

Pension reform and long-term old age income security: The case of Taiwan

Taiwan's Labour Insurance covers 85 per cent of the employed population, and provides a lump-sum payment to the insured at retirement. With the extension of life expectancy and today's uncertain economy, the lump-sum payment system is deemed inadequate for long-term income security after retirement. The government proposed to reform it and to establish a pension system in 1994. However, data from large-scale sample survey show that the majority of them prefer a lump-sum payment rather than pensions. The government accomplished the unpopular reform in July 2008, but made a few important compromises. These include providing the option to the insured to claim a lump-sum payment based on old regulations, and promising to make up the difference between the sum of pension benefits an insured actually receives and the entitlement he or she had based on old regulations. The goal of improving labours' long-term old age income security thus achieved only partly, and with a price, that is, distortion of social insurance principles. This paper analyses the politics of Taiwan's recent reforms on Labour Insurance, and their implication on labours' long-term income security. It concludes by emphasising that older people's long-term income security should be the key concern for pension reform.

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