshold” at the beginning. Their annual income in general can reach the cost for living. However, most people do not make preparations in advance. People in general think that old-age poverty only happens to people with low income. Japan’s experience reveals that even people in the middle class can be stuck in such difficult situations when getting old.

According to a 2016 Organization for Economic Co-operation Development (OECD) economic survey, in South Korea, almost half of its elderly population over the age of 65 live in poverty. With unstable incomes, a lack of assets and insufficient social protection, far too many senior citizens are struggling to get by, and many do fall into extreme poverty.

In Taiwan, the fast aging of population is evident. There were more than 3.1 million elderly population in 2016. Many people in Taiwan have not been much prepared for “aging”, either from economic or mental perspective. The annuity system

is insufficient and the long-term care policy has not taken effect. However, the era of elderly poverty is coming.

Numerous young adults with low-wage jobs might become the next group of "old-age poverty" ten or twenty years later if the root causes are not dealt with. This issue of old-age poverty motivated me to investigate further into the root causes of this problem. What is the state of the old-age poverty problem and what are the measures to combat the problem? Will Taiwan become the next Japan or Korea? Does the old-age poverty phenomenon exist in Taiwan? Will the phenomenon worsen?

This study explores the existence of the "old-age poverty" phenomenon in Taiwan. The idea of bringing up children for the purpose of being looked after in old age starts to decline due to low wage and sub-replacement fertility. Does this accelerate the occurrence of elderly poverty? If the problem of "old-age poverty" has emerged quietly in Taiwan, various post-retirement risks will erupt. Perhaps people who are not retired yet must cope with this problem before it is too late. This study will examine the formation of "old-age poverty" phenomenon. A key point of this study is to find out whether the current government policies can adequately address this issue.

## **1.2 Literature Review**

### **1.2.1 Elderly population and poverty**

Poverty is closely followed aging. In the discussion of people who live in poverty, the elderly are always a group of people who receive the most attention. That's because it's easier to become poor as one gets older. Rowntree (1922) mentioned old age can be one of the three stages in a worker's life when one faces poverty. Why do the elderly tend to be connected with poverty? Rejda (1994), mentioned some of the financial issues that the elderly may face, including income loss due to retirement or unemployment, longer years of living after retirement (including early retirement), and insufficient income. The elderly can easily feel unsafe about financial status under the condition of income loss and insufficient income.

Scholars from various countries have pointed out that an aged population usually comes with higher poverty rates. Since the population aging increased, developed countries have started to use the well-established social welfare programs to eliminate suffering of poverty for the elderly (Spicker, 1993; Lynch, 2001). Developing countries are now facing elderly poverty as well, which can complicate lots of issues, so these countries work hard on social welfare development (Ku and Zhan, 1998; Miao Chen 2004). It was detected that under the impact of an aging society, scholars and governments should be greatly concerned about elderly poverty issue in both developed

and developing countries.

Chen Kuan-zheng (2009) argued that population aging and low fertility rate can result in a change for intergenerational relationship for a number of people, change of the family pension resources, and change of healthcare resources. It actually reflects a change between supply and demand in the labor force. He also pointed out that the entire labor supply and demand have started to decline. The payment for the labor would be increased, and capital return rate would have been affected by such change. To put it simply, the elderly can certainly have some pension resources. However, under the condition of fast aging and population decline, it will cost a lot more to pay the healthcare expenses because the labor return rate has increases accordingly. Finally, the savings rate is in decline, and the risk of poverty is increased.

### **1.2.2 Living patterns of the elderly population**

Wang De-mu; Lu Chao-xian (1997) showed that the living patterns of the elderly would normally affect the financial security of the elderly themselves. For example, the elderly who live with children (such as three generation family household) can avoid living in poverty. However, the elderly who don't live with children (such as single elderly households), would have to depend on personal resources they have accumulated and government subsidies as source of finance. They tend to face greater financial risk compared to the elderly who live with their children. Blank and Blinder

(1986) divided the households into elderly households, single-parent households, parent households, and couple households. Blank and Blinder shows that if fewer people of a household work such as an elderly household or single-parent household, the household would likely to have a higher poverty rate.

Chen Jing-ping (2011) studied the data collected from a survey on family incomes and expenditures between 1997 and 2007. Family households, with elderly members were the main subject of this research (such as elderly single households, elderly couple households, and three-generation households). It points out that supporting each other with resource flows in three-generations can be quite obvious so that the elderly would not easily become poor. On the contrary, among the elderly single households and couple households, about 70% of households would fall into the lowest income quintile group.

Hsueh (2001) found that the poverty rate of single elderly people is slightly higher, and the lower educational level and the elderly people have the larger possibilities of falling into poverty. Hong Ming-huang (2011) analyzed annual household income and expenditure survey data from 1988 to 2008. The result showed that single elderly households, two elderly households and grandparent and grandchild households have the highest proportion of economic weakness, it is an issue that government needs to focus on.

Another study looks at psychological factors. Hsieh Mei-o (2013) found that some elder people after retirement, will indeed keep some distance with the outside world, Therefore, the fall back character of retired elderly people, result in poor quality of life. According to the above study, if the habit of living outliers, such as living-alone elderly, not taking the initiative to seek assistance, the elderly will not only easily fall into poverty, but also experience a sense of loneliness.

### **1.2.3 Source of finance for the elderly**

The source of finance for the elderly can be quite different from the source of finance for young people. Most elderly people depend on their wealth accumulated when they were young. Compared to young people, the elderly are more susceptible to living in poverty because they lack steady income and good financial support (Cowgill, 1986). Scholars have discussed the source of finance for the elderly to determine whether their possessions are sufficient enough to avoid falling into poverty. More actions should be taken by the government to check if social welfare system can eliminate poverty. It is noted that the lack of income is a factor that the elderly is closely connected with poverty.

Chan (1997) pointed out that since the income of the elderly started to decrease as they grow older, they are facing more risk as they are getting old. Besides, research results showed that as time goes by, the elderly would have to depend on the support of

the family or the society since their income and asset decreased. When there is no longer sufficient support, the elderly would have higher risk to fall into poverty.

Hong Hau-yi (2012) pointed out that old age pension can't even help to increase the welfare for single elderly households with low income. Thus, such a single measure of pension can't solve the poverty issue.

Based on the experience of western countries, high poverty rate for the elderly mostly result from exiting from the labor market, lack of a regular and steady income, and improper transfer of income. However, after the social security transfer system has been expanded, the elderly poverty rate has started to decline. In other words, after the western countries implement social security system, the elderly poverty rate can be less than the poverty rate of other age groups because the elderly normally receive a pension and other social security payments (Wang Yeong-tsyr 2005).

#### **1.2.4 An elderly poverty in Taiwan**

Wang De-Mu and Lu Chao-xian (1997), analyzed the data of poverty rates in Taiwan for different age groups in 1981-1993. It shows a “W-shaped” figure while the elderly poverty rate appeared to be higher than other age groups. During this period, such figures led to higher poverty rates among the Taiwanese elderly. Except for exiting the labor market, there are other critical factors, which can have greater influence on such a result. In Taiwan, salary income, family income transfer, and life cycle income

transfer are all insufficient without establishing a complete social security payment. However, the condition improved and the elderly poverty rate reduced once the elderly financial security measure was established afterwards.

Wu Ming-ru (2008) studied the period from 1995 to 2004, and found the elderly poverty rate in Taiwan had declined gradually. Besides, based on an analysis on the low-income household, the rate of the elderly living in poverty was 40.46% due to a decline of health through aging in 1990. In 1994, the rate declined to 28.97% and 28.43% in 2001. The elderly in poverty dropped in the above study. In the statistical data of the low income households in Taipei City, the elderly poverty rate used to be higher than the entire population's poverty rate. However, the poverty rate for the entire city started to exceed elderly poverty rate since 2006. The elderly poverty rate stabilized although the poverty rate of entire population continued to increase. Although the poverty rate for the elderly rate started to decrease, the poor elderly still occupied a relatively higher proportion among the low income people. People aged 65 or above, accounted for 25% of the entire low-income population. In other words, one in every four low-income households were the elderly.

According to Peng Huai-zhen and Peng Jia-xing (2012) study, the population aging in Taiwan can be highly related to high poverty rate. However, the following factors can be the causes of poverty among the elderly: 1. lack of salary income after



exiting the labor market; 2. pensions that fail to catch up with inflation; 3. some elderly still continue to work after retirement; however, their income is only a half or two-thirds compared to those aged between 15 to 64. 4. Income replacement ratio of the national pension is too low. 5. The requirement for receiving social welfare relief service is very strict. 6. Only a few have good financial plans after middle age and have plans for elderly life after retirement.

The low-income family in Taiwan has shown a minus savings for nine consecutive years (2009-2016). Not only poverty comes after aging, but the income distribution seems to worsen the problem, where it appears that population aging and loss of labor income, are quite severe. Population aging would lead to a change in the labor market structure, which may result in a declined labor force. The economic growth remained static, which match the “life cycle hypothesis<sup>1</sup>” and effected of reduced the total savings (Lin Ya-ching, 2015).

There is one point worth noting in the phenomenon of poverty. That is, the type of people in poverty and the seriousness of poverty have greatly been expanded. However, the characteristics of the poor started to change as well. It’s noted in several research

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<sup>1</sup> The Life-Cycle Hypothesis (LCH) is a hypothesis of the consumption model in general economics. The hypothesis assumes that individuals in the economic system would modify their consumption and saving behavior based on long-term perspective. (From: World Finance)

projects that in the past that young adults and those who have received higher education are in good financial health since most of them are full-time workers and white-collar workers. However these traditional type of non-poor group may have a risk of being poor. (Zhang Shi-xiong 2001; Chen Xin-yi & Pang Pao-hong 2005)

The speed of population aging in Taiwan is said to be the fastest in the world. The annual increase of the elderly would be more than 230,000 people. Plus, there are some issues like low fertility, low income, and unemployment after the middle age or old age. Many scholars and experts expected that the young adult of today can face the dilemma of becoming an “old-age poverty” (Li Shu-jung 2014; Chang Ching-chin 2014).

Most studies on poverty would focus on the poverty index, poverty threshold, and policy to eradicate poverty. Yet, in fast aging Taiwan, fewer integrated analysis can be found on the aging and poverty issue such as the lowbrow elderly. Therefore, this thesis would look at the experience of aging in Japanese, and focus on factors which lead to population aging in Taiwan and how the elderly may end up in poverty. Except for using relevant literature to testify in this research, it also integrates the lowbrow elderly issue with secondary references (official information). It aims to understand poverty and old age issues, as well as how the government social welfare policy can deal with old-age poverty.

### **1.3 Research Objectives**

1. This study probes into the emergence of the “old age poverty” problem in Taiwan. This study will try to find out the extent of this problem and its future outlook.
2. This study explores the causes of the “poverty among the elderly” problem in Taiwan and the official measures for alleviating “poverty among the elderly.”

### **1.4 Research Method**

This study will mostly adopt the documentary analysis. The original data about the aging trend and poverty will be collected first. The information for the official policies will thereafter be collected. The secondary data, including books, journals, reports and online material will be used for in-depth analysis.

### **1.5 Thesis Structure**

This study will be divided into five chapters. The first chapter explains motivation, research purposes and research methods of this study, and literature review on related studies including the status of aging trends between Japan and Taiwan and status of the elderly poverty. The second chapter explains the rapid aging of population in Japan and the poverty situation, including the causes of the old-age poverty. The third chapter studies the demographic trends in Taiwan, it also analyzes the characteristics of Taiwan’s elderly society, the causes of the elderly poverty and the challenges in the

future. The fourth chapter is to review the social policy and measures in Japan and Taiwan, including the public pensions, welfare services and the policy and challenges. The fifth chapter explains research findings and conclusions of this study. Finally, limitations of this study and suggestions for future research will be stated in the end.



## Chapter 2 Elderly Poverty in Japan

### 2.1 The Rapid Ageing of Populations in Japan

A national report released by the Organization for Economic Cooperation (2015) (hereinafter referred to as OECD), indicated that the income gap for Japan began to expand gradually since the 1980s, with the gap in 2013 being even higher than the average for the various nations of OECD. Observing from the relative poverty rate (the ratio of the number of people with incomes less than half of the mean national income), the poor in Japan take up about 16% of the overall population (the average rate from OECD is 11%), with those over the age 65 having the highest poverty rate among the different generations at 19.4%. In the eyes of the foreigners, Japan is an advanced, wealthy society with good-mannered, order-obeying, tidy and clean nation, and would never associate it with poverty. It makes people curious about the causes that lead to the predicament of poverty for elders and how will the Japanese government respond to such social issue.

Therefore, this study will first explain the state of Japan's aged population, the definition of poverty, an overview of poverty for the elderly. As well as use the book on "*Elderly Bankruptcy*" published for the documentary film made in 2014 by Japan Broadcasting Corporation NHK as the start for exploring the actual conditions of

elderly poverty. Then use other old-age monograph and relevant information to understand the causes of poverty.

### **2.1.1 Elderly populations**

Japan was the earliest country in the Asia region to exhibit population aging. The population aged of 65 years old and above composed only 5% of the overall population of Japan during the initial stages of World War II, with an average life expectancy is around 50 years for males and about 54 years for females. However, with the enhancement of living standards such as the improvement of basic necessary, the improvement of medical care and the completeness of public health, it has been a rise in the average life expectancy of humans, thereby resulting in the drastic increase of the aging ratio.

Although it is now a common tendency for developed country to exhibit population aging, the rise of the aging population in Japan is particularly startling. Japan, has advanced into “aging society” in 1970; into “aged society” in 1994, the elderly population reached 23.1% in 2010, accounting for the proportion of the total population of 26.7%, the elderly people has reached 33.42 million. (Japan's Cabinet Office, 2016). Because of the low fertility rate, (the Total Fertility Rate is around 1.4 in 2015), the proportion of working age population is steadily declining, and the proportion of the aged is rapidly increasing. The aging speed was the fastest amongst major developed

country. According to the prediction made by the Japan's Statistics Bureau, Management and Coordination Agency (2010), 29.1% of the population will be seniors by the year of 2020. That is almost 1 out of every 3 Japanese citizens will be a senior of over 65 years old by then.

