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Research Essay - Why Taiwan's declining birth rate is a problem

### **Introduction:**

Demographic trends affect a country's public policies, development, and future. Currently, the demographic trend in Taiwan is an ageing population with a low birth rate. It has been under the replacement level of 2.1 since 1984, and is continually dropping (Yang). The government has already come up with several fertility policies that would offer parents a certain amount of money for each child they gave birth and monthly payment from the local governments.

However, the fertility rate in Taiwan has not shown much improvement. This paper will examine the dropping birth rate in Taiwan. Various literature recognizes that the total fertility rate (TFR) has been dropping, and that it is a major issue in Taiwan. The decline of births is mainly caused by the expensive cost of raising a child, couples waiting longer to get married or not marrying at all, and discrimination towards women and mothers. These factors all negatively impact the TFR, and lead to further problems, including a shrinking working population in the future and the challenges for Taiwan's economy.

Although the declining birth rate causes serious issues, there are several solutions to solve it, such as the government providing more incentives for families and also, companies promoting and setting policies to achieve gender equality, and allowing more immigrants to come to Taiwan. Most importantly, the public needs to raise awareness towards the extremely low birth rate issue in Taiwan.

### **Literature summary:**

The issue of the dropping birth rate in Taiwan is a topic people and the government are always discussing, including its impact and solutions. Though some may argue that countries with low birth rates generally have a strong economy, most of the studies done by professionals and statistics collected by the Taiwanese government explain why declining birth rates may have a serious negative effect on society and the economy.

One useful source regarding the demography of Taiwan and its impact on society is an article from [Taiwaninsight.org](http://Taiwaninsight.org) written by Wen Shan Yang, a research fellow at the Institute of Sociology and the Director of the Program for Historical Demography at Academia Sinica. Taiwan's total fertility rate has been under the replacement level of 2.1 since 1984 (Yang). Although demographers have warned people about the population crisis, society did not take it seriously. Yang also explained how the TFR in Taiwan is highly related to marriage, since over 95 percent of babies in Taiwan are born to married parents. Even though the government took notice of this issue and they provided incentives to encourage married couples to have babies, the overall population trend and TFR did not show much improvement after the government offered financial support, childcare, or public infant care centers (Yang). While Yang's analysis summarizes the population trends and impacts of dropping birth rates, it does not provide detailed explanations of the causes of this issue.

Another useful article is written by Xingtai Ye, an editor of *LiHpao* newspaper. She discusses the average cost of raising a child from a baby to a grown adult, including college expenses. Starting with the mother's pregnancy, parents need to buy maternity clothes, pay for check-ups, purchase baby supplies, and more, so parents have to spend a lot of money. After the baby is born, Taiwan Franklin Templeton estimated that the baby will cost about NT\$960,000 from birth to four years old before going to kindergarten in 2012. Ye also included a study by John Ward Economics, stating that the actual cost of raising a child until the age of twenty two is far more than what parents expect. This shows that finances are a large burden for parents if they are planning to have a baby or if they are already raising a child (Ye). Though this article did not analyze how the cost of raising a child is directly related to dropping TFR in Taiwan, it could provide evidence for the cause of lower birth rates.

Since most Taiwanese children are born in wedlock, marriage definitely affects the birth rate. Dexiong Sun, who is a professor at NTU and used to be the chairman of the Executive Yuan Research and Examination Committee, wrote an article analyzing the relationship between marriage and the dropping birth rate in Taiwan. As society gradually shifts away from traditional values, such as the idea of women having to stay home and take care of kids, people's attitudes towards marriage and the ideal number of children changes. People used to be extremely conservative about women going out to work. However, as people become less conservative, they figured that women have their right to be independent and build their own career. Women having a job is no longer against societal values. Since women are more independent in society these days, Taiwanese people are getting married later, divorcing more often, and

having fewer children (Sun). Sun further explained, since marriage is tightly connected to birth rates, late marriages lead to adults not wanting to raise a child due to their age, work, etc. When the divorce rate increases, the birth rate decreases, since almost all Taiwanese give birth when they are in wedlock (Sun).

