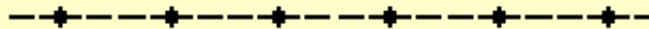


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**The Development of Social Welfare Policy in
Taiwan:
Welfare Debates between
the Left and the Right**

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Introduction

Since the development and expansion of welfare state from the 1960s onward, arguments between western countries around such issues have led to debates of welfare ideology. And now the welfare ideology has fully developed.



There exists an imbalance between economic development and social welfare in Taiwan. The society has changed fast and the need of Taiwanese people for welfare has become diverse and complicated.

In the 21st century, Taiwan faces many challenges in terms of social policy planning. For instance, how the government can actively meet people's needs and expectation; and how it is able to implement policy through reasonable and sustainable plans.

Introduction

In fact, differences between the two main political parties, the Kuomintang (KMT) and the Democratic Progress Party (DDP), has brought about distinctive development in welfare policy during recent years,

especially after
in power since



the DDP being
2000.

In following
into welfare

legislations and examine the influence of welfare ideology on social policy in Taiwan. And we shall point out that there exists some challenges for the future, including the coming of longevity society and the growing gap between the poor and the rich.

paper, we shall look
expenditure and related

Social Welfare and Ideology

Socialism
(left)

which concerns:

Group interest

Central

Control

Plan

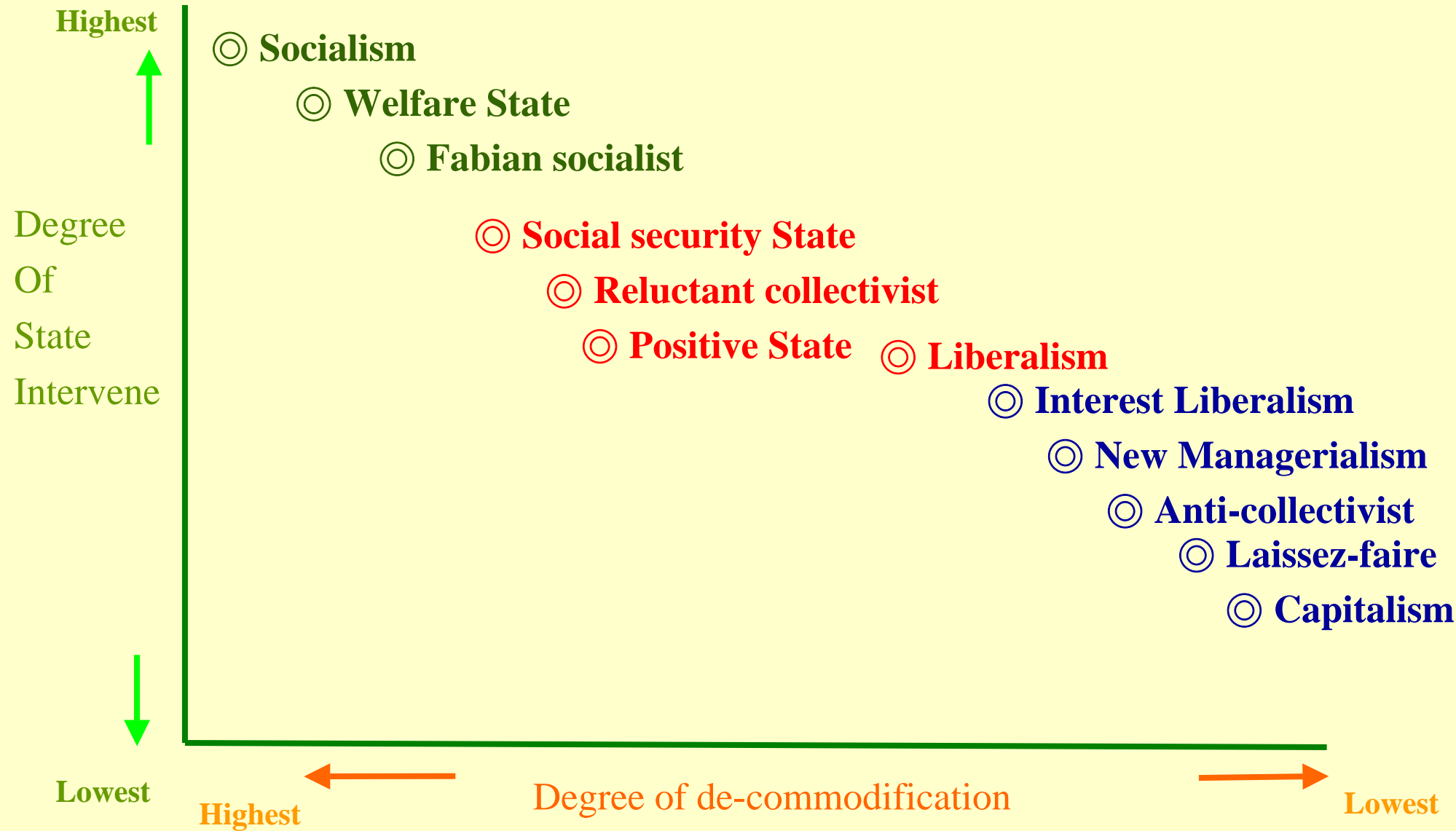
Capitalism
(right)