Moreover, according to the population estimation from the National Census and Survey (Statistics Bureau, 2015), as well as the Japan's National Institute of Population and Social Security Research of the Ministry of Internal Affairs and Communications in Japan, the aged population of 65 years old and over in Japan was approximately 34.9 million people, taking up 27.5% of the total population. The ratio for 15 to 64 years old work age population was 60.2%; because of the postwar baby boom generation is advancing into 65 years old. Hence, it is estimated that the period Between 2016 to 2020 will be the period of rapid increase for the aged population in Japan and the ratio of the aged population will up to 39.9% of the entire population by 2060, whereas the ratio of the work age population between 15 to 64 years old will drop to 50.9%.

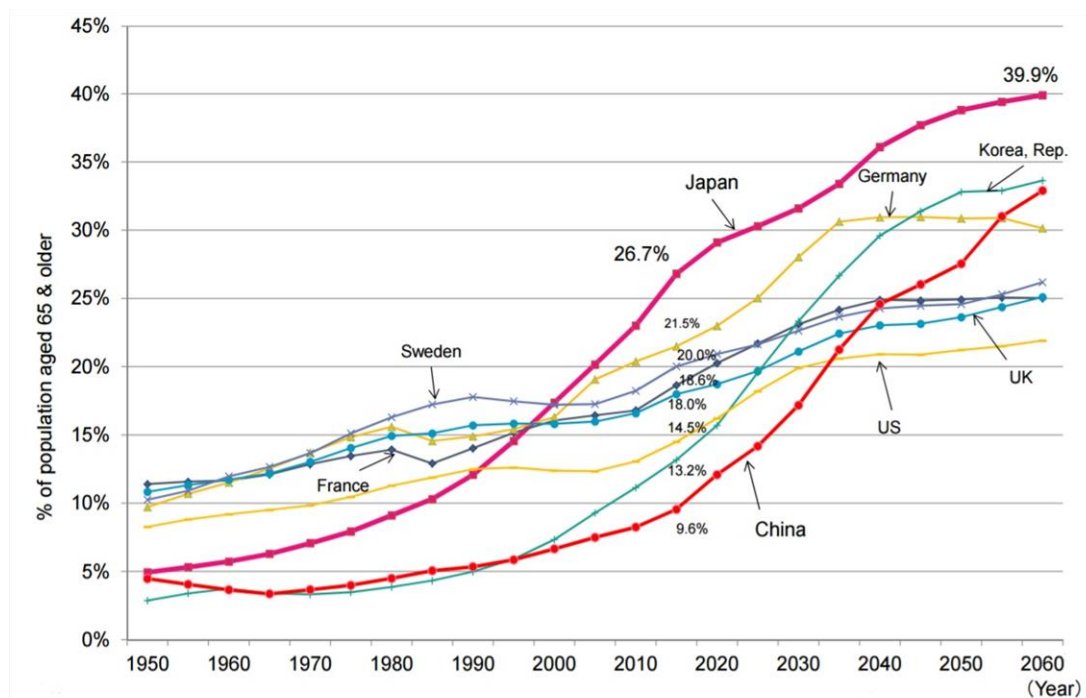


Figure 2-1 Changes in the percentage of the population over age 65

Source: Long-Term Care insurance system of Japan. Health and Welfare Bureau for the Elderly, Ministry of Health, Labour and Welfare (2016).

Japan not only leads in aging, the average life expectancy of the Japanese has been higher than that of the rest of the world for several years. According to the report of the World Health Organization (2014), the Japanese average life expectancy for men is 80.5 years old, and the average lifetime for women is 86.8 years old. This is actually predictable because people now live longer and longer than ever before. The issue of aged people has not only become the biggest problem for Japan's society at present, it has also caused challenges for the social security system.

If observing the dependency burden on the young adult population from the aged population in Japan, the drastic aging population will result in heavier burdens for the



work age population towards social insurance. In 1960, every aged person of over 65 years old was dependent on 11.2 people (see Table 2-1) of the working- age population (15-64 years old) which was estimated to decrease to 2.3 people in 2015. There will only even be 1.3 people left to support the elderly by 2055.

Table 2-1 Ratio of aged generation population to productive age production

Year	Ratio of aged generation population to productive age production (15-64 years)		
	The number of dependent people over 65+	The number of dependent people over 70+	The number of dependent people over 75+
1960	11.2	18.8	36.8
1970	9.8	16.4	32.2
1980	7.4	11.8	21.5
1990	5.8	8.8	14.4
2000	3.9	5.8	9.6
2005	3.3	4.6	7.2
2009	2.8	4.0	5.9
2015	2.3	3.2	4.7
2025	2.0	2.4	3.3
2035	1.7	2.1	2.8
2045	1.4	1.7	2.4
2055	1.3	1.5	1.9

Source: White Paper on the Ageing Society. Cabinet Office, Government of Japan (2011).

### 2.1.2 Elderly people's families and households

In Japan, with elderly people include households are 40% of the total, and among those, the single person households or households with a married couple only hold a

majority. According to Annual Report on the Aging Society (Cabinet Office, Government of Japan 2015), the number of households with elderly people aged 65 and over is increasing. As of 2013, the number was 22.42 million, making up 44.7% of all households. While three-generation family households have been decreasing, households with parent and unmarried children only, households with a couple only and one-person households are increasing. In 2015, the number of households with a couple only is the biggest in number, accounting for about 31.5%, and if combined with the number of one-person households (26.3% or 6.24 million), it would exceed the majority (Cabinet Office, Government of Japan, 2015).

Over half of the households in Japan are solitary elders and elderly couples living together. The ratio for elders living with offspring has become less and less, while the trend for solitary elders has increased. Moreover, according to the report by Central News Agency Japan (2015), Japan's never-married ratio has risen to the new high, with close to 1/4 of the males and 1/7 of the females were never-married at age 50, it has broken the record for females having a higher ratio than males through the ages. Whereas the problem constantly revealed by "never-married rate" for the Japanese once again got attention of the people (never-married rate means "people without the experience of being married before the age of 50). Japan's information website NIKKEI STYLE News (2017), pointed out that the never-married rate for Japanese males in 2015 was 23.4%, it was 10 times more compared to 1980, it was 14.1% for females,

and it was 3 times more compared to 1980.

NIKKEI STYLE News (2017), indicated that one of the causes for the increasing never-married rate for both males and females possibly originated from “The Act of Equal Employment Opportunity for Both Sexes” implemented in 1986. The act forbids enterprises to show gender discrimination towards employment and decreases the salary difference between sexes, thereby enabling more and more females to become independent. The ratio for unmarried Japanese citizens has always been demonstrated as being higher for females than males, but it begun to change in the 1990s, with males being 10% higher than that of the females (NIKKEI STYLE News 2017).

The Japanese book, NHK “*Indifferent-Society*” (無縁社会むえんしゃかい 2015), once pointed out, that the main reasons for the increase in the number of never married people are: (1) popularization of convenience stores and comprehensive basic facilities, leading to stay single lifestyle; (2) increase of a typical employment of the people due to in the instability of economy; (3) change of lifestyle, the social norm of having to get married by a suitable age has become loose; (4) enhancement of females’ economic ability. It can be seen from the above that the continuous increase of the never-married rate will also result in the increase of the numbers for solitary elders.

Along with the acceleration of low fertility rate and aging as well as the deterioration of the government finance, it is unavoidable that the aged people will be

concerned about whether their pension will be decreased in the future or whether the burden of self-paid medical fees will be increased. Moreover, the impact of low fertility and aging has also resulted in the social security system being unable to produce the effect of income redistribution. These are all issues faced by Japan's social security system under low fertility and aging.

## **2.2 Poverty among the Elderly in Japan**

Japan, in spite of being the world's third largest economy, has a rising problem of elderly poverty. The poverty figures are very hard to ascertain in Japan. Because of Japan's reputation as a developed country, it is generally assumed that the levels of poverty are relatively low. However Japan does not keep its own poverty statistics. The country suffered from devastating poverty after World War II and achieved rapid economic growth and became an economic powerhouse. Then it went into period of semi-stagnation and there are not even any clear standards as to what is poverty.

Until now, Japan enjoys one of the highest standards of living in the world. Because Japan is a developed country, we assume the number of people in poverty will be low. Actually, the poverty rates have been rising in Japan, especially among the elderly. This study will first take a look at some statistics about poverty status in Japan. Secondly, the causes of poverty in Japan will be discussed and provide some analysis.

### **2.2.1 Definition of poverty**

The so-called poverty line, in Japan was set at ¥ 1.22 million per year (about USD \$11,006) in 2012, a figure that represents half the median household disposable income for that particular year. (Japanese Cabinet Office 2012). Those with less than ¥ 1.22 million in disposable income are considered poor. According to Organization for Economic Co-operation and Development (OECD, 2012), the mean household net-adjusted disposable income for Japan is USD \$23,458. This income is in fact higher than the OECD member state average income of USD \$22,387 (Howard, 2012).

Japan's Ministry of Health, Labour and Welfare put forward a request with a new poverty index of national budget in 2012. This request was submitted so that the new index could include significant factors affecting poverty, namely, health clothing and food, and also living conditions. The new index is expected in 2012, provide a better insight into the lives of the poor in Japan and the factors affecting them (Wikipedia, 2013).

### **2.2.2 Situations of elderly poverty in Japan**

According to the statistics by OECD (2015), the percentage of poor elders of over 65 years old in Japan almost reached 20% (Figure 2-2), meaning 1 out of every 5 elders in Japan is poor. The degree of poverty for Japanese elders ranked No.7 amongst the 34 member nations of Organization for Economic Cooperation (OECD) in 2015, close to

the 21.5% in United States. In reality, South Korea has the most severe elderly poverty; with as high as almost 50% of poor rate, meaning that 1 out of every 2 elders is poor. This is more than twice the average of OECD countries, indicating that the elderly poverty issue is no longer a phenomenon to be neglected in developed countries and the severity is not to be underestimated.

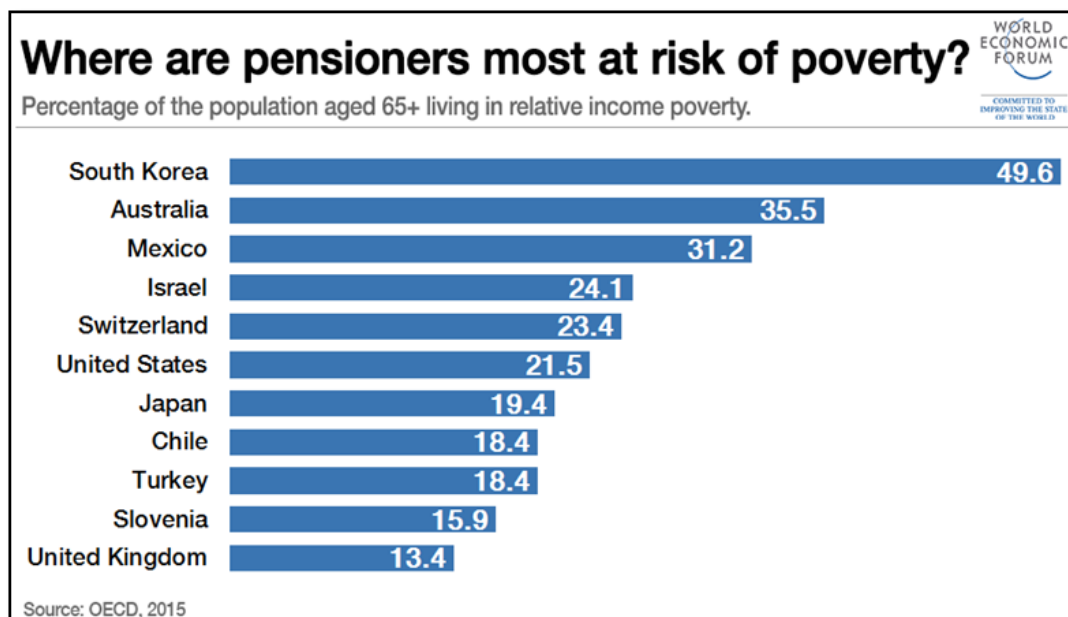


Figure 2-2: Percentage of the population aged 65+ living in relative income poverty  
Source: Mayer (2015). Geo-economic report, World Economic Forum.

Especially, almost no single Japanese elder is willing to admit their own predicament of poverty, because they are afraid of being humiliated. A social worker has stated, it is difficult to tell the Japanese elders suffering from poverty by their appearances, as they would dress up like middle class people even if they were poor. Poverty is still a very unfamiliar word in Japan (Fackler, 2010).

Based on Japan's "Comprehensive Survey of Living Conditions" report from Ministry of Health, Labour and welfare (2015), the annual livelihood income are less than ¥ 1.22 million for a person (about NTD 330 thousand); 1.7 million for family of two people; ¥ 2.1 million for family of three people; and 24.5 million for family of four people, it categorized as in poverty. According to the results from the Comprehensive Survey of Living Conditions report by the Ministry of Health, Labor and Welfare (2015), there are approximately 6 million solitary elders in Japan, and solitaires with an annual pension less than ¥ 1.2 million (below the ¥ 1.22 million poverty line) takes up 46% of all solitary elders.

In "*The Old-Age Bankruptcy*" (老後破産—長寿という悪夢, 2014) books, the individual cases documented were not people who did not work or did not work hard, and were not single, unmarried people. On the contrary, they devoted themselves to hard work for twenty or thirty years, but the married females ended up living alone due to reasons such as early demise of the husband or unfortunate loss of children to illnesses. When they were young, they never worried about the life after they got old, yet many unexpected conditions occur after ageing, and in dragging the economy down and leading to poverty at the end. NHK the term "*The Old-Age Bankruptcy*" describe these dispossessed elders without sufficient assets.

However, for over 70% of the elders families and over 80% of the elders family,

income come from the government's pension fund. (Cabinet Office, Government of Japan 2015). Even so, the ratio of poor elders still increases every year and the reasons causing this are worth be explored.

