
아시아 10개국의 사회안전망 발전을 위한 국제 심포지움

International Symposium on Social Safety
Nets in Selected Asian Countries

- 일시 : 2010년 10월 28(목)~29일(금) 10:00~17:00
- 장소 : 한국보건사회연구원 대회의실
- 주최 : 한국보건사회연구원

Program of the Symposium

1st DAY ▷ **Thursday, October, 28th, 2010**

▣ **Opening Remarks 10:00-10:15**

Yongha KIM_ President, KIHASA

▣ **Session I**

Moderator: Sang-Kyun KIM_ Professor, Department of Social Welfare, Seoul National University

Presentation 10:15-11:45

10:15-10:45 Zulkarnain A. HATTA_ Professor, Social Work Programme, School of Social Sciences in Univ. Sains, Malaysia,

10:45-11:15 Yoshihiro KANEKO_ Director, Dept. of Theoretical Social Security Research, National Institute of Population and Social Security Research institute, Japan

11:15-11:45 Seiichi INAGAKI_ Professor, Institute of Economic Research, Hitotsubashi University, Japan

Discussion 11:45- 12:15

Alicia R. BALA_ Undersecretary, for Policy and Program, Department of Social Welfare and Development, Philippines

Neung- Hoo PARK_ Professor, Department of Social Welfare, Kyonggi University

Yoon- Jeong SHIN_ Research Fellow, KIHASA

Seong- Eun CHOI_ Research Fellow, KIHASA

▣ **Luncheon 12:15- 14:00**

▣ **Session II**

Moderator: Kyung Suk IN_ The Former President, National Pension Services

Presentation 14:00-16:00

14:00-14:30 HAN, Keqing_ Associate Professor, Department of Social security, Renmin University of China

14:30-15:00 KIM, Byungcheol_ Assistant Professor, Department of Social security, Renmin University of China

15:00-15:30 Yos VAJRAGUPTA_ Senior Researcher, for Macroeconomics Policy program, Thailand Development Research Institute(TDRI), Thailand

15:30-16:00 Somchal JITSUCHON_ Research Director, for Macro economic development and income distribution, Thailand Development Research Institute(TDRI), Thailand

Discussion 16:00- 16:30

Jen-Der LUE_ Professor, Dept. and Graduate Institute of Social Welfare National Chungchen University, Taiwan

Asep SURYAHADI_ Director, The SMERU(Social Monitoring and Early Response Unit(Indonesia)) Research Institute, Indonesia

Yeon-Myung KIM_ Professor, Department of Social Welfare, Choongang University

Yong-Chan BYUN_ Research Fellow, KIHASA

So-Chung LEE_ Research Fellow, KIHASA

2nd DAY ▷ Friday, October, 29th, 2010**▣ Session III**

Moderator: Moo-Kwon CHUNG_ Professor, Department of Public Administration, Yonsei University

Presentation 10:00-11:30

10:00-10:30 Alicia R. BALA_ Undersecretary, for Policy and Program, Department of Social Welfare and Development, Philippines

10:30-11:00 Seokpyo HONG_ Research Fellow, Korean Institute for Health and Social Affairs, Korea

11:00-11:30 Dang Kim CHUNG_ Deputy Director General, General of the Institute of Labour Science and Social Affairs(ILSSA), Vietnam

Discussion 11:30-12:00

Somchal JITSUCHON_ Research Director, for Macro economic development and income distribution, Thailand Development Research Institute(TDRI), Thailand

KIM, Soobong_ Research Fellow, KIHASA

Meesook KIM_ Research Fellow, KIHASA

Jin-Young MOON_ Professor, Department of Social Welfare, Sogang University

■ **Luncheon 12:00- 14:00**

■ **Session IV**

Moderator: Soon-il BARK_ President, The Korean Social Policy Institute

Presentation 14:00- 15:30

14:00-14:30 Asep SURYAHADI_ Director, The SMERU(Social Monitoring and Early Response Unit(Indonesia)) Research Institute, Indonesia

14:30-15:00 Chang Keun HAN_ Assistant Professor, Dept. of Social Work, National University of Singapore, Singapore

15:00-15:30 Jen-Der LUE_ Professor, Dept. and Graduate Institute of Social Welfare National Chungchen University, Taiwan

Discussion 15:30-16:00

Zulkarnain A. HATTA_ Professor, Social Work Programme, School of Social Sciences in Univ. Sains, Malaysia

Yoshihiro KANEKO_ Director, Dept. of Theoretical Social Security Research, National Institute of Population and Social Security Research institute, Japan

Sekyung PARK_ Research Fellow, KIHASA

Suk-Myung, YUN_ Research Fellow, KIHASA

■ **Session V**

16:00- 16:30 **Overall Discussion**

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<아시아 10개국의 사회안전망 발전을 위한 국제심포지움>

<인사말씀>

김 용 하 (한국보건사회연구원 원장)

초청말씀

오늘날 우리가 겪고 있는 급격한 사회 변화는 선진국의 경험으로부터 알고 있던 전통적인 사회안전망 형태가 현재 개발도상국에도 여전히 유효한가에 대한 의문이 제기하고 있습니다. 특히 아시아 국가들은 지난 1997년과 2008/2009년 경제위기의 여파가 실물경제에까지 타격을 전달하면서 경제성장을 위협받은 경험을 가지고 있습니다. 따라서 빈곤층 및 취약계층을 보호하기 위한 아시아 각국 사회안전망에 대한 연구가 이루어져야 함은 물론이고, 경제위기 이후 각국 정책추진의 시행착오를 예방하기 위한 중장기적 사회안전망 정책의 발전방향을 아시아 국가들간에 공동으로 논의할 필요하다고 생각합니다.

이에 한국보건사회연구원은 <아시아 10개국의 사회안전망 발전방안>이라는 주제로 국제 심포지움을 개최합니다. 이번 심포지움에서는 아시아 10개국의 사회안전망 관련 공무원, 정책연구기관 연구원 및 학자들이 참석합니다. 이 자리에서 사회안전망에 대한 아시아 국가들의 정책을 살펴보고, 사회안전망을 강화할 수 있는 방법을 함께 강구함으로써 미래에 발생할 수 있는 위기에 대응하기 위한 토론의 장이 될 것으로 기대합니다. 그리고 아시아국가간에 사회안전망에 대한 유용한 정보를 공유함으로써 향후 사회안전망 분야에서 국가간 협력을 보다 강화하는 계기가 될 것으로 생각합니다.

모쪼록 이번 국제 심포지움에 많은 관심과 애정을 가지고 참석하시어 자리를 빛내 주시기를 바라며, 사회안전망 발전을 통해 아시아 국가들의 삶의 질 개선을 위한 소중한 의견을 제시해 주시기 바랍니다.

2010년 10월

한국보건사회연구원 원장 김 용 하

International Symposium on Social Safety
Nets in Selected Asian Countries.

(28일) Session I

〈오전 발표〉

2008 Economics Crisis in Malaysia: Implications on the Economy, Society and Safety Nets

Zulkarnain A. HATTA (Professor, Social Work Programme, School of Social Sciences in Univ. Sains Malaysia)

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2008 Economics Crisis in Malaysia: Implications on the Economy, Society and Safety Nets

Zulkarnain A. Hatta,

DSW & Isahaque Ali, MSW

Malaysia's experience with the 2008 financial crisis was very different from that of 1998. Notwithstanding the differences, the country was not spared of the negative setbacks. Many sectors of society felt the impact. This paper will review the setbacks experienced by Malaysia during the 2008 crisis. The focus will be on the financial sectors and the implications the crisis had to society at large. Following the review, the paper will look at Malaysia's existing safety nets and recommendations of what can be done to improve existing safety nets.

Impact on the Financial Sector

Unlike 1998, the 2008 crisis did not start in Asia but was due to the weaknesses in the United States' financial industry which escalated into a severe international financial crisis and deep slump in global trade and global recession by the late 2008 (Khoon & Mah-Hui, 2010). Being a small open and export dependent economy, Malaysia was not spared from this external shock. The negative shock was transmitted to the Malaysian economy in the fourth quarter of 2008. Export and industrial output deteriorated and investments declined. Consumer sentiments were also adversely affected. As a result, the gross domestic product (GDP) growth in the fourth quarter of 2008 was significantly lower (at 0.01%) compared with an average of 5.9% in first nine months of the year. It is fortunate that Malaysian banks have negligible exposure to securities linked to the United States (US) subprime loans and Malaysia's financial institutions and banks were better prepared than they were during the 1998 Asian financial crisis (Bank Negara Malaysia, 2008). However, although Malaysia did not witness sharp downturns as compared with that of 1998; the 2008 crisis may create a longer

recession than the one in 1998¹⁾. The global financial crisis is transmitted to Malaysia mainly through the financial and trade channels (James et al., 2008).

The first half of 2008 Malaysia was relatively unaffected by the financial turmoil. The financial and economic environment worsened in the second half 2008 and in the first quarter of 2009. Real GDP grew only 0.1% year-on-year (YOY) in the fourth quarter of 2008 compared to a 4.7% YOY growth in the third quarter of the same year. The average GDP growth was 5.9% YOY in the first nine months of 2008. Real GDP fell by 6.2% in the first quarter of 2009, the first time growth was in negative territory since 2001. The depressing performance in the first quarter of 2009 confirmed the expectation the Malaysia faces a full-blown recession for the year 2009. The decline was mainly due to drastic contraction in export value of 27.9% YOY in January 2009. The fall in exports adversely affected economic growth particularly in the manufacturing sector, which contracted 19.1% in the first quarter of 2009 (Bank Negara Malaysia, 2009).

Like other Asian countries, Malaysia suffered capital flight since the second quarter of 2008. Banks and financial institutions in the US and the West reduced their international businesses and focused their home markets. There was a big drop in funds flowing into Malaysia with net financial and capital flows falling from -RM37.7 billion in 2007 to -RM118.5 billion in 2008 (Bank Negara Malaysia, 2009). Malaysia was one of the countries affected by portfolio investment out flows in 2008 (Khor, 2009). The reversal of the portfolio capital flows due to repatriation by foreign participants affected the stock market significantly, with the Kuala Lumpur Composite Index (KLCI) falling from 1393 points in January 2008 to 876 points in December 2009. There is a strong correlation between changes in net portfolio equity flows and stock prices in Malaysia (Khoo & Mah-Hui, 2010). Foreign direct investments into Malaysia plunged 98% from RM15.9 billion in the second quarter of 2008 to RM0.3 billion in the third quarter. For the full year, foreign direct investment fell 17% compared to year 2007.

1) Star Biz Week, round table discussion on the impact of the global financial crisis in Malaysia, 28, February, 2009. The panelists in the discussions were Dr. Lim See Yan (Former Deputy Governor of Bank Negara Malaysia), Professor Mohamed Arif Kareem (Executive Director of the Malaysian Institute of Economic Research), and Ms. Tang Beng Ling (Meridian Asset Management Sdn Bhd chief investment officer).

Direct investment by Malaysian companies increased to RM50.2 billion in 2008 (Bank Negara Malaysia, 2009).

Since its de-pegging from the US Dollar in 2005, capital flows have had a significant impact on the Ringgit (Ooi, 2008). Generally, capital outflows depress the price of Ringgit; since the beginning of 2009 the Ringgit has lost almost 6% of its value against the US Dollar from RM 3.464 to RM3.693 currently (Bank Negara Malaysia, 2009). This decline in the value of the Ringgit is primarily due to the declining demand in exports and portfolio capital outflows. The depreciation of the Ringgit may help to improve the export performance of the country, limiting the negative impact from the global recession (Khoon & Mah-Hui, 2010). The impact of the crisis on the Malaysian banking system was relatively modest as domestic banks had negligible exposure to US sub-prime loans products. Also, domestic banks have strengthened and built significant buffers during the decade after the 1998 Asian financial crisis. At the end of 2008, the banking system's risk-weighted capital ratio (RWCR) and core capital ratio (CCR) were maintained at high level of 13.1% and 10.6% respectively (Bank Negara Malaysia, 2009). Non-performing loans were at healthy levels. They peaked during the Asian financial crisis at 18.5%; since the ratio has declined to 2.6% in 2008 (Bank Negara Malaysia, 2009).

The most worrying fall has been in manufactured exports, particularly electronics, electrical machinery and appliances which together account for 40% of Malaysia's exports. In the fourth quarter of 2008, total manufactured exports declined 20% quarter to quarter, led by semiconductors and electronics. Agricultural and natural resources exports also fell as commodity prices tumbled. In the same period palm oil exports dropped 32% and crude oil 33% quarter to quarter (Bank Negara Malaysia, 2009).

The impact of the crisis on the financial and trade route is working its way through the real economy in terms loss in output trade and jobs. Recent data released by the Malaysian Department of Statistics showed that Malaysia's industrial production index (IPI) for January 2009 fell 19.8% on a year-on-year basis, and 4.0% on a month-on month basis. The contraction in January was due to a drop in three indices, namely, manufacturing (26.3%), mining (5.8%), and electricity (12.5%). Contraction in

manufacturing output was due to decreases in sub-sectors such as electrical and electrical products, petroleum, chemical, rubber and plastic products (Departments of Statistics Malaysia, 2009).

Social Impact on Malaysia

Systematic assessment of the social impact of an economic crisis involves understanding several rounds and levels of impacts. First is the impact of an economic crisis on income. At the national level, income reduction could be due to lower demand for goods and services, rising unemployment, and reduced investment or remittances. At the household level, crisis is a negative shock to income, largely from the depreciation in the value of assets, job losses, lower remittances, and possibly inflation. Second, income reduction inevitably translates into consumption cuts, being private or public spending on education, health, even food and other items. Both income reduction and spending cuts are most likely to cause increases in both income poverty and non-income poverty. Third and as a consequence, particularly if hunger is a result, the social fabric would be damaged, potentially leading to disorder, social unrest, environmental degradation, and so on (Wan & Francisco, 2009).

Malaysia's high dependence on food imports has translated into higher food costs for a large proportion of the population, particularly the urban poor and those in rural areas who are net purchasers of food. The lower purchasing power of many households, especially poorer ones, means that there is a real risk that some families could fall back below the poverty line while those already below it will need significant additional help. Poorer women and children are particularly at risk since higher food prices can worsen their already precarious nutritional status (UNDP, 2009). National levels of employment and unemployment are very much related to the economic base of a country and its growth rates. The impact of the crisis on unemployment in Malaysia is not quite as alarming as compared to that in other countries. The unemployment rate was relatively stable and low during the crisis. Even during the depths of the crisis in the first quarter of 2009, the unemployment rate

increased by only 0.9% to 4.0% from 3.1% in the fourth quarter of 2008. It then declined to 3.6% in the second quarter of 2009, reflecting slowdown in economic deterioration and the implementation of two stimulus packages by the government (Departments of Statistics Malaysia, 2009). The latest available data on poverty show that the incidence of poverty for Malaysia increased from 3.6% in 2007 to 3.8% in 2008; and as of March 2010, the unemployment rate was at 3.7% (Mat Zin, 2009).

According to the Ministry of Human Resource Malaysia, from October 2008 to May 2009 the number of permanent retrenchment was about 25,128 workers. Other negative effects include voluntary separation schemes which involved 8471 workers, temporary lay-off of 8196 workers and paycuts recorded the highest number of people, with the total of 34,384 (UNDP, 2009). According to Bank Negara Malaysia on employment outlook in the manufacturing, services and construction sectors, 24% of the companies stated that had reduced number of jobs in 2009 (Bank Negara Malaysia, 2008).

Clearly, the crisis exerted negative impacts on social spending that were substantial in many developing Asian countries. In Malaysia, for instance, the reduction in per capita private health spending over 2008 -2009 amounts to almost 6% points. In addition, Malaysia is expected to lose 2.8% increase in per capita private health spending from 2009 to 2010, if no appropriate protection program is implemented. In terms of per capita public health spending, the difference amounts to 6.6% points over 2008 -2009 and 3.1% points over 2009 -2010. From 2008 to 2009, the short-run crisis impact on per capita private health spending is most serious for Malaysia(-5.8 % points loss in spending growth); from 2009 to 2010, the loss for Malaysia was -2.8% points. Turning to public health spending, the short-run crisis impact is most serious in Malaysia from 2008 to 2009 and from 2009 to 2010 (-6.6 and -3.1 % points losses, respectively). In terms of per capita public education expenditure, the negative short-run crisis impact is highest in Malaysia over 2008 -2009 and 2009 -2010 (-4.6 and -2.9 % points, respectively) (Wan & Francisco, 2009).

Existing Safety Nets in Malaysia

Existing Legislations

The statutory provisions in Malaysia pertaining to the retrenchment of a worker are found in the Employment Act 1955 and its subsidiary legislation, the Employment (Termination and Lay-Off Benefits) Regulations 1980, the Labor Ordinance of Sabah, the Labor Ordinance of Sarawak and the Industrial Relations Act 1967. The Employment Act 1955 prescribes the minimum benefits for a worker who comes within its scope, which includes a person who is employed to perform manual labor. Manual labor is defined as duties which are purely physical in nature with very little or no mental effort. Unskilled workers are therefore covered by this Act and are entitled to the benefits prescribed by the Employment (Termination and Lay-Off Benefits) Regulations 1980, if they are retrenched. The entitlement of the retrenched worker depends on ones tenure of service and wages. The tenure of service must be continuous for a period of at least 12 months whilst what amounts to wages is prescribed in the Employment Act 1955. There are several key issues regarding the Act for the protection of the unskilled. First, it does not apply to all who are employed in Malaysia. The Employment Act 1955 applies to West Malaysia and the Federal Territory of Labuan only (Devadason & Meng, 2009).

In addition, there are several crucial issues that prevail regarding the workers. First, the multipurpose withdrawals that are allowed for housing, education and medical purposes may render the retirement benefits insufficient. Second, the retrenched unskilled workers may end up in dire straits given the inadequacies in the current protection schemes. The plight of these workers becomes even more critical as there is no welfare program for the unemployed in Malaysia (Devadason & Meng, 2009).

Pension Fund

The Public Service Pension Scheme established under the Government Pension Ordinance of 1951 (revised Pension Act 1980) provides pensions to civil servants. Permanent government officers are eligible for a non-contributory government pension provided that they confirmed and have completed no less than three years of recognized service. The scheme covers retirement benefits for officials in the federal, state and local public service; employees of state enterprises, judges and members of Parliament. However only pensionable officials qualify for benefits under the scheme; temporary and part-time officials are excluded. The maximum monthly retirement pension available under the scheme is 50% of final salary. Pensions for Federal civil servants are paid out of federal government general revenue. State enterprises, statutory authorities and local governments contribute 17.5% of the employees' monthly salary in respect of their employees; the employees themselves do not contribute anything (Doraisami, 2005).

The Employment Provident Fund (EPF) of Malaysia provides employment, injury and invalidity benefits under the Employees' Social Security Act 1969, called SOCSO. It consists of two separate schemes; the Employment Injury Scheme which was implemented in 1972 and the Invalidity Pension scheme introduced in 1974. All employers employing one or more employees are covered under the Act. The Act however applies only to those employees earning less than RM2000 per month. Once an employee is covered, the coverage continues to be valid regardless of income. The main groups exempted are domestic servants, casual workers and military and police personnel. The contribution rate for the Employment Injury Scheme is approximately 1.25% of wages and is wholly paid by the employer. For the invalidity Pension Scheme, the rate of contribution is 1.0% of wages shared equally between the employer and the employee (Doraisami, 2005).

However, according to Haron et al. (2006) and Masud, Haron & Hamid (2006), most of the elderly in Malaysia today worked prior to their retirement age in menial jobs with low pay such as being a laborer or a farmer. Among the female elderly, half

were never involved in the labor force (Masud et al., 2006). Thus, for these elderly (who are poor and do not have the ability to earn) most of their income comes from transfer such as money from children, zakat(i.e., an Islamic taxation compulsory upon Muslims to help designated beneficiaries which include the destitute and the poor) and public assistance; such as, Bantuan Orang Tua(Assistance for the Elderly) provided by the Department of Public Welfare(Haron et al.,2006). Since formal income support such as a pension is not widespread in Malaysia, elderly income security is heavily dependent on non-formal sources, especially transfers from adult children and grand sons.

Social security programs in Malaysia offer different levels of benefits to different groups of workers with those in government employment receiving the best benefits and those in the informal sector virtually nothing. The main social security programs in Malaysia are the EPF, Employment Injury and Invalidity Benefits Scheme and the Old Age pension scheme for the civil service and military. There are other schemes such as the Teachers Provident Fund (TPF) the Malaysian Estates Staff Provident Fund and a handful of statutory and private provident funds but they are rather small and do not play a crucial role in the social welfare system in Malaysia (Ramesh, 2000).

Health Insurance

The elderly in Malaysia face increasing health care expenditure, and this presents a major challenge to health care financing systems. Existing health insurance schemes are imbedded in the EPF, of which 10% is used as a contribution for health benefits. The fund enrolls mainly private sector workers and the self-employed, with some government employees also contributing. The Social Security Organization (SOCSO) manages a social security system covering all working Malaysian citizens and their dependants. There are also commercial providers of private health insurance, but the penetration is not significant. The ongoing health system reform to introduce universal health insurance coverage in Malaysia is facing the challenge of fulfilling the equity objective without triggering an escalation in health care costs (Sidorenko & Butler, 2007).

Rehabilitation Programs for Poor Children and Disable

Children have been largely protected from the adverse impact of the economic crisis due to the social safety nets that were already in place. The government's provision of universal benefits, notably free education and health care, as well as subsidies on a number of essential commodities, have been able to ensure that most children and poor families do not fall through the gaps. But concerns remain with regard to the comprehensiveness of the social safety nets, with only limited coverage rates of programs specifically targeted at poor families and children, and many particularly vulnerable children out of reach of school-based social interventions such as school feeding programs (Netto,2009).

With improvements in health care, disability and developmental problems in childhood have become more important health problems. Global developmental delay, cerebral palsy, intellectual impairment, hearing impairment, vision impairment, autism, ADHD, mental health problems, have become more important concerns in recent years. It is important to detect these early as data suggests that, early detection and intervention offer better long term outcomes and better family well being. The actual number of children with disability locally is not available. The Department of Social Welfare's figures of 170,455 registered children and adults with disability are a gross underestimated. Possibly the best indication of the true rate of children with significant disability is from international studies, which suggests that more than 10% of all children have developmental problems and that the rate detected increase with age. Applying a rate of 10% to the population of children under 15 years of for 2005 population figures suggests that more than 850,000 children have a disability, with at least one third of these being severe and requiring rehabilitation. However, the rehabilitation program for disabled is not sufficient and available in Malaysia (Amar, 2008).

Public/ Social Assistance for Elderly People

Under this scheme, monetary benefits and other benefits in kind such as clothing and food parcels, as well as apprenticeship training and small business launching-grants are provided by the government and administered by the Department of Social Welfare, under the jurisdiction of the Ministry of National Unity and Social Development. This scheme is strictly means-tested, and low income is the principle determinant of eligibility. However, benefits are not provided for claimants who have relatives that are liable and able to support them. The Federal government sets limits for the amount of public/social assistance given to claimants. Benefits are based on the total monthly income of a family. Monthly allowances are given at a rate of RM80 per person, up to a maximum of RM350 per family. Old folks above the age of 60 years who are destitute, not able-bodied and do not have any relatives to depend on for support are eligible to apply for assistance of RM130 a month. There is a tendency for benefits to be biased towards claimants in the urban areas as most rural dwellers are excluded either through ignorance or through the administrative procedures of receiving and processing applications in the large urban centers (Mat Zin, 2007).

Social Safety Nets Programs during Financial Crisis

Like other countries, to counter the recession the Malaysia government introduced the stimulus packages to revive the economy. The government had originally allocated RM206 billion for both the operating and the development expenditure for 2009. However, when the indicators were showing that Malaysia was also moving into negative growth territory, the government introduced the first stimulus package worth RM7 billion on 4 November 2008 to avoid a possible recession in 2009. The distribution of the money is as follows:

- Construction, upgrade and maintenance of social infrastructure and public amenities, especially school, hospitals and roads in rural areas (RM1.8 billion)
- Investment fund to boost private sector investment, especially FDI, via grants,

soft loans, and equity capital, with priority given to high-value-added strategic sectors and high-impact projects (RM1.5 billion)

- Construction of low-cost and affordable housing (RM1.2 billion)
- Upgrade, repair, and maintenance of police and armed forces' stations, camps, and living quarters (RM0.5 billion)
- Maintenance and improvement to the public transportation sector (RM0.5 billion)
- Speed up the High Speed Broadband Project (RM0.4 billion)
- Skills training program, targeted for sectors/industries like tourism, health, construction, and business process outsourcing (RM0.3 billion)
- Social program, i.e., early child hood education and RakanMudaoryouthprogram(RM0.3billion)
- Human Capital Development via allocation of youth training program by private training institution (RM0.2 billion)
- Rejuvenate viable abandoned housing projects (RM0.2 billion)
- Small and medium enterprises (RM0.1 billion) (Mat Zin & Shahadan, 2009).

Under the first package, workers can opt to reduce their contributions to their EPF to 8% from 11% in 2008 and 2009 and those with existing housing loans can choose to extend their repayment periods of 25 -30 years now. This package has been criticized as being rather late as business conditions and consumer sentiments in Malaysia had turned to new lows, while the amount (equivalent to about 1% of GDP) is too small. Thus, when the economy worsened, the government decided on a second package, which was announced on March 2009 (Mat Zin & Shahadan, 2009).

The second package is worth RM60 billion (almost 9% of GDP) or about US\$16 billion and is being allocated over 2009 -2010 according to four thrusts: Reducing unemployment and increasing employment opportunities (RM2 billion); easing the burden of the people, in particular, vulnerable groups (RM10 billion); assisting the private sector in facing the crisis (RM29 billion); and capacity for the future (RM19 billion). Of the RM60 billion, RM15 billion is fiscal injection, RM25 billion guarantee funds, RM10 billion equity investments, RM7 billion private finance initiative and

off-budget projects, and RM3 billion in tax incentives (Mat Zin & Shahadan, 2009).

Under the first thrust, to assist retrenched workers and unemployed graduates, the government will create 163,000 training and job placement opportunities in the public and private sectors. Incentives will be given to employers to recruit and train local workers so as to reduce dependence on foreign workers. In order to encourage employers to engage retrenched workers, the government proposes that employers who employ workers retrenched from July 2008 be given a double tax deduction on the amount of remuneration paid, not exceeding RM10, 000 per month, and this is limited up to 12 months remuneration per employee, applicable from 10 March 2009 to 31 December 2010 (Mat Zin & Shahadan, 2009).

Ever mindful of the objective of eradicating hardcore poverty by 2010, in the second thrust of easing the burden on people, especially vulnerable groups, the government provides assistance to various sectors. Among the beneficiaries are oil palm and rubber smallholders whose incomes have fallen due to falling prices through replanting, integrated farming, and livestock breeding. Various subsidies, incentives, and assistance for fuel consumption, food security (including subsidies to avert price increases of necessities, such as sugar, bread, and wheat flour), scholarships and educational assistance, as well as social welfare programs, are provided (Mat Zin & Shahadan, 2009).

RM674 million will be allocated as subsidies to avert price increases of necessities such as sugar, bread, and wheat flour; and RM480 million to ensure that toll rates are not increased. An additional RM200 million was allocated to construct low-cost housing, and house buyers will be given tax relief on interest paid on housing loans of up to RM10,000 a year for three years. Public infrastructure and school facilities also received allocation for improvement while basic amenities in rural areas are to be increased. In order to raise people's income, the government will issue syariah-compliant savings bonds amounting to RM5 billion this year that will mature over three years, with an annual return of 5% and will be paid quarterly to bond holders(MatZin & Shahadan,2009).

The government mechanism that provides social support to the poor and needy is the

Malaysia Social Safety Net Program. It involves various ministries and government agencies, including the Ministries of Health, Education, Housing and Local Government, Human Resources, Agriculture and Agro-based Industry, Entrepreneur and Cooperative Development, Rural and Regional Development, and Women, Family and Community Development. The social support given comes in various forms, which include financial aid; food, fertilizer and fuel subsidies; free education, textbooks and uniforms; affordable hospital care; and skills training. The allocation for the Malaysia Social Safety Net program was raised from RM350 million to RM850 million in 2008. An important aspect of this social support is the Federal Welfare Aid given via the Social Welfare Department under the Women, Family and Community Development Ministry (Abidin & Rasiyah, 2009).

A revised Malaysia Social Safety Net program and a new Social Safety Net Card were introduced in February 2009. Welfare aid was given to the hardcore poor who, according to the Economic Planning Unit, were those with a household monthly income of less than RM430 in Peninsular Malaysia, RM520 in Sarawak and RM540 in Sabah. In 2009, these were revised to RM720 in Peninsular Malaysia, RM830 in Sarawak and RM960 in Sabah. These amounts, however, form an unregulated standard as the poverty line income only serves as a guide or as the initial entry point for aid eligibility (Abidin & Rasiyah, 2009).

Final approval will depend on investigations by welfare officers who will look into factors like the living condition of the families, the number of children and dependants, age of applicant or head of household, physical disability, and health conditions due to disease or illness. There are doubts as to the efficiency and effectiveness of this program as it is based on discretion instead of steadfast regulation. Several measures are focused specifically on human development. These include providing training and creating employment opportunities, extending financial support for education at Masters and PhD levels, and attracting skilled workers by granting permanent residence status. In addition, there will be subsidies for basic food items, improvement of healthcare facilities in the rural areas of Sabah and Sarawak, financial assistance to and improvement of daycare centers, shelter homes and childcare centers, and access to

financial capital through government guarantee schemes, such as the Working Capital Guarantee Scheme and Industry Restructuring Loan Guarantee Scheme (Abidin & Rasiah, 2009).

An allocation of RM700 million for training and creating employment opportunities is expected to provide 100,000 training opportunities and job placements through collaboration between the government and private sector. In addition, Special Training and Re-Training Programs for retrenched workers and the Dual National Training Scheme to enhance the skills of those currently employed have been introduced through the following (Abidin & Rasiah, 2009):

- i. On-the-job training for 1,000 unemployed graduates in the financial sector by the Securities Commission and BNM for a two-year period.
- ii. 2,000 training opportunities and job placements in government-linked companies, particularly in the services sector.
- iii. Attachment training programs by Perbadanan Usahawan Nasional Berhad for 2,000 graduates and those with skills certificates for a period of six months to one year. Qualified participants will receive financial assistance to venture into business.
- iv. 500 graduates to be encouraged by Tunas Mekar to venture into business and to add value to existing SMEs.

Conclusion

Though there are safety nets in Malaysia, the country still needs major improvements. Formal sector employees are covered by EPF, a contributory pension program, and by an insurance program (SOCSO) that helps workers who are victims of industrial accidents. There is no program that offers minimum income protection against adverse business cycles or other shocks to income. The non-existence of comprehensive SSNs for the formal and informal sector is a cause of concern as this may exacerbate economic and social instability in times of economic shocks and natural disasters (Abidin & Rasiah, 2009).

There is no doubt that the financial turmoil has presented economies across all regions with difficult and unforeseen challenges and the major concern over Malaysia now is the pace and the ability to recover from the economic downturn. The effectiveness however, is depending on the measure of implementation. To ensure the effectiveness of the stimulus policies, the policy makers need to ensure a transparent way of implementation, continuous monitoring to avoid misuse of the disbursement, with timely and accurate adjustment. Malaysia's financial sector is strong and fundamentally stable, hence, is less affected by the current crisis. However, ongoing measures should be taken to strengthen the financial sector to facilitate its ability in assisting policy makers to promote economic activities through liquidity provision during the recession period.

One of the major steps taken by the Malaysian government in ensuring robust fundamentals, especially in dealing with economic crisis like those of 2008 is restructuring its economic model. The New Economic Model (NEM) as proposed is to overhaul the nation's economy. NEM will generate benefits for all Malaysians, irrespective of race under its inclusive growth goal and approach. The pro-poor growth warrants that no groups be marginalized and the essential needs of the people will be satisfied. Under the NEM, inclusiveness will enable all communities to contribute to and share in the wealth of the country. It points out that a key challenge of inclusive growth is the design of effective measures that strike a balance between the special position of the Bumiputera (son of land) and legitimate interests of different groups.

The proposals for the NEM generally call for the income of 40% of the population who earn less than RM1,500 a month to be lifted through various policy changes that aim to transform the structure of the economy. The ultimate goal is to lift gross domestic product per capita from US\$7,000 to US\$15,000 within the next 10 years. To lift the income of the 40% of the population would be achieved through education. Rural schools should receive the best in terms of teachers and facilities. These are the people that really require help and if they are able to get the best education, it will only take one generation to get them out of the low income.

However, it is not the intention of the NEM to make Malaysia become a welfare

state. The NEM would strengthen affirmative action policies, but recipients would be based on capacity, needs and merit. Existing patronage system will have to be replaced by a system that will be based on merits. The present practice of providing subsidies will not be eradicated, however, this time the right target group must meet the strict criteria.

Before any overhauling can be undertaken, the NEM advisory council has cautioned that better social safety nets are needed. There will be many sectors in society that will find it difficult to adapt to changes brought by implementing new policies. Not only will individuals find difficulties in adapting, industries too will probably be dislocated. It is feared that preference of the NEM will be given to industries that can create high value in the economy. Older and smaller industries might not get the support they are used to. Hence, better safety nets should be developed for these older and smaller industries, to assist them transform and move up the value chain. As argued by Asher (2008), progress in reforming and strengthening social safety nets is not likely to be either smooth or rapid. The need for a strong political commitment and capacity, as well as extensive institutional and regulatory reforms required are not easy to achieve. Unfortunately, progress in these reforms will take time.

Social Security Reforms under the Advancement of Aging and Uncertain Global Economies in Japan

Yoshihiro Kaneko, PhD

Introduction

The Japanese population is ageing rapidly because of a very low fertility rate together with a long life expectancy, which has a strong impact on welfare state reform in Japan. The benefits and premiums of social security in Japan continue increasing due to the rapid decline in the birthrate and aging of the population, while international competition facing Japanese businesses is growing more and more intense. Under these circumstances, the number of non-standard workers (part-time workers and dispatched workers) has been increasing since the 1990s, partly because of the economic need of employers to reduce their labor costs. According to the Labour Force Survey conducted by the Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications, the total number of employees in 2003 was about 63 million, of whom male and female part-time workers accounted for 22%. Typical examples include unstable employment of young people, symbolized by young job-hoppers, and part-time work (mostly of women) to help out with the family budget in response to the slow rate of increase of wages of heads of households; and, it is often pointed out that the social security system is unable to meet diversifying modes of work, including those mentioned above.

On the other hand, it has been passed about fifty years since those universal social security systems that center on social insurance was established in Japan. About fifty years ago, two laws for universal health insurance and pension were enacted in 1958 and 1959, respectively, and enforced in 1961. They have become the two main pillars of Japanese social security system. Together with the Public Assistance Law (1946) and the Employment Insurance Law (1974), they are the main institutions of social policy to mitigate the risk of sickness, accidents, unemployment and old age. Social security

systems such as those for health care, public pension, employment and work-related accident take the form of social insurance. The public insurance system provides in-cash and in-kind benefits to insured persons (and their family) in case of downfalls within their life cycle. The participation for these schemes is mandatory to all citizens and their employers in case they are employed. The contribution to the schemes is shared by all insured, in most cases, according to their ability to pay (income). Thus, the function of social insurance is to share the risk among insured persons, and at the same time, to redistribute income among them.

In those days when these social insurance were enacted, the perspectives of Japanese economy was very different and it was the period of high economic growth rate and the labor market was characterized by the life-long employment system, seniority wage system and the stable industrial relations between the employer and labor unions of standard workers. However, the situations of labor market has been changed for fifty years since 1960s and under the circumstances of the world recession after so called Leman shock crisis, the labor market of Japanese economy is now characterized by the increase in the non-standard workers and the high unemployment rate of the younger workers. These changes urge us to reform those social security systems that center on social insurance.

Furthermore, the lower fertility rate and the longer life expectancy have led to the advancement of aging in the population structure in Japan for these fifty years. The ratio of the aged population (those aged 65 and over) in Japan was 5% until the latter half of the 1960s, but the ratio of those aged 65 and over exceeded 10% in 1985, and reached 17.3% of the total population or 21.92 million in 2004. According to a population forecast in 2002 (National Institute of Population and Social Security Research), the figures are expected to reach 28% or 34.73 million in 2025 and 33.1% or 35.86 million in 2050. In addition to the change in population structure, the household structure of the elderly persons has changed for these fifty years. After the introduction of the wage indexation of public pension benefits, which was replaced by the consumer price indexation in the late half of 1980s, pension benefits increased in proportion to rises in the living standard of active generations, and the incentives for the

elderly to live together with their children for economic reasons were reduced. Under these changes in population aging and the household structure led to the introduction of the long-term care insurance in 2000. The advancement of aging causes to increase in the expenditures for health care and long-term care insurance while it becomes more and more difficult to finance these expenditures of the insurer, the municipal government, because of the difficulty in increasing the health care insurance and long-term care insurance contributions not only to the elderly persons but also workers under the recession that has continued so long since the Lehman shock crisis.

Hence, this paper is focusing to state the current issues of the reforms of social security system under the four broad headings: extending coverage of public pension system under the change in labor market; the urgent measures to deal with increase in the unemployed and the measures for preventing depression and suicides under the increase in unemployment rate; the financing the medical expenditure and long-term care expenditures under the difficulty of increase in social insurance contributions. Of course, issues are mutually related around the prolonged recession, and the purpose of this paper is not a classification of the issues but a better understanding of the issues and an orientation towards solutions.

1. The Current Issues of Social Security related to Advancement of Aging and Recession

1.1 The Increases in Social Expenditure and the Government Deficit in Japan

In order to make an international comparison on the trend of social Security, the Organization of Economic Co-operation and Development (OECD) is disclosing information on indices of Social expenditure that includes pension funds, medical care and welfare for the poor, child allowance that gets transferred, Social security benefits for welfare services and expenditures such as expenses for facility development that do not get transferred directly to individuals (OECD Social Expenditure Database).

Looking at the percentage of Social expenditure occupying the national income, Japan's ratio is lower than European countries, but higher than the U.S.. Furthermore, based on the figures in closely related years, the percentage of national income occupied by social security costs is low when compared with that in Germany, France, and Sweden, but higher than the U.S. and the U.K.

Japan's expenditure on social security benefits is rising as the birthrate declines and the population ages. In 2008, the total population was 127.78 million, of whom 28.14 million were aged at least 68 (according to national population estimated by the Statistics Bureau of the Ministry of Internal Affairs and Communications). The aging rate (population aged 66 or over / total population) rose from 9.1% in 1980 to 12.1% in 1990 and 14.6% in 2000, and reached 22% in 2008. This population aging is causing the number of pensioners to grow, and is also a factor behind rising health care expenditures due to the fact that medical benefits per person are around five times higher in older persons than people of economically active age. While the rate of increase in health care expenditure has been slowed by the introduction of long-term care insurance, the upward trend is continued by population aging. A population aging is also leading to an increase in the number of older person in need of care due to the increase in number of old old," expenditure in long-term care insurance benefits is also rising. While expenditure on benefits (especially for older people) has risen in response to Population aging, expenditure on welfare-related benefits, including child welfare, continues to account for a small proportion of Japanese expenditure on social security benefits to the insufficient expansion of child-care-related benefits compared with Scandinavia nations and France, for example, despite the importance attached to reversing the decline of the birth rate.

1.2 The Increase in Income Inequality and Increase in the Persons who Receives Unemployment Insurance and Public Assistance

The global simultaneous recession of the autumn of 2008 brought about an increase in unemployment centering on a non-regular employment person, a youth's job

shortage, and slow increase of wages, and it serves as such a situation which people feel a risk of change in income so familiar that there is nothing once. Furthermore, nowadays, everyone begins to recognize that besides such economic changes around the world, there are lots of other elements related to the change in income distributions in each nation that include advancement of aging, changes in household structures with increases in the numbers of single households and single parent households and social exclusions for those persons with handicaps in working life.

As a result, the concern about the problem of poverty and various gaps in working life and income disparities is increasing more than the former all over the world. Especially, because the indexes of income inequality until mid 2000s in Japan are larger than the average of those indexes among OECD nations, a lot of people have the concern for income inequality in Japan. In order to answer these people's concerns, the Japanese government made public the poverty rate of the Japanese household estimated by the same method as OECD first time last year. According to the recent release of Gini index²⁾ that is based on the Income and Its Distribution Survey 2010 by the Ministry of Health, Labor and Welfare, the value of the Gini index for market income and disposable income (equivalent household income) is 0.45 and 0.32 respectively

There are several factors of increasing income disparity, and one of the major factors is the increase in the unemployed who suffers from the decrease in income after unemployment. In fact, Japan's unemployment rate climbed to an all-time high of 5.7 percent for July 2009, and it is topping the former record high of 5.5 percent in April 2003. The unemployment rate rose to 5.2 percent on a seasonally adjusted basis in fiscal 2009, topping 5 percent for the first time in recent six years. The number of jobless stood at 3.5 million, up 150,000 from a year earlier and the 17th consecutive monthly increase, the Internal Affairs and Communications Ministry said in a preliminary report. By industry, manufacturers continued to fare poorly. The construction sector, which has seen a rise in the bankruptcies due possibly to a

2) Of course in order to understand the various aspects of income inequality it is necessary for us to use different kind of proper indexes, for example the indexes of the poverty rate and the relative deprivation. "Growing Unequal?" (OECD, 2008) includes the realities grasp and consideration of income distribution among OECD nations by using these lots of indexes appropriately for the issues of income inequality.

reduction in public works spending, employed 4.89 million, down 330,000. Because it is necessary to be entitled as a recipient of the unemployment insurance benefits for the worker to be employed more than one year, the increase in non-standard workers leads to the increase of those workers who cannot fulfill this condition for receiving the benefits.

