

# Taiwan's Response to Demographic Changes: Employment Policies for an Aging Population

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## 1. Introduction

Taiwan faces urgent demographic challenges characterized by a rapidly aging population and declining birth rate. Taiwan will become a super-aged society by 2026, with over 20% of the population aged 65 or older<sup>1</sup>. This rapid demographic transition raises significant concerns for labor market sustainability, social security systems, and economic development.

In response to these challenges, Taiwan enacted the 'Middle-aged and Elderly Employment Promotion Act' in December 2019, establishing a comprehensive legal framework to promote employment opportunities for older workers. This legislation introduces what can be summarized as 'One Flexibility, One Prohibition, and Three Subsidies' to address the employment challenges facing older workers. The flexibility component relaxes traditionally strict regulations on fixed-term employment contracts for workers aged 65 and above, creating more adaptable employment arrangements. The prohibition element strictly forbids age discrimination in all aspects of employment. The three subsidy systems include allowances for unemployed middle-aged and elderly workers, subsidies for workplace redesign for current middle-aged and elderly employees, and subsidies for businesses that retain elderly workers.

The Middle-aged and Elderly Employment Promotion Act places particular emphasis on prohibiting age discrimination, representing a significant advancement in protecting older workers' employment rights. Further progress came in 2024 with amendments to Article 54 of the Labor Standards Act regarding mandatory retirement at age 65. While the previous law did not explicitly prohibit negotiated extensions, the 2024 amendments explicitly codify that employers and employees may negotiate to extend employment beyond the age of 65, providing clearer legal recognition for continued employment of elderly workers.

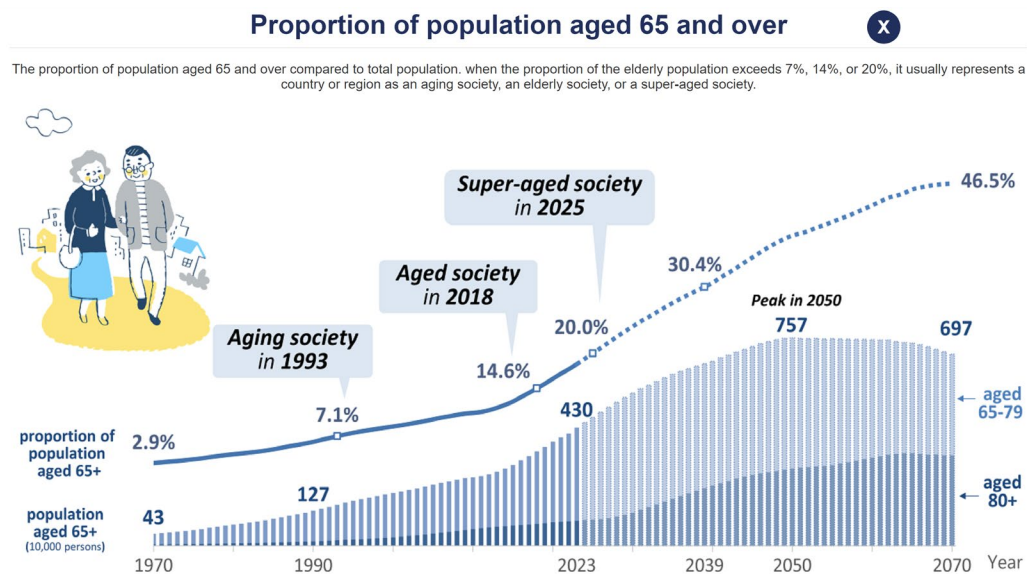
## 2. Situations in Taiwan

The National Development Council's reports show that Taiwan entered an aged society in 2018 with 14% of its population aged 65 and above, and is projected to become a super-aged society by 2026,