which cares about:

Individual interest

Laissez faire

Market mechanism



Spectrum of Social Welfare Ideology

Welfare State Regimes

Gosta Esping-Andersen (1990) in his book “Three Worlds of Welfare Capitalism”, categorizes the welfare state into three major modes: the liberal welfare regime, the social democratic welfare regime and the historical corporatist-statist legacy. Esping-Andersen employs two criteria, **de-commodification** and **universalism**, to develop his theoretical structure.

I. De-commodification

means to remove the dependence of people on market by political force.



II. Universalism

indicates the scope of service provisions, being universal or selective.

Welfare State Regimes

1. The liberal welfare regime

includes America, Canada and Australia.

Stresses on personal rights in market and opposes state intervention. Thus, its welfare system focuses on social assistance and social insurance that are based on means test.

In this system, the level of de-commodification is low and the universal service is little.



Welfare State Regimes

2. The social democratic welfare regime

refers mainly to the Nordic countries.

Draws attention to universalism, de-commodification, and de-familialization. Its welfare system provides plenty of social service and work opportunities.

Also, it serves family needs and allows women to stay in work rather than to look after their family.

Thus, the level of de-commodification is high and services are generally universal.

Most importantly, the government actively involves in social welfare.



Welfare State Regimes

3. The historical corporatist-statist legacy

contains countries of the European Continent, such as Austria, France, German and Italy.

Accentuates the responsibility of both the state and the family in offering welfare service.

On the one hand, it hopes to substitute market force with official provision.

On the other hand, it asks the family to share the burden of welfare service.

And the state offers only supplemental assistance and service. Therefore, the level of de-commodification is high, the universal service is little, and the welfare system relies on family function.



Table1 The Nature of Welfare State

| | Liberal | Social Democratic | Conservative |
|--------------------|----------|-------------------|--------------|
| Family | Marginal | Marginal | Nuclear |
| Market | Nuclear | Marginal | Marginal |
| Nation | Marginal | Nuclear | Supplemental |
| De-commodification | Low | High | High |
| Universal Service | Little | Many | Little |

The Welfare Ideology of the KMT and DPP

| Distinguish | DPP | KMT |
|---------------------------------|---|---|
| Spectrum | center-to-left | center-to-right |
| Nation | Active protective | Social insurance and assistance |
| Child care | Government full responsibility | Family take primary responsibility |
| Economical security for old age | General protection-revenue | Social insurance model-intervenes with market mechanism operation |
| Spectrum | middle to the socialist | middle to the market capitalism |
| De-commodification | High | Low |
| Universal Service | Little | Little |
| State Intervention | Less active than the social democratic regime | Much higher than the liberal welfare regime |

Welfare Budget and Legislation in Taiwan

Since the 1990s, more than half of the working population enters the service sector. Taiwan then becomes the post-industrial country. The social welfare legislation is more comprehensive and the welfare budget grows even more rapidly.

