

Whose Responsibility?

New Poverty and Its Implication to Safety Net Construction in Taiwan*

Yeun-wen Ku**

Abstract

The development towards an institutional welfare system seems unstoppable in Taiwan. This is so given in the 1990s as we learn the realization of many important statutory welfare measures such as the National Health Insurance (NHI), unemployment benefit, allowances for elderly people, special protections for children and women from violence, and even a forthcoming national pension insurance scheme (NPI). Obviously the state plays a very significant role in promoting such development, but this is not a process without debates and conflicts. The lesson from so called 'Welfare State in Crisis' and the ideology of economic-growth first together have contributed to reluctant attitudes of state welfare. However, democratization, and especially the ever intensive power competition between the two major political parties, namely the KMT and the Democratic Progressive Party (DPP), is the real force behind the welfare development throughout the 1990s. The year of 2000 is a historic watershed for the Taiwanese politics. For the first time the authoritarian ruling party, the KMT, lost its power in the general election and was replaced by the young opposition party, the DPP. However, social problems, especially new poverty, are not dismissing automatically and become tougher and tougher, especially the pressures of global competition. The economic technocracies argue for globalization as a triumph of free market and the minimum state intervention, through measures of tax cuts, privatization, deregulation and so forth, is required to secure Taiwan's economic development in the future. However, on the other hand, the rising unemployment, accompanying with the new poverty, requires more state provisions of social welfare. This paper will firstly outline social welfare system in Taiwan, particularly on governmental policies and efforts, and then trace back historical development of Taiwan's responses to new social problems. The argument will be particularly embedded in the issue of 'whose responsibility' that indicates the policy direction for the safety net building in Taiwan.

* This is the first draft preparing for the KDI International Conference 'Multi-Pillar Systems of Social Safety Net', Seoul, December 6, 2006.

** Professor, Department of Social Policy & Social Work, National Chi Nan University, Taiwan.

Introduction

The development towards an institutional welfare system seems unstoppable in Taiwan. This is so given in the 1990s as we learn the realization of many important statutory welfare measures such as the National Health Insurance (NHI), unemployment benefit, allowances for elderly people, special protections for children and women from violence, and even a forthcoming national pension insurance scheme (NPI). Obviously the state plays a very significant role in promoting such development, but this is not a process without debates and conflicts. The lesson from so called 'Welfare State in Crisis' and the ideology of economic-growth first together have contributed to reluctant attitudes of state welfare. However, democratization, and especially the ever intensive power competition between the two major political parties, namely the KMT and the Democratic Progressive Party (DPP), is the real force behind the welfare development throughout the 1990s.

This paper will firstly outline Taiwanese social welfare in general and social security system in particular, with much focusing on governmental policies and efforts. We will see that democratization in the 1990s does transform state structure and open a better opportunity for social policy making. But, capitalist globalization also put constraint upon the state capacity in the realization of welfare that is so given as the DPP won the presidential election. With the limited public resources, which sector, governmental or non-governmental, should bear the responsibility for safety net is now an critical issue.

Social Welfare in Taiwan: A Historical Background

The government has been introducing quite a lot of welfare provisions throughout the whole 1990s. The Constitution in 1949 had imposed wide range of welfare responsibility upon the state. In Articles 152 to 157, the Constitution read that the state should maintain full employment, guarantee working conditions, harmonize industrial relations, establish social security system, protect maternal welfare, and realize a national health system. Furthermore, the revision of the Constitution in 1997 declared for more specific welfare measures such as the National Health Insurance (NHI), and protections for women, the handicapped, and the minorities. These all lay down basic legal contexts for social policy and legislation in Taiwan.

Social security in Taiwan consists of social insurance and social assistance, in which the former has expanded its coverage significantly. The first legislation about social

insurance is the Military Servicemen's Insurance Law enacted in 1953. Although the Labor Insurance Program and the Military Servicemen's Insurance program were enforced in the same year –1950– the former did not become a statute until 1958. By 1980, three major systems of social insurance had been established for military servicemen, civil servants, and laborers, to cover the risks of maternity, injury and sickness, medical care, disability, old age, death, and funeral allowance. But the benefit for medical care has been transferred to the NHI now. In the three major systems, labor insurance is the largest one to cover 7.5 million workforce, equivalent to 34.5% of the total population. And a national pension insurance (NPI) is under planning now.

For those who are poor, social assistance is the way to get cash benefit. The first act in this field is the Social Relief Law 1943, helping those in poverty because of age, youth, pregnancy, disability, or disaster. It was replaced by the Social Assistance Law 1980, with a more progressive development of adopting 'income', rather than the causes of poverty, as the key criterion. But the 1980 act contained no article to regulate poverty formula, leaving great power in the hands of government officials to determine the level of the poverty line according to their wishes rather than the needs of the poor. An incredibly low poverty line was set up and under which only 0.5% of the total population qualified for it. This became the first target to improve as the government proposed the Social Assistance Law 1997. The new act specifies the poverty line as 60% of per capita consumption expenditure in the previous year.

Apart from social assistance, there are some kinds of allowance specifically for the aged with insufficient incomes. Since 1994 the Living Allowance for Middle-Low Income Elderly People and since 1995 the Welfare Allowance for Aged Farmers have set up by the government and together benefited around 583,024 people (figure for 1997). In addition, some local authorities held by the DPP would like to provide cash benefits to the aged, but these were not so regular sources.

In health care, the NHI is the first universal welfare system with a target to cover all of the population in Taiwan. It did not exist until the National Health Insurance Act 1994 was finally passed and put in practice since 1995. The act defines the Department of Health (DoH) as the direct responsible department of the Central Government to the policymaking and supervision of the NHI, and the Bureau of National Health Insurance (BNHI), which is also an official agency under the DoH, as an insurer to run the system. This obviously expresses that the NHI is a state-run and centralized system. By the end of 1997, the number of the insured in the NHI was

20.5 million, around 96.3% of the total population that time. This figure is far bigger than that before the NHI was enforced, when the population covered by at least one kind of social insurance programs were only 59.7%.

The Children Welfare Law 1973 is the first act in personal social services, in favor of a particular disadvantaged group of people. And then came the Aged Welfare Law and the Handicapped Welfare Law in 1980, and the Youth Welfare Law in 1989. Nearly all of these acts were revised in the 1990s to improve and enhance the service capacity, except for the Youth Welfare Law. Furthermore, in the 1990s four brand-new acts were made response to rising social concerns on abused and violated cases, especially on children and women. These include the Regulation Against Child and Adolescence Prostitute in 1995, the Act Against Sexual Violation in 1997, and the Act Against Domestic Violence in 1998, plus the Act for Social Worker Qualification in 1997 by which to establish a professional social work system dealing with above problems as well as guaranteeing service qualities. In short, we may say that the personal social services in Taiwan have gradually transferred the focuses from general welfare to more specific cases in needs.

At the beginning of 1999, unemployment seemed to become more critical and no signs to show the possibility of improvement in the near future. This great pressure forced the government to propose policies and measures maintaining and even promoting job opportunities. The Labour Council declared the year as ‘the Year of Employment Security’, by which to establish a more consistent employment security system. The measures include:

1. From 1 January 1999 the Labour Insurance would have unemployment benefit particularly for those who are laid off, by which also integrates employment services and retraining to help workers back to labour market as soon as possible.
2. The Labour Council will provide subsidies, up to one year, to employers who would hire middle and senior aged workers in order to stop their increase of unemployment.
3. To prevent the vicious closedown of firms, by which employers avoid their responsibility to employees and transfer capitals to other countries, the Labour Council would set up a monitoring system to watch out for and regulate layoff in great number.

The Current State of Social Security

The Scope of Social Security

The social security statistics are compiled by the statistics Bureau, Directorate General of Budget, Accounting and Statistics (DGBAS), Executive Yuan, in conformity to the ILO standards, on the basis of benefits given in the annual account settlements of all social security systems. The social security statistics on benefits and finances are compiled according to the following scopes and conditions:

1. The scope encompasses all interventions from public bodies intended to relieve households and individuals of the burden of a defined set of risks or needs, provided that these is neither a simultaneous reciprocal nor an individual arrangement involved. The list of risks or needs are old age, survivors, disability, injury, sickness and health, family, unemployment, housing, living assistance and others.
2. The system must be established by a law to provide specific benefits, and require public, semi-public or independent organizations to assume responsibility for it.
3. It must be managed by a public, semi-public or an independent organization established by a law. Otherwise, it must be private organization entrusted by a law to execute their duties.

Voluntary private enterprise social benefits and the social relief provided by non-profit organizations such as Tzu Chi Foundation, Genesis Social Welfare Foundation, and others are not included in the statistics.

The System of Social Security

The social security system in our country is divided into four categories, including social insurance, pension system, benefit service, and social relief. Social insurance is a system collecting insurance premiums as a financial source to grant benefits in such cases as diseases, old-age, disability, death, unemployment, etc., to the insureds or their survivors. Pension system covers principally the employee. Benefit service, on the other hand, is to enhance national welfare through promoting social activities and improving facilities. Finally, social relief is aimed to provide help those who are in hardship with basic livelihood needs and thus is a social relief whose beneficiaries shall satisfy a certain conditions in terms of income, property, or qualification.

1. Social insurance: The social insurance in our country according to its nature can be divided into health insurance, and occupational supplementary insurance.
2. Health Insurance: The National Health Insurance has been implemented since

1995 covering every national in our country.

3. Occupational Supplemental Insurance: Occupational supplemental insurance includes Labor Insurance, Employment Insurance, Military Personnel Insurance, Government Employee and School Staff Insurance, Private School Teacher and Staff Insurance, Retired Government Employee Insurance, Farmer Health Insurance, and so on. The Labor Insurance covers maternity, illness and injury, disability, senility, and death; the Farmer Health Insurance covers maternity, disability, funeral expense; the Government Employee and School Staff Insurance and the Private School Teacher and Staff Insurance cover disability, old age, death, and spouse death. Therefore an employee can receive not only the pension from the pension system but only the lump sum pension from the occupational supplementary insurance, but their benefits are less than the pension system.
4. Pension system: The pension system includes the Military Personnel, Government Employees, and School Teachers Retirement and Compensation Fund, Old Labor Pension Mechanism, and New Labor Pension Mechanism. The beneficiaries shall pay a fixed amount of insurance premiums to their respective policy. Retired labors are entitled to receive pensions only they have worked at the same company over 15 years, are over 55 years old, or have worked for more than 25 years. Since the average life span of an corporation in our country is about 13 years, it is common for labors to change job. To overcome the practical problem of the labor market, the government has established in 2005 a new labor pension mechanism with portable pension, which is designed to protect employees' pension benefit credits from changing jobs or closing down of business entities. Moreover, the government provides unconditional monthly allowance to those over 65 of non- military personnel, -civil servants, and -public school teachers; those don't receive high labor pension; or those don't have high-valued estate.
5. Benefit Service: The benefit service includes living allowance for physical and mental disability, assistant device allowance for physical and mental disability, day care subsidy for physical and mental disability, veteran home care allowance, living assistance for woman in hardship, day care allowances for children, and so on.
6. Social Relief: The social relief includes emergency relief, calamity relief, living allowance for low-income households, living assistance for children of low- and middle-low-income households, and so on.

The Number Covered by Different Schemes

Regarding the number of pension beneficiary, in 2004, there are 12.6 million population in 25-64 age group, 63% of which joined the employee's pension of Military Personnel, Government Employee, School Teachers, and Labor; 5% of them received the pension; and 32% of them, including housewives, students, and self-employments, did not join any pension program. At the same year, the population of those aged over 65 are 2.2 millions; 92% of them received employee's pension or unconditional living allowance provided by the government; and only 8% of them, including the wealthy or those supported by the government did not join any pension program.

The most important achievement is health care. The health care system in the country is National Health Insurance covering 99% of its nationals, with only 1% excluded due to long-term stay in foreign countries.

For the population of those aged between 25 to 64, 5.4% have joined Military Personnel, Government Employee and Public School Teachers Supplemental Insurance; 66.2% joined Labor Insurance; 13.3% joined Farmer Health Insurance; and 15.1% have not joined any occupational supplemental insurance program. The future National Pension Insurance Program is aimed to include those have not joined any occupational supplemental insurance program.

With the respect of social assistance and benefit services, in 2004, the central and local governments have spent NT\$ 19.6 billion in social relief, in which NT\$ 4.7 billion was in providing living assistance for low-income household, including family living assistance, subsidy for living expenses for children in school, and so on. The number of beneficiary of living assistance for low-income household was 204 thousand, accounting for 0.9% of the population. In the benefit service, the central and local governments have spent NT\$ 137.4 billion in welfare service, in which NT\$ 15.7 billion was in providing living assistance for physical and mental disability with 248 thousand beneficiaries (1.1% of the population), and NT\$ 19.1 billion was in providing living assistance for veteran with 100 thousand beneficiaries (0.4% of the population).