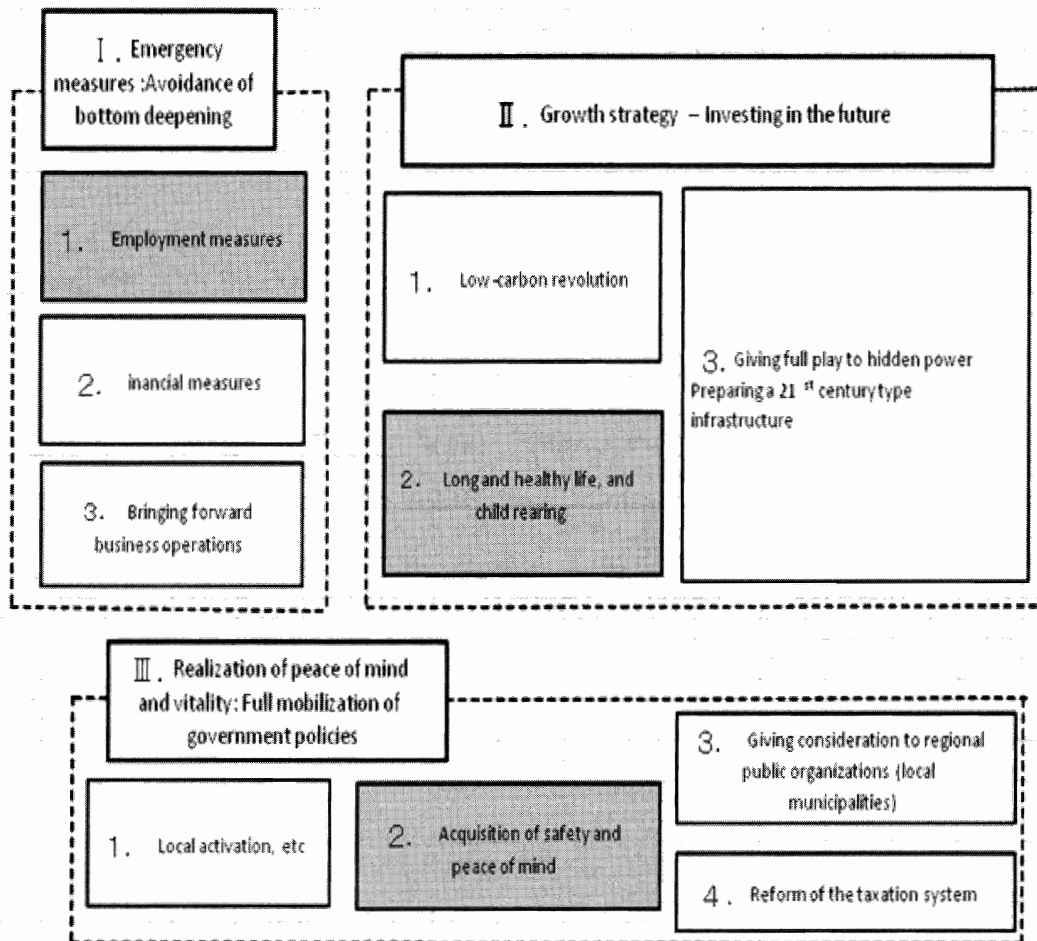
As a result, poverty in Japan is deepening. The welfare ministry announced last month that as of June, 1,907,176 people in 1,377,930 households were on welfare, receiving livelihood assistance (Seikatsu Hogo). This is the first time that the number of people on welfare has topped 1.9 million since fiscal 1955, when about 1.93 million people were receiving livelihood assistance every month.

2. The Directions for Social Security Reform during the Prolonged Recession in Japan

2.1 The Policies for Decreasing in the Unemployed and Creating New Jobs

Welfare rolls are swelling because of high unemployment, low wages and the increasing number of households that include low-income elderly people. A growing number of relatively young people who either can't find work or work in extremely low-paid jobs are being forced onto welfare. Often they have not joined the unemployment insurance scheme or their wages were so low that they cannot make ends meet with their unemployment insurance benefits. The government should change the social insurance system so that even if the duration of time that people work is extremely short they can join and benefit from the unemployment insurance scheme.

Figure 1.1 Points concerning the main measures in the “Economic Crisis Measures”



(Source: Joint government and ruling party conference and economic measures cabinet conference concerning cabinet office “Economic Crisis Measures” in April 2009
 Note: The shaded areas indicate measures related to social security

The government announced a basic policy for its economic growth strategy through fiscal 2020 in January 2010. Envisioned is average economic growth of 3 percent in nominal terms and 2 percent in real terms in the coming decade, plus a reduction in the unemployment rate from the current 5 percent level to around 3 percent in four years. The basic policy for growth attaches importance to creating new demand by assisting the energy, environmental protection, medicine and nursing care sectors. This suggests a government view that supply-side economics of the past centered on

assistance to the manufacturing sector has failed to bring economic rewards to people. The government plans to develop a new index to gauge people's happiness. The policy aims to create 1.4 million new jobs in the environmental and energy sectors, 2.8 million new jobs in the medical, nursing care and health sectors, and 560,000 new jobs in tourism and regional revitalization; and to raise Japan's food self-sufficiency to 50 percent.

2.2 The Health Care Policies and Labor Policies for Preventing Depression and Suicide

The number of Japanese who committed suicide surpassed 30,000 for the 12th consecutive year in 2009, according to Cabinet Office data. In July alone, 2,840 people killed themselves, up 2.0 percent from a year before. The combined cost of suicides and depression cases to the economy totaled ¥2.68 trillion in 2009 due to lost incomes from the deaths and social security payments necessitated by the mood disorder. The estimated economic loss, released for the first time, was compiled by the National Institute of Population and Social Security Research.

Among the 32,845 people who killed themselves in 2009, about 26,500 were aged between 15 and 69, the ministry said. If those people had lived and worked until the age of 70, they would have earned a combined ¥1.903 trillion. In addition, if depression sufferers had not taken their own lives or did not have to take days off due to their condition, the government would not have had to pay ¥45.6 billion in worker compensation benefits. Among other costs, the ministry noted that workers would have been able to earn a combined ¥109.4 billion more last year if people suffering depression had taken no days off work and unemployment benefits would have been reduced by ¥18.7 billion had there been no job losses due to depression. The government also could have saved ¥601.7 billion in social security payments stemming from livelihood protection subsidies and medical costs for people suffering depression. According to IPSS estimation, the total estimated losses to the economy resulting from suicides and depression cases thus came to ¥2.678 trillion. If society can completely

eliminate suicide and depression, the country would likely be able to push up gross domestic product for 2010 by about ¥1.7 trillion.

Total amount of the loss of the Japanese economy is the estimated value, which is composed of two parts: (The value of 2.7 million yen in 2009 is the total amount of these two parts.)

One is the amount of money that is spent by the Ministry of Health, Labor and Welfare of Japan for the patients with depression. This is the total amount of those expenditures as the public health insurance benefits for the patients with depression, the unemployment benefits for the person who quitted from his/her job because of depression, the public assistance for those persons who can neither work nor find the job because of depression. We regard these estimated expenditures as the loss of the Japanese economy by assuming that this amount of money would not lose if the Japanese government succeeds in preventing the depression completely. This part is estimated by following the idea of the report, “Cost of mental illness in England”, Mental Health Research Review, U.K.,1998.

The other part is the value of GDP which is the difference between the estimated GDP under the assumption with the number of suicide being zero every year from now on and the actual GDP with the actual number of suicides in Japan, that is almost 30 thousand every year. This part is estimated by the macro econometric model which has about 100 equations such as the production functions, labor force participation functions, consumption functions, those equations that describes social security systems, and so on. We regard this difference of GDP as the loss which is brought about by suicides in Japan. If the government succeeds in preventing suicides completely, those persons who killed themselves have opportunities to work, get income and make consumption, which will lead to increase in GDP. But in fact, we have the suicides and lose this increase in GDP, which we think as the loss of suicide in Japan. The ministers decided during the Cabinet meeting to set up a task force comprising the political appointees to the relevant ministries, including the health ministry and the Cabinet Office, to devise measures to counter suicides.

2.3 Extending the Coverage of Employees' Welfare Pension to the Part-time Workers

Currently, people have to pay premiums for at least 25 years to be eligible to receive pensions. This period should be shortened. Discussion on revising Employees' Welfare Pension was continued to improve the benefit-premium equilibrium, and a proposal to extend application of EPI to those who work 20 hours or more a week or earn ¥650,000 a year was presented. But, it was finally decided that the proposal should be examined again after five years.

One of the reasons why extending the application of EPI was postponed as a subject for future debate was that there were heated arguments, mainly in economic circles, that extended application would increase the legally defined welfare expenses of businesses, which would then control labor demand and investment, which were increasing only slowly due to uncertain economic prospects, thereby having a negative impact on economic growth. Under these circumstances, benefit reduction in various forms as well as the improvement in efficiency and fairness of the system has been the main focus of the recent public pension reforms in Japan. The task of reform is to establish middle- and long-term stability of the system against ageing of the population and to maintain contribution levels acceptable to working population in future years.

2.4 The Introduction of New Child Care Allowance

The child allowance law giving parents ¥13,000 per child per month takes effect Thursday, the start of fiscal 2010, as the Democratic Party of Japan fulfills one of its key campaign pledges. The party planned to make the monthly ¥26,000 allowance a permanent measure. However, because it is very difficult to find out the appropriate way of financing the full amount of this new child allowance, the government planned to give half the amount, or ¥13,000, in fiscal 2010, the first year of this measure, and give the full amount from fiscal 2010, requiring a budget of ¥2.33 trillion. From fiscal 2011, the budget will increase to ¥5.3 trillion.

Given the nation's financial difficulty, the government is divided over whether an income cap should be imposed for the new allowance and whether local governments and enterprises should shoulder part of the cost. For the current allowance, which annually requires some ¥1 trillion, the central government shoulders ¥269 billion, local governments ¥568 billion and enterprises ¥179 billion. The Finance Ministry suggested that local governments and enterprises shoulder part of the cost for the new allowance. However the former Prime Minister Yukio Hatoyama declared that in principle, the central government will shoulder all the cost. Cabinet ministers are now discussing where to find financial resources.

3. The Reform of the Health Care System for the Elderly Persons

To stabilize its health care finance, Japan has tried to control demand for health care by raising the level of premiums, adjusting the finance of different health insurance systems and increasing the amount of patient cost-sharing paid at the medical institution. But the strategy of increasing contributions by raising the premium level and adjusting the finance of health insurance systems is now difficult to get the agreement of businesses, health insurance societies and other stakeholders because the economic growth rate is low and business earnings are slow to increase. As for the strategy of increasing the amount of patient cost-sharing, there are arguments about if the method for determining the extent of increase in cost-sharing based on the expected effect of the increase is reasonable or not, and some people point out that even when the increase is considered to be effective, the effect would continue only for a short period of time. In the amendment of the Health Insurance Law in 2004, in light of the fact that there were many problems to be taken notice of about the form of patient cost-sharing and their effects, the co-payments of the insured of the Health Insurance (both Society-managed and Government-managed) was raised to 30% of the actual medical fee effective in April 2004, adding specific provisions to the Supplementary Provisions of the Law to the effect that the amount of co-payments shall not be raised

to over 30%.

Furthermore, a new health insurance scheme that covers people aged 75 or over began April 1 2008. As their medical costs are more expensive than those of younger generations, they have been left out of ordinary health insurance schemes. One of the aims of the new system is to reduce medical costs by making participants conscious of them. The new system covers about 13 million people, including about 2 million people who used to be dependents of their children (private and public sector employees). These people did not have to pay health insurance premiums. To avoid a sudden increase in their financial burden, they are exempted from premium payments for the first six months. After that, the burden will gradually increase until it reaches a normal level in two years.

Of the new scheme's total cost, tax money covers 50 percent; "support money" from younger working people's health insurance associations, 40 percent; and premiums from participants in the scheme, the rest. In principle, premiums paid by pensioners are withdrawn at the source. The average monthly premium is expected to be about ¥6,000, but depending on one's income level and where one lives, the amount will differ. Each prefecture serves as the basic unit of the new scheme. If participants' medical costs increase, their premiums will increase. The prefectural government is supposed to promote preventive medicine to prevent such an increase.

Because this health care system for the elderly persons that began April 1 2008 has lots of problems described above, especially because it includes increase in the cost sharing of the elderly persons aged over 75 years of age, the review of the this health care system was requested.

To find the method for stably managing the health insurance finance in the circumstance as described above, there is the need to consider the form of patient cost-sharing acceptable to people under the condition that the co-payments made at the medical institution are not raised to above a certain level, for example, 30%. From this point of view, the authors will examine, in this section, people's attitude toward several possible alternatives for co-payments and health care insurance contributions and the factors which would affect their behaviors to meet their demand for health care on

the basis of the questionnaire surveys that is conducted for the group of elderly subjects of 70 or over, who are covered by the Health and Medical Service System for the Elderly, and for the groups aged 20 and over but under 60.

Based on this examination, the authors will attempt, the latter part of this report, to quantify the balance between the benefits and patient cost-sharing of health insurance and the order of priority of several alternatives for rationalizing benefits by the stated preference approach using questionnaires known as the contingent valuation method (CVM). More specifically, the author will use conjoint analysis, which compares the utility values of the plans to review the current level of benefits and to increase the patient cost-sharing, examine the order of priority of these alternatives given by the subjects, and study the implications of the alternatives for the form of co-payments in the future.

In order to make the conjoint analysis of these topics, the author made questionnaire surveys for the working generation and for the elderly persons in Japan. Based on these surveys, the author did the conjoint analysis of the responses for the several options for the change in health care costs³⁾. From the estimation results, we can calculate the ratio of the utility of each of the policies to exclusion of minor health care from insurance coverage.

3.1 Questionnaire survey for the elderly

The questions of the questionnaire used in this paper are divided into those for the elderly (people of 70 and over). In the questionnaire for the elderly, the authors first showed the elderly subjects some examples of alternatives for observing their preference about to what extent they can accept the alternatives in comparison with the present level of patient cost-sharing. The alternatives are: charging the fees for minor health care totally to the patient; charging the fees for advanced health care totally to

3) This estimation results is based on Wataru Suzuki(Gaushuin University) and Yoshihiro Kaneko (IPSSR), 2010, "Investigation about the Forms of Patient Cost-sharing and Health Insurance Benefits based on the Questionnaire Surveys", Economic Research, Gakushuin Univerity. I would like to thank you the collaborative research on this issue to Prof. Suzuki.

the patient; charging the fees for terminal health care totally to the patient; increasing the amount of patient cost-sharing for the fees for high-cost medical care; and collecting premiums from the elderly. Then the authors gave them the questions in the form of pairs of the present level of patient cost-sharing and each of the alternatives.

In conjoint analysis, if there are too many alternatives, the number of scenarios becomes so great that the respondents are apt to be confused. Thus, the authors limited the alternatives to the following six: (1) Raising the ratio of co-payments; (2) Charging the fees for minor health care totally to the patient; (3) Charging the fees for advanced health care totally to the patient; (4) Charging the fees for terminal health care totally to the patient; (5) Charging the fees for advanced health care totally to the patient (doubling the upper limit); and (6) Collecting premiums from the elderly (5% of pension benefits a month). The Table 1 summarizes these alternatives while it excludes the plan under the status quo, that is raising the ratio of co-payment not larger than 30%. The 16 scenarios are composed of the following variations: (1) Whether the rate of co-payments is 10%, 20% or 30% (default); (2) Whether minor health care is covered by insurance or not (totally charged to the patient); (3) Whether advanced health care is covered by insurance or not (totally charged to the patient); (4) Whether terminal health care is covered by insurance or not (totally charged to the patient); (5) Whether the patient cost-sharing for fees for high-cost medical care is doubled or kept on the current level; and (6) Whether a premium of 5% a month is collected from the elderly or not. But if all of these variations are used, the number of scenarios becomes too great, and so the scenarios were reduced using the orthogonal table of the experimental design. The policy variables (attributes) substituting for scenarios are as follows:

- (1) Ratio of insured benefits (alternative plans for the 30% co-payment plan: 10% and 20% co-payment plans)
- (2) Insurance coverage of minor health care (covered by insurance or totally charged to the patient)

- (3) Insurance coverage of advanced health care (covered by insurance or totally charged to the patient)
- (4) Insurance coverage of terminal health care (covered by insurance or totally charged to the patient)
- (5) Patient cost-sharing for the fees for high-cost medical care (kept on the current level or doubled)
- (6) Collection of premiums from the elderly (collected or not)

〈Table 1〉 The Alternatives of the Patient Cost-sharing for the Elderly Persons in the Questionnaire Survey

Which of the following proposals for the patient cost-sharing for public health insurance do you think the most preferable?

<p>The health care expenditure for the elderly in Japan has already reached about one-third of the national health care expenditure (total health care expenditure of the nation), and is said to continue rapid increase in the future, coming up to 50% of the national expenditure by 2015. In such a circumstance, let's suppose that to maintain the present health care system for the elderly as it is, the ratio of patient cost-sharing for health insurance for the elderly should be raised to 30% five years from now. To avoid this, as shown in the table below, there will be the need to take such steps as excluding low-cost illnesses (minor health care), advanced health care, terminal health care, etc. from insurance coverage or reducing the system of benefits for high-cost medical care (the system for exempting patient from co-payments for high-cost medical care under certain conditions). The creation of a "health insurance system for the elderly," in which the elderly pays premiums at a rate of about 5% of their pension benefits, is under discussion, too.</p>	
Charging the fees for minor health care totally to the patient	Exclude health care for outpatients amounting to ¥10,000 a month or less (minor health care for colds, stomach ache, etc. and drugs for outpatients) from insurance coverage and charge the fee totally to the patient.
Charging the fees for advanced health care totally to the patient	Advanced health care (treatment using advanced medical technology whose fees are totally charged to the patient in general, such as heart transplant operation and implant dentistry. If the patient undergoes advanced health care at an approved medical institution, such as a university hospital, part of the fee is paid by public health insurance at present.)
Charging the fees for terminal health care totally to the patient	As to cancer at the terminal stage and other incurable diseases, exclude the treatment to keep the patient alive for six months before death from insurance coverage and charge the fees totally to the patient.
Increasing the amount of patient cost-sharing for the fees for high-cost medical care	At present, co-payments exceeding ¥12,000 per month for outpatients and ¥40,200 per month for inpatients are exempted for general elderly patients. Raise these amounts to ¥40,000 for outpatients and to ¥80,000 for inpatients, thus increasing the amount of patients' co-payments.
Collecting premiums from the elderly	Create an independent health insurance system for the elderly of 75 and over. These elderly people pay about 5% of their pension benefits every month (about ¥6,000 a month if the benefits are ¥120,000) as premiums for the system.

3.2 Estimate equation and ranking

The specific estimate equation used in this paper is as follows:

$$U_{i,k}^* = \beta_0 + \sum \beta_x X_{i,k} + \sum \beta_z Z_i + v_{i,k} \quad (1)$$

$$C_{i,k} = \begin{cases} 1 & \text{if } U_{i,k}^* > 0 \\ 0 & \text{otherwise} \end{cases}$$

$$v_{i,k} = \varepsilon_{i,k} + u_i$$

Here, Dependent Variable $C_{i,k}$ is the variable for choosing the plan under the status quo (the 30% co-payment plan for the elderly or the plan to triple the premium rate for the working generation) or the scenario; if the subject chooses the scenario, the variable is 1, while if the subject chooses the plan to under the status quo, it is 0. The theory behind this is as follows: supposing the difference in the utility for individuals between the scenario and the plan under the status quo to be dU^* , where $U^* = U_1(\text{scenario}) - U_0(\text{the plan under the status quo})$.

It can be considered that if $U^* > 0$, $C_{i,k} = 1$, and if $U^* \leq 0$, $C_{i,k} = 0$. Independent Variable $X_{i,k}$ is an attribute and is, in the case of the elderly, (1) Ratio of insurance benefits (10% or 20%), (2) Insurance coverage of minor health care (1 if covered by insurance or 0 if totally charged to the patient), (3) Insurance coverage of advanced health care (1 if covered by insurance or 0 if totally charged to the patient), (4) Insurance coverage of terminal health care (1 if covered by insurance or 0 if totally charged to the patient), (5) Patient cost-sharing for the fees for high-cost medical care (1 if doubled or 0 if kept on the current level) or (6) Collection of premiums from the elderly (1 if collected or 0 if not). For the working generation, the variable is (1) Premium rate (doubled or no change), (2) Insurance coverage of minor health care (1 if covered by insurance or 0 if totally charged to the patient), (3) Insurance coverage of advanced health care (1 if covered by insurance or 0 if totally charged to the patient), (4) Insurance coverage of terminal health care (1 if covered by insurance or 0 if totally charged to the patient) or (5) Patient cost-sharing for the fees for high-cost

medical care (1 if doubled or 0 if kept on the current level).

Index k corresponds to the scenario. Z_i is the variable showing the individual's attributes which do not vary according to scenarios and represents sex, age, educational background, health problems, income and the like. As for Individual i, because it is supposed that there exists a certain correlation even if the scenario is changed, Individual Effect u_{ij} is added to the error terms, and a probit model taking account of random effects (Butler and Moffitt (1982)) is constructed. u_{ij} is supposed to follow the following normal distribution:

$$u_i \sim N(0, \sigma_u^2)$$

Each of the coefficients of the estimated attributes, β , shows the marginal utility, i.e., to what extent the theoretical utility (U^*) would change if the attribute changes by one unit. If two attributes (X_1, X_2) are taken from Equation (1), and are totally differentiated and arranged at the point where the utility is maximized ($dU^* = 0$),

$$\frac{dX_1}{dX_2} = -\frac{\beta_2}{\beta_1} = -\frac{U_2}{U_1} \quad (2)$$

Thus, the ratio of Coefficient β between the two attributes can be regarded as the ratio of the marginal utility. Therefore, the relative importance of each policy that reflects consumer preference can be seen by placing the bench mark at a certain place.

Also, if the costs of each policy can be known, it is possible to compare the marginal utilities of the costs of the policies by dividing the denominators and numerators of Equation (2) by the costs of each policy. That is, if X_1 and X_2 are divided by P_1 and P_2 , the costs of each policy,

$$\frac{\beta_2/P_2}{\beta_1/P_1} = \frac{U_2/P_2}{U_1/P_1} \quad (3)$$

Thus, if $\beta_2/P_2 > \beta_1/P_1$, the utility would increase more where X_1 is reduced and X_2 is maintained in case the ratio is larger than 1. In other words, it is possible to give the order of priority to X_1 and X_2 ; for example, it can be concluded that Benefits X_1

should be rationalized (e.g., reduced) before Benefits X2.

3.3 Data: outline and descriptive statistics

The data used in this paper is that of the questionnaire survey (Survey on the Better Form of Patient Cost-sharing) for the elderly of 70 and over who had some health problems, which the authors themselves planned, prepared and conducted from February to March 2004. The samples are the national monitors of research firms who are the elderly of 70 and over and with some health problems. The reason that the elderly subjects are limited only to those having health problems is that in the preliminary survey conducted in 2003, the subjects were limited to the elderly who had health problems and were regularly visiting (or visited) their family doctor and the authors wanted to construct a continuous panel data of this survey in 2003 and the present survey in 2004.

〈Table 2〉 Descriptive statistics of the questionnaire survey for the elderly

	No. of samples	Average	Standard deviation	Minimum value	Maximum value
Ratio of health insurance benefits (30% co-payments) *	12640	1.4375	0.496098	1	2
Covering minor health care by insurance *	12640	0.5625	0.496098	0	1
Covering advanced health care by insurance *	12640	0.5	0.50002	0	1
Covering terminal health care by insurance *	12640	0.5	0.50002	0	1
Increasing co-payments for high-cost medical care*	12640	0.5625	0.496098	0	1
Collecting premiums from the elderly *	12640	0.5625	0.496098	0	1
Selecting a scenario	10983	0.351634	0.477502	0	1
Sex (men = 1)	12640	0.305063	0.460452	0	1
Age	12048	79.36122	5.539867	70	97
Education (junior college and up = 1)	12640	0.506329	0.49998	0	1
Blood pressure/blood vessel-related health problems (e.g., hypertension, arteriosclerosis)	12640	0.527848	0.499244	0	1
Heart-related health problems (e.g., angina pectoris)	12640	0.193671	0.39519	0	1
Glycosuria-related health problems (e.g., diabetes)	12640	0.127848	0.333934	0	1
Brain-related health problems (e.g., cerebral infarction, subarachnoid hemorrhage)	12640	0.088608	0.284188	0	1
Digestive organ-related health problems (e.g., chronic gastritis, stomach ulcer, duodenal ulcer)	12640	0.108861	0.311477	0	1
Respiratory organ-related health problems (e.g., asthma, chronic bronchitis)	12640	0.070886	0.256645	0	1
Health problems such as lumbago, stiff shoulders, arthritis and rheumatism	12640	0.316456	0.465111	0	1
Eye-related health problems (e.g., glaucoma, cataract)	12640	0.343038	0.474743	0	1
Kidney-related health problems (e.g., kidney diseases, renal insufficiency)	12640	0.024051	0.153213	0	1
Anus-related health problems (e.g., blind piles, bleeding piles)	12640	0.037975	0.191143	0	1
Household income	11648	793.1319	405.1284	200	2,000
Elderly's income	11440	239.6503	214.203	100	1,500
Household assets	11120	4501.079	3835.174	300	15,000
Elderly's assets	10944	2016.813	2472.619	200	10,000

Note: Income and assets are in ten thousand yen (annual values). Items with * are attributes.

The number of the samples is 920 elderly people. Effective responses were obtained from 790 elderly people and 757 working-generation individuals (the effective response rate: 85.8% and 84.1%, respectively). Because in the questionnaire for the elderly, there are some cases where respondents have difficulty answering the questions properly due to old age, the answers were mostly given by the children or their spouses living together with the elderly respondents by asking the questions to the respondents, who were their parents or parents-in-law. The national monitors are randomly selected by research firms from the basic register of residents in such a way that their distribution may be as close to the census base as possible. But it should be noted that biases enter at the point when those selected in this way decide whether they should serve as monitors or not. In addition, because only the elderly having

health problems were sampled, the respondents included no healthy elderly people (who did not visit any medical institutions). Biases enter in this sense, too. Tables 3 is the descriptive statistics of each of the variables used for the analysis.

3.4 Estimation results

The estimation results are as shown in Tables 5.

〈Table 3〉 Estimation results of the questionnaire survey for the elderly

	Coefficient	Standard error	p-value	Marginal effect
Ratio of health insurance benefits (30% co-payments) *	0.102129 **	0.033917	0.003	0.03563
Covering minor health care by insurance *	0.550676 **	0.034222	0	0.186924
Covering advanced health care by insurance *	0.412372 **	0.034253	0	0.143108
Covering terminal health care by insurance *	0.587935 **	0.034131	0	0.202878
Increasing co-payments for high-cost medical care*	-0.18996 **	0.033438	0	-0.06661
Collecting premiums from the elderly *	-0.14495 **	0.033054	0	-0.05077
Sex (men = 1)	-0.17884	0.095635	0.061	-0.06112
Age	-0.02217 **	0.007354	0.003	-0.00774
Education (junior college and up = 1)	-0.04368	0.082847	0.598	-0.01524
Household income	-0.00021 *	0.000101	0.035	-7.4E-05
Elderly's income	0.000222	0.000172	0.197	7.74E-05
Blood pressure/blood vessel-related health problems (e.g., hypertension, arteriosclerosis)	-0.27434	0.078407	0	-0.09592
Heart-related health problems (e.g., angina pectoris)	0.206217 *	0.089615	0.021	0.074075
Glycosuria-related health problems (e.g., diabetes)	0.076818	0.112525	0.495	0.027186
Brain-related health problems (e.g., cerebral infarction, subarachnoid hemorrhage)	0.01923	0.100597	0.848	0.006736
Digestive organ-related health problems (e.g., chronic gastritis, stomach ulcer, duodenal ulcer)	0.04568	0.125817	0.717	0.016078
Respiratory organ-related health problems (e.g., asthma, chronic bronchitis)	0.298963 *	0.11697	0.011	0.110113
Health problems such as lumbago, stiff shoulders, arthritis and rheumatism	0.240312 **	0.086382	0.005	0.085433
Eye-related health problems (e.g., glaucoma, cataract)	-0.18295 *	0.089645	0.041	-0.0629
Kidney-related health problems (e.g., kidney diseases, renal insufficiency)	-0.21873 **	0.00168		-0.07171
Anus-related health problems (e.g., blind piles, bleeding piles)	-0.43753 *	0.210088	0.037	-0.13447
Constant term	0.740026	0.593994	0.213	

Note: The probit estimation taking account of random effects was used for estimation. The number of samples are 9,546, which is the number of individuals (616) multiplied by the number of scenarios except the samples with missing values .

Log likelihood = -4,597.82.

First, the estimation results of the questionnaire survey for the elderly (Table 5) show that all of the attributes have the expected sign and are significant. That is, (1) the higher is the ratio of health insurance benefits, the easier it is for the respondent to support the scenario, (2) it is easier for the respondent to support the scenario if minor health care is covered by insurance, (3) it is easier for the respondent to support the scenario if advanced health care is covered by insurance, (4) it is easier for the respondent to support the scenario if terminal health care is covered by insurance, (5) it is easier for the respondent to support the scenario if the upper limit of the co-payments for high-cost medical care is lower (the co-payments are smaller), and (6) it is easier for the respondent to support the scenario if no premiums are collected from the elderly. Other significant variables shows that the younger the respondent is, the easier it is for them to support the scenario and that the lower the household income of the respondent is, the easier it is for them to support the scenario. The variables of some health problems also have significant effect.

3.5 Interpretation and Remarks

Now let's compare the marginal utility discussed in Section 2.3 on the basis of the estimation results in Tables 5. Table 7 shows the ratio of the utility of each of the attributes to the utility of the plan to increase co-payments by 10% calculated using the coefficients obtained in the estimation results of the questionnaire survey for the elderly. According to this table, the utility value of covering minor health care by insurance, for example, is higher than that of the plan to increase co-payments by 10% (10% co-payment increase plan) by as much as 5.39 times, which means that if the elderly having health problems are asked to choose either the 10% co-payment increase plan or the plan to exclude minor health care from insurance coverage, they would choose the plan to increase the ratio of co-payments by continuing the present insurance coverage of minor health care. Similarly, it proves that advanced health care has the value higher than the 10% co-payment increase plan by 4.04 times, terminal health care, by 5.76 times, increase in co-payments for high-cost medical care, by 1.86

times, and collecting no premiums from the elderly, 1.42 times.

〈Table 7〉 Ratio of the utility of each of the policies to the utility of the 10% co-payment increase plan
(the questionnaire survey for the elderly)

Minor health care	Advanced health care	Terminal health care	Increasing co-payments for high-cost medical care	Collecting premiums from the elderly (5% a month)
5.39	4.04	5.76	1.86	1.42

Note: The figures are those obtained by dividing the coefficient of each of the attributes in the estimation results shown in Table 5 by the coefficient for the ratio of health insurance benefits.

But the problem is how much cost each of the attributes entails actually, and to give the order of priority to the policies, there is the need to compare the utility in relation to the costs as shown in Equation (3) in Section 2.3. Because it is difficult to compute the costs of all the attributes, let's do a simple trial calculation, on an experimental basis, for giving the order of priority to minor health care and terminal health care for the elderly. As for the costs of terminal health care, both the Foundation of Social Development for Senior Citizens (1994) and Konno (2003), which are the preceding studies that estimated the costs using the data of doctor's claims for medical fees, reported that the costs are about 20% of the health care expenditure for the elderly. Therefore, by multiplying the present health care expenditure for the elderly amounting to ¥11.7 trillion (Japanese Yen) by 20%, the costs can be estimated at ¥2.34 trillion (Japanese Yen). For the costs of minor health care, the "Survey on Social Health Services 2000" published by the Ministry of Health, Labour and Welfare shows the distribution of health care expenditure for the elderly by medical fee point. By multiplying ¥11.7 trillion by 0.041, the value obtained by dividing the total number of points for health care services of 1,000 points or less, the costs are estimated at ¥0.48 trillion (Japanese Yen). Then, after we divide the coefficient for minor health care and that for terminal health care given in Table 3, respectively, by ¥2.34 trillion (Japanese Yen) and by ¥0.48 (Japanese Yen) trillion, we find that while the utility value of minor health care related to the costs was 1.15, that of terminal health care related to the costs was only 0.25. Therefore, comparing these two policies for the

elderly with each other, it can be said that it would be better to rationalize terminal health care cost earlier than minor health care cost.

In this section, the author proposed the technique for examining preference using the contingent valuation method as a method for giving the order of priority to the policies for changing patient cost-sharing and health insurance coverage, which are expected to become more important in the future reforms of the health care system. More specifically, the author compared the utility values of each policy using the data of the questionnaire surveys for the elderly having health problems and for the working generation, which they originally planned and conducted. The author also compared, as an experimental calculation, the utility of minor health care and terminal health care in relation to the costs, and found that the elderly having health problems have preference for minor health care over terminal health care. It is needless to say that many problems remain to be solved before using the method presented in this paper as a policy standard in an actual situation, and accurate calculation of the costs must be made as to more attributes.

The Public Pension System and the Option of the Pension Reforms in Japan

-Based on Microsimulation Analyses-

Seiichi Inagaki¹⁾

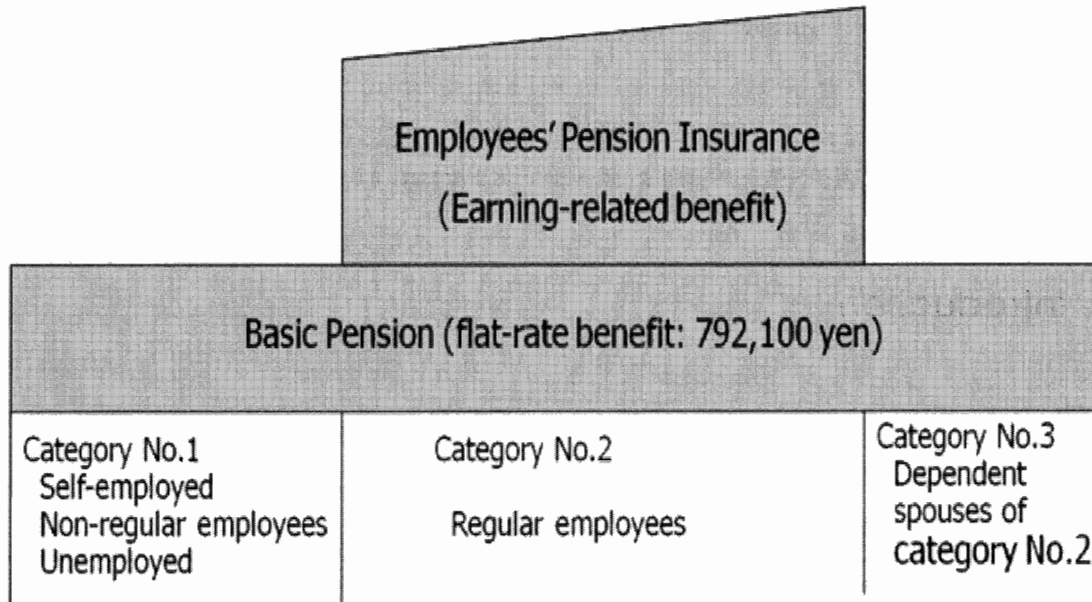
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1. Introduction

The advent of a super-aged society unparalleled in the world is the forecast for Japan in the near future due to the rapid progression of a declining fertility rate and an aging population. According to an estimate of the National Institute of Population and Social Security Research (Kaneko et al., [1] and IPSS [2]), the number of elderly people 65 years or older will increase from 25,760,000 (20.2%) in 2005 to 36,670,000 people (31.8%) in 2030. It is projected that there will be a great change to the co-resident of families of elderly people such as those living alone (excluding those institutionalized), which is expected to increase from 3,870,000 people to 7,170,000 people.

The public pension scheme in Japan is depicted in Figure 1. It is a two-tier system that consists of a flat-rate benefit called "the basic pension" and an earnings-related benefit for regular employees. Since the public pension scheme in Japan is based on a social insurance system, and a considerable number of people exist who do not pay their premiums, we are concerned about the growing number of the elderly with low pension amounts. Moreover, the number of elderly people living alone, who can expect little private support from their children, will increase significantly.

[figure 1] The public pension system in Japan



At the same time, there are significant problems within the public pension scheme such as mismanaged pension records, resulting in mistrust and causing a national debate. The report of the Pension Committee of the Social Security Council [3] held on 29 September 2008 shows 7 viewpoints and the first of these raises the issue of the "revision of pension benefits for the elderly with low pensions and low incomes."

In the meantime, what is the current status of elderly people with low pensions and low incomes, and will the number of these elderly people increase in the future? Unfortunately, few results of simulations published by the government remain on typical cases of family finances presently or at a matured stage, and the simulations do not show the results on future estimates such as the distribution of pension amounts. Regarding this point, the interim report of the National Council for Social Security [4] points out that "it is difficult to conceive of a great increase in the number of people without pension benefits in the future; rather, if the current rate of non-payments for the National Pension continues, a certain proportion (about 2%) of elderly people will be continually without a pension."

Making future projections on income distribution is essential for the discussion on the elderly with low pensions and low incomes. A dynamic microsimulation model is

the method used to make such projections, but the research regarding the microsimulation model in Japan is slight. Shiraishi [5] applied his microsimulation model PENMOD to the Japanese pension system. However, his model incorporates only pension benefits, and not any other income such as the earnings⁴⁾ of the elderly or the incomes of co-resident family members. In addition, this model analyzed the total costs of pension benefits; however, it did not show any distribution of pension amounts.

Research regarding future projections on income distribution in Japan are found in Inagaki [6], [7] who used the INAHSIM model (Integrated Analytical Model for Household Simulation). Inagaki [6] made projections for the distribution of earnings⁵⁾ to analyze the impact of the increase in non-regular employment on income disparities in Japan. Inagaki [7] added the pension benefit to that model, and analyzed the effect of the aging society on Japan's poverty rates in the long term.

One of the important features of INAHSIM is its function to simulate family changes in Japan. Fukawa [8] analyzed the changes in household structure using INAHSIM, and Fukawa [9] analyzed families and their health as well as the long-term care expenditures of the elderly.

On the other hand, research on pension reform plans using other simulation models such as overlapping generation models exist in abundance. However, those models do not show a distributional aspect such as the income distribution of the elderly. For example, Okamoto [10] examined the effects of the introduction of a minimum guaranteed pension in a quantitative way, and he showed that the basic pension financed by tax is basically more preferable than the introduction of a minimum guaranteed pension.

The objective of this study is to prepare projections for the income distribution of households containing elderly people using the Japanese microsimulation model, INAHSIM, and to evaluate the effect of the proposals for public pension reform on the income level of the elderly.

4) The earnings are incorporated in this model only for the calculation of their pension amounts. They are not used for the future estimate of the income distribution.

5) This research used the old version of INAHSIM, and it took into account only earnings.

2. The simulation cycle of INAHSIM

The simulation cycle of INAHSIM⁶⁾ is shown in Figure 2. The life events are assumed to occur in annual cycles. The life events incorporated in this model are marriage, birth, death, divorce, international migration, change in health status, change in employment status, estimating earnings, determining pensions, young people leaving home, living with elderly parents, entering an institution, and payment of pension premium.

The key life events used in the simulation for the income distribution of the elderly are "Living with elderly parents," "Estimating earnings," and "Determining pensions."

The first event is "Living with elderly parents." When elderly people, who do not live with their children, become very old and need care, many children move in with their elderly parents to take care of them. This is an important life event to secure the life of the elderly in Japan.

The second event is "Estimating earnings." Earnings are assumed to conform to a log-normal distribution by sex, age group, and employment status. The earnings of each person are determined by one's percent rank. The percent rank represents one's ability to earn money, and it is constant throughout one's life.

The third event is "Determining pensions." The pension amount is estimated on the basis of a pensioner's percent rank and subscription category assuming the distribution of the newly awarded pension amounts. Early and deferred pensions are not considered.

6) INAHSIM (version.3.3) is used for this simulation. See [11] for its previous versions.

[Figure 2] The simulation cycle of INAHSIM

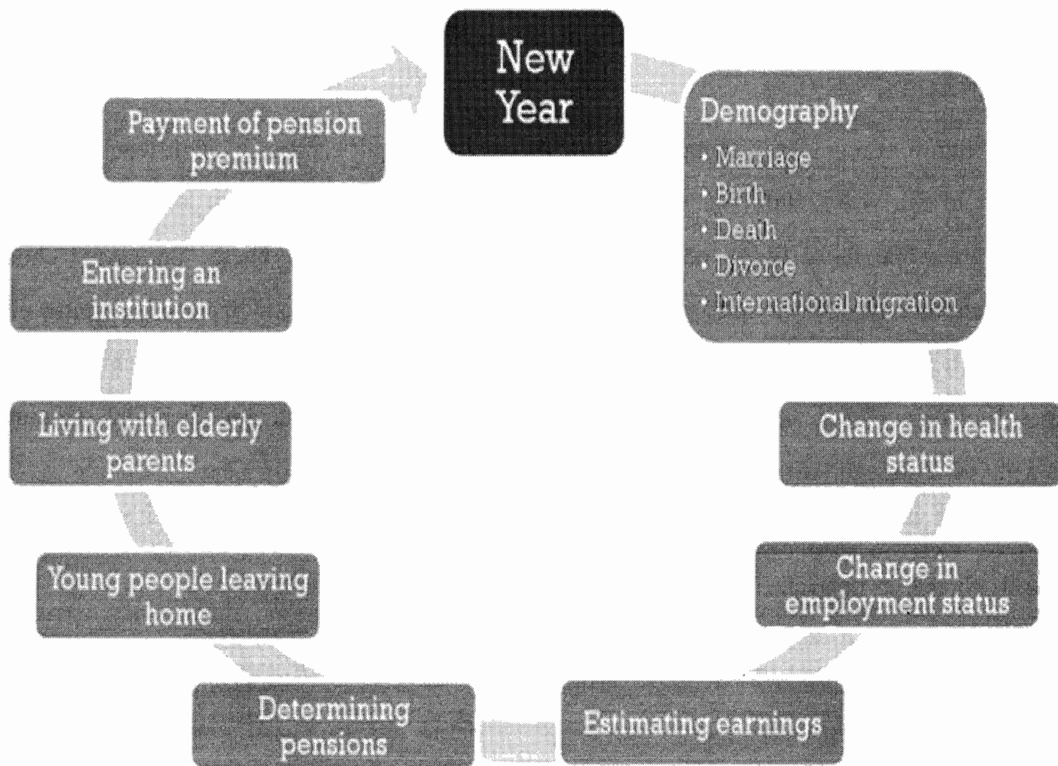


Figure 2. The simulation cycle of INAHSIM.

The initial population⁷⁾ of this model is scaled down to 1/1000th of the population of Japan, and the size is 127,782 persons and 49,307 private households. As mentioned in Inagaki [11], an average of 100 simulation runs is taken for the results to reduce the stochastic error. Therefore, the substantial size of the initial population is very large, and the stochastic error derived from using the Monte Carlo method is negligible.