On at the employment conditions for the elders, according to Japan's White Paper for Aged Society (2016), for males, 72.7% of 60~64 year-olds, 49% of 65~69 year-olds, and 32.4% of 70~74 year-olds were at work. On the other hand, for females, about 30% of 65~69 year-olds, about 20% of 70~74 year-olds were at work. It means that it has become a general phenomenon in the present day Japan that work is still a necessity even when entering old age.

The "Comprehensive Survey of Living Conditions" by the Ministry of Health, Labor and Welfare (2015), it indicated that in Japan for the aged pension (national annuity & annuity for bereaved family of military and public servants), accounted for 67.5% of the total income, followed by work income 20.3%, and property income 5.2%. Only 3.2% of the elders are satisfied with the current living conditions, elders who think living is hard (32.9%) and extremely hard (27.4%) take up more than half. Is longevity a blissing or nightmare? The answer was obvious to Japan's poor elderly.

### **2.3 Causes of Elderly Poverty in Japan**

Japan's corporate cultures. People used to envy about such as tenure and seniority system have gradually broken down. While the ratio of informal employment such as



manpower dispatching has also increased along with the aging society and low fertility, which caused an enormous impact on the income and living of the elders. Fujita Takanori (2015) shocked the Japanese society with the book on “*The low-living elderly*”, triggering massive responses. The book cruelly pointed out that if Japanese elders unfortunately fall into the group with low income, low savings and low social support, it is feared that they would fall into becoming “the low-living elderly” having difficulties to maintain the fundamental livelihood necessities and are therefore stuck in the predicament of old age poverty. Nikkei Business (2015), directly pointed out that elderly poverty is the chief culprit for social issues including solitary death, dementia and crime. Japanese National Security Council (2015), announced that the number of elderly criminals over the age of 65 (23,656 people) had surpassed the number of youth criminals (19,670 people) for the very first time.

No beggars can be seen on the streets in Japan, hobos would tidy up the streets to return to the general public after they spent the night; being the world’s third greatest economic entity, however Japan has close to 6~7 million poor elders, and this number is constantly on the increase. Fujita Takanori (2015), in his book *The low-living elderly*, pointed out that that everyone is a possible candidate to becoming one of the poor elderly. In the book *The low-living elderly*, a 65 year-old lady lost her job because she had to take care of parents in need of long-term care at home, and was forced to take on the job as a cleaner at the station in order to manage her livelihood. A section

manager of a large company became unemployed due to the financial crisis, and could only pay for the children's school fees and mortgage by working part-time at a convenience store. Is it individual responsibility that many of the elderly are constantly concerned about the present and the future? How come the social security programs (such as health insurance, pension, long-term care, etc.) established by the nation are unable to become the protective net for livelihood?

NHK (2014) *The Old-Age Bankruptcy*, realistically depicted many actual cases of elderly poverty, and the causes behind poverty in old age:

- (1) **Poverty due to illness and injury after entering old age:** the medical bills fees and long-term care expenses are of great burden to the aged group.
- (2) **Solitary elders without family companions:** due to insufficient pension, won't seek medical help even when sick and in pain just to save on their expenditures, unwilling to bring troubles to family members.
- (3) **Defects in the social welfare system:** elders with houses are unable to apply for living protection.
- (4) **Psychological factors:** for instance, the fear of only living on savings; the concern of no one to take care of him/her when ill due to solitary living; unwilling to expose the truth about poverty, hence unable to maintain interpersonal relationships or connections to society; worried about the

weakening economy, painful emotions of unsustainable livelihood; or even having no idea as to why they were still alive, therefore entering the negative emotion of “wanting to die”.

This deteriorating elderly living also caused anxiety on public opinion as well as academic experts. Many people probably believe such miserable state will never befall them, but Fujita Takanori (2016), pointed out pessimistically, that it is feared that 90% of the Japanese elderly are to fall into the fate of being “poverty elderly” in the future.

### **2.3.1 Why fall into “elderly poverty”**

The main cause is old-age medical treatment and care. Statistics from the Cabinet Office and the Government (2016) of Japan showed majority of the goals for savings for Japan’s elderly is mainly for medical expenses, followed by maintaining livelihood expenses. There are two major proportions of living expenses are medical treatment (62.3%), and livelihood (20%). In “*The low-living elderly*”, Fujita Takanori mentioned a few classic models leading common elders to fall into the poverty state, such as bearing heavy medical expenses due to illnesses or accident in old-age, or unable to get into old-age care facility and have to face the various burdens of living-alone. Japan’s “Weekly Toyo Keizai” (a magazine publisher specializing in politics, economics and business, 2015) has reported, a 78 year-old female, she was living alright, but after her husband got sick, the expensive medical fees rapidly used up her husband’s retirement

fund and putting the family in a difficult economic condition.

Fujita pointed out, along with the rise of the NEET (means: a young person who is "Not in Education, Employment, or Training") group and low-fertility, people are slowly losing their option of "living with offspring in old-age"; even if they do have children, as these children are likewise unable to support themselves. Many of the poor elderly who asked for assistance belonged to the middle class and above with an annual salary of ¥ 4 million (about NTD\$ 1.2 million) when they were young. Fujita (2015) warned in books "*The low-living elderly*" (P128), even if your annual income has reached the average standard, the middle class will fall into becoming "poor elders" once the following situations occur when advancing into the middle age stage (over age 55).

- (1) Need a high medical expenses of serious illness or the need for long-term care.
- (2) Can't stay in elderly care facilities; no financial ability can't accept decent care.
- (3) Children are working-poor or rely on parental financial support.
- (4) Increasing of "mature divorce" rate.
- (5) Suffering from Dementia and no one could rely on.

Professor Takenobu Mieko (2011) of Wako University in Japan, who studied labor-related issues pointed out that majority of the causes for Japan's elderly poverty nowadays are:

- (1) National annuity income is less than the necessary living expenses
- (2) Although there are certain savings, it is not enough to pay for unexpected serious illnesses.
- (3) Mortgage is still not paid off yet.
- (4) Existing deficiencies in the national annuity system.

Fujimori Katsuhiko (2016), the scholar who studied social security systems also stated, the elderly currently stuck in poverty at the present are mainly due to 3 situations:

(1) did not pay insurance fees, hence could not receive national annuity (those without the guarantee of national annuity); (2) did not pay insurance fees, hence could not receive pension insurance (similar to the labor insurance, public employee insurance and farmers' health insurance); (3) insufficient insurance payment period, hence could not receive the full amount of national annuity.

Fujita (2015) also pointed out, due to flawed social welfare system, the elderly poverty is also include the following factors:

**(1) Un-consummation from income perspective: Collapse of annuity which need to co-help by family support**

Current design of annuity is based on co-support require from family members to guarantee living quality. However that old age people with single or couple alone are getting common in the society. Bases on data of Japan Ministry

of Health and Welfare (2013), for elderly singles almost half of them had annual income less than ¥1.5 million. One seventh of them annual income less than ¥2 million. Which means most of the old age people will fall into old age poverty if annuity system remains the same.

## **(2) Insufficient of deposit and property: Salary erosion and inflation**

As annuity can't sustain living quality in old age. People need to prepare for living fund in old age. It is also hard to achieve as two factors: 1.The decline of salary and wage in the past 15 years and the rise of unofficial employment. 2. Salary erosion due to Inflation.

## **(3) Lack of medical care: Die alone as Medical refugees**

There are a lot of poor elderly lack of medical care as well. Lots of old age people die alone without support in Japan which does not make sense in an advance society. The reason is termination of their health care insurance due to no affordability in medical fee. Although there are some government programs supporting poor people to sustain their health care insurance with extremely low fee. Unfortunately few people knew the program due to lack of promotion by government.

## **(4) Lack of medical care insurance: Lack off welfare policy and living support**

### **Care-Manager in supporting old age poverty**

The current welfare policy is incomplete with limited support for most of people. Most importantly is that there is no customization at all of the system to fulfill individual need. One of the key reasons is limited of life support “Care-Manager” (a care manager is entrusted with the responsibility for planning all care and services for individual clients) with sophisticate knowledge in setting care plan as well as living care insurance policies. These professionals need to be recruited and trained to manage and execute the process.

**(5) Insufficient of living house: The old age who lose living facility**

The price of house is high in Japan and most people rely on leasing house/apartment with very high loading of the cost. Although the rental fee is not expensive for public housing. But the quantity is far less than demand and hard to apply it. Most old age people have to go through private house rental and suffer from high rental cost. The high cost of housing erode their income and they become a homeless at the end.

**(6) Problem of information network: Lack off supporter**

Most of people with old age poverty fight alone without any institutions or professionals to support them. The system needs to be remodeled to fulfill the needs of these people. Administration needs to be more proactive in helping people with old age poverty by building a relevant network structure among

stakeholders.

**(7) Lack of living care: Definition of poverty determined by Government**

Government reduces the budget of social welfare and often totally ignores people need for fundamental living support. The entry barrier becomes higher for poor people in getting funding support from the government as there are too many people who need help with limited resources. Some politicians even don't think that it is the responsibility of government and discourage people to get support from nation.

**(8) Insufficient of Laboring, Employment support: Working forever or death?**

Compare with European countries like France, the ratio of old age workers is quite high in Japan which is 20.1% vs 2.1 % in France. Why is the case in Japan? It is not only because of economic need but also from society cultural perspective which encourages people continue working in old age. It is shame for the old age to rely on other people's help.

Then how to prevent the old-age poverty? It is important to know the factors that lead to old-age poverty first. The 10 indicators of old age poverty (Table 2-2), along with a brief description of its impact.



Table 2-2 The top ten indicators of elderly poverty in Japan

	Indicators	Common situation	Impact
1	<b>Serious illness or the need for long-term care</b>	Cannot afford a high medical expenses; the continuous medical treatment fees	Cannot pay their insurance premiums; affect lives.
2	<b>Elders live alone and no one could rely on</b>	For save their expenditures, won't seek medical help even in physical discomfort	Buy medicine to pain release
3	<b>The apply threshold in social welfare system is too high</b>	The elders with houses are unable to apply for living protection	Couldn't help the elderly needs in time
4	<b>Children are working-poor or rely on parental support</b>	Resulting the dilemma of family, erosion of parental deposits	Two generations are fall into poverty at the same time
5	<b>The increasing of “mature divorce” rate</b>	single-parent families or the elderly live along are easy below the poverty threshold	Especially female, have lower incomes and fewer resources
6	<b>Non-regular workers</b>	The income only 1/3 compare with regular workers	Insufficient deposits
7	<b>Insufficient of deposit and property</b>	Salary erosion and inflation	Directly lead to poverty when getting older
8	<b>The increase in unmarried rate</b>	Suffering from Dementia and isolated; away from the people	Lack of assistance and home care resource
9	<b>Lack of elders housing policy</b>	Cannot pay the mortgage; the housing rent is higher	Affect retirement living
10	<b>National annuity income is lower</b>	Less than the necessary living expenses	Fall into the low-living class

Source: Takanori Fujida. (2016). Book: “The Low-Living Elderly” and compiled by author.

### 2.3.2 Japanese society upcoming questions

In Japanese society, faces a complexing dilemma in continuing to value equality of both opportunity, when people inhabit a world of increased and increasingly unequal competition. Barak Kushner (2015) pointed out, that the higher proportion of non-regular jobs raises the proportion of low-wage earners. Neoliberal prescriptions to unleash the market with further deregulation of employment markets would seem likely to generate more income inequality, at least in the near-term. In addition to that, in the near future Japan still have questions as below:

- (1) due to the financial problems, the people will get be less and less for the annuity;
- (2) if the annual income is below ¥ 4 million, the risk of poverty is higher;
- (3) the phenomenon of huge gap on wealth Inequality;
- (4) 40% of the family haven't prepared their elderly living expenses;
- (5) non-regular workers would directly lead to poverty: the income is only 1/3 compared with that of regular workers;
- (6) the increase in non-married rate, makes more elderly living-alone in the future.

Why has Japan's middle class also stepped into old-age poverty? Except for the reasons mentioned above. The factors such as economic slowdown, poor youth employment, increase of medical treatment and nursing cost, non-married, as well as an increase in part-time workers, is not only dragging general workers into poverty, but

also pushing the middle class toward the state of poor elderly. The elderly has become a huge and important issue for everyone not to be overlooked.



## Chapter 3 Elderly Poverty in Taiwan

### 3.1 Demographic Trends in Taiwan

Taiwan completed a demographic transition during the middle phase of the 1990s then soon entered the course of low fertility and the appearance of an ultralow fertility rate after the year of 2000, the aging of the population further accelerated.

Table 3-1 The speed of population ageing

Nation	The ratio of arrival time of population aged 65 + (years)			Time required of converted (years)	
	aging-society 7%	aged-society 14%	hyper-society 20%	7%→14%	14%→20%
<b>Taiwan</b>	<b>1993</b>	<b>2018*</b>	<b>2026*</b>	<b>25*</b>	<b>8*</b>
<b>Japan</b>	1970	1994	2005	24	11
<b>Korea</b>	1999	2018*	2026*	19*	8*
<b>Singapore</b>	1999	2019*	2026*	20*	7*
<b>Hong Kong</b>	1984	2013	2023*	29	10*
<b>United State</b>	1942	2013	2028*	71	15*
<b>Canada</b>	1945	2010	2024*	65	14*
<b>UK</b>	1929	1976	2027*	47	51*
<b>Germany</b>	1932	1972	2008	40	36
<b>France</b>	1864	1991	2020*	127	29*
<b>Switzerland</b>	1931	1985	2025*	54	40*
<b>Australia</b>	1939	2011	2034*	72	22*

Source: PS. The symbol “\*” is the estimated value, and no symbol “\*”, is expressed the actual value.

National Development Council (2016). Taiwan population estimates (2016~2061)

As compared to the western industrialized nations which took several decades or

even a century to progress from an aging society to an aged society, Taiwan took only 25 years to become an aged society in 2018 (Table 3-1) after entering aging society in 1993, while majority of the other East Asian countries have also experienced a rapid aging transition process between 20 and 25 years (The World Bank, 2016).