Table 1. The number of beneficiary of social relief and benefit service

	2004		
	Amount (billion NT)	Persons (1 000 person)	As % of total population (%)
Expenditure for social relief	19.6	-	-
Living Assistance for low income household	4.7	204.2	0.9
Family subsidies for living	2.9	189.8	0.8
Student subsidies for living	0.9	54.9	-
Expenditure for benefit service	137.4	-	-
Living assistance for the disability	15.7	247.9	1.1
Living subsidies	12.2	247.9	1.1
Rearing & housing subsidies	2.9	20.2	-
Home care for veterans	19.1	99.2	0.4

Related Statistics of Social Security

In 2004, the total expenditure of social security was NT\$ 1 trillion and 45.3 billion , accounting for 9.7% of GDP, including NT\$ 541.6 billion in cash (52%) and 471.5 billion in kind (45%). According to the function of expenditure, the social security expenditure for the elderly accounts for the largest share, NT\$ 464.1 billion (44.4%), followed by medical care of NT\$ 398.2 billion (38.1%). These two categories combined amount to 82.5%, devouring most resources and thus squeezing out investment for other risks.

The total social security revenue in 2004 was NT\$ 1 trillion and 146.7 billion, accounting for 10.6% of GDP. According to the economic type of revenue, the employer's contribution on insurance premium was NT\$ 400.2 billion (34.9%), the insurant's contribution on insurance premium was NT\$ 192.0 billion (16.7%), the tax allocated was NT\$ 502 billion (43.8%), and assets revenue and others was NT\$ 52.5 billion (4.6%).

If the insurance premium contributed by the government as an employer is included in the government's contribution, the social security revenue, according to its sources, consisted of NT\$ 723.8 billion (63.2%) from the government, NT\$ 230.9 billion (20.1%) from private enterprise, and NT\$ 192 billion (16.7%) from household.

Since various tax reductions or exemptions and incentive plans have long been implemented in our country, the tax burden rate (tax revenue/GDP) in 2004 was 12.9%. Additional social security burden rate (insurance premium contributed by the private enterprise and the insured/GDP) for private enterprise and household was 3.9%. Consequently, the overall national burden rate was 16.8%.

A balanced relationship between right and obligation in social security is a universal law. Most countries allocate half of the tax collected by the government and private resources as the financial source of social security. The percentage for the country was 57.7%. Although we are a small-scale welfare country, its financial distribution of social security has compared favorably with that of other country.

Table 2. Social security and national burden rate

	Social security expenditure/GDP (A)	National burden rate (B)	A/B (%)
Chinese Taipei	9.7	16.8	57.7
Japan	16.8	36.0	46.7
Sweden	32.3	64.8	49.8
Denmark	30.0	57.8	51.9

A Brief Assessment of Social security

The social security statistics of the country is carried out by the Social Indicator Division, Statistics Bureau. The compilation of social security revenue and expenditure used to be conducted according to national budget items. Recently, the compilation has been carried out based on the idea and classification of the international organizations, including Eurostat, OECD, ILO, and so on, to improve consistency and validity for international comparison. It is hoped to enhance the efficiency and fairness of the use of social security resources through international exchange.

In response to the trend of gender mainstreaming, the Committee on the Promotion of Women's Right, the Executive Yuan requests the gender viewpoint to be included in the governmental statistics. It has currently being assessed to add gender categories under the functional classification of social security expenditure.

Over 80% of the social security has been spent for the elderly and medical care: In 2004, total social security expenditure was NT\$ 1 trillion and 45.3 billion ,accounting for 9.7% of GDP. The social security expenditure for the elderly accounts for the largest share, NT\$ 464.1 billion (44.4%), followed by medical care, NT\$ 398.2 billion (38.1%). These two categories combined amount to 82.5%, devouring most resources and thus squeezing out resources invested for other risks.

Population aging quickly: Since the social security spending is largely for the elderly and the prevention of health risk, the spending is closely related to the extent of population aging. Following table indicates that when the percentage of the elderly in an industrialized country reaches 14%, the social security expenditure accounting for GDP will in the same time increase to over 13.0%. Although the extent of population aging of the country is not as serious as that of US and European counterparts, however, it takes only 11 years for aged people increased from 10% to 14%, the speed of population aging is slightly lower than Japan, but two times that of the US and European countries. Consequently, securing the financial sources for social security has been encountered pressing timing and burdensome pressure.

Table 3. The relation between aging of main country and social security expenditure

	65+ year = 10%		65+ year = 14%		Needed from 10% to 14% (year)
	year	SSE as % of GDP(%)	year	SSE as % of GDP(%)	
Chinese Taipei	2007	-	2018	-	11
Japan	1985	11.0	1994	13.0	9
Switzerland	1959	7.5	1982	14.7	23
Portugal	1977	10.9	1992	15.6	15
Greece	1968	10.3	1992	20.2	24
Spain	1975	13.3	1991	20.3	16
Italy	1966	17.2	1988	21.6	22
Finland	1973	13.7	1994	33.1	21

sources : ILO、OECD、Japan 「Annual Statistics of Social Security」.

Tax reform: Tax revenue and insurance premium are the major financial sources for social security. Since various tax reductions or exemptions and incentive plans have long been implemented in the country, the tax burden rate (tax revenue/GDP) in 2004 was 12.9%, much lower than 25.8% of Japan and 48.3% and 50.6% of Denmark and Sweden, respectively, of EU15. With a growing aging population, tax reform has to be enforced to increase tax revenue to maintain the existing scale of social security. The Alternative Minimum Tax initiated in 2006 renders corporations or individuals who are entitled to pay lower income tax or even tax free due to tax reduction or exemption, to shoulder a certain percentage of income tax. This measure is set to alleviate the financial pressure of social security.

Improving financial structure of social insurance: Japan has acquired an adequate financial source for social insurance in coping its aging population. The key to its success lies in the fact that government, enterprise, and household shoulder an equal burden, roughly one third for each sector. In our country, the cost of social insurance is over-dependent on the government, which paid 63.2% of the total cost (NT\$ 723.8 billion), among which NT\$ 109.4 billion was spent to subsidize the National Health Insurance and other non-Military Personnel, -Government Employees, and - School Teachers Insurance by the government as a non-employer. Consequently, increasing insurance premium and thus the non-government sector's contribution is required to improve the financial structure of social insurance.

Implementing national pension: The target for the National Pension Insurance Program under planning is mainly to make up the gap of the supplemental occupational insurance. For the population between the ages of 25 to 64, 85% are entitled to receive the old-aged benefit from various supplemental occupational insurances; the rest of 15% , including housewives and students, will be the main target for the national pension program in planning stage.

The Growing Demands for Social Reforms

The year of 2000 was a highly politicized year to Taiwan because the presidential election was due. In January 2000, just three months earlier than the polling day, a leading magazine published its new issue, entitled 'Why Don't You Anger, Middle Classes?', in which clearly demonstrated so many problems in social aspect to be concerned by the public. It is worth to summarize its findings as follows:

1. The income gap between top 20% households to lowest 20% households has been broadening significantly, from 4.2 times in 1980 to 5.5 times in 1998, equivalent to NT\$ 1.4 million annual incomes. This happened particularly in the 1990s.
2. The government did improve its welfare systems in the past two decades, as we analyzed in the last section, but the effects were limited. The government transfers through social welfare only increased NT\$ 96,000 yearly to the lowest 20% households.
3. Since 1980, the market values of stocks in Taiwan have been increasing to over 38 times, reaching NT\$ 8,377 billion in 1998. But it was almost tax-free that had a very preferential effect to the rich classes and therefore made more negative impacts on the income gap.

4. Apart from the stock market, land is another important source to make profits. The land profits were estimated about NT\$ 10,030 billion from 1976 to 1996, in which only 10% were taxable. Also, this was becoming worse in the 1990s.
5. Wage as percentage of personal incomes was 55.7%, but it contributed 72.3% of total income taxes. While the percentage of employers' incomes was 16%, it contributed only 5.3% of total income taxes. To which we learn the relatively heavy burdens on the waged classes.
6. To make profits for enterprises, especially through tax credits, fiscal deficit was increasing significantly in the 1990s. The public debts as percentage of GDP was growing from 4.8% in 1990 to 16.3% in 1998, equivalent to from NT\$ 200 billion to NT\$ 1,400 billion at the same period.

As social conditions were worsening, then in people's view what was their most concerns and who should be responsible became important questions, because the people were going to vote their new president in less than three months. In a national survey with 1,112 effective samples, a lot of interesting points could be figured out:

1. Comparing to ten years ago, 62.7% of the respondents thought that the income gap was more critical.
2. The reasons for this situation were 'Black-Gold Politics', money game in the stock market, unfair taxation, high-priced lands and properties, and improper policies.
3. Over 60% of the respondents worried about the possibility of getting worse in the future.
4. Regarding the question who should be responsible, 68.5% of the respondents blamed the president and the KMT politicians.
5. The most desired issues that the government should do more reforms were physical safety and family livelihood.

Obviously, the people have been aware of injustice in social aspect and therefore called for social reforms to be done. However, the desired reforms seemed to be hardly offered by the KMT, because these all happened at the period of the KMT in power and especially under the presidency of Lee Teng-hui. If these came from the nature of the KMT as a capitalist party, then how could you expect such a party to do a just reform? So came to the result that nearly 70% of the respondents blamed the president and the KMT responsible for worsening social conditions.

A similar survey conducted by a national newspaper shown likely results. Based on a

size of 1,051 samples, this survey compared the changes of people's feeling between 1998 and 1999, just the years the government launching so many measures to fight over the Asian financial turbulence. Many important changes happened in only one-year time. For example, though economic growth and employment were relatively better than Taiwan's neighbours, the worry about income gap was also increasing. There were not significant changes in living quality, but the degrees of dissatisfaction to governmental performance was radically increasing to over 50%. The policies on justice, social welfare and taxation all received a more negative evaluation in this survey.

This is a tricky but reasonable result, I must argue. The government has poured quite a lot of tax expenditure into financial market and production that could have an important and positive effect to restore market order in a short time. But such a measure also uncovered the conflicting class relationship, in which the feeling of relative deprivation in the waged classes was growing more and more. What they asked for were not only prosperous economic growth and secured employment opportunities, but also a just social welfare system and a fair taxation. This will in turn challenge the legitimacy of the KMT if it can not keep balance between the conflicting classes. As the myth of the KMT as an intermediary equally for all classes was broken, it could win some votes from the benefited classes but could also lose some from the classes relatively deprived. The fate to be a ruling party came to depend on which side was stronger. This was the real cost induced by the policies the KMT proposed and also the test it had to face in the presidential election.

On March 18, the public went to polling stations to select their new president for the coming four years. The result came out very excited and totally changed the distribution of political powers since the World War II. Mr. Chen Shui-bian, a president candidate from the DPP, won the election with 39.3% of votes, while former Vice President Lien Chan, also the president candidate with the full support from the KMT, lost the election with 23.1% only. And the independent candidate, Mr. James Soong who was former secretary-general of the KMT, came to second with 36.8%. This result further angered the traditional supporters of the KMT and therefore induced a three-day protest at the door of the party, forcing the outgoing president, Lee Teng-hui, to step down as party chairman. The KMT's collapse was so total that the possibility of its survival in the future was even in doubt, particularly under the threat of the coming People First Party, which is a new party organized by Mr. James Soong and his supporters and expected to be the strongest opposition party. The KMT was even very difficult to maintain its status as a well-functioned opposition party

after lost its power. This is far beyond expectation if we learn the fact that the KMT has been in power for over fifty years and accumulated a huge assets worth over NT\$ 200 billion.

There are three implications from the result. Firstly, as the ruling party to take Taiwan away from the Asian crisis the KMT should have an incredible advantage to win the election, and, as we read in the second section, the economic performance was so good comparing to Taiwan's neighbors. We could argue, the reason for the KMT's defeat was not the economic one. Rather, the nature as a capitalist party and its serious neglect on social reforms should be taken more into accounts. A lesson emerges as that economic growth should be still important to win the legitimacy, but aggregating pressures from social aspects could fight back if such a growth is achieved by unfairly preferring a particular class or sector.

Secondly, some politicians from the KMT blamed Mr. James Soong for this defeat because he took away a large amount of the KMT supporters. It could be one reason, but not the only one. The reformist characteristics of Mr. Soong have attracted quite a lot of supports from the middle classes. Even as he was excluded from being a member of the KMT, he did not suffer a decline to become an independent candidate. Moreover, the share he had in the election was still bigger than the KMT candidate, former Vice President Lien Chan, implying that the KMT and its policy orientation was not preferred by most of the waged classes.

And, finally, the DPP won and has been in power since May 20, but the share it had was not over 40% and still 10% below the half, meaning that the new president did not have an status of absolute majorities. This will limit the scope and capacity of the new government to make policies. Nevertheless, Mr. Chen has tried to proceed with some reforms in social aspect, which are desired by the waged classes, as well as to keep economy growing and stock market prospering, which are desired by the employer classes. However, the balance between these two requirements is by no means easy and this is going to be the great challenge the new government will face. This is the issue of the next section.