3. Prospects of the elderly in the future

3.1. Population ageing rates by co-resident family type

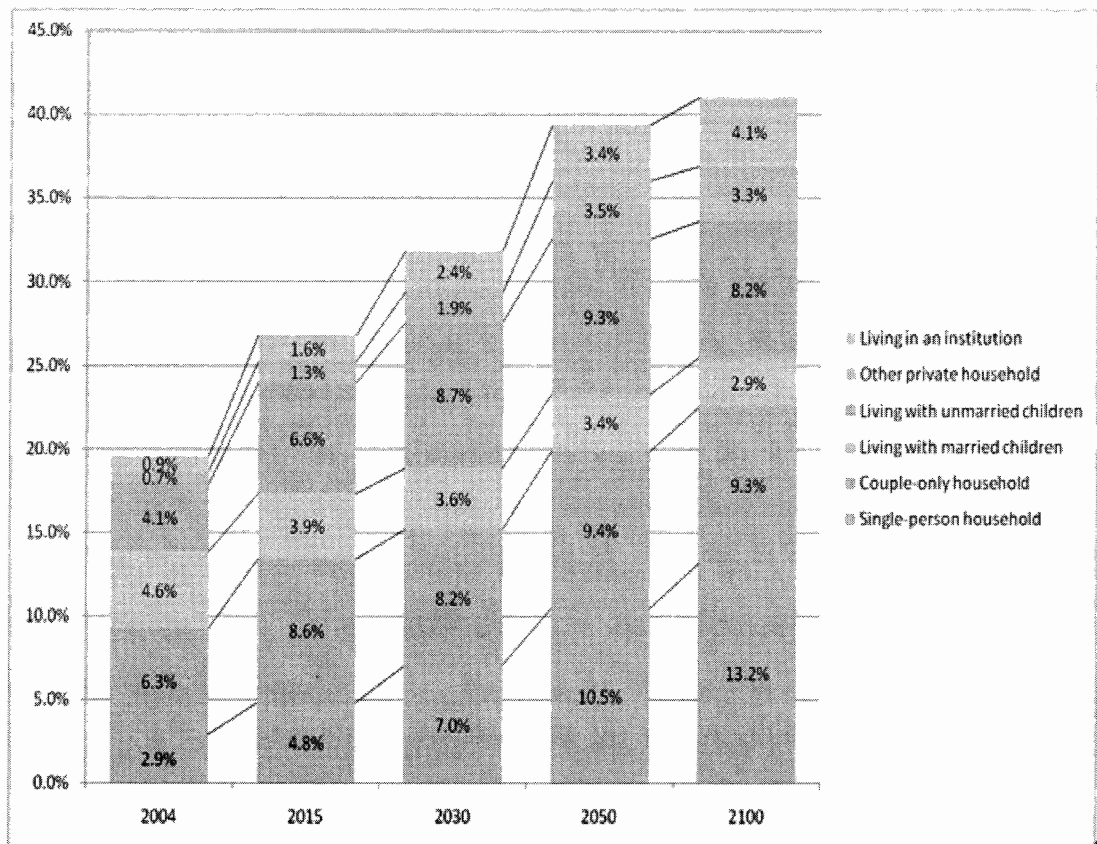
Figure 3 shows future trends in population ageing rates by co-resident families of the elderly divided into household types of, besides those in an institution,

7) The source of the initial population is "Comprehensive Survey of Living Conditions, 2004" conducted by the Ministry of health, Labor and Welfare.

single-person households, couple-only households, those living with married children, those living with unmarried children, and other private households. The population ageing rate will increase from 19.6% in the year 2004 to 31.8% in 2030, 39.4% in 2050, and 41.0% in 2100.

In the future, the elderly living alone will increase significantly. It will reach 13.2% per population in the year 2100. The elderly living with unmarried children is also increasing by a large margin while those living with married children will decrease. These "unmarried children" are a future case of today's "parasite singles."⁸⁾ This is a case of both parents becoming elderly while the children cannot become independent of the parental roof because the children do not have sufficient economic resources due to their unstable employment, and therefore, continue to live with their parents without getting married.

[figure 3] Trends in population ageing rate by co-resident family type

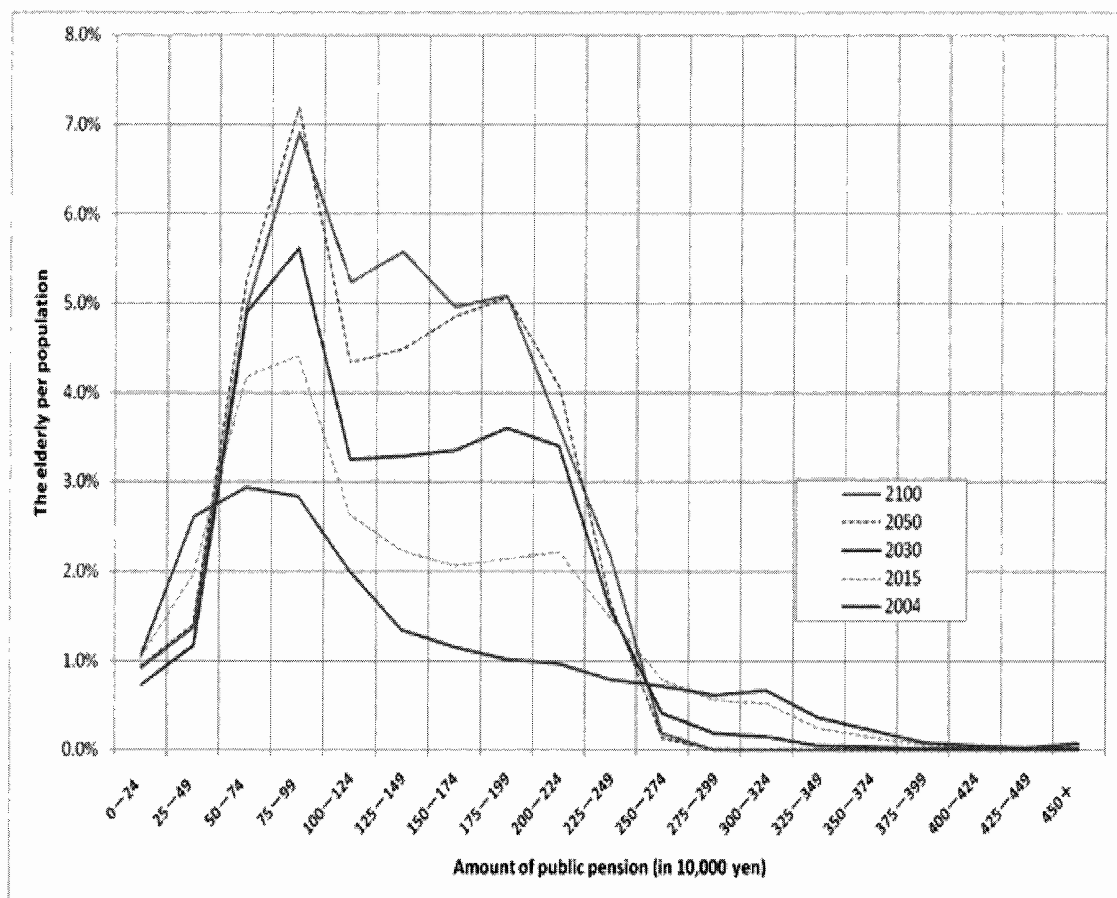


8) A Japanese-English term for single adults who live with their parents and do not marry until their late twenties or thirties

3.2. The distribution of public pension amounts

Figure 4 shows future trends in the distribution of public pension amounts to the elderly for the case in which the current pension scheme is maintained. There is a peak of 0.75-0.99 million yen after the year 2015. This is formed by those who were the subscribers of category No.1. The flat distribution between 1.00-2.24 million yen will be observed. This is formed by those who were the subscribers of the Employees' Pension Insurance (category No.2) and beneficiaries of survivors' pension.

[figure 4] Trends in distribution of public pension amounts



It also shows that the number of the elderly with low pensions will not increase even though the number of the elderly will increase significantly. This is because of the maturity of the public pension system and the establishment of pension rights for

dependent wives, which was introduced in the amendment in 1985. Since the dependent wives participated voluntarily in the public pension scheme before 1985, some of them would not be eligible for the public pension. After the amendment, their participation became compulsory as category No.3 subscribers, and their basic pension eligibility has been promised.

On the other hand, the number of the elderly with very high pensions will decrease significantly. This decline is thought to be caused by a reduction in the pension level for men due to the pension fairness adjustment and the transfer of a part of the husband's employees' pension to the wife's name as a basic pension by the amendment in 1985.

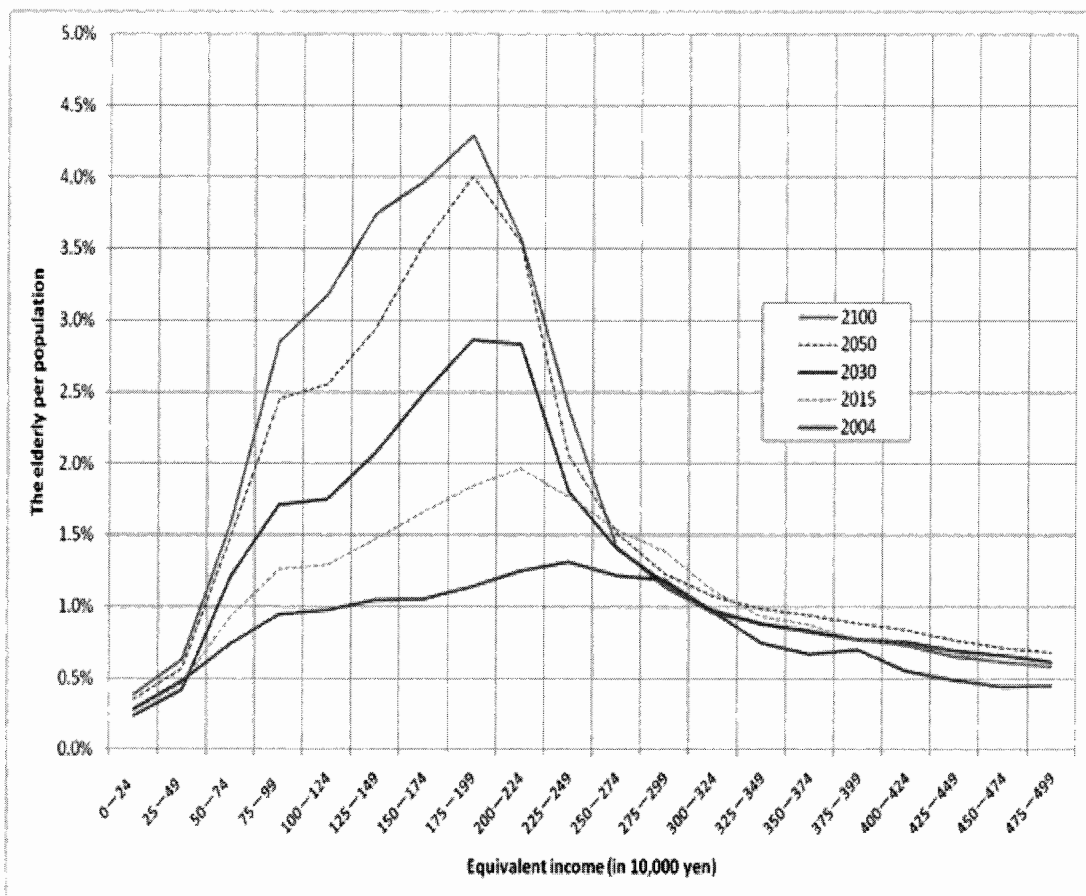
3.3. The distribution of equivalent income

Figure 5 shows future trends in the distribution of equivalent income. The equivalent income is defined as the total income of the co-resident family divided by the square root of the number of household members. This equivalent income represents the income level of the elderly adjusted by household size.

In 2004, the distribution is wide due to the variety of living arrangements for the elderly and the wide distribution of their pension amounts. However, the distribution will have a clear peak around 1.75-1.99 million yen after the year 2030, and the number of elderly with high equivalent income will not increase. On the other hand, the number of elderly with low equivalent income will increase considerably.

Even though the public pension level for the low-pension group will be improved, their equivalent income will not seem to be improved. This may be due to the effect of an offset with the reduction in private support from their co-resident families as a result of the increase in the number elderly living alone. In the midst of the decline in the Japanese population, the increase in the numbers of the low-income elderly causes concern because it will have a significant effect on Japanese society.

[figure 5] Trends in distribution of equivalent income

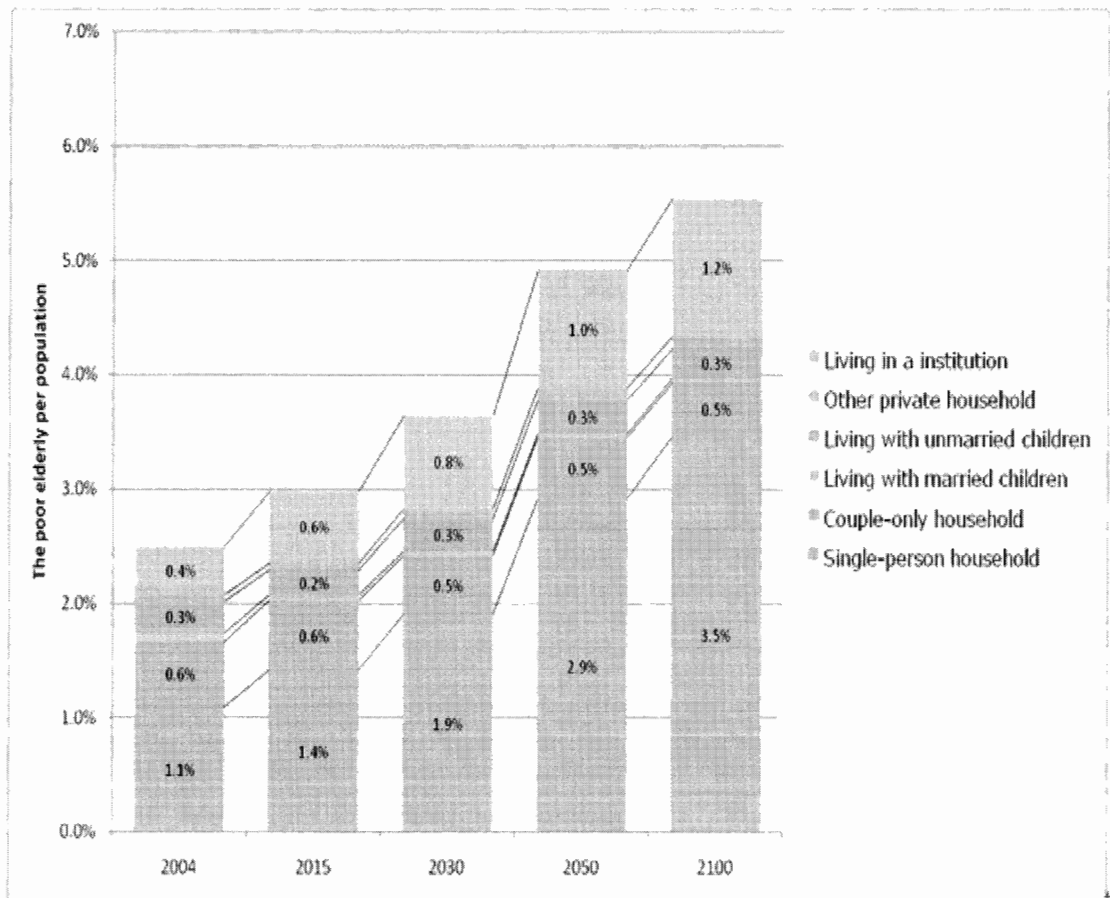


3.4. Future trends in the poor elderly per population

The definition of "poverty" is not concrete, but here, we consider the poverty line for the elderly is less than 1 million yen of their equivalent income. If their equivalent income is less than 1 million yen in Japan, it is usually very difficult to maintain their life without any financial assistance.

Figure 6 shows future trends in the poor elderly per population by their co-resident family type. The percentage will increase from 2.4% in the year 2004 to 3.6% in 2030, 4.8% in 2050, and 5.5% in 2100. Most of the poor elderly are the single-person households. This means that the current pension scheme will not provide sufficient income security for the elderly in the future due to the significant change in family arrangement of the elderly.

[figure 6] Trends in the poor elderly per population



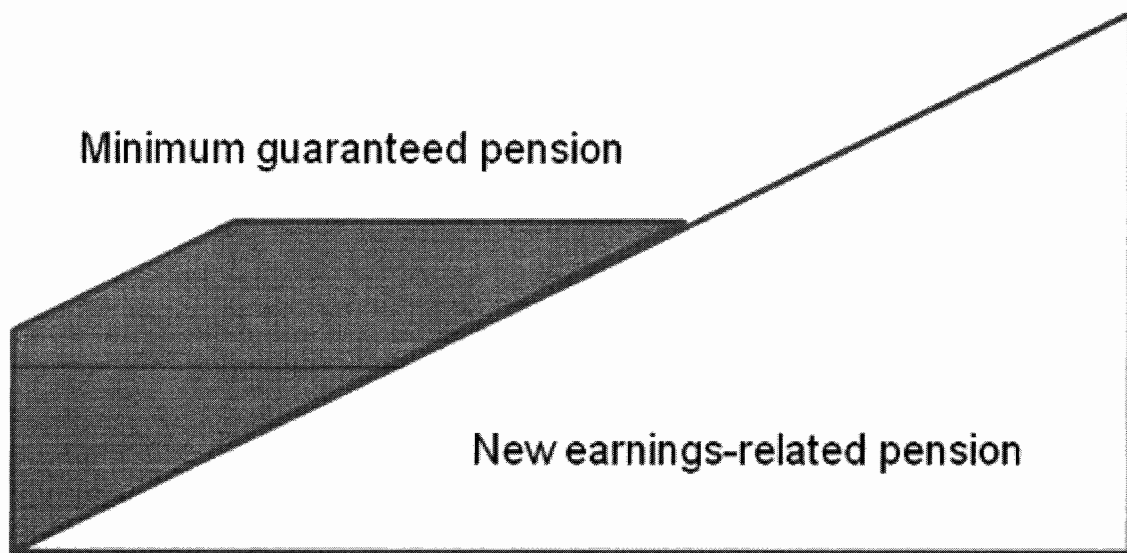
4. A proposed pension reform plan and its evaluation

4.1. A proposed pension reform plan

There are many proposals for public pension reform. Here, we consider a uniform earnings-related pension, which was proposed by the Democratic Party a few years ago. The idea is to combine earnings-related pension and minimum guaranteed pension, which is depicted in Figure 7. However, the specific values of the level of minimum pension or the maximum earnings to provide the minimum pension were not clear. In this paper, we assume the specific values as follows. This new formula will be applied to the insured period after the fiscal year 2015.

- (1) ERP = average earnings x 50%
- (2) MGP = 840,000 if ERP < 500,000
- (3) MGP = 840,000 - (ERP-500,000) x 0.75 if ERP < 1,620,000 yen
- (4) MGP = 0 if ERP > 1,620,000 yen³

[figure 7] Combined earnings-related pension/minimum guaranteed pension

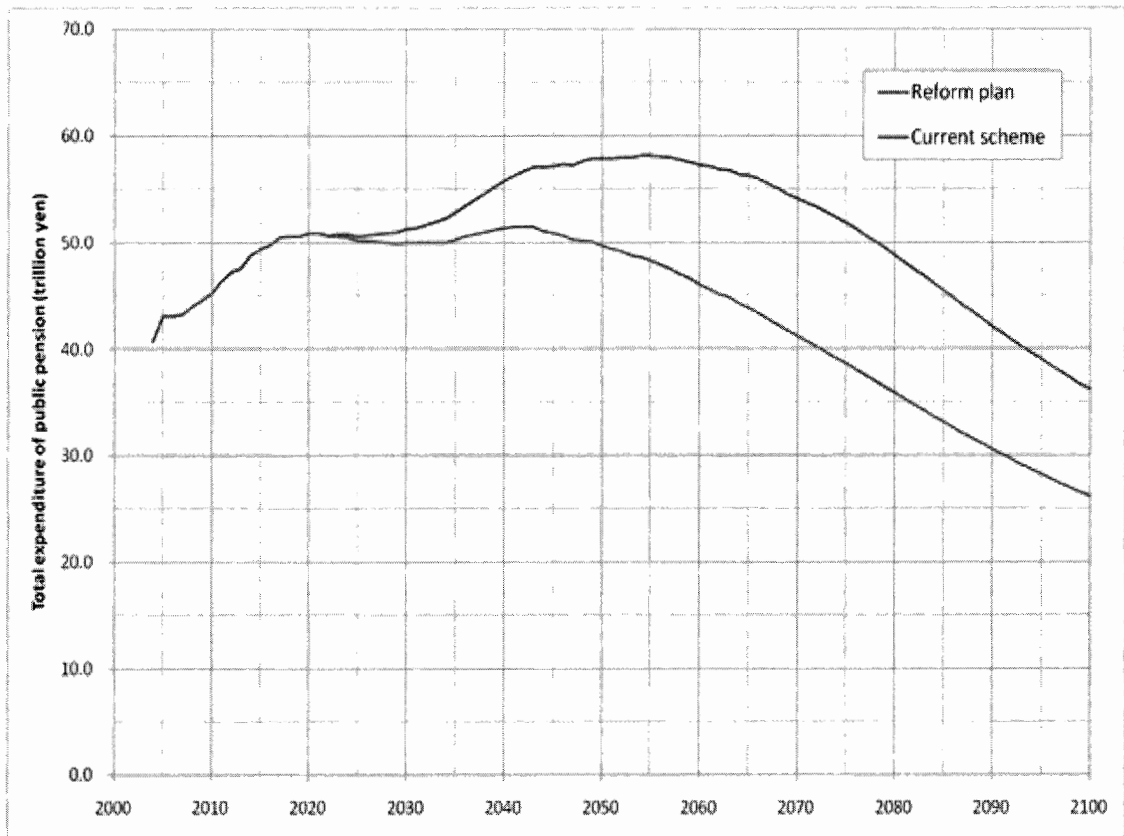


4.2. Future trends in the poor elderly per population

Figure 8 compares the future trends in the poor elderly per population between the current scheme and the proposed reform plan. If the current scheme is maintained, the poor elderly per population will increase from the 2% level in 2004 to the 5% level after the year 2050. It will be a serious problem in the Japanese society.

The effect of the pension reform will emerge gradually, and after the year 2060, the poor elderly per population will fall below the current level. However, by the year 2030, there is very little effect on the reduction of the poor elderly. It will become necessary to undertake another measure for the poor elderly.

[figure 8] Trends in the poor elderly per population



5. Future directions

Japanese society cannot avoid rapid changes such as aging and a shift toward a depopulating society. In the midst of the increase in the elderly, the need for social security is also increasing, and how to efficiently distribute the revenue pie that is feared to be shrinking into social security benefits is an important policy issue. Still, macro future estimates such as the population projections or the actuarial review of pension schemes are prepared by the government while micro future estimates such as the income distribution are not prepared even though their importance is recognized.

We illustrated the prospects of the elderly in the future under the current pension scheme by using the Japanese microsimulation model INAHSIM. It shows that the poor elderly per population will increase by a large margin because of the changes in their families such as the increase in the number of elderly living alone although the level

of their pension will be raised. Then, simulations were performed for the proposed pension reform plan. The simulation results show that the reform plan will reduce the poor elderly but its additional cost will be huge. In addition, the effect will be very little by the year 2030. As a result, we can conclude the reform plan seems to be unpractical.

The microsimulation analyses are very useful for the evaluation of social policies. There is still much need to be improved in INAHSIM. We should improve the model, and use it for more enhanced policy making.

International Symposium on Social Safety
Nets in Selected Asian Countries.

(28일) Session II

〈오후 발표〉

Economic Crisis and Institutional Response in Re-construction of China's Social Welfare System

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From State-Work unit Security System to State-Society Security System: With Historical Perspective

KIM, Byungcheol (Assistant Professor, Department of Social security, Renmin University of China)

Social Safety Net in Thailand

Yos VAJRAGUPTA (Senior Researcher, for Macroeconomics Policy program, Thailand Development Research Institute)

Social Safety Net Policy Response to Crisis: The Case of Thailand

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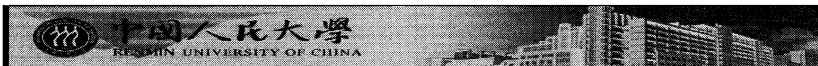


**Economic Crisis and Institutional
Response in Re-construction of China's
Social Welfare System**

中国社会福利体系重构过程中的经济危机与制度应对

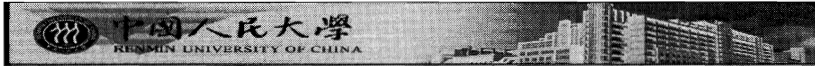
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- **Part 1 The Impact of Economic Crisis on China**
- **Part 2 The Impact of Economic Crisis on China's Social Welfare Expenditures**
- **Part 3 Economic Crisis and Re-construction of China's Social Welfare**
- **Part 4 Future of China's Social Welfare System**

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Part 1

–The Impact of Economic Crisis on China

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GDP of China

Table 1 GDP between 1998 and 2009

Year	GDP (100 million yuan)	Growth Rate (%)
1998	84402.3	7.3
1999	89677.1	7.9
2000	99214.6	8.6
2001	109655.2	8.1
2002	120332.7	9.5
2003	135822.8	10.6
2004	159878.3	10.4
2005	184937.4	12.0
2006	216314.4	12.8
2007	265810.3	14.4
2008	314045.4	9.6
2009	340506.9	9.3

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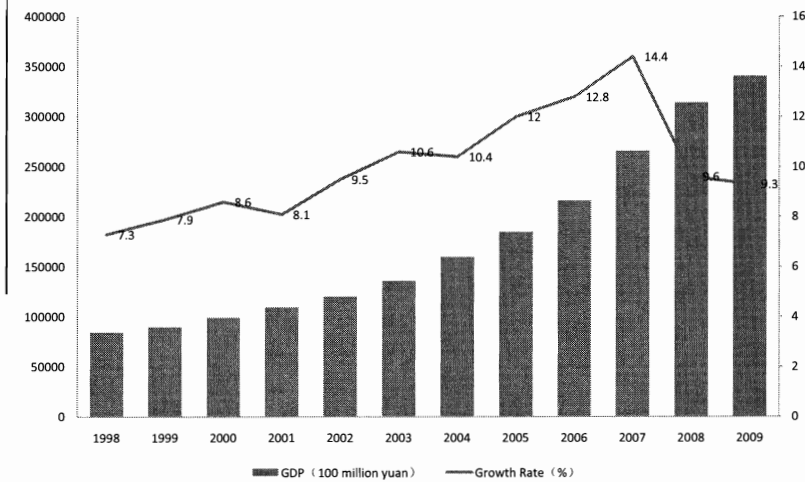


Figure 1 GDP between 1998 and 2009

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Figure 3 Number of Foreign-funded Enterprises



Foreign investment continued to increase and foreign-invested enterprises continued to enter

Table 2 Foreign Investment in China (100 million USD)

Year	Total Amount of Foreign Investment Actually Utilized	Total Amount of Foreign Direct Investment Actually Utilized	Number of Foreign-funded Enterprises (unit)
1998	585.57	454.63	227807
1999	526.59	403.19	212436
2000	593.56	407.15	203208
2001	496.72	468.78	202306
2002	550.11	527.43	208056
2003	561.40	535.05	226373
2004	640.74	606.30	242284
2005	638.05	603.25	260000
2006	670.76	630.21	274863
2007	783.39	747.68	286232
2008	952.53	923.95	434937

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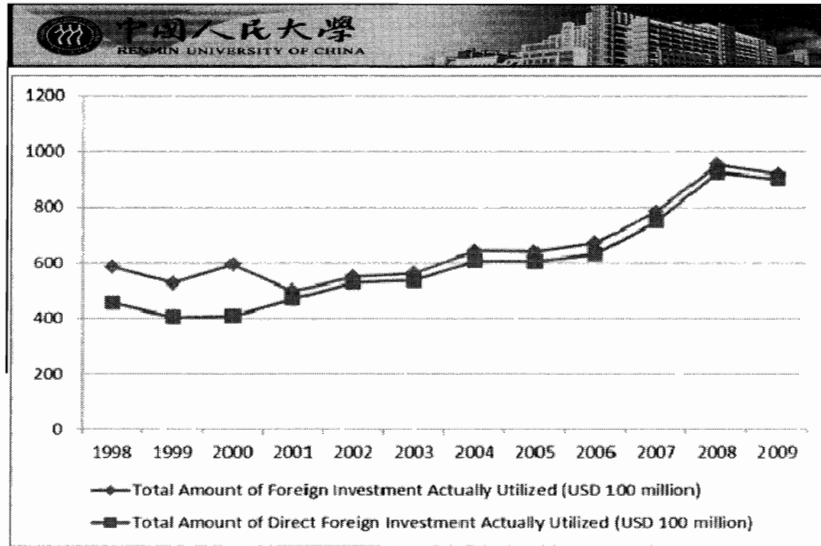


Figure 2 Total Amount of Foreign Investment Actually Utilized and Foreign Direct Investment Actually Utilized

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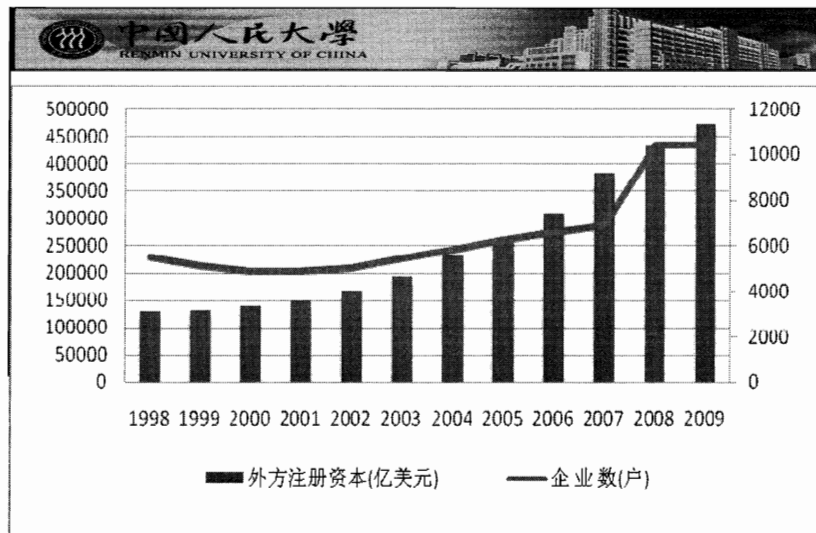


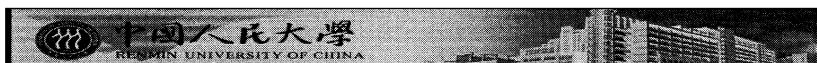
Figure 3 Number of Foreign-funded Enterprises

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- **China's GDP growth rate has slowed down significantly in the financial crisis. However, foreign direct investment in China had a certain range of promotion, and the number of foreign-invested enterprises since 2007 had been a substantial increase, indicating that international capital and enterprises had entered to China to a certain extent under the pressure of the financial crisis. China's continued reform and economic development became an haven for international capital to avoid financial crisis in some way.**

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Import and Export of China's Foreign Trade

Table 3 China's Total Value of Imports and Exports (100 million USD)

Year	Total Value of Imports and Exports	Total Value of Exports	Total Value of Imports	Balance of Trade
1998	3239.5	1837.1	1402.4	434.7
1999	3606.3	1949.3	1657.0	292.3
2000	4742.9	2492.0	2250.9	241.1
2001	5096.5	2661.0	2435.5	225.5
2002	6207.7	3256.0	2951.7	304.3
2003	8509.9	4382.3	4382.3	254.7
2004	11545.5	5933.2	5612.3	320.9
2005	14219.1	7619.5	6599.5	1020.0
2006	17604.0	9689.4	7914.6	1774.8
2007	21737.3	12177.8	9559.5	2618.3
2008	25632.6	14306.9	11325.6	2981.3
2009	22075.4	12016.1	10059.2	1956.9

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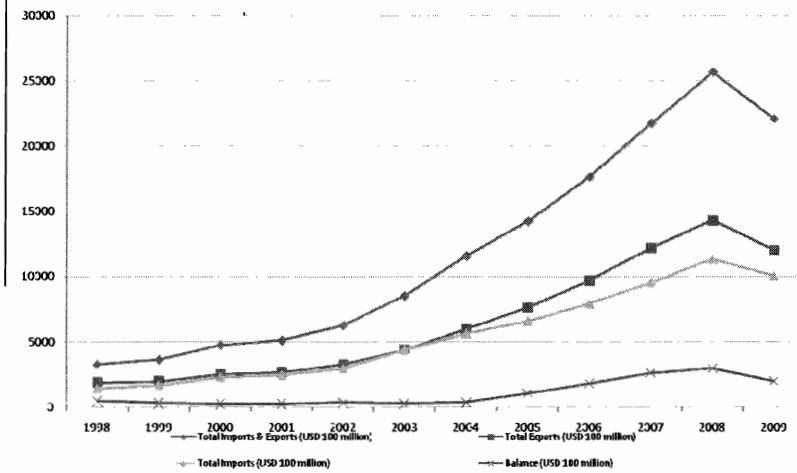


Figure 4 Total Value of Imports and Exports of China

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- The financial crisis had a tremendous impact on China's foreign trade, in 2008 China's total value of import and export decreased significantly. According to statistics, a large number of company dependent on foreign trade import and export in China's eastern coastal areas went bankrupt. According to data of NDRC (National Development and Reform Committee), the first half of 2008, about 67,000 small and medium enterprises closed down, accounting for 8.5% of the total. Even more worse since the second half, some SMEs (small and medium-size enterprises) could only survive with reduction of wages or layoffs.**

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Employment and Unemployment

Table 4 Employment of China(10000 persons)

Year	Total Number of Employed Persons	Total Number of Urban Employed Persons	Total Number of Rural Employed Persons
1998	69957	20678	49279
1999	70586	21014	49572
2000	71150	21274	49876
2001	73025	23940	49085
2002	73740	24780	48960
2003	74432	25639	48793
2004	75200	26361	48839
2005	75825	27331	48494
2006	76400	28310	48090
2007	76990	29350	47640
2008	77480	30210	47270
2009	77995	31120	46875

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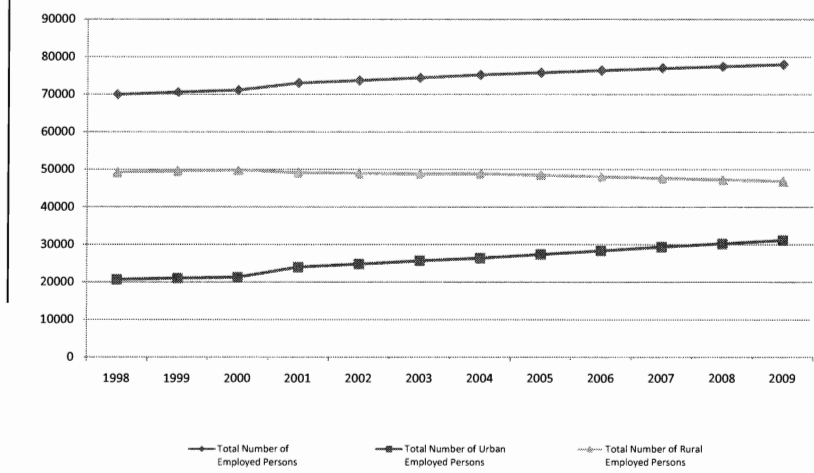


Figure 5 Employment of China(10000 persons)

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Table 5 Employment in foreign-funded enterprises in China (10000 persons)

Year	Employment of foreign-funded enterprises		
	Units with Funds from Hong Kong, Macao & Taiwan	Foreign Funded Units	Total
1998	294	293	587
1999	306	306	612
2000	310	332	642
2001	326	345	671
2002	367	391	758
2003	409	454	863
2004	469.8	563	1032.8
2005	557	688	1245
2006	611	796	1407
2007	680	903	1583
2008	679	943	1622
2009	721	978	1699

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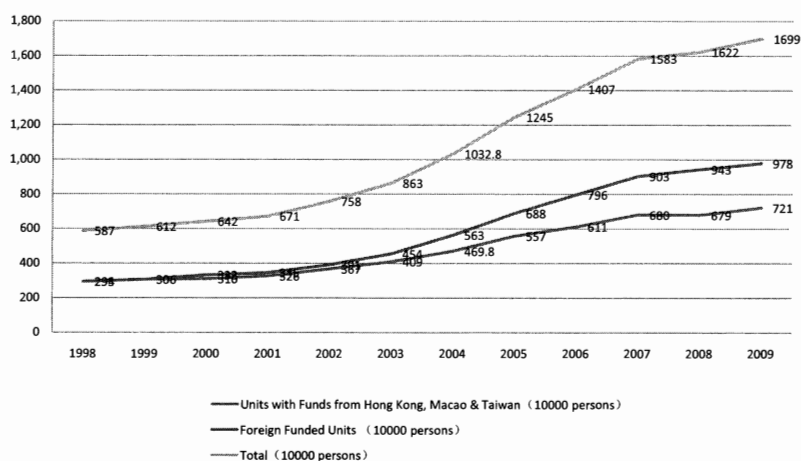


Figure 6 Employment in foreign-funded enterprises in China

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- The economic crisis had different impacts on China and the developed countries: in developed countries, financial crisis, directly brought about economic stagnation, increase the number of bankruptcies and unemployment. In China, foreign-funded enterprises gave the employee relatively favorable treatment, to some extent, it represented the entry of foreign-funded enterprises increased China's employment opportunities. But the "Foxconn 13 jumps", "Honda strike" and so on also showed that labor disputes and conflicts of foreign-funded enterprises had intensified.

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Table 6 Registered Unemployed Persons and Unemployment Rate in Urban Area of China

Year	Registered Unemployed Persons (10000 persons)	a year-on-year increase (%)	Registered Unemployment Rate (%)
1998	571	-1.0	3.1
1999	575	0.7	3.1
2000	595	3.5	3.1
2001	681	14.4	3.6
2002	770	13.1	4.0
2003	800	3.9	4.3
2004	827	3.4	4.2
2005	839	1.5	4.2
2006	847	1.0	4.1
2007	830	-2.0	4.0
2008	886	6.7	4.2
2009	921	4.0	4.3

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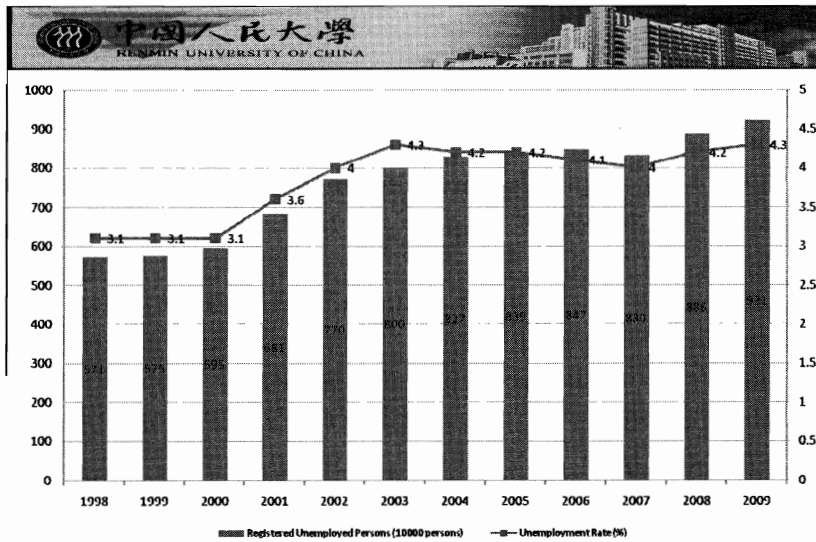


Figure 7 Registered Unemployed Persons and Unemployment Rate in Urban Area of China

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- Registered unemployed persons and unemployment rate in urban area were rising slightly under the influence of the financial crisis. It is noteworthy that China's registered urban unemployment rate did not include migrant workers, which were close to 2 billion people in this large employment groups, and these migrant workers were primarily employed in the manufacturing sector. The actual number of unemployed persons and unemployment rate were much higher than the registered. It was estimated that the economic crisis has led to China's population of 25 million or more unemployed, and most of them were migrant workers. But China's financial sector is almost intact, there is no high-level white-collar workers and professionals in large-scale layoffs, but because of external demand-oriented economy, a lot of foreign orders cancelled, resulting in a large-scale migrant workers of export-oriented enterprises returned home in the Pearl River Delta and Yangtze River Delta. Thus, in the 50 million new unemployed of the world, China accounted for half.

