

**HOW DOES TAIWAN'S AGEING
POPULATION AFFECT ITS
ECONOMY?**

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Executive Summary

1. A rapidly ageing population became a pressing demographic issue in Taiwan in the 1990s due to industrial transformation, family planning and urbanisation in the 1970s and 1980s. An ageing population tends to lead to less human capital and lower economic growth.
2. The percentage of population aged 65 and above was 13.2% in 2016, while the figure is expected to jump to 16.0% by 2020 and 19.8% by 2025. Taiwan's total population is projected to register a negative growth rate by 2025.
3. Taiwan's rapidly ageing population can be attributed to a rapid decline in the total fertility rate and prolonged life expectancy.
4. The spike in old-age dependency ratios will deeply affect future labour markets. As the population ages, the working-age population has experienced a declining trend since 2015.
5. Indeed, an ageing population is expected to slow down economic growth and raise government spending on social welfare and health-care programmes, negatively impacting future fiscal sustainability.
6. In an ageing society, the elderly are risk averters, going more for financial products with stable profits such as bonds.
7. An enlarging ageing population has turned out to be a politically strong force to be reckoned with during elections. Candidates have competed on their offerings in social welfare benefits since Taiwan's democratisation during the 1990s.
8. With an ageing population, the government's welfare policy has played an increasingly important role in enhancing the welfare of the elderly.

9. The clear trend towards a rapidly ageing population and the swift weakening of family support have created an urgent need for a solid policy on the long-term care of the elderly.
10. Long-term care insurance products could reduce family burden and provide high quality long-term care. It supplements old-age support provided mostly by the family in accordance with Taiwanese cultural values; the family hence still plays a pivotal role in long-term care.