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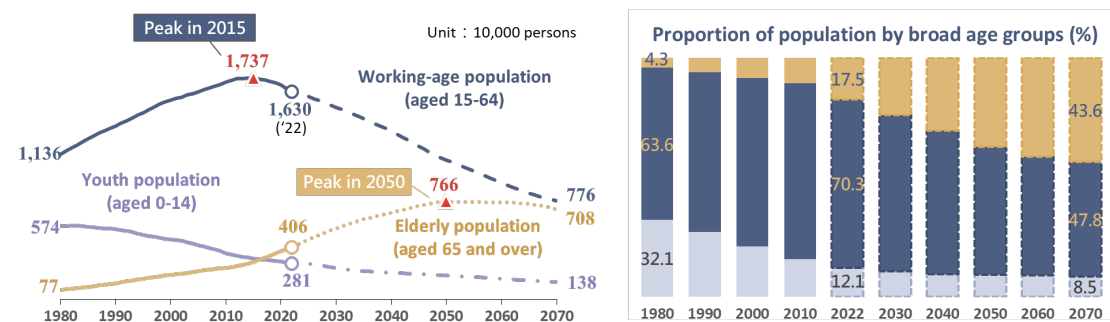
<sup>1</sup> See <https://pop-proj.ndc.gov.tw/> (last visited March 7, 2025).

when this ratio will exceed 20%. This demographic transition is occurring at a much faster pace than experienced in most developed Western countries, which had decades to adjust to similar shifts.



Source: National Development Council (see note 2 of this report)<sup>2</sup>.

The working-age population (15-64) peaked in 2015 and began to decline in 2016, while the elderly population surpassed the youth population in 2017—a trend projected to continue until 2050. Long-term demographic projections paint an even more dramatic picture: by 2070, the population aged 0-14 is expected to decrease by 1.4 million (-50.7%) and the working-age population will shrink by 8.5 million (-52.4%), while the elderly population (65+) will increase by 3.0 million (+74.2%).



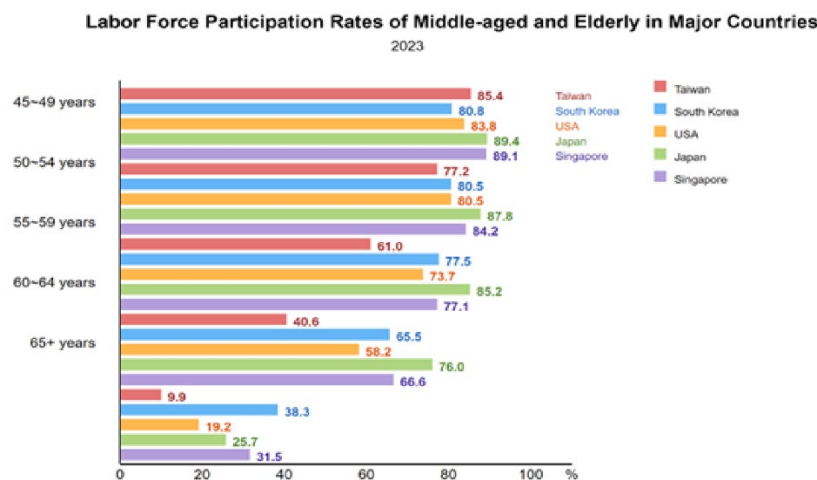
Source: National Development Council (see note 3 of this report)<sup>3</sup>.

Compounding these demographic challenges, Taiwan's labor force participation rates among older age groups remain significantly lower than those in comparable developed economies such as Japan,

<sup>2</sup> See [https://pop-proj.ndc.gov.tw/main\\_en/](https://pop-proj.ndc.gov.tw/main_en/) (last visited March 7, 2025).

<sup>3</sup> <https://reurl.cc/mRe0bl> (last visited March 7, 2025).

South Korea, and the United States. As of 2023, labor participation rates stand at 66.4% for those aged 45-64, but drop precipitously to merely 9.9% for those aged 65 and above<sup>4</sup>.



Source: Manpower Survey, Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

These statistics reveal considerable untapped potential in Taiwan's older workforce. Labor market data further indicates that the average retirement age in Taiwan is 64.3 years—notably lower than in many developed countries where labor market retention of older workers has been more successfully implemented<sup>5</sup>.

The accelerating demographic shift has far-reaching implications across multiple domains, including labor markets, social security systems, and broader economic and fiscal policies. In response to these challenges, Taiwan has prioritized policy reforms focused on promoting employment among older adults while ensuring workplace safety and comfort. These initiatives encompass comprehensive reforms in employment systems, enhanced vocational training programs tailored to older workers, and strategic improvements in work environments—all of which have become critical policy priorities in addressing Taiwan's demographic transition.