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Part 2

–The Impact of Economic Crisis on China's Social Welfare Expenditures

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Social Insurance

Table 7 National Social Insurance Fund Revenues, Expenditures and Accumulated Surplus (100 million yuan)

Year	Revenues	Expenditure	Accumulated Surplus
1998	1623.1	1636.9	791.1
1999	2211.8	2108.1	1009.8
2000	2644.5	2385.6	1327.5
2001	3101.9	2748.0	1622.8
2002	4048.7	3471.5	2423.4
2003	4882.9	4016.4	3313.8
2004	5780.3	4627.4	4493.4
2005	6975.2	5400.8	6073.7
2006	8643.2	6477.4	8255.9
2007	10812.3	7887.8	11266.6
2008	13696.1	9925.1	15176.0
2009	16116	12303	18942

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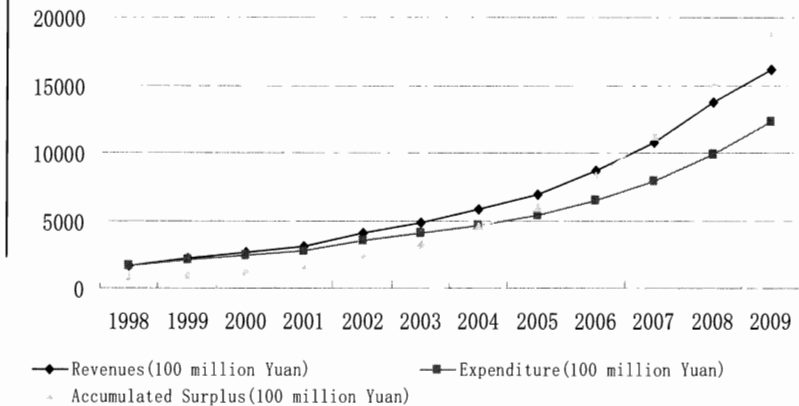


Figure 8 National Social Insurance Fund Revenues, Expenditures and Accumulated Surplus

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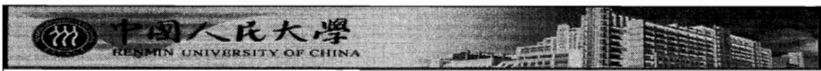


Table 8 Unemployment Insurance Fund Revenues, Expenditures and Accumulated Surplus (100 million yuan)

Year	Revenues	Expenditure	Accumulated Surplus
1998	72.6	56.1	133.4
1999	125.2	91.6	159.9
2000	160.4	123.4	195.9
2001	187.3	156.6	226.2
2002	215.6	186.6	253.8
2003	249.5	199.8	303.5
2004	291.0	211.0	386.0
2005	340.3	206.9	519.0
2006	402.5	198.0	724.8
2007	471.7	217.6	979.1
2008	585.1	253.5	1310.1
2009	580	367	1524

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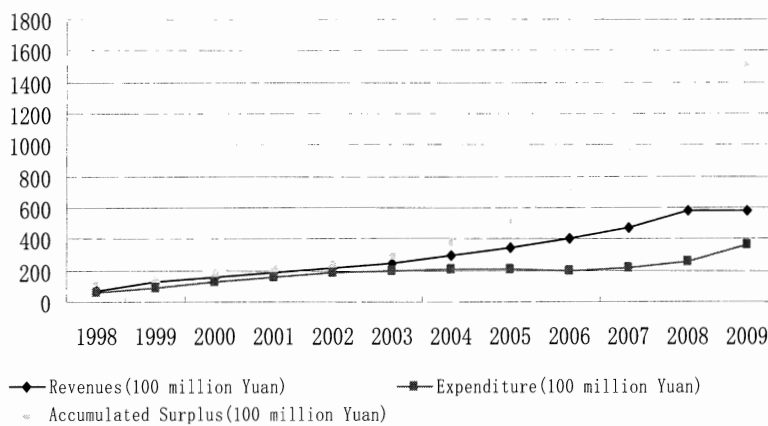


Figure 9 Unemployment Insurance Fund Revenues, Expenditures and Accumulated Surplus

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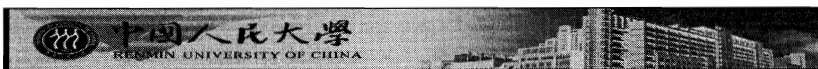


Table 9 Basic Pension Insurance Fund's Revenues, Expenditures and Accumulated Surplus (100 million yuan)

Year	Revenues	Expenditure	Accumulated Surplus
1998	1459.0	1511.6	587.8
1999	1965.1	1924.9	733.5
2000	2278.5	2115.5	947.1
2001	2489.0	2321.3	1054.1
2002	3171.5	2842.9	1608.0
2003	3680.0	3122.1	2206.5
2004	4258.4	3502.1	2975.0
2005	5093.3	4040.3	4041.0
2006	6309.7	4896.7	5488.9
2007	7834.2	5964.9	7391.4
2008	9740.2	7389.6	9931.0
2009	11491	8894	12526

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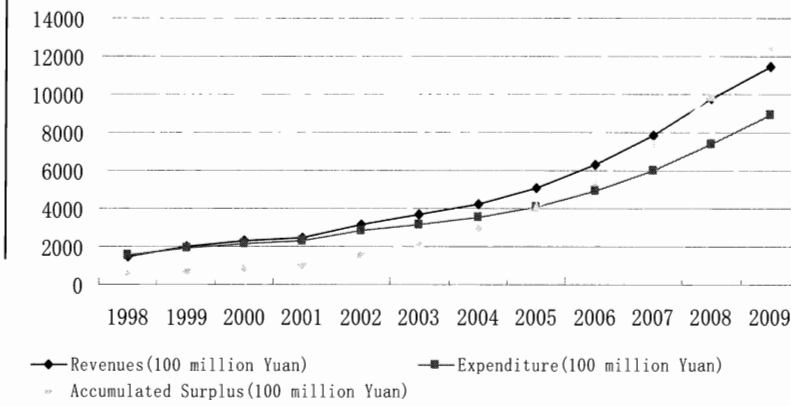


Figure 10 Basic Pension Insurance Fund's Revenues, Expenditures and Accumulated Surplus

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Table 10 Urban Workers' Basic Medical Insurance Fund Revenues, Expenditures and Accumulated Surplus (100 million yuan)

Year	Revenues	Expenditure	Accumulated Surplus
1998	60.6	53.3	20.0
1999	89.9	69.1	57.6
2000	170.0	124.5	109.8
2001	383.6	244.1	253.0
2002	607.8	409.4	450.7
2003	890.0	653.9	670.6
2004	1170.5	862.2	957.9
2005	1405.3	1078.7	1278.1
2006	1747.1	1276.7	1752.4
2007	2257.2	1561.8	2476.9
2008	3040.4	2083.6	3431.7
2009	3672	2797	4276

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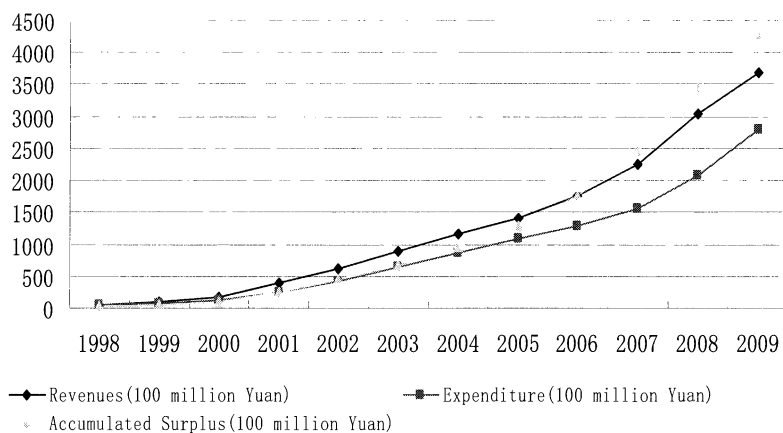
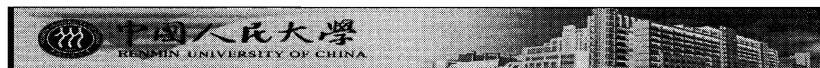


Figure 11 Urban Workers' Basic Medical Insurance Fund Revenues, Expenditures and Accumulated Surplus

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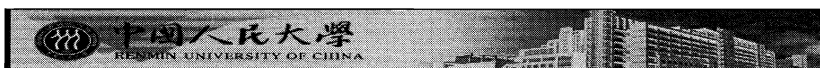
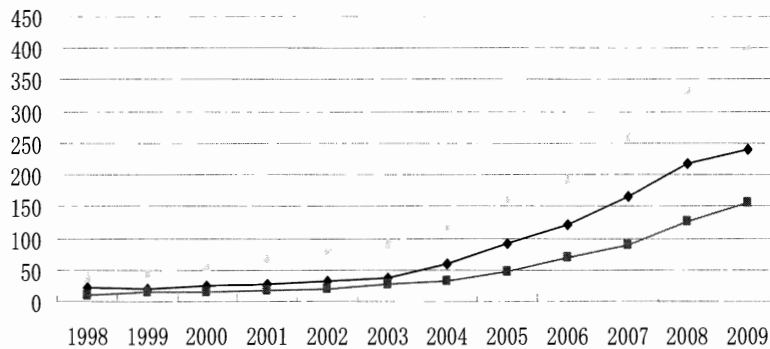


Table 11 Employment Injury Insurance Fund Revenues, Expenditures and Accumulated Surplus (100 million yuan)

Year	Revenues	Expenditure	Accumulated Surplus
1998	21.2	9.0	39.5
1999	20.9	15.4	44.9
2000	24.8	13.8	57.9
2001	28.3	16.5	68.9
2002	32.0	19.9	81.1
2003	37.6	27.1	91.2
2004	58.3	33.3	118.6
2005	92.5	47.5	163.5
2006	121.8	68.5	192.9
2007	165.6	87.9	262.6
2008	216.7	126.9	335.0
2009	240	156	404

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◆ Revenues(100 million Yuan) ■ Expenditure(100 million Yuan)
 * Accumulated Surplus(100 million Yuan)

Figure 12 Employment Injury Insurance Fund Revenues, Expenditures and Accumulated Surplus

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Table 12 Maternity Insurance Fund Revenues, Expenditures and Accumulated Surplus (100 million yuan)

Year	Revenues	Expenditure	Accumulated Surplus
1998	9.8	6.8	10.3
1999	10.7	7.1	13.9
2000	11.2	8.3	16.8
2001	13.7	9.6	20.6
2002	21.8	12.8	29.7
2003	25.8	13.5	42.0
2004	32.1	18.8	55.9
2005	43.8	27.4	72.1
2006	62.1	37.5	96.9
2007	83.6	55.6	126.6
2008	113.7	71.5	168.2
2009	132	88	212

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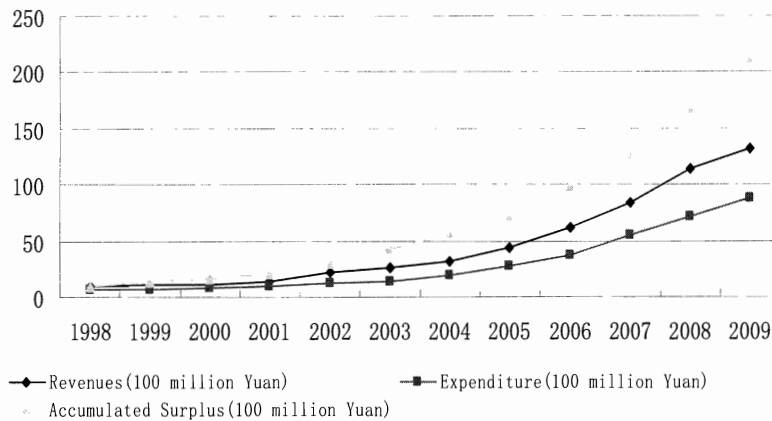


Figure 13 Maternity Insurance Fund Revenues, Expenditures and Accumulated Surplus

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Table 13 The Number of Social Insurance in Recent 5 Years of China (10000 persons)

Year	Basic Pension Insurance	Medical Insurance	Unemployment Insurance	Employment Injury Insurance	Maternity Insurance
2005	17487	13783	10648	8478	5408
2006	18766	15732	11187	10268	6459
2007	20137	22311	11645	12173	7775
2008	21891	31822	12400	13787	9254
2009	23550	40147	12715	14896	10876

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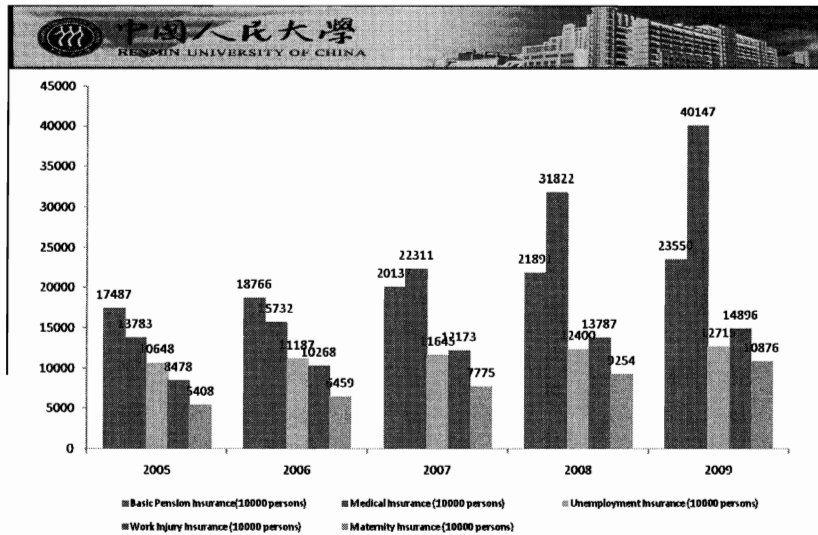


Figure 14 The Number of Social Insurance in Recent 5 Years of China

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Year	Urban Minimum Living Standard Security Expenses	Rural Minimum Living Standard Security Expenses	Total
2006	224.2		
2007	277.4	109.1	386.5
2008	393.4	228.7	622.1
2009	482.1	363.0	845.1

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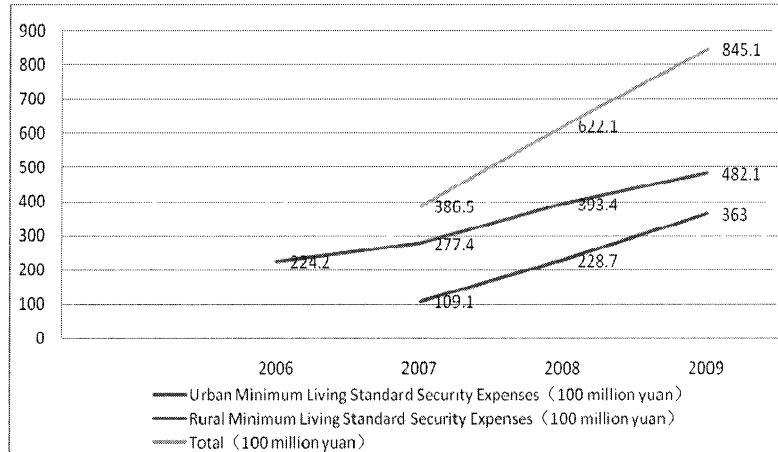


Figure 15 Minimum Living Standard Security Expenses of China in recent years

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Table 15 The Number of Minimum Living Standard Security of China(10000 persons)

Year	Urban Residents	Rural Residents
1998	184.1	
1999	256.9	
2000	402.6	
2001	1170.7	385.3
2002	2064.7	497.8
2003	2246.8	1160.5
2004	2205.0	1402.1
2005	2234.2	1891.8
2006	2240.1	2987.8
2007	2272.1	4818.6
2008	2334.8	5757.3

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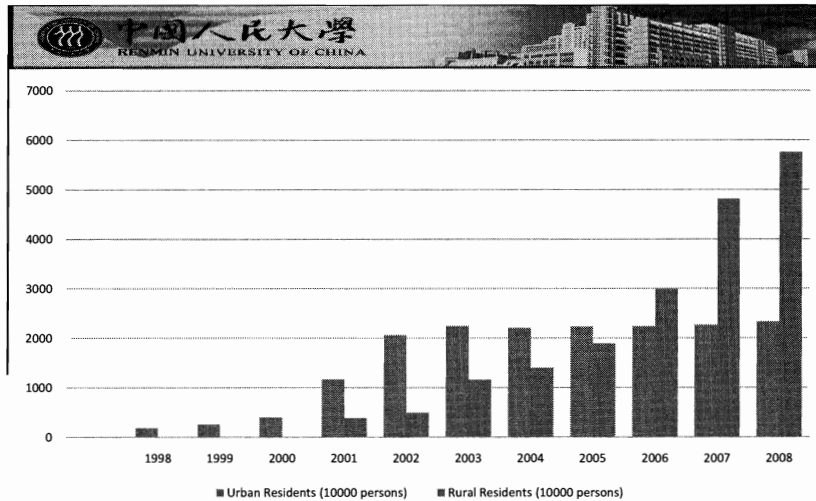


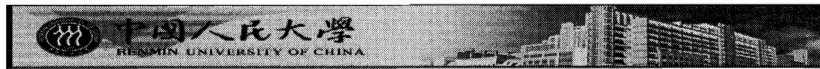
Figure 16 The Number of Minimum Living Standard Security of China

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- **On the one hand, the impact of economic crisis on China's social welfare was different from western countries (welfare states), in which economic crisis caused the crisis of pensions benefits, resulting in the welfare system reform to reduce welfare.**
- **On the other hand, economic development, with the re-constructing and expanding social welfare system in China, resolved the possible negative impact of economic crisis on Chinese society.**

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- **Conclusion:**

In general, the financial crisis had brought a negative impact on China's economic development, but the impact on the re-construction of social welfare system was limited.

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Part 3

–Economic Crisis and Re-construction of China's Social Welfare

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The Chinese Government Specific Measures to Deal with Economic Crisis

• Employment Promotion Policy

- “Use the unemployment insurance fund to help the difficult enterprise” (Ministry of Human Resources and Social Security, No.117,2008; No.175,2009)
- “Encourage difficult enterprises giving the workforce job training” (Ministry of Human Resources and Social Security ,No.175,2009)
- Encourage entrepreneurship to create jobs. (General Office of the State Council, No.111,2008)
- Encourage small medium enterprise developing (State Council, No36, 2009)
- Improve the public employment service system, strengthen the public employment service institutions (Ministry of Human Resources and Social Security, No.116, 2009)
- Carry out the job training for the migrant workers and workers in difficult enterprises (Ministry of Human Resources and Social Security, No.13, 2010)

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• Flexible Premiums Policy

- “Allow the difficulties enterprise hold over social insurance premiums within a certain period of time” (Ministry of Human Resources and Social Security, No.117,2008; No.175,2009)
- “Reduce the rates of four social insurance (basic medical insurance, unemployment insurance, injury insurance and maternity insurance) within a certain period of time” (Ministry of Human Resources and Social Security ,No.175,2009)

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- **Guarantee The Unemployed and Low-income Persons' basic living**

- Increase social insurance benefits steadily.
- For the flexible employees who hasn't got the stable job, but whose social insurance subsidies expired, extend the one-time subsidies, no longer than 1 year (Ministry of Human Resources and Social Security, No.117,2008; No.175,2009)
- Improve the level of unemployment insurance benefit
- Rise the minimum wage level, according to local urban CPI
- Guide the flow of migrant workers orderly, and be active in the employment services of migrant workers.

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- **Promote western and rural regions to develop stably and rapidly**

- Speed up constructing affordable housing.
- Improve rural production and living conditions.
- Increase poverty alleviation efforts.
- Encourage rural Entrepreneurship employment.
- Speed up constructing rural infrastructure.

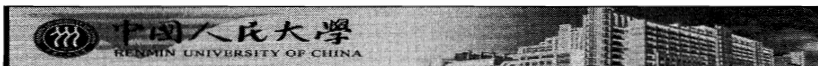
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- **Conclusion:**

- **The impact of economic crisis on China's social welfare system was limited, but China's social welfare system is facing more social value than economic policy.**
- **China's social welfare system not only serviced for economic policy, but also faced solving social problems and promoting social justice.**

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- **Specific Measures to Re-construction of China's Social Welfare System**

- **Establish Social Assistance System**
 - —Characteristics of Liberal Welfare Regime (Esping-Andersen, 1990:65) ;
 - —Urban Minimum Living Standard Security Project(1999)
 - —Public Housing (Low Rent Housing Project, 2004)
 - —Educational Assistance Project
 - —Urban Homeless Assistance Project (2003)
 - —Medical Care Assistance Project
 - —Legal Aid Project

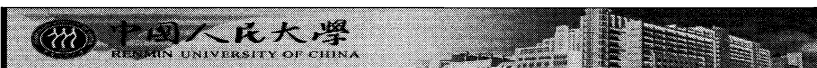
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- **Improve The Social Insurance System**

- Improve The Overall Level;
- Methods for Transferring Social Security Accounts
- Promulgate “Social Insurance Law”;

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- **Strengthen Labor Protection**

- Build A Harmonious Labor Relations;
- Develop Reasonable Occupational Welfare
- Play The Role of Trade Unions and International Organizations.

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- **Resolve The Issue of Migrant Workers Properly**

- Give Migrant Workers Vocational Skills Training and Employment Guidance
- Solve The Problem of Migrant Workers into The City Temporarily

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- **Establish Rural Social Welfare System As Soon As Possible**

- New Rural Pension Insurance System
- The New Rural Cooperative Medical Insurance System
- Rural Minimum Living Standard Security System (2007)
- Rural Five Guarantees Support Project
- Feasibility of Free Old-age Allowance.

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Part 4

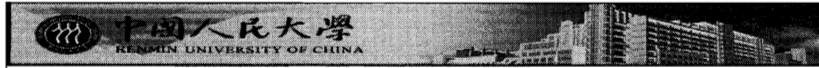
–Future of China’s Social Welfare System

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- Transfer Economic Objectives to Economic - Political - Social Objectives;
- Transfer Selective to Universal
- Increase The Level of Benefits from The Assistance, Insurance System Gradually to All Aspects Related to Livelihood of The People (Housing, Education, Environment, etc.)
- Re-integrate The Management Regime

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The End

Thank you!

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**From State-Work unit Security System
to State-Society Security System: With
Historical Perspective**

Dr. Byung-Cheol Kim

Renmin University of China

Introduction

- China's successful story of reforming and opening up policy 1980s.
 - In the reform process, social security reform is key making sure smoothly reform, sustainable development on national economic and social stability.
 - China's social security system has gone through dramatic process.
 - Although the reform of social security system has not completed, construction of a new social security system needs further deepening the reforms.
-

Overview of the Social Security System in China

- China's social security system includes social insurance, social welfare, special care and placement, social relief and housing services.
- A social insurance framework has been initially established in the five aspects; old age insurance, unemployment insurance, medical insurance, industrial injury insurance, maternity insurance.
- The Chinese Constitution makes it clear that "Citizens of the People's Republic of China have the right to material assistance from the state and society when they are aged, ill or disabled."

History of Social Security Reform

- With social and economic development, China's social security has undergone 50 year's development and change.
- Since the reform and opening up, China's social security transformed from the state-work unit security system to the state-social security system.
- The path of China's social security reform along with institutional changes is moving towards social security from work unit-based security system.
- The history of China's social security reform roughly can be divided into two on the basis of "the reform and opening up policy."

Historic Evolution and Development of Social security in China

- First established in the early 1950s through the adoption of a series of laws and regulations compatible with the planned economy.
- The traditional system was implemented until 1978 when the reform and opening-up policies were introduced.
- By the mid-1980s, social security was provided only to urban areas, particularly more generous for the state-owned enterprises.
- In the mid-1980s, a number of social security reform systems were implemented.
- Social security coverage gradually expanded to rural residents.

Changing Social Policy Goals in China

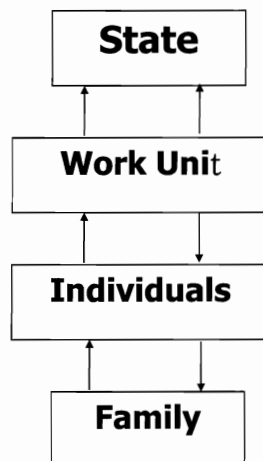
(source: Ka-ho MOK, 2008)

	The Mao Era (1949–1978)	The Reform Era (1978–Present)
Basis of Ideology	■ Upholding “socialist ideals”, emphasizing social protection and social equality	■ Emphasizing economic efficiency and importance of competitiveness
Major Economic Goals	■ Low wages but generous welfare benefits	■ Reduce labour costs by cutting down social welfare
Major Social Goals	■ Maintaining “social justice” by means of “redistribution mechanism” ■ Improving people’s quality of life by higher public expenditure	■ Keeping social stability by providing a minimal social relief to the poor and people in needs ■ Involving various non-state actors in welfare provision

China's social security before the reform and opening-up polices

- The government issued the series of regulations such as measures for assisting unemployed workers (1950), the regulations on labor insurance (1951) and its revised ordinance (1953).
- With improvement of financial and economic situation, the state promulgated a number of social security policies on disaster, poverty relief, special care, placement of disabled servicemen, and some social insurance systems.
- The state invested heavily in social welfare.
- Social security was at a standstill during the Cultural Revolution (1966-1976)

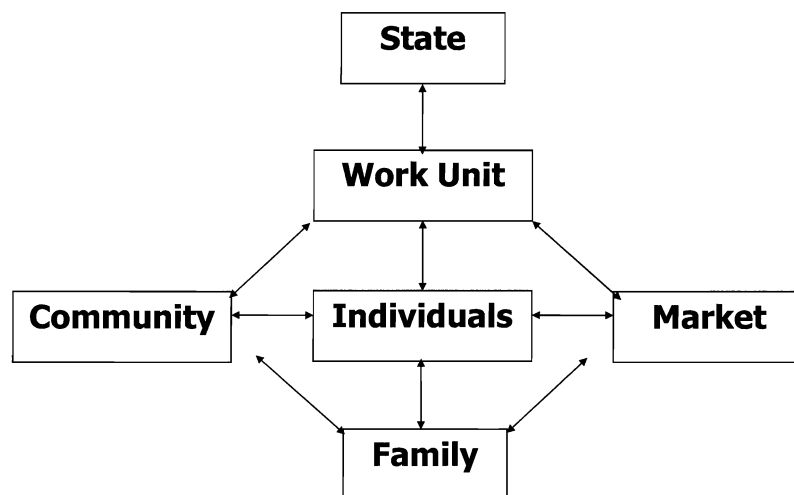
State-work unit Security System



Problems in State-work unit Security System

- On the whole, it played a positive role in economic development and social stability.
- But there are still some serious problems;
 1. It was basically an "work unit-based security" model with work unit taking full responsibility of social security costs and daily administration.
 2. Individuals did not pay social security contribution but enjoyed generous insurance for injury, old age, death and so on.
 3. There was no enough fund accumulated.
 4. It only covered urban residents, the large population was not included.

State-society Security System



Overview of Social Security System Reform in China (1)

- From the mid-1980s till 1993 was the initial stage of the reform of social security system, coinciding with the start of economic reform in urban areas.
 - It focused on strengthening the vitality of medium and large state-owned enterprises and establishing varieties of economic responsibility with the contract system.
 - Social security was placed to serve the needs of enterprises reform, starting with the old age insurance system of urban enterprises.
-

Overview of Social Security System Reform in China (2)

- Since 1993, China's social security system has undergone a comprehensive reform.
 1. establishing the basic contents of China's social security system;
 2. proposing the establishment of a multi-level old-age and medical insurance (social pooling + individual accounts);
 3. Separate government administration from detailed operation;
 4. Unifying the management of social security.
-

China's social security development since the reform and opening-up policies

- 1st: the preparation stage before 1985;
- 2nd: the stage focused on the reform of state-owned enterprises from 1986 to 1992;
- 3rd: the stage acted as one of the pillars of market economy system from 1993 to 1997;
- 4th: the stage of establishing a basic social system gradually since 1998.

1st stage (1978-1985)

- The year 1978 is particularly important in China's development process.
- The End of the 10-year "cultural revolution" laid political and social foundations to reverse complete disorder in China.
- Established relatively wide regulations on social security.
- Some traditional state-owned enterprises could not afford welfare-related costs, while the new-founded ones were doing relatively easy with it.
- Consequently, the increasing gap of income distribution and welfare between the traditional enterprises and the new ones.

2nd stage (1986-1992)

- The state put forward the principle of socialization of social social security at this stage and made progress constantly through the promotion
- 1. The "Seventh National Economic and Social Development Five-Year Plan" adopted as a policy framework at the Fourth Session of the Sixth National People's Congress on April 12;
- 2. The "state-owned enterprises Provisional Regulations on the labor contract system" and "state-owned enterprise workers Provisional Regulations on Unemployment Insurance" promulgated by the State Council on July 12;
- 3. "Rules of foreign-invested enterprises' employing autonomy, wages and the cost of the insurance benefits" issued by the Ministry of Labor and Personnel on November 10.

3rd stage (1993-1997)

- Social security reform accelerated with the reform of market economy in this phase.
- Social policy reform mainly served for functioning of market economy, giving priority to the reforms in old age insurance and medical insurance.
- Millions of retirees couldn't get their deserved pension on time.
- Unemployment and laid-off workers were lacked of livelihood safeguard.
- Traditional social security system providing a sense of life security for urban and rural residents nearly disappeared.

4th stage (since 1998)

- Since 1998, social security became established as basic social system.
 - China's social security reform is also accompanied with the process of remolding the concept of social security for their citizens.
 - A number of regulations were issued in 1999.
 - In 2003, the assistance system for urban vagrants and beggars was set up.
-

Gradual Progress in Social Security System

- Institutional innovation.
 - Minimum Living Standard Guarantee established to serve as the "last safety net".
 - The coverage of social security continuously expanded to enhance social justice, stability and harmony
 - A legal and regulatory system for social security initially formulated.
-

Major Problems in Social Security System

- Imbalanced development of urban and rural social security system.
 - Narrow coverage and low pooling level.
 - Imperfect fund raising system and potential payment crisis.
 - Insufficient security for migrants in the process of urbanization.
-

Conclusion

- The framework of social security system, which relies on both state and the society has basically taken shape.
 1. Coverage of social security actively expanded.
 2. Mechanism of multiple-channel fund-raising established.
 3. Innovations made in patterns of social insurance.
 4. Socialized management and service delivery encouraged.
 5. System of guaranteeing the minimum living standard of entire population established.
-



Social Safety Net in Thailand

Yos Vajragupta

Thailand Development Research Institute

Korea Institute for Health and Social Affairs Symposium 2010

**“Social Safety Nets in East Asian Countries
As a Response to the Economic Crisis”**

28-29 October 2010

Thailand Development Research Institute



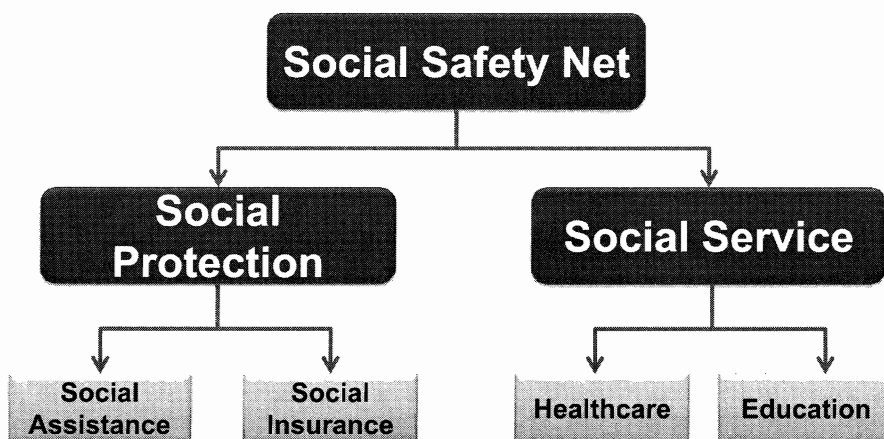
Outline

- **Thailand’s basic data**
- **Social safety net in Thailand**
- **Social assistance**
- **Social insurance**
- **Social service**
- **Social investment**
- **Future challenges**

Thailand's Basic data (2009)

- GDP growth: -2.2% and 9.1% in Q2 (2010)
- Population: 63.5 Million
- GDP Per Capita: \$4,151
- Dependency ratio: 12%
- Labor force: 38.4 Million
- Unemployment rate: 1.5%
- Informal sector: 23 Million
- Gini: 0.49
- Poverty: 8.2%

Social Safety Net in Thailand



Social Assistance

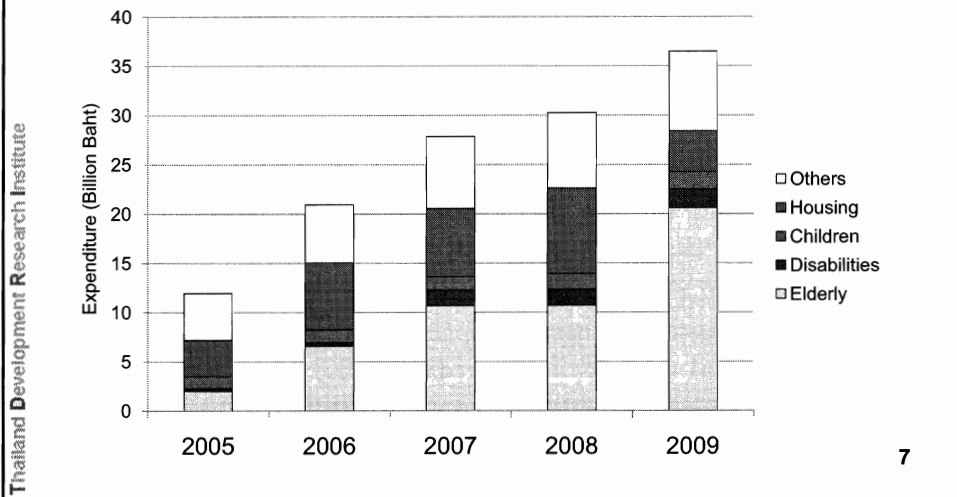
- Social assistance programs in Thailand started in 1941.
- Target groups are disadvantaged people such as children, seniors, disabled individuals, women, low-income persons, and people suffered from natural disaster.
- Social assistance programs focus on cash transfer, counseling, training, in-kind assistance, and emergency accommodation.
- Monetary assistance has been low since the Ministry of Social Development and Human Security received small budget only 9.1 billion baht (\$265 million) or 0.5% of government budget in 2009.

Social Assistance

- Cash benefits are provided to elderly, disabled person, and HIV infected person (500 baht or \$14.5 per month).
- Before 2009 and 2010 the cash assistance programs for elderly and disabilities are not universal respectively. The decision for providing benefits was decentralized and selected by local government.
- Funeral allowance of 2,000 baht (\$58) for senior citizen aged 60+ years.
- Besides the cash transfer, government also provides assistance through government-run nursing homes, elderly care centers, care home for disabilities and disadvantage children.

Social Assistance

Expenditure



Social Insurance

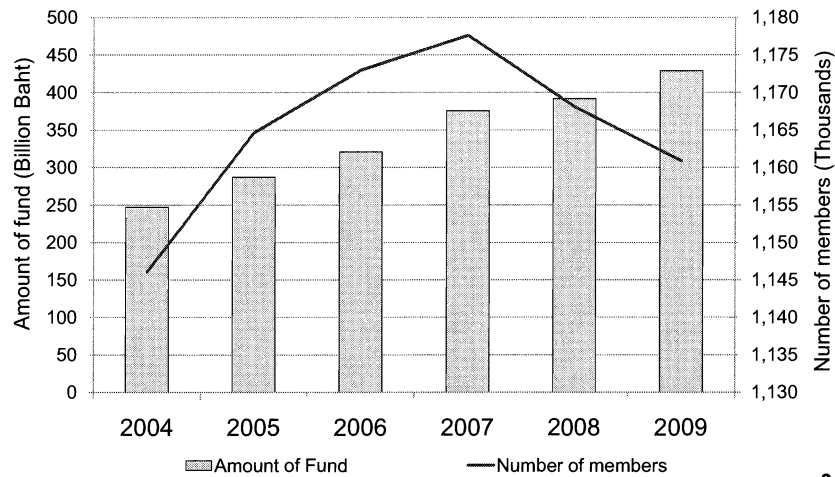
Pension for Government Official

- Thailand Development Research Institute
- A retired government officials who started their job with government before March 1997 can choose between receiving a lump sum payment or a pension from the government.
 - After March 1997, new government officials must be a membership of the Government Pension Fund (GPF).
 - GPF: 2nd pillar under the World Bank's Multi-Pillar system.
 - GPF member can contribute between 3 to 12 percent of salary while government contributes only 3 percent plus another 2% for post-reform compensations.

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Social Insurance

Size of GPF



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Social Insurance

Social Security Fund (SSF)

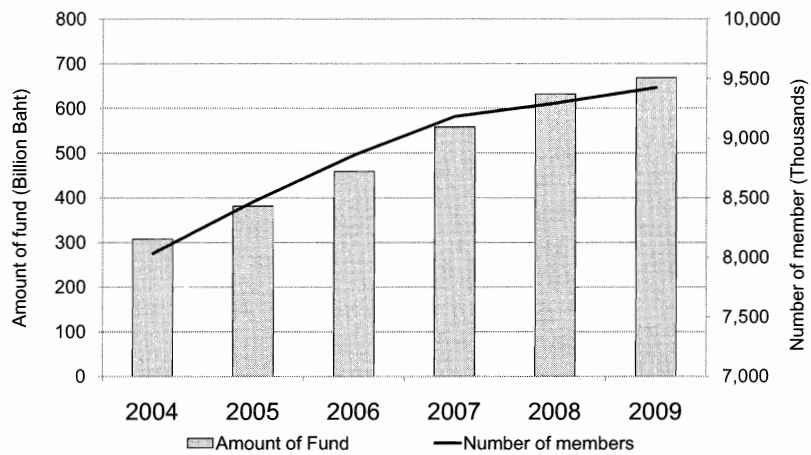
- The SSF was setup under the Social Security Act in 1990.
- 1st pillar under the World Bank's Multi-Pillar system.
- There are three types of insured persons: article 33, 39 (formal workers) and 40 (informal workers).
- Since 2008, the SSF provides seven types of benefits, i.e. sickness, maternity, invalidity, unemployment, death, old-age benefits, and child allowance.
- The SSF for article 33 is financed through employer (5%), employee (5%), and government (2.75%) contribution. While article 39 is contributed by employee (288 baht) and government (120 baht). Article 40 is paid solely by employee amount 3,360 baht per year.

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Social Insurance

Size of SSF



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Social Insurance

Provident Fund

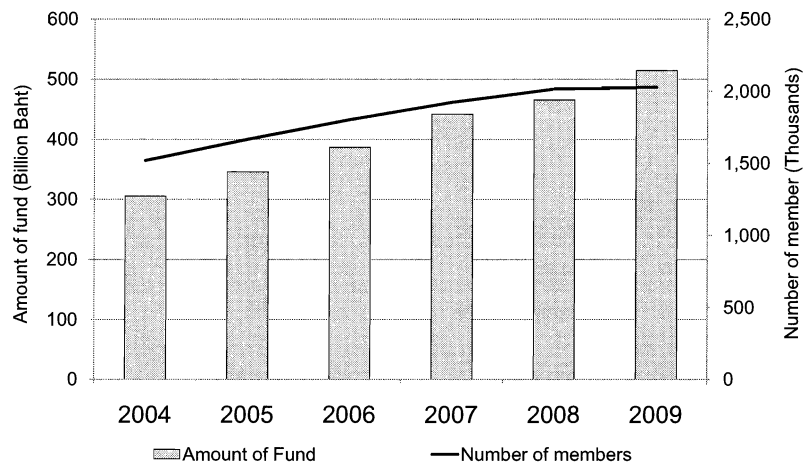
- Provident Fund Act 1987.
- 3rd pillar under the World Bank's Multi-Pillar system.
- Objectives: to encourage long-term saving for private employee and state-enterprise employee and to provide income security for retired employees.
- The provident fund is financed by employer and employee contribution.
- Employee's contribution rate must be between 3 to 15 percent of salary and employer pays not less than employee.

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Social Insurance

Size of Provident Funds



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Social Service

Healthcare

- Three healthcare schemes are Civil Servant Medical Benefit Scheme (CSMBS), Universal Healthcare Coverage (UC) and Social Security Scheme (SSS).
- The first two schemes are non-contributory while SSS are copayment by employee, employer, and government.
- Although the government contribute to all schemes but the quality of CSMBS is a lot better than the rest.
- Government has spent tremendous expenditure on CSMBS for government officials and their dependants. The scheme covers about 5 million people (10%), but consumes 62 billion baht (\$1.8 billion) in 2009, which was about 30% of total healthcare expenditure.

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Social Service

Thailand healthcare system

Scheme	CSMBS	UC	SSS
Start	1960s	2002	1990s
Target beneficiaries	Government employee, dependents and retirees	Everyone does not covered by CSMBS nor UC	Private sector employees
Coverage (2009)	8%	73%	15%
Funding (2009)	Government budget (62 bil. Baht)	Government budget (114 bil. Baht)	Tri-parties (24 bil. Baht)
Payment to health facilities	Fee-for-service	Capitation	Capitation
Health expense per capita (2009)	9,300 baht	1,600 baht	1,800 baht

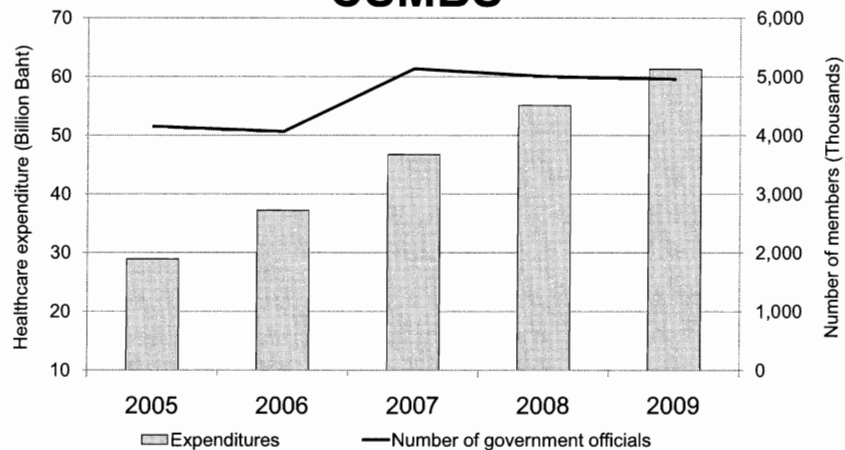
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Source: Reproduced from National Health Security Office's Presentation and Chalernpol Chamchan .

15

Social Service

Healthcare coverage and expenditure: CSMBS

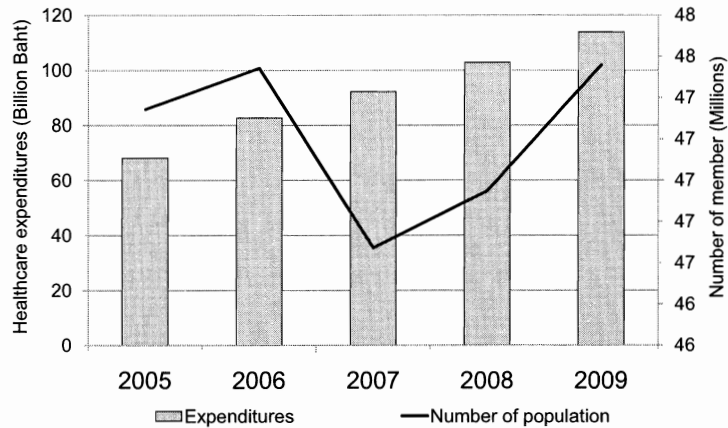


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Social Service

Healthcare coverage and expenditure: UC



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Social Service

Education

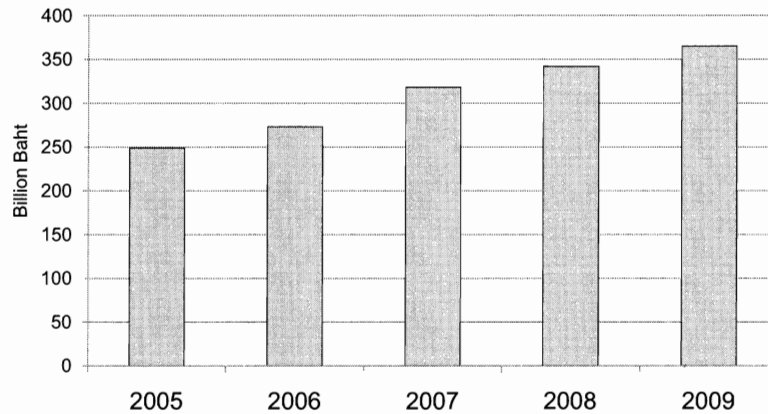
- The education system in Thailand covers the kindergarten level (early childhood education), the primary and lower-secondary level (compulsory education), the upper-secondary level (basic education, both in general and vocational), and the university level and above (higher education).
- On August 2009, 15 years free education policy (kindergarten to high school) was initiated with the aim to lessen the financial burden of parents. Other than the education fee, the policy also cover expenses for books, utensils, uniform, school equipment, and extra-curricular activities.
- Besides free education policy, government also subsidies school lunch and milk expenses for kindergarten to elementary school and provides loan for poor family for upper secondary/vocational.

