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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**

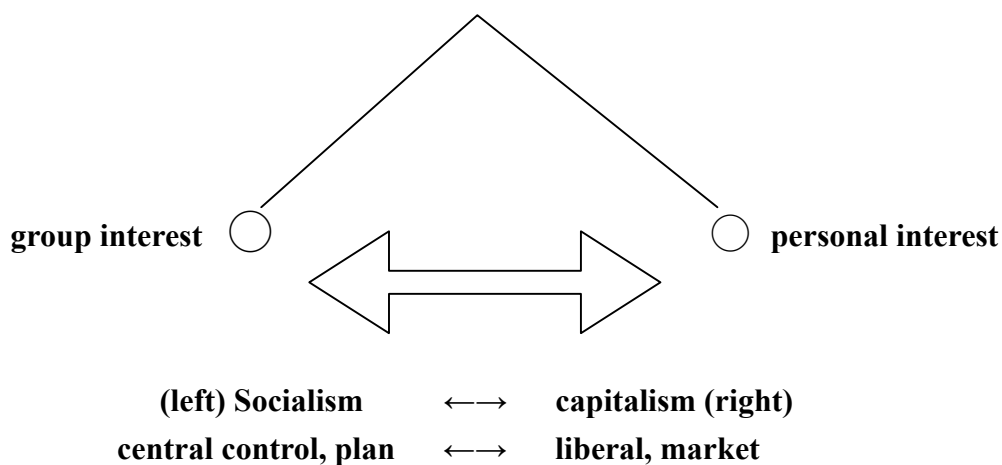
Since the development and expansion of welfare state from the 1960s onward, arguments between western countries around such issues have led to debates of welfare ideology. And now the welfare ideology has fully developed. In this paper, we attempt to examine the development of social welfare policy in Taiwan on the base of the welfare ideology.

If we examine social policy in Taiwan from the past several decades, one would find that there exists an imbalance between economic development and social welfare. The government has been emphasizing the former, and, in some cases, putting off the latter. However, the society has changed fast and the need of Taiwanese people for welfare has become diverse and complicated. In the twenty-first 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.

In fact, differences between the main two political parties, the Kuomintang (KMT) and the Democratic Progress Party (DDP), has brought about distinctive development in welfare policy during recent years, especially after the DDP being in power since 2000. In following paper, we shall look into welfare expenditure and related 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.

### **Social welfare and ideology**

Social welfare involves the collective consensus of a society. In the past when Taiwanese government was drawing up welfare policy, related studies and references were taken into consideration; and sometimes on spot investigation was also taken place. However, these could only understand welfare measures on the surface. To learn welfare institutions of the western societies and its ideology needs to fully understand the history, economic and politics of this societies. Due to limitation of time and space, we will not discuss this issue any further. Nevertheless, the welfare ideology of the western world is shown in Chart One.



**Chart One    the spectrum of welfare ideology**

In this spectrum, we can see two extreme ideologies that affect welfare provision by the state. And based on this, different welfare systems are established. On the left, it is Socialism which concerns group interest; and, therefore, social policy tends to be controlled and planned which the government has plenty space to interfere in. On the right, it is capitalism which cares about individual interest and emphasizes on laissez faire. That is the less interference by the state the better; and welfare provision should follow principles and rules of the market mechanism. Here, the spectrum is to help better understanding of welfare systems around the globe. In reality, it is difficult to stumble on an extreme left or right social welfare institution.

## **Welfare state regimes**

While talking about welfare ideology, it is important to mention the welfare state regime theory. In his book, Three Worlds of Welfare Capitalism, Gosta

Esping-Andersen (1990) 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. The first group includes America, Canada and Australia. The second group refers mainly to the Nordic countries. And the third contains countries of the European Continent, such as Austria, France, German and Italy.

To recognize differences between three regimes, we shall explicate further by using two criteria. First of all, de-commodification means to remove the dependence of people on market by political force. Second, universalism indicates the scope of service provisions, being universal or selective.

The liberal welfare regime 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.

The social democratic welfare regime 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.

Finally, the historical corporatist-statist legacy 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.

The following table summarizes the nature of welfare state regimes.