With political democratization, Taiwan changed the ruling party for the first time in 2000. This certainly brought in some stimulation concerning welfare legislation and spending, because the new ruling party has different ideology in the social policy. And this takes Taiwan into different phase particularly in social welfare.



Development of welfare laws, increasingly comprehensive (since 1950)

Substantial growth in welfare budget (since 1980)

Table2.1 Social Welfare Legislation in Taiwan

| Enacted(y) | Titles of Rules and Regulations |
|------------|---|
| 1950 | Regulations governing Labor Insurance in Taiwan Province Servicemen's Insurance Plan |
| 1951 | Occupational Labor Insurance Plan for Taiwan Province |
| 1953 | Fishermen's Insurance Plan Insurance Program for Army, Navy and Air Force Personnel |
| 1958 | Government Employees Law Labor Insurance Act (1968~2002revised) |
| 1964 | Insurance Plan for Retired Employees (Insurance extensions terminated in July, 1985) |
| 1970 | Servicemen Insurance Provisions |
| 1973 | Children's Welfare Law (1993~2003revised) |
| 1975 | Comprehensive Safety Insurance for Students in Taiwan Province |

Table2.2 Social Welfare Legislation in Taiwan

| Enacted(y) | Titles of Rules and Regulations |
|-------------|--|
| 1980 | <p>Insurance Provisions for Teachers and Employees of Private Schools Senior Citizen Welfare Law (1997~2002revised) Regulations Governing the Protection of Physically and Mentally Disabled Persons (1990~2007revised) Social Relief Law</p> |
| 1984 | <p>Labor Standards Law (1996~2002revised)</p> |
| 1985 | <p>Health Insurance for Retired Government Employees(1988~1990revised) Health Insurance for Spouses of Retired Government Employees Health Insurance for Spouses of Retired Private School Teachers, Employees and Their Spouses</p> |
| 1987 | <p>Youth Welfare Law (2000~2003revised)</p> |
| 1989 | <p>Farmers' Health Insurance Statute of Farmers' Health Insurance Temporary Provisions for the Health Insurance for Local Representatives, Heads of Villages, Li and Lin , at All Levels of the Taiwan Provincial Government</p> |

Table2.3 Social Welfare Legislation in Taiwan

| Enacted(y) | Titles of Rules and Regulations |
|------------|--|
| 1990 | Temporary Provisions for Family Health Insurance |
| 1991 | Health Insurance for the Disabled and Handicapped |
| 1992 | Employment Service Act (1997~2002revised) |
| 1994 | National Health Insurance Law (1995~2005revised) |
| 1995 | Statute on Compensation for Victims in the “2-28” Incident Anti-Juvenile Prostitution Law |
| 1997 | Sexual Assault Prevention Act Social Workers Law Credit Union Law |
| 1998 | Domestic Violence Prevention Act |
| 2000 | Provisions for Assistance to Women and Households in Difficulties |
| 2001 | Voluntary Service Law |
| 2002 | Gender Equality in Employment Law |
| 2003 | Children and Youth Welfare Law |
| 2007 | National Pension Act |

Welfare Budget and Legislation in Taiwan

With regard to social welfare legislation, the KMT paid more attention to the establishment of the system, particularly in social insurance schemes, such as the national health insurance and the labor insurance.



Based on Esping-Andersen's point of view, the KMT's welfare ideology is similar to the liberal welfare regime. It is center to right in the spectrum of ideology, and gives more attention to developing national economy.

Table3 Taiwan's Social Expenditure (1980~2006)

| Year | Items | | | Total | |
|------|--|--|---|---------------|--------------------|
| | social welfare expenditure (NT\$million) | community development and environmental sustainability | retirement payments to pro-government employers | Amount (NT\$) | increasing rate(%) |
| 1980 | 34,125 | - | - | 272,381 | 35.0 |
| 1985 | 68,060 | - | - | 405,720 | 14.7 |
| 1990 | 150,782 | - | - | 804,558 | 19.5 |
| 1995 | 143,737 | 19,834 | 108,600 | 1,085,077 | 8.9 |
| 2000 | 293,349 | 22,309 | 121,967 | 1,559,700 | -30.1 |
| 2005 | 304,200 | 20,758 | 133,804 | 1,571,685 | 0.3 |
| 2006 | 309,881 | 20,046 | 134,772 | 1,663,807 | 5.9 |

Resource: Directory-General of Budget,

Accounting and Statistics, Executive Yuan, R.O.C.