Although the aged population was about 12% for Taiwan at the end of 2014, the phenomenon of rapid aging for the population is yet the highest in the world. By the year of 2027, the aged population will be around 491 million people, taking up to 20.69% of the entire population, meaning that 1 out of every 5 people will be an elder. In addition, because of the decreasing fertility rate, the phenomenon of population aging is further accelerated (Lin, Zhao-Zhen 2009).

The aging index is used to measure the degree of population aging. It was 88.57% for Taiwan in 2013 which is between the 20.69% for developing countries and the 106.25% for developed countries. However, in February, 2017, the aging index of Taiwan was 100.18 %, meaning that the aged population has surpassed infant population for the very first time which was a turning point worthy to be noted. The aged population will be about 4.6 times that of the infant population by the year of 2060 with an aging index reaching as high as 468.5%, ranking Taiwan No.1 in the world, ahead of Japan's 437.8% and Korea's 394.0% (Liu, Li-Fan 2016).

According to the medium estimation by the Taiwan's National Development

Council (2016), 41% of Taiwan population will be composed of elders of over 65 years old in 2061, and 1 out of every 4 people will be older than 85 years of age. Korea is ranked No. 2 with 40.1%; Japan is ranked No.3 with 40%. The U.S. Census Bureau estimated that by 2060 U.S. population of over 65 years old would only be 21.9% (McCall & Kintziger, 2013). It can be seen that the aging situation in Taiwan is much more severe in comparison.

As for the average life expectancy, according to the population estimation from the United Nations Population Fund (2013), it is predicted that for 2060~2065, the country or region with the longest life expectancy will be Hong Kong with an average life expectancy extended to 90.95 years old, followed by Korea is 90.75 years old, 90.22 years old of Japan, 89.77 years old of Singapore and 89.17 years old of Italy, whereas Taiwan is ranked No.27 with an expected lifetime of 86.29 years old (United Nations Population Fund, 2013).

Dependency ratio describes the ratio between population involved in labor force (15~64 years old) and population not involved in labor force (14 and younger and 65 and older), it is an index to observe a nation's overall social and economic development as well as a calculation of pressure for labor force. According to the statistics from the Ministry of the Interior (2016), the population dependency ratio for Taiwan in 2013 was 35.19% which is lower than 53.85% in the developing countries and 49.25% in the

developed countries.

Dependency ratio explains a nation's dependency pressure which indirectly reflects the shrinking trend of economic vitality. The aged dependency ratio was 36.13% in 2016 for Taiwan which is on the lower side. However, it is predicted that by 2026, 1 elder will depend on 3.2 people in work force to work and then by 2060, 1 elder will depend on 1.2 people (Table 3-2), with a much heavier burden. For the work force in the era where “aging” and “low fertility” co-exist, the young adult population will have heavier burdens due to the dependent aged population which results into the sustainable development of the social security system being faced with important challenges.

Table 3-2 Comparison of elderly and working-age population in Taiwan

The young population and the elderly population dependence ratio				
Year	Dependence ratio (%)			Elderly & working-age population of dependence ratio
	Total	Child dependence ratio	dependence ratio	
2010	35.9	21.3	14.6	1 : 6.9
2015	34.4	17.4	16.9	1 : 5.9
2020	38.7	16.1	22.6	1 : 4.4
2030	54.2	16.6	37.6	1 : 2.7
2040	69.5	16.9	52.6	1 : 1.9
2050	89.0	17.3	71.6	1 : 1.4
2060	104.3	19.3	85.1	1 : 1.2

Source: The estimate of population in Taiwan (2010-2060). National Development Council (2010).

[http://iknow.stpi.narl.org.tw/Post/Files/policy/2012/policy\\_12\\_017\\_1.pdf](http://iknow.stpi.narl.org.tw/Post/Files/policy/2012/policy_12_017_1.pdf)

### 3.2 The Characteristics of Taiwan's Elderly People

The life expectancy has significantly been extended, rendering hundred-year-old longevity not a rarity. Until the end of 2015, Taiwan's total population of centenarian has surpassed 3000, with females slightly larger than males. The initially completed "Taiwan of centenarian longevity aging study" from United Daily News Group (2013) shared of Vision Project(願景工程, to bring the positive news for society of Taiwan), validates that genes and life expectancy are correlated, and a healthy lifestyle with less consumption of alcohol and tobacco, religious and spiritual activity are conducive to extending the life expectancy.

One other critical discovery is that longevity of the elderly often rear more offspring, thus able to derive more family support and care. Recent studies such as Hsieh Hsin-ling et. al.. (2015) found that in Taiwan as the burden of healthcare expenditure easing following the national health insurance in 1995, the probability of elderly parents residing with their adult offspring has apparently increased, particularly common among families with fewer offspring or the elderly mother suffering from poor physical condition. In other words, through resource transfer by the social welfare policy, it is conducive for generational cohabitation, and tying a mutual supporting system.

Besides a faster speed in aging and an increasing number of elderly population,



there is a weakening of the family function in the elderly care. “The senior citizen condition survey” (Ministry of Health and Welfare, 2013) shows that although a majority of the elderly (particularly elderly females) reckon it a most ideal living arrangement to be “residing with the offspring”, yet in actuality the elderly population are unable to reside with their offspring is on the rise over the year. Roughly 20% of the elderly reside with their spouse, and another 10% of the elderly are either living alone or resided with their foreign caretakers.

A majority of the elderly still resist the institutional living arrangements, and are under the circumstance of self-sufficient living. According to the Ministry of Health and Welfare (2013), only 14% of the elderly are willing to move into an institution, whereas if not self-sufficient in living, the elderly willing to accept institutional placement have increased to 43%. Owing to the females having a longer life expectancy than the males, the females and those residing in rural areas are more liable to be living alone at old age (Yeung Wei-jun & Cheung Ka-lok, 2015).

Following the population aging, and a change in personal preference and urban lifestyle, according to the “Population and Housing Census” of National Statistics, R.O.C. (2010) shows that single households has reached 22%. Despite the ratio of single households to all households is still low, it is not a household mode the Taiwan public prefer, while reports successively point out that there will be an enormous

number of single household across East Asia (Euromonitor International, 2012). With Taiwan's annuity system is under reform at turning point, and just as the role of family gradually diminishing, there are still over one-half of the elderly population unable to secure needed assistance from the government and the market, whereas a portion of the elderly are facing economic marginalization, and also at risk of being trapped in poverty.

### **3.3 Overview on Taiwan's Elderly Poverty**

Based on Western countries' experiences, the elder's high poverty rates primarily stem from withdrawing from the labor market, lacking income, and not having adequate transferred income. Yet, since the social security transfer and expansion, aged poverty rates have begun to drop. In other words, since Western countries inducting the social security system, the elder generally are claiming the annuity and other social security payment, which has inadvertently put the post-transferred senior poverty rates to be lower than other population groups' poverty rates.

Wang De-lu and Lu Chao-shian (1997), shows during the 1990, factors resulting in Taiwan's high elderly poverty rates can be attributed to withdrawing from the labor market, rarely having wages, lack of the family and life-cycle transfers, comprehensive social security payout. Nevertheless, the phenomenon of the elderly poverty rates has gradually been reducing, following the adoption of the subsequent elderly social security measures. For an aging society, it is clear that the establishment of a social

safety net is really important.

National Development Council (2016) has issued the latest biennial “Report on Population Projection” (from 2016~2061). According to the report, Taiwan would become a hyper-aged society in 2026 if the birth rate in Taiwan that has been decreasing for a decade cannot be increased effectively. The elderly would constitute more than 20% of the entire population. Taiwan may be listed among the aged countries before it gets rich under the condition of a fast-aging society. The frightening truth is that today, the “Poverty” issue of the elderly population has become a critical issue, which cannot be ignored, and the storm of “aging” has not come yet.

### **3.3.1 Over 50% of the elderly population cannot make ends meet**

According to Population and Housing Census Report on the survey of family income released by the National Statistics, R.O.C. (2010)., the income or earnings of each household can be divided into five equal portions from low income to high income. Surprisingly, among the bottom 20% of the low-income household, which is equivalent to 1.66 million households, there are 880,000 households with family members aged above 65. That is, more than 50% of the elderly population was found in the poorest households with the lowest income. Among a total of 8.29 million households in Taiwan, 1.57 million households with family members aged above 65. 56% of the elderly population is now at the bottom level with the lowest income.

Table 3-3 Average disposable income per household by disposable income quintile

Average disposable income per household by disposable income quintile						
	All household	1 lowest	2	3	4	5 highest
<b>90 年 (2001)</b>						
每戶可支配所得 (元)	868,651	279,404	524,766	740,054	1,013,478	1,785,550
分配比 (%)	100.00	6.43	12.08	17.04	23.33	41.11
每人可支配所得 (元) (每戶所得/戶量) ①	242,640	105,620	156,033	201,406	266,549	482,209
每人可支配所得 (元) (每戶所得/戶量) ②	478,593	211,446	321,129	412,136	536,820	911,435
每戶人口數 (人)	3.58	2.01	3.18	3.88	4.24	4.60
1人及2人戶所占比率 (%)	29.79	77.11	36.90	17.12	10.64	7.20
每戶就業人數 (人)	1.56	0.66	1.23	1.62	1.96	2.35
經濟戶長為 65歲以上之比率 (%)	13.28	40.71	14.27	5.77	2.88	2.78
<b>102 年 (2013)</b>						
每戶可支配所得平均數 (元)	942,208	309,459	583,287	823,937	1,111,674	1,882,680
分配比 (%)	100.00	6.57	12.38	17.49	23.60	39.96
每人可支配所得 (元) (每戶所得/戶量) ①	293,523	137,340	198,036	250,550	322,224	560,381
每人可支配所得 (元) (每戶所得/戶量) ②	549,636	254,523	387,073	485,608	614,894	1,006,082
每戶人口數 (人)	3.21	1.80	2.72	3.40	3.93	4.19
1人及2人戶所占比率 (%)	36.78	85.83	49.01	24.31	13.21	11.54
每戶就業人數 (人)	1.46	0.51	1.04	1.54	1.94	2.29
經濟戶長為 65歲以上之比率 (%)	18.20	49.42	20.40	10.02	5.84	5.35
<b>103 年 (2014)</b>						
每戶可支配所得平均數 (元)	956,849	317,144	587,625	830,741	1,128,799	1,919,937
分配比 (%)	100.00	6.63	12.28	17.36	23.59	40.13
每人可支配所得 (元) (每戶所得/戶量) ①	303,762	144,424	206,160	260,077	334,707	574,522
每人可支配所得 (元) (每戶所得/戶量) ②	565,907	264,312	397,075	500,353	634,693	1,033,101
每戶人口數 (人)	3.15	1.75	2.64	3.28	3.84	4.22
1人及2人戶所占比率 (%)	38.80	87.96	51.75	28.22	15.61	10.48
每戶就業人數 (人)	1.45	0.47	1.05	1.51	1.90	2.31
經濟戶長為 65歲以上之比率 (%)	19.01	53.12	19.79	9.81	6.92	5.42

Source: Report on the Survey of Family Income & Expenditure (2014). Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan)

As for the elderly population among the 880,000 households, the average disposable income they can spend is no more than NTD \$300,000 each year. Considering that there are 2 people aged above 65 in an elderly household (Table 3-3), the average consumption will be close to NTD \$320,000 per year. In other words, for the elderly population among the 880,000 households, one person can spend no more than NTD \$12,000 per month. Each household may suffer from a deficit of NTD \$20,000 per year since the consumption of necessity is higher than the disposable

income. In the second level of low-income households; the elderly population occupies 330,000 households with members aged above 65. After deducting the “consumption expenditures” from the “disposable income”, elderly people at this level can only manage to make ends meet. The disposable income for each person can be calculated as no more than NTD \$23,000 (per month).

In conclusion, nearly half of the elderly population falls to the lowest and poorest level. More than 70% of the elderly population fall into the two bottom levels. More than three fourths of the elderly population, cannot make ends meet or can only help them manage to make ends meet. The data currently reflect the true face of “elderly poverty” in Taiwan.

Taipei City’s low-income household statistical data, shows that the elderly poverty ratios have always been higher than the overall population’s poverty ratios. In 2006, the poverty ratios for the city began to overtake the elderly’s poverty ratios. Yet the elderly poverty ratios are kept stable. Despite the elderly poverty ratios are in declining, yet poor elderly still account for a significant ratio among the low-income households. Until 2015, the elderly aged over 65 accounted for around 50% of the total low-income household population. In other words, among every two low-income households, there is one elderly. The situation of the elderly poverty is quite serious, very similar to Korea.

### 3.4 Causes of Elderly Poverty in Taiwan

All the elderly people facing a serious retirement crisis. Because the elderly still in health, Taiwanese retirees are finding it difficult to make ends meet, it is difficult to imagine how old-age person would be able to spend their retirement lives in dignity and comfort. Declining birthrate problem and a system of long-term care has yet to resolve, the increasingly for the elderly needs is urgent. All the elderly people in Taiwan are also facing a serious retirement crisis. The causes of the elderly poverty is as follows:

#### **1. Labor pension is too low, and elderly income is terribly insufficient.**

It's suggested that the government should try to explore the issue of “elderly poverty” in Taiwan and see why it’s so serious. As for the majority of laborers who were hired by the private sector, they would face the issues of low pension payments and suffer from terribly insufficient pension payment after retirement.

This is definitely one of the key factors that lead to “elderly poverty”. Considering the labor pension the laborer can receive after retirement, and the “individual account” of the New Labor Pension, the average years of service of the insured laborer should be 27 years as announced by the Bureau of Labor Insurance. Manual worker who earns about NTD \$40,000 per month, and has worked for 27 years when he chooses to retire at the age of 65, can only receive an amount of no more than NTD \$17,000 per month for the labor pension. In the new labor pension system, the manual worker would receive no more than NTD \$4,000 per month if the accumulated amount annuitized

from 6% pension per month withdrawn from personal account (Bureau of Labor insurance, Ministry of Labor 2016).

## **2. Issues in Pension System Reform**

The Ministry of Labor has been confirmed a report drawn up by the Taiwan pension reform committee. If a manual worker has worked for 30 years and retire at the age of 65, can not even get NTD \$20,000 (per monthly) for pension (Chen, Po-chien 2016). The majority of 10 million laborers could only receive an amount equivalent the pension of a low-income household. (According to the statistics issued by the Ministry of Health and Welfare 2016, for Taipei city, if the income is less than NTD \$15,554, a family is considered as low income.)