Dreaming for Social Reform

As the strongest opposition party in the 1990s, the DPP was well known not only its political argument for Taiwanese interests but also its pro-welfare ideology, contrasting to the KMT's Chinese values and economics first. This was significantly

shown in the DPP's white paper on social welfare in 1993, proposing: (DPP, 1993)

1. Establishment of a universal social insurance system covering pension, health, work injury and unemployment benefits.
2. Family allowances for children and young people.
3. Increased cash benefits for social assistance.
4. Expansion of welfare services to disadvantaged groups.
5. A comprehensive medical care system and network.
6. A housing policy for everyone.
7. Collectively bargained working conditions.
8. Establishment of a ministry particularly responsible for social welfare at central government level.
9. Inclusion of social welfare into national development plans.
10. Proceeding with resources redistribution across the nation.

From then on, welfare issues policy proposed by the DPP become important policy debates against the KMT, with each coming election (Ku, 2000, 2002). This in turn enhanced the DPP's public image for social reform, for example, in 2000 a survey showing that 47 per cent of the respondents regarded the DPP as a party for poor classes and only 11 per cent thought it for the rich (Ku, 2003b).

On the contrary, the KMT launched a lot of favoured financial measures, such as tax cuts, bailouts, and public purchases of company shares, to help businesses in trouble. The total costs were equivalent to 16 per cent of the total government expenditure in 1998. These measures did have important impacts preventing Taiwan's economy from an even deeper recession and therefore helping Taiwan out of the Asian financial crisis, '...given the inevitable delays and lags in these (public investment) projects, stimulating private consumption through tax cuts is also necessary. The government should also encourage private investment by broadening the scope of investment tax credit laws', as the Asian Development Bank comments (1999: 64). However, such measures also provoked two political debates concerning the fairness of taxation, on the one hand, and the class nature of the state, on the other. Both eventually caused serious damage with regard to the legitimacy of the Government and the ruling party – the KMT.

Obviously, the general public were not happy with such measures because they found themselves as the final payers to the bills induced by the government policies. For example, the importance of income taxes, mainly bore by wage earners, in taxation

increased significantly from 22.28 per cent in 1991 to 35.50 per cent in 1999, and VAT, mainly bore by customers, also increased from 15.24 per cent to 25.74 per cent during the same period, while other taxes sources from land and stock market were mostly decreasing. This implied the rich classes as the biggest winner. In early 2000, less than three months to presidential polling day, a national survey revealed that over 60 per cent of the respondents did make sense of unfair taxation and increasing income gap, and worry about it could be getting worse. More interestingly, 68.50 per cent of the respondents blamed the President and other KMT politicians for such problems (Ku, 2003a: 178-185).

In short, the social situations in the year of 2000 laid down the reason for the failure of the KMT, ‘...the reason for the KMT’s defeat was not an economic one. Rather, its nature as a capitalist party and its serious neglect with regard to social reform should be taken into account. Economic growth, thus, is still important to obtain governmental legitimacy, but aggregating pressures for social reforms can offset such gains in legitimacy...’, as Ku comments (2003a: 185). Under such a condition, the pro-welfare image of the DPP was helpful to the presidential campaign. In particular, Chen Shiu-bian, now the President, has proposed the following welfare policies: (1) NT\$ 3,000 welfare allowance per month for the elderly who did not receive any pension; (2) free medical care for the children below three years old; and (3) low-cost mortgage with 3 per cent interest rate only for the young first-time buyers of houses. (Ku, 2003a: 187).

The triumph of the DPP in the 2000 presidential campaign signified not only a new era of Taiwanese democratisation, but also a rising expectation for social reform. However, there is not a happy end of story. Democracy can make a specific party in power but problems remain still. The DPP Government needs to take challenges alone, particularly between the increasing economic competition at the global level and the requirement of social reform at domestic politics. Since the beginning of the 1990s, a migrant movement of labour-intensive industries, which was the core source of Taiwanese economic growth in the 1970s and the 1980s, to low labour-cost areas as Southeast Asia and China has been found. The pressures of unemployment and low pay are aggregating with capital flowing faster and faster. A great difficulty looms (Ku, 1997b):

In the process of globalization, local laborers are not only competing with other laborers in the country, but also competing with foreign laborers for limited job opportunities. The having or having not jobs and the levels of wage will influence

employees' subsistence and enterprises' profits directly. However, wage levels are very difficult to raise because of global competition. If the Government should raise wages through social programs and statutes, they risk reducing job opportunities. Both high unemployment and low wages will greatly damage the legitimacy of the state...economic crisis will transform into a political crisis.

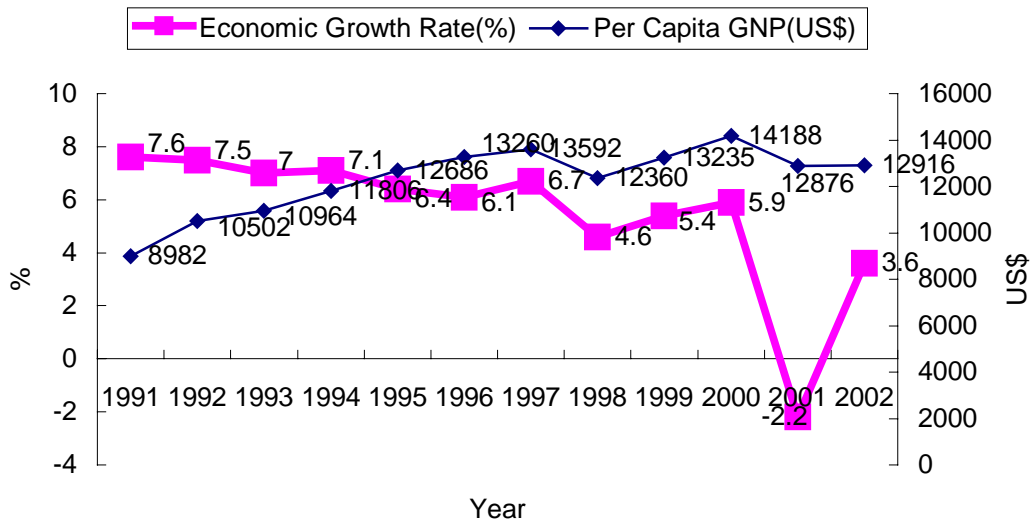
The difficulty did not improve even if we changed government. Interestingly, the DPP Government soon abandoned its ideals on social welfare due to a series of controversies over financial predicaments, the national pension program, and protests against the fourth nuclear power plant, that caused a major stock market slump with at only half value than it was before the presidential election. On September 16, 2000, just after 100 days of President Chen Shui-bian in office, he declared that economic development will become the Government's new priority and social welfare programs will be postponed (Ku, 2003a: 187-188). Similar to the former KMT Government, this announcement implied incompatibility and zero sum relation between economy and welfare in the mind of the DPP policy-makers, though in reality this would not definitely happen. Nevertheless the promises for social reform have been put on uncertain ground.

A Divided Society

Without consistent government policy, it is impossible to gather fundamental efforts for social reform. Social situation in Taiwan is not improving with the consolidation of democracy, on the contrary, it is getting worse. The following figures will precisely show this argument.

Figure 1 is a general picture about Taiwanese economic changes since 1991, from which we can observe a radical slump of economic growth rate just after the DPP Government in power. The growth rate in 2002 seemed getting better, but it was only a reaction to the radical recession in the former year and it was also far lower than the economic performances before 2000. Along with the poor economic growth, the Taiwanese wealth, in term of GNP per capita, was shrinking and back to the level in the mid-1990s. Moreover, the recession was spreading out and job opportunities were under threat, which can be examined in Figure 2.

Figure 1. Economic Changes, 1991-2002



Following the economic recession, unemployment became a serious problem. In the early 1990s, unemployment in Taiwan was remaining below 2 per cent but it has increased remarkably to over 5 per cent in 2002. We also note that the major reason for unemployment was not seasonal adjustments of labour market, rather, it was large scales of lay-off, from around 16 per cent of the unemployment in 1991 to nearly the half in 2002. This signified the important impacts made by the migrant movement of businesses at the global level and the degrees of difficulty to find a new job was increasing. In 2002, the average time for an unemployed worker moving to a new job was over 30 weeks, while it was around 15 weeks only in 1991.

On the other hand, social inequality, in term of income gap, was getting worse too. The income gap between top 20 per cent households to bottom 20 per cent has increased from 4.97 in 1991 to 6.16 in 2002. The most radical jump happened in just one year between 2000 and 2001, from 5.55 to 6.39, showing that the DPP Government's welfare efforts and promises for social reforms did not really be enforced (Ku, 2003b). The harsh conditions stimulated further social instability in Taiwan. Figure 3 demonstrates two related indicators. For securing their jobs and wages, conflicts between employers and employees were increasing form 1,810 cases in 1991 to 12,393 cases in 2002. During the same period, the cases of violent crimes increased too, implying that the DPP Government was not able to maintain social order not only for the reason of good living quality but also for economic production.

Figure 2. General Unemployment Rate, Average Weeks of Unemployment and Lay-off, 1991-2002

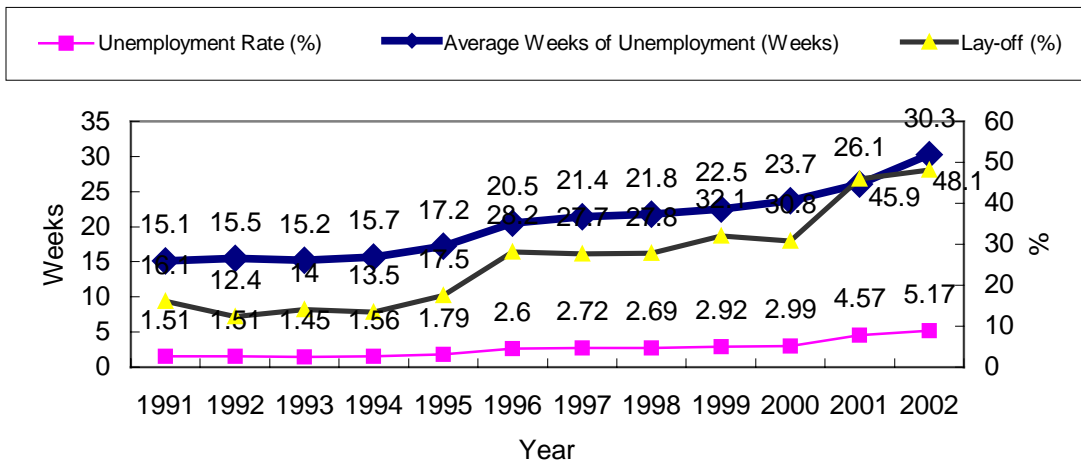
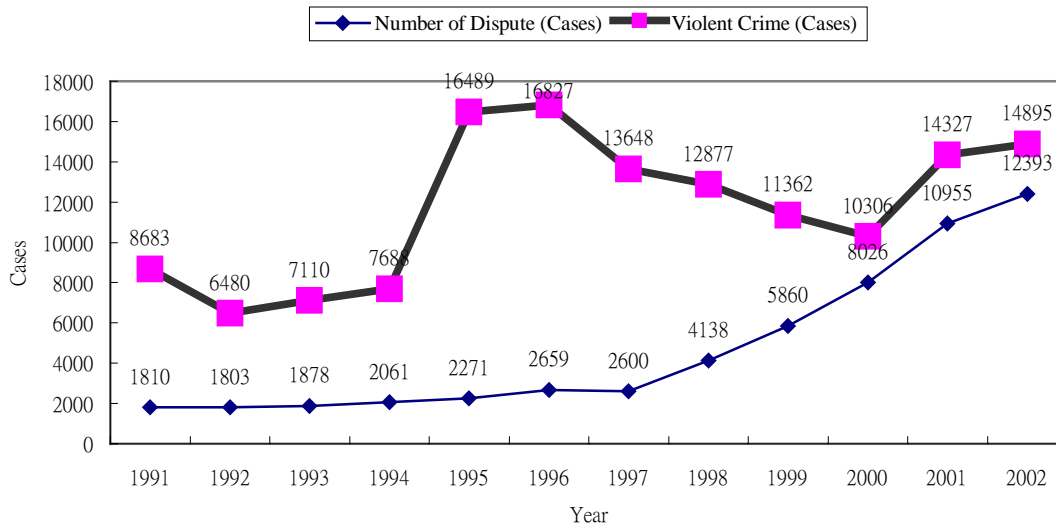


Figure 3. Labor Dispute and Violent Crime, 1991-2002



All the above indicators demonstrate clearly that the hardest changes just happened as the DPP took over power. A dream for social reform in the 2000 presidential election seemed turning into a nightmare that placed great pressures on the DPP Government and the President. How the Government recognizes the nature of these social problems and therefore makes just policies? This is the question we would explore further.