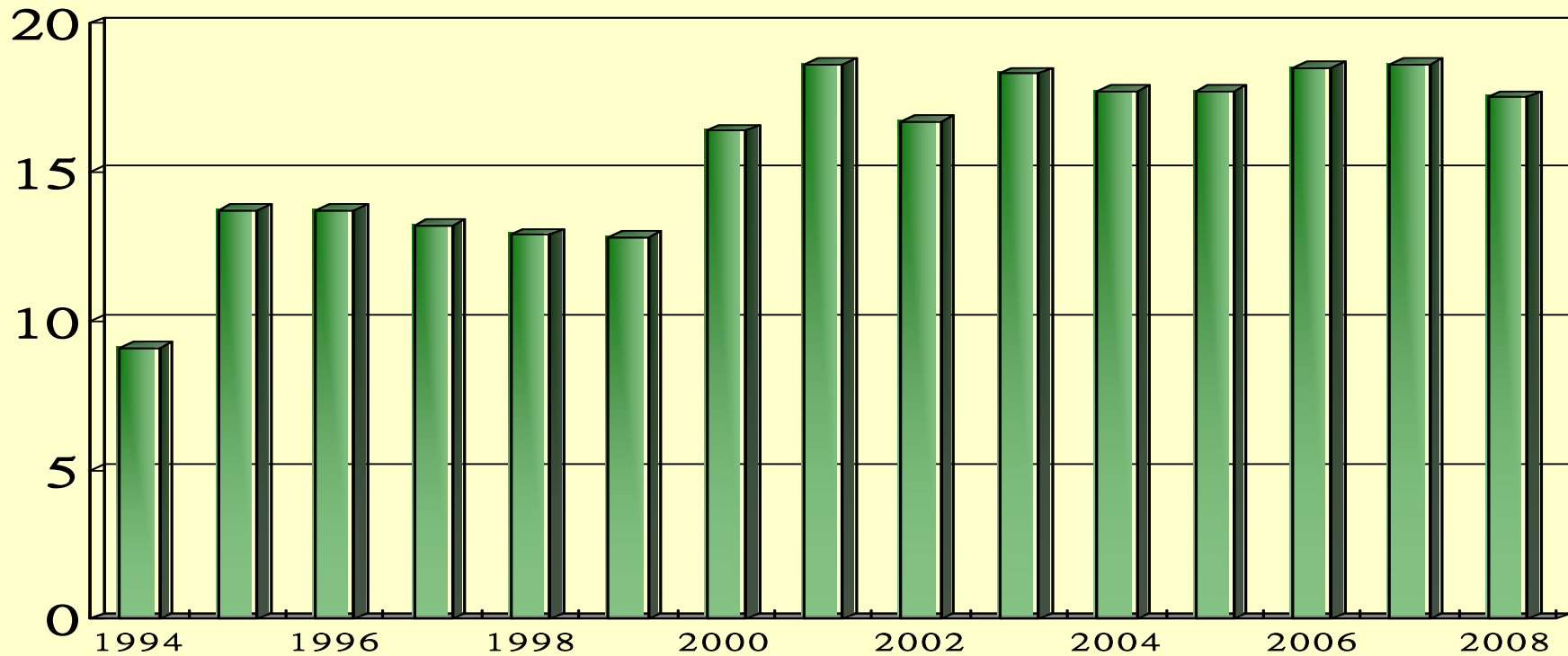
Welfare Budget and Legislation in Taiwan

AS shown in Table 4, during 2000 and 2007, implemented by the DDP government and influenced by the center-left welfare ideology, the welfare budget and proportion of such budget in central government's total budget are higher than the budget when the KMT was in power.

And most of the social welfare budget is mainly for the old population, especially old age allowance for the elderly which accounts for almost 90% of social welfare budget. This is very different from the past when the KMT was ruling.