Those who cannot work and leave the workplace for a long time, can get petty income for their pension. The labor participation rate of female in Taiwan only exceeds 50%, which means there would be more than half of the female elderly population being affected by the average years of service for the insurance due to their shorter years of service. Besides, many women work as housekeeper at home without payment for a long time resulting in a low pension income at retirement age of 65, which is far less than the amount paid to the majority of laborers. They can only rely on getting paid by the national old-age pension insurance. To put it frankly, even though the annual fees have been paid in full for over 30 years, the insured can only receive an amount of NTD

\$7,000 based on the current plan on the national old age pension insurance system.

Intangibly, it creates a bad environment for the female elderly population so that they are more easily in a dilemma of “elderly poverty” when compared to men.

### **3. The economic environment is bad and the pension is far from sufficient.**

According to the statistics from HSBC (2016), Taiwan has suffered from a static economic growth. The employment status is bad, and the income is relatively low. The cost of living and medication never stop to increase. The average savings can only sustain retirement living expenses for a decade. At the risk of facing longevity, the pension is far from sufficient. Nearly more than half of the retired people in Taiwan regret that they did not plan early for retirement and its ratio of unprepared retirement has reached up to 51%. Since the majority of people still need to pay their mortgage, allowance for parents and children’s education fees, they end up having no time to plan for their pension or of being unable to prepare for their retirement.

### **4. Poverty caused by patients who failed to receive timely medical treatment**

According to a survey on the living status of low-income households and low-and-middle-income households issued (Ministry of Health and Welfare 2013), there are 19.7% of the factors are long-standing malady, injuries from accidents or spending all the money for an illness leading to low-income households and low-and-middle-income households. In the past three months (or during the survey period), statistics showed



that those who had been infected with chronicle diseases or catastrophic illness make up 63.8% of the population in low-income household or a low-and-middle-income household. Obviously, if people in a low-income household cannot receive timely medical treatment due to his/her financial status and cannot receive proper treatment and care, they are more likely to end up with illness due to poverty or may become poor due to illness. It shows the urgency of offering medical aid to the low-income households.

#### **5. The elderly living alone without good support as a backup plan**

The elderly is death of a spouse, too old to work, early exit from the labour market lead to insufficient savings, without descendants or relatives for financial support can lead to poverty. Taiwan is very much like Japan. People depend on family support to deal with the elderly living. There are nearly 30% of the elderly in Taiwan who cannot depend on family. Since the childless family became more common, the elderly who cannot depend on the family will be in higher proportions.

When the poor elderly is increasing in Taiwan, to face these structural changes in the population, the government need to resolve the issues of old-age people, such as rising demand for facilities serving elders. As long as early prevention is applied to avoid old-aged poverty, the whole society will benefit. All hard-working manual

workers, should think about how to prevent the old-aged poverty at the moment since the elderly care and poverty issue can no longer be separated.

### **3.5 Future Issues and Challenges**

Cheng Ching-hsia (2016) pointed out that economic security for the elderly had become relatively stiff for those who were born after the 1970s even though the social welfare system has been gradually established in the past decade. Now that childless family has become an obvious social phenomenon, economic protection for the elderly has gradually transformed from child support to social welfare pension. Besides, for many people the pension may not be enough due to low-income or unstable employment during the working period.

To respond to a fast-aging-society in Taiwan, the government will need to expand its policy of “long-term care” for the old-age people, which has been listed as one of the most important social welfare policies. Unfortunately, the first year budget of NTD \$33 billion listed on the “Overall Plan for 10 Year Long Term Care 2.0” remained static due to no agreement on sources of funding. Nonetheless, the Taiwan’s government only allocated funds of no more than NTD \$18 billion to the 2017 budget. In the first year, nearly half of the funds were allocated for the plan for “10 Year Long Term Care 2.0”. In fact, there’s an urgent needs to establish the “long-term care” system, since Taiwan’s

population is aging fast.

The entire retired population is confronted with life under bad circumstances after retirement. And it is obvious that the elderly may face difficulties of not making ends meet even though they are still in good health. About the elderly live longer, there's an urgent need for long-term care. Since Taiwan has become a low-birth rate society, and the public long-term care system has not been established yet, it seems almost impossible for the elderly population in Taiwan to live a happy and decent life in their later years. In conclusion, based on the above discussions and observations on Japan, in the future Taiwan may very likely adopt a measure to decrease the amount of payments, which could lead to insufficient protection and people falling into a state of being poor people when getting old.

From the current state of "elderly poverty" in Taiwan, what the government truly needs to do is to manage to execute the reform. There're undoubtedly two main issues; is the labor pension reform, the other one is to establish the long-term care system.

Focusing on the labor's pension reform, the only way is to increase the income replacement rate so a retired manual worker could receive, and establish a basic pension plan that fits all rather than merely focusing on the employees. In this way, everyone in the elderly population can enjoy a basic decent life after retirement. As for the establishment of a long-term care system, the biggest challenge is to see if the

government is determined and willing to carry out drastic reforms on the every tax system, and get to the bottom of these issues to increase capital gains tax so that the government can have lack of financial resources and shift them to the plan for “10 Year Long Term Care 2.0”. The population aging in Taiwan has already become a serious problem and the Taiwan government must complete the social support system soon within a decade and get ready for the elderly society so that it can respond to aging issues.



## **Chapter 4 Social Policy on Elderly Poverty in Japan and Taiwan**

### **4.1 Social Policies for the Elderly in Japan**

It has been almost 50 years since the implementation of Japan's senior citizens' welfare act in 1963. Japan was the pioneer in Asia, Japan's social welfare in the initial stage almost mirrored the models of advanced countries in Europe and the United States. After that, in response to the coming of the aging era, it has been modified and revised several times to incorporate pension fund, senior care and medical healthcare to the social security system in order to conduct comprehensive planning and establish the unique "Japanese-Style Welfare Society". "Japanese-Style Welfare Society" combines the strengths from public departments, market and non-governmental organizations, with community care and community welfare as the foundation to encourage citizens in volunteering for participation in "welfare-mix." It represents the spirit of the oriental culture as well as the characteristics.

Although Japan originally adopted the social security system to deal with the population aging issue, the rapid aging and reduced labor force have affected the sustainable capacity of social welfare system's finance as well as the capacity to provide suitable retired pension and social services. Due to the increased aged population in need of assistance, the expenses for pension fund and medical treatment in the

government's budget will also multiply, severely influencing economic growth and national finance. In addition, the household lifestyle and intergenerational solidarity were become weaker, issues such as nursing, welfare system, solitary death and poverty appear one after the other in Japan's society. To know more about the development of welfare policies for the elderly of Japan (see Table 4-1).

With Taiwan advancing into an aged-society, other nations' experiences with population aging are desperately required for reference in order to conduct strategic planning. Therefore, an in-depth review of issues such as poverty in old age and solitary elders in Japan will provide enlightenment to Taiwan.

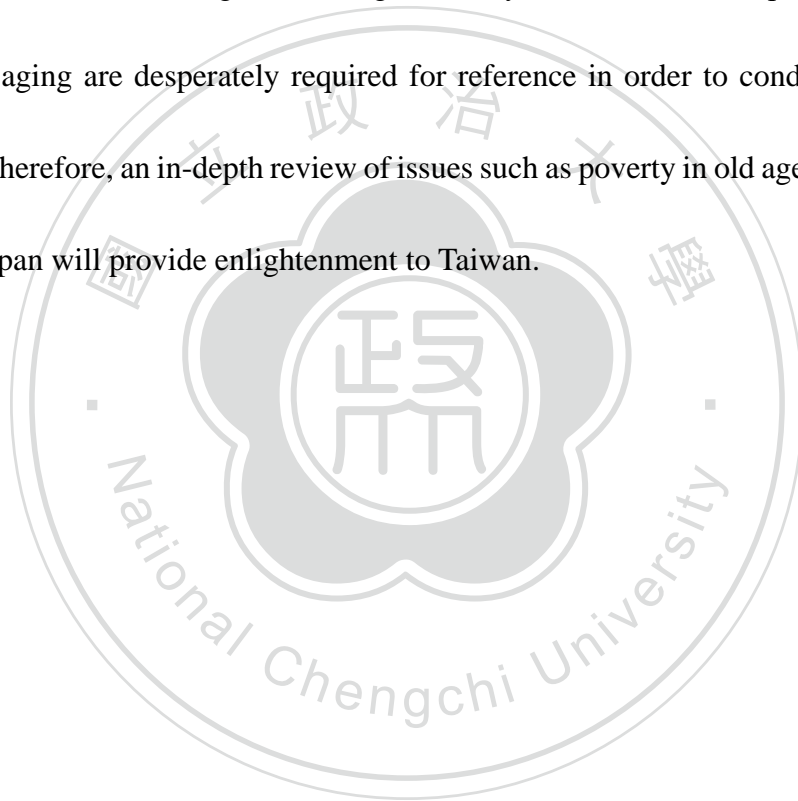


Table 4-1 Development of welfare policies for the elderly

Years	Aging rate	Major policies
<b>1960s</b> Beginning of welfare policies for the elderly	5.7% (1960)	<b>1963</b> Enactment of the Act on Social Welfare Services for the elderly * Intensive care homes for the elderly created. * Legislation on home helpers for the elderly.
<b>1970s</b> Expansion healthcare expenditures for the elderly	7.1% (1970)	<b>1973</b> Free healthcare for the elderly
<b>1980s</b> “Social hospitalization” and “bedridden elderly people” as social problems	9.1% (1980)	<b>1982</b> Enactment of the Health and Medical Services Act for the Aged * Adoption of the payment of co-payments for elderly healthcare, etc.  <b>1989</b> Establishment of the Gold Plan (10-year strategy for the the elderly) * Promotion of the urgent preparation of facilities and in-home welfare services
<b>1990s</b> Promotion of the Gold Plan	12.0% (1990)	<b>1994</b> Establishment of the New Gold Plan (new 10-year strategy for the promotion of health and welfare for the elderly) * Improvement of in-home long-term care
Preparation for adoption of the LTC Insurance System	14.5% (1995)	<b>1997</b> Enactment of the Long-Term Care Insurance Act
<b>2000s</b> Introduction of the Long-Term Care Insurance System	17.3% (2000)	<b>2000</b> Enforcement of the Long-Term Care Insurance System
<b>2010s</b> Ministry of Health, Labour and Welfare was established	23% (2010)	<b>2005</b> Services and Supports for Persons with Disabilities Act  <b>2008</b> Late-stage medical care system for the elderly (for aged 75 and other)

Sources: Long-Term Care insurance system of Japan. Health and Welfare Bureau for the Elderly, Ministry of Health, Labour and Welfare (2016).

Social security programs in Japan are designed to guarantee a minimum standard of living and to protect citizens from certain types of social and economic risk. The social security system consists, has four major components: social insurance, public assistance, social welfare services and public health maintenance. The average age of the Japanese population has been rising rapidly because of falling birth rate and increasing life spans. It is inevitable that the population will soon begin to fall. In this environment, the issues of how to pay for and how to restrain the growing costs of pension, medical care, and nursing care have become critical ones as society seeks to create a humane and sustainable social security system (Web Japan, 2016).

#### **4.1.1 Measures for poverty alleviation in elderly poverty**

According to Japan's Ministry of Health, Labour and Welfare (2014), there were 29.5 million elderly people (aged 65 and over) in Japan in 2010, or 23% of the population. The proportion of the elderly population was estimated to rise up to 31.6%, around 36.9 million people in 2030 to 39.9%, around 6 million people in 2060.

The median annual household income of elderly households in Japan, was ¥2.46 million and the corresponding figure for all households was ¥4.32 million. Japan's Ministry of Health, Labour and Welfare has advised that the elderly in Japan has a high property ownership rate, because the government encourage home purchase. In Japan, 83.4% of the elderly households lived in their own property. The corresponding figure



for single elderly households was 64.8% and for all households it was 61.1% (Masahiro, 2015).

The livelihood of the elderly poverty in Japan is protected under the Public Pension System, the Long-term Care Insurance System, the Health Insurance System and the Public Assistance System which are core components of the Japan's Social Security System (Web Japan, 2016). However, Ministry of Health, Labour and Welfare has shown that the elderly population would increase the challenge to the Social Security System.

#### **4.1.1.1 The pension system in Japan**

The Japan's Pension System has comprises two tiers of mandatory schemes, (1) National Pension Scheme and (2) the Employees' Pension Insurance and the Mutual Aid Association Pension. The public pension who were regularly contributors to the schemes will covered 68 million insurance persons.

According to “Ministry of Health, Labour and Welfare”, the pension payments are a very important income sources for the elderly in Japan. On average is around 69% of the average annual income of the elderly was from pension payments. In addition, 56.8% of the elderly households were dependent on pension payments as the only source of income (Legislative Council, 2013).

#### **4.1.1.2 National pension plan**

The National Pension Plan is a universal pension scheme, it providing basic retirement protection for all Japanese people when they reach the age of 65 years old. The existing plan was implemented in 1985 based on the reform of the original plan introduced in 1961. It is financed was by premiums paid by the insured, all Japanese aged 20 and above people (50% funding of contributing) and from government funding for contributing the others is 50% (Ministry of Health, Labour and Welfare 2016). The insured under the care-plan are into the following three categories according to their occupations, and are required to pay different levels of premium, there are as below:

- (a) Category for one insured people – covering students and self-employed persons, their spouses who are required to pay a monthly premium of ¥15,040 between the age of 20 and 59;
- (b) Category for two insured people – covering every employee in the private and public sectors, who are also covered under the second tier earnings-related public pension schemes and are required to contribute 16.8% of their monthly income (equally shared between the insured and their employers) and as premiums for all pension plans as a whole;
- (c) Category for three insured people– covering the second insured persons dependent spouse, whose premium contributions are borne by their working spouse.