**Table 1 the nature of welfare state**

	Liberal	Social democratic	Conservative
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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 DDP

Welfare ideology has an effect on the direction of social policy. However, using de-commodification and universalism as the standard to examine the welfare ideology of the KMT and DDP would be problematical. And it is not easy to place the two political parties into the three regimes that Esping-Andersen has advocated. Welfare ideology of the KMT has been that the level of de-commodification is low and the universal service is little. Still, the scale of state intervention is much higher than the liberal welfare regime. And it is likely to depend on the family function of providing welfare service. On the other hand, the DDP's welfare ideology has been that the level of de-commodification is high and the universal service is little; and the state interference is less active than the social democratic regime. Apparently, social policy in Taiwan, whether developed by the KMT or DDP, is dissimilar from that of the typical western welfare state.

In fact, we can realize more distinction between the KMT and DDP, if we simply distinguish them with the spectrum of welfare ideology (see Chart One above). The DPP's ideology of social policy has always supported that the state social welfare play an active protective function; that is, it is more center-to-left. Nonetheless, welfare ideology of the KMT is inclined to adopt social insurance and social assistance as intervention measures; and it advocates joint responsibility of individuals, family and nation in caring the sick, the disable and children as well as old people's economical security. It is close to center-right at the welfare ideology spectrum. Furthermore, the DPP supports the child allowances for all and believes that the government should take up full responsibility in child care. The KMT are apt to assume that the family

should take primary responsibility for child care.

In term of the financial security for old age, the two political parties have opposite ideas in policy. The DPP sustains for general protection for the elderly, which is maintained by revenue. Therefore the government takes full responsibility in economical security of old people. In this sense, the DPP is middle to the socialist on the spectrum. As to the KMT, it prefers the social insurance model with spirit of mutual cooperation from the community. The state moderately intervenes with the operation of the market mechanism; and individual and their families share responsibility in looking after safety and finance of the elderly. This makes the KMT middle to the market capitalism on the spectrum.

## **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)**

**Table2 Social welfare legislation in Taiwan**

Enacted year	Titles of Rules and Regulations	Revised year
1950	Regulations governing Labor Insurance in Taiwan Province	
1950	Servicemen's Insurance Plan	
1951	Occupational Labor Insurance Plan for Taiwan Province	
1953	Fishermen's Insurance Plan	
1953	Insurance Program for Army, Navy and Air Force Personnel	1956
1958	Government Employees Law	
1958	Labor Insurance Act	1968,1973,1979,1988 1995,2000,2001,2002
1964	Insurance Plan for Retired Employees (Insurance extensions terminated in July, 1985)	
1970	Servicemen Insurance Provisions	

1973	Children's Welfare Law	1993,1999,2000,2003
1975	Comprehensive Safety Insurance for Students in Taiwan Province	
1980	Insurance Provisions for Teachers and Employees of Private Schools	
1980	Senior Citizen Welfare Law	1997,2000,2002
1980	Regulations Governing the Protection of Physically and Mentally Disabled Persons	1990,1995,1997,2001,2003,2004,2007
1980	Social Relief Law	
1984	Labor Standards Law	1996,1998,2000,2002
1985	Health Insurance for Retired Government Employees	1988, 1990
1985	Health Insurance for Spouses of Retired Government Employees	
1985	Health Insurance for Spouses of Retired Private School Teachers, Employees and Their Spouses	
1987	Youth Welfare Law	2000,2003
1989	Farmers' Health Insurance	
1989	Statute of Farmers' Health Insurance	
1989	Temporary Provisions for the Health Insurance for Local Representatives, Heads of Villages, Li and Lin , at All Levels of the Taiwan Provincial Government (Applicable also to Taipei and Kaohsiung Cities)	
1990	Temporary Provisions for Family Health Insurance	
1991	Health Insurance for the Disabled and Handicapped	
1992	Employment Service Act	1997,2000,2002
1994	National Health Insurance Law	1995,2000,2001,2002,2005
1995	Statute on Compensation for Victims in the "2-28" Incident	
1995	Anti-Juvenile Prostitution Law	
1997	Sexual Assault Prevention Act	
1997	Social Workers Law	
1997	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	