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Social Service

Education Expense



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Social Investment

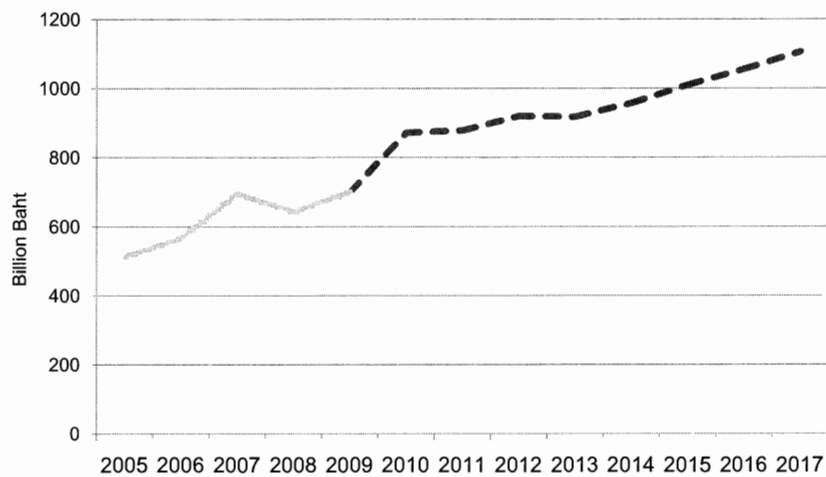
% of GDP	2005	2006	2007	2008	2009
Social assistance	0.2%	0.3%	0.3%	0.3%	0.4%
Social insurance	2.2%	1.9%	2.5%	1.2%	1.4%
Social service	4.9%	5.0%	5.4%	5.5%	6.0%
Total	7.2%	7.2%	8.1%	7.1%	7.7%

Total Social investment and social insurance dropped in 2008 due to economic crisis

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Social Investment



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Future Challenges

- Moving to Ageing society:
 - more dependent people
 - less labor force
- Coverage: Universal vs. Targeting
- Quality of welfare
- Financial constraint
 - more social expenses
 - source of fund: less tax payers
 - SSF: defined benefit
- Welfare society
 - CSR, Social enterprise
 - informal safety net (community, social network)

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Social Safety Net Policy Response to Crisis: The Case of Thailand

Somchai Jitsuchon

Research Director
Thailand Development Research
Institute

28 October 2010

1

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Outline

- Impacts of Crisis and Recovery
 - Macroeconomic Impacts
 - Social Impacts
 - Policy Responses to the Crisis
- Social Protection Mechanism
 - Background System
 - Expansion after Asian Financial Crisis (AFC)
 - Expansion and Deepening of Social Protection System

2

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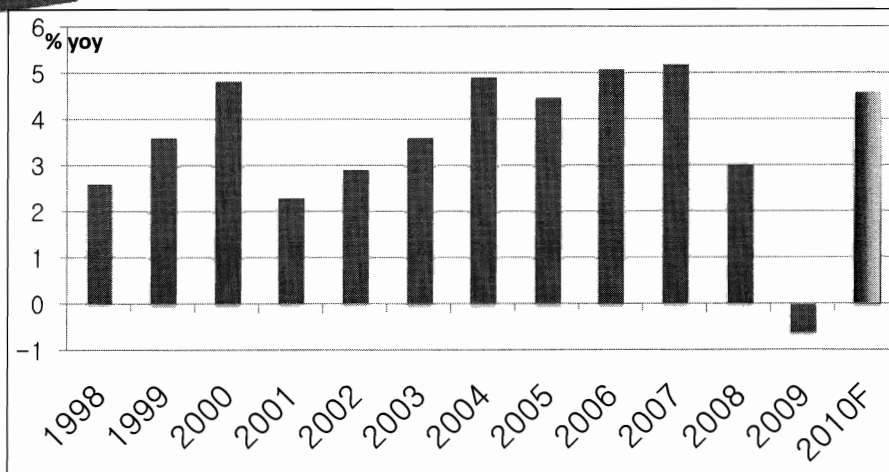
CRISIS AND RECOVERY: MACRO PERSPECTIVE

3

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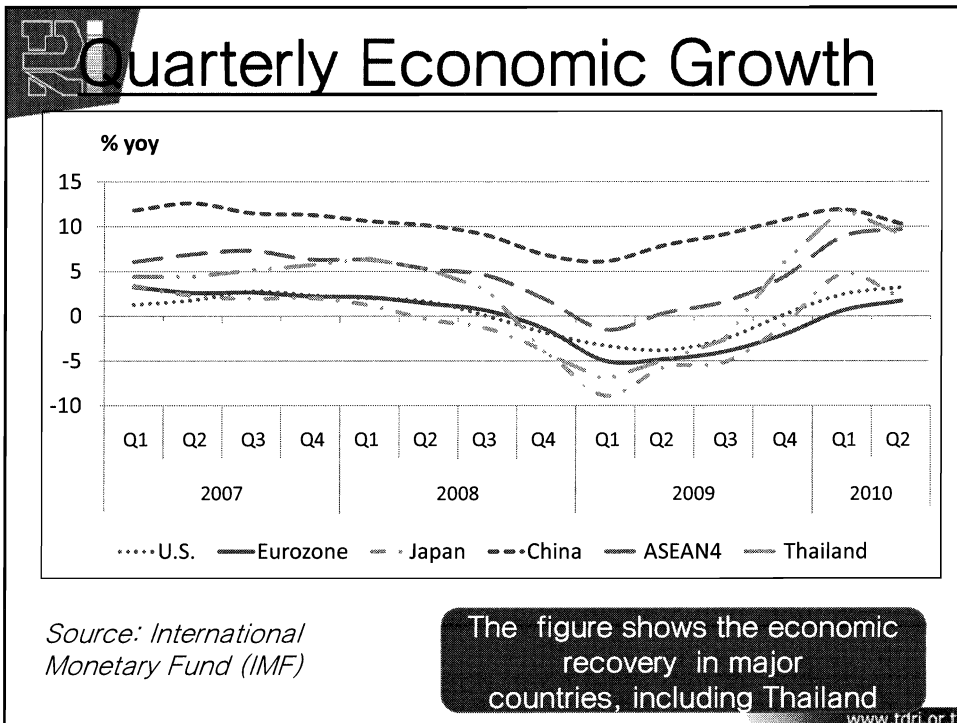
World Economic Growth



Source: International Monetary Fund (IMF)

The global economic growth was predicted to be 4.6% in 2010 (IMF Oct 2010)

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- ## Summary of Stimulus Policy/Measures
- Interim Fiscal Spending, 116,700 million Baht.
 - Stimulus checks, Old-age assistance, 15 years free school, utilities subsidies, crop price support.
 - Tax cuts, biggest one on real estate.
 - ‘Stimulus Package II’ worth 1.43 trillion Baht (15% GDP) over next 3 years, mostly on public investment in infrastructure.
 - S
 - Quasi-fiscal policies through Special Economic Zones
- The measures, together with better global/emerging economies, helped Thailand recovered from the crisis relatively quickly.
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CRISIS AND RECOVERY: SOCIAL IMPACTS

7

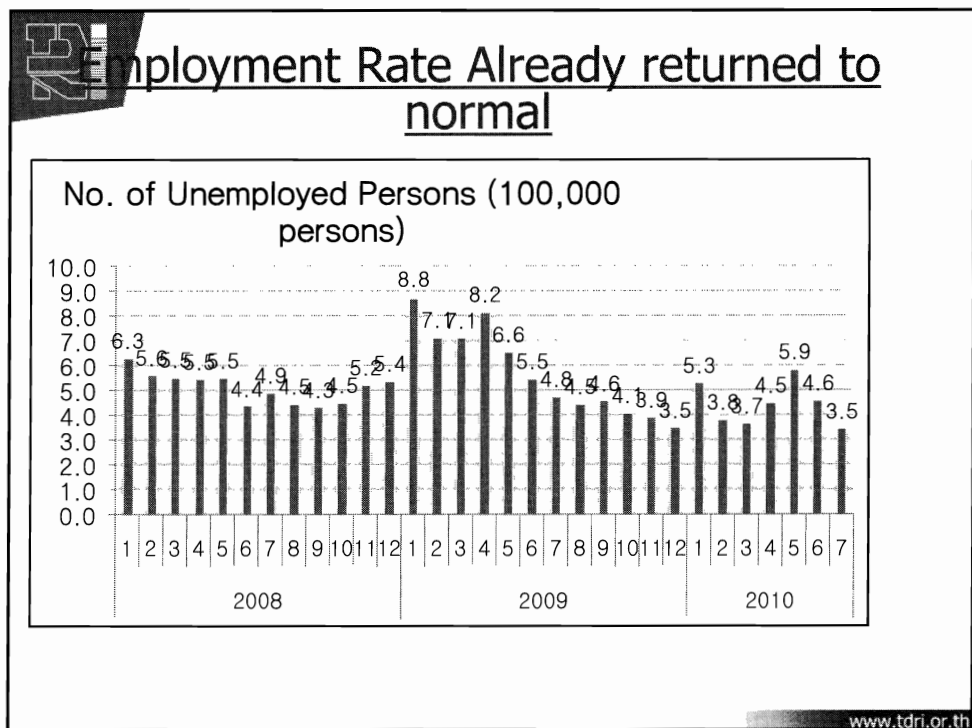
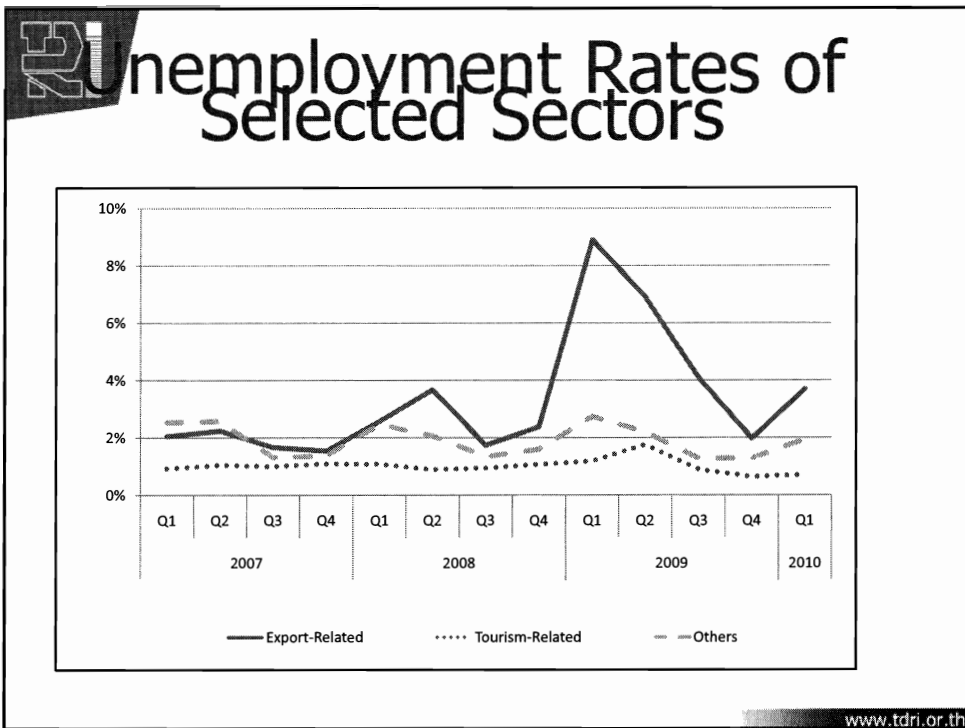
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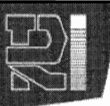


Impacts on Workers and Employment

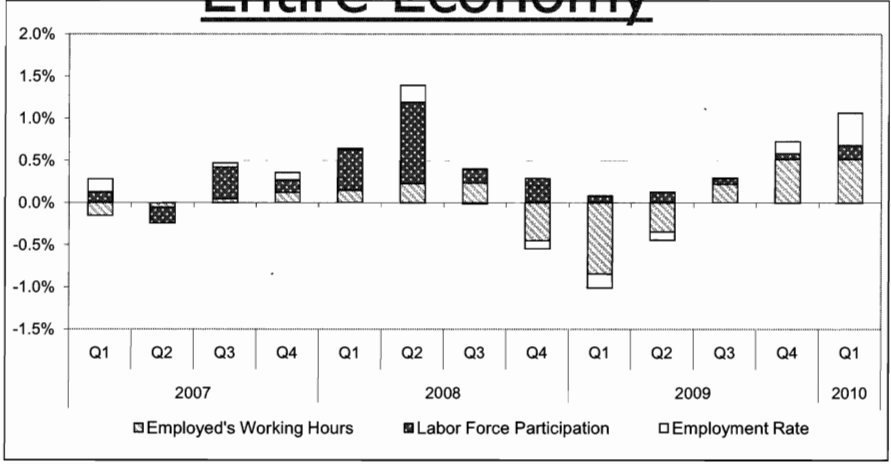
- Reduced work hours, less secured working condition
- Better than 1997 AFC:
 - Less acute impacts.
 - Wider coverage of social safety net (health, unemployment)
- Employment prospect of new graduates was at risk.
- Increased public debts poses future limitations on welfare programs (affecting children, elderly, unemployed)
- Need to gradually move to welfare

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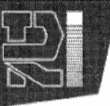




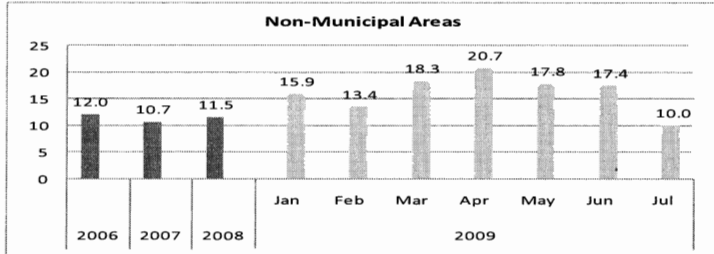
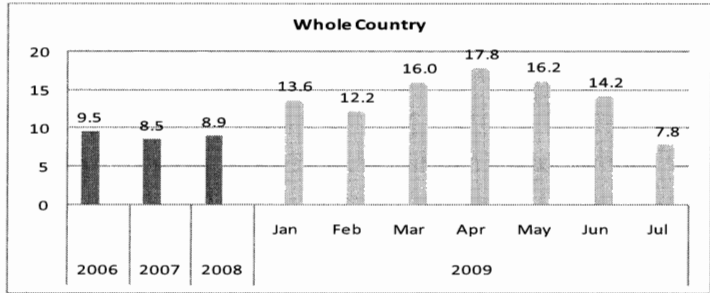
Employment Impacts of the Crisis: Entire Economy



Impacts were mainly in reduction of working hours, not in laying off.
Labor force participation was actually rising, not declining.

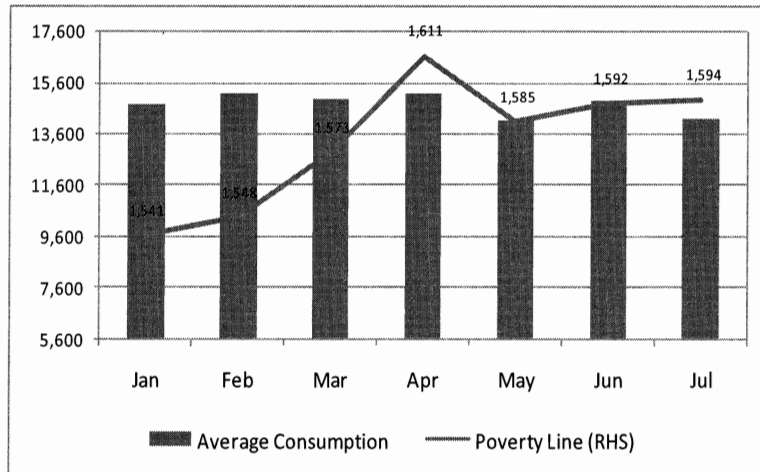


Impact on Poverty (monthly poverty head-count)





Why poverty improved?



The latest improvement in poverty was due to lowering poverty line (food price correction), not from increased HH welfare

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Social Protections

- **Background SP System**
 - First attempt to form 'formal' social security in 1954, but the law was not implemented.
 - Until 1990, new law on social security was passed (SSS Scheme), covering both mandatory (formal) and voluntary (informal) workers. At present around 9 million workers are insured (out of 37–38 non-public workers)
 - Covering health insurance, work injuries, pension, maternity care, child allowance, etc.
 - Mostly based on 'defined benefit' concept

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Social Protections

- Expansion of SSS after AFC
 - Added unemployment insurance (UI) to SSS scheme.
 - The addition was somewhat hastily and politically motivated, making the UI too lenient.
 - The problem is with voluntary job leave, where conditions are too loose, causing moral hazard problem.
 - The scheme was, however, helping some laid-off workers, especially after the GEC.

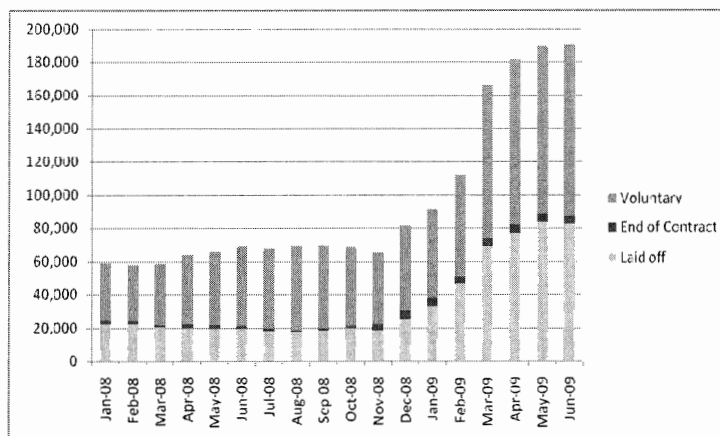
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Employment Measures

Number of Unemployment Benefit Claimants by unemployment cause



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Social Protections

- **Expansion after GEC**
 - Monthly allowance for elderly and disabled was made universal in 2009.
 - Free(r) education for 15 years was introduced in 2009.
 - The government is planning for a fuller universal coverage of social welfare, targeted to complete at 2016. Details not yet released.
 - Mostly likely will include pension. But the design is to be voluntary with government ‘matching’ contribution.

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Health insurance schemes prior to UC

Scheme	Civil Servant Medical Benefit Scheme (CSMBS)	Low Income Card (LIC)	Voluntary Health Card (VHC)	Social Health Insurance (SHI)
Introduced in	1960s	1970s	1980s	1990s
Target beneficiaries	Govt employees & dependents, retirees	Poor, elderly, children under 12 years,	Non-poor, predominantly rural	Private sector employees:
Pop Coverage	9%	32%	20%	7%
Funding	Govt budget	Govt budget	Govt budget and household	Payroll contribution, Tripartite
Payment to health facilities	Fee-for-service, reimbursement	Budgeting	Budgeting	Capitation

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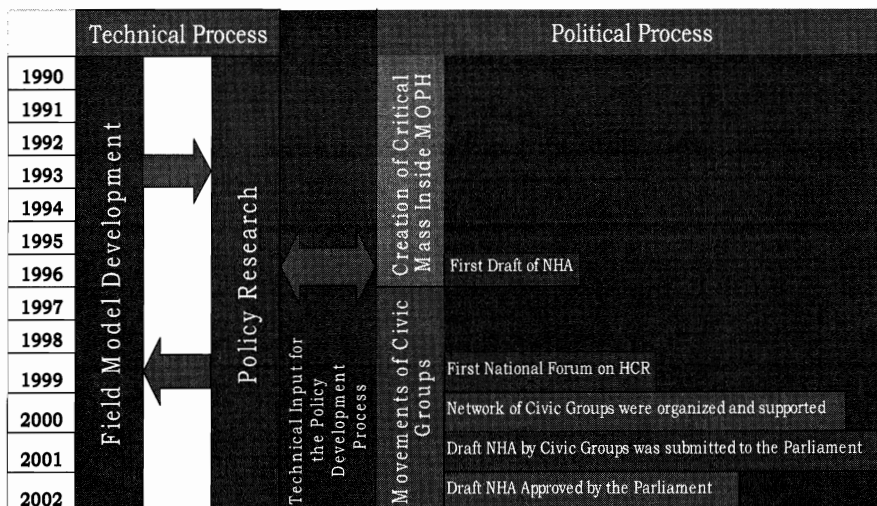
Time and coordinated effort to launce UC scheme

- **Voluntary Health Card Scheme was introduced as early as in 1980s.**
- **Since then, a decade+ of active preparation for UC was under way, mostly by civil society and government officials.**
- **A network of civic groups was formed to advocate the UC.**
- **Finally, politicians bought in.**
- **Six provinces was piloted in 2001, and the parliament approved the NHA in 2002.**

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Chronology of Thailand UC



Source: Reproduced from National Health Security Office's Presentation

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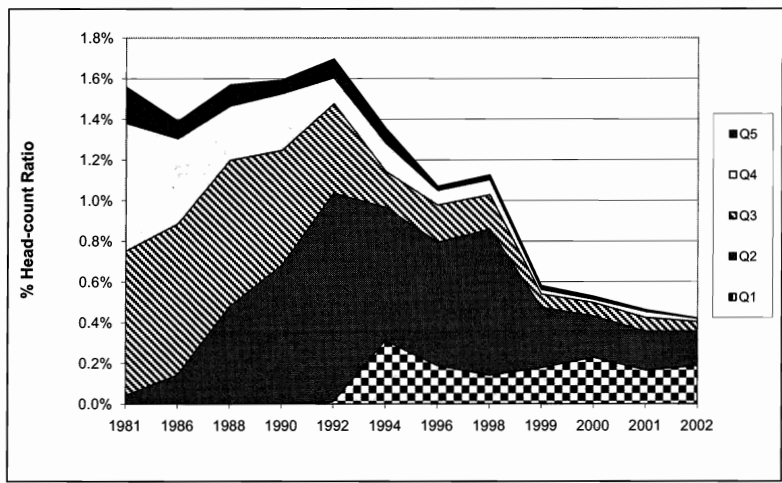
By early 2002, three public insurance schemes covers 96% of population.

Scheme	Civil Servant Medical Benefit Scheme (CSMBS)	Social Health Insurance (SHI)	Universal Coverage (UC)
Introduced in	1960s	1990s	2001
Beneficiaries	Govt. employees & dependents, retirees	Private sector employees:	Rest of population
Pop Coverage	10%	12%	74%
Funding	Govt. budget	Payroll contribution Tripartite	Govt. budget
Payment to health facilities	Fee-for-service, reimbursement	Capitation	Capitation

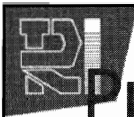
Source: Reproduced from National Health Security Office's Presentation



7% Poverty due to Health Expense



Source: Na Ranong & Leksivilai (2008)



Summary of Social Protection in Response to Crises

	Before 1997 AFC	After AFC	After GEC
Health Insurance	Partial	Universal	Universal
Pension	only formal workers		
Unemployment Insurance	only formal workers		
Welfare for Elderly	partial, targeted	partial, targeted	Universal
Welfare for Children	only formal workers		
Welfare for Disabled	partial, targeted	partial, targeted	Universal
Education	free tuition	free tuition	fully free

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International Symposium on Social Safety
Nets in Selected Asian Countries.

(29일) Session III

〈오전 발표〉

SOCIAL SAFETY NETS IN THE PHILIPPINES: In Support of the Philippine Social Protection Strategy

Alicia R. BALA (Undersecretary, Department of Social Welfare and Development)

Current Status of Social Safety Nets in Korea

Seokpyo HONG (Research Fellow, Korea Institute for Health and Social Affairs)

SOCIAL PROTECTION FLOOR IN VIETNAM; CURRENT SITUATION AND ORIENTATION.

Dang Kim CHUNG (Deputy Director General, Institute of Labour Science and Social Affairs)

SOCIAL SAFETY NETS IN THE PHILIPPINES: In Support of the Philippine Social Protection Strategy

Alicia R. Bala

I. Social Protection and Social Safety Nets in the Philippines

1. Introduction

The escalating number of poor families and population in the Philippines posted at 26.9 percent and 32.9 percent respectively(2006 NSCB data) puts a compelling challenge to the Philippine government to implement a no-nonsense social protection policy for the poor and vulnerable sectors. The enormity of the issue of poverty and the increasing inadequacy to address the problems of the poor and vulnerable sector requires a re-thinking of the development approaches.

The global economic crisis had posed an enormous challenge especially to developing countries like the Philippines. In order to mitigate the impact of this crisis, the government of the Philippines has endeavored to strengthen its social protection system. The Department of Social Welfare and Development(DSWD), with its mandate to uphold and protect the rights of the most vulner able sectors in society, has taken on the initiative to lead in social protection, especially in its two components: Social Welfare and Social Safety Nets. The social protection initiatives intend to protect the poor and vulnerable from adverse impacts of economic crisis.

Social Protection in the Philippines

The urgency to develop a social protection strategy in the Philippines was taken up in the Sub-Committee on Social Protection under the MDGs and Social Progress of the Philippine Development Forum(PDF) which is composed of members from national

government agencies and international organizations.

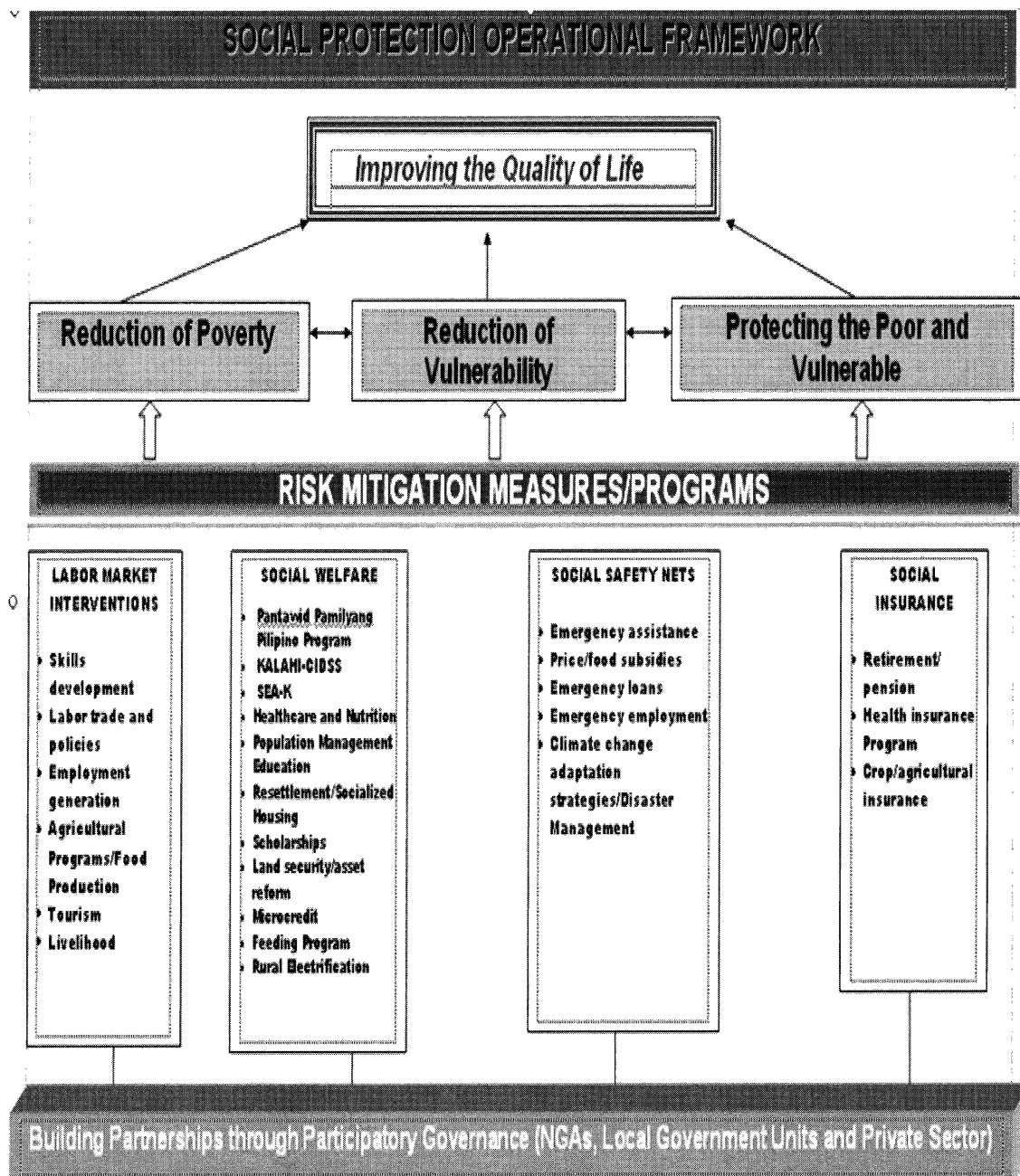
After consultations with government agencies, development organizations and other stakeholders, the NEDA-Social Development Committee (SDC) Cabinet Level issued NEDA-SDC Resolution No. 1, Series of 2007 entitled Adopting A Philippine Definition of Social Protection, which defines social protection as:

”Policies and programs that seek to reduce poverty and vulnerability to risks and enhance the social status and rights of the marginalized by promoting and protecting livelihood and employment, protecting against hazards and sudden loss of income, and improving people’s capacity to manage risks”.

It also identified the four (4) components of the Philippine Social Protection Strategy as follows:

- a. Labor Market Programs/Interventions - Measures aimed at enhancing employment opportunities and protection of the rights and welfare of workers. Employment enhancing measures include trade policies and skills development and training. Labor protection includes compliance with labor standards such as minimum wages or health and safety in the workplace.
- b. Social Insurance - Programs that seek to mitigate income risks by pooling resources and spreading risks across time and classes. These are designed in such a way that beneficiaries pay a premium over a given period of time to cover or protect them from loss of income and unemployment as a result of illness, injury, disability, retrenchment, harvest failure, maternity, old age, etc. This component includes micro- and area-based schemes to address vulnerability at the community level (such as micro-insurance and social support funds).
- c. Social Welfare - Preventive and developmental interventions that seek to support the minimum basic requirements of the poor, particularly the poorest of the poor, and reduce risks associated with unemployment, resettlement, marginalization, illness, disability, old age and loss of family care. Social welfare and assistance programs usually comprise direct assistance in the form of cash or in-kind transfers to the poorest and marginalized groups, as well as social services including family and community support, alternative care and referral services.

- d. Social Safety Nets - Stop-gap mechanisms or urgent responses that address effects of economic shocks, disasters and calamities on specific vulnerable groups. These are measures that specifically target affected groups with specific objective of providing relief and transition. Measures include emergency assistance, price subsidies, food programs, employment programs, retraining programs and emergency loans.



2. Social Protection Efforts and Initiatives

A. Social Safety Nets Programs

The Philippine government already recognized the value of implementing programs on social safety nets to protect the poorest in society from economic shocks and crisis situations. Some notable initiatives on this end are the Food for School Program; Core Shelter Assistance Project; Disaster Relief Operations; Food/ Cash for Work; and the Assistance to Individuals in Crisis Situations.

i. Food for School Program (FSP)

The Food for School Program (FSP) provides food subsidy to young learners enrolled in day care centers, pre-school and elementary education. The main objective of this program is to mitigate hunger through provision of daily 1 kilo of rice per children per actual school attendance.

FSP is part of government's hunger mitigation program and is being implemented in priority areas identified by the National Nutrition Council as having high hunger and poverty incidence statistics. These are the (1) "hot-spots" in the National Capital Region identified by the Department of Interior and Local Government; (2) municipalities and cities of the 10 most food-poor provinces; (3) 5th and 6th class municipalities of the next 44 most food-poor provinces, (4) 4th class municipalities in the said food-poor provinces without 5th and 6th class municipalities; and (5) municipalities with high levels of poverty based on the 2003 Small Area Estimates (SAE). The FSP benefits families of pupils enrolled in public elementary schools and preschools administered by the Department of Education, and daycare centers administered by the Department of Social Welfare and Development. From 2006 to June 2010, the program has already served a total of 1,876,109 day care children.

ii. Core Shelter Assistance Project

This project is a disaster response and mitigation strategy which aims to reduce the number of families rendered homeless due to the number of typhoons that hit the country every year. The project provides for structurally strong shelters made of indigenous materials. In the implementation of the project, the DSWD provides funds for construction materials while the local government units (LGUs) concerned mobilize manpower requirements and the needed relocation sites declared safe of any hazards by the Department of Environment and Natural Resources (DENR).

iii. Disaster Relief and Rehabilitation

The objective of this program is to provide relief services to families and individuals who were victims of man-made and natural disasters. A notable example of relief service is the distribution of food and non-food packs amounting to Php250 (US\$5.56)⁹⁾ per family good for three(3) days.

Relative to disaster relief operations, the Cluster Approach in the Philippine Disaster Management System was institutionalized in May 2007. The Cluster Approach aims to improve effectiveness of humanitarian response to disasters. The DSWD leads in four (4) out of eleven (11) identified clusters, specifically the Emergency Shelter; Protection; Livelihood; and Food Clusters. Other clusters are: Nutrition; Water, Sanitation and Hygiene; Health; Camp Coordination and Management; Early Recovery; Logistics; and Agriculture.

Republic Act No. 10121 also known as the Philippine Disaster Risk Reduction and Management Act of 2010 (DRRM Act) was enacted to further improve the country's disaster response. This law defines disaster risk reduction as the primary strategy for dealing with natural and man-made calamities. It emphasizes the objective of having a "disaster risk reduction and management approach that is holistic, comprehensive, integrated, and proactive in lessening the socio-economic and environmental impacts of

9) US\$=45 Php.

disasters including climate change, and promotes the involvement and participation of all sectors and all stakeholders concerned, at all levels, especially the local community".

iv. Food/Cash for Work

Cash for Work provides temporary employment to distressed or displaced individuals by engaging them in community preparedness, mitigation, relief, rehabilitation, or risk reduction projects and activities. In exchange for work rendered, program recipients are provided with cash for food and other basic necessities. The program's key objectives are as follows:

1. Encourage community participation in implementing a community-defined project related to disaster preparedness, mitigation, response, reconstruction and rehabilitation, including hunger mitigation and food security projects.
2. Generate temporary employment and provide income augmentation to affected families or individuals and keep them from migrating or abandoning their communities in search of new sources of income.
3. Help affected families and local government units in restoring damaged shelters, infrastructure and community projects as a result of disaster within their locality.

Generally, the daily rate for Cash for Work is 75% of the prevailing daily wage rate set by the National Wages and Productivity Commission. Qualifying individuals usually work for not more than 10 days under the program's livelihood and productivity support projects; reconstruction and rehabilitation projects; disaster preparedness and mitigation activities; environment-related projects such as dredging of canals; and hunger mitigation and food security projects. However, the duration of work may be extended to a maximum of 3 months depending on the assessment of the local SWD office.

Food for Work follows the same principle as Cash for Work, but the provision is given in food items.

v. Assistance to Individuals in Crisis Situation

The DSWD operates 17 Crisis Intervention Units (CIUs) nationwide. It aims to provide limited assistance, in cash or in kind, to individuals/families who cannot function normally because of socio-economic difficulties. The services provided include legal assistance; financial assistance for transportation, purchase of medicines, burial, etc; food packs/hot meals; temporary shelter; counseling and referrals.

B. Social Welfare - DSWD's Pantawid Pamilyang Pilipino Program (4Ps): Complementing Social Safety Nets

The 4Ps is a social assistance and social development program that aims to break the intergenerational cycle of poverty by providing families with means to develop their human capital. This program was adopted from the conditional cash transfer(CCT) social assistance programs in Latin American and African countries. In principle, the CCT's main strategy is to link cash to behavior by providing money to poor families contingent upon certain verifiable actions, generally minimum investments in children's human capital.

Following the practice of other conditional cash transfer programs, the 4Ps includes two kinds of transfers, one related to health and one related to education.

Health Transfer. Poor households with children 0-14 years old and/or pregnant women will be eligible for a health transfer currently set at PhP 500 (US\$11)¹⁰ per household per month(for a period of 12 months/year) regardless of the number of children 0-14 years old. The health transfer requires that households fulfill the following conditionalities: (i) all children 0-5 years old should attend a health center or rural health unit to get the services according to their age, based on the health protocols as established by the Department of Health (DOH); (ii) pregnant women must attend a health center or rural health unit according to DOH protocol; (iii) all children 6-14 years old in elementary should receive deworming pills twice a year (deworming

¹⁰) US\$=45 Php.

protocol in school); and (iv) attendance to Family Development Sessions by the household head grantees.

As in other countries with CCT programs, the health transfer size is flat regardless of the number of eligible children. This scheme has proven to be effective in promoting good health and nutrition practices within households, improving nutrition status of infants and increasing utilization of health services.

Education Transfer. Poor households eligible for the education grant are those with children 3 to 14 years old. The education transfer is PhP 300 (US\$7) per month (for a period of 10 months/year), up to a maximum of 3 children. Beneficiary households will receive the education transfer for each child between 6-14 years old so long as they are enrolled in primary and secondary school and maintain a class attendance rate of 85 percent every month.¹¹⁾

Households with both children younger than 5 years of age and children 6-14 years old will receive the two transfers in one payment if conditionalities are met, according to the number and age of their children. Both transfers will be conditional on compliance with specific conditionalities, which should be met independently. Households will receive each transfer for up to five years if they comply with the conditionalities.

As of 30 June 2010, the 4Ps has already covered 793,122 household beneficiaries. The program implementation currently covers 664 municipalities, 60 cities and 80 provinces nationwide. By 2011, under the Aquino Administration, the program is expected to cover 2.3 M poor households.

C. Social Insurance

Social insurance programs, as a social protection component, seek to mitigate income risks by pooling resources and spreading risks across time and classes. In the Philippines, social insurance programs are being implemented by three agencies: Government Service Insurance System(GSIS), Social Security System(SSS) and the

11) Ibid.

Philippine Health Insurance System(PhilHealth).

The GSIS is mandated to provide and administer the following social security benefits for government employees: compulsory life insurance, optional life insurance, retirement benefits, unemployment insurance, disability benefits for work-related contingencies and death benefits. It covers all government workers irrespective of their employment status, except employees who have separate retirement schemes under special laws.¹²⁾

On the other hand, the SSS is mandated to provide social security protection to private sector employees and informal sector workers like self-employed and their families. In 1997, through Republic Act 8282, the SSS was strengthened and increased its social security benefits, expanded its coverage, increased its flexibility with respect to investments, provided for stiffer penalties for violators of the law and established a voluntary provident fund for members.¹³⁾

The Philippine National Health Insurance Corporation (PhilHealth) serves as the primary agency that provides compulsory health insurance coverage through the National Health Insurance Program (NHIP). The NHIP aims to provide all citizens with the mechanism to gain financial access to health services, in combination with other government health programs.

The PhilHealth and the Department of Health (DOH), in cooperation with various national government agencies, initiated the Nationwide PhilHealth Registration Day on October 2, 2010. The event intends to register Filipinos who are not yet members of PhilHealth but who have the capacity to pay for their premium contributions. Around 800,000 families listed in the National Household Targeting System of DSWD who are also 4Ps beneficiaries enrolled under the PhilHealth Indigency Program.

This effort is an outcome of President Benigno Aquino III's orders to achieve universal PhilHealth coverage in three years.

D. Labor Market Interventions

12) Manasan, Rosario G. (2009). "Reforming Social Protection Policy: Responding to the Global Financial Crisis and Beyond". Philippine Institute of Development Studies

13) Ibid.

Labor market programs and interventions are aimed at increasing employment and income by improving the employability of workers, improving the functioning of labor market (via matching of demand and supply), and increasing job creation¹⁴). The Department of Labor and Employment(DOLE) is the lead implementing agency along labor market interventions in the Philippines. Some of the programs implemented by the DOLE under this component include: Special Program for the Employment of Students(SPES); Rural Employment through Self-Employment and Entrepreneurship Development(PRESEED) which is a self-employment scheme in rural areas; and the Women Workers Employment and Entrepreneurship Development(WEED) Program, which targets women in the informal sector, under employed and home-based women workers.

3. Challenges on Service Delivery¹⁵)

Despite notable achievements in implementing social safety nets and programs on social protection as a whole, issues regarding leakage of benefits to the non-poor, exclusion of the truly poor, and cost-effectiveness of these programs have been raised. Studies conducted by Reyes (2008) and Manasan and Cuenca (2007) revealed key issues on implementation of social assistance programs, specifically on social welfare and social safety nets, that need to be addressed:

a. Need for better targeting and effective monitoring of social assistance programs

It was observed that a common weakness among various poverty reduction programs is the lack of a proper targeting system. Although targeting is not a one-size-fits-all system, Reyes (2008) noted that undercoverage and leakage rates could be reduced to acceptable levels if a proper targeting system was used.

14) Ibid.

15) Bala, Alicia R. (2009). The Philippine Experience in Social Assistance - presented during the ADB Regional Workshop on Social Assistance and Conditional Cash Transfers in 2009.

b. Need to improve budget and cost effectiveness

While adverse impacts of social risks on society are far-reaching, the resources to fund implementation of much needed social protection programs are limited. Limited resources underscore the need for better targeting; better resource mobilization and coordination among government agencies, LGUs, NGOs, and other stakeholders; and enhanced capacities of LGUs to deliver social protection programs.

c. Inadequate coverage and ineffectiveness

While partnerships with NGOs and other stakeholders have succeeded in making social services accessible to the poor, Aldaba (2008) observed a tendency for NGOs to flock to selected advocacies (e.g., children's causes) while leaving advocacies for other sectors (e.g., disabled and elderly people) wanting. Aldaba emphasized the need for government to provide direction to NGOs and stakeholders by encouraging them to undertake causes that are most in need of their support. In relation to Aldaba's findings, a study conducted by the Development Academy of the Philippines entitled Review and Strengthening of the National Social Protection and Welfare Program(DAP2009) identified the following fundamental problems of government's social protection and welfare programs:

- (1) social protection has a narrow base of beneficiaries;
- (2) poor and informal sectors have limited access to, bargaining power with, and influence on local officials and service providers; and
- (3) programs are numerous but have limited reach, are uncoordinated, are inadequately funded, and are short-lived.

These observations and the lessons learned from implementing key social assistance programs have been instrumental in formulating the Pantawid Pamilyang Pilipino Program (4Ps), a conditional cash transfer aimed at addressing poverty and supporting improved education and health outcomes of poor children and pregnant women. The 4Ps complements government's provision of social safety nets because it uses a

national household targeting system that identifies who and where the poor are. In the process, 4Ps helps government direct resources and implement social safety net programs where these are most needed.

4. The National Household Targeting System for Poverty Reduction (NHTS-PR¹⁶)

As a response to the challenges on service delivery, the NHTS-PR is being implemented by the DSWD. The NHTS-PR is a system for identifying who and where the poorest households are. This system guarantees the generation and establishment of a socio-economic database of poor households. This includes the firming up of a unified, functional, objective and transparent targeting system for the poor who are beneficiaries of social protection programs.