The categories of benefit paid out under the “National Pension Plan” include the elderly pension, survivors' pension and disability pension. For elderly basic pension is paid out to the insurance after they have reached to 65 years old, and have paid for at least 25 years of premiums. The amount of pension payment is dependent on the number of years of premium contribution. The full elderly basic pension at an amount of ¥66,000 per month is paid out to those elderly, who have paid premiums for 40 years. The average elderly basic pension paid out is ¥55,000 per month (Ministry of Health, Labour and Welfare 2016).

The low-income households or individuals could apply for exemption to pay all or part of the premiums for the “National Pension Plan” depending on their income levels. For public assistance recipients and disability pension recipients are exempted from making to any premium contribution under the scheme. Insured persons who are exempted full premium contribution may receive to 50% of the full old-age basic pension (¥33,000 per month), while insured persons who are exempted to 50% of the premium contribution may receive to 75% of the full elderly basic pension (¥49,500 per month) after they have reached 65 years old.

The Japan's government has planned to finance these poverty alleviation measures by increasing the national sales tax (Ministry of Health, Labour and Welfare 2013). From 2015, in order to ease the financial constraint of those elderly, who are receive a

small amount of pension and those who are receiving disability pension, the government has planned to provide these public persons with a living subsidy at an amount of ¥5,000 per month. The target number of recipients under the measure is 8 million. In order to assist the old-age person who are not eligible to receive elderly basic pension due to a short period of premium contribution, it has planned to relax the eligibility criterion for payment from the 25 years of contribution to 10 years. The monthly elderly basic pension for these recipients will be ¥15,000 (Ministry of Health, Labour and Welfare 2013).

#### **4.1.1.3 Employees' pension insurance and mutual aid association pension**

The “Employees' Pension Insurance Plan” and the “Mutual Aid Association Pension Plan” are mandatory earnings-related pension plans to cover employees in the private and the sectors respectively. These plans has provide earnings-related pension. In addition to the elderly pension provided under the “National Pension Plan” and are financed by premiums paid by the insured.

In 2013, the premium rate is 16.8% of the income of insured (it equally shared between the insured and their employers) for covering the premiums of both the “National Pension Plan” and the earnings-related pension plan. The Ministry of Health, Labour and Welfare (2016) advised that the two earnings-related pension plans were merged in 2015 and the premium rate would be gradually increased to 18.3% by 2017.

At age of 65 years old and above retired employees will receive a pension of ¥152,000 (per month), including the elderly basic pension from the “National Pension Plan” and the pension payments from the earnings-related plan.

#### **4.1.1.4 Public assistance system**

According to Ministry of Health, Labour and Welfare, the old-age person who are not eligible to receive pensions or are receiving a small amount of pension will be supported by the “Public Assistance System”. There is 1.04 million public assistance recipients were aged 60 and above, representing 51.1% (of all recipients in 2011). The standard amount of livelihood assistance for the elderly couples ranged from ¥94,500 to ¥121,940 per month (Ministry of Health, Labour and Welfare 2013).

#### **4.1.1.5 Health insurance system**

The Japan’s government has advised that healthcare needs of the old-age are protected under the “Health Insurance System” which comprises different insurance schemes targeting at different categories of citizens. The System is financed by government funding and premiums paid by the insured. Retirees and old-age person aged 75 and over are covered under the “National Health Insurance Scheme” and the “Long Life Medical Care System” respectively. The amount of premiums paid by the insured under these two schemes will vary depending on their income levels but the benefits will be the same for the totally insured under different insurance schemes

(Ministry of Health, Labour and Welfare 2013).

#### **4.1.1.6 Long-term care insurance system**

The “Ministry of Health, Labour and Welfare” (2016) established the “Long-term Care Insurance System” in 2000, with a future view to support the increasing long-term care needs of the elderly. The System is financed by premiums paid by the insured (21% from premiums paid by those aged to 65 and above, and 29% from premiums paid by those aged between 40 and 64), and funding of the Japan’s central government (25%), the prefectural (12.5%) and municipal governments (12.5%).

The Long-term Care System covers two regimentation of insured persons, the elderly aged 65 and over and people aged between 40 and 64 years old. The primary insured persons are required to pay a fixed premium per month, which is set by the municipal governments according to the income levels of the insured. The low-income elderly person such as those public assistance recipients will pay 50% of the standard premium rate. The average premium rate is ¥4,972 (per month).

The secondary insurance persons are about 1% of the premium payments of their income and are collected together with their health insurance premium payments. The premium rates will be vary depending on the particular health insurance schemes. The insured are provided the benefits, and according to seven levels of long-term care needs. At-home, community-based and institutional services, are provided under the System.

While users have to bear 10% of the service costs, they will be paid with high-cost of long-term care service benefits to cover the costs, in case a large amount of expenses is incurred.

For the elderly, there is another support services provided by non-profit organization, to assist the homeless and the needs of people, including the needs of elderly. The services provided for the needs of elderly include accommodation, living support services and community-based support services

#### **4.1.2 The recent developments**

This summary are shows Japan's recent legislative developments and the trends related to retirement and highlights recently passed and its financial management and pending legislation that may require employers to take action and comply with whole new rules or review existing plans in 2017.

##### **1. Ruling upholds post-retirement wage need cut.**

The Tokyo High Court, decision deemed it "socially accepted and reasonable" for a company, to rehire workers after retirement on a one-year contract at 30% lower salary. And the Court noted that paying retirees has less to return to their own duties was an increasingly common practice.

##### **2. Minimum pension contribution period need cut.**

Both houses of the diet have now passed a measure that will cut the minimum

contribution in period for the state pension from 25 years to 10 years. The minimum basic monthly pension for those who contribute for the 25 years will be ¥40,000 and those contributing 10 years will get ¥16,000 (per month). A payment for September 2017 will be delivered in October 2017 and subsequent payments will be bimonthly.

### 3. The Pension reform package advances.

The House of Representatives, has passed a bill that would alter the formula for annual benefit adjustments. To improve the sustainability of a system repeatedly depleted by deflation, and it would replace the “Consumer Price Index” (CPI) with a link to wage inflation. From April 2021 the benefits would be cut to reflect any decline in wages and even if the cost-of-living went up.

Another provision would allow the part-timers in enterprises with 500 or fewer workers to join the employer's pension scheme. In the bill would also waive a mother's social security premiums for four months at the childbirth. A final vote is set for mid-December.

### 4. The reprieve for tax freeze on corporate pensions.

The 1.173% tax on occupational pension assets was introduced in the 1962 then suspended in 1999. The suspension was set to lapse in April 2017, but on a three-year extension the administration has decided. A provision to that effect will be



included in the fiscal 2017 tax reform package.

## **4.2 Social Policies for the Elderly in Taiwan**

### **4.2.1 Taiwan social payout for the poor elderly**

In accordance with government social assistance (formerly referred to as the government assistance) laws and regulations, initial government assistance only applies to the elderly of registered low-income household, who not only meet the minimum living expense standard (meaning the official poverty line) set by the government, and also need to comply with certain conditions. There is one other type of the so-called the elderly of middle-low-income household, meaning those at a certain number of times elderly whose income is lower than the minimum living expense are also the eligible aid recipients.

In terms of the status, the middle-low-income households refer to those whose income is at 2.5 times below the minimum living expense. The term elderly referred herein, in accordance with the “Elderly Welfare Act” stipulations, pertain to elderly over the age of 65, but certain programs set the standard at the age of 60, while stipulations governing the aborigines have lowered it to the age of 55. Early government’s poor elderly care primarily involves institutional placement, meaning the institutional care. Later with expanding social welfare resources, democratic progression and political parties competing for senior votes, there are a steadily more

aid recipients, and also a diversified payout payment.

According to Ministry of Health and Welfare (2016), the proportion of people aged 65 and above in Taiwan has been increase from 11.3% (2.64 million persons) in 2013 to 14% (about 3.4 million persons) in 2018. It would further increase to 20% (about 4.7 million persons) in 2025. Ministry of Health and Welfare has drawn up strategies to address the issues of financial security, health maintenance and care services for the elderly poverty. The below text would focus on the four aspects of social payout for poor elderly, such as living subsidy, healthcare, living placement and other services to describe separately as follows:

### **1. The living subsidy**

#### **(1) The low-income household living subsidy:**

When income of each person falls below the minimum monthly living expense. (in 2017, NTD \$15,554 per person/per month in Taipei, NTD \$12,941 in Kaohsiung, NTD \$13,700 in New Taipei and NTD \$11,448 in Taiwan Province), the family members (including the elderly) can all receive the living subsidy. In terms of Taiwan Province, per one's low-income elderly receive \$7,100 per person, per month, whereas per two entails NTD \$4,000 per household.

(2) Middle-low-income elder's living subsidy:

Middle-low-income elderly age over 65 with living poor or their offspring unable to support them, whose family total income averaging per person/per month not reaching 2.5 times of the minimum living standing can all receive the payment, and among them those fall below 1.5 times the minimum living expense are given NTD \$6,000 per person, per month, whereas those fall between 1.5 times and 2.5 times the minimum living expense receive NTD \$3,000 per person, per month. Based on which, an elderly person in Taiwan Province, under par one, is eligible to receive NTD \$13,100 (meaning Middle-low-income elderly age over 65 with living poor or their offspring unable to support them, whose family total income averaging per person/per month not reaching 2.5 times of the minimum living standing can all receive the payment, and among them those fall below 1.5 times the minimum living expense are given NTD \$6,000 per person, per month, whereas those fall between 1.5 times and 2.5 times the minimum living expense receive NTD \$3,000 per person, per month. Based on which, an elderly person in Taiwan Province, under par one, is eligible to receive NTD \$13,100 (meaning NTD \$7,100+\$6,000) per person, per month.

(3) Elderly fundamental guaranteed annuity (this pertains to the former elderly care benefits living subsidy):

The elderly care benefits living subsidy was launched in June 2002, and inducted retroactively dating back to January 2002, under which those aged over 65 with an individual yearly general income below NTD \$500,000 (meaning each person earning NTD \$41,667 per month), and whose personal land and property value capped at up to \$5 million, are eligible to receive NTD \$3,000 per person, per month. As to those Taiwanese aborigines, it is revamped to the Annuity Act stipulations by the elderly fundamental guaranteed annuity at NTD \$3,000 per month when they are each the age of 55.

(4) Retired veteran's employment care subsidy:

In accordance with the "Jointed Forces Retired Veterans Employment / Care Placement Measures", senior retired veterans meeting the criteria, if nursing care in home (not in the nursing-institutional), are eligible to collect NTD \$13,550 per person, per month.

(5) Emergency aid (the instant care emergency aid):

This caters to all citizens, and also applies to the elderly, who are eligible to apply for the cash subsidy, in the wake of an emergency incident, rendering them in a dire living situation.

(6) Elderly farmer's benefits subsidy:

Launched in 1995, its eligible subjects are farmers aged over 65 and meeting the qualifications, where each person receives NTD \$3,000 per month. Said elderly farmer's benefits proposal has a wealthy-exclusion provision at the outset of its implementation, and later as the Supreme Court rules it to breach the parent law in a judgment, the wealthy-exclusion provision has been revoked as of 1998, and it also extends the eligible subject to include elderly fishermen. The subsidy amount hasn't been adjusted to NTD \$6,000 per month.

## **2. Healthcare**

(1) Low-income households' health insurance premium and hospitalization meal expenditure subsidy:

The low-income household members, including the elderly, the insurance premium for their national health insurance is entirely subsidized through government-allocated budget; in addition, low-income households' health insurance hospitalization meal expenditure subsidy is also government-funded.

(2) Reduction or exemption of the national health insurance premium for middle-low-income households over the age of 70:

Those meeting the qualifications, whose health insurance premium is fully government-subsidized.

(3) Injury sickness medical treatment expenditure subsidy for middle-low-income households:

Households (including elderly members) whose average income averaging per person falls below 2.5 times of the minimum living expense, without the means to shoulder the self-funded medical treatment expenditure in the health insurance are eligible to apply for the subsidy.

(4) Middle-low-income elderly's critical illness hospitalization caretaker expenditure subsidy:

The middle-low-income household elderly aged over 65 whose entire household's income per person per month falls below 2.5 times the minimum living expense, who are certified by a hospital to require caring, receive a subsidy ranging from NTD \$750 to \$1,500 per person, per day.

(5) Middle-low-income elder's denture fitting subsidy:

It initially pertains to the local governments (i.e. Taipei City, Kaohsiung City, Taipei County) offering low-income elderly with full-mouth or half-mouth denture subsidy. Later the central government, in care of a 21.5% among the elderly aged over 65 without any teeth, and denture being an item not covered by the national health insurance. For safeguard the elder's oral health and ease the elder's economic burden, the Ministry of Health and Welfare approved and

finalized the “Middle-Low-income Elderly Denture Fitting Subsidy” in 2008, and to offer a comprehensive subsidy on denture type fitted starting in 2009.

### **3. The Living care**

#### **(1) Low-income household elderly’s government-funded placement, care service:**

Of low-income household elderly aged over 60, the government offers free placement, nursing care.

#### **(2) Middle-/low-income elder’s special care subsidy:**

Of qualified low-income household elderly aged over 65, who have also been issued with a diagnosis certificate of suffering from long-term, chronic diseases by a medical institution, and who have also been evaluated on the severity for using the activities of daily living (ADL) list, to require family care, the government subsidizes to one caretaker only, with NTD \$5,000 each month.

#### **(3) Middle-low-income household elder’s residential facility/equipment subsidy:**

Of elderly aged over 65 and income per person per month falls below 2.5 times of the minimum living standard, subsidy is offered to their water supply/drainage, waterproofing, bedroom, kitchen, bedroom and related facility/equipment, as well as residential safety auxiliary devices and so forth.

(4) Middle-low-income household elder's homecare service:

Of home-cared elderly aged over 65 who require others' assistance in daily life due to physical/mental disability, when assessed to meet the qualifications, the general low-income household elderly and the middle-low-income elderly are eligible to receive free homecare service at different hour count per day by government-commissioned nonprofit organizations.

(5) Middle-low-income elderly's nutritional meal subsidy:

Of home-cared elderly aged over 65, who required others' assistance in routine living functions due to physical/mental disability. When assessed to meet the qualifications, the general low-income household elderly and the middle-low-income elderly are eligible to receive free or low-cost nutritional meal subsidy separately by government-commissioned nonprofit organizations.