**Substantial growth in welfare budget (since 1980)**

**Table 3 Taiwan's social welfare expenditure from 1980 to 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
1981	45,590	-	-	310,445	14.0
1982	50,032	-	-	319,517	2.9
1983	55,182	-	-	316,192	-1.0
1984	58,999	-	-	353,871	11.9
1985	68,060	-	-	405,720	14.7
1986	72,338	-	-	418,962	3.3
1987	88,760	-	-	470,255	12.2
1988	100,160	-	-	549,200	16.8
1989	130,420	-	-	673,201	22.6
1990	150,782	-	-	804,558	19.5
1991	103,134	-	84,867	945,225	17.5
1992	116,374	-	88,523	1031131	9.1
1993	91,046	29,205	93,356	1024255	-0.7
1994	134,182	24,820	95,948	996,698	-2.7
1995	143,737	19,834	108,600	1085077	8.9
1996	150,021	15,246	139,521	1151762	6.1
1997	150,152	15,758	139,832	1187011	3.1
1998	157,588	19,260	129,272	1281996	8.0
1999	411,023	39,627	195,395	2230145	74.0
2000	293,349	22,309	121,967	1559700	-30.1
2001	250,146	23,433	120,621	1551943	-0.5
2002	272,483	28,680	121,643	1618129.6	4.3
2003	279,819	24,781	123,117	1564799	-3.3
2004	285,691	25,217	130,511	1566968	0.1
2005	304,200	20,758	133,804	1571685	0.3
2006	309,881	20,046	134,772	1663807	5.9

Resource: Directory-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.

**Table 4 Social welfare budget and its proportion of central government budge**

Year	Welfare budget (thousand NT dollars)	Ratio of central government budget (%)
1994	97,153,484	9.1
1995	141,296,399	13.7
1996	155,322,240	13.7
1997	157,903,228	13.2
1998	157,703,109	12.9
1999	160,371,049	12.8
2000	366,964,766	16.4
2001	298,432,047	18.6
2002	266,934,749	16.7
2003	287,624,470	18.3
2004	285,603,145	17.7
2005	289,131,554	17.7
2006	296,567,413	18.5
2007	309,880,813	18.6
2008	297,498,730	17.5

Resource: Directory-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.

**Table 5 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								

Source: Social Affairs Department, Ministry of Interior.

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. 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.

## **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. Observing some social phenomenon in recent years, we can easily find out issues that shall be tackled in policy making in the future. For instance, the increase in unemployment causes a chain effect to the community as a whole. The gap between the rich and the poor is expanding. As well as the population is aging very fast. We shall discuss these matters later. 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.

### **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.

### **Growing number of poor people**

It has been seven years since the DPP is in administration. And population living in poverty is increasing. The latest statistics of the Social Affairs Division of the Interior Ministry illustrates that the number of low-income household and persons is swelling. In 2000, 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, the low-income household exceeded 80,000 and reached 82,783; and the low-income individual went beyond 200,000 and arrived at 204,216. By the end of 2006, the low-income household is 89,902 and the low-income population is 218,151 people. This is the highest in a decade.

In addition, the ratio of low-income household to all household has been increasing. In 2000, it was 0.99%, and reached 1.02% in 2002. By the end of 2005, the ratio of low-income household was as high as 1.16%. The growth is fast, compared to the KMT administration period. Also, the ratio of low-income population to general population has increased from 0.7% in 2000, 0.83% in 2003, 0.9% in 2004, to 0.95% by the end of 2006. This is the highest in the population since the 1980s.

### **Increase in the elderly population**

According to statistics by the Population Division of the Interior Ministry, the elderly population in Taiwan in September 1993 reached 1.48 million, accounting for 7.1% of the total population. And it exceeded the criteria of ‘aging society’, 7%, set up by the World Health Organization of the United Nations. From then, the aging population continues to grow. By the end of 2002, the number of old people has exceeded 2 million. The latest statistics shows that by the end of May in 2007, the elderly population is as high as 2.304 million, accounting for 10.06% of total population. This means that for every ten people in Taiwan there is an old person. Taiwan will become an aged society when the proportion reaches 14%. In June 2006, the Manpower Planning Office of the Council for Economic Planning published its latest estimation of population from 2006 to 2051. It forecasts, in 2011, the elderly population will reach 10.72% of total population. In 2026, the proportion of old population will beat 20%. In 2040, it will reach 30%. In 2051, it is expected to be as high as 36.98%. And based on this estimation, in 2017, the aged population will go above the young population (under 15 years of age, the rate of 12.72%). By 2051, the elderly population is 4.7 times of the young population.

Moreover, from 1951 to 1971, the dependant rate of the old was around 5%, equivalent to every 20 working-age people supporting an elderly. At the end of May 2007, the ratio has risen to every 7.2 working-age people supporting one elderly. According to the estimation mentioned above, in 2026 it will need every 3.3 working-age people to provide an old person, because the post-war baby boomers enter old age. In 2051, it is expected every 1.5 working population to provide one elderly person. With fast growing aging population, the need for economic security and health care will bring enormous burden to the working population.

## **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.

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.

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

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 political democratization has a positive impact on the development of social welfare in Taiwan. 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.

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