Global Challenges Ahead

There are two different interpretations to the above question. The first regards the poor performance of governmental efforts in attracting private investments as the main reason of businesses moving out and, therefore, asks more public investments on infrastructure, for example, higher education and economic restructure. The second focuses on the global labour and production division and argues for a more liberal and deregulated economic policy (*China Times*, 2001). Finally, the Government publishes its policy statement entitled 'Challenge 2008: National Development Plan (2002-2007)' which clearly shows up its intentions.

In the statement, the Government recognizes three major challenges, saying (CEPD, 2002):

1. Global Competition: a growing intensive global competition for talent and capitals that has significantly changed core production elements to quality, creation and speed, implying a more flexible production and more investments on knowledge.
2. Mainland China's Magnetic Effect: China as a even stronger competitor with cheap labour and land, and vast market which has attracted a lot of Taiwanese businesses and, in turn, made impact on increasing unemployment in Taiwan.
3. Historical Burden: such as social problems left over from the period of authoritarian regime and democratic transition (e.g. black gold politics), rigid administrative and legal systems, and long accumulation of bad debts and financial burdens.

Interestingly, Taiwan has accumulated a lot of trade surplus from China, increasing remarkably from US\$ 7 billion in 1991 to US\$ 22 billion in 2002. However, during the same period, governmental statistics show that Taiwanese businesses have invested over US\$ 24 billion in China, occupying about 70 per cent of the total outward foreign direct investment (FDI) in Taiwan, while the inflow of FDI in Taiwan was US\$ 17 billion only. A tricky picture emerges. Taiwan has to rely on China's market for profits, but China is also regarded as the major competitor for Taiwanese private investments, as well as other foreign capitals.

To restore Taiwan's competitiveness in the global economy, the Government promises more reforms in respect of finance and taxation, and more investments on human capitals and infrastructure. However, it is not so simple, I must argue. The statement is indeed a hybrid of the above two interpretations. For coping with the growing global competition, a more open and deregulated environment will encourage more private

and foreign investments in Taiwan, but this could also risk an even speeding migration of Taiwanese businesses to China, on the one hand, and a great loss of government revenue, particularly if tax credit is adopted as an encouragement, on the other. The loss of government revenue will eventually reduce the necessary public resources for more investments. Furthermore, without more investments it is very difficult to restructure Taiwan's economy towards high value-added industries and therefore enhances Taiwan's competitiveness. This constructs a great dilemma, which fundamentally changes the traditional explanation of East Asian development, especially regarding the role of the state in directing economic development.

In East Asia, a lot of concepts, such as 'governing market' (Wade, 1990), 'disciplined market' (Amsden, 1989), and 'guided market' (White and Wade, 1988), have been widely used to refer the relationship between the state and the market. Although there is an argument that liberalism and globalization are not inextricably linked (e.g. George and Wilding, 2002: 57), it is still true that the state has faced a constraint on its range of policy choices and the capacity to put policy in practice.

Actually, since the KMT in power, a lot of liberalist policies and measures, such as tax cuts, privatization, deregulation and so forth, have been widely enforced to restructured Taiwanese economy from state-led to market-led, even though it was accompanying with rising social costs of unemployment and inequality. Some followers of liberalism thought regarded these social costs as necessary towards a better national competitiveness in the globalizing world and should be soon over along with economic growth, but before that the KMT Government has been abandoned by the people in the 2000 election. The DPP Government rose with a growing expectation of social reform, but was unable to release such a constraint. President Chen's declaration of welfare giving way to economic growth precisely revealed the tension for limited resources, which basically came from the unhealthy public finance left by the former KMT Government.

As we have explored in the last sections, a lot of public funds have been spent by the KMT Government to fight against the Asian financial crisis, accompanying with tax cuts in favor of private investments. The gap between governmental revenue and expenditure has been increasing remarkably in the 1990s. On the revenue side, taxation is generally the most important source of incomes in the modern state, but its percentage to GNP was going down quickly from 17.4 per cent in 1991 to 12.3 per cent in 2002, making Taiwan as one of low tax economies and well below its neighbors as around 20 per cent in Korea and 16 per cent in Singapore. However, the

public expenditure was not likely decreasing and the tax income could support only around 53 per cent of the total governmental expenditure in 2002, while in the 1980s and the 1990s the figures were 70 per cent and 64 per cent respectively. The gap between revenue and expenditure also signified even worse public debts. The accumulated public debts officially admitted were about NT\$ 3,289 billion in 2002, equivalent to 32.9 per cent of GNP in Taiwan (DGBASEY, 2002), though some estimated the potential public debts even higher, about NT\$ 10,000 billion at all levels of Government (*United Daily News*, 2003).

The shortage of public funds eventually confined governmental policy choices and state capacity, especially as more necessary investments, e.g. on human capital and infrastructure, for improving national competitiveness, on the one hand, and more benefits required to enhance welfare image of the DPP Government and its legitimacy, on the other. The clash between economy and welfare is growing day by day. The slogans of 'We Want Jobs', 'Anti-poverty', 'Affordable Education' and so forth have become the main theme in every social movement. More and more people, including laborers, school teachers, and farmers, stepped on the street to demonstrate their unsatisfying with social conditions and government's liberalization policy. The drawing near of the 2004 presidential election aggregates huge political pressures for the DPP Government to find a way out of the dilemma.

A strange policy emerges with a mixture of tax cuts and welfare increases. Without more taxation revenues, the DPP Government launched a series of temporary public employment programs in order to reduce unemployment, which were projected to provide over 75,000 temporary jobs with NT\$ 70 billion. On the other hand, more public funds, ranging from NT\$ 810 billion for national development in 2001 to the most recent NT\$ 500 billion in five years, were planned to pour into the improvement of infrastructure and expected to increase thousands upon thousands jobs as well. These measures induced a radical political debate concerning with the issue 'where is the money from', especially as we understand that there was no improving sigh of the long accumulated bad debts and the growing gap between revenue and expenditure. Under the condition of no more taxes, funds for above new programs will either from more public bonds and therefore making debts even worse; or from selling out of governmental shares of national enterprises and properties and therefore further liberalizing Taiwan's economy. The former is not good for long-term development and not accepted by economic officials. The latter could help economic rationalization but seem not favored by the employees because of the fear of unemployment. Moreover, it is very difficult to have a good deal in the time of recession, so that most

of privatization programs, e.g. telecom, did not reach their projected goals.

A calling for an act regulating public finance has been emerging now (*United Daily News*, 2003). Should we spend more for the future? This question has become the core political debate over the 2004 presidential election.

Concluding Remarks: Whose Responsibility?

An impact made by welfare reforms in Western welfare states should not be neglected. Since the publication of Norman Johnson's book on welfare pluralism (1987), the idea that social welfare may be obtained from four different sectors has been widely advocated in Taiwan. So are the concepts as privatization, decentralization, managerialism, mixed economy of welfare, quasi-market, non-profit organizations, community care, and so on. All of these are implying a less dominant role of the state in the collective provision of social welfare.

Although the limited public resources are coming more significant in Taiwan, who should be responsible for safety net against poverty and related risks remains as a question. It seems impossible for the state to escape from such a responsibility, no matter as a provider or a regulator, especially under the pressures of democratic politics. A survey, conducted by the Ministry of Interior Affairs (DSMIA, 2000), shows some important findings about public expectations on state welfare. In the question concerning with which welfare measures the Government should make more efforts, elderly welfare, including pension and care, still occupies the first priority with 45% of respondents. This figure is far beyond the second priority of social assistance with 24% only, implying that the Taiwanese citizens have recognized the important role of the state on welfare and expected the state to do more improvement. It is also noting that the younger generation even holds similar attitudes with 37% favor on elderly welfare, by which we learn the issue not concerned by the elderly only; rather, it is crossing different generations.

Another survey of 495 elderly people around Taiwan shows that 37.3% of respondents would like depend on their own efforts to live in their retirements, no matter from personal savings, family supports or occupational pensions. But if they can not make it, they regard the state as the most reliable source, via statutory programs, to provide just helps. Importantly, the respondents have fully understood the DPP Government's swaying away from its reformist position because of economic recession, and they also learn that the statutory welfare programs will not definitely be better than

Buddhist Charities. However, over 58% of them still insist that the state should not give up its welfare responsibility (Ku, 2000).

Generally speaking, the Taiwanese publics have learned the increasing pressures of poverty and related risks, especially under the ever intensive global competition. But this is just a beginning, we would say, because the shortage of public resources will be even critical in the coming years. Although some efforts have been initiated by the government, these have not yet become a more comprehensive and consistent policy-orientation. There is a critical gap between public expectation and governmental policy particularly on the issue who should be responsible for safety net. The DPP Government is precisely in the deep dilemma, striving to keep capital and jobs in its own territory but without pushing down wage and working conditions. There are varied ideas for taming globalization (e.g. Held and Koenig-Archibugi, 2003), but their feasibilities are not really examined. Whatever happens, the state can not stay away from its task as one of important actors in the process.

References: (Partly and it will be re-edited at the final stage.)

- Castles, F. G. and D. Mitchell (1992). "Identifying Welfare State Regimes: The Links Between Politics, Instruments and Outcomes", *Governance: An International Journal of Policy and Administration*, 5(1): 1-26.
- Chen, H. H. Nancy et al. (1996). *An Evaluation of Social Welfare System in Taiwan*. Taipei: Council for Economic Planning and Development. (in Chinese)
- Chen, Wu-hsiung (1996). "The Investigation and Prospect of Social Administration Affairs in ROC", *Community Development Journal (Quarterly)*, No. 75: 5-15. (in Chinese)
- China Times*, 5 November 1997. (in Chinese)
- China Times*, 30 November 1997. (in Chinese)
- Council for Economic Planning and Development (CEPD) (1996a). *Taiwan Statistical Data Book, 1996*. Taipei.
- Council for Economic Planning and Development (CEPD) (1996b). *Impacts of Social Welfare Expenditure on National Economic Development*. Taipei. (in Chinese)
- Democratic Progressive Party (1993). *A Just Welfare State: White Paper of DDP's Social Policy*. Taipei. (in Chinese)
- Deyo, F. C. (1989). *Beneath the Miracle: Labor Subordination in the New Asian Industrialism*. Berkeley, California: University of California Press.
- Deyo, F. C. (1992). "The Political Economy of Social Policy Formation: East Asia's Newly Industrialized Countries", in R. P. Appelbaum and J. Henderson (eds.),

- States and Development in the Asian Pacific Rim*, pp. 289-306. Newbury Park, California: Sage.
- Directorate-General of Budget, Accounting and Statistics (DGBAS) (1996). *Social Indicators in Taiwan Area of the Republic of China, 1996*. Taipei.
- Esping-Andersen, G. (1990). *The Three Worlds of Welfare Capitalism*. Cambridge: Polity.
- Esping-Andersen, G.(1996). “After the Golden Age? Welfare State Dilemmas in a Global Economy”, in G. Esping-Andersen(ed.), *Welfare States in Transition: National Adaptations in Global Economics*, pp.1-31. London: Sage.
- Fei, J. C. H., G. Ranis, and S. W. Y. Kuo (1979). *Growth with Equity: The Taiwan Case*. New York: Oxford University Press.
- Johnson, N. (1987). *The Welfare State in Transition: The Theory and Practice of Welfare Pluralism*. Brighton: Wheatsheaf.
- Korpi, W. (1993). “Economists as Policy Experts and Policy Advocates: On Problems of Values and Objectivity in the Welfare State - Economic Growth Debate”, paper presented at the Conference on Comparative Research on Welfare States in Transition, Oxford, September 9-12.
- Ku, Y. W. (1995). “The Development of State Welfare in the Asian NICs with Special Reference to Taiwan”, *Social Policy and Administration*, 29 (4): 345-364.
- Ku, Y. W. (1997a). “The Welfare State under the Trend of Privatization: a Challenge”, *Community Development Journal (Quarterly)*. (forthcoming) (in Chinese)
- Ku, Y. W. (1997b). *Welfare Capitalism in Taiwan: State, Economy and Social Policy*. Basingstoke: Macmillan.
- Lin, C. C. (1995). “Economic Development and Social Welfare”, in W. I. Lin (ed.), *Social Welfare in Taiwan: A View from the Society*, pp. 103-130. Taipei: Wu-nan. (in Chinese)
- MacPherson. S. (1992). “Social Policy and Economic Change in the Asia Pacific Region”, *Social Policy and Administration*, 26(1); 55-61.
- Marsland, D.(1996). *Welfare or Welfare State? Contradictions and Dilemmas in Social Policy*. Basingstoke: Macmillan.
- Midgley, J. (1986). “Industrialization and Welfare: The Case of the Four Little Tigers”, *Social Policy and Administration*, 20(3): 225-238.
- Midgley, J. (1995). *Social Development: The Developmental Perspective in Social Welfare*. Thousand Oaks, California: Sage.
- Midgley, J. (1997). *Social Welfare in Global Context*. Thousand Oaks, California: Sage.
- Ministry of Interior Affairs (MIA) (1995). *Special Issue of the National Conference on Community Development*. Taipei. (in Chinese)

- Ministry of Interior Affairs (MIA) (1997). *Statistical Data Book of Interior Affairs*. Taipei.
- Pierson, P.(1994). *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment*. Cambridge: Cambridge University Press.
- Social Security Administration (1997). *Social security Programs Throughout the World – 1997*. Washington. DC.
- The 21st Century Foundation (1992). A Survey of Public Opinion on Social Conditions in Taiwan, 1992. Taipei. (in Chinese)
- The 21st Century Foundation (1993). A Survey of Public Opinion on Economic Conditions in Taiwan, 1992. Taipei. (in Chinese)
- United Daily News*, 2 October 1995. (in Chinese)
- Wang, J. H. (1992). "Private Capital and Political Transition in Taiwan", paper presented at the Conference on the State and Society in the process of Taiwan's Democratization. Taipei, 7-8 March 1992. (in Chinese)



Whose Responsibility?