### 3. Legal Framework in Taiwan

Taiwan has established six key policy mechanisms to address these challenges comprehensively. These include anti-discrimination measures, employment stability support, unemployment assistance, post-retirement re-employment support, the Silver Talent Service Program (modeled after Japan's system), and job opportunity development. These mechanisms provide comprehensive

<sup>4</sup> <https://reurl.cc/746MAd> (last visited March 7, 2025).

<sup>5</sup> <https://statdb.mol.gov.tw/html/nat/110/110010%E8%A1%A810-3.pdf>

support through vocational training, job-seeking allowances, and workplace accommodation assistance.

A distinctive feature of Taiwan's legal framework is its innovative scope, which addresses employment issues not only for elderly persons aged 65 and above but also extends coverage to middle-aged individuals starting from age 45. The Middle-aged and Elderly Employment Promotion Act, enacted in December 2019, represents Taiwan's pioneering effort to create a specialized legal framework for promoting employment among these demographic groups. The Act provides clear definitions, classifying "middle-aged" as persons aged 45 to 65 and "elderly" as those over 65 years old—establishing unambiguous categories for policy implementation.

To operationalize this legislative framework, the government has implemented eight comprehensive subsidy programs strategically designed to address various aspects of employment challenges. These programs cover vocational training costs, workplace accommodation and assistive devices, continuous employment incentives, and cross-regional employment assistance. Complementary support mechanisms include temporary work allowances, retirement preparation and adaptation support, post-retirement re-employment assistance, and professional knowledge transfer initiatives. This multi-faceted approach demonstrates Taiwan's commitment to creating an age-friendly labor market that values experienced workers while ensuring their sustainable employment and economic security.

### 3.1 Anti-Discrimination Measures

Central to the Act's effectiveness are provisions addressing discriminatory practices in the workplace. According to Chapter 2 of the Middle-aged and Elderly Employment Promotion Act and the penalties stipulated in Chapter 8, key provisions (Articles 12-17, 41, and 42) establish a robust framework for preventing age-based discrimination:

(1) Employers may not discriminate against middle-aged or elderly job applicants or employees based on age, whether directly or indirectly, in areas such as recruitment, promotion, performance evaluation, training, compensation, or retirement. To ensure compliance, violations can result in substantial fines ranging from NT\$300,000 to NT\$1,500,000 (approximately USD\$9,500 to USD\$47,500).

(2) According to Article 13, differential treatment is not considered discriminatory if it is based on: job requirements or special features, pay systems based on seniority or performance, age restrictions established by other laws, or special employment measures designed to improve employment for particular age groups. However, Article 14 establishes a significant burden-shifting mechanism wherein when a middle-aged or elderly person identifies facts suggesting differential treatment, the

employer bears the legal responsibility of proving either that the treatment was not based on age or that it falls within one of the justifiable exceptions.

(3) Employers may not take adverse action against employees who file complaints, and are liable for compensation if they do so—providing essential protections for those who assert their rights under the law.

These anti-discrimination provisions represent Taiwan's commitment to protecting older workers from age-based prejudice in employment practices. However, it is important to contextualize these protections within Taiwan's broader legal framework. Significant progress came in 2024 with amendments to Article 54 of the Labor Standards Act regarding mandatory retirement at age 65. While the previous version did not explicitly prohibit negotiated extensions, the 2024 amendments explicitly codify that employers and employees may negotiate to extend employment beyond the age of 65, providing clearer legal recognition for continued employment of elderly workers. This approach differs notably from jurisdictions like the United States, where mandatory retirement is generally prohibited as a form of age discrimination. Taiwan maintains mandatory retirement provisions in its labor laws and does not categorize these provisions as discriminatory under the current legal framework, illustrating a distinct approach to balancing worker protection with employment flexibility in the context of an aging society.

### 3.2 Employment Stability Support

Beyond anti-discrimination measures, Taiwan's framework incorporates comprehensive strategies to support continued employment for middle-aged and elderly workers. The policy delineates specific measures that employers and government agencies should implement to foster stable employment. First, employers are encouraged to conduct in-service training programs that enhance workers' professional competencies and adaptability in a changing labor market. When these training programs comply with regulatory standards, the central competent authority provides financial subsidies and technical guidance assistance to offset implementation costs<sup>6</sup>.