The NHTS-PR will be used for key social assistance and social protection programs of DSWD and other government agencies to better target the poor. The national targeting system consists of a set of uniform, objective and transparent criteria to select the poor for the different government programs thus reducing the overall cost of targeting, improving coordination, efficiency and effectiveness of social programs. The national targeting system is an undertaking that will develop a database of potential poor beneficiaries to be shared electronically or through other means with National Government Agencies, Local Government Units, Non-Government Organizations and other entities implementing social protection programs like the conditional cash transfer (CCT) program or the Pantawid Pamilyang Pilipino Program (4Ps). In the long-run, the NHTS-PR will strengthen the institutional capacity of the DSWD and other NGAs in delivering social protection programs and services.

The targeting system successfully used for 4Ps during the pre-pilot and the initial phase of the roll-out to about 360,000 households by late 2008 includes targeting in two steps. The first step involves a selection of poor provinces based on poverty incidence according to Family Income and Expenditure Survey (FIES 2006) and

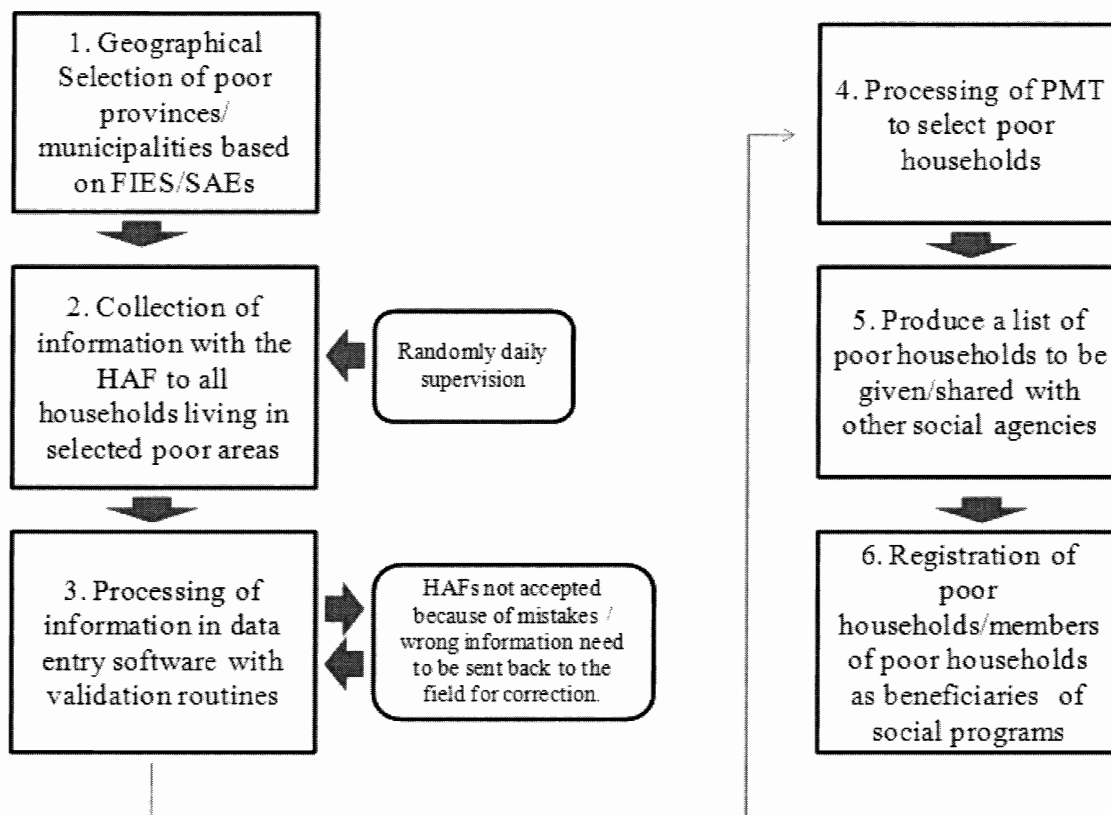
16) Social Welfare and Development Journal - 3rdQuarter2009Issue

selection of municipalities based on poverty incidence according to Small Area Estimates (SAE 2003). Both statistics are produced by National Statistical Coordination Board (NSCB). The second step involves a household assessment through the application of a Proxy Means Test (PMT) methodology used to predict income of households on the basis of household composition, education, socio-economic characteristics, housing conditions, access to basic services, assets, tenure status and regional variables. The information for estimating the PMT is gathered in a 2-page questionnaire, the Household Assessment Form (HAF), with relevant variables that predict income of households. The PMT model was estimated using the dataset of the Family Income and Expenditure Survey (FIES, 2003) combined with the Labor Force Survey (2003).

The information to calculate the PMT is then to be collected following a number of data collecting strategies such as survey sweeping (i.e., all residents in a given area are surveyed), on-demand application, or a combination of the two methods. The methodology to be used depends on the poverty incidence and the urban/rural classification of the areas to be surveyed. The information is collected following strict procedures to guarantee quality and is closely supervised. Once the information is gathered, it is processed in a standardized way in the software developed for that purpose, which includes validation routines. Then a PMT model is calculated to classify the households as poor or non-poor based on latest official available provincial poverty thresholds produced by the NSCB. This targeting method has been used in other middle income countries such as Mexico, Colombia, Chile, and Costa Rica where reported income is hard to verify as a large number of people (over 50 percent of workers) work in the informal sector and there are few databases available to cross check incomes or assets.

By the end of 2009, a database of 2.1 million households have been identified and household level data collected from 4.2 million households. The NHTS-PR aims to encode data collected from 9.4 million households, hardware for processing information, and the issuance of identification (ID) cards for poor households, maintenance of the database and recertification of 9.4 million households after four years.

[Chart 1] Operation of the National Household Targeting System for Poverty Reduction



5. The NEDA-SDC Sub-Committee on Social Protection

In October 2009, the Social Protection Strategy Paper was adopted by the NEDA-SDC Cabinet level, which resulted in the crafting of NEDA-SDC Resolution no. 2, series of 2009 on the creation of a Sub-Committee on Social Protection(SCSP). The SCSP is currently chaired by the DSWD's Undersecretary for Policy and Programs with the NEDA Deputy Director General for Planning and Policy as Vice-Chairperson. This interagency mechanism was tasked to operationalize the identified imperatives for action under the social protection strategy as well as the institutional arrangements including reporting of each of the responsible government agency/entity.

The Social Protection Operational Frame work and Strategy high lights coordination and complementation of efforts from the national to sub-national levels on social protection which should be strengthened and harmonized to achieve greater synergy and program impact in achieving an improved quality of life for the poor and vulnerable

sectors of the society.

SOCIAL PROTECTION IMPERATIVES FOR ACTION:

a) Collaboration of Key Stakeholders

In pursuing the social protection program of the government, it is imperative for concerned government agencies, local government units (through the Leagues of Provinces, Cities, Municipalities and Barangays) and key private sector organizations/NGOs to work closely in a cohesive and coherent manner to optimize resources and synergy.

b) Complementation of 4Ps with other Social Protection Programs and Projects

Given the accentuated focus on the Pantawid Pamilyang Pilipino Program or 4Ps, which is the government's social protection program to address the human development needs of the burgeoning poor and disadvantaged Filipinos, much is expected from the 4Ps as a conditional cash transfer program to break the intergenerational cycle of poverty. The 4Ps being a core program is considered to be complemented with other social protection programs such as skills development, scholarships, employment generation, microcredit, nutrition/feeding program and rural electrification in 4Ps areas.

Complementation of the KALAHI-CIDSS and Self-Employment Assistance-Kaunlaran (SEA-K), two key programs of the DSWD with best practices, with the 4Ps is envisaged to jumpstart this convergence effort to optimize program results. The KALAHI-CIDSS, a community-driven strategy towards poverty reduction, is seen to be a mechanism where it shall provide the supply side in 4Ps areas such as construction of classrooms/day care centers, health care facilities, water systems, access roads and other priority community sub-projects to create jobs or workfare, thereby, increasing access and compliance to the conditionalities of 4Ps and providing the impetus for

employment opportunities. It will also promote community empowerment where the beneficiaries are given access to and control of key development decisions and resources through community mobilization and participation.

The SEA-K on the other hand, as a capability-building for economically active poor, will complement the 4Ps in terms of enhancing the socio-economic skills of the beneficiaries by providing capital assistance and engaging them to form into community organizations for entrepreneurial activities which shall augment their household income.

Other key elements that could be optimized in complementing the different social protection programs are to closely diagnose the mechanisms in targeting beneficiaries, capacity building of local government units, empowering communities, community services, monitoring and evaluation and establishing a referral system.

A mechanism to operationalize this convergence is by establishing and institutionalizing a Referral System for government agencies with regard to the provision of programs and services to beneficiaries to facilitate the link or transition to another program intervention. The Department of Social Welfare and Development (DSWD) may spearhead the crafting of the Guidelines for the operationalization of the Referral System from the national to the local levels. The other components shall be phased-in after an assessment of the program design.

While 4Ps is considered at the helm of the social protection efforts of government, it does not leave the other key social protection programs and services behind. Key SP programs and services are included in the entire spectrum of the government's efforts to protect and alleviate the poor. Deserving households or beneficiaries who are eligible to be covered by other SP programs and projects will be identified and prioritized using the National Household Targeting System for Poverty Reduction (NHTS-PR) to reduce leakages and exclusion. The National Household Targeting System for Poverty Reduction, being an objective and transparent targeting system, is intended to be utilized and adopted by national government agencies in identifying and prioritizing beneficiaries for social protection programs.

c) Monitoring and Evaluation

> Establishment of a Monitoring and Evaluation System

A monitoring and evaluation (M & E) system shall be established to provide an early warning and effectively alert the program administrator of changes in the socio-economic status or condition of the beneficiaries for possible transition from the Program. This would entail a periodic assessment of the program results/outcome as gleaned from the regular monitoring of the socio-economic status of program beneficiaries to aid in determining which intervention/s are needed in fully graduating them from poverty and providing them access to other government program or services for sustained socio-economic well-being.

> Revisiting Program Design and Resource Allocation

Government agencies are expected to periodically revisit their program design whether these respond appropriately to the objectives and desired outcome/results of the program, and to review the resource requirements whether these efficiently and effectively cover the intended beneficiaries and geographical reach for significant impact. Otherwise, it is imperative for government agencies to realign their resources to other priority programs or projects which have impact and relevance vis-à-vis the agency's core mandates and functions.

d) Formulation of a Graduation Scheme

Central to the social protection strategy is the formulation of a graduation scheme and sustainability plan for the Program's target beneficiaries. A graduation scheme which shall be done by phase will determine who among the SP beneficiaries are already eligible to be graduated from the program such that other beneficiaries who are still not covered by existing interventions can be considered and prioritized. The proposed Graduation Scheme shall contain a Sustainability Plan in order to define the interventions (i.e., scholarship, capacity-building/skills training, job matching, livelihood, microcredit, etc.), needed on a long-term basis and determine which interventions are appropriate for different levels of risks or vulnerabilities to ensure that these target

groups do not become vulnerable to sudden socio-economic downturns which may lead them to poverty again.

6. Way Forward

In line with the social protection efforts of the national government wherein social safety nets is regarded as one of the essential components to address poverty and vulnerability, hereunder are the actions to be undertaken for the next years:

- a. Conduct of an in-depth study on social protection in the Philippines. This shall take off from the quick assessment conducted by the Development Academy of the Philippines (DAP) in 2009 entitled “Review and Strengthening of the National Social Protection and Welfare Program”.

The “Philippine Social Protection Sector Review” to be conducted by the World Bank Office Manila aims to assist the government in developing a medium-term social protection agenda by building upon and complementing the DAP social protection review by: providing a better understanding of household vulnerabilities to risks and shocks; conducting a broad assessment of the existing social protection system; and providing a detailed analysis of selected social safety net and social welfare programs.

- b. Formulation of a 5-Year Social Protection (SP) Plan 2011-2016. The medium-term Social Protection Plan is envisioned to be the blueprint for policymakers, planners and program implementers to determine specific approaches and strategic interventions best suited to be carried out by responsible agencies/entities on social protection to cover specific target groups and vulnerabilities. It shall analyze the risk-response gap of the present government programs and interventions on social protection and the necessary reforms to address these gaps. The DSWD through the SDC-Sub Committee on Social Protection shall lead in the formulation of this medium-term Plan after conducting a series of capacity-building workshops on SP for partner agencies.

- c. Development of the Social Protection Convergence/Integrative Framework. This convergence/integrative framework is crucial in harmonizing the social protection programs and projects of different SP implementing agencies/organizations.
- d. Mainstreaming of Social Protection (SP) in the successor Medium-Term Philippine Development Plan (MTPDP). With the accentuated focus on social protection and providing human security, mainstreaming SP concepts, approaches and strategies in the MTPDP would lend credence to continuing efforts to upscale development interventions and key policy reforms along this line. As social protection is broad-based, it would essentially cover the different components on labor market interventions, social welfare, social insurance and social safety nets.

II. Social Safety Net Implemented by the Philippine Government During the Global Financial Crisis

The Economic Resiliency Plan (ERP)¹⁷⁾

The Economic Resiliency Plan or ERP is the country's response to the global financial crisis. It aims to cushion the impact of the crisis on and jumpstart the economy through a mix of accelerated government spending, tax cuts and public-private sector investments in infrastructure projects. The ERP also seeks to prepare the country for the eventual global upturn.

The ERP has the following objectives:

- a. Ensure sustainable growth and attain the higher end of the growth targets;
- b. Save and create as many jobs as possible;
- c. Protect the most vulnerable sectors - poorest of the poor, returning overseas Filipino workers, and workers in export industries;
- d. Ensure low and stable prices; and
- e. Improve competitiveness in preparation for the global economic rebound.

17) National Economic and Development (NEDA) Frequently Asked Questions (FAQs) on Economic Resiliency Plan.

To achieve these objectives, the ERP implemented the following strategies¹⁸⁾:

- a. Improve revenue collection. Since the ERP is basically a fiscal stimulus package, government must ensure it has enough resources to fund the initiatives lined up under the plan. The Department of Finance (DOF) is in charge of government measures to improve revenue collection;
- b. Implement budget interventions. These include: (a) ensuring the full and quick spending of the 2009 budget; (b) maximizing utilization of the Personal Services and Maintenance and Other Operating Expenditures (MOOE) allocations; (c) realigning resources away from slow moving projects, and (d) continuing support for agriculture. The State intends to upgrade infrastructure and capital stock at the same time expand social protection.
- c. Accelerate spending for small infrastructure to create jobs. The strategy includes strengthening the absorptive capacity of the infrastructure agencies.
- d. Expand social protection programs. The national government budget has been modified to widen the net of social protection. The 2009 budget was crafted so as to respond to the earlier 2008 crisis of high food and fuel prices.

Conditional cash transfers for the bottom poor, through DSWD's 4Ps, were put in place to address costly rice and rising hunger.

The ERP also added budget to the PhilHealth for the implementation of the National Health Insurance Program and even increased the allocation of funds to the Technical Education and Skills Development Authority (TESDA) which formulates manpower and skills plans, sets appropriate skills standards and tests, coordinates and monitors manpower policies and programs, and provides policy directions and guidelines for resource allocation for the technical-vocational education and training (TVET) institutions in both the private and public sectors.

The ERP also increased the funds of the Overseas Workers Welfare Association (OWWA) for its lending assistance programs for returning OFWs and added funds to the Department of Health (DOH) for primary and secondary hospitals.

18) NEDA. (2010). Updated Medium Term Philippine Development Plan 2004-2010. http://www.neda.gov.ph/plans_and_reports/MTPDP/Updated_MTPDP%202004%20to%202010.pdf

e. Save jobs, create new employment opportunities. Particularly vulnerable in the crisis are workers in the merchandize export sector and Overseas Filipinos who are laid off. The DOLE has put in place programs to assist these sectors.

In order to save and create jobs, the ERP responds with a Comprehensive Livelihood and Emergency Employment Program (CLEEP). It is a package of interventions projected to avert employment crisis. Its main goal is to protect the most vulnerable sectors, i.e., poor, hungry, returning expatriates; workers in the export industry; and out-of-school youths from threats and consequences of reduced or lost income due to the global economic crisis. Under CLEEP, government department heads have been instructed to hire for emergency employment, as well as fund and supervise livelihood projects.

Some of the DSWD programs under the CLEEP include the Self-Employment Assistance Kaunlaran (SEA-K) and the Cash for Work Program.

f. Off-budget interventions. These include tapping the resources of Government Owned and Controlled Corporations (GOCCs) and Government Financial Institutions (GFIs) for large infrastructure projects. The ERP also encourages social security institutions (SSIs) to enhance benefits for its members. These also require partnering with other stakeholders (i.e. the private sector).

<Social Safety Nets in Korea>

Seokpyo HONG

I. Current Status of Social Safety Nets in Korea

- Korea's social security net is evaluated to be well structured.
 - Four social insurance programs act as the primary safety net, followed by the National Basic Livelihood Security Scheme.
 - Emergency relief program is the last resort to support citizens in need.
 - In 2008, in order to address the needs of aging population, the Long-Term Care Insurance System for the Elderly was introduced.
 - Public support scheme(National Basic Livelihood Security Scheme) has been significantly broadened since 1999.
 - The Scheme includes those who are able to work as recipients and at the same time impose certain conditions for receiving benefits to assist self-support.
 - In addition, it is designed to provide a more realistic social security plan by applying realistic standards, the minimum cost of living, and broadening its coverage to housing.
 - About 1.5 million of the poorest Koreans are currently benefiting from the scheme.
 - Five social insurance programs (old-age pension, health insurance, employment insurance, workers' compensation, and long-term care insurance) are in place and social services for vulnerable classes have been expanded.

- However, there are still challenges ahead. Social safety net is focused too much on the privileged and after-the-fact measures and the main body of welfare services is confined to the government.
 - As for health insurance, more than 1 million households don't have access to health benefits due to failure to pay health insurance contributions for 6

months or more.

- Also because insurance recipients have to pay about 40% of medical fees, low-income families may not be able to pay medical bills if they suffer from terminal diseases.
 - With regard to the national pension, about 28% of the eligible households are exempt from payment.
 - The same is true for workers' compensation. This covers only about 40% of the total population, leaving the remaining 60% exposed to the risk of job loss.
 - Meanwhile, the rate of recipients of the National Basic Livelihood Security Scheme who meet the eligibility criteria, such as minimum cost of living, the duty of support stands at 3.5% of the total population.
 - But those who have supporting families or a certain level of property are excluded from social security though they desperately need assistance.
- In conclusion, though Korea has a institutional framework of social security, the underprivileged are still at risk of falling into the poorest class due to inflexible criteria, lack of pension fund.

II. Ideology and basic direction for the latest social security development framework

1. Policy direction for the latest social security development framework(2009~2013)

- We've set a direction for the latest social security development program based on the outlook for changes in future conditions as well as some weaknesses identified during implementation of the previous frameworks.
 - Challenges to be considered when establishing a direction for the development of social security amid changes in future conditions and outlook.
 - ➔ [Challenge 1] Revitalize market economy through promoting growth-friendly policies, based on which it shall allow a substantial and efficient social safety nets to be made available to the entire country, thus facilitating social cohesion and enhancing sustainable national development.
 - ➔ [Challenge 2] Reinforce the social responsibility for childbirth and raising children to ensure that future generations would grow and develop healthily, while fostering a social environment in which the driving engine for growth can be secured in today's aging society.
 - ➔ [Challenge 3] With the collapse of the middle-class increasingly being caused by structural issues of the economy and society, it is crucial to recognize the possible limits of such a simple-minded and uniform approach as focusing solely on easing the widening income distribution gap.
 - ➔ [Challenge 4] As we are entering into a multi-racial and multi-cultural era, one of our major social challenges is likely to be to what extent the new values and new concept of social cohesion can be accepted and understood by transcending the existing definition of homogeneity-based equality and embracing diversity and differences.

- ➔ [Challenge 5] Insufficient supply of social services may lead to an ineffective response to the surging increase in demand, possibly threatening people's health and the stability of their lives, and aggravating socio-pathological problems. Thus, more efforts are required to encourage active investment and implement necessary programs.
 - ➔ [Challenge 6] For smooth operation of the market economy, it is critical to establish a basic order based on social trust. To this end, the government needs to maintain a principled and strict stance to enforce policies and fight corruption in a bid to bring clarity and transparency to relevant laws, regulations and practices in the public sector.
- Experiences from and implications of the previous social security development frameworks
- ➔ Maintaining and reinforcing human capital in society as well as providing support for involvement in economic activities are required to boost the potential for growth. Additionally, a new policy approach needs to be in place to call our attention to the socially marginalized (i.e. multi-cultural families) that have been left out from the current social security programs.
 - ➔ Continued efforts are required to eliminate any blind spots in the social safety nets and enhance the consistency and compatibility among individual social security programs.
 - ➔ As new demand for welfare is being identified and the present demand is growing in quantity, sustainable expansion of the welfare budget is essential.
 - ➔ At the same time, measures should be taken to boost the efficiency of welfare expenses and enhance effectiveness by prioritizing resource commitment.

□ Policy direction for the latest social security development framework

Policy direction for the latest social security development frame	
Establish an active welfare in which social cohesion prospers with economic growth	
Policy visions	<ol style="list-style-type: none"> 1. Welfare that allows future generations to fulfill their dreams 2. Welfare that allows people from all walks of life to live in harmony 3. Welfare that brings happiness to the working class 4. Build social safety nets tight enough to effectively respond to any crisis 5. Efficient and sustainable welfare

- The current trend of a low-birth and aging society has reduced the percentage of the economically active population, which has weighed heavily on the current workers. Since such a burden saps the vigor of society, we need to introduce welfare policies that enable our future generations to pursue their dreams.
- As we move toward the multi-racial and multi-cultural society, a proper welfare system should be introduced to allow even the socially vulnerable class (i.e. multi-racial families) to live in harmony with others, thus promoting social cohesion.
- Since getting a job is a shortcut to preventing class breakdown and gaining independence, it is vital to build a society in which those who work are able to find satisfaction.
- When the economy becomes uncertain, the lower and middle classes are exposed to a disproportionately high risk. That said, it is necessary to come up with a much tighter safety net.
- An annual average of 12.4% increase in welfare expenditures over the past 10 years has called for welfare efficiency and heightened the concern for welfare dependency. Under this circumstance, it is imperative to create an efficient and sustainable welfare system.

2. Policy orientation for the latest social security development framework

A. Preventive welfare

- Preventive welfare is a proactive investment in children, child-care, education, etc. in order to overcome the possible risk of a low-birth society going forward.
 - Currently, more people marry later in life and try to avoid pregnancy mainly due to job insecurity, financial burdens associated with marriage and child-raising, which include the purchase of a house, the daunting struggle between job and family, and lack of child-care infrastructure. Against this backdrop, it is necessary to take a proactive approach in dealing with these problems.

- A proactive policy is required to keep those who are temporarily unemployed or sick from reeling under poverty.
 - Up until now, social welfare policies have taken a reactive approach by focusing mainly on supporting the impoverished (those living on minimal living expenses or less) or the vulnerable (the elderly, the handicapped, children, etc.).
 - Specifically, the poor or underprivileged are already guaranteed with the minimum living expense, with some assistance provided specific to each different category. However, there have been no proactive measures in place to help people in need before they spiral down to poverty.

B. Universal welfare

- It is essential to break away from the existing selective welfare policies and move toward building a universal welfare system in which all people can enjoy a better quality of life.
 - Currently, public pension is allowed only to those whose income can be accounted for, and employment insurance is eligible only for the employed. Meanwhile, many struggling small shop owners, who are in fact most in need of

government assistance, are left helpless, marginalized by our welfare policies.

- Also, a majority of welfare policies are centering around the impoverished or socially marginalized. Although public demand for social services is gradually increasing amid changes in social and economic conditions, the current welfare supply isn't sufficient enough to accommodate the growing demand.

- Active responses to not only conventional social risks such as aging, unemployment and diseases but also inadequate skills, low-paying jobs, growing number of multi-racial or single families, etc.
 - Active steps will be taken to meet the needs of children, women and family, all of which were often last priority in the past.

C. Customized welfare

- A uniform and general welfare approach has so far been implemented mainly due to convenience for suppliers and a limited welfare budget. However, we need to move toward introducing a consumer-focused personalized welfare system that can both accommodate different needs of each individual and provide the lifecycle-based welfare service from cradle to grave.
 - A supplier-oriented uniform approach denies services to the penultimate class even though there clearly exists the need for welfare.
 - For those subject to a basic livelihood security program and living below subsistence level, the allowances for living, housing, healthcare, education, funeral arrangements and other kinds of support have been provided regardless of their individual needs.

- Remove a blind spot by delivering necessary and timely service to those in need, and eliminate any inefficient redundancies.

3. Active welfare as the basic ideology and philosophy of the latest social security development framework

A. Concept and characteristics of 'active welfare'

□ Concept of 'active welfare'

- The accountability of the state shall be strengthened in order to prevent and tackle social risks that threaten the lives of each individual of the nation, while at the same time stressing the active cooperation of individuals and the society.
 - The state shall take the lead, with the society and individuals actively becoming involved.
- Welfare that guarantees basic livelihood for people and ensures a stable and happy life for every citizen of the country.
 - A responsible state, a caring society where people live together, individuals who cherish self-creation
- Welfare that is ensured to carry on the good qualities of previous welfare policies while overcoming such problems as inefficient resource allocation and limited policies, and proactively coping with changes in the future environment
 - Ensure a virtuous cycle of economic growth and welfare expansion in an attempt to form a sustainable welfare system in the future

□ Drivers of active welfare

- The state, society and individuals shall all be actively involved in welfare policies to ensure that people are not threatened by, or stay away from social dangers.
 - Individuals shall take care of themselves to stay away from social risks. However, if they encounter a danger, the state and society will step in and come to the rescue.
 - When individuals are relieved from social risks by the state and society, they will be offered an opportunity to take charge and actively become independent. For those who lack activity, the state and society shall provide protection.

- The active welfare of the current government is aimed at carrying on the good qualities of the previous welfare policies, resolving inherent problems and standing up to the challenge of new social risks while achieving economic growth. In a word, it will be serving as a bridge between economy and welfare.
 - Efforts will continue to eliminate inefficiencies in resource allocation, boost the achievement of previous policies and actively respond to changes in the future socio-economic environment, thereby improving the quality of life for people and achieving sustainable economic growth.
 - In a nutshell, the active welfare of 'Practical government' is to make Korea's historical welfare development better systemized, organized and streamlined in a comprehensive manner.
- Take a preventive approach to actively deal with any crisis in future society
 - Actions against low-birth: Provide support for childbirth and raising children, quantitative and qualitative improvement in child-care services, etc.
 - Actions against aging society: Job creation, easing of financial burden caused by having to support the elderly with Alzheimer's disease or a stroke etc.
 - Actions against youth unemployment: Help them improve their skills and create more jobs, etc.
 - Actions against social divide: Launch of 'Dream-Start' program, EITC expansion, Extend the eligibility for social insurance and provide more coverage, etc.
 - Actions against widening social security deficits: Overhaul the payment system of medical fees for health insurance, Broaden the scope of employment and accident insurance, Reform public pension and other pension schemes for employees in specific occupations, etc.
- Take an aggressive approach toward improving 'the quality of life' for all members of the nation, while maintaining and reinforcing the existing social safety nets.
 - Resolve any policy inefficiencies relating to the social safety nets that the government has been working on so far, while trying to make the nets more

finely meshed

- Pursue the universal welfare that can enhance the quality of life for not only low-income families or the underprivileged but also the entire population: The accountability and commitment of both the individual and society shall be recognized as an important element to make this happen.
- Take measures to make the existing welfare system more organized and efficient while securing the justification for budget increase and paving the way for more people to personally benefit from welfare
 - Create an evidence-based welfare system to provide a customer-focused personalized service
 - Ensure the consistency and compatibility in the entire welfare system to prevent any duplications or omissions
 - Overhaul the relevant laws and regulations to facilitate civil participation
 - Introduce IT expertise into the welfare delivery system and form an alliance between private and public in a bid to strengthen efficiency in the bilateral welfare delivery system

B. 4 core elements of active welfare

- Still welfare state
 - Ensure that all members of the nation shall be guaranteed to maintain basic livelihood, as before, for the areas that require social protection, including unemployment, diseases, aging, physical handicaps, etc.
 - In the face of social risks emerging in today's modern society such as weakened caregiving functions driven by family breakdown and an increasing number of the marginalized due to globalization, the state should step in and take an active role in providing protection.
- Active people
 - Ensure that individuals should become actively involved in developing their skills through education or vocational training in order to take the initiative in

their social and economic lives

- Provide an opportunity for each individual to live up to their potential, while taking proactive steps to prevent social risks such as poverty, unemployment, diseases, etc.

○ Active Community

- Enhance policy effectiveness and ensure a sustainable welfare by encouraging the private involvement of companies, NPOs, NGOs, religious organizations and families, thus maximizing welfare competence
- To this end, legal and regulatory support is required to allow the local community to constitute a pillar of welfare

○ Intelligently Active State

- The state should set forth measures to make sure that all citizens are offered an equal opportunity and are able to stand on their own feet without relying on welfare.
 - Continue to provide a customer-based personalized welfare service
- Establish the continued monitoring and performance management for better efficiency and effectiveness of system
- Secure our stature as a learning state
 - Ensure the process of becoming a nation in which everyone has easy access to lifelong learning to create and exchange knowledge and information, thus helping boost the quality of life for every individual in the country.

SOCIAL PROTECTION FLOOR IN VIETNAM. CURRENT SITUATION AND ORIENTATION.

Dang Kim Chung

Ensuring Social Protection is always a great advocate and orientations of the Vietnamese State. That was confirmed when Vietnam was still a poor country but still preferred the resources to ensure the essential needs of the people. Who strives not to fall down from the social safety net.

Vietnam recognize that ensuring social protection for all citizens first and foremost is to ensure that human rights but also ensure the environment for sustainable development, successful implementation of the Millennium Development goals (MDG). Ensuring social protection floor is to ensure that no one should live below the minimum will also maximize the capability of self-rising every human on the basis of maximizing human capital.

1. Develop policies to ensure social protection floor for all people, support poverty reduction.

By 2010, Vietnam has achieved three of the eight millennium goals for 2015, including: (1) elimination of extreme poverty and hunger, (2) universal primary education and (3) strengthen gender equality and empowering women. Vietnam is striving to achieve the targets remaining. Poverty reduction, and Vietnam has reached far beyond the targets, the poverty rate fell from 58.1% in 1993 to 28.9% in 2002 and only 14.5% in 2008 and Vietnam is considered is one of the country succeeded in combining ensure stable growth towards reducing the poverty rate. Gender equality has been achieved positive results, the status of women is constantly improving, the index measuring gender equality (GDI) value continued to increase, the state of inequality in living standards are under control Gini coefficient remained at 0.356 (2008). This result is the result of many efforts to reduce poverty and social justice made by both

the state system and the people.

1.1. On mechanisms and policies.

Vietnam has been implementing a system of policies, programs and massive floor to ensure social protection for all citizens through the provision of basic social services, health, education, clean water and hygiene, food, food, housing, legal and social assistance. According to statistics, there are over 40 policies and programs are focused to ensure social protection floor for people, which has focused priority for vulnerable groups such as the poor, ethnic minorities digital, children with more difficult, people with disabilities.

On health, Vietnam is striving for health insurance in 2014. State provides medical services free for children 6 years and younger; buy health insurance for poor people, people living in communes with special difficulties, the whole object of social protection national and families to the country. Poor who are supported by 50% fee to participate in health insurance.

On education, free of all tuition fees for primary school students; Free tuition reduction at all levels of learning for students as children, children from poor families, support travel, meals, lodging, books poor students from ethnic minorities in difficult areas.

Clean water, Vietnam is implementing the National Target Program on Water and Sanitation for rural areas. The poor families cash assistance and materials to build water tanks, water supply systems shall be brought to the village. Housing, the State issued policies to support stable housing for the poor. Besides the direct supply of basic social services for the people, policies, programs also focus on supporting the poor, poor families and poor communities through development of production policies to ensure productive land, preferential credit, vocational, agricultural - forestry - fisheries, career development, participation in public projects. Simultaneously implementing development programs and infrastructure essential for the communes and villages, particularly difficult to create conditions for the poor have access to basic

social services.

1.2. The results achieved.

In parallel with developing health care services, the health care services in poor areas growing in many forms such as the construction of health centers, formation of groups and teams of medical examination mobile treatment, and implementation of prevention activities on a regular basis health care for children, pregnant women in the village. Over 52 million poor people are provided with health insurance. To date 100% of communes and wards have health stations, of which approximately 75% of communes have doctors; 82.5% of rural households were using safe water.

Investment facilities the school has much improved and the ratio of semi-permanent classrooms, temporary classrooms significantly reduced: the 2009-2010 school year there were eight. Percentage of schools meeting the national standard pre-degree has increased from 6.5% (year 2005-2006) to 12.8% (2009-2010). The model of education focused, semi-boarding schools, distance education, has been gradually expanded in various forms with the participation of many partners, thus creating favorable conditions for the participation of people People in both urban and rural areas and remote areas. In the four years from 2006-2009, there were nearly 8 million poor students are exempted fees; 2.8 million poor students are supported notebooks, textbooks.

Along with support from UNICEF's clean water project and non-governmental organizations, the National Target Programme on water supply and rural sanitation has focused on providing clean water for people, particularly people in rural areas are remote. Percentage of rural population use clean water in Vietnam has increased from about 40% in 1997 to 83% in 2010. Separate Economic Development Program, Social biety difficult communes have built 210 new water supply for communal areas of ethnic minorities. Thus, more hygienic environment is improved, the proportion of people suffering from infectious diseases ... plummeted.

The implementation of policies on housing assistance so far has basically guaranteed housing for most poor families across the country, including the layout from outside

the state budget must include a large share of the business. However, the impact of natural disasters, floods, so the construction of housing for people in disadvantaged areas will continue to be deployed.

In the 04 years from 2006-2009, there were about 5 million poor households get loans at preferential credit loans average about 6-7 million VND per household, estimated at about 6.2 million five years poor households get loans, average loan size 7-8 million VND per household, reaching 103.3% 5-year plan, implement 30,000 training courses on technology transfer, building 8,500 demonstration and investment bank conferences with 3 million poor people.

Estimated 5 year about 3,7 million poor people instructions on how to do business, and 88% compared to 5-year plan, has 100,000 poor laborers were free vocational training. 150,000 poor workers are trained for free, 100% 5-year plan), of which 60% have found employment, self employment, income growth contributed to poverty reduction.

The construction of rural infrastructure significantly improved, contributing to lower production costs, reduce the gap in geography of poor areas and poor communes. The system provides electricity for the people of regional and remote areas has been gradually raising the efficiency of investment and expand coverage of the national grid. So far 96.1% of households had access to electricity grids; 86.9% of households using television, over 97% of communes have roads for car travel to the town center, about 90% of communes station post offices, housing area per capita in 2009 was 16.7 m², permanent rate 46.3%.

The scope and participants of social insurance has been extended. Participants scale social insurance increased. Number of the compulsory social insurance reached about 9.7 million people, accounting for nearly 22% of the workforce and society about 76% of subjects prescribed by law. Besides, there are about 30,000 people participating in voluntary insurance.

Social policies in support of expanding the total number of objects of social protection is now about 1.3 million people, the allowance increased significantly from 65,000 VND per month (in 2006) to the minimum level is 120,000 per month (in

2007) and 180,000 per month in 2010. Bring effective from the renewal of policies for social welfare has improved living conditions and contribute to empowering disadvantaged people in the family, community, society, help to reintegrate the vulnerable people into the community, help them escape from poverty.

Supported 373. 400 houses for poor ethnic minority households; 1,550 hectares of land for nearly 72,000 households; 27,760 hectares of productive land for 83,560 households.

Society organizations, communities increasingly important role and participate more in activities to support and provide social benefits to poor households. Many service models to support the poor, groups vulnerable (elderly, disabled people, children especially difficult circumstances) community-based development is formed effectively, can replicability.

2. The direction of innovation.

2.1. The challenge for Vietnam in the period ahead.

Although it has been a lot of achievements in ensuring social protection floor for all citizens, but Vietnam is still facing many challenges, that are:

Vietnam is located in extreme climates, usually occurring rain, storms, floods, affecting the livelihood and income of the people. In particular, global climate change (temperature increase) together with the phenomenon of rising sea levels poses new challenges for employment and social protection for people. Economic restructuring and labor market risks to economic, social, increasingly diverse, complex and wide-area effect. The negative impact of shocks to an increasingly predictable, while Vietnam's experience in preventing, minimizing risks and overcoming the economic crisis, disease as well as other social problems more limited.

Trend of increasing aging population poses challenges to the sustainability of social security policy. Awareness and people's living standards are raised to demand for quantity and quality of services to ensure social protection increasingly higher (on

income from welfare to social welfare and environmental school). The change in marriage patterns, living among the elderly and children in the family will undermine the role of traditional social protection and strengthening non-official role and social responsibility of social protection official.

Of social differentiation is increasing, the benefits from economic growth among different population groups is also not commensurate with the poor and ethnic people living in remote areas. Disadvantaged groups increasingly vulnerable due to limited competition, risk prevention in the marketplace. The lines move jobs, move workers increasingly pose challenges for social protection systems of individual countries including Vietnam.

2.2. The reform-oriented social protection system step in the period 2011-2020. On the basis of continued implementation of existing policies are effective, some policies will be added to ensure that the floor needs a minimum of social protection, that is

- Develop programs to do: to support employment for workers are unemployed or underemployed, priority workers are unemployed or underemployed people in poverty or near poverty through participation in the Developing infrastructure in small rural areas (roads, irrigation networks, dredging rivers and lakes.), Garbage collection and sanitation.
- The policy of social assistance is conditional regularly for poor households with children going to schools to ensure children go to school. This is a strategic solution to contribute to sustainable poverty reduction.
- Expand the beneficiaries of social assistance often the direction of: (1) ensure a minimum standard of living for all citizens, (2) to support timely and effective when risks occur, and (3) promote active participation of communities and expand effective initiatives.
- To promote the implementation of health insurance legislation, towards universal health insurance in 2014. Special attention to providing health services and health care for residents in disadvantaged areas.

International Symposium on Social Safety
Nets in Selected Asian Countries.