**New Poverty and Its Implication to Safety
Net Construction in Taiwan**

Yeun-wen Ku

National Chi Nan University



Introduction

- Democratization opens door for welfare development in Taiwan.
- The 1990s is a golden decade for institutional welfare systems, e.g. National Health Insurance and social security reforms.
- However, who should bear the major responsibility for social safety net is still a political issue, especially linking to the construction of national pension scheme.



Scope

System

Statistics

Next step

Social security

Benefit service

- Subsidies for disability
- Home care for veterans
- Emergency assistance for women in hardship
- Others

Social insurance

Health insurance

Occupational insurance

Annex 1

Pension system

Annex 2

Social assistance

- Assistance for calamities, emergencies
- Living assistance for low income households
- Living subsidies for mid or low income child and juvenile
- Others



Scope

System

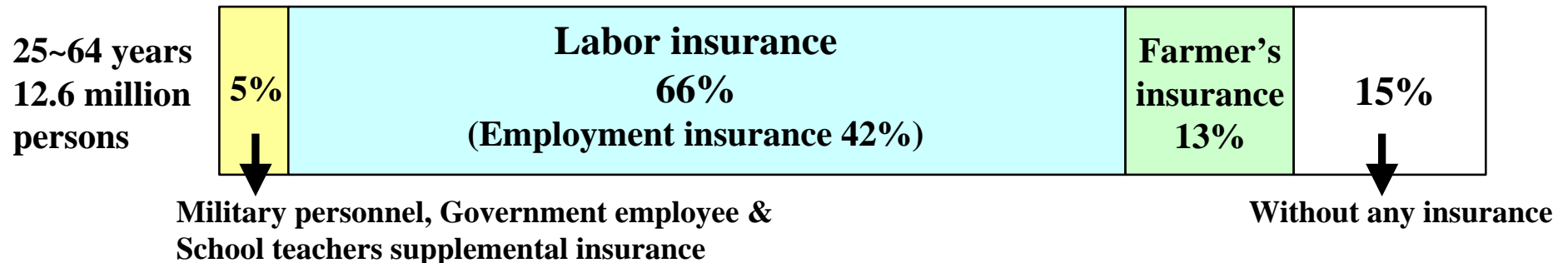
Statistics

Next step

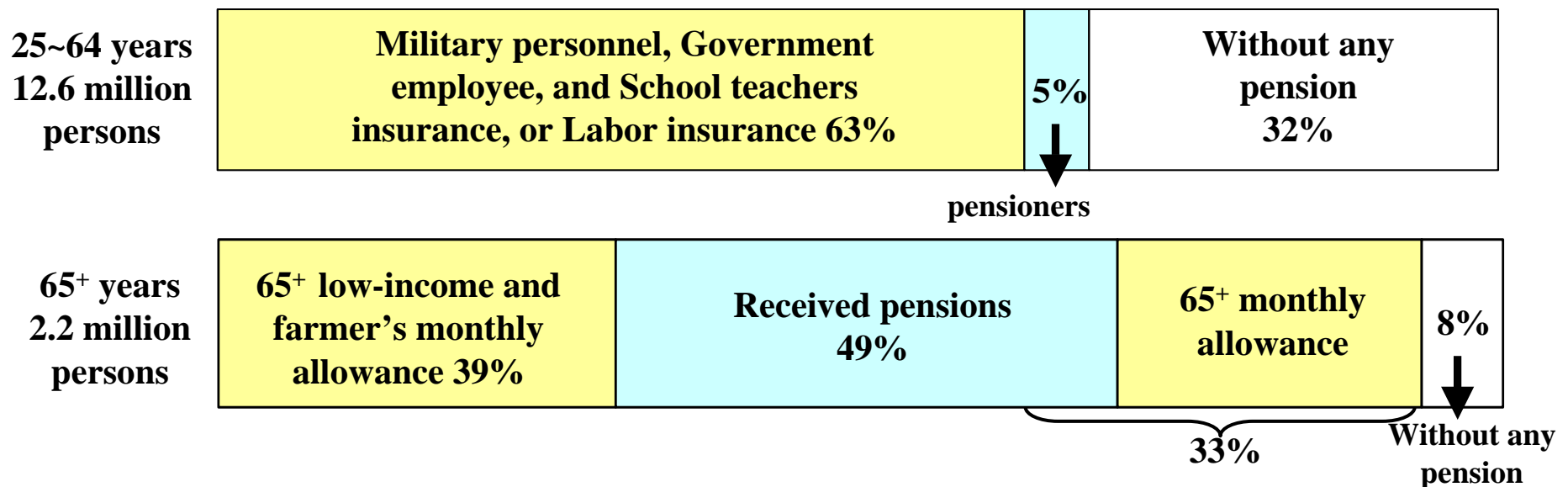
The number of beneficiary(2004)

NHI beneficiary : 99% of population

Occupational insurance beneficiary



Pension beneficiary





Scope

System

Statistics

Next step

Beneficiary of social assistance and benefit service

	2 0 0 4	
	Persons (1 000 person)	As % of total population(%)
Expenditure for social assistance		
<b style="color: red;">Living assistance for low income households	<b style="color: red;">204.2	<b style="color: red;">0.9
Family subsidies for living	189.8	0.8
Student subsidies for living	54.9	-
Expenditure for benefit service		
<b style="color: red;">Living assistance for the disability	<b style="color: red;">247.9	<b style="color: red;">1.1
<b style="color: red;">Living subsidies	<b style="color: red;">247.9	<b style="color: red;">1.1
Rearing & housing subsidies	20.2	-
Home care for veterans	99.2	0.4