A news article published by the Central News Agency, written by reporter Quan Gu, claimed that gender inequality present in Taiwan society is one of the contributors to dropping birth rate. In traditional patriarchal societies, men take advantage of women, including at work. Male managers tend to hire male workers as they underestimate women's ability and discriminate against pregnancy (Gu). Gu then pointed out, women are also worried that their work and salary will be affected if they take days off due to pregnancy. Moreover, more time is required for women to take care of kids instead of focusing on work, which decreases the desire for women to have babies. Although there are policies that guarantee women rights, companies and managers still discriminate against women (Gu). Therefore, Gu claims that gender inequality is a significant cause of the declining fertility rate.

While there are plenty of articles discussing the cause of dropping birth rate in Taiwan, there are also a great deal of articles talking about the impacts of this issue. One helpful source in regard to the effects of the issue is an article from Taiwaninsight.org, written by Marcus Roberts, a senior lecturer at the Faculty of Law, University of Auckland. Dropping TFR also means an ageing and shrinking population. This means that there would be more pensioners and a smaller working population each year, which weakens the future workforce of Taiwan (Roberts). Roberts then explains it is harder for businesses to meet customer needs due to the weakening workforce, and thus will cause economic difficulties for Taiwan. As such, he claims that a reduced working age population will be one of the most serious impacts of the declining birth rate in Taiwan.

Another impact of a lower TFR and ageing population is presented in an article from Economicshelp.org, written by Tejvan Pettinger, a scholar from Oxford University and currently working as an economics teacher and writer. According to Pettinger, after workers retire, because their incomes are smaller, they pay less taxes, which means that with more pensioners, the government receives less money in tax revenue. Those at work may be required to pay more taxes to the government to balance out the tax income for the government, which would cause disincentives for and lower productivity. Moreover, Pettinger used graphics to show the trend of the percentage of GDP spent on pensions as the population continues to age. He explained that a larger share of GDP spent on pensions will reduce capital investments, such as infrastructure projects. As the dropping birth rate means an ageing population, tax problems, and less percentage of GDP spent on capital investment, Taiwan's ageing population will be a huge concern.

In terms of the connection between immigration and labor force, Market Place has published an article written by Ben-Achour Sabri, discussing how the United States (US) increases its labor force by allowing more immigrants to come in. Ben-Achour interviewed Jack Goldstone, who is a professor of public policy at George Mason University. Goldstone claimed that the US became the richest country in the world through immigration. He also said in the interview that in this century, young people are the most productive workers among any group: "If you want to have an economy that's fast growing and competitive. you need more young workers. You need more high-skill, top-of-their-game energetic entrepreneurs and workers. And to get those, we need either higher birth rates or a more generous immigration policy" (Ben-Achour). The US has a declining fertility rate, but immigration allows them to increase their labor force and bring in the most skilled workers in the world, and therefore, achieve a stable and growing economy.

Last but not least, the United Nations (UN) Department of Economic and Social Affairs published a paper discussing the fertility rate issues in less developed countries and comparing the average fertility rate in developed countries vs. least developed nations. Through the data collected by the UN, they analyzed that high population growth could trigger unsustainable demand for public services and those countries are the least developed nations in the world with their fertility almost twice as fast as the developed countries. This information could explain why some people cast doubt on whether the dropping birth rate really is a problem since most countries with strong economies tend to have low birth rates.

These sources provide sufficient information in terms of the causes, effects, and solutions for the low birth rate in Taiwan, which will lead to our findings to discuss this issue in greater depth.

## **Findings:**

Based on the literature and information given, there are various causes and effects of the dropping TFR issues in Taiwan. These include the fact that raising a child is expensive, the trend of late marriages, and gender or pregnancy discrimination at work, all of which lead to a weakening workforce and negative effects on economy.

One of the most important contributors to the dropping birth rate is that raising a child is extremely expensive.

Scientists have done studies on the cost of raising a child from pregnancy to college. Dr. John Ward, who is an forensic economist stated: “The actual cost of raising a child for a middle-income family, including the forgone income, college tuition, and the so-called opportunity cost of not investing the money, is close to 900,000 U.S. dollars (\$27 million NTD) by the time the child is 22 years old” (Ye). As readers can see, raising a kid burns a lot of money. Factoring in inflation, the number will go up even more (Ye). However, many young adults in Taiwan do not have that much money to invest in a child, especially the ones who just got out of college and found a job or started a business. Therefore, this would reduce their interest in having kids.