(29일) Session IV

〈오후 발표〉

From Crisis to Crisis: The Social Safety Net Programs in Indonesia

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Uniquely Singapore: Social Safety Nets in Singapore

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Financial Crisis and the Political Economy of Social Policy Reform in a Small Open Economy: Taiwan's Labor/Social Policy Regime in Transition

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Outline

- BACKGROUND
- THE DEVELOPMENT OF SOCIAL SAFETY NET PROGRAMS
- THE MAJOR SOCIAL SAFETY NET PROGRAMS
 - *Raskin: The Subsidized Rice Program*
 - *Jamkesmas: The Social Health Insurance Program*
 - *BOS: The School Operational Assistance Program*
 - *BLT: The Unconditional Cash Transfer Programs*
 - *PKH: The Conditional Cash Transfer Programs*
- CONCLUSION

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Background

- ☛ Since the Asian financial crisis in 1997-98, efforts on protecting the poor through social safety nets covering food security, health, and education services have signified Indonesia's development policy agenda
- ☛ From 1998 to 2010, the government has shifted its development agenda, not only relying heavily on economic growth but also creating poverty reduction efforts to ensure the achievement of development goals
- ☛ The social safety net program, that was commenced as an effort to mitigate the impact of the Asian financial crisis that severely hit the poor a decade ago, has now evolved into wider poverty reduction efforts

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The Development of Social Safety Net Programs (1)

- ☛ During the pre-crisis New Order period, social safety programs were practically nonexistent in Indonesia. Instead, the country adopted a long-term poverty alleviation strategy via massive investments in public education, health, and infrastructure
- ☛ This approach has contributed to the improvement of human capital accumulation, creation of newly educated middle-class, and opening isolated areas to wider economic opportunities
- ☛ In the absence of government initiated social safety nets, the poor relied mostly on traditional risk pooling mechanism
- ☛ However, this typical local risk pooling mechanism failed when the whole community or region is hit by aggregate shock, such as during the Asian financial crisis in 1997/98

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The Development of Social Safety Net Programs (2)

- ④ In mitigating the impact of hyperinflation, households tried to maintain their physical amount of staple food consumption at the cost of health and educational expenditures, hampering the sustainability of long-term poverty alleviation strategy through human capital accumulation
- ④ In the effort to protect food security, education, health, and employment of the poor, in 1998 the Government of Indonesia initiated the first nation wide social safety net scheme, known as the JPS (*Jaring Pengaman Sosial*) program
- ④ The aim of this initiative was to prevent the chronic poor from falling more deeply into poverty and reducing the exposure of vulnerable households to risks

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The Development of Social Safety Net Programs (3)

- ④ JPS had four-pronged strategies:
 - ④ ensuring the availability of affordable rice,
 - ④ improving household purchasing power through employment creation,
 - ④ preserving access to critical social services, particularly health and education,
 - ④ sustaining local economic activity through regional block grants and the extension of small-scale credits
- ④ After the crisis, successive administrations maintained some of the JPS programs and attempted to restructure the extremely regressive subsidies on fuel products and to channel budgetary savings into social safety net and poverty reduction programs

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The Development of Social Safety Net Programs (4)

- ④ The savings were then used to fund social undertakings known as the Fuel Subsidy Reduction Compensation Program (PKPS-BBM), which have helped to maintain the post-crisis gains and enabled the government to make the transition to a more progressive public spending regime
- ④ In the following years, successive administrations have taken a politically difficult but economically rational and pro-poor step in allocating resources more effectively in sectors that matter to social welfare
- ④ However, Indonesia's budgetary allocations to social and human development priorities as a proportion of GDP still remain among the lowest in Southeast Asia

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The Development of Social Safety Net Programs (5)

- ④ With some modifications, many of the social safety net programs initiated during the Asian financial crisis are still implemented now
- ④ A new program was introduced in 2005 in the form unconditional cash transfer (UCT), aimed at compensating the poor from the adverse effect of increases in domestic prices of fuels caused by reduction in oil subsidy in the state budget
- ④ The program provided a cash transfer of Rp 100,000 (around US\$ 10) per recipient household per month, paid quarterly through the post office. The number of beneficiaries was around 19.2 million households
- ④ The program has been implemented twice:
 - ④ UCT 2005: October 2005 – September 2006
 - ④ UCT 2008: May 2008 – February 2009

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The Development of Social Safety Net Programs (6)

- ➊ Another new initiative was launched in 2007 in the form conditional cash transfer (CCT), known as the PKH (*Program Keluarga Harapan*, or Hopeful Family Program)
- ➋ PKH provides quarterly cash transfers to poor households as long as they meet the requirements of using specified health and education services.
- ➌ PKH is still in pilot stage, implemented in 20 provinces covering ± 1 million beneficiary households
- ➍ The PKH can be categorized as multisectoral cash transfer scheme due to its conditionality. Potentially it can replace the targeted education scholarship scheme and complement the existing *Jamkesmas* in health sector

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The Development of Social Safety Net Programs (7)

- ➊ During the recent global financial crisis Indonesia fared relatively well, growing 4.5% in 2009 and $\pm 6\%$ in 2010
- ➋ To mitigate the impact of GFC, the government relied on a stimulus package in the forms of tax rate reduction and increased government spending on specific infrastructure projects as well as maintaining the social protection programs
- ➌ As an indication of the success of this strategy, the official poverty rate continued to decline during the GFC from $\pm 15\%$ in 2008 to $\pm 14\%$ in 2009 to $\pm 13\%$ in 2010

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The Development of Social Safety Net Programs (8)

Table 1. Creation, Development and Re-categorization of National Social Protection Programs in Indonesia during Fiscal Year 1998/99 – 2010

Programs' Classification	Fiscal year												
	1998/1999	1999/2000	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Subsidized Rice	OPK	OPK	OPK	OPK									
					Raskin	Raskin	Raskin	Raskin	Raskin	Raskin	Raskin	Raskin	Raskin
Social Health Insurance	JPS-BK	JPS-BK	JPS-BK	JPS-BK									
				PKPS-BBM	PKPS-BBM	PKPS-BBM	PKPS-BBM	PKPS-BBM					
								Askeskin	Askeskin	Askeskin	Askeskin		
											Jamkesmas	Jamkesmas	Jamkesmas
Educational Support Fund	JPS-Scholarship	JPS-Scholarship	JPS-Scholarship										
	JPS-DBO	JPS-DBO	JPS-DBO										
				EKM	BKM	BKM	BKM	BKM	BKM				
										BSM	BSM	BSM	BSM
										BOS	BOS	BOS	BOS
Unconditional Cash Transfer									BLT	BLT	BLT	BLT	
Conditional Cash Transfer										PKH	PKH	PKH	PKH

Source: Authors' analysis Fitzhben & Schady (2010), Ministry of Social Affairs (2009), Hastuti et al (2009), Sumarto, Suryahadi & Bazzi (2008), World Bank (2006), Sparrow (2006), Hastuti & Maxwell (2003)

The Major Social Safety Net Programs (1)

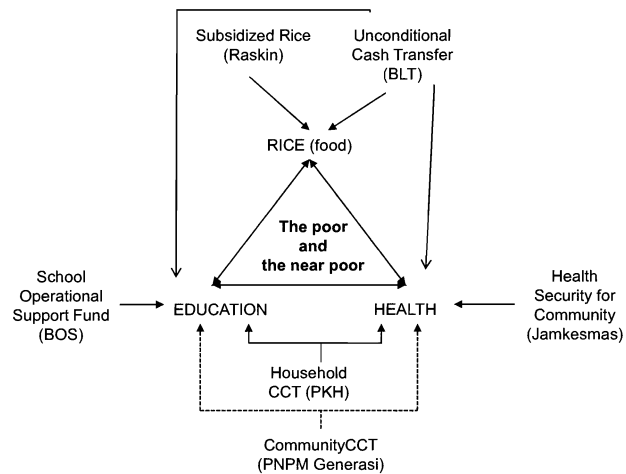
The government has formulated its poverty alleviation strategy in a three clusters concept:

Cluster I	Cluster II	Cluster III
<p>Social Safety Nets Aim: reduce burden of the poor & protect from shocks</p>	<p>Community Empowerment Aim: increase the poor's income & affordability</p>	<p>Micro-enterprises Empowerment Aim: increase SMEs savings & business sustainability</p>
<p>Main Instruments: Raskin, Jamkesmas, BOS, BLT, PKH. Other Instruments: BSM, Social assistance for disabled, elderly, children, etc. Targets: 18.5 million poor households.</p>	<p>Main Instruments: PNPM Mandiri (PPK, P2KP, PPIP, PISEW, etc.) Targets in 2009: 6,408 kecamatan in 465 kabupaten/kota</p>	<p>Main Instruments: Credit for the People (KUR) Targets in 2009: IDR 20 trillion for 4 million microcredit recipients</p>

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The Major Social Safety Net Programs (2)

- The government's social safety nets in protecting rice consumption, education, and health of poor households:



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The Major Social Safety Net Programs (3)

Program	Description	Objectives/ Benefits	Coverage/ Budget
Raskin (rice for the poor)	Sales of rice at subsidized price of Rp 1,600/kg compared to market price around Rp 6,000/kg BULOG delivers the rice to villages, then the village officials distribute the rice to recipient households	Ensuring food security at household level Smoothing up food consumption Reduced psychological burden due to uncertainty of food availability Enable households to switch resources to children' educational investment	17 million target households 2.7 million tons of rice Budget Rp ±9 trillion (US\$ 900 million) annually

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The Major Social Safety Net Programs (4)

Program	Description	Objectives/ Benefits	Coverage/ Budget
Jamkesmas (Health Security for Community)	<p>A waive of medical expenses for outpatient and inpatient care at sub-district health centers and third class public hospital wards</p> <p>District governments are responsible for selection of beneficiaries</p> <p>PT Askes reimburses the medical costs to the hospitals</p>	<p>To reduce out of pocket expenses from medical costs</p> <p>To increase health care utilization</p> <p>To increase health status of the poor</p>	<p>±76 million target individuals</p> <p>Budget Rp ±5 trillion (US\$ ±500 million) annually</p>

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The Major Social Safety Net Programs (5)

Program	Description	Objectives/ Benefits	Coverage/ Budget
BOS (school operational assistance)	<p>School operational assistance for primary and junior secondary schools which is distributed to and managed by schools</p> <p>The fund for each primary school student Rp 400,000 per year and for each junior secondary school student Rp 575,000 per year</p> <p>Total fund received by each school is determined by total enrolment</p>	<p>To achieve mandatory 9 years basic education</p> <p>To maintain enrolment in elementary and junior high school</p> <p>To prevent premature entrance to labor market</p>	<p>±40 million target students</p> <p>Budget Rp ±16 trillion (US\$ 1.6 billion) annually</p>

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The Major Social Safety Net Programs (6)

Program	Description	Objectives/ Benefits	Coverage/ Budget
Unconditional Cash Transfer/ UCT (BLT)	<p>Direct cash transfer Rp100,000/HH/month to poor households that were given quarterly</p> <p>The selection of beneficiaries were determined by BPS</p> <p>The delivery of the cash was done through the post office</p> <p>The program has been implemented twice in 2006/06 & 2008/09</p>	<p>To compensate poor households for the impact of fuel price increase</p> <p>To enhance household financial liquidity in the middle of price hike</p> <p>To contribute on smoothing household consumption</p>	<p>19.2 million target households</p> <p>Budget Rp ±20 trillion (US\$ ±2 billion) annually</p>

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The Major Social Safety Net Programs (7)

Program	Description	Objectives/ Benefits	Coverage/ Budget
Conditional Cash Transfer/ CCT (Program Keluarga Harapan/ PKH)	<ul style="list-style-type: none"> ☛ Quarterly cash transfers to poor households identified by BPS ☛ Households recipients receive the cash transfer through the post office as long as they meet the requirements of using specified health and education services ☛ Health facilities and schools report non-use of their services ☛ The selection of beneficiaries were determined by BPS 	<ul style="list-style-type: none"> ☛ To reduce current poverty ☛ To reduce maternal mortality ☛ To reduce child mortality ☛ To ensure universal coverage of basic education 	<p>The pilot covers ±1,160,000 very poor households in 20 prov, 90 districts</p> <p>Budget Rp ±1.6 trillion (US\$ 160 million) annually</p>

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Conclusion and Recommendation (1)

- During the three decades of New Order period (1967-97), social safety nets were never formally instituted by the government
- Therefore, when the economic crisis hit Indonesia starting in mid 1997, the government grappled to deal with its social impact, including a re-increase in poverty
- The government then established the social safety net (JPS) program, covering food security, health, education, employment creation, and community empowerment
- This social safety net programs become the initial undertaking of various social protection and poverty reduction programs implemented by successive governments in the post-crisis period

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Conclusion and Recommendation (2)

- New initiatives in social safety nets have been introduced during the post crisis period, notably the unconditional cash transfer (BLT) and the conditional cash transfer (PKH) programs
- Currently the government strategy in poverty alleviation is formulated into three clusters concept, where the first cluster is social safety nets, with the objective of providing direct assistance to poor households to ease their burdens in meeting basic necessities and to protect them from both idiosyncratic and common shocks
- The presence of social safety net programs has helped Indonesia to mitigate the impact of the recent global financial crisis in 2008-09

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Conclusion and Recommendation (3)

- Some lessons can be learned from the implementation of social safety net programs to achieve the objective of assisting the poor:
 - A well-designed, publicly accessible, real-time information system is essential to address the needs of both the traditionally poor and the newly poor resulting from a crisis
 - Designing and implementing large social safety net programs in a crisis situation requires institutional commitment at the central government level, supported by clear objectives and simple design
 - Although a simple design is important, there must be allowance for local flexibility
 - In decentralized countries, capacity building of local governments to design and implement social safety net programs is crucial to improve the effectiveness of these programs

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Thank You



Uniquely Singapore: Social Safety Nets in Singapore

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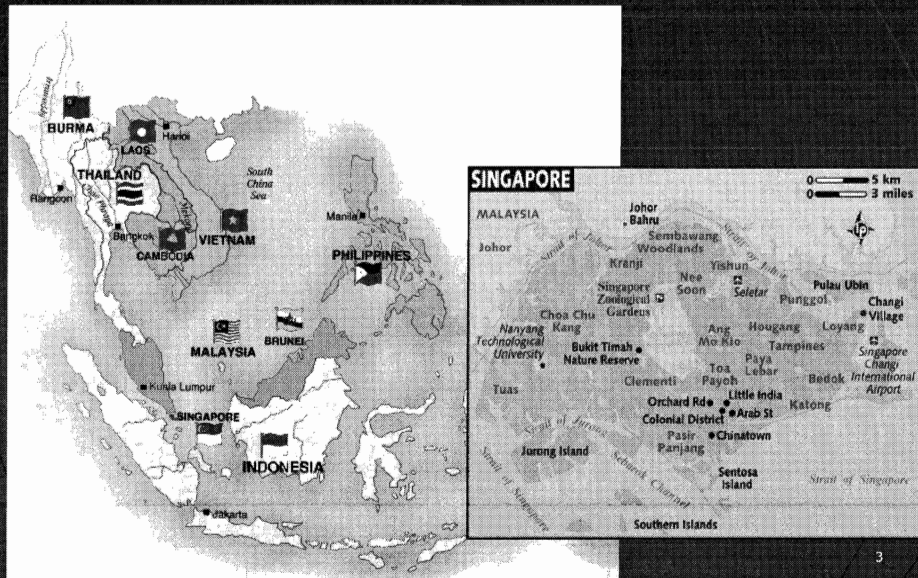
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Agenda

- Social and economic indicators in Singapore
- Impacts of the recession in 2008
- Social risks in Singapore
- Principles of Social Safety Nets in Singapore
- Social safety nets in Singapore
- New policy initiatives since the economic recession in 2008
- Discussion

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Geographical Location

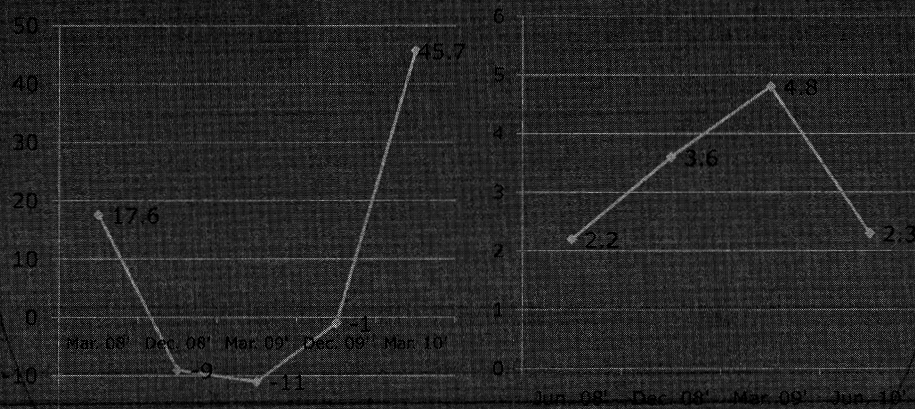


Economic and Social Indicators of Singapore

- A little bigger than Seoul
- 5 million (2009): 3.77 million residents
- Multi-ethnicity society:
 - Chinese (74.2%)
 - Malay (13.4%)
 - Indian (9.2%)
 - Others (3.2%)
- Per capita GDP: US\$36,537 in 2009
- PPP US\$52,840

Impacts of The Economic Recession in 2008

- Real GDP Growth rates (%) & Unemployment rates (%)



Note: Ministry of Manpower & Statistics Department

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Social Risks in Singapore

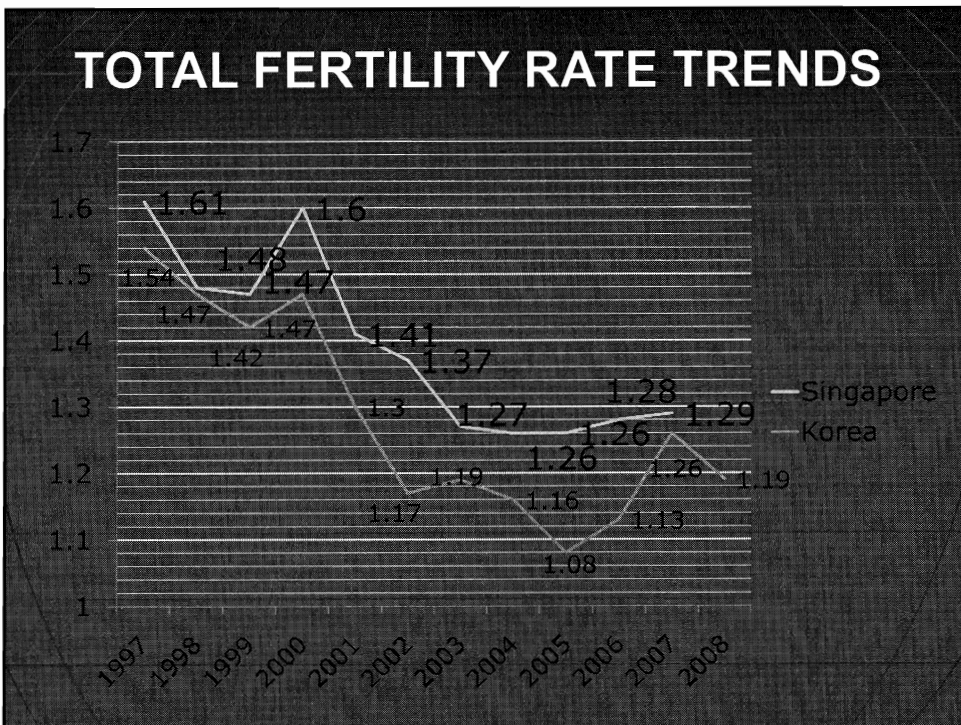
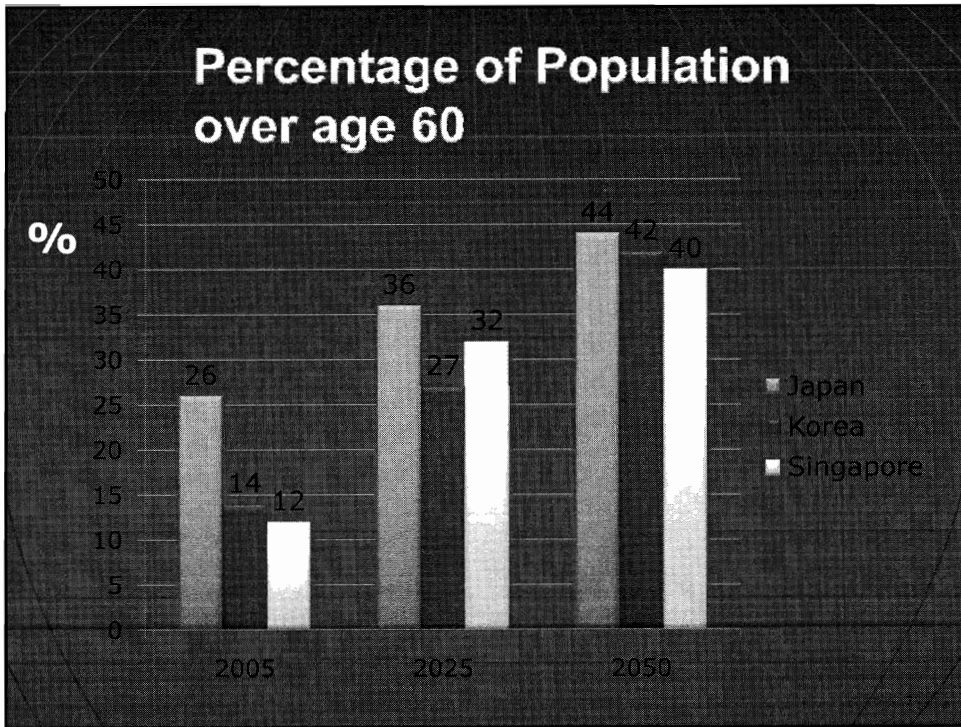
- Aging issue
- Family issues
 - (1) Increase in late marriage
 - (2) Increase in divorce
 - (3) Decrease in total fertility rate (TFR)

- Income inequality

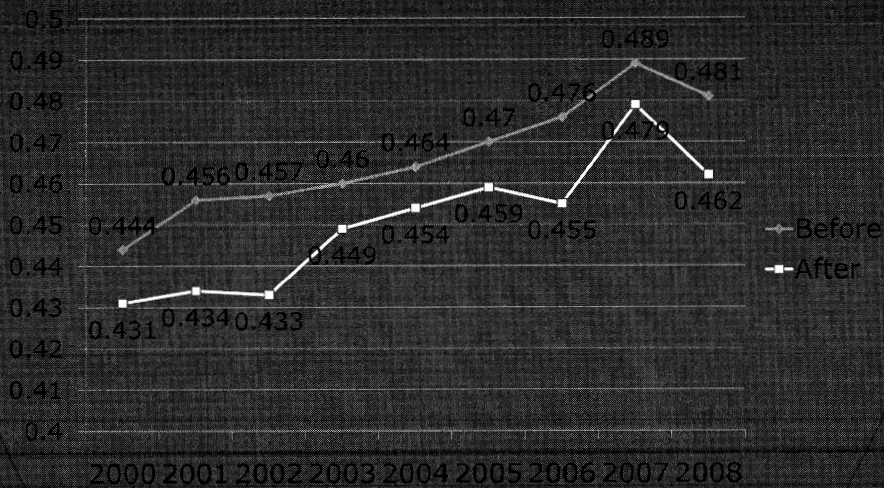
"Singapore ranks in the world in terms of income equality according to United Nations data" (Financial Times, Nov.

6 15, 2006)

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Gini Coefficient in Singapore (Before and After Government intervention)

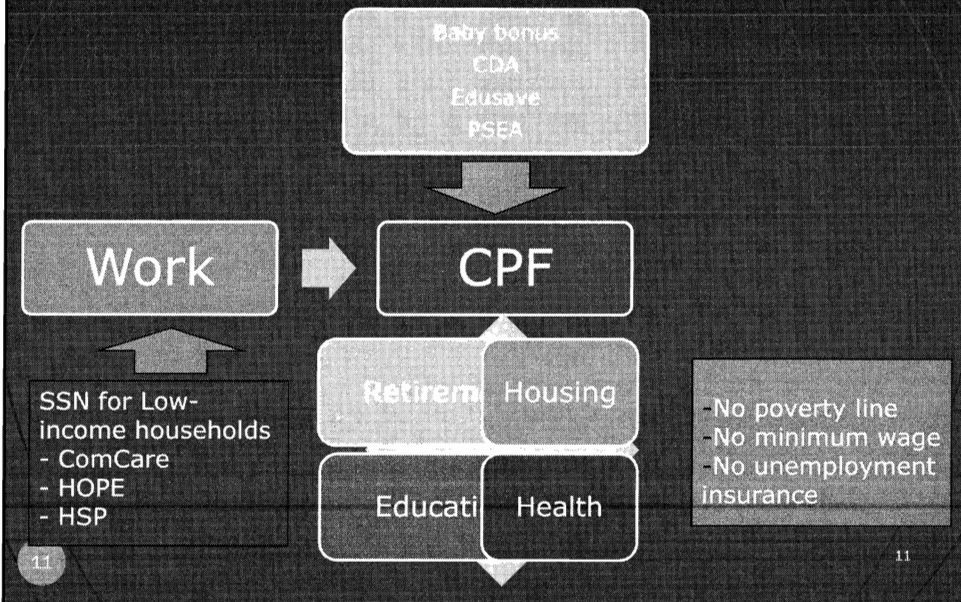


Note: Department of Statistics, 2009

Principles of Social Safety Nets

- Self-reliance by work
- Family as the first line of support
- Government as a last resort
- Many helping hands
- Many helping lines (No official poverty line)
- Many helping gods (CDAC for Chinese; Mendaki for Malays; SINDA for Indians; EA for Eurasians)
- Conditional and temporary help

Structure of Social Safety Nets



Saving Programs for Children (Han, 2010)

	Edusave (1993)	CDA (2001)	PSEA (2008)
Target age	6-16	0-6	7-20
Matching rate	No	1:1	1:1
Matching cap	No matching S\$4K (Top-up)	S\$6K (1 st & 2 nd children) S\$12K (3 rd & 4 th children) S\$18K (5 th & subsequent children)	
Goals	Education enrichment	Child care; health care; early education	Higher education

CPF (Vasoo & Lee, 2006)

- Started in 1955
- Defined contribution as individual accounts
- In 1968, down-payment for homebuying
- "the unique blending of housing and social security schemes" (Vasoo & Lee, 2006:72)
- Central Provident Fund (CPF) ownership: 3.3 million
- Diversified uses of CPF: A total package for housing, education, and health
- "an attempt to reduce reliance on the state.." (Vasoo & Lee, 2006: 74)
- Flexibility of contribution rates: 10% to 50% and 34.5% (20% from employee; 14.5% from employer)
- Minimum Sum: S\$123,000 from S\$117,000 since May 2010

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Challenges of CPF

- Pluralist approach: Not enough money for securing life after retirement
- Solutions (?): Increase in Minimum Sum; HDB Buy-Back scheme; Reverse Mortgage scheme; Maintenance of Parents Act
- Exclusion of informal workers
- Active participants (Any contribution last 3 months): 1.6 million out of 3.3 million

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Housing Policy

- Housing and Development Board (HDB, 1960)
- Key features
 - Land acquisition (Land Acquisition Act)
 - Financing
- HDB + CPF (1968)
- Rental and Utilities Assistance Scheme
- Repurchase scheme of 2-3 room flats for sales to low-income households
- Homeownership rate in 2009: **88.8%**
- **74%** of residents live in HDB
- Net value of housing: S\$145,000 (Chia, 2008)

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Health Care Policy

- Three pillar system
 - (1) Medisave: A mandatory saving scheme where employer and employee contribute
 - (2) MediShield: A corporate medical insurance scheme
 - (3) Medifund: An endowment fund for low-income families
- Long-term care system
 - (1) ElderShield: A national insurance scheme to protect against severe disability for all CPF members who reach the age of 40 and its premium is determined by their age of entry
 - (2) The Interim Disability Assistance Program for the Elderly (IDAPE): A government assistance scheme for low-income and disabled older adults

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SSNs for Low-Income Households

- ComCare: The SSN for the financially needy
 1. ComCare (Living costs, education, medical costs, and work support)
 2. ComCare (Fee subsidy of children)
 3. ComCare (Elderly and disabled)
- Healthy Start Programme (HSP): Head Start program in Singapore
- Home Ownership Plus Education (HOPE)
- School Pocket Money Fund (SPMF) by Private Sectors

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HOPE Scheme

- Family planning for low-income families
- Eligibility
 - Married couple with MHI of S\$1,500 or less
 - Employed parent
 - Wife age (35 or less)
 -
- Benefits (A total can reach)
 - Housing grant
 - Training and education grant
 - Cash grant
 - Mentoring service

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SPMF

- School Pocket Money Fund in 2000
- Eligibility: Per capita income \$450 or less
- Fundraising by Singapore Press Holdings
- S\$45 for Primary school students; S\$80 for Secondary school students
- Maximum duration: 24 months
- NCSS: Fund distribution
- Service agencies: Family Service Centres and Welfare Organisation

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New Initiatives Since The Economic Recession

- SPUR Scheme: Skills Programme for Upgrading and Resilience
- Job Credit Scheme
 - Employment-oriented approach
 - Temporary approach!
 - No social policy reform!

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SPUR Scheme

- Skills Programme for Upgrading and Resilience
- Launched in 2008
- Budget: S\$650million
- Subsidy of up to 90% of training fees and allowance to employers
- 251,000 places for training between Dec. 2008 – Jun. 2010
- Temporary: Ends on Nov 30, 2010
- Workers at SME are likely to be excluded

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Job Credit Scheme

- To help employers preserve jobs for employees
- Started in 2009 and ended in June 2010
- Eligibility: Employers who have local (Singaporean/Singapore PR) employees and contribute to CPF
- Cash transfers to employers: Up to \$900 per employee for each payment (12% x \$2,500 x 3 months)
- Limitations
 - (1) Temporary
 - (2) Exclusion of self-employed and informal workers

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Discussion of Singapore SSNs

- Self-reliance first!
- Oriented toward human capital development
- Meritocracy: *Systems of reward and advancement in education and workplace*
- Institutionalized to save life-long: Asset building orientation (CDAs, PSEA, CPF, HDB, etc.)
- Asset rich but cash poor
- Linking retirement pension and housing policies
- Social development approach (Vasoo & Lee, 2006)

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Cont'd

- Government initiatives
 - "Government Knows Better" mindsets
 - No critical discussion about government's policies
- No data available for policy evaluation
- Conservative intellectuals
 - Negative discussion about welfare states
- "What are the reasons why Singapore is not a welfare state?" (Mehta & Wee, 2004: 106)
 - No discussion about human rights
- Weak civil society organizations

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Financial Crisis and the Political Economy of Social Policy Reform in a Small Open Economy: Taiwan's Labor/Social Policy Regime in Transition

Jen-Der Lue

1. Introduction: Developmental Strategies and Welfare Regime in the Developing Countries

This chapter addresses the problematic of welfare regime, social protection and poverty reduction in Taiwan. The goal is to examine to what extent the welfare regime in general and the social protection in particular can help to dampen the poverty rate in the process of economic development. Taiwan is an interesting case for illustrating the issue of developmental strategies and poverty-reducing through social protection systems. The Taiwanese economy is characteristic with the large industrial sectors, still-significant but rapidly-declining agricultural sectors, and relatively egalitarian income distributions with low levels of absolute poverty. During the past three decades, the rapid economic development of this Asia's small tiger countries has deeply impressed many social scientists in the social and economic development. It was once regarded as a successful case for the late industrialized countries to be integrated into the world market. Taiwan's case is therefore interesting to explore how the process and development of social policy has dampened the negative consequences of industrialization and even facilitated the pace of economic development in different stages. In this chapter, we intend to explore the mechanism how the productivist social policy and regime could be related with the rapid industrialization. In the conclusion, we will discuss the implications of this study for the social policy and the other

developing countries.

Positioning Taiwan's economic performance in its globalized economic context, we can see a quite different developmental path compared to that of the small states in Europe. Advocates of the classical political economy have gone to point out that the developmental state in the East-Asian NICs have relied mainly on private enterprise and free markets to achieve economic development. The state had played a proactive role successfully to offer favorable environments for the private enterprise and the operation of free market. They argue that what matters is not whether the state intervene or not, but the 'quality' of the state intervention (Wade, 1990). The World Bank, for example, lists measures the East-Asian developmental state haven taken: the stabilization of the macro-economic structure, avoidance of the price discrimination, liberalization of trade and investment, maintenance of public welfare programs only targeted at the most vulnerable (World Bank, 1993).

The East-Asian welfare regime is labeled as 'Human capital welfare capitalism model' compared to other welfare systems in late-developed countries (Haagard and Kaufmann, 2008). It is characteristic of very low level of governmental welfare level by international comparison. The limited welfare budget flows mainly to limited targeted group on public servicemen or public subsidized program. Transfers from the governmental flows to targeted groups via educational subsidize, contribution fees subsidize and deficit subsidize for social insurances. Whereas labors have played important role in shaping the dynamics of welfare system, the unions are weak and exert little political impacts on East-Asian welfare system.

Statistical data shows, contrary to the expectation of welfare retrenchment thesis proponents, the welfare expenditures has accounted for a main part in the governmental expenditures given the increasing trends of economic globalization. Given the increasing trends of social expenditures in Latin-America and East-Asia since 1980s, however, different trajectory of social expenditures can be observed. The recent study on the welfare system in late-developed regions shows the type of social expenditures in these two main developing regions diverges (Haggard and Kaufmann, 2008; Rudra, 2007). The input in human capital formation is higher in East-Asia than Latin-America. One

of the striking phenomenon is the high investment in education and health. On the other hand, the expenditure in social insurances schemes (eg. cash benefits for unemployment insurance, pension and family allowances) is higher in Latin-America than in East-Asia. Some scholars have found the systematic divergences of social expenditures structures in developing countries. Based on hierarchical statistical analysis, three types of welfare states in developing countries have been distinguished: protective, productivist and the mixed form (Rudra, 2007).

The traditional thesis on the development of the East-Asian welfare system is mainly non-political explanation which emphasizes on the economic structure and high growth; favorable family structure and sound demographic structure. Indeed, there exists limited political space for the left parties and labor unions in achieving the workers favorable social policies. There exists close ties between productivists welfare system and export-oriented sector employers and economic bureaucrats. The conservative coalition favoring the export-oriented economic policy is supportive of investment in education and work training (Haagard and Kaufmann, 2008). It is expected that this human capital model would bring high returns in terms of GDP and employment growth. Although in beginning, the education system using in control of thought and politics and tools of manpower planning based on the consideration of authoritarian conservative domination and economic rational planning. Thus, the social policy is understood not as income maintenance program but as an instrument for facilitating the economic development and political control. But this situation has been radically changed after the democratization. The education is designed as media to respect the value of democratic political cultures and breeding civil virtues.

Against this background the welfare system in Taiwan prior to democratization follows the path of Japanese model. Like other precedents of social insurance states, the social insurance schemes in Taiwan is constructed along the occupational lines and there established budget subsidized welfare program targeting at social vulnerable groups particularly. Since World War II, the Taiwanese social protection system has evolved through several stages of development, which has resulted in a rather fragmented system. According to the observation of Hicks, three links to economic

developmentalism can be found in the Taiwanese social protection system: (1) vigorous educational policy in the pursuit of human capital formation; (2) minimal state-delivered safety net and income security policy to cut cost not sanctioned by an overriding developmental focus for policy; and (3) state-mandated health, and to an extent unemployment, insurance policies of a corporate welfare variety for employees in strategic manufacturing, plus state sectors social benefits (Hicks, 2007). However, this system seems to have been transformed in the process of democratization (Wong, 2004). The coverage of social protection schemes has been widened to include the economically vulnerable social groups such as the disabled, dependents, farmers, atypical workers and aged people. The governmental budget for social expenditures has also increased during the democratization process. While the social indicator for social welfare and equality has been improved to some extent, the issues of equity and welfare resources redistribution has also been sparkled during the process. Why and how will the welfare regime be reshaped in the process of rapid democratization and its implication for the developmental strategies in Taiwan will be elaborated in the following discussion.

2. From labor-intensive to technology-intensive Industrialization: Profiles of Developmental Strategies in Taiwan

After a successful land reform launched by the KMT (Amsden, 1985), the authoritarian state planned to develop the light industry (shoes, clothes, garments) since 1958. Taiwan, like her counterparts among the Asian tigers, combined export-oriented and import-substitution strategies to promote economic development under the influence of national security concerns in the context of the Cold War. Taiwan has benefited enormously from the liberalization of the international economy during the 1970, which was pushed by the U.S. in the East Asia region to prevent the spread of the Communism in this region. On the other hand, this change of the international economic environment had also been facilitated by the “recycling” of Japan’s low-value

and labor-intensive industries in the other low-wage and disciplined labor countries through the direct foreign investment” (Katzenstein/Shirashi, 1997: 369). Taiwan had seized this opportunity in the right time to initiate her export-oriented industrialization (EOI) strategy in the first stage of the development and fit in the world market.

As many studies have indicated, industrialization in Taiwan (and also South-Korea) was marked by both massive exports of manufactures and by growing imports of intermediate goods and machinery. Due to the cheap material and energy before 1972, Taiwan made available of this advantage to initiate its export-oriented strategy. This model of economic development, together with South-Korea, is quite different than that of Japan as a forerunner and leading figure in the East-Asian. As Inoue points out, Japan had to develop an import-substitution strategy before the war because the industrial production had virtually been monopolized by the advanced economies. By contrast, the NICs were given a good opportunity structure to initiate their EOI strategy because of the new labor division between South and North in the end of the 1960s, wherein the Latin America had missed and taken a quite different developmental path. In this period the NICs had been integrated into the world market

successfully (Inoue, 2001). Taiwan has benefited from the internationalization strategy since the end of 1960. This stage could be depicted as the ‘golden age’ of Taiwan’s development after the war. The rapid economic growth accompanied by the full employment has brought a huge increase in disposable income per household. Some scholars even argued that the development of Taiwan is a good example of growth with equity (Fei et al, 1979).

There are two key actors behind the successful story of Taiwan’s economy. The first is the specific structure of Taiwan’s firms. Taiwan is famous for its big population of small- and medium- sized enterprises (SMEs). With a population of just over 23 million populations, Taiwan has nearly one million registered firms which comprised 97,76% of all firms and employed 78,21% of all the labor force. They have been regarded as the driving force of Taiwan’s economic miracle. In comparison to the state-led and large private corporations, they are the nod of Taiwan’s economy to the world market. The SME in Taiwan are famous for their flexible operation. Taiwan was

dominated by a labor process and production form mediated through private-led networks of small- and medium-sized firms that are engaged in reproduction of cheap labor and goods. There exists an intensive networking between the down-, middle and upstream enterprises.

For example, as Sum indicated, the firms in the East Asia has developed a strategy of the so called 'flexible taylorist' (flexi-timed and flexi-waged) labor process, which we should not be confused with the 'flexible specialization' (Piore/Sabel, 1984). This model means the taylorized fragmentation of tasks does not take the form of an extensive division of labor within one plant but of a fragmented division of labor across many production sites (flexi-spaced), often small or miniscule in size. It is also believed that the weak mobilization of the labor movement is due to the fragmented structure of the SME in Taiwan.

The Taiwanese economy was hit less severely by the Asia financial crisis because most of its enterprises are small- and medium, whose financial resources dependent less upon the foreign direct investments and loaning. Furthermore, the financial and stock markets were also less developed. In contrast, the South-Korean economy is specific with its Multinational firms (chaebols) and depends largely upon the foreign investment and loans financially, especially from the Japanese banks. It means that South-Korea is much more vulnerable than the Taiwanese economy while hit by sudden economic shocks, because its financial international openness and the size of the enterprise is much larger than that of Taiwan. These structural differences help to explain why the Korean economy could be more vulnerable than Taiwan facing the abrupt outflow of the foreign investment. This difference between Taiwan and South-Korea is quite similar to that between Austria and Belgian/Dutch. As Hermerijck et al. (2000: 251) has showed in a comparative study about the responding strategies of the three European small states - Austria, the Netherlands, and Belgium, the Austria is less exposed to the internalization than the other two countries. It makes Austria less vulnerable to the severe economic recession and even crisis, e.g. the oil shock in 1973.

The poverty-reduction effect of the EOI strategy is remarkable. The findings of Warr & Wang(1999) shows the economic growth helps to dampen the poverty rate

effectively. They argue further, the economic growth doesn't result in the worsening of income inequality, though the income equality will be worse particularly for the employees in agriculture and service sectors. Their empirical findings show the growth of industrial sector and external-oriented trade contributes to the economic growth in Taiwan and exerts the 'trickle-down' effects for the poor. Tsai and Huang (2007) also verify the thesis of reducing absolute poverty rate through the economic growth. They indicate this effect has been achieved by income distribution via the free trade mechanism. However, they also show the outflow of capital (particularly the investment in China) has resulted in the loss of domestic jobs and the wage constraint since 90s. As a result, it harms the poor and profits the richer. The implication of their study is the functional necessity of social protection to absorb the risks when opening the market.

3. Toward a Productivist Welfare Systems?: The authoritarian Origin of Social Insurance Systems in Taiwan and its Transformation

Generally speaking, the development of social policy in East-Asian is compatible with economic policy. The social policy serves as a complementary part to the developmental economic policy. To serve the goal of development, the social policy in East-Asia reveals the general character to emphasize the dimension of human capital (Haagard and Kaufmann, 2008). Therefore, most of the welfare schemes target to the education, vocational training, health and housing. Indeed, the relation between social and economic policy varies between different phrases and differently across the four tiger countries (Holliday, 2000). For example, Hong Kong and Singapore's welfare system is famous for its public housing system which functions as a effective instrument to liberalize the female labor force from the traditional community and most important, to dampen the life cost of the workers. Thus, the public housing policy had, though unintended in the beginning, contributed to offering affordable subsistence level for the fertile labors (Chua, 1997). Singapore and South-Korea are famous for their

investment in education.

The Productivist but Fragmented Welfare System in East-Asia

Regarding the social policy the EOI regime subordinates whatever state provision exists (e.g., education) to the exportist strategy. These social policies are complemented by private self/family help and company/public-linked organization providing housing, welfare and other support. This means the commodification of housing, medical, educational and social welfare policies to be complemented as appropriate by other 'workfare shelters', such as the extended family and other social networks (Deyo, 1992). Based on the residual role of social policy in East Asian development Gough (2000) characterizes the welfare regimes as the 'productivist welfare capitalism'. The main feature of this type of welfare capitalism is the subordination of social policy to the imperative of economic growth. He argues that: Social expenditure were small but relatively well targeted on basic education and health as part of a strategy of nation-building, legitimation and productive investment. The growth in welfare over the last three decades has relied on the expansion of formal employment within the orbit of strong families, plus growing payment for services (2000: 16).

The second characteristic of East-Asian social protection system is its highly fragmented structure across the occupation-based schemes. Compared to the other East-Asia counterparts, Taiwan's social protection system enjoys the common characteristic of its fragmented structure in the initial phase (Table 4). The old age income security system, for example, is highly segmented and differentiated into seven sub-systems. Before the implementation of NHI, the public health insurance system, for example, had differentiated into 14 sub-systems (Wu, 1998: 175-181). These systems are so complex and demands structural reform. First, there exists the problem of double inequality between the different categories in the aspect of benefit levels, service catalogues and premium rates etc. This inequality problem was even serious between those who were included into the social protection system and those excluded (Lue, 1999). Before the implementation of National Health Insurance (NHI), for

example, there were still about 45% of populations who were not covered by any public health insurance systems, most of them are housewives, youth and children, aged and unemployed people. The social protection systems are built along the occupational lines and targeted mainly to working populations who are deemed as resources of productivity, particular for the small country lacking natural resources like Taiwan. Thus, it is quite apparent that the state is prone to a certain form of social policy - productive social policy. This type of social policy emphasizes the productive rather than consumptive element of social policies. Instead of offering program based on universal citizenship, the system aims to target at productive segments of the populations. In sum, the social policy is subordinate to the imperative of economic development but still stands complementary to the economic policy. As Deyo (1992) argues, this model had operated effectively and contributed to the rapid exported-oriented industrialization strategy for the East-Asia NICs countries.

〈Table 1〉 Institutional Fragmentation of Social Security Systems in EastAsia

	Korea	Taiwan	Hong Kong	Singapore
Poverty	1 (Livelihood Protection Pr.)	1 (Social Assistance Law)	1 (Comprehensive Social Security Assistance, CSSA)	1 (Public Assistance Pr.)
Old age	5 (Nt'l Pension Pr., Gov't Off. Pension Pr., Private Sch. Teach. Pension Pr., Livelihood Protection Pr., Labor Standards Law)	7 (Labor Ins., Gov't Employees Ins., Military Servicemen Ins., Old Age Allowance, Farmers' Old Age Allowance. Social Assistance Law, Labor Standards Law)	3 (Long Service Pay, Social Security Allowance, CSSA)	4 (CPF, Civil Servants' Pension, Dependants Protection Scheme under CPF, Public Assistance)
Unemployment	2 (Employment Insurance Pr., Livelihood Protection Pr.)	2 (Labor Ins., Social Assistance Law)	2 (Severance Pay, CSSA)	0 (Negotiation between employers and employees)
Disability, death and survivor	4 (Nt'l Pension Pr., Gov't Off. Pension Pr., Private Sch. Teach. Pension Pr., Livelihood Protection Pr.)	5 (Labor Ins., Gov't Employees Ins., Military Servicemen Ins., Farmers' Ins., Handicapped Welfare Law)	2 (Social Security Allowance, CSSA)	2 (CPF and Dependants Protection Scheme, a kind of life insurance)
Occupational injury	2 (Ind. Accident Comp. Ins., Labor Standards Law)	4 (Labor Ins., Gov't Employees Ins., Military Servicemen Ins., Labor Standards Law)	1 (Employers purchase private insurance)	1 (Employers purchase private insurance)

Source: Adapted from Jacobs (1998)

The Taiwanese Social Protection System in the Era of Authoritarian Economic Developmentalism

Defeated by the communist party in mainland China in 1949, the K.M.T. under the leadership of Chan Kei-Shei flew to Taiwan and established a military bureaucratic regime to dominate the society. In 1950, under the shadow of the communist China, the first social insurance scheme - the Labor Insurance (LI), was implemented in Taiwan. The Military Service Personnel Insurance was also implemented in September in the same year. Considering the difficult political situations of the KMT after the failure of civil war with the communists, it is not surprising that these programs had been set up effectively and quickly. These welfare programs were taken in the beginning as political instrument to exchange the loyalty of these pivotal groups. From the perspective of authoritarian state, the social policy is taken as a political instrument to control the labor force and the civil society. On the one hand, it could also contribute to the supply of healthy and productive labor forces; on the other hand, with this “carrot and stick” principle, the social welfare was taken as an effective instrument to pacify the labor conflicts. Simply formulated, the welfare is not seen as an integral component of the citizen rights, but a benevolent will of the patriarchal state, particularly from the perspective of Confucianism (Zeigler, 1988: 117-146).