#### **4. Other services**

(1) Low-income elderly's funerary subsidy:

Provide funeral subsidy or deal with burial assistance for low-income elderly.

(2) Local government's services:

In care of the local system law, various local governments offer certain tailored service plans for poor elderly. For instance, Taipei City Government offers nutritional supplement for seniors over the age of 65, the elderly equipment



subsidy and the like.

### (3) Prevalent service plans:

Besides catering to poor elderly, the government has certain service plans that are catering to the elder, while these also provide aid to poor elderly. For instance, the free elderly health examination, elderly transportation discount and related incentives.

Although, the elderly are provided with these welfare measures, but Taiwan's government expenditure on social welfare is much lower than its neighbors. In 2013, Taiwan spend just 3.98% of its GDP on welfare measures, according to Accounting and Statistics estimates (Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. 2013). This is far less than 11.5% in South Korea's and 25.4% in Japan. The average welfare measures spending for developed countries in the Organization for Economic Co-operation and Development is 21.4% (Organization for Economic Co-operation and Development, 2013).

Government officials point out that with an average tax rate of 12%, much lower than that of 40% in some European welfare states, Taiwan can't afford to provide more welfare services. In 2011, the government raised the poverty line. With this, an additional 588,000 people became eligible for social assistance and subsidies. However, many people who are barely getting by are above the official poverty line, they receive

any government financial assistance at all. For the senior citizen, if looking at the cultural and financial conditions, there are definitely areas that need improving.

### **4.3 Evaluation**

The risk of old age poverty is generally more pronounced in the less developed countries where social protection coverage is inadequate, and where many elders rely only on family support. However, amidst socioeconomic pressures and increased longevity, customary family-based support is very often far from sufficient and reliable, with a significant number of older persons at greater risk of either falling into poverty or remaining below the poverty line. This implies the need for policy interventions; primarily through social protection. And we can understand through Japan's pension policy statement to learn about the relevant measures of Japan's elderly society.

It is commonly known that the risk of elderly poverty appears to be more prominent under the condition of the lack of or non-existent coverage of social protection. Besides, the elderly can only depend on family support. However, under such circumstances where the society suffers from economic pressures and expectancy life has been prolonged, family-based support is far from being sufficient and reliable. There's a large number of the elderly who face greater poverty or who may suffer from the risks of living below the poverty line.

This means that the government needs to intervene with its policies and offer

protection mostly through social welfare. Therefore, a complete policy definitely can improve and reduce social issues resulting from aging and comfort people based on the Japanese experience. While the Japanese government keeps improving its policies on the elderly, it is worth learning some suitable related measures to carry out in the future of Taiwan's aged society.

From the point of view of poverty alleviation, Taiwan is trying to solve the problem of poverty, by providing financial assistance to low-income households. Taiwan has also introduced measures to boost capabilities and enhance self-reliance of low-income families. On the other hand, the retirement protection is as a basic right in Japan, it is impressed by Japan's retirement protection plans to which the employers and government are required to contribute. At the end, the pension payments have been increased due to rise in the old-aged population in Japan.

Many workers in Japan already continue to work beyond the normal retirement age; the effective age of labour market exit is four years above the pension age for men and three years higher for women. As it is possible to be employed and receiving pension benefit, subject to income limitation, government expenditure could be reduced by increasing the retirement age beyond age 65. Taiwan has also delayed the retirement age to 65 years old to address the aging and poverty issues. The old-age poverty is related to social welfare and measures. Therefore, to compare major characteristics of

welfare measures (Table 4-2), might help to know more about policies.

Table 4-2 The characteristics of welfare measures for the elderly

Nation	Characteristics of welfare measures for elderly
<b>Japan</b>	<ol style="list-style-type: none"> <li><b>1. Provide solely benefits-in-kind instead more than cash benefits:</b> e.g. home visit long-term care; home helper; day care; short term stay; combined services.</li> <li><b>2. Home-visit nursing supporting:</b> e.g. Physicians; Nurses; Dentists continued medical care at home.</li> <li><b>3. Emphasis on research work:</b> establishment a national research institutions, integrated services for the elderly.</li> <li><b>4. Assistance Program:</b> emergency signaling system for single elderly.</li> </ol>
<b>Taiwan</b>	<ol style="list-style-type: none"> <li><b>1. Providing cash benefits:</b> to family care givers.</li> <li><b>2. The types of long-term care services:</b> e.g. daytime care, household support, temporary accommodation, group housing, provided at a specified time, at the home, to a family care giver.</li> <li><b>3. Community and charity involvement:</b> The communities and charities are willing to support elderly and involvement in volunteer by people helps maintain and develop for elderly healthy.</li> </ol>

Source: National Development Council (2014); Cabinet Office, Government of Japan (2016) "White papers on the aging society".

#### **4.3.1 The social welfare notes in Japan**

In the absence of affordable nursing homes, population aging—particularly the increase of frail elderly—led to the dramatic rise in health care costs as middle class families used hospitals in lieu of nursing homes. Non-medical use of hospital beds was the most expensive form of frail elderly care. As Japan had introduced in the 1970s a free health care scheme for those above the age of 70, the health care costs grew exponentially as the population above the age of 70 grew rapidly (Campbell 1979). Hence there was a kind of policy feedback that shaped the way in which the problem of population aging manifested itself in Japan.

Not only the Japan's Ministry of Finance but employers' associations grew alarmed as they had to share some of the rising health care cost. The Ministry of Health and Welfare had different perspective in addition to health care cost containment. Given the demographic trend in Japan, people saw elderly care services as a “growth sector” while Japanese saw child care as a “declining sector” (Estévez-Abe and Kim, 2013).

The Japanese government raised the user fees of care service and tightened the eligibility rules for various services. This means that the situation for low- and middle-income families, particularly in municipalities without sufficient fiscal means, is worsening. In 2012, a new concept of “community-based care” has been introduced the recent trends and issues of the Long-Term Care Insurance, as a way of economizing the

cost while delivering the necessary levels of care (Estévez-Abe and Kim, 2013).

In fact, according to the Organization for Economic Co-operation and Development (OECD, 2014) data, both Japan and South Korea have higher poverty rates of the elderly than the OECD average. In an international comparison, Korea stands out for its high poverty rate among the elderly. Korea's extremely high suicide rate for the elderly—several times higher than most other OECD countries. This is hardly enough for subsistence unless the elderly live with their children. As a result, many elderly people who have no support from their children, fall below the poverty line. More than half of those on public assistance in Japan are elderly people.

We can predict the Japanese situation will get much worse in the future. Those who entered the labor market are much less likely than the previous mode to have regular full-time employment. It's means the coverage of income-related pensions is decreased. That means two things will happen: (i) child will not to do the financially help their parents, (ii) a larger percentage of these groups will fall into poverty and need the public support. The poverty rates in Japan's old-age people will keep to rising.

The poverty rates of families with children are much higher in Japan. The relative underdevelopment of support for families with children in Japan implies greater poverty rates for this category of families, and yet another hurdle for Japan to reverse its fertility decline. Japan bears an important lesson for Taiwan. It is crucial: (i) not to link

employment status to old-age via the public pension system; (ii) to have a relatively generous minimum pension to prevent people from falling into poverty; and (iii) to reduce the childcare cost and provide more financial and childcare support for families.

#### **4.3.2 The social welfare notes in Taiwan:**

Taiwan government offers a variety of in the care service and almost relies on foreign care givers. Instead of developing universalistic elderly care provisions, Taiwan opted for heavy reliance on foreign care givers from 1992 (Wang, Yeong-tsyr, 2011). Taiwan is facing the other crisis, as the bulk of its caregivers currently come from foreign, such as Indonesia which has vowed to stop sending workers to Taiwan in the next 5-10 years, unless the pay is raised substantially. Moreover, many of the elderly caregivers are not adequately trained to deal with people who suffering from dementia and the disabled (Ferry, 2017).

By late September 2016, the Executive Yuan had passed the Overall Plan for 10 Year Long Term Care 2.0, and planned to expand the scope of its service object from the current 510,000 to 730,000 people. The care model can be divided into a three-tier ABC system known as the “flagship stores”, “specialty stores”, and “corner stores” and the government will invest NTD \$17.7 billion to support its financial budget. By different operating models and see the welfare measures advantage and disadvantage in Japan and Taiwan (see Table 4-3), to understand more profile of these two countries.

Table 4-3 The welfare measures advantage and disadvantage in Japan and Taiwan

Nation	Social welfare measures for the elderly
<b>Japan</b>	<p><b>Advantage:</b></p> <ol style="list-style-type: none"> <li>1. At-home medical care management counseling</li> <li>2. Allowances for the purchase of welfare devices: including for-home renovations.</li> <li>3. Day care for dementia patients: training</li> <li>4. Silver Peer: integrated residential, for 65 years old or older; especially for single elderly first.</li> <li>5. Promoting Social Activity: job placement service; sports events for the elderly; for the aged from facilities to local communities</li> <li>6. Guaranteeing security in daily living</li> </ol>
	<p><b>Disadvantage:</b></p> <ol style="list-style-type: none"> <li>1. The pension are gradually reduced due to lack of annual income of finance.</li> <li>2. Foreign care givers are basically non-existent in Japan: a highly restrictive quota for foreign care givers (500 per year).</li> <li>3. Japanese housing rent is higher: increase the elderly housing facilities; to prevent poverty, the first reduces is the burden on housing.</li> <li>4. Insufficient link of the elders: many elders do not know the related subsidy and service provision.</li> </ol>



Taiwan	<p><b>Advantage:</b></p> <ol style="list-style-type: none"> <li>1. Employed, personal and family caregivers: training and to be systematically incorporated into the long-term care system framework</li> <li>2. The former group: including migrant caregivers: provided with training and the latter with respite care services.</li> <li>3. Cash subsidies for the elderly for living.</li> </ol> <p><b>Disadvantage:</b></p> <ol style="list-style-type: none"> <li>1. Long-term care 2.0 provides insufficient service for the elderly and puts the tax base for cigarettes as a particularly precarious source of income</li> <li>2. Lack of care programs for people suffering from Senile Dementia, need to expand training professionals</li> <li>3. The long-term care system facing shortage: reliance on migrant caregivers (Indonesia its set to stop sending migrant workers and plans to reduce the number to zero by 2017).</li> <li>4. Elderly pension is not enough for the personal minimum living expenses.</li> <li>5. People usually do not understand the subsidy measures for the elderly.</li> </ol>
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Source: Estévez-Abe, M., Kim, Y. (2013). Health Promotion Administration, Ministry of Health and Welfare. (2016a); Health Promotion Administration, Ministry of Health and Welfare. (2016b); Cabinet Office, Government of Japan. (2015); and compiled by author.

In the context of low social security benefits, the weakening of welfare providing functions of the people is particularly worries in Taiwan. The existing studies, such as Murozumi and Shikata (2008), shows that the elderly live alone or with their children will affects their lives and have a higher probability to fall into poverty.

#### **4.3.3 The Issues on Pension Systems in Japan**

1. There are several topics and problems in the pension systems in Japan (Japan Pensioners' Union, 2010).

(1) As Japan has rapidly into an ageing society, the pension systems are gradually cannot sustainable as they are. For maintain the benefits, the laborer and employers must pay more higher premiums, so the fees must be adjusted.

(2) Especially women, have different choices of their life-style. The pension system must stand neutral, no matter what the scheme they choosing.

(3) In Japan, especially young people, do not trust pension systems, and to restore the citizens confidence in pension systems is important.

2. Japan Pensioners' Union, that they actually problems of the pension systems are as follows:

(1) In Japan, 47% of the people are expected to receive only national basic

pension benefits in their retirement. The average monthly amount of the basic pension benefits is ¥46,000. This is not enough to support their lives, and more than 620,000 elderly of age 65 and over have no pension at all.

(2) In employees pension benefits, the average per month is around ¥190,000 for men. While, the average for women only around ¥110,000. The gender gap in pension benefits is quite large. Moreover, elderly women are probability to live alone than men, so this is a serious problem.

### 3. Pension Reform in Japan

The pension reform in Japan have been the major political and social issues for several years. Although the Japan submitted the pension reform bills in 2017. According to the public opinion polls, as much as 70% of the people still against it. Japan Pensioners' Union consider the reform is the worst option, because it brings the heavier burden to the laborer. The major points of the reform are as follows:

(1) Premiums for employees' pension as well as for national basic pension will be raised yearly until 2017, when the rate of the premiums will be fixed (except price and wage adjustment).

(2) It will decrease the benefits automatically in the future, because the drop of the work force and the rise of life span. As the years go by, the gap between the wage and the pension will get larger. Because Japanese government, that the benefits of the typical family will not be less than 50% of the average male wages. It became obviously that only a few families would apply to the model and the benefits will drop below 50% after the benefits amount is decided.

(3) About women's pension, has been discussed on collecting premiums from housekeeper or not, and the part-time workers should be admitted to the employees' pension scheme. But these issues are not include in the recent reform bill.

4. Japan Pensioners' Union maintains that the pension reform is problematic in the following respects.

(1) Raising premiums will speed up the pension systems becoming hollow inside, increasing the people who cannot pay premiums because of the poor income. The pension reform will increase the number of the small corporations, that will withdraw from employees' pension scheme as well as the number of the workers who will be expelled from employees' pension scheme because of the dismissal and the unstable employment.

(2) Not only employees' pension but also national basic pension, which is very low as it is, will be cut down. The balance between premiums and benefits in this pension reform is assumed on the estimation based on the decrease of birthrate, the decrease of work force, rising of wage and price, if the estimation is on target certain and may differ on a large scale, in which case the pension benefits may not be secured.

(3) Raising the rate of funding by national treasury from the current one-third of the national basic pension to one-half is postponed, and it will hasten the deterioration of pension funding. Savings of pension premiums have been used on building unnecessary facilities and hazardous investment on stocks. Savings of pension premiums should be used to improve pension systems.

(4) The serious issue of older people who have no pension at all or only a small pension benefits have been left out. The gender gap of pension benefits is extremely large. The pension reform has not given any answers for these issues.