Second, the framework promotes workplace accommodations through job redesign services aimed at eliminating physical and organizational barriers that might otherwise impede older workers' productivity and comfort. Employers who provide job redesign and employment assistive devices as stipulated by regulations can access government guidance and financial subsidies, creating inclusive work environments that accommodate age-related changes in physical capabilities<sup>7</sup>.

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<sup>6</sup> Article 18 of the Middle-aged and Elderly Employment Promotion Act.

<sup>7</sup> Article 19 of the Middle-aged and Elderly Employment Promotion Act.

Third, the policy creates financial incentives for retaining older workers while fostering intergenerational knowledge transfer. To help middle-aged and elderly workers maintain stable employment while facilitating the transmission of technical skills and experience across generations, employers may implement various strategies including in-service training, job redesign, assistive technologies, and innovative collaborative arrangements between workers of different age groups<sup>8</sup>. The competent authority supports these initiatives through subsidies and recognition programs. These comprehensive support measures include substantial financial incentives, with continuous employment subsidies providing employers NT\$13,000 monthly for the first six months and NT\$15,000 monthly for months 7-12 when retaining workers beyond the mandatory retirement age of 65. However, to qualify for these subsidies, employers must meet three key requirements: (1) the proportion of retained employees who have reached the mandatory retirement age (as specified in Article 54, Paragraph 1, Item 1 of the Labor Standards Act) must be at least 30% of the total number of employees who have reached that age within the company; (2) the continued employment period must be at least 6 months; and (3) the salary during the continued employment period must not be lower than the employee's original salary (calculated as the average salary for the three months prior to application). These conditions ensure that employers make meaningful commitments to older workers while creating compelling economic incentives for extended employment arrangements<sup>9</sup>.

### 3.3 Post-Retirement Re-employment Support

Recognizing that traditional employment models may not serve the needs of workers beyond conventional retirement age, the Act introduces significant flexibility in contractual arrangements. This is accomplished by relaxing traditionally strict regulations on fixed-term employment contracts for workers aged 65 and above<sup>10</sup>. This progressive provision exempts such contracts from the limitations stipulated in Article 9 of the Labor Standards Act, which generally restricts fixed-term contracts to temporary, short-term, seasonal, or specific tasks. By providing this contractual flexibility, Taiwan has created alternative pathways for elderly employment that accommodate both employers' concerns about long-term commitments and older workers' desires for more flexible working arrangements.

The framework also establishes a continuum of support for workers transitioning through retirement. The government must implement specific measures to facilitate re-employment for retired middle-aged and elderly workers who wish to return to the workforce. To support this transition, employers who provide "retirement preparation, adaptation, and re-employment assistance measures" to employees within one year before they reach mandatory retirement age may receive government

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<sup>8</sup> Article 20 of the Middle-aged and Elderly Employment Promotion Act.

<sup>9</sup> Article 4 of the Continued Employment of Elderly Persons Subsidy Program.

<sup>10</sup> Article 28 of the Middle-aged and Elderly Employment Promotion Act :The employer may hire worker(s) with age no fewer than sixty-five by fixed-term labor contract.

subsidies<sup>11</sup>. Additionally, employers who hire legally retired elderly individuals specifically to transfer professional skills and experience also qualify for government subsidies<sup>12</sup>—an approach that simultaneously addresses knowledge management challenges while promoting employment opportunities for retired workers. This mechanism promotes knowledge inheritance and preserves valuable technical expertise that might otherwise be lost through retirement transitions.

To systematize this approach to human capital management, the central competent authority maintains and regularly updates a database of retired talents, creating an institutional infrastructure for matching experienced retired workers with appropriate employment opportunities<sup>13</sup>. These comprehensive measures recognize that many retirees desire or require continued workforce participation and provide structured support for successful transitions back into employment.

### 3.4 Unemployment Assistance

For middle-aged and elderly individuals experiencing unemployment, Taiwan has developed tailored interventions that address their specific challenges in the labor market. First, public employment service agencies provide specialized career counseling, employment information, and job matching services specifically designed to meet the needs of older job seekers, who often face different barriers to re-employment than their younger counterparts<sup>14</sup>.

Second, the framework establishes training pathways to employment through pre-employment training programs and hiring incentives. The central competent authority or employers jointly organize training initiatives, with government subsidies available for employers who conduct vocational training in accordance with established regulations<sup>15</sup>. This approach combines skills development with pathways to actual employment opportunities.