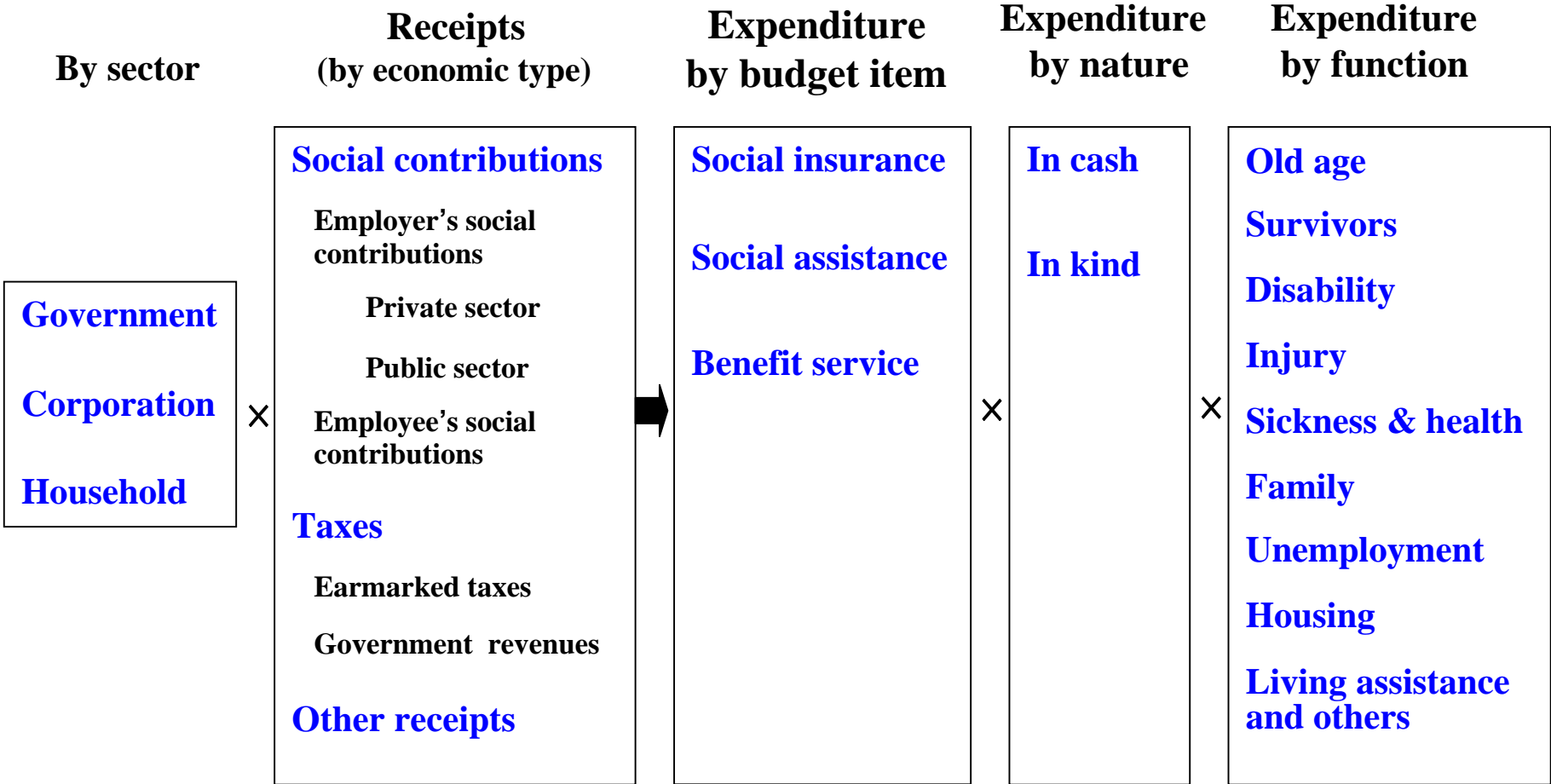
Scope

System

Statistics

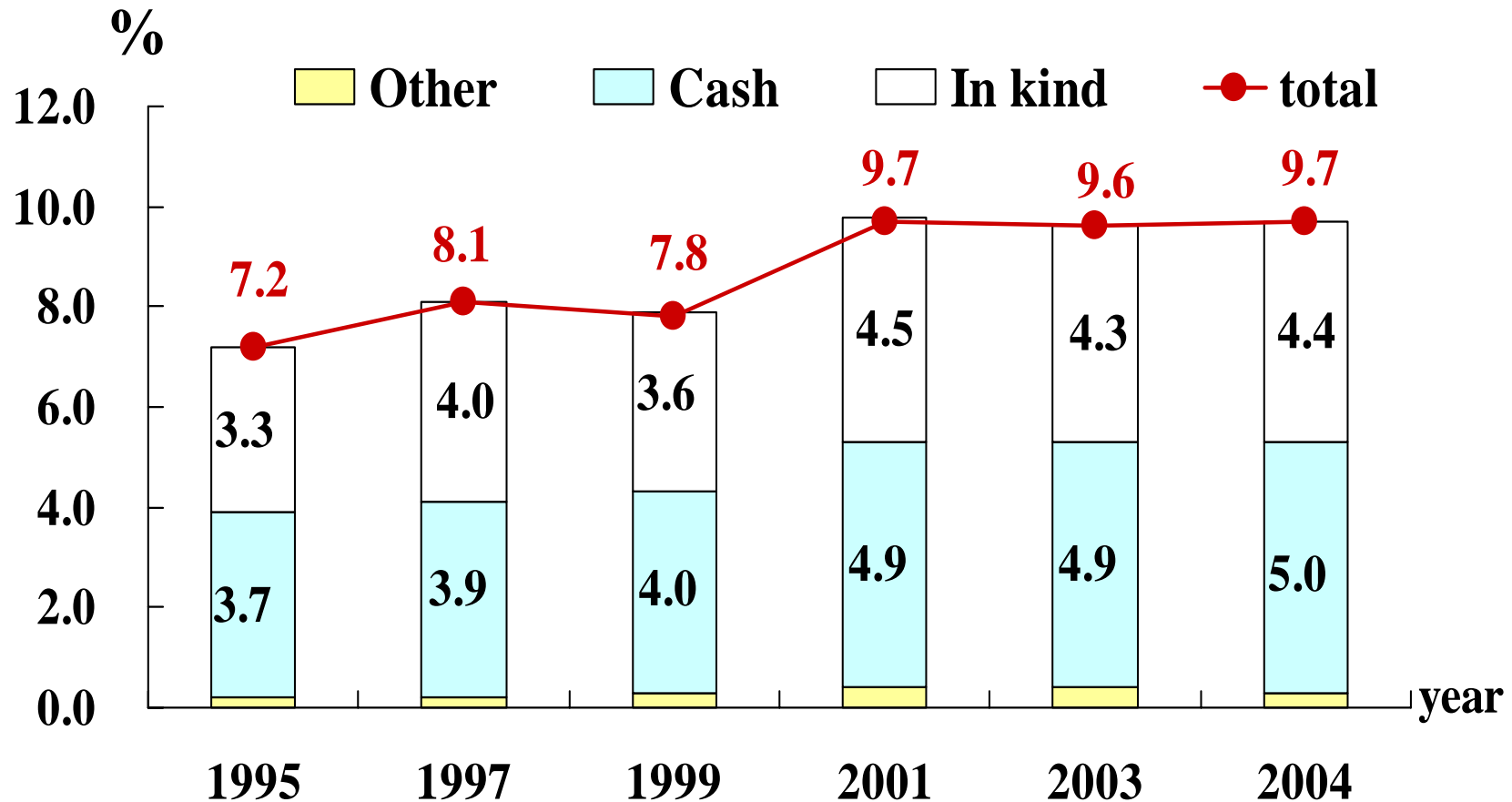
Next step

Overview of core system





Ratio of social security expenditure to GDP(%) : 9.7%





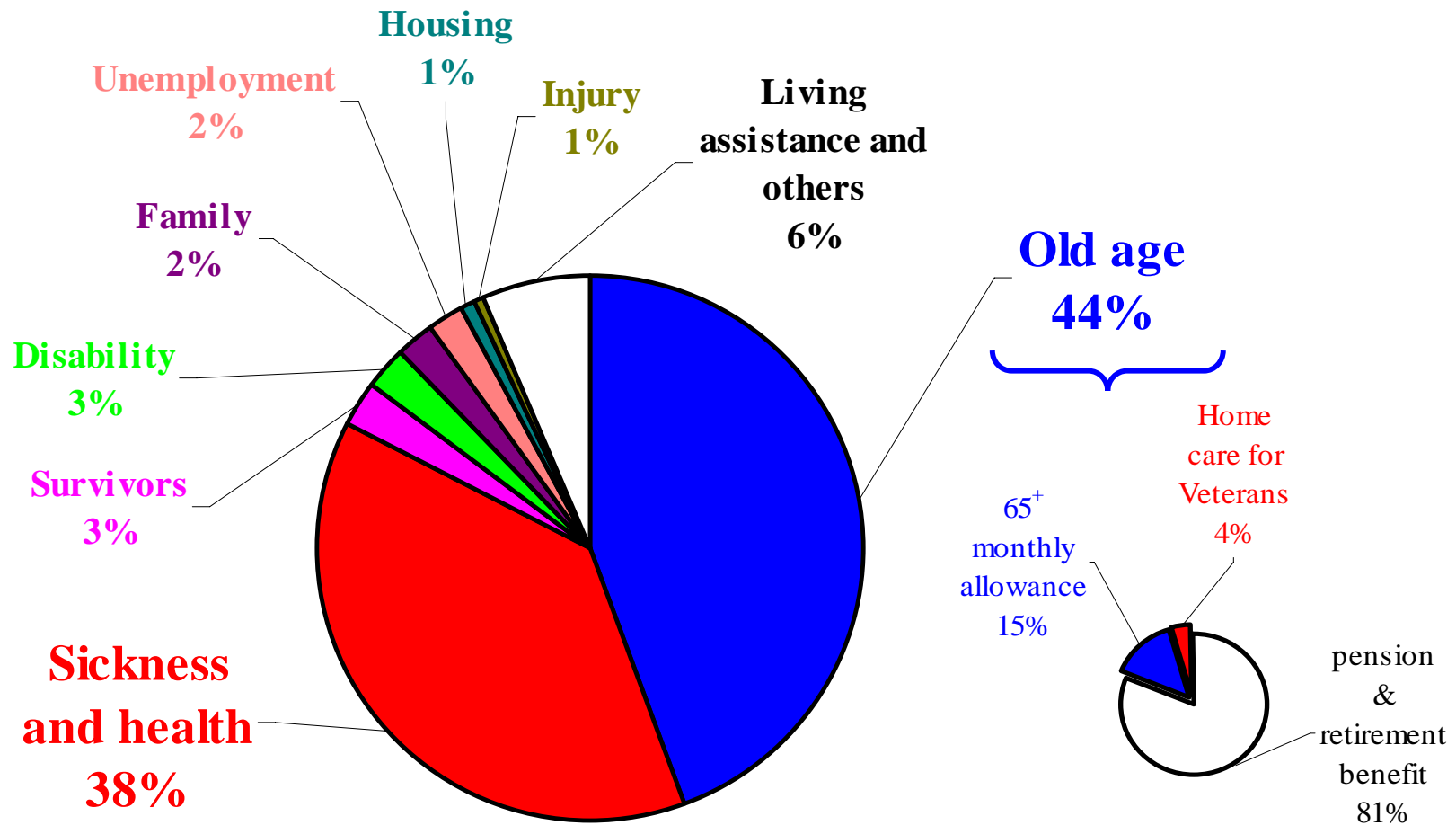
Scope

System

Statistics

Next step

By function : Old age(44%) , Sickness and health(38%) , Combined amount to 83%





Scope

System

Statistics

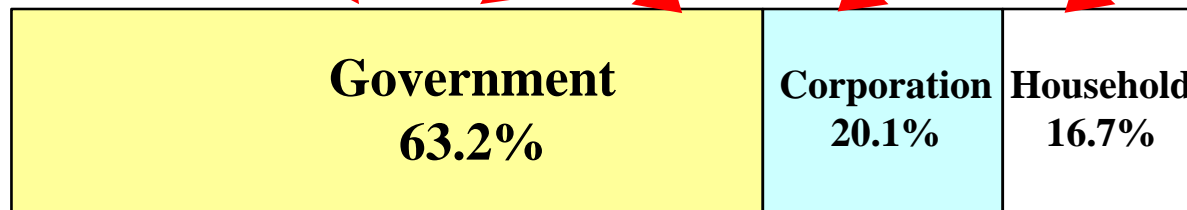
Next step

Ratio of social security revenue to GDP(%) : 10.6% (2004)

	Grand total	Receipts by economic type								
		Insurance premium	Employer's contributions		Employee's contribution	Taxes	Earmarked taxes	General government revenues	others	
			Public sector	Private sector						
% of GDP	10.6	5.5	3.7	1.6	2.1	1.8	4.7	0.2	4.5	0.5
% of total	100.0	51.6	34.9	14.8	20.1	16.7	43.8	1.6	42.2	4.6