Table4 Social Welfare Proportion of Central Government budget



Ratio of central government budget

| Year | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Social welfare % | 9.1 | 13.7 | 13.7 | 13.2 | 12.9 | 12.8 | 16.4 | 18.6 | 16.7 | 18.3 | 17.7 | 17.7 | 18.5 | 18.6 | 17.5 |

Resource: Directory-General of Budget,

Accounting and Statistics, Executive Yuan, R.O.C.

Table5 Social Welfare Expenditure in GDP ratio from major nation

| Year | Taiwan | USA | Japan | German | France | UK | Korea | Singapore | China |
|---------|--------|------|-------|--------|--------|------|-------|-----------|-------|
| 1994 | 4.4 | 11.6 | 14.1 | 26.0 | ... | 23.2 | ... | 1.4 | 0.2 |
| 1995 | 5.2 | 11.8 | 14.7 | 25.9 | 28.9 | 22.9 | 3.2 | 2.0 | 0.2 |
| 1996 | 5.8 | 11.6 | 14.7 | 27.7 | 28.8 | 22.3 | 3.4 | 3.4 | 0.2 |
| 1997 | 5.7 | 11.4 | 15.1 | 28.2 | 29.3 | 21.7 | 3.6 | 1.4 | 0.2 |
| 1998 | 5.2 | 11.2 | 15.9 | 28.0 | 28.8 | 20.9 | 4.4 | 1.6 | 0.2 |
| 1999 | 4.9 | 10.9 | 16.6 | 27.8 | 28.6 | 20.9 | 4.8 | 1.5 | 0.2 |
| 2000 | 5.3 | 10.8 | 17.0 | 27.7 | 28.0 | 21.0 | 4.7 | 1.6 | 0.2 |
| 2001 | 5.8 | 11.2 | 18.0 | 27.7 | 27.9 | 23.6 | 5.7 | 4.0 | 0.3 |
| 2002 | 4.9 | 11.9 | 18.4 | 28.4 | 28.6 | 22.4 | 5.5 | 1.8 | 0.3 |
| 2003 | 5.0 | 12.2 | 18.4 | 28.8 | 29.3 | 23.0 | ... | 1.9 | 0.4 |
| 2004 | 4.9 | 11.9 | ... | ... | ... | 23.5 | ... | 1.5 | 0.4 |
| 2005 | 5.1 | 11.9 | ... | ... | ... | ... | ... | ... | ... |
| 2006 | 5.2 | ... | ... | ... | ... | ... | ... | ... | ... |
| 2007(f) | 5.0 | | | | | | | | |

Resource: Social Affairs Department,
Ministry of Interior.

New Challenge of Social Policy in Taiwan

Different welfare ideology results in diverse development in social welfare in Taiwan. Whether the centre-left or centre-right ideology, we can not ignore social changes and the impact that these changes brought about in the 21st century. Both the KMT and DDP face new challenges to its welfare ideology when handling these problems.



For example, to deal with the problem of the new poor or nearly poor, the KMT will not be able to rely on old social relief system; and it will have to provide more welfare services and prepare more welfare budget in the future.

AS to the growing number of old population, the DPP has excessively granted allowance, which results in a heavy financial burden to the state. This, of course, will be a rigorous test.

New Challenge of Social Policy in Taiwan

1. Widening gap between the rich and the poor

According to recent household income survey by the Executive Yuan, it is discovered that the gap between individual and household income are enlarging and the net asset of family is declining.

In 2001 survey, average annual household income dropped to 8,900 NT dollars which was 9,100 NT dollars in 2000. The household income of the lowest 20% fell off most, around 10.7% while the highest 20% rose 2.1%. The difference between two groups was 6.39 times. And it was the first time that the gap between the poor and the rich reached 6 times. From 2002 onward, the gap has slightly decreased, from 6.1 times to 6.07 times in 2003. A investigation in 2006 indicated that the gap dropped to 6.01 times.

However, it is still considered a big gap, compared with the 4 or 5 times during the KMT in power.



New Challenge of Social Policy in Taiwan

2. Growing number of poor people

It has been seven years since the DPP is in administration. The population living in poverty is the highest in a decade. And the ratio of low-income household to all household is the highest since the 1980s.