Second, marriages in Taiwan are also a key factor affecting the birth rate. Taiwanese people value giving birth in wedlock. If they are not married, they will not have babies (Sun). Therefore, how many people are getting married affects the birth rates in Taiwan. Based on the data provided by the Ministry of Interior, it shows that, “The average age of women at first marriage increased from 22.1 in 1970 to 29.2 in 2007; the average age of men at first marriage also increased from 28.2 to 33” (Sun). Late marriages are also related to financial difficulties, as well as the fact that many couples move in together before they are married and thus feel less pressure to officially wed. Couples do not feel the need to get married since their life wouldn’t change that much even after marriage and marriage isn’t valued as much as it did before. Also, people, especially women, are more independent and career-driven than before. When adults have late marriages, there’s a large chance that they do not want to have kids due to their age. This is because they feel like most of their time is spent on children instead of their career and their own interests, and to raise a child until he / she turns into an adult, they are nearly getting retired. Not only does late marriage contribute to the dropping TFR in Taiwan, the data also showed the declining marriage rate in Taiwan and its impact: “In 1960, the marriage rate for women aged 20-24 was as high as 62.3 percent; and the marriage rate of women over 25 was around 90 percent. However, more recently, the marriage rate of women under 30 years of age has decreased each year, especially in the 20-24 year old group, which dropped to 7.4 percent in 2007; and the 25-29 group also dropped from 89.3 percent to 31.4 percent” (Sun). In a society that does not approve of unmarried childbirth, the dropping marriage rate would undoubtedly decrease the birth rate. Moreover, the cost of living generally increases each year, yet most people want to live a comfortable life and feel that they are able to raise a family before marriage, which makes financing a significant problem that decreases people’s willingness to get married. Fewer married couples equal fewer childbirths. As such, late marriages, or even no marriages, in Taiwan result in a declining trend of TFR.

Next, fertility is declining in Taiwan because of gender inequality and discrimination at work. Gender inequality is present in every society, including in Taiwan (Gu). As Quan Gu pointed out, at work, women face discrimination from male employees or managers, and male managers tend to not hire female employees because they may need days off for menstrual discomfort, pregnancy, and childcare. Even though both parents have the responsibility to take care of kids, the stereotype of women doing housework and taking care of children is still present in society, which makes company managers assume that women will need days off for childcare reasons. Although Taiwan has laws and regulations to protect women’s rights and interests and non-governmental women’s groups have been promoting improvements to the law for nearly thirty years, it is difficult to achieve gender equality and abolish discrimination in every single workplace. That’s because the goal for a company is always to increase its profit, so they will definitely discriminate against women, whom they see as people that will not bring them a higher profit. This issue contributes to the dropping birth rate in Taiwan because different pay for equal work between men and women means it is hard to achieve economic independence for women, which makes women not want children due to financial difficulties. Sometimes, when women come back from pregnancy leave, it affects their position or salary at the workplace, and also, they still have to take care of the kids, which only adds to the problems they already face at work. If people don’t have enough money to pay their bills, undoubtedly, they will not want to have kids. Therefore, financial difficulties caused by gender discrimination significantly decrease women’s willingness to raise or give birth to a child.

While raising a child burns cash, couples getting married late or not getting married, and gender discrimination at work are the causes of dropping TFR in Taiwan, there are also several serious consequences of this issue. A dropping fertility rate also means an aging population, since there would be more elderly and fewer babies each year. In the article published by Taiwan Insight, the author states: “The working age share of the population will shrink until it is smaller than the non-working aged population by 2027. Those working aged Taiwanese (15 to 65 year olds) will fall by 10 per cent by 2030 and perhaps by nearly 50 per cent by 2065. By 2034, 50 percent of the population will be over the age of 50” (Roberts). To maintain a stable workforce and productivity, over 75 percent of the population should be working. However, the statistic above shows that working-aged Taiwanese will be down to fifty percent by 2065, which indicates that Taiwan will have a workforce too small to maintain a strong economy. A tiny workforce

further means that companies and factories will find it difficult to support customer needs which will be a serious economic challenge for Taiwan. Examples include that without enough workers, Taiwan will not be able to produce enough goods to be exported to other countries, and fewer workers means less taxes paid. An economy with negative growth rates has declining wage growth as well as an overall contraction of money supply. Thus, the significant drop in birth rate in Taiwan will weaken the country's workforce and make it difficult to sustain a stable and strong economy. However, there is a solution towards these issues, which will be discussed in the conclusion.