● **By sector :**

Government 63.2%
Corporation 20.1%
Household 16.7%



NT\$ 723.8 billion

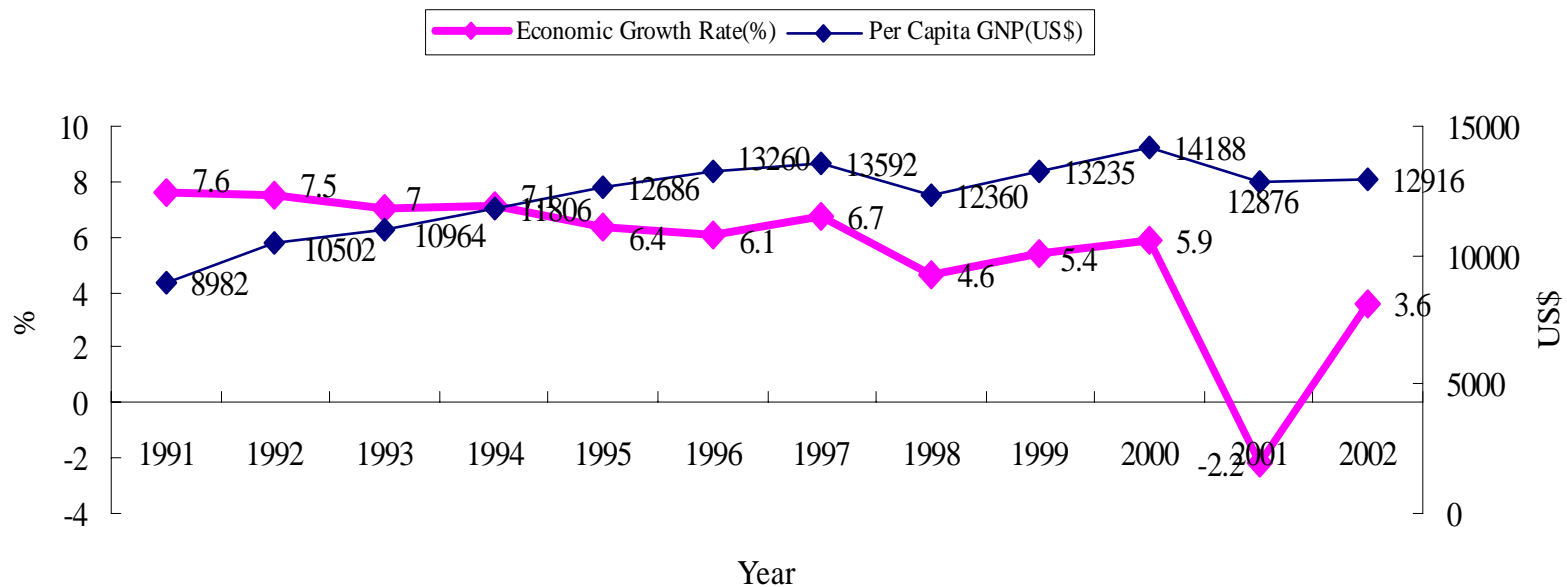
NT \$230.9 billion

NT\$ 192 billion



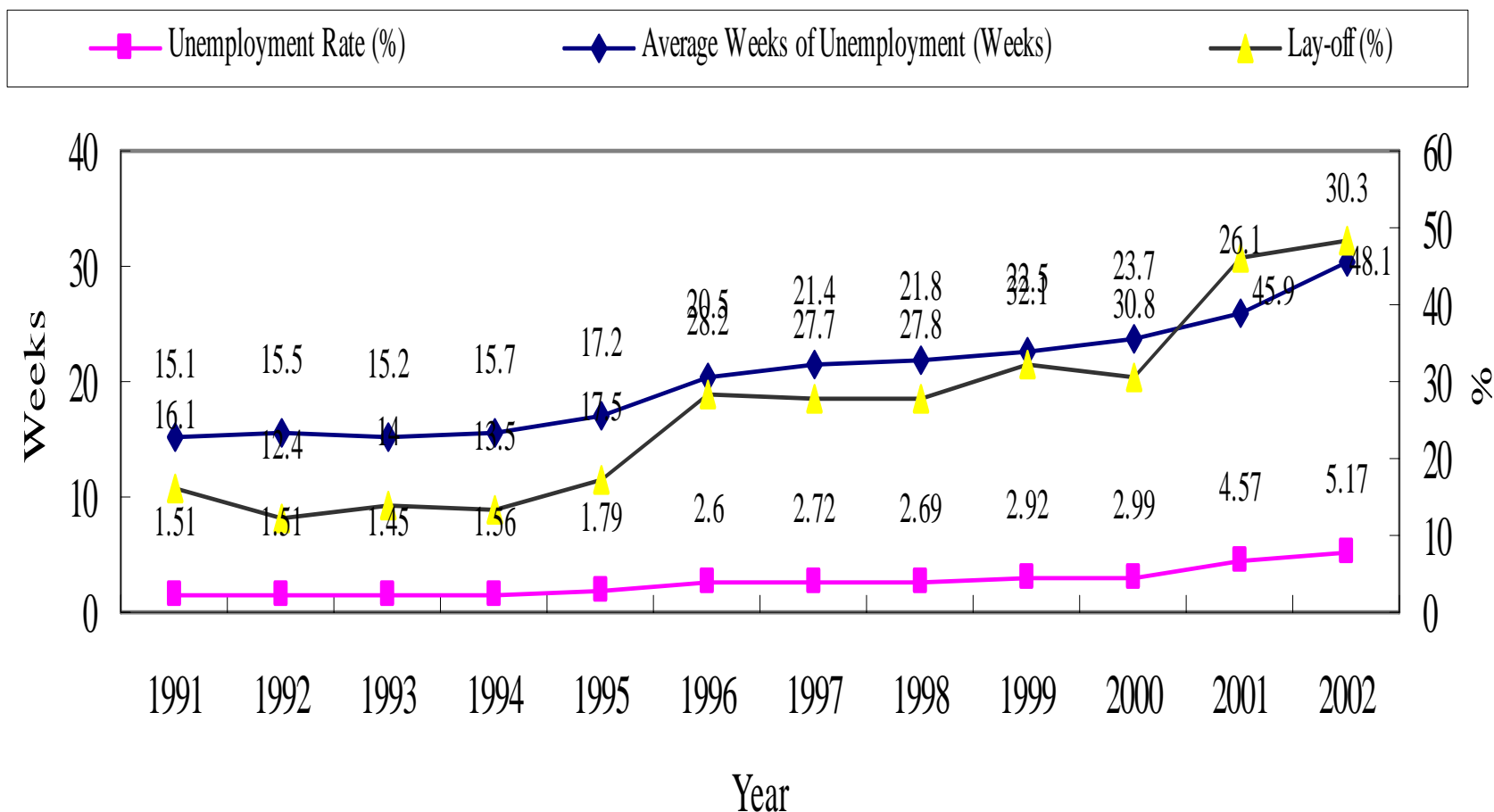
Growing Demands for Safety Net

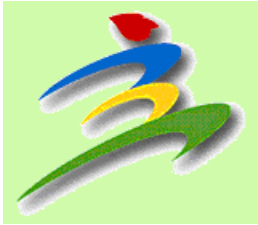
Economic Changes, 1991-2002



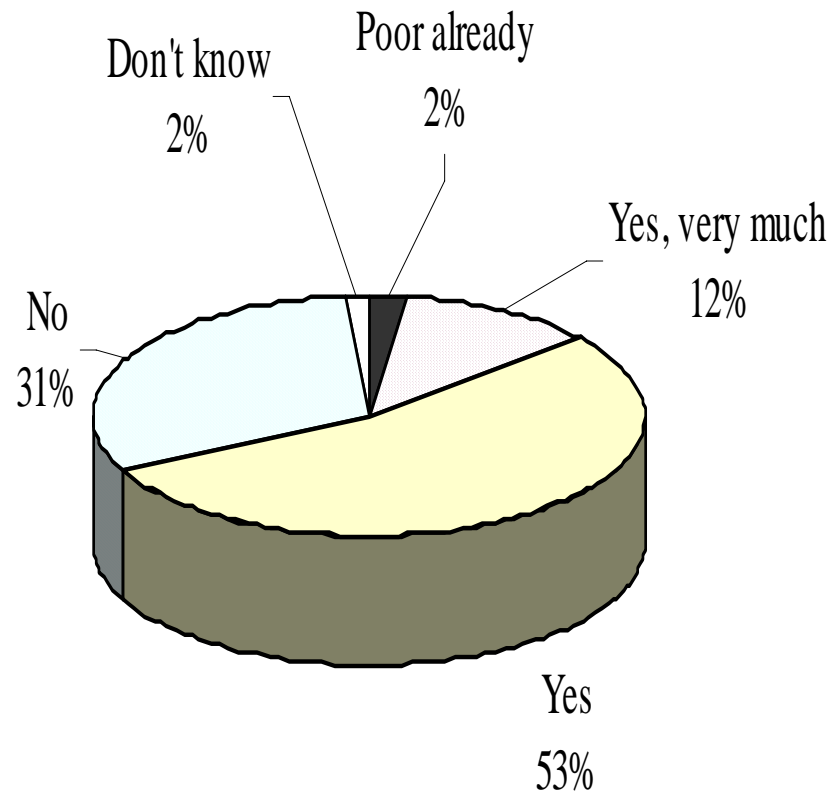


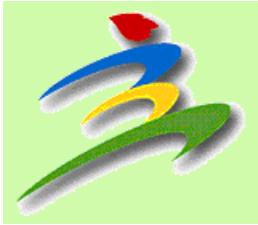
General Unemployment Rate, Average Weeks of Unemployment and Lay-off, 1991-2002





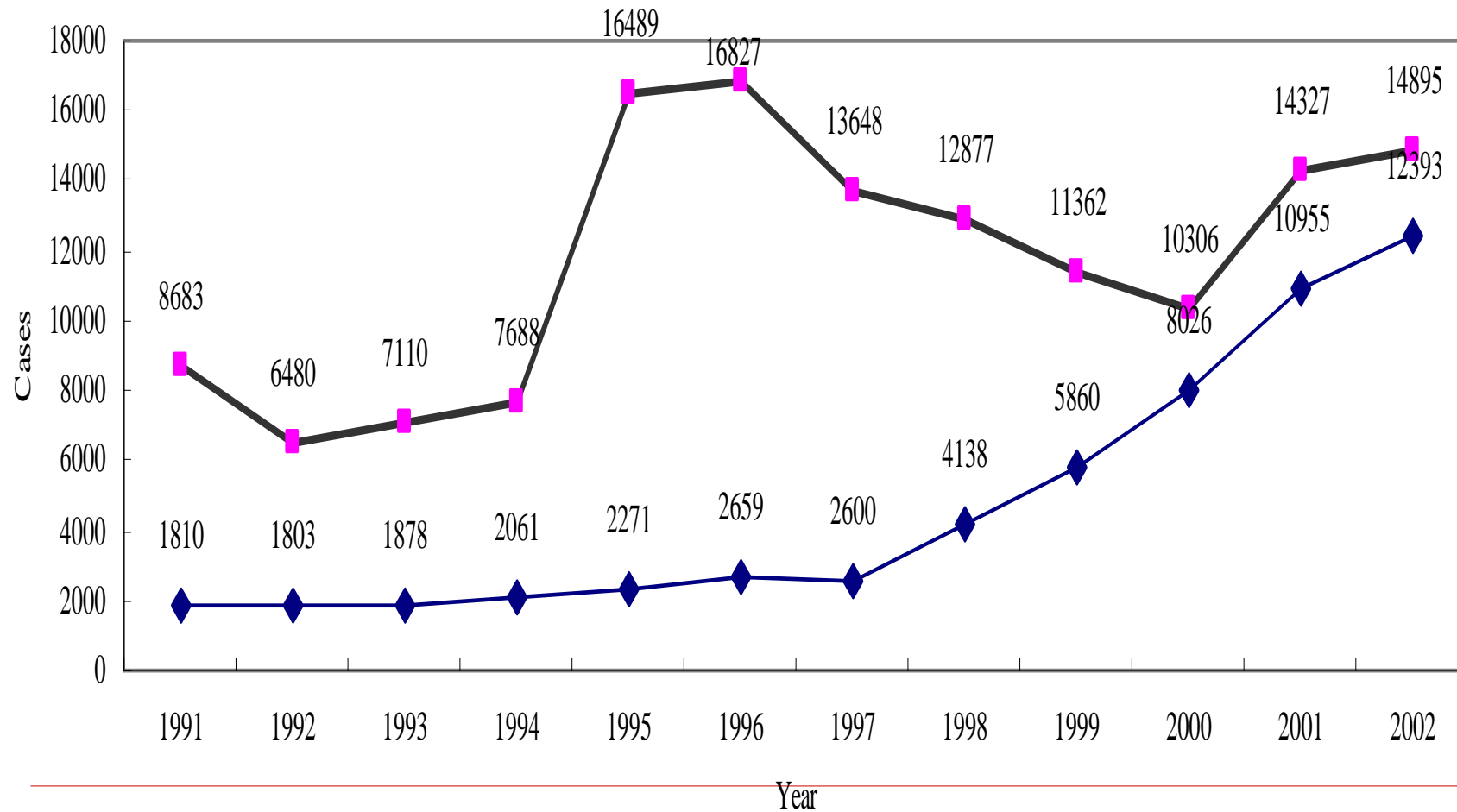
Do you feel poor?

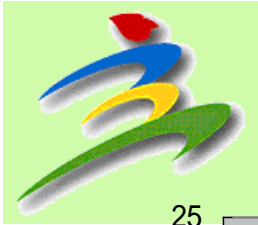




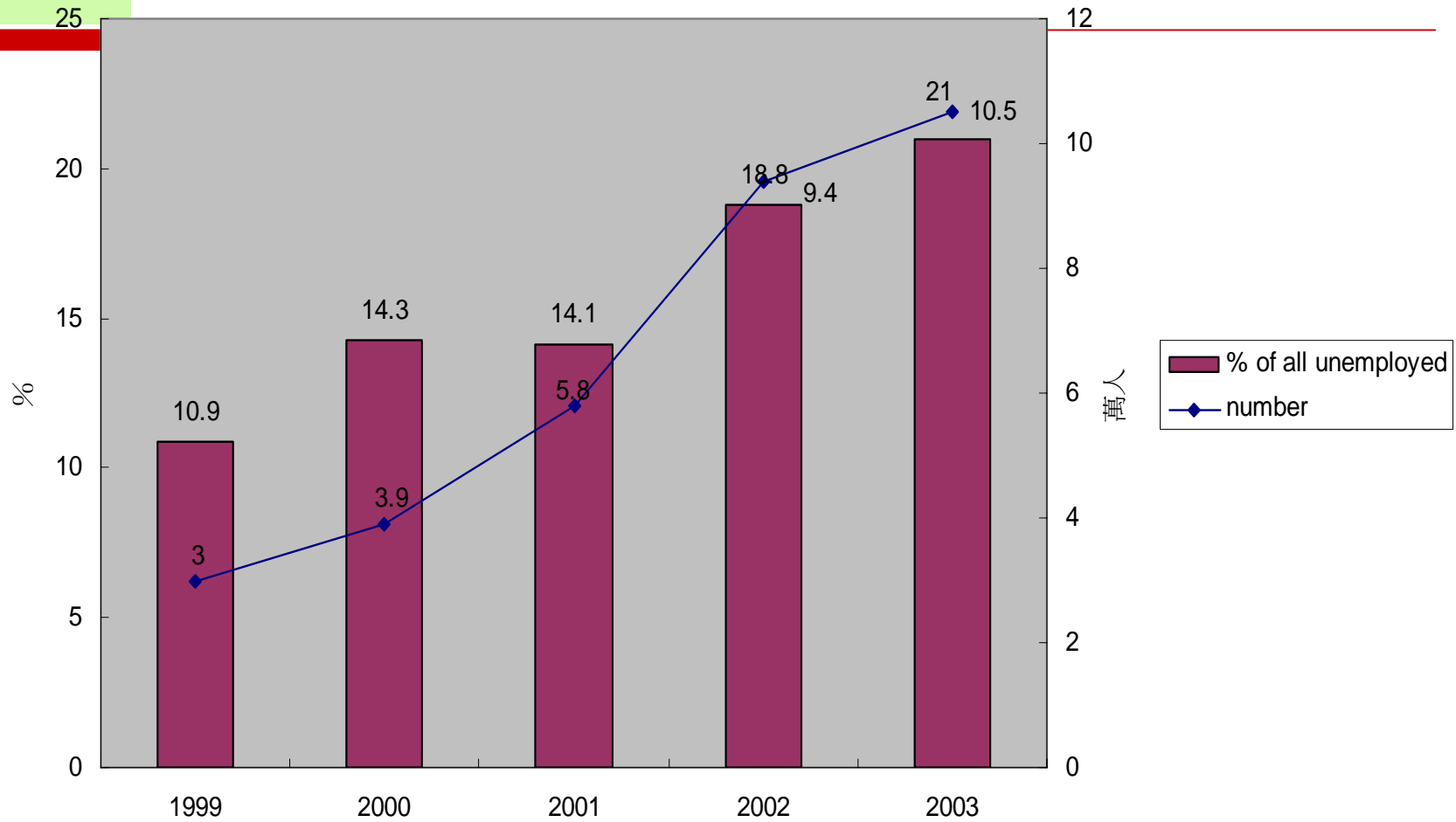
Labor Dispute and Violent Crime, 1991-2002

◆ Number of Dispute (Cases) ■ Violent Crime (Cases)