In 2000 statistics, 66,467 households and 156,134 people were low income. In 2001, the number of low-income household and population were 67,191 and 162,699. In 2004, reached 82,783 and 204,216. By the end of 2006, the low-income household is 89,902 and population is 218,151 people.

The ratio of low-income household to all household in 2000, it was 0.99%, and reached 1.02% in 2002. By the end of 2005, the ratio was as high as 1.16%.

The growth is fast, compared to the KMT administration period.



New Challenge of Social Policy in Taiwan

3. Increase in the Elderly Population

| year | Total pop. | Pop. aged 65+ | % of total pop. | Dependent ratio | % of support ratio |
|------|------------|---------------|-----------------|-----------------|--------------------|
| 1993 | 20,995,416 | 1,490,801 | 7.10 | 10.48 | 47.60 |
| 1994 | 21,177,874 | 1,562,356 | 7.38 | 10.82 | 46.60 |
| 1995 | 21,357,431 | 1,631,054 | 7.64 | 11.13 | 45.78 |
| 1996 | 21,525,433 | 1,691,608 | 7.86 | 11.39 | 44.94 |
| 1997 | 21,742,815 | 1,752,056 | 8.06 | 11.62 | 44.22 |
| 1998 | 21,928,591 | 1,810,231 | 8.26 | 11.83 | 43.30 |
| 1999 | 22,092,387 | 1,865,472 | 8.44 | 12.04 | 42.60 |
| 2000 | 22,276,672 | 1,921,308 | 8.62 | 12.27 | 42.32 |
| 2001 | 22,405,568 | 1,973,357 | 8.81 | 12.51 | 42.07 |
| 2002 | 22,520,776 | 2,031,300 | 9.02 | 12.78 | 41.72 |
| 2003 | 22,604,550 | 2,087,734 | 9.24 | 13.02 | 40.97 |
| 2004 | 22,689,122 | 2,150,475 | 9.48 | 13.31 | 40.48 |
| 2005 | 22,770,383 | 2,216,804 | 9.74 | 13.60 | 39.74 |

Source : Household Registration Affairs, MOI.

Conclusion: Where is Taiwan Going?

The current welfare policy is largely given attention to hand out allowance, such as the low-income elderly allowance, the old age allowance, the child allowance for under three years of age, farmer welfare benefits etc. It is argued that such policy has become a great burden for the government,



especially when the revenue is no longer as much as it should be. Although the government tries to bear the main responsibility for social welfare, it still needs ample financial resources as backup.

Under the recent slowdown in economic growth, the government revenue shortage, coupled with changing opinion of the public and challenge of Taiwan's election culture, social welfare in the future should be carefully planned.

Conclusion: Where is Taiwan Going?

With slow development of economic in the past decade, social problems will be even more serious. In the future, the society may not be able to resist social impact, including the widening gap between the rich and the poor,



a high unemployment rate, soaring number of the aged population, health care spending expanded, and less enforcement or even non enforcement in law and order etc.

The harshest test for political parties in Taiwan shall be, under the goal of social justice and fairness, to solve social problems, to maintain social stability, to promote social integration, as well as to improve industries and market through positive economic and employment policy.

Conclusion: Where is Taiwan Going?

The welfare reforms under the new Labour government in Britain in the past decade provide a helpful lesson for

Taiwan. Reforms, such as extending the retirement age, encouraging single mothers and unemployed to go working in order to avoid welfare dependency, and so on, are perhaps for future consideration in Taiwan.



such as extending
encouraging single
unemployed to go
to avoid welfare
so on, are perhaps for

However, for political parties in Taiwan to get rid of Burden of the old welfare ideology is the most important task.

Conclusion: Where is Taiwan Going?

Where will be the social welfare policy of Taiwan going?

Close to the liberal welfare regime or to the social democratic welfare regime? Or moving toward a new kind of welfare state?

It is obvious that democratization on the welfare in Taiwan.



political development has a positive impact on the development of social

And the competition for power between political parties has increased pressures on the government to improve its welfare services. Can Taiwan be said to move toward a new kind of welfare state? This question remains more examination.