The next negative impact of lower TFR each year in Taiwan is that it damages the economy by an unbalanced investment in pension vs. other capital goods. The dropping birth rate damages the economy not only by weakening the workforce, but also by forcing a larger share of the GDP into pensions instead of capital investments like infrastructure (Pettinger). Pettinger included a data on another country, United Kingdom, with ageing population, and how the spending on pensions increased: "The share of GDP spent on pensions in the UK has increased from 2% in 1950 to 8% in 2016, it is forecast to rise towards 10% of GDP by 2062". When the population starts to age, the government has to pay more attention to geriatric care, like by building care centers and enhancing health care systems. More importantly, pensioners tend to pay less taxes because they are not working, and the overall income tax the government collects will decrease. To balance out the gap, the government could require the working-aged population to pay more income taxes, which would decrease women's willingness to raise a child even more since they simply do not have that much money. This evidence clearly shows low birth rates and an ageing population trend would hurt the economy, and as well further diminish working adults' desire to have a baby.

Critics may argue: countries with low birth rates and ageing populations generally have stable and growing economies while countries with high birth rates are mostly poor, so low birth rates should not be considered a problem. However, this thinking is false. Although the United Nations (UN) has published an article listing all the concerns of high population growths, including "generating unsustainable demand for public sector services, imposing additional burdens on the school system, and placing extra obstacles in achieving full and decent employment," both rapid population growth and low population growth has its own concerns and impacts. It is true that the phenomenon of declining birth rates and ageing population growth are usually present in developed countries, yet in the long term, it would still weaken the workforce and damage the economy badly. Therefore, this argument could be easily overturned by the fact that both ageing population and high population growths have their pros and cons, and the cons of fertility decline are already discussed in the previous paragraphs.

## **Conclusion:**

The reasons birth rates in Taiwan are decreasing are that raising a child is expensive, people tend to marry late or stay single, and gender discrimination causes women to be uncertain about having a child. These factors mean the future workforce in Taiwan, and the future economy will be weak. However, there are several methods to improve it.

First, the government should provide more financial incentives to reduce the economic problems for families who have kids, except for wealthy families. They should offer financial support to parents in terms of housing, childcare, and education, since the cost of raising a child plays a large role in the decline of birth rate in Taiwan. For example, for families where both parents work full-time, the government could offer affordable or free childcare or provide parents childcare centers to send their babies to while at work. They can also reduce the amount of taxes parents are required to pay. These are all ways to reduce economic challenges for parents to raise a child.

In addition, companies should promote gender equality at work. Taiwan has already been a lot better on this issue and there are laws to protect women's rights, yet there is still plenty of space for improvement. Discrimination against women is present in the workplace, and not only does it affect women, it affects society in general. Corporations should evaluate their employees based on their ability and professionalism instead of gender. Furthermore, companies should be transparent about pay and have policies to ensure women are not receiving less than men for the same role. Another approach to solve this problem is that companies can set temporal flexibility in terms of the working hours, depending on the job. For instance, employees should be able to choose when they want to go into work and when they want to leave as long as they are able to complete their work. Since many jobs can be done online, there is no reason why companies shouldn't let employees schedule their own time or even work from home more often. When parents have a flexible schedule, taking care of their kids will not be that much of a problem. If women didn't have to worry about discrimination of choosing between a decent salary or raising a family, they would be more willing to have kids.

In the previous section, you can see that a declining birth rate will weaken a country's workforce. However, there is a solution to this problem and this solution is being carried out in the United States. The US has always been

in the top few countries in terms of the number of immigrants each year. They have been one of the richest countries in the world as well. However, the US does have a low birth rate as well. Their solution is relying on more people coming into the country in order to increase their workforce (Ben-Achour). People are attracted to immigrate to the US because of freedom, education, job opportunities, and the high standard of living. America has been able to sustain a stable economic growth not only because of its natural resources, but also the US's large workforce (Ben-Achour). As such, Taiwan can also do the same by bringing more highly skilled people from other countries to resolve the shrinking workforce issue. The government can have immigration policies which allow foreign students who have a high school degree to immigrate to Taiwan and enter a local university. Incentives such as housing can also be provided for immigrants to attract skilled workers to come to Taiwan, and therefore, increase the labor force.

The dropping birth rate is a serious issue in Taiwan, but the point of this argument is not to persuade adults to like children or have kids. These solutions are here for those who want to have a baby, but are held back by other problems at work, in their families, and economically. It not only affects our generation, but also places a huge burden on Taiwan's future and following generations.

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