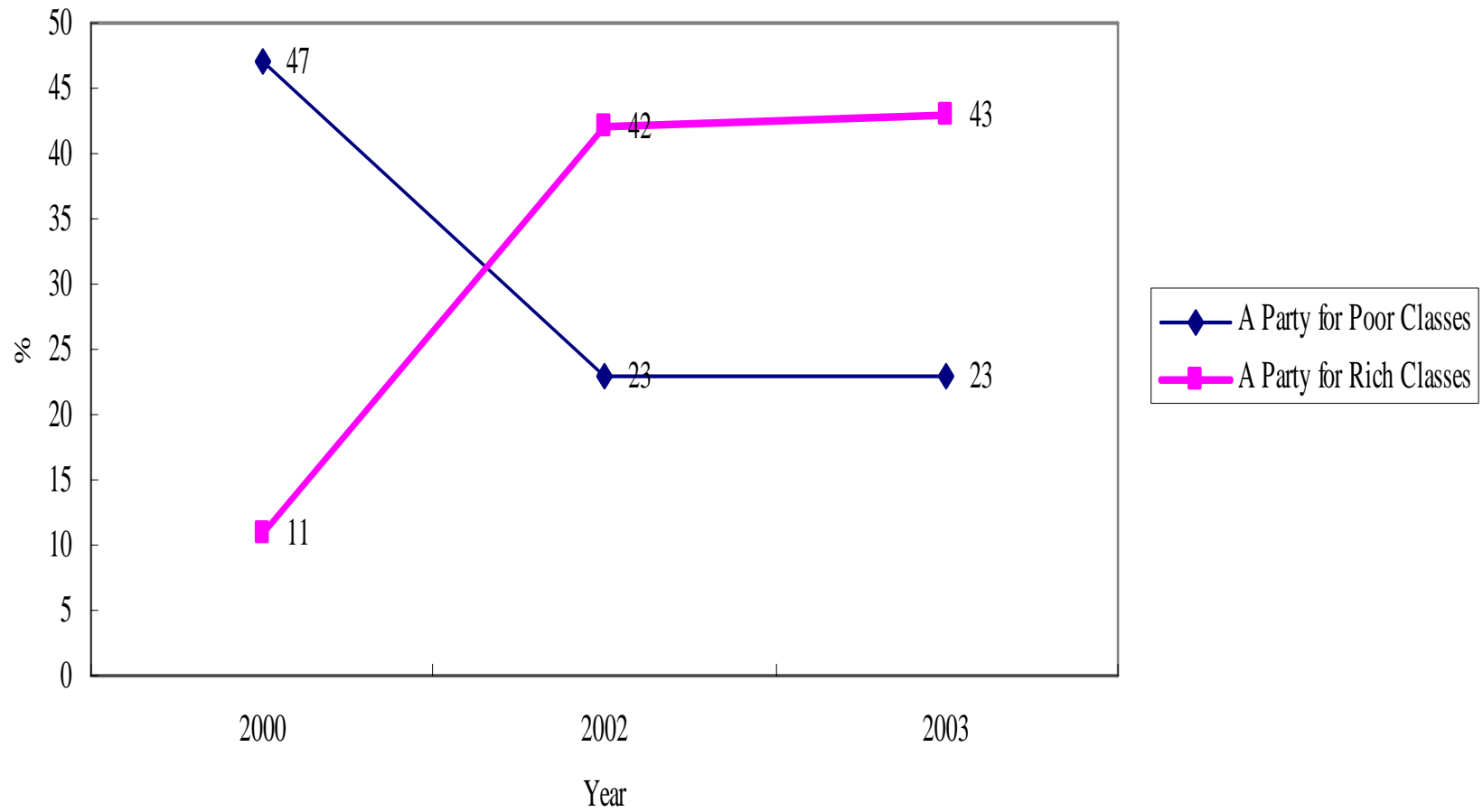
Long-term Unemployment

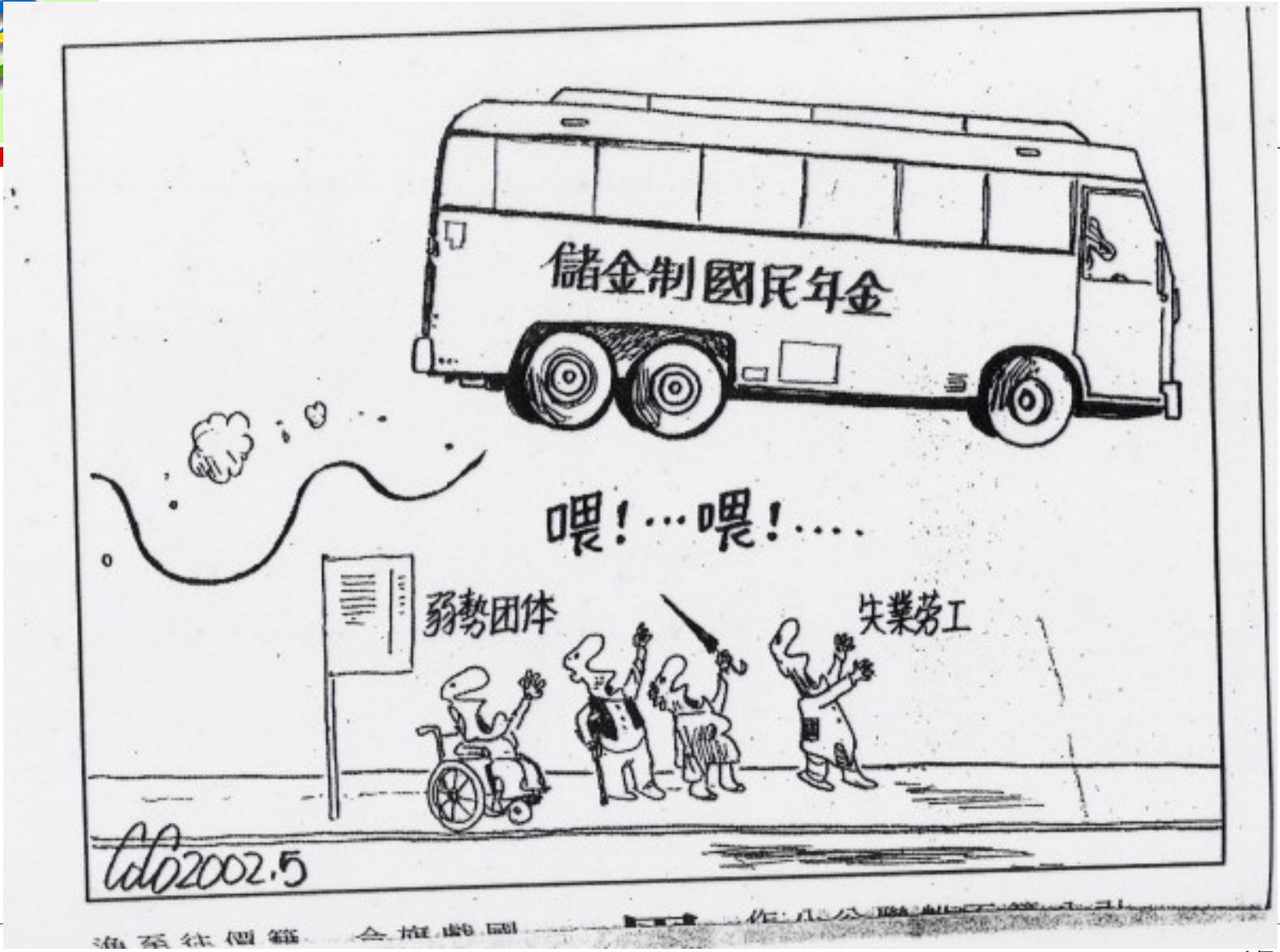
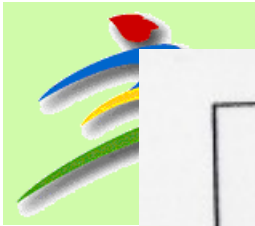


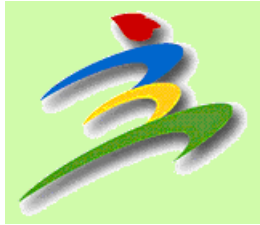




Changing Image of the DPP







2004 Social Policy Statement

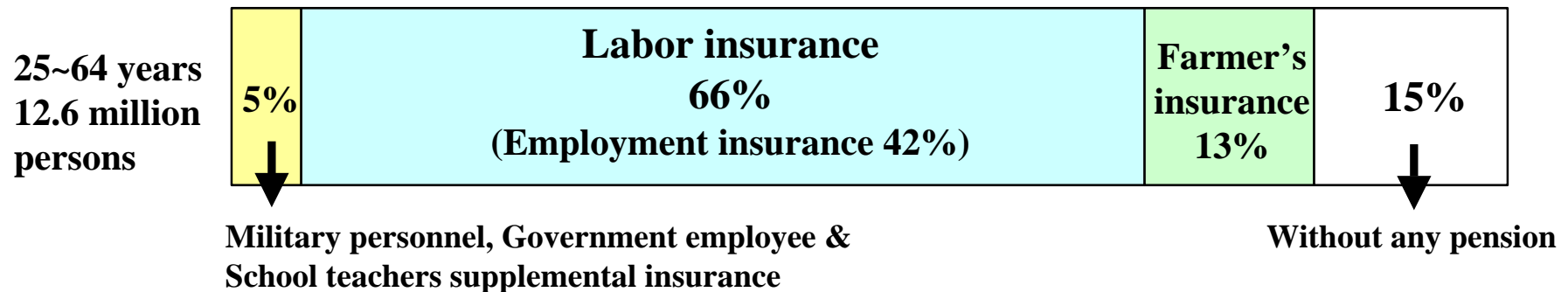
- Arguing for the positive welfare, investing more on human capital for the sake of economic development.
- Partnership between public and private sectors.
- Three pillars for social safety net: social insurance, welfare allowances, and social assistance.



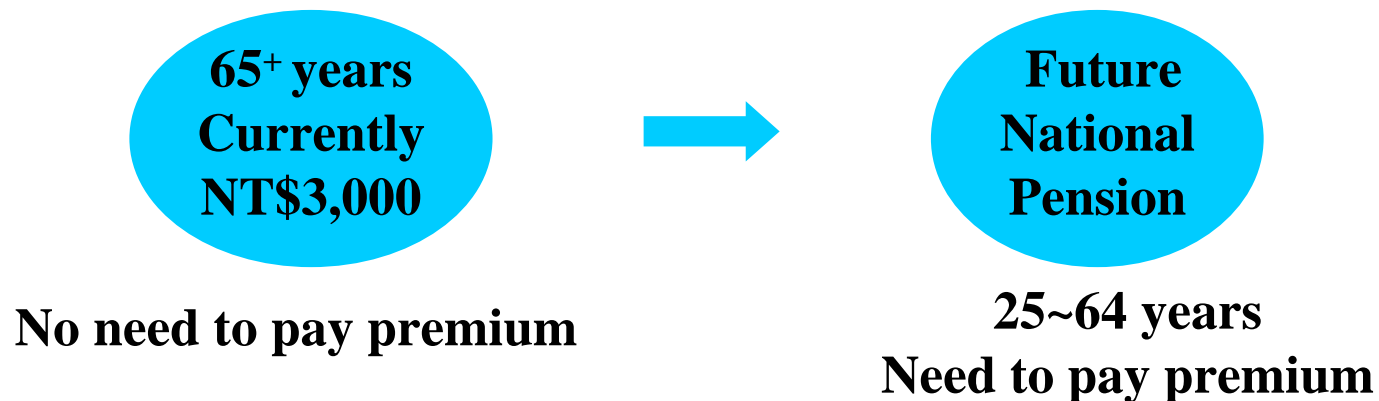
The Planning for National Pension Scheme

- (1) For the population between the age of 25 to 64, 85% are entitled to receive the old-aged benefit from various occupational insurances

Occupational insurance beneficiary



(2)



[Scope](#)[System](#)[Statistics](#)[Next step](#)

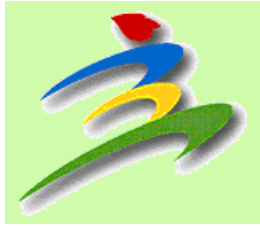
Financial sources

The relation between aging of main country and social security expenditure

	65 ⁺ year = 10%		65 ⁺ year = 14%		Needed years from 10% to 14% (year)
	year	SSE as % of GDP (%)	year	SSE as % of GDP(%)	
Chinese Taipei	2007	9.7 (2004)	2018	?	11
Japan	1985	11.0	1994	13.0	9
Switzerland	1959	7.5	1982	14.7	23
Greece	1968	10.3	1992	20.2	24
Spain	1975	13.3	1991	20.3	16
Italy	1966	17.2	1988	21.3	22
Finland	1973	13.7	1994	33.1	21

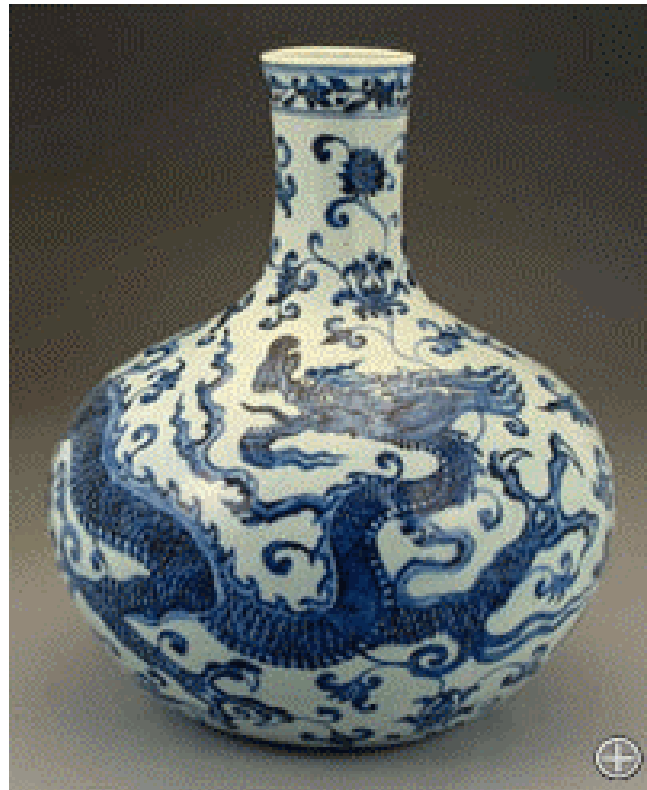
(1) Tax reform: 2006, The Alternative Minimum Tax

(2) Improving financial structure of social insurance: Ratio of Government to social security revenue 63.2%.



Concluding Remarks

- Growing demands for social safety net.
- Limited public resources.
- A critical gap between public expectation and the reality the state can do.
- Whither national pension scheme?
- Whose responsibility?



Thank you!