Third, the competent authority provides entrepreneurship support for unemployed middle-aged and elderly workers, including guidance services and loan interest subsidies. A particularly innovative element is the encouragement of intergenerational entrepreneurship through "joint ventures with young people"—an approach that combines the experience and expertise of older workers with the technological fluency and innovation orientation often associated with younger entrepreneurs. This includes comprehensive entrepreneurship development through consulting services, training courses, and financial support through business loan interest subsidies<sup>16</sup>.

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<sup>11</sup> Article 29 of the Middle-aged and Elderly Employment Promotion Act.

<sup>12</sup> Article 30 of the Middle-aged and Elderly Employment Promotion Act.

<sup>13</sup> See article 32 of the Middle-aged and Elderly Employment Promotion Act.

<sup>14</sup> See article 23 of the Middle-aged and Elderly Employment Promotion Act.

<sup>15</sup> See article 24 of the Middle-aged and Elderly Employment Promotion Act.

<sup>16</sup> See article 25 of the Middle-aged and Elderly Employment Promotion Act.

These core interventions are further enhanced by specialized vocational training programs with substantial subsidies covering 70-85% of training costs<sup>17</sup>, cross-regional employment allowances to facilitate geographic mobility for job opportunities<sup>18</sup>, temporary work allowances providing income stability for up to six months while seeking permanent employment<sup>19</sup>, and workplace adaptation programs offering two types of subsidies: (1) Individual Workplace Learning and Readaptation Allowances calculated at the hourly minimum wage announced by the central competent authority, not exceeding the monthly minimum wage; and (2) Administrative Management and Guidance Fees for employers, calculated at 30% of the actual Workplace Learning and Readaptation Allowances disbursed. These subsidies can be provided for up to three months<sup>20</sup>. This multi-layered approach addresses the diverse challenges faced by unemployed older workers, from skills gaps to geographic constraints and transition periods between employment opportunities.

### 3.5 Silver Talent Service Program

Drawing on successful international models, Taiwan has established the Silver Talent Service Program through a network of dedicated service centers for elderly workers. Inspired by Japan's effective system for engaging older workers, these centers develop diverse employment opportunities—including temporary, seasonal, short-term, part-time, and community service positions—specifically suited to older workers' preferences, capabilities, and life circumstances<sup>21</sup>.

The centers provide comprehensive support services, including specialized labor law guidance and career development counseling tailored to the unique needs and concerns of elderly workers. They organize targeted employment promotion activities and training courses designed with age-appropriate pedagogical approaches. Additionally, these centers facilitate valuable knowledge transfer between generations while promoting workplace cultures characterized by intergenerational exchange and cooperation—creating positive externalities that benefit the broader workplace ecosystem beyond just the employment of elderly individuals.

### 3.6 Pension System Adjustments

Recognizing that employment promotion requires alignment with retirement income systems, Taiwan has implemented strategic adjustments to its pension framework to encourage extended

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<sup>17</sup> See article 7 of the Regulations Governing Employment Enhancement of Unemployed Middle-Aged Persons and Elderly Persons act.

<sup>18</sup> See article 15 of the Regulations Governing Employment Enhancement of Unemployed Middle-Aged Persons and Elderly Persons act.

<sup>19</sup> See article 27&28 of the Regulations Governing Employment Enhancement of Unemployed Middle-Aged Persons and Elderly Persons act.

<sup>20</sup> See article 5 of the Workplace Learning and Readaptation Program.

<sup>21</sup> See article 3 of the Subsidy Program for Local Governments to Establish Silver Talent Service Centers act.



workforce participation. The government has initiated a carefully calibrated, gradual increase in the Labor Insurance pension eligibility age, starting from 60 years in 2009, with the eligibility age increasing to 61 after ten years (in 2019), and then increasing by one year every two years thereafter until reaching 65 years by 2026<sup>22</sup>. This measured, long-term approach helps mitigate potential disruptions from demographic shifts on the pension system while creating incentives for longer careers and workforce attachment.