Since the 1960s, rapid economic growth has changed the nature of the KMT regime from a military bureaucracy into a development-oriented state apparatus (Amsden, 1985). Located in the periphery of the world system in the initial phase of industrialization, the developmental strategy of Taiwan has been directed toward export-oriented and low-labor cost orientation in the initial phase of her economic development. To accomplish this goal, the developmental state had strived to dampen the labor cost to attract the foreign direct investments. Based on this consideration, the generous welfare system was considered as disadvantageous factor for the competitiveness in the world market. The state should have paid little attention on the development of welfare system. Compared to the advanced industrial states, the social welfare system in NICs is underdeveloped. Actually, the NICs have developed a certain

form of social policy (Holliday, 2000).

The economic development as national project had manifold implications for the authoritarian state. Firstly, the economic development symbolized first of all the widening of developmental gaps with the Western advanced countries in economic terms. Secondly, the economic development functioned as the core element of nation-building. Altogether this project functioned as the instrument of legitimizing the depressive military measurements and mobilizing popular supports for authoritarian domination¹⁹). The study of Mares and Carnes (2007) on the political origin of social insurance schemes showed, of all the origin of social programs adoption, 70 percent were autocracies. They went a step further to illustrate the meaning of the authoritarian, in order to explain why the social policy outcomes will differ from countries to countries, narrow coverage or universalism, although they both are authoritarian regime by nature. She indicated that social insurance schemes are adopted by the authoritarian rulers to pacify the political discontent while facing severe economic or political crisis.

After fifty years development, the coverage of the social protection systems in Taiwan has been gradually extended to cover most of the population, particularly since the implementation of the National Health Insurance Act in 1995. The government has conducted the labor insurance (LI)(1950), the military personnel insurance, the Insurance for Civil Servants(ICS)²⁰), insurance for teacher and staff in private school, farmer insurance(FI) and the national health insurance scheme(NHI) since 1950 successively. As table one shows, the Labor Insurance, the Insurance for Civil Servants and the Farmer Insurance are depicted as three main social protection schemes before the implementation of NHI. The ‘bundle benefits’ of these three main social insurance schemes have covered a variety of risks including maternity, work injury, medical insurance, disability, old age (though in lump-sum benefits until the newly legal

19) For example, the KMT government passed three Laws- Aged Welfare Law, Handicapped Welfare Law, and new Social Assistance Law, in 1979 to react to legitimation crisis due to the retreat from United Nations.

20) In Taiwan, government employees include bureaucrats and security personnel(57%), education and health care personnel(20%) and material/infrastructure work-force(23%). They enjoy the first tier of the social security system via different programs: Officers’ Retirement Law (ORL) specific for officers; Social Insurance Law for Public-Sector’s Employees (SILPSE).

revision of Labor Insurance Act in July 2008) and funeral allowance. After the implementation of labor insurance, the development of social protection system in Taiwan follows the path of social insurance principles, which is financed by earning-related contribution, though the employers normally share sheer part of the contribution(80%:20% between employer and employee). Insurance premiums rate also differed among these separate insurance programs. Generally speaking, the social protection system in Taiwan shares the chief characteristics of Bismarkian model.

All of the social insurance schemes are administratively run by the state (Bureau of Labor Insurance in Taiwan). Before the implementation of the national health insurance in March 1995, the social insurance schemes are occupation-based. The implementation of the National Health Insurance in 1995 is a milestone for the social welfare development in Taiwan because the vocation-based different schemes have been replaced by a single-payer system, at least in the branch of health insurance. The entitlement of the NHI is based on the status of citizen and no more on vocational base, thus seemly demonstrating the institutional fitness with the Beveridge model. The implications of this new form social protection system for the building of social solidarity will be illustrated in session four.

〈Table 2〉 The Main Social Insurance Schemes in Taiwan

Insurance types		Labor Insurance (LI)					Insurance for Civil Servants and Teacher (ICST)	Insurance for Retired Civil Servants (IRCS)	Farmer Insurance (FI)	National Health Insurance (NHI)
Year of Implementation		1950					2000	1965	1985	1995
Coverage		91.45%					100%		n.a.	96%
Contribution Rate (%)	Legally stipulate	6.5~11					4.5~9	8	6~8	Below 6
	Current	6.5、5.5					7.15	8	2.55	4.55
Employee	Industrial Workers	Workers in Occupational Workers	Atypical Workers	Fisherman		35	100	30	0~100	
		20	60	80	20					80
	Employer	70	--	--	--	--	65*/32.5	0	--	0~60
Government	10	40	20	80	20	0/32.5	0	70	0~100	

Source: Revised from Cheng et al., (2001: 3-3, Table 3.1.2)

The Insurance for Civil Servicemen and Teachers (ICST) were targeted at governmental officials and teachers. These two groups were traditionally deemed as the supporting groups for the authoritarianism political regime. This scheme is then normally interpreted as the instrument for securing the political loyalty of these groups. After the KMT had fled to Taiwan due to the failure of Civil War with the Chinese Communist Party (CCP), the most immigrants from mainland China occupied the most official positions in the government. Thus, the benefits of ICST is also regarded as beneficial to the newly immigrating groups and explains the upper social mobilization of these group's second generation compared to the indigenous groups (Wu, 1997). As a result, the reform of the ICST has the implications of resources redistribution between different ethnic groups and become hot issue during the electoral competition in the past decade.

In the initial phase of the labor insurance, the insurance schemes only targeted at workers in the state-owned enterprises (SOE) and private large firms. This development is compatible to the economic structure of Taiwan's economy after the World War II. Having adopted the heritages of Japanese colonial structures, the KMT could maintain its commanding heights of economic policy through monopolizing the upper-hand of key industry sectors such as petroleum, gas, railway and electricity. The other productive sectors were competitive agricultural sectors such as sugar cane and pineapple. The SOE firms could be affordable of the welfare benefit items specified by the LI because these sectors were profitable either through its competitive advantages or monopolizing status in the industrial branches. Different from the 50/50 parity rule of contribution rate between employers and employees in the social insurance schemes, the employer were stipulated to pay up to 80% of the contribution, which was unaffordable for the small- and medium private enterprises.

Generally speaking, Taiwan developed social insurance program, but the coverage was still limited and unequal in the stage before democratization in 1987. The emphasis on the productive components of the social protection systems in Taiwan and Korea is reflected by the observation of Peng and Wong: Social Insurance served the imperatives of economic growth, not social protection for the poor. Public assistance

for the very poor was in fact minimal. Social insurance was a human capital investment intended to maximize economic output. Individual workers' interests were paramount. Wealth and resource redistribution, a key feature of the welfare state, was actively discouraged. The decentralized administration of medical insurance in Korea and Taiwan prohibited financial and risk pooling. In fact, the decentralized organization of social insurance exacerbated socioeconomic disparities. ...Status differences were maintained (Peng and Wong, 2008: 72-73).

Table 3 shows that social insurance system has been propounded by the state policy elites as the basic guideline of social protection system in Taiwan. The expenditure for social insurance has increased the most compared to other schemes. The social insurance system is basically a mechanism of income transfer and provocative to the productive group to maintain the productivity of the labor force and to some degree, their political loyalty to the authoritarian regime. Whereas the welfare system is directed to the disadvantaged, mostly delivered in kind. Because of the strict eligibility, those who are eligible to receive the social assistance benefits account for only 0.8% of the population. The underdeveloped social assistance system has therefore been long severely criticized for its strictness for application and can't offer a basic economic safety net for the poor, particularly in the hard times when the unemployment rate has increased drastically since 2000.

〈Table 3〉 Central Government' s Social Welfare Expenditure' s Structure in Taiwan

(Unit: Million NT\$, (€))

Year	Growth rate	Total	Social Insurance	Social Assistance	Welfare Services	Employment	Health Care
1994	-	91,046 (100.0)	30,789 (33.8)	3,364 (3.7)	44,708 (49.1)	2,232 (2.5)	9,953 (10.9)
1995	47.7	134,464 (100.0)	66,194 (49.2)	9,533 (7.1)	48,354 (36.0)	2,053 (1.5)	8,330 (6.2)
1996	6.9	143,737 (100.0)	61,992 (43.1)	17,316 (12.1)	54,808 (38.1)	3,207 (2.2)	6,414 (4.5)
1997	4.4	150,020 (100.0)	62,484 (41.7)	15,532 (10.4)	62,773 (41.8)	3,636 (2.4)	5,594 (3.7)
1998	5.1	157,703 (100.0)	70,994 (45.0)	19,793 (12.5)	60,192 (38.2)	1,743 (1.1)	4,981 (3.2)

Source: Ministry of Finance, 1999

The Expansion and Extension of Social Protection Coverage in the Era of Democratization

While the 1990s is the era of dismantling and deregulation of social welfare in the advanced industrial democracies, the government in Taiwan has institutionalized many welfare programs and expanded the number of coverage to protect workers, their dependent families and disadvantaged group in the current conditions of industrial reconstruction pushed by economic globalization. The expenditures of social welfare in the governmental budget has increased from 11,1% in 1980 to 24,7% in 1999. Its share in GNP has increased from 2,9% to 6,1% during the same period (Taiwan Statistic Data Book, 2000). Table 6 shows the percentage of social welfare expenditures was grown from that of 3,8% in 1980 to that of 13,5% in 1999. In terms of the structure of the social welfare expenditures, social insurance ranks the highest since 1995, covering a total of 45% among all welfare expenses in 1998, followed by the welfare services' expenditure (38,2%), and social assistance expenditures (12,5%), etc. The rapid rise of welfare expenditure in 1995 resulted mainly from the implementation of National Health Insurance (NHI), the most important social protection institution for Taiwan in 1990s.

〈Table 4〉 The Amount and Percentage of Social Expenditure by Governmental Expenditures at all levels and GDP in Taiwan(1997-2005)

(Unit: NT Dollars)

Year	GDP(billion)	Net social expenditure of government (billion)	Net governmental expenditure(billion)	The percent of social expenditure by GDP (%)	The percent of governmental expenditure by GDP (%)	The percent of social expenditure by governmental expenditure(%)
1997	86 10.1	294.982	1878.764	3.43	21.82	15.70
1998	92 38.5	282.767	1992.593	3.06	21.57	14.19
1999	96 40.9	280.452	2050.004	2.91	21.26	13.68
2000	100 32.0	531.809	3140.936	5.30	31.31	16.93
2001	98 62.2	396.981	2271.755	4.03	23.03	17.47
2002	101 94.3	323.669	2144.917	3.18	21.04	15.09
2003	103 18.6	345.148	2206.223	3.34	21.38	15.64
2004	107 70.4	344.503	2238.914	3.20	20.79	15.39
2005	111 46.8	353.255	2309.565	3.17	20.72	15.30

Source: Huang (2006)

Table 5 shows the financial structure of the main social insurance schemes in Taiwan 2002. According to the data of the DGBAS (DGBAS, 2002), the social expenditures accounts for the 8-9% of the GDP from 1996 to 2000. The governmental budget for social welfare (including the expenditures for elderly, disabled, child and youth, social assistance etc.) in 2002 amounted to 332,7 billion NT dollars, which is equivalent to 3.3% of the GDP. While counting the expenditures for soldiers, public officials and teachers, the amount even increases to 505,2 billion and the percent to GDP rises to 5.2%. Adding the expenditures for workers based on social insurance, the total social expenditures in Taiwan amounted to 942,5 billion NT dollars and equaled to about 9,5% of the GDP.

〈Table 5〉 The Financial Structure of Social Insurance System in Taiwan 2002

	Social Insurance for			National Health Insurance (NHI)
	Workers ¹	Farmers	Public Officemen ²	
Revenues	173.343	5.415	17,782	362.102
Revenues by Social Insurance Contributions	153.385	5.378	16,448	286.053
In % of the total revenues	89,00	99,32	92,50	79,00
Financing by the governmental subsidize	26.835	3.772	10.207	77.673
In % of the total revenues through the social insurance contributions	17,50	70,14	62,06	27,15
Expenditures	182.802	8.899	3.779	360.987
For the scheme benefits	168.697	8.663	2.912	349.312
In % of total expenditures	92,28	97,35	77,06	96,77
Funding	457.469	-	47.299	2.680

¹ including the unemployment insurance

² including the social insurance for the retired

Disaggregated according to the programs, the expenditures for the old-age pension

ranks the most (47,67%), that for health the second (38,85%). The two schemes together amounts the sheer part of the social security expenditures (87%). It follows that for invalidity (2.8%), unemployment (1.39%), family and children (0.42%) and others (8.8%) respectively. This pattern is similar to the structure of social expenditures for advanced industrial democracies. The active labor market policy plays a quite minor role in the Taiwanese social policy, whose expenditure amounted only 1.39% of the total social expenditures in 2002. The Council for Labor Affairs (CLA) in Taiwan has initiated some active measures to promote the employment, especially for low-skilled and aged workers. Thousands of state-subsidized jobs are created after 2001, though most of them are paid only equivalent to the level of minimum wage. This program aims to reintegrate the low-productive unemployed workers to the labor market and enhance their participation in the labor market. We can also call it a market for social employment because the content of the work is related to family-aid services or preservation of the natural or cultural heritage.

Given the authoritarian origin of social insurance scheme in Taiwanese case, the social insurance as the main form of social protection has persisted through the democratization process. As Peng and Wong (2008) has correctly observed, the social insurance form of social protection system has persisted through the democratization era in 1990s and post-industrial era in 2000s. Though designed to cover the 'productive' core workers in the large private/public firms and public servicemen in the government in the developmental authoritarianism stage from 1960s to 1980s, the functions of social insurances has been reinterpreted and broadened through extending the coverage to include dependents, farmers, casual workers and self-employment workers in the safety nets. Without choosing other alternative institutional forms abruptly while facing the system crisis resulting from severe political and financial situations, the social insurance form has still persisted. In other words, the institutional change of social protection system in Taiwan has adopted the incremental path dependent track instead of radical change, as the two scholars interpreted from the perspective of institutionalism. The key method is to fulfill the function of social equity through broadening the pool of risks to cover the traditionally defined 'less-productive'

population segments, whose premium rate is set below the required level. Simply formulated, ‘low contribution but middle-high level benefits’ are deemed as the operational principle for pushing the social insurance schemes forward. In the long term, this strategy could result in the fiscal imbalance and requires the budget subsidiary of the government. Table 6 shows the financial deficits of the main four social insurance schemes for the central government. The ‘low-premium’ policy of the government is indicated as the main factor for explaining the fiscal deficit.

〈Table 6〉 The Financial Deficit of the four main Social Insurance Schemes (1900-2000)

(Unit: Million Taiwan Dollars)

Types of Social Insurance Schemes	ICST	LI	FI	NHI	Total Sum of Deficit (A)	Governmental Revenues (B)	Percent of Deficit by Governmental Revenues (A/B)
1990	-4023	10628	-3759	0	-7782	847733	0.92%
1991	-6713	7474	-6720	0	-13433	808621	1.66%
1992	-4251	8211	-11855	0	-16106	967624	1.66%
1993	-4464	15952	-13708	0	-18172	1045496	1.74%
1994	-7344	13776	-17263	0	-24607	1127481	2.18%
1995	-6790	6145	-14564	37310	-21354	1232264	1.73%
1996	-6437	51580	-230	18301	-6667	1197797	0.56%
1997	-6852	59366	-651	10615	-7503	1271453	0.59%
1998	-7319	56604	-3093	-1345	-11757	1397052	0.84%
1999	2644	47484	-3999	-1947 0	-20825	1355062	1.54%
2000	8781	67296	-11644	964	-11644	1935405	0.60%

Source: Cheng et al (2001)

Through this strategy, the political goals of universalism and income redistribution triggered by progressive social movements during the democratization process could be gradually achieved by adhering to the social insurance principles. This principle has been strengthened by including the precarious workers resulted from flexible labor market and industrial restructuring after 1997 financial crisis. It is believed that the social insurance model will be maintained in Taiwan given the challenged of economic globalization, deindustrialization and demographic change. The reason lies in its balancing ‘operational flexibility’ between political commitments to meet citizen’s welfare needs and flexibility requirement of absorbing the risks. This model is endorsed

by the East-Asian government because it is compatible to the demand of developmental state. It helps to absorb the risks in different developmental stages through its functions of flexibility. The flexibility manifests itself in many aspects. Firstly, it contributes to broaden the coverage from 'productive' to 'unproductive' population. Secondly, according to the para-fiscality principle in the social insurance, the social protection programs are financed by contribution. Though normally below required premium rate for financial balance, the government enjoys greater fiscal autonomy for mobilizing it and has limited financial responsibility. Thirdly, it could be designed to absorb the social risks emerging in different developmental stages for late-development countries. It functions like a social compensation mechanism while facing the vulnerability in economic openness.

Table four shows the amount and percentage of social expenditure by governmental expenditures at all levels and GDP in Taiwan from 1997 to 2005. The percent of social expenditure accounts for about 15% by the total governmental expenditures and 3% by the GDP respectively (2002). Compared with the advanced industrial democracies, this percentage lags still far too low. However, it has increased enormously while compared to fiscal years before 1990, since then the democratization starts. Between 1987 and 2002, the social expenditure in Taiwan has doubled. Another indicator for the emphasis on social welfare is the comparison with other governmental functions. The expenditure for social welfare ranks second among all governmental functions, only second to that for construction and traffics (Cheng and Haagard, 2001: Table 2). Except for the reason of aging demographic structures, one of the important factors is the partisan competition induced by democratization (ibid: 196-198).

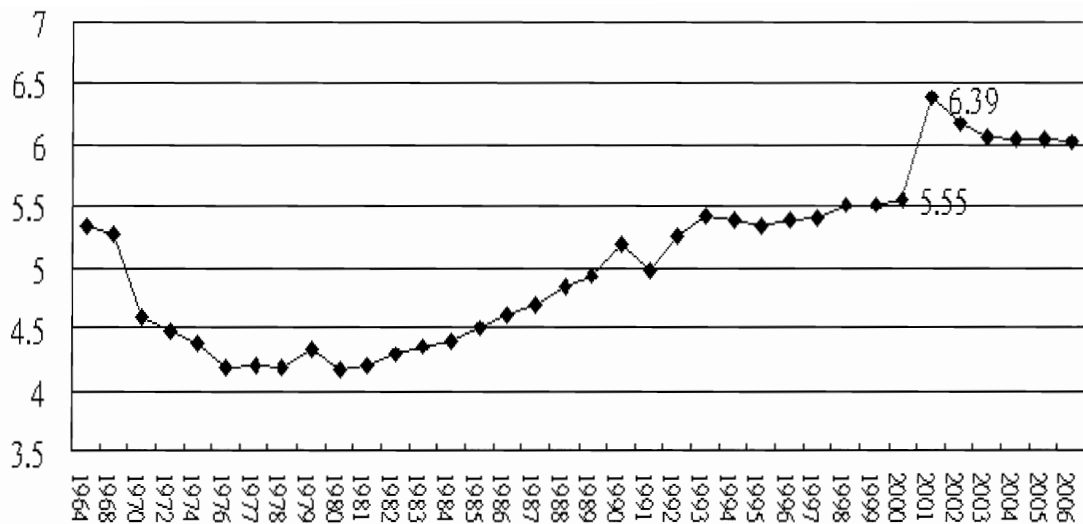
Before coming to the two most important tiers of Taiwan's social security systems, I would like to give a short introduction of the other programs. The Unemployment insurance has not been fully institutionalized until 1999. The Unemployment insurance will become exceedingly important given the growing unemployment rates along with the economic downturn and structural transformation in Taiwan after the Asian financial crisis. Whereas very few people claim this system because the eligibility criteria is highly set. The problem with the Work Injury Insurance system stems from the overlap

and confusion with employers' responsibility for injuries that occur in the workplace.

The Poverty Reduction Effects of Social Protection Schemes in Taiwan

In terms of personal income distribution, the income inequality in Taiwan has increased since 1990. The income disparity between the lowest 20% and the highest 20% families (the D5/D1) earnings ratio has widened from that of 4.21 times in 1981 to 6.39 times in 2001 (CEPD, 2007). To what extent is this trend of widening income distribution related to the globalization, still demands further investigation and empirical analysis. What we can be sure is that the existing social assistance system in Taiwan can't really offer the basic poverty-reduction function facing the challenge from rapid economic reconstruction. Social assistance as the safety net in the social welfare system doesn't receive enough attention from the government in Taiwan. The policy-maker tends to believe that too much welfare could make the citizen lazy and become dependent on the public support system. This will retard the work incentive and raise the inflexibilization of the labor market. Based on this consideration, the poverty line is set and audited very strictly. Indeed, under the strict means-tests administrative procedure and rigorous setting of poverty line, there are only 0,8% of the populations are eligible recipients, which is far behind the international average standard. The social assistance system is financed through general revenues and administrated by municipal service agencies. The eligibility must be fulfilled through means-test. The benefit is comparatively low so that it can't effectively reduce the risk of poverty. The data shows, the single-parent families and the living-alone aged are the vulnerable groups of poverty. By the rising of unemployment rate since 2000, many unemployed aged workers have also become the potential targeting groups for the social assistance system.

[Figure 1] The Tendencia of Inequality (D5/D1 decile) in Taiwan(1964-2006)



Source : Taiwan Statistical Data, 2007

The researches indicate that the public welfare programs since 1992 help to reduce the poverty rate, particularly that for old-aged people. The data of Family's Incomes and Expenditures Survey in 2002 shows that the social welfare allowances and social insurance transfers contributes to dampen the income inequality about 1.12 times (National Accounting Bureau, 2005). Using the dataset of Family's incomes and expenditures between 1976 and 2000 and analyzing the redistributive effects of public transfer schemes to the social inequality, Lin and Chu (2003) finds that after 1992 the various public transfer schemes have indeed become advantageous to the low-income groups. Cheng and Su (1999) find the governmental subsidize of the NHI in 1999 helped to dampen the inequality between households about 0.14 times.

Ho(2007) also utilizes the dataset of Family's incomes and expenditures between 1976 and 2000 and analyzing the redistributive effects of public transfer schemes to the social inequality, he finds that after 1994 the public transfer has become advantageous to the low-income aged households. Table four shows the redistributive policy effect of reducing the old-age poverty rates by public transfer schemes (after-transfer). The poverty rate of households under age 50 estimates less than 5%. It increases by the households above age 55 and reach its highest peak in the household groups above age 65. The poverty rate for the aged households above 65 is 25.4% and 15.2% in 1990 and 1995 respectively. It decreases to 10.9% in 2000. If the government had not taken

any measures, it is stimulated that the poverty rate of the aged households would increase to 30% (pre-transfer). Figure three shows the poverty rate of aged households (pre-transfer) is 31.8%, 30.9% and 31.3% in 1990, 1995 and 2000 respectively. This trend shows the slight improvement of governmental welfare allowance programs for the aged people not covered by the public pension insurance schemes after 1994.

〈Table 7〉 The Poverty Rate Difference between Pre-Transfer and Post-Transfer (by Age)

By Age	Pre-Transfer			Post-Transfer		
	1990	1995	2000	1990	1995	2000
20	5.3	7.0	3.1	3.8	4.2	1.3
25	3.7	1.8	1.3	3.2	1.1	0.6
30	4.8	3.1	2.6	3.9	2.2	1.7
35	4.7	3.6	3.3	4.6	2.1	1.6
40	4.6	3.3	3.7	4.2	2.1	2.3
45	3.5	2.5	3.4	3.0	1.2	2.2
50	4.8	2.9	2.4	3.6	1.8	1.7
55	9.0	5.0	5.6	6.8	3.8	3.4
60	14.7	10.0	11.3	11.4	5.1	6.7
65 +	31.8	30.9	31.3	24.9	15.4	10.4

Source: Ho (2007: 104)

Confronting the challenge of economic reconstruction due to globalization and liberalization and progressive social movements due to democratization since 1986, some welfare programs (most of them are piecemeal) have been adopted by the government to pacify the dissatisfaction from the disadvantaged people(Hsiao and Lin, 2000). Given the challenges, the policy elites are still doubtful to the value and positive function of social policy. Accompanying the rising influential power of Neo-Conservatism in 1980s and Neo-Liberalism in 1990s in the U.S.A. and to some degree in Europe, these policy debates for welfare retrenchment in the Western countries has become an ideological shield for maintaining the residual role of state in the social welfare in Taiwan. They are convinced that the welfare state experience in Europe after the World War II shows that welfare states will be a financial burden for

the government. The policy elites are inclined to the deregulation of labor market and the privatization of social welfare. They argue that the expansion of welfare schemes could harm the export-oriented economy like Taiwan to an considerable degree. The state has therefore offered the welfare programs in a rather careful way.

In fact, as Midgely investigated the relation between industrialization and the development of the social welfare system in the four East-Asian tigers, he concluded that they reveal the character of 'reluctant welfarism'. As we will see in the third section, the social protection policy has been manipulated as a useful instrument by the ruling party to confront the contradictory trends between political democratization and economic globalization. The state has offered welfare policies directed to vocational and in-job training programs to retrain the labor force. The prevail of welfare pluralism discussion in the European context since end of 1980s has also evoked the government to reemphasize the value of familism and self-reliance and the role of family in the delivery (and even financing) of welfare services. These discourses could become the rescue of government's responsibility for reducing the poverty.

4. Reforming the Fragmented Social Protection System in the Context of Democratization: the Case of National Pension Insurance

As new democracies in Asia like Korea, Thailand and Philippine, Taiwan also extended the new entitlements and reforms by widening access and improving the quality of social services, including pension, health insurance, education, social assistant and labor market (Hagaard and Kaufmann, 2008). This dynamic of the reforming process is triggered by democratization. In the authoritarian developmental stage, the social policy making was confined to closed policy network of administrative bureaucrats and business groups. This disclosed conservative policy coalition tends to the ideology of developmentalism. The economic development was set as the policy priority. Democratization enhances the participation opportunities of disadvantaged groups such as trade unions, feminism groups and disabled people in agenda setting of the social policy making. It offers the policy window for reforming the fragmented

social protection system originated and crystallized in the authoritarian developmentalism stage. The study of J. Wong (2004), for example, shows how democratization has helped Taiwan and South-Korea to extend the coverage to cover all citizens in the National Health Insurance Reform. His study reveals that the authoritarian developmentalism social protection system has the potential to be transformed into inclusive welfare state, covering all people into the social protection system. In the following, the pension system reform in Taiwan since mid-90s will be elaborated as the case for examining Wong's thesis.

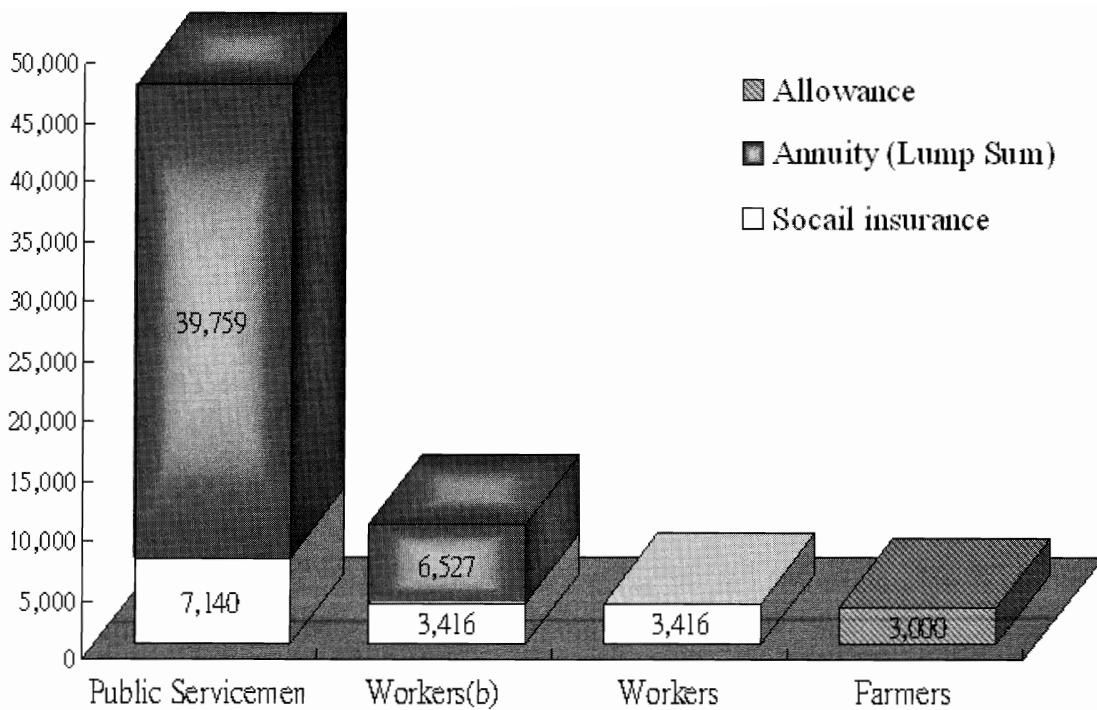
As Haagard and Kaufmann(2008) indicated, Taiwan moved more quickly toward universal health insurance system in 1995. Nevertheless, in the aspect of pension, Taiwan moved more slowly, and showed a greater revealed preference of cash transfer for elderly. Compared to the experience of Korea, it developed a national pension scheme on social insurance principles in 1988, though Korea was slower to address the problem of coverage until 2007. The problem of low coverage has been gradually overcome after democratization.

The Pension Reform: Targeted or Universal Coverage?

The pension system accounts for sheer part of the expenditure of social protection systems and is the main institution to protect the economic security of the aged from the experience of advanced industrial democracies. However, this system is quite underdeveloped in Taiwan and demand structural reform. Until now there are some 4,000,000 citizens in Taiwan who are still excluded from the public pension system. The only way for protecting their economic security after retirement depends either on their private savings or on the support of their children. Due to the declining role of nuclear family, the social support function of family will be increasingly eroded in the process of low fertility in the foreseeable future. Furthermore, the aging problem has been a serious problem for the future of social security system. The aged people above 65 has reached 8.4% of the total population by now. It is estimated that it will grow to 10% in 2011 and 20% in 2031 respectively.

The Labor Insurance, the Public Servicemen's and Farmer's Insurance now offers retirement benefits. In addition, according to the 1984 Basic Labor Standard Act, the private enterprises should provide old age pension for employees when retired. But it is benefited in a lump sum payment rather than an annuity-based plan. This system has long been criticized for their lump sum payments which can't adequately protect worker's income security over an extended period of time and counter against the pressures if inflations after retirement. Among those who are covered by the public pension system, the public officials, military personnel and teachers are the most privileged groups. They are covered by a generous retirement pension system. This system is similar to German public official's retirement pension scheme which is financed by government's budget. Following a 1993 revision, however, it resembles Japan's public official's retirement fund system which is a social security fund system by nature. In other word, they can enjoy a two-tier insurance. After either 25 years employment in the government or aged above fifty years old, they can be retired and entitled to receive an annuity. The income replacement rate of the pension could be equivalent to 80% or even higher of their wage. Compared with the other countries, this system is quite generous and has resulted in financial burden for government.

[Figure 2] The Monthly Pension Amount of Different Occupations in Taiwan



Resource: Huang, M.L. and M.H. Lue (2003: 24)

Figure 2 shows the PSI recipients are calculated to receive about 46,899 N.T. dollars pension benefits per month, compared to 10,000 for the LI workers and 3,000 for the farmers. The PSI enjoys five times more than LI insured persons and even 16 times more than the farmers. The inequality of benefits level between different occupational statuses is so high that this issue has sparked severe political confrontations in the electorate campaigns since 1993.

The Taiwanese government has implemented some policy measures to address the old-age poverty problems since 1994. The policy makers responded reluctantly under the pressures of partisan competition in the process of democratization. Apart from the pension for labors and public employees, there have developed many allowance programs targeting to the disadvantaged groups due to the partisan competition between KMT and DPP in the process of democratization since 1987. To win the election, the DPP had attacked the underdevelopment of pension system in Taiwan due to the neglecting of then ruling government party, KMT. The DPP demanded to set out a comprehensive pension system to cover all citizens and offering allowance programs as

temporary measures for certain disadvantaged aged people in the transitional period. The DPP won the local and parliament elections since 1992 partly due to the successful mobilization of this electoral issue. The KMT was therefore compelled to offer allowance programs and engaged in the establishment of an institutionalized pension system. These temporary measures included: “Living Allowance for Low-Income Families’ Elderly” (NT\$ 3000-6,000 per Month), “Welfare Subsidies for Elderly Farmers”(3,000 per month), “Subsidies for the Elderly” (3,000-8,000 per month) and “Living Allowance for the Veterans” (14,625 per month). Table 8 shows the numbers and percentage of the welfare recipients. These fragmented programs cover almost 90% of the senior citizens in Taiwan. All of the programs are financed by general revenues. These tax-financed pension systems in Taiwan are highly fragmented and the eligibility and benefit level among different social groups varies across different schemes. It stipulates the problem of inequality and equity among aged people in different strata..

〈Table 8〉 The fragmented elderly allowance systems in Taiwan

(Unit: Taiwan Dollars)

	sum of benefit (NT\$)	Number of recipients (end of year)				
		2000	2001	2002	2003	2004
Elderly allowance	3.000	0	0	424.000	639.000	687.990
Basic pension for elderly farmers	4.000	636.000	626.000	670.000	677.000	688.840
Allowance for Veterans	13.550	117.701	115.825	112.011	107.801	101.183
Assistance for elderly below low incomes	6.000	200.500	180.000	182.200	174.000	156.446
Social assistance	Max. 8900	n.a. (1)				
Living Allowance for Disabled Citizens						
Total (a)	-	954.201	921.825	1.388.211	1.597.801	1.634.459
Total sum of elderly above 65 years (b)	-	1.921.000	1.973.000	2.031.000	2.088.000	2.217.000
Coverage (a/b)	-	49,67%	46,72%	68,35%	76,52%	73,72%

Source: Huang (2006: 105)

To confront the political challenge from the DPP and integrate all the fragmented schemes, the KMT had nominated in 1994 a task force designate to the CEPD to set out a reform program of the pension system. After enduring debate and discussion, a reform program was completed in 1998. According to the plan, it should have been scheduled to be legislated and implemented in 2001, but was postponed in the end, because the KMT was defeated in the presidential election in 2000.

Originally, KMT's pension reform program is based on the principle of social insurance, which is by far the most popular model in the world. The guideline of this system is targeted at "providing all citizens the basic elderly protection with the supplementary pension benefits worked out by different occupational groups and the market mechanism where each citizen can purchase further protection as needed from the private insurance"(Chen, 2001: 13). The so-called three-tier protection system suggested by the World Bank was set as the blueprint for the planning of the pension system in Taiwan.

Until 2006 the recipients of Living Allowance for aged Farmers are numbered 703 thousands, Living Allowance for Aged Citizens is 795.1 thousands, Living Allowance for Middle-Low Income Aged Citizens is 160.0 thousands, Living Allowance for Disabled Citizens is 60 thousands, the for Veterans is 100 thousands. About 1.69 million aged people are included in these tax-financed schemes. About 80% of the aged population are covered by these programs (Table 6). Until June 2004 the government expenditure for financing these schemes estimates 45.25 billions N.T. dollars, including 1.4 billion for Living Allowance of Indigenous Aged Citizens. These schemes are important programs for fighting the old-age poverty in Taiwan. The policy impact can be measured by reducing the poverty rate of aged people.

For overcoming the fragmentation problems hidden in the previous pension programs, the government has initiated a task force delegated by Ministry of Interiors (MOI) for reforming the pension systems. The main goal is to offer all citizens a basic pension program. Two options under debates have emerged during the policy deliberation and problem-setting stage. The first option is called 'big-integration'scheme and the second the 'small-intergration'one. The first option aims to cover the other citizens not

included in the previous pension or allowance programs into one basic pension programs. It is estimated that there are still 4 millions citizens still not covered by any programs. The age of these target groups are between 25-65 and is estimated about 3.84 millions populations. Among them are housewife (230 mill.), farmers (110 mill.), students (40,000) and employers (190 thousands). The first option is designed as 'big-integration' program because the all population would be included into one single scheme independently of the occupational status and gender. Based on this basic pension program, all citizens are eligible to claim a basic pension benefit. The benefit level is set by 3,000 N.T. per month in the initial phrase.

Based on this comprehensive reforming proposal, the pension benefits in existing fragmented social insurance schemes should be consolidated into one single basic pension program. The other part above the basic pension benefits should be designed as supplementary occupational pension based on earning-related contribution and benefit. Should this 'big-integration' program have been successfully implemented, a universal eligible basic pension similar to the Nordic welfare states would be founded in Taiwan. This is a progressive program because it signifies the principle of equality and contributes to the breeding of solidarity across the classes and gender. Based on the principle of universal insurance, the citizens are eligible to claim the pension rights. Though the benefit level is still too low to have strong redistributive effects across upper and low-income groups, this universal option still lay a firm foundation for the institutional blueprint of the institutionalized pension system in Taiwan if implemented I the initial stage.

However, while this reforming proposal had been transferred to Committee of Economic Planning and Development (CEPD) in Oct. 1996, the Task Force was reorganized and more economists were included in the newly established team. Instead of following the guideline of 'big-integration', the blueprint had been changed to 'small-integration'. The organizational principle was then designed to construct along the previous occupational lines, namely the social insurance for public servicemen (PSI), insurance for employee (EI). The newly established National Pension Insurance (NPI) are set up to cover those who are excluded from the PSI and EI. It is estimated

that about 3.84 million people (32% of the population) aged between 24 to 65 are still not covered by any public pension schemes. Among them include housewives (230 million), farmers (110 million), disabled citizens (210,000), self-employment (190,000) and students (40,000). It is obvious that most of those excluded are vulnerable economically. After long negotiations and debates in the parliament (Legislative Yuan), the NPI has been passed in June 2007 and is scheduled to be implemented since October 2008. The newly legislated NPI scheme is contribution-based. According to the reforming proposal of CEPD, the difference of existing separate pension schemes should be maintained. The change is only the payment would be changed from lump-sum to annuity-based scheme. Except the basic guaranteed pension equivalent to the NPI program, the other old-age benefits in PSI and EI would be designed according to the annuity principle and established as the second tier supplementary to the NPI. In the end, the 'small-integration' option has been accepted in the final stage. In June 2007, the National Pension Act has been legislated.

One of the important reasons for explaining the failure of 'big-integration' option in the final debates is the diverse interests between the related ministries. While the Ministry of Interiors (MOI) favored the radical 'big-integration', the Council for Labor Affairs was inclined to adopt the 'small-integration' version. The attitude of CLA toward the status quo is understandable because CLA is interested in holding the EI at hands. Another reason could be ascribed to the low consensus to the principle of solidarity between the two dominant parties on the one hand and the main social groups on the other hand. For example, even the occupational unions endorse the fragmented schemes due to their vested interest. The last but not the least, the middle class is not attracted by low benefit level of the NPI. They will choose the private pension funds as the alternative. Contrary to the implementation experience of National Health Insurance (NHI), the development of NPI is confined to limited coverage, which is composed of low-income groups. It is therefore questionable to what extent the scheme could be financially sustainable after implementation.

5. The Political Economy of Labor/Social Policy Response to the

Financial Crisis

Due to the dramatically increasing unemployment rate (above 5%), the government is considering prolonging the unemployment benefits from 6 to 9 months. The ruling party is still reluctant to the measures, though the financial balance of the unemployment funds. The Council for Labor Affairs aims to contain the unemployment under 4.5% in 2009. The number of workers with unpaid leave is estimated about 200,200 until end of 2008. To address the youth unemployment problems, the Ministry of Education (MOE) set out the 'Guidelines for graduated Students Intern Program in Enterprises'. According to this program, 35,000 positions will be offered for the students graduated from 2006 to 2008. Given Taiwan's extensive network of social security schemes, such transfers can be started and undertaken quickly. They put money directly in the hands of households. Generally they accrue to low income households, which consume a higher than average percentage of income and can enhance the domestic consumption.

Social policy has a range of objectives, including during crises, when it is seen to be a stabilising economic force and promoting domestic consumption. The social policy scholars agree that supporting people in need has to remain the central objective of social policy. Many individuals and households are unable to support themselves and avoid long-term damages that can be inflicted very quickly, and would be unable to prepare themselves for the new economic developments emerging when the economy recovers. Active labour market policies like the training programmes in Taiwan during the current crisis which is badly affecting its open economy are worth being looked at.

6. Conclusion: Implication of Taiwan's case for other Countries

In the discussion about poverty reduction through institutional complementarities between developmental strategies and welfare regime, the case of East-Asia new industrial countries is an interesting one. This paper takes the development of welfare regime in Taiwan as a case to explore the role of social protection policy in the

process of rapid industrialization. It is argued that in the initial phase of industrialization the productive component of social protection policy has been highlighted by the developmental state to serve the goal of economic development. This social policy functioned at this stage as an effective instrument to dampen labor cost and has thus contributed to the low-cost strategy of developmental state. Since end of 1980s, however, the social policy has been profoundly transformed as a consequence of economic globalization on the one hand and domestic democratization on the other hand.

The social policy of East-Asia countries is oriented to the formation of human capital and the maintenance of qualified labor force. Two dimensions of social policy have been distinguished: the productive and distributive social policy. The main character of productive social policy is oriented to the formation of enhancing the competitiveness of the national economy in the world market, whereas the distributive social policy aims to the attainment of social equity through redistribute means, e.g. regressive tax system, extending the coverage of various social insurance schemes etc. Considering enhancing the competitiveness in the world market, the East-Asia countries have to concentrate their limited resources to specific sphere of social policy: education, training, health, housing, work injury insurance or particularly foods supply. All of these are contributed either to the formation of qualified labor force or the cost of worker's subsistence in an affordable level. By contrast, the distributive dimension of social policy was purposely ignored in the stage of authoritarian developmentalism stage. Some important components of social policy, e.g. pension system, unemployment insurance and social assistance have been negligible or underdeveloped. However, after the democratization and the Asian financial crisis, the newly industrialized countries have been given a new dynamic to establish an institutionalized social protection system.

Along with the economic development and globalization has been a process of political democratization since the mid-80s. As democratization has meant the political relevance of popular demands, which may or may not tally with the requirements of the strategy of economic development, social policy has been used by the state as an

effective lever for balancing between the two. The implementation of the NHI in 1995 and the planning of a universal pension program are best understood in this light. In other words, it is observed that social policy making since the 90s in Taiwan has shifted the emphasis from the productive to the distributive component. One significant shift is the extension of social insurance coverage to the vulnerable groups: atypical workers, family dependents, disabled and aged people. The Taiwanese case demonstrates that the social insurance schemes still persists through the inclusion of the disadvantaged groups into the social protection system. Finally, the peculiar role of social protection system for facilitating the economic development has been highlighted. The conventional wisdom depicts the social policy in East-Asia as productivists and these programs as 'commodifying' the labor force. It is indicated that his argument is partly correct but it ignores the necessity and the implications of this choice for the economic developments, at least in the initial phrase.

Memo

Memo