The government should guarantee "the right of everyone to social security" as provided in the International Covenant on Economic, Social and Cultural Rights, by reforming the pension systems for the better. The UN Committee on Economic,

Social and Cultural Rights recommended to the Japanese Government that the Japanese Government should "incorporate a minimum pension into the national pension system" and also "the persisting de facto gender inequality in the pension system be remedied to the maximum possible extent" in its concluding observations in 2001. Japan Pensioners' Union strongly demands that the government should observe these recommendations. Japan Pensioners' Union considers that the Government should withdraw the pension reform plan and make a fresh start on building up a minimum pension system funded by national treasury, which will secure every older person's life.

#### **4.4 The Long-Term Care in Taiwan**

From the end of 2007, the Taiwan government started to promote the "10Year-Long-Term Care Program" plan, and extended the scope of the application of services to the elderly with middle class income (50-year-olds with disabilities, 55-year-old aboriginals, and 65 year-old men and women). The policy take care of: (1) 65 years old ADLs disabled elderly. (2) Persons with mental and physical disabilities who are age of 50-65. (3) IADLs mildly disabled elderly living alone. These programs focus mainly on providing home nursing services, home health care, and physical therapy at home and in the community, the purchase and lease of assistive device services, home accessible environmental improvements, nourishing meals for the elderly, respite care

services, transportation services, and long-term care facility services.

With long-term health care insurance being insufficient, the Taiwan government needs to establish a long-term care service network and enact a “Long-Term Care Services Act” in order to encourage development in those resource insufficient areas and integrate the National Health Insurance into the long-term care programs.

The Long-term care 2.0, it appears to be a dazzling array of investments; yet, anyone from a middle-class family who has an elderly in need of long-term care will know that even though the government actively invests its budget in the long-term care, an unbalanced supply and demand can lead to long-term resource shortage of long-term care. The care and medical treatment labor shortage have become the increasingly serious issues; therefore, the service object of long-term care provided by the public sector mostly focuses on the minority groups. A long-term care insurance programmed is tentatively set to be launched in Taiwan in 2018 and is expected to benefit around 820,000 people (Ministry of Health and Welfare 2017). Comparison the service type for the elderly in Japan and Taiwan, for reference (see Table 4-4).

The demand for economic security for the elderly in Taiwan is rising, while the family’s function of old-age security protection has keep declining. It seems to be an irreversible worldwide phenomenon that makes the government to rethinking or to

adjust the social policies.

Table 4-4. Comparison the service type on the elderly in Japan and Taiwan

Nation	Persons 65+ total population	Social security system (for elderly poverty)	Government start promote LTC plan	Elderly care needs category
Japan	7% → 1970 14% → 1994 20% → 2006	1. Public Pension Health Insurance 2. LTC Insurance Assistance 3. Public Pension	<b>1996-</b> Submit report of elderly protection  <b>2000-</b> Promote long- term care insurance	1. Care needs of the demand level (1~5 level) 2. Life support level 3. Use ADLs (Activity of daily living form)
Taiwan	7% → 1993 14% → 2018 20% → 2026	1. Government Social Assistance 2. LTC Insurance 3. Public Pension	<b>2007-</b> 10 Year Long- Term Care Program plan  <b>2018-</b> Promote 10 Year Long- Term Care 2.0 Plan.	1. Care needs certification 2. Heavy, Intermediate, Light (3 levels) 3. Use ADLs (Activity of daily living form)

Source: Health Promotion Administration, Ministry of Health and Welfare. (2016a); Health Promotion Administration, Ministry of Health and Welfare. (2016b); Cabinet Office, Government of Japan. (2015); Taichi Ohno (2011).



Furthermore, there are 3.10 million elderly population, and this number will increase up to 4.88 million after a decade. On the other hand, there are the 17.29 million people in the working-age population, and this number will be reduced to 15.82 million. There's a bursting demand on the elderly care; however, the tax base mainly applied to young adults reduced reversely. The middle-class may be too optimistic to think that if they want to depend on the long-term care 2.0 supported by income tax to receive sufficient elderly care. In other words, a normal family will have to get ready and depend on their own if there's a need for long-term care due to the insufficient resources. It's showing that long-term care resources are still inadequate, can only serve the less of citizen.

## Chapter 5 Conclusion

### 5.1 Research Findings

Population aging is becoming a global trends. Like most developed countries, i.g. Japan and most Europe, shows the risk of poverty increases with age. However, it is not only the aging issues have to resolve but also the elderly poverty problem has spread and become an issue of every countries. This study has thus attempted to answer the following question: firstly, the probes into the “elderly poverty” problem and its future trends in Taiwan; secondly is to explore the causes of the “elderly poverty” problem in Taiwan and the official measures.

**The first question**, is aimed at the probes into the emergence of the “elderly poverty”, try to find out the extent of this problem and its future outlook in Taiwan. Upon observing the Japan's case of aging trends and status of the elderly poverty, the 26.7% of elderly population and 19.4% elderly poverty rates of Japan in 2015, because of two reasons, the low fertility and decreasing marriage rate. Although Taiwan has only 13% of elderly population in 2015, but soon or later, Taiwan would become a hyper-aged society in 2026 if the birth rate in Taiwan that has been decreasing for a decade cannot be increased effectively. The elderly would constitute more than 20% of the entire population.

Under the same conditions, from Taiwan's "Housing Census Report on the survey of family income" in 2014, the research found that more than 50% of the elderly was the poorest households with the lowest income. In conclusion, nearly half of the elderly population falls to the lowest and poorest level. More than three fourths of the elderly population, cannot make ends meet. Such chilling data currently reflect the true face of “elderly poverty” in Taiwan.

Taiwan may be listed among the aged countries of a fast-aging society. The frightening truth is that today, it shows “The low-living elderly” phenomenon has increasing in Taiwan’s society, and the elderly poverty has become a rising problem in Japan and Taiwan. The “Poverty” issue of the elderly population has become a critical issue, which cannot be ignored.

**For the second question,** is to explore the causes of the “elderly poverty” problem in Taiwan and the official measures. The study found that the indicators of leading the elderly poor are very similar in Japan and Taiwan. According to the literature review and information analysis, the study put forward the following conclusions.

For the causes of the elderly poverty in Japan: included the serious illness and long-term care needs (although have deposit, but insufficient; can not pay insurance fees); the elders live alone (won’t to seek medical help; save expenditures); instability of labor market such as unemployment and increase in non-regular workers (income

only 1/3 compare regular workers); the national annuity income is lower.

In Taiwan, has the same economic structural change issues. About the causes of the elderly poverty are: the labor pension is too low (less than the necessary living expenses); unstable employment (low income work); family care function are decline (the elders living alone has keep rising); early to exit from the labor market (lack of deposits). We could see the weakened social security system are the main causes for the rising old-age poverty.

Taiwan is facing a serious situation of aging and elderly poverty. However, the poverty line is not truly representative of poverty in a countries. As a result, showed the numbers of people living below the poverty line and dependent on welfare has rising. Most people in Taiwan society suppose that “the low-living elderly” issues in Japan will not become a serious issue in Taiwan, even the numbers showed the opposite result. This is because most of the elderly in Taiwan, tend to have their own house and more young-adult worker, and the idea of looking after parents is still popular. Thus, under the situation of low fertility, the situation will be reversed in the near future.

The risk of old age poverty has more pronounced countries where social protection coverage is inadequate or absent, and where many older persons rely only on their family support. However, amidst economic pressures and increased longevity, rely on family support is very often far from sufficient and reliable, with a significant number

of older persons at greater risk of either falling into poverty or remaining below the poverty line. This implies the need for public policy interventions; and the mainly through social protection.

Thus, social security pensions and social welfare have become essential tools, to maintain the elderly a stable income after the end of their working life. And a good welfare measures is obviously could improve the life of elderly poverty. About the effectiveness and problems of the payment of the poverty among the elderly society in Taiwan, the preliminary assessment as below:

1. **The scope of elderly poverty subsidy from the low-income, and after that added to the middle-low-income:** especially of the middle-low-income elderly, form 1.5 times minimum living expenses and gradually relaxed to 2.5 times, it also can increased of taking care the numbers of poor elderly. Coupled with the diversity of the benefit scheme, it result the double benefit to the poor elderly.
2. **Public idealistic change of the elderly poverty:** the elderly poverty social payment, in addition to low-income and middle-low-income elders, it still based on social assistance law, and the other regulations in the "elderly welfare law." Also represent for the attention and rising of the rights awareness and dignity of the elderly poverty in Taiwan.

For the deficiency or problem of welfare measures in Taiwan is as follows:

1. **Social welfare coverage is incomplete:** in Japan's case, the study found that the long-term care needs of older people increase as they get to older ages, and a comprehensive care (not only cash subsidy but also benefits-in-kind service provide) is the best option, but the costs can be overwhelming. In many low-income elderly of Taiwan, mostly has multiple disease and where governments can not cover the finance of long-term care needs because the highly threshold limits, the entire financial burden finally falls directly on elderly person or their families.
2. **The social welfare financial policy and long-term care issues:** The tax base of cigarettes as an important unstable source of revenue. Another is the heavy of human resources is required to the provision of long-term care caregivers, and Taiwan currently relies to the mostly degree on foreign laborers.
3. **The Income inequality:** This is because the economic downturn and changes of Taiwan's economic, makes more the low-income labors and harder for low-skilled people to find jobs, economic uncertainty, as well as high housing costs, undermine the ability to financial plan and saving for retirement. As a result, many young labors may find themselves worse off than their parents' generation when they enter retirement.

Never the less, the families structure have also changed, there are more divorces now, more single-parent families. From this developing trends, the most worries is the poverty being passed on to the next generation. As the result, the current working-poor young adults soon facing financial difficulties just like the “low-living elderly” problem in Japan nowadays.

## **5.2 Suggestions for Future Research**

This research based on an insight from Japan's case, has systematically reviewed, analyzed, data collected, and synthesized important existing studies and secondary data, in order to provide the overall and future trends of elderly poverty situation in Taiwan.

In the results were observed, the first thing is to improve the old-age poverty problems. However, how to prevent or improve the elderly poverty issues and make a safety social net to the poor elderly. It can be found that the principal factors are the changes in household types and environment, poor awareness and ill-understanding by the general public.

- (1) The government need realize that the elderly poverty exists widely and growing further in the old-age people and should address the issue of the elders living alone, correcting the income disparity, strengthen care function of community and focus on the elderly poor issue, take measures to fight against poverty.

(2) With the principles of fundamental human rights, learn from Japan to fundamental law of fighting poverty should be enacted, made as the important strategy of Taiwan. To promote public awareness for prepare adequate deposit in retirement when people are enter the workforce, keep strengthen of the long-term care system develop, continued reform the labor's public annuity.

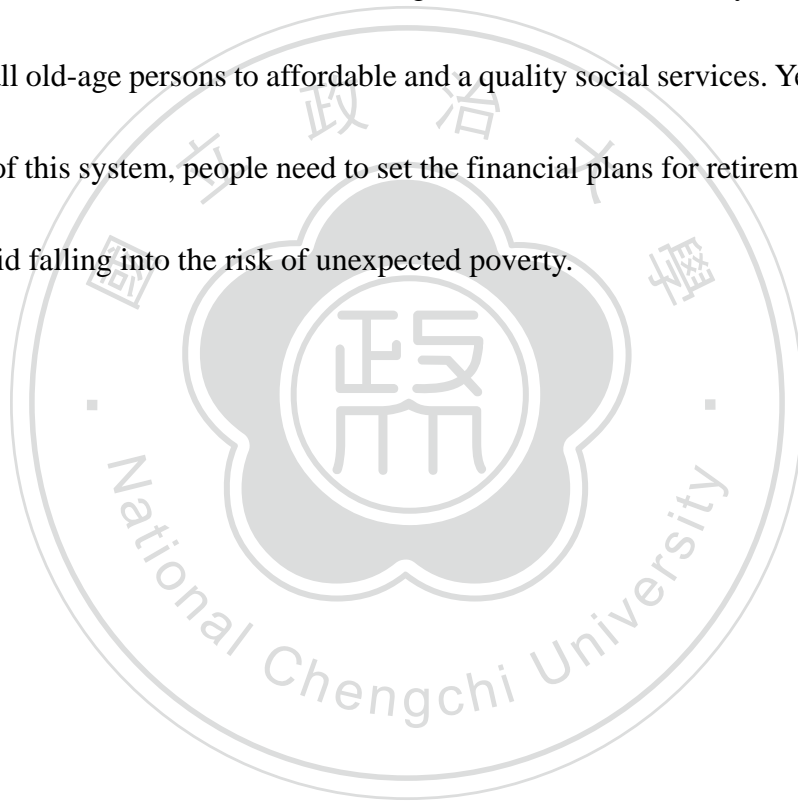
From “working poor” to “the low-living elderly” showed up and disclosed the predicament and hopelessness of the elderly in Japanese society. Although people have no feeling about the elderly poor in Taiwan, but still cannot ignore these serious social phenomenon and social issues and treat them as insignificant incidents, since an elderly and low fertility society coming and elderly poverty has become an inevitable trend in Taiwan. Although, the policy of responding to elderly poverty in Japan are not always be success. However, these Japanese experiences could provide Taiwan's government with new perspectives and learn from Japan when making policies.

There are a number of limitations in this study, although the analysis are focus on the possible factors of the elderly poverty, but the official data and information provided, with the real situation may have some error. It still lack of detailed data, for example, it is difficult to know very clearly how much of each household member gets each subsidy, and it is difficult to understand the extent to which these subsidies improve poverty for the elderly.



Above these restrictions, if there is more detail information in the future, can be more accurate analysis. By sorting out the differences the old-age poverty status in Taiwan and Japan, and to understand more about the mode of social care, hope to inspire other further study of the elderly poverty issues in the future.

The government has to explore policy options to achieve full social security coverage and sufficient welfare benefits to guarantee income security in elderly equal access for all old-age persons to affordable and a quality social services. Yet, before the perfection of this system, people need to set the financial plans for retirement spending earlier, avoid falling into the risk of unexpected poverty.



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