To further encourage delayed retirement through financial incentives, Taiwan offers an innovative pension enhancement system wherein workers receive a 4% increase in pension benefits for each year they delay claiming beyond the eligible age, up to a maximum increase of 20% for a five-year delay. Conversely, early retirement results in a proportionate 4% reduction per year, with a maximum reduction of 20% for claiming benefits five years before standard eligibility<sup>23</sup>. This balanced approach provides meaningful financial motivation for continued labor force participation while respecting individual autonomy regarding retirement timing decisions. It creates a system that aligns individual incentives with broader societal goals for workforce participation among older adults.

#### **4. Conclusion and Ongoing Considerations**

With the implementation of Taiwan's "Middle-aged and Elderly Employment Promotion Act" enacted in December 2019, measurable impacts on labor participation rates among middle-aged and elderly workers have materialized. For three consecutive years, the labor force participation rate in these demographic groups has demonstrated consistent growth, signaling early policy effectiveness.

Quantitative evidence supports this positive trajectory. In 2023, the middle-aged and elderly labor force reached 5.103 million people, representing an increase of 151,000 people (3%) compared to 2022, and a substantial rise of 839,000 people (19.7%) compared to 2013. A more granular analysis by age cohort reveals that the labor force participation rate for those aged 45-64 stood at 66.4%, while for those aged 65 and above it was 9.9%. These figures represent year-over-year increases of 0.9 and 0.3 percentage points respectively. The ten-year comparison is even more pronounced, with increases of 5.6 and 1.6 percentage points respectively since 2013. This consistent upward trend strongly suggests that the employment promotion legislation is beginning to achieve its intended effects<sup>24</sup>.

However, despite Taiwan's comprehensive legal frameworks and multi-faceted policy measures, several implementation challenges persist in effectively promoting employment for middle-aged

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<sup>22</sup> See Article 58 of the Labor Insurance Act.

<sup>23</sup> See article 58-2 of the Labor Insurance Act.

<sup>24</sup> Labor Status of Middle-aged and Elderly Workers (Aged 45 and Above), 2023, Department of Statistics, Ministry of Labor.

and elderly workers. Perhaps most significantly, the diverse needs, capabilities, and employment motivations of individuals aged 45-65 versus those over 65 necessitate more nuanced, age-differentiated approaches in policy design and resource allocation. Current policies, while comprehensive in scope, sometimes lack sufficient granularity to adequately address these fundamental differences in workforce characteristics<sup>25</sup>.

Additionally, Taiwan's approach reveals an intriguing tension between advancing age discrimination protections and maintaining traditional labor market structures. Despite introducing comprehensive anti-discrimination provisions, Taiwan has retained the mandatory retirement age of 65. Although the legislation explicitly allows for employer-employee negotiation to extend employment beyond this age, this theoretical inconsistency—protecting against age discrimination while simultaneously codifying an age-based employment cutoff—creates potential contradictions in the policy framework. In practice, many employers mistakenly believe that workers must retire once they reach 65, and are consequently unwilling to continue employing elderly workers beyond this age.

Moreover, workers who re-enter employment after retirement face significant insurance coverage limitations. According to regulations, workers who have already received Labor Insurance old-age benefits, or those over 65 who have received old-age benefits from other social insurance programs, are ineligible to participate in Labor Insurance and Employment Insurance upon re-employment. Recognizing this gap, the government partially addressed the issue in 2022 through the Labor Occupational Accident Insurance and Protection Act, which permits employers to enroll these workers specifically in Occupational Accident Insurance, even if they have already received Labor Insurance old-age benefits. Despite this partial solution, the combination of employers' reluctance to retain workers aged 65 and above, coupled with the limited insurance protections available upon re-employment, significantly diminishes older workers' incentives to remain in or return to the workforce. These unresolved tensions in traditional retirement structures continue to create implementation challenges and legal ambiguities.

Looking forward, Taiwan must address two critical areas: combating employer biases regarding older workers' capabilities; and strengthening lifelong learning systems to ensure skill relevancy in changing labor markets. Success will require balancing traditional retirement structures with flexible employment options while expanding social insurance coverage for reemployed retirees. These efforts are essential not only for Taiwan's economic sustainability but also for creating a society where aging and productivity can successfully coexist.

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<sup>25</sup> 林良榮「中高齡者及高齡者就業促進法之立法政策評議－論日本高齡勞工雇用安定之實踐經驗」月旦法學雜誌第 301 期 204 頁